



Annual Report 2017 | TISCO Financial Group PLC.



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Annual Report 2017



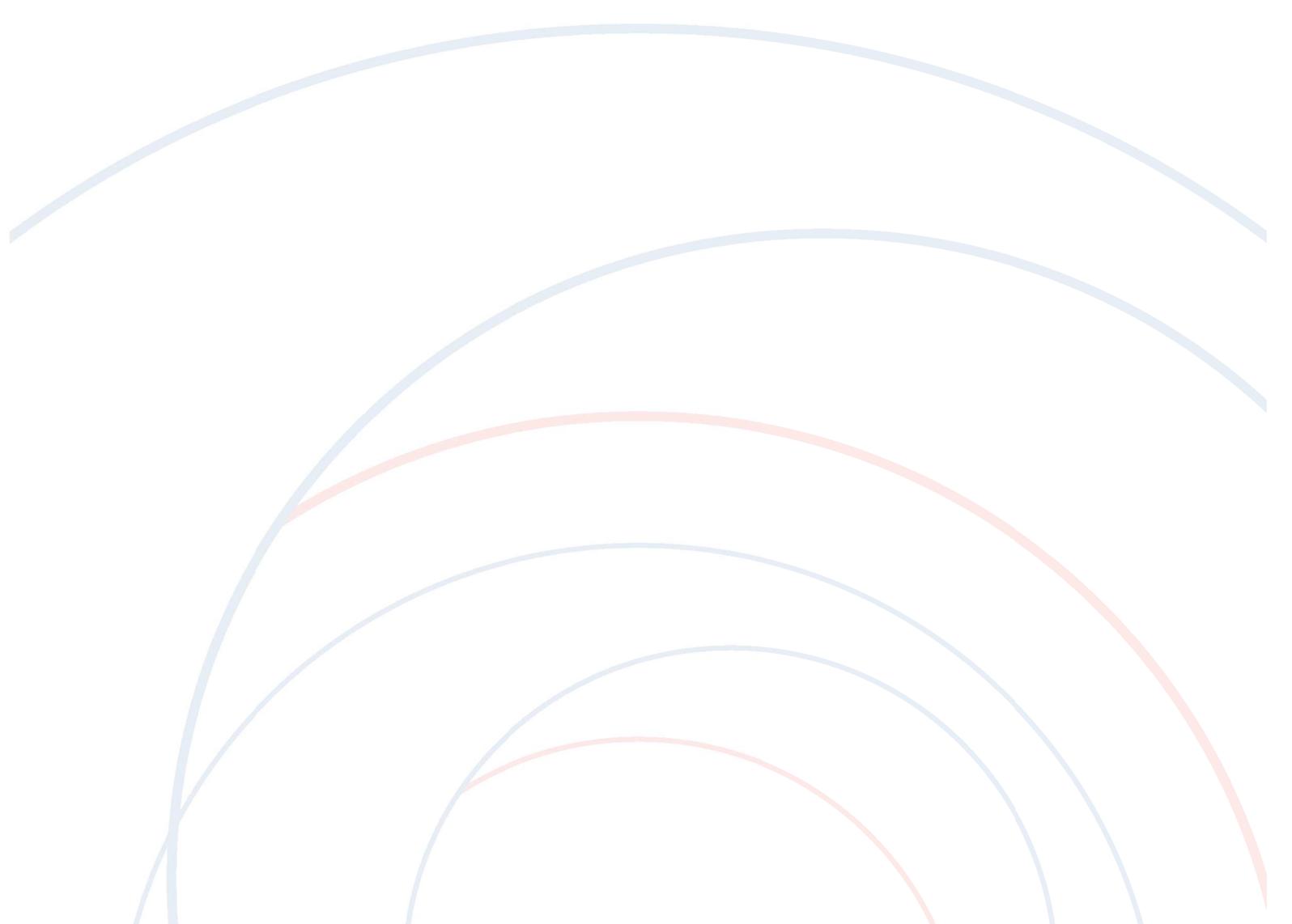
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TISCO Financial Group PLC.

Report from the Board of Directors



Report from the Board of Directors

Thai economy continued growth momentum at moderate pace in 2017, with the GDP growth of 3.9%, driven by improving exports and higher inflow of tourist arrivals throughout the year. Overall consumption started to pick up with the surge in public confidence as well as improvement in farm income; however household spending remained cautious amidst continued high level of household debt. Private investment remained moderate with some sign of positive outlooks while government spending to shore up economic growth remained lackluster. Domestic economy was also partially benefited from improving global economy. US Federal Reserve raised interest rate three times to 1.5% during 2017, underscoring the strength of its economy. While the Eurozone started to resume recovery, China continued consistent growth in good momentum, despite various measures in attempt to curb public debt and overheated property segment.

Despite sound economic growth backdrop, Thai banking industry in 2017 continued to be subdued, with loan growth of only 4.4%. Loan growth opportunities have been limited by high level of household debt, weak SME sector, and lack of major private investment. Asset quality pressure persisted among Thai banks, stemming from vulnerable SME sector, unsecured retail lending, and some large corporate accounts. The banking industry is also facing increased regulatory pressures from new laws and regulations. In particular the IFRS9 new accounting standard to be soon implemented will cost more to banks in terms of increased sophistication to comply. Meanwhile, Thailand has been pushed toward Thailand 4.0 and digital economy, with widespread implementation of national e-payment system through Prompt-Pay service, as well as the introduction of QR code usage in local community, paving the country on the road to cashless society.

Despite a slow note for banking industry in general, TISCO managed to deliver outstanding operating result for the year 2017 with a net profit of 6,090 million baht, grew by 21.7% from the previous year. Not only business profitability was well achieved, TISCO managed to improve asset quality by further lowering down NPL ratio, despite the broader upward trend of NPL in the banking industry. The business result was also supported by strong growth in fee-based income, particularly from bancassurance and capital market businesses. The group has also been prudent in preparation for future uncertainty and regulatory changes. For the year, TISCO further increased provision for loan loss coverage ratio to be the highest in the industry, through conservative counter-cyclical provisioning policy. TISCO Bank capital ratio also remained among the strongest with BIS ratio of 20.7%.

In 2017, TISCO has successfully completed acquisition of retail banking business from Standard Chartered Bank (Thai) Public Company Limited ("SCBT") and consolidated the business operation since October 1, 2017. The transfer was executed seamlessly with collaborative efforts dedicated by both TISCO and SCBT staff with an aim to provide continued services to clients at best convenience. As a result, TISCO's retail banking business has expanded its coverage to offer greater products and services including the addition of mortgage loan, small business loan, credit card, personal loan, and open-architecture wealth management services. The acquired loan portfolio contributed to impressive overall loan growth for the year. In terms of organic growth, TISCO has geared more towards growing secured consumer loan business through "Somwang" brand distribution network. Meanwhile, as bancassurance has emerged as a key business, TISCO has introduced a new subsidiary namely TISCO Insurance Solutions Co., Ltd. to best deliver insurance products and services to clients in the most effective ways.

2017 has also been a good year for Corporate Banking business, particularly from capital market related activities. With well supported stock market, TISCO has launched numerous IPOs as financial advisor and lead underwriter. TISCO Bank also provided lending facilities for major corporates and project financing. In Wealth & Asset Management, the year has been an extraordinary success with strong growth in asset under management following consistent fund performance and quality wealth advisory services. With introduction of open-architecture platform, TISCO has signed business partnership with 10 renowned asset management companies to source the best investment products in the market for our clients.

TISCO continued to put great importance on good corporate governance, committing to CG standard and policies. Assured of our best practice, TISCO was ranked in the top quartile for corporate governance scoring among listed companies or "Company with excellent CG Scoring" from Corporate Governance Report of the Thai Listed Company 2017 awarded by the Thai Institute of Directors Association (IOD). The Sustainability Development framework has also been put into full business practice, considering the impact of our business conduct to the economy, environment and society in all dimensions. This year TISCO was selected into Thailand Sustainability Investment (THSI) 2017 list by the Stock Exchange of Thailand (SET), rewarding for the outstanding performance on Environmental, Social and Governance (ESG) aspects to create sustainable growth in response with investors' concerns. TISCO also continued social responsibility programs focusing in delivering Financial Literacy to youth and local communities through various initiatives and ongoing education programs.

For the year 2018, Thai economy anticipates further recovery from stronger exports, tourism and government investment. Meanwhile, the operating landscape for banking industry is fast changing with the arrival of disruptions from financial technologies (FinTech) and digital banking services. Many banks are downsizing their physical presence through reduction of physical branches and directing the operation towards cutting down number of workforce in preparation for future challenges.

TISCO has prepared ourselves through the initiation of business transformation program and engagement of technology consultants to steer the business towards the new frontier. Meanwhile, as our business model has been that of lean and efficient operation which requires lower level of physical branch network and investment, while our staff has been operating efficiently through effective cost management system, TISCO is thus well adapted to these changes and challenges in this particular time.

The Board would like to express our sincere appreciation to all clients, business partners, and shareholders for their long-term support through all the challenges. We believe that with the dedication, commitment and cooperation of management team and staff, and collaboration with various business partners, TISCO can thrive further in the years to come.

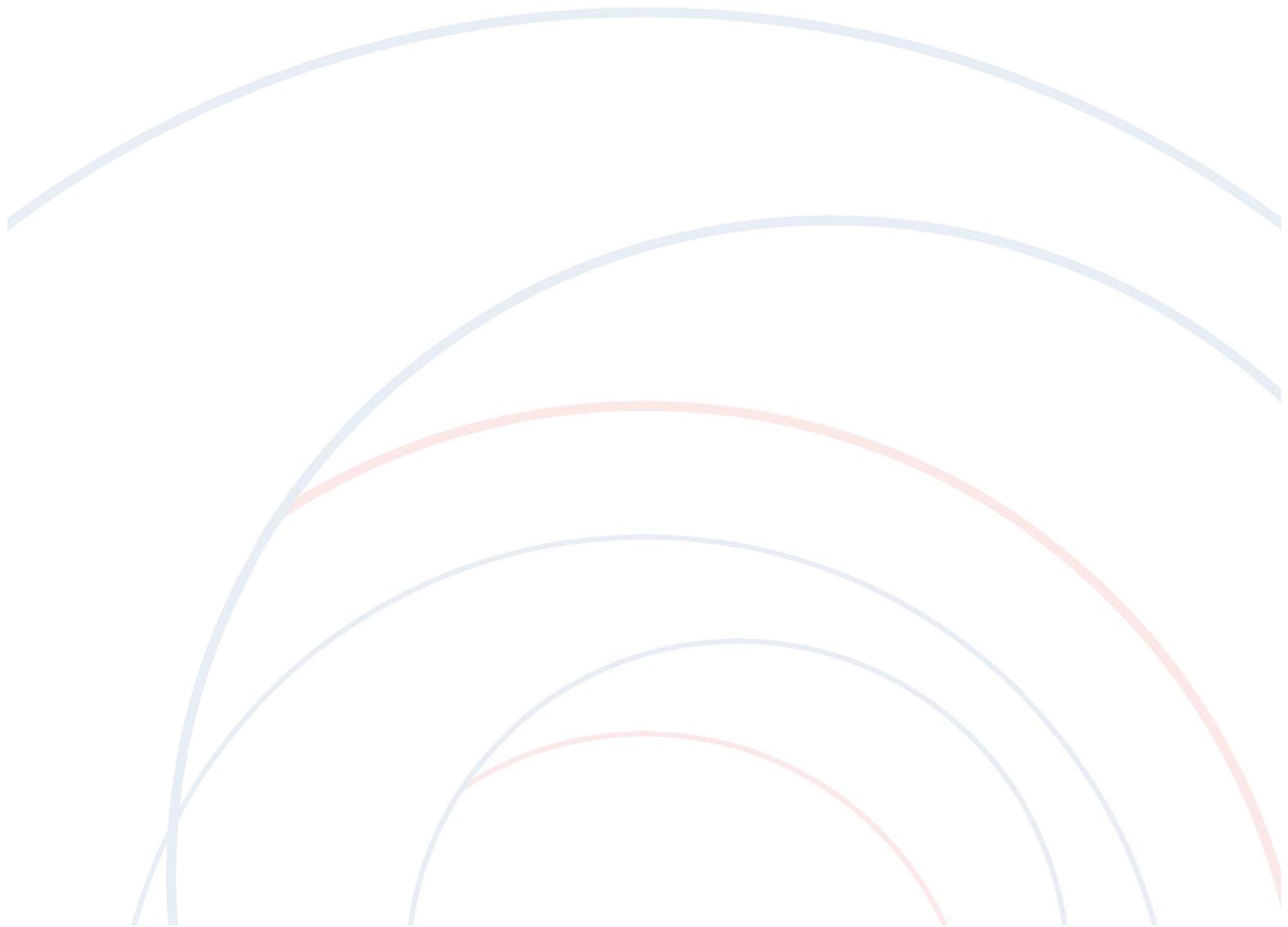
The Board of Directors



TISCO Financial Group PLC.

Part 1

Business Operation



1. Overview of TISCO Business

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 setting 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.

As TISCO Financial Group Public Company Limited operates as shareholders in other companies with no other major business, in which TISCO Bank Plc. is the core company to the group. TISCO Group provides broad range of financial services which can be divided into 2 main businesses: commercial banking and loan business and securities business.

1.1 Vision, Mission, Values for business operations and Business Strategy

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

Vision, Mission, and Values for business operations

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

Our Vision is “Wealth of Possibilities”.

Our Mission is “TISCO is a quality growth organization with strong customer priority, committed to deliver value financial services with mastery and professionalism. Our promise is to provide financial services that address customer needs in all geographies, with focus on creativity of new financial solutions, and providing of guidance and advice to create financial opportunities for our customers at different stages of their lives. Continuous human capital development and leading-edge technological investments are key to our efficiency and reliability of service. TISCO also adheres to the cultures of integrity, fairness, and transparency, that create sustainable value to 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 culture and shape our professional attitude. TISCO values consist of:

1. **Customer Priority** : Customers are our primary focus. Their needs are our priority. We derive a professional and practical solution that fulfills our customers’ requirements.
2. **Mastery**: Our staff is obligated to continually learn and develop themselves, striving for outstanding capability and skill to maximize customer satisfaction.
3. **Integrity**: All of our employees conduct themselves with honesty and follow a code of ethics of the highest standards.
4. **Creativity**: Our expertise is not only dependent on knowledge and experience, but is also founded on our creativity. We provide advice that is not only accurate, but also creative to help them see all financial possibilities they have.
5. **Reliability**: The organization creates added value in our financial services through the professional skills and reliable performance of our team.
6. **Guidance**: Because our staff members have a wide range of financial expertise, we provide our customers with the best financial advisory in a friendly and open-minded way, understanding what exactly they need so we can help them achieve their goals.

Strategic Plan

To formulate 3-year business plan, TISCO has considered of both external business environment and internal factors. The external business environments include economic, regulation, and government policies while internal factors which are strengths, weaknesses, opportunities, risks, critical success factors as well as priority issues. The management will take all of these issues into consideration to determine a Corporate Theme. The Corporate Strategy Map, in accordance with the Corporate Theme, will then be crafted along with Vision. To implement strategic planning successfully, TISCO Group has adopted Balanced Scorecard technique with the aim of achieving balance in strategic planning from four perspectives: financial, customer, internal process and learning. Key Performance Indicators will be determined for all business areas, and linked to performance management to gauge employee performance so that staff may be awarded fair compensation based on merit. Additionally, the business performance is constantly monitored via Performance Dashboard session.

Strategic action for the organization

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

- Increase geographical coverage towards microfinance branch network under brand “Somwang”
- Expand individual deposits base and wealth management business in growing upper middle income and retirement segment amidst aging society trend.

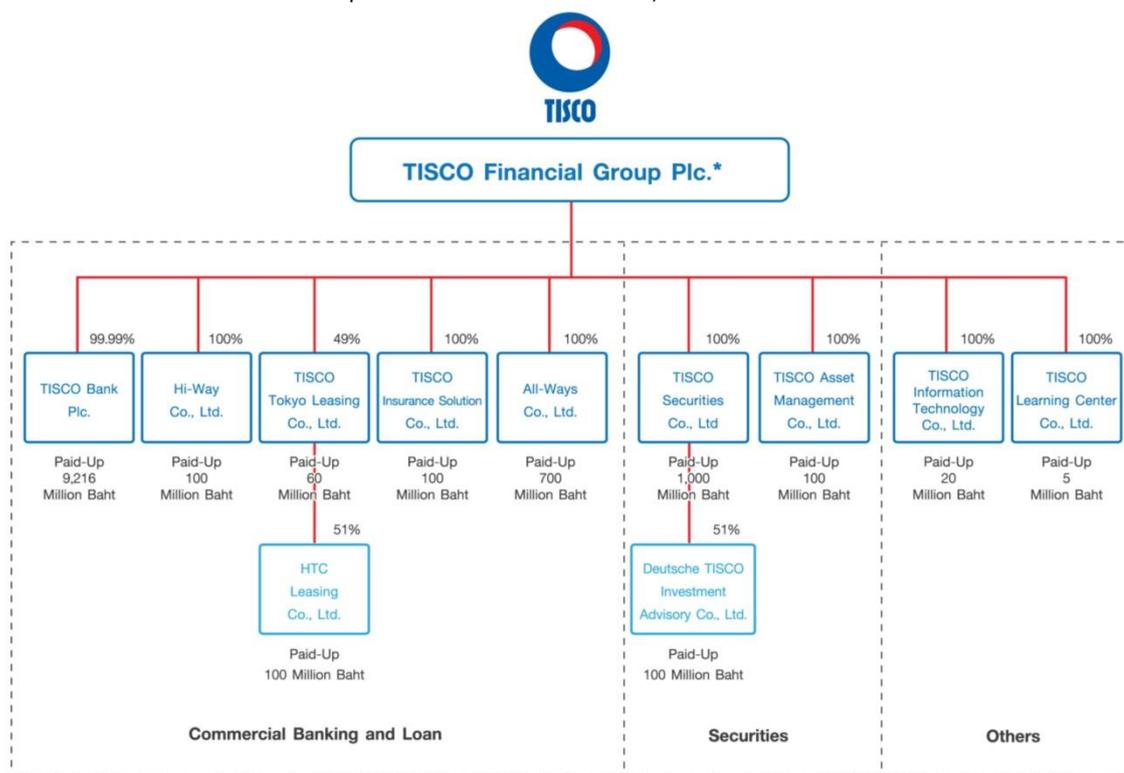
- Continue to explore and leverage on business partners for client acquisition and market access.
- Extensive collaboration to increase customer utilization and business referrals across group’s businesses to offer products and services in response to client’s lifestyle and various customer needs.
- Retain and develop more businesses with existing clients through total solution approach.
- Enhance quality of wealth manager to provide professional financial planning, investment and asset allocation along with open architect platform.
- Develop digital infrastructure to support change in customer behavior and expansion of retail customer base through new platform.

1.2 Important Changes and Developments during the past 3 years

- In 2014, TISCO Bank Plc. increased capital as approved by shareholder’s ordinary general meeting for the year 2014. The objective of capital increase is used to support future growth and ensure sufficient capital cushion in the increasingly volatile environment. The Bank issued and offered newly issued common share to the existing shareholders (Right Offering) accounted for new capital of 1,023.96 million baht. As a result, the paid up capital of the Bank increased to 9,215,676,920 baht.
- In 2015, TISCO Tokyo Leasing Co., Ltd acquired 51% stake in HTC Leasing Co., Ltd, in which it provides captive hire purchase loan for Hitachi construction machinery, and further became an affiliate under TISCO Financial Group.
- In 2016, TISCO Bank Public Company Limited and All-Ways Company Limited, the subsidiaries under TISCO Group, have signed an agreement to transfer retail banking business from Standard Chartered Bank (Thai) Public Company Limited whereby the business acquisition was completed successfully on October 1, 2017. In addition, the business acquisition will be strengthened retail banking business following larger customer base and product coverage together with synergy benefit from the business acquisition. After the transfer, TISCO Bank Public Company Limited acquired the retail banking business including mortgage loans, personal loans, business loans, wealth management and retail deposit business, as well as 4 new bank branches from the transfer. Meanwhile, All-Ways Company Limited acquired credit card business. The transfer was aligned with TISCO Group’s business growth and customer base expansion strategy, together with the offer of a wide range of comprehensive financial products and services to retail customers in every sector

1.3 Businesses of TISCO Group

As TISCO Financial Group Public Company Limited operates as shareholders in other companies with no other major business, the competitive position can be categorized by business operations of companies in TISCO Group which divided into 2 main businesses: commercial banking business and securities business which offer various kinds of financial services in order to satisfy diverse customers’ needs. TISCO Group’s structure as of December 31, 2017 is shown below.



*Listed in The Stock Exchange of Thailand

Details of the juristic person that TISCO Financial Group Plc. held directly more than 10% of their issued shares as of December 31, 2017:

Company/Head Office's Address	Type of Business	Type of shares	Registered Capital	Paid-up Capital	Issued and paid-up shares	Shareholding by the Company	
						Amount of shares held	Percentage of ownership (%)
TISCO Bank Public Company Limited ¹ 1 st Fl., TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2633 6000 Fax. (66) 2633 6800	Commercial Bank	Common	9,215,676,920	9,215,676,920	921,567,588	921,452,229	100.0
		Preferred			104	-	
		Total			921,567,692	921,452,229	
Hi-Way Company Limited 2046/16 New Petchaburi Road, Bangkapi, Huankwang, Bangkok 10310 Tel. (66) 2319 1717 Fax. (66) 2308 7405	Hire Purchase and Leasing	Common	100,000,000	100,000,000	994,500	994,496	100.0
		Preferred			5,500	5,500	
		Total			1,000,000	999,996	
TISCO Tokyo Leasing Company Limited 16 th Fl., TISCO Tower, 48/30 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2638 0900 Fax. (66) 2638 0913	Hire Purchase and Leasing	Common	60,000,000	60,000,000	60,000	29,400	49.0
All-Ways Company Limited 17 th Fl., Zone A, TISCO Tower, 48/35 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2633 6000 Ext. 7 Fax. (66) 2633 7150	Credit Card	Common	700,000,000	700,000,000	7,000,000	6,999,997	100.0
TISCO Securities Company Limited 4 th Fl., TISCO Tower, 48/8 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2633 6999 Fax. (66) 2633 6660	Securities	Common	1,000,000,000	1,000,000,000	100,000,000	99,999,998	100.0
TISCO Asset Management Company Limited 9 th Fl., TISCO Tower, 48/16-17 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2633 6000 Ext. 4 Fax. (66) 2633 7300	Asset Management	Common	100,000,000	100,000,000	1,000,000	999,994	100.0
TISCO Insurance Solution Company Limited 22 th Fl., TISCO Tower, 48/51 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 0 2633 6060 Fax. (66) 2633 4400	Insurance Selling Agent	Common	100,000,000	100,000,000	1,000,000	999,965	100.0
TISCO Information Technology Company Limited 6 th Fl., TISCO Tower, 48/12 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2633 4299 Fax. (66) 2633 7600	Service Support	Common	20,000,000	20,000,000	200,000	199,994	100.0
TISCO Learning Center Company Limited 12 th Fl., Zone A, TISCO Tower, 48/20 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2633 7154 Fax. (66) 2633 7155	Service Support	Common	5,000,000	5,000,000	50,000	49,997	100.0
Primus Leasing Company Limited 22 nd Fl., Zone A, TISCO Tower, 48/50 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. (66) 2633 7766 Fax. (66) 2633 7600	Proceeding Liquidation Process	Common	-	-	30,000	29,998	100.0

¹ 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. The details are provided in notes to consolidated financial statement, section 3.4.5 Investments in which a subsidiary company operating banking business holds not less than 10 percent of the equity of the investees

2. 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 business and securities business.

Commercial banking business: TISCO Group offers financial services under its Commercial Banking Business license. Banking services including loan and deposit are offered through distribution network of its subsidiary, TISCO Bank’s (“the Bank”) and Hi-Way Co., Ltd.

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.

Revenue structure

The revenue structure of the TISCO Group is as follows.

(unit: Million baht)

	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
Interest Income						
- TISCO Bank Plc.	15,994	97.0	15,185	89.0	15,522	80.5
- Hi-Way Co., Ltd.	722	4.4	712	4.2	758	3.9
- Other Subsidiaries	172	1.0	115	0.7	190	1.0
Total Interest Income	16,888	102.4	16,012	93.9	16,470	85.4
Total Interest Expenses	(6,758)	(41.0)	(5,091)	(29.8)	(4,815)	(25.0)
Net Interest Income	10,130	61.4	10,920	64.0	11,655	60.4
Fee and Service Income						
- TISCO Bank Plc.	3,126	19.0	3,134	18.4	3,288	17.1
- TISCO Asset Management Co., Ltd.	1,142	6.9	1,143	6.7	1,686	8.7
- TISCO Securities Co., Ltd.	915	5.5	985	5.8	1,064	5.5
- Other Subsidiaries	73	0.4	135	0.8	357	1.9
Fees and Service Income	5,256	31.9	5,397	31.6	6,395	33.2
Fees and Service Expenses	(199)	(1.2)	(230)	(1.3)	(250)	(1.3)
Net Fees and Service Income	5,057	30.7	5,167	30.3	6,145	31.9
Other Operating Income	1,302	7.9	973	5.7	1,477	7.7
Total Operating Income	16,489	100.0	17,061	100.0	19,277	100.0

2.1 Area of Services

As the Company operates as a shareholder of other companies (Holding Company) with 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 including commercial banking business and securities business. In accordance with client centric approach, the service operations of TISCO Group are divided into 4 business pillars namely 1) Retail Banking 2) Corporate Banking 3) Wealth & Asset Management 4) Corporate Affairs & CSR. Details for each service operation are as follows.

1. Retail Banking

Retail Banking group provides 2 service types as follows.

1.1 Retail Loans

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

• Hire-Purchase Financing

Hire-purchase financing is operated by TISCO Bank Plc, Hi-Way Co., Ltd, TISCO Tokyo Leasing Co., Ltd and HTC Leasing Co., Ltd allow borrowers to buy assets under hire-purchase terms. The buyer makes a down payment at the predetermined proportion of asset value and pays equal installment amounts over the contract period. The ownership of assets is then transferred to the buyer after all installments are paid. Contract periods are ranged from 1 to 7 years. A fixed interest rate is charged in line with the market rate on the contract date.

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

trailers. In addition, hire-purchase financing also offers on loans for buying machinery and equipment for commercial purposes such as printing machines and medical equipment.

As of December 31, 2017, hire-purchase loans were 129,719.70 million baht, decreased by 6.4% from 138,565.68 million baht in 2016 resulting from the prudent lending policy.

Table shows details of car and motorcycle hire purchase loans

Hire Purchase	December 31, 2015 (Million baht)	December 31, 2016 (Million baht)	December 31, 2017 (Million baht)	Growth rate (%)
Car	150,174.57	135,994.84	126,568.60	(6.9)
Motorcycle	2,733.21	2,570.84	3,151.10	22.6
Total*	152,907.78	138,565.68	129,719.70	(6.4)

* Excluding loan of TISCO Tokyo Leasing Co., Ltd. and HTC Leasing Co., Ltd.

In 2017, TISCO Group (specified for TISCO Bank and credit granting companies) granted hire purchase loan for new car, ranked by car brands contribution, with 38.6% from Ford, 21.2% from Mazda, 13.2% from Isuzu, 10.2% from Toyota, 5.7% from Chevrolet and 11.1% of other brands. The proportion of hire purchase loan between new car and used car were 87% and 13%. In addition, the TISCO Group's strategy is to continue on expanding hire-purchase financing, given the ongoing market demand with the enhancement of service quality while continues to offer variety of services, as well as effective control of asset quality rather than engaging in price competition. In addition, the interest rates charged are competitive and the maximum payment period is in compliance with the Bank of Thailand rules.

• **Consumer Loans**

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

Mortgage Loans are granted to acquire residential property, including multipurpose loans, which use property as collateral to support the client's liquidity. The repayment terms are varied from 3 to 30 years with full collateral. The interest rates of mortgage loans are either floating rate or combination of fixed and floating rate which shall be used fixed interest rate at certain pre-defined period such 1-3 years.

In 2017, new mortgage product namely "Mortgage Saver" was introduced. Mortgage Saver allows customer to make repay over to lower mortgage interest and withdraw such excess cash anytime without requesting to approve new loan. At the moment, Mortgage Saver is the only mortgage product in Thailand that has this unique feature allowing customers to benefits the most from effective cash management and satisfying various customer demands.

As of December 31, 2017, mortgage loans were 20,757.33 million baht, increased by 2,020.7% primarily from the transfer of retail banking business from Standard Chartered Bank (Thai).

Consumption Loans are operated by TISCO Bank Plc, and Hi-Way Co., Ltd; providing multipurpose loans for individuals and business owners in need of cash flow for various purposes under brand "TISCO Auto Cash" and "Somwang". The loan against vehicle registration has continually enhanced in responses to diverse needs of customer segments covering car, truck and motorcycle. Key feature of loan against vehicle registration includes repayment periods up to 72 months without transfer of vehicle registration as well as allow customer to fully settle entire outstanding debt prior to the due date.

To enhance customers' convenience in accessing service, TISCO has expanded branch network of loans against vehicle registration nationwide under "Somwang" branches. With an aim to enhance service convenience for new generation of customer, TISCO plans to develop online application service besides website "www.tiscoautocash.co.th" and "www.somwang.co.th".

As of December 31, 2017, consumption loans were 26,824.54 million baht, increased by 27.6% from 21,027.63 million baht at of 2016.

Personal Loans are operated by TISCO Bank Plc providing multipurpose loans for individuals and business owners in need of cash flow for various purposes.

As of December 31, 2017, personal loans were 3,930.96 million baht.

Credit card are operated by All-Way Co., Ltd. providing loans for individuals and operates card business for sales finance and cash advance. All-Way Co., Ltd. offer variety of credit card by Visa and/or Master card for various purposes to satisfy the needs of our cardholders.

As of December 31, 2017, personal loans were 2,952.19 million baht.

Table shows details of retail loans

Retail Finance	December 31, 2015		December 31, 2016		December 31, 2017		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	152,907.78	88.4	138,565.68	86.3	129,719.70	70.4	(6.4)
Mortgage loans	1,224.55	0.7	978.81	0.6	20,757.33	11.3	2,020.7
Consumption loans	18,856.15	10.9	21,027.63	13.1	26,824.54	14.6	27.6
Personal loans*					3,930.96	2.1	N.A.
Credit card*					2,952.19	1.6	N.A.
Total	172,988.48	100.0	160,572.12	100.0	184,184.72	100.0	14.7

*Personal loans and credit card transfer from Standard Chartered Bank (Thai) on October 1, 2017

Customer and Distribution Channels

Target customers of the hire-purchase business are individuals with regular income or salary and good repayment record. The Group service's channels operate through the Bank's headquarters and its branch network and other subsidiary companies. The car hire-purchase business in TISCO Group is operated by TISCO Bank Plc, and TISCO Tokyo Leasing Co., Ltd while motorcycle hire-purchase is operated by Hi-Way Co., Ltd. TISCO Group has expanded client base towards dealer platform whereby the most of hire-purchase client has regular income and good repayment record. Moreover, the Bank had 60 branches and Hi-Way Co., Ltd. under "Somwang" brand with 190 branches nationwide.

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

1.2 Bancassurance

The Bank has been granted Insurance Broker License since 2005 from the Department of Insurance under the Ministry of Commerce. The Bank provides insurance brokerage services for both life and non-life insurances covering various types of insurances. Over 12 years of servicing, the Bank has focused to select and develop both life and non-life insurance products that match with risks and needs of each customer segment towards open-architect platform and the open-architect platform enable the Bank to select and develop product with the insurance company who is product expertise in the different business area. As a result, the Bank can provide suitable and valuable product for the customer. For non-life insurance, the service includes motor insurance, fire insurance, accidental insurance, critical illness insurance, and miscellaneous insurance. For life insurance, the service includes group-life insurance, health insurance. In addition, the Bank presently partner with several business partners who are the leading insurance companies with strong market presence and financial stability.

In 2017, the Bank emphasized to develop insurance product for the high net-worth and retail client. For the high net-worth client, the Bank launched short-term saving insurance policy and a unit linked insurance plan. The highlight product is namely "TISCO My Link", a unit linked insurance plan, the investor will benefit from both valuable life protection and maintaining good return from investment under a single integrated plan. For the retail customer, the bank has been appointed from Mazda Sales (Thailand) Co Ltd (MST) to be official insurance broker, by serving all Mazda customers with the Mazda Premium Insurance policy (MPI). In addition, the Bank has developed health insurance product towards concept "Health is Wealth" to alleviate burden from health expenses as well as support aging society trend by offering various types of insurance policy that meet customers' needs in every life stage. Moreover, the Bank launched new campaign "Pay it forward". The fund was a partial income of "TISCO Zero Cancer Insurance Plan" (ZCP) applications under the campaign for cancer research and cancer patients care at Ramathibodi Foundation.

For the year 2017, TISCO introduced a new company namely "TISCO Insurance Solution Co. Ltd." This company offers well-selected insurance products to the customer. In addition, the products information are provided through website "www.tiscoinsure.com" to increase customer convenience.

2. Corporate Banking

Corporate Banking group provides 3 service types as follows

2.1 Corporate Lending

Corporate Lending service is operated by TISCO Bank. Commercial finance facilities are provided to 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 account 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 such as power plant or buying industrial machinery.

- **Other Commercial Loans**

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

- **Guarantee and Aval Services**

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

- **Loan Consultancy and Related Services**

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

- **Custodian Service**

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

2.2 Commercial Lending

Commercial lending provides commercial credits mainly in small and medium-sized businesses such as inventory financing for car dealers, working capital loans, project finance and hire-purchase and leasing loans for customers in various segments including automobile & parts, logistics, etc. Moreover, the Bank actively joined hand with Thai Credit Guarantee Corporation (TCG) under government project portfolio-guarantee scheme phase 6 to facilitate small and medium-sized enterprises (SMEs).

As of December 31, 2017, TISCO Group had a corporate lending portfolio of 50,607.51 million baht (accounted for 20.1% of total loans) increased by 8.8% (YoY) from 46,509.94 million baht at the end of 2016 mainly due to the loan drawdown from the clients in real estate and construction sector and agriculture and mining sector. Furthermore, in the beginning of 2017, the Company has made loan classification adjustment by reclassifying some clients in Commercial Lending sector to Corporate Lending sector at the approximate amount of 2,100 million baht, with purpose to improve efficiency of loan management.

The commercial loan portfolio stood at 15,099.95 million baht, decreased by 8.2% (YoY) from 16,454.07 million baht at the end of 2016 from the reclassification of some clients to Corporate Lending sector. Nonetheless, during 2017, the Company received the transfer of small business loans from Standard Chartered Bank (Thai). The loan portfolios are detailed as follows :

Type of Business	December 31, 2015		December 31, 2016		December 31, 2017		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	12,126.50	5.1	10,496.69	4.7	11,019.73	4.4	5.0
Real estate and construction	11,987.70	5.0	11,696.34	5.2	14,972.95	6.0	28.0
Public utilities and services	18,837.43	7.9	23,908.50	10.6	22,696.33	9.0	(5.1)
Agriculture and mining	375.67	0.2	408.41	0.2	1,918.50	0.8	369.7
Corporate Lending	43,327.30	18.2	46,509.94	20.7	50,607.51	20.1	8.8
Commercial Lending	19,888.60	8.3	16,454.07	7.3	15,099.95	6.0	(8.2)
Retail loans and other loans	175,043.93	73.5	161,969.99	72.0	185,676.33	73.9	14.6
Total TISCO Loan	238,259.84	100.0	224,934.00	100.0	251,383.79	100.0	11.8

Customer and Distribution Channels

The target customers are mainly customer base who have established long-term relationship with the Bank, and new customers from industries that support economic growth or sectors with strong government backing, such as automobile and parts, agriculture and food processing, transportation and logistics, and tourist.

The Bank provides corporate and commercial loans towards headquarter in Bangkok. The customer will directly contract through our customer relationship officer. In addition, the Bank also participate loan syndication for mega project with other financial institutions both local and foreign bank.

2.3 Investment Banking

TISCO Securities Co., Ltd. is a leader in investment banking service with a long-established reputation more than 46 years in providing the best service to both with corporate and government-related clients. With high caliber and highly experienced professionals, TISCO Securities Co., Ltd. is specialized in many essential industries such as energy & utilities, petrochemicals, telecommunications, transportation & logistics, health care, banking & financial institutions, media & entertainment, and manufacturing, together with a wealth of experience in equity and debt markets, both domestically and internationally. TISCO Securities Co., Ltd. has been approved by the SEC to provide financial advisory services and granted an underwriting license from the Ministry of Finance. The full range of financial advisory and underwriting services are covering various types of instrument including equity, debt, and convertible instruments. Moreover, TISCO Securities Co., Ltd. also provides financial advisory service for merger & acquisition, privatization advisory and implementation, project financing, debt restructuring, feasibility study, project valuation, and general advisory, etc.

In 2017, TISCO's investment banking was trusted by our customers to provide various financial advisory services including financial advisory and underwriting service for the Initial Public Offering ("IPO"), financial advisory for fund raising, tender offer, merger and acquisition, and company valuation. The highlighted transactions in 2017 included the financial advisor and lead underwriter for the initial public offering of TPI POLENE POWER Plc. (TPIPP), S.KIJCHAI ENTERPRISE Plc. (SKN) and SYNERGETIC AUTO PERFORMANCE Plc. (ASAP) with the issue size of 17,500 million Baht, 1,470 million Baht and 636 million Baht respectively; and financial advisory for 300 million USD debt raising to BCPG Plc.

3. Wealth & Asset Management

With an aim to become "Top Advisory House", TISCO offers full range of financial and investment advisory services under the brand "TISCO Wealth". TISCO Wealth provides comprehensive wealth management services including banking, securities brokerage, and asset management to deliver investment solutions for our clients in meeting up with their savings and investment demand. TISCO Wealth's client can be categorized into 3 groups including TISCO Premium, TISCO Platinum, and TISCO Private. These groups are defined by total consolidated portfolio including both investment in fund, securities, and deposits. TISCO Premium is defined as client having total consolidated portfolio of 1 to 5 million baht. TISCO Platinum is defined as clients having total consolidated portfolio of 5 to 20 million baht while TISCO Private is defined as clients having total consolidated portfolio of more than 20 million baht. TISCO Wealth clients are closely serviced by our personal banking officers, wealth managers, and private bankers, who provide deposit services and various types of investment advisory for both onshore and offshore investment.

TISCO Wealth clients enjoy full range of financial and lifestyle privileges including fees exemption on financial transaction services, updates on investment news, investment seminars, and special privileges including birthday privilege, lifestyles events, travelling, healthcare privilege, and special discounts on selected stores.

In 2017, TISCO Wealth continues to focus on its service excellence in being a full coverage investment advisory house. Regarding this aspect, TISCO's Economic Strategy Unit has issued TISCO Investment Portfolio Strategy or TIPS, a comprehensive report covered in-depth analysis of global economy, financial markets, and investment strategy. Moreover, TISCO Wealth has offered foreign investment funds and trigger funds which are used as wealth management solutions for each of our clients. TISCO Wealth has emphasized to enhance staff's quality by aiming to acquire Certified Financial Planner (CFP) in the future. Furthermore, the Bank launched the full initiation of Open Architecture platform for our clients to enjoy benefits from 10 asset management companies including TISCO Asset Management's together with our expertise in wealth advisory service at one-stop process or "Fund Stop Service" via branch network.

Wealth & Asset Management group provides 7 service types as follows:

3.1 Private Banking

Private Banking is in charge of high net-worth clients with deposits and investment portfolio of more than 20 million baht. The Private Banking services including deposits, cash management services, professional financial and investment advisory as well as fund management services. In 2017, TISCO Bank continues to provide in-depth investment advisory services covering all investment types and asset classes around the world through professional investment consultant at TISCO Bank branches. In addition, TISCO has regularly arranged investment seminars by TISCO Investment Guru to support investors' needs.

3.2 Retail Deposit

TISCO Bank has offered a variety of deposit products such as current account, savings account, and fixed deposits account along with related financial transaction services including issuance of cashier cheque and personal cheque, cheque clearing, and funds transfer.

In 2017, TISCO Bank has continued to focus on its complete range of financial and investment products by offering new savings account targeting retail deposits customers which is TISCO My Savings. TISCO My Savings is a savings account with no minimum opening balance in which interest rate is paid monthly with the maximum rate of 1.85% p.a. Besides, TISCO My Savings offers unlimited deposit, withdrawal, and transfer. The clients will also enjoy the benefits of unlimited transactions without fee through TISCO Mobile Banking including bill payment transactions, PromptPay transactions, as well as conduct purchasing transactions via TISCO Debit Card.

TISCO Bank realizes the importance of financial channels development for more convenient, quicker, and safer banking transactions. In 2017, the Bank has developed TISCO Mobile Banking application for banking transactions via mobile phone including balance inquiry, transfer, bill payment, and PromptPay registration for transactions anywhere and anytime. Apart from that the Bank has launched TISCO Debit Card allowing withdrawal, transfer and purchasing at network stores under the symbol of Thai Payment Network (TPN). Lastly, TISCO Bank also launched TISCO Alert Notification service that will keep the account owner informed of credit-debit transactions from deposit account through SMS for more convenient.

3.3 Private Sales Brokerage

Private Sales Brokerage is operated by TISCO Securities Co., Ltd ("TISCO Securities"), as a member number two on the Stock Exchange of Thailand, offering brokerage services to retail clients through head office in Bangkok and four other branches upcountry including Chiang Mai, Nakhon Pathom, Nakhon Ratchasima, and Udon Thani. In 2017, TISCO Securities Co., Ltd co-operate with TISCO Bank launched new branch at Thonglor to provide wealth service for customer. Service foundation of TISCO Securities Co., Ltd is built on quality and client satisfaction while adhering to ethics and service integrity. In addition, client can choose services by placing orders through their designated marketing officers or by themselves through internet channel.

At the end of 2017, TISCO Securities Co., Ltd's market share of individual customer was at 1.9%. With an aim to expand market aggressively in term of customer base, trading volume and developing new technology, TISCO Securities Co., Ltd has continued Banker to Broker initiative with the Stock Exchange of Thailand in which investors can open trading account of both equity and derivatives at TISCO Bank branches.

To align with the digital securities brokerage business, TISCO Securities has enhanced the capability of TISCO Stock Scan, a stock investment application in which investors can search for stocks according to their investment style and risk appetite. The new TISCO Stock Scan Version 2.0 has a new function called "Model Portfolio" or a function for investors to compare between different portfolios including comparison with suggested portfolios from TISCO Weekly Stock Guru and TISCO Smart Tactics. To provide real-time services, investors can contact TISCO via Line application: @TISCOeResearch which provides news and research by TISCO Research team. In addition, TISCO Securities has continually promoted marketing activities and provide investment knowledge in Bangkok and key provinces to investors as well as our marketing staffs to attain the best possible service for the customer. Apart from domestic investment, TISCO Securities also provides international brokerage services namely "TISCO Global Trade" to provide investment opportunities for the customer who demands to invest in world-class companies in 5 leading countries including United State of America, Britain, Japan, Hong Kong, and Singapore.

Table shows information on TISCO Securities business

(Unit: Million baht)

Information of TISCO Securities Business	2015	2016	2017
Trading values of Individual Customer	214,260.86	206,359.12	206,293.45
Overall Market Share – Company ¹	2.8	2.4	2.6
Market Share – Individual Customer	1.9	1.6	1.9

¹ SET and MAI excluding Proprietary Trading

Source: TISCO Securities Co., Ltd.

3.4 Institutional Brokerage

TISCO Securities Co., Ltd offers brokerage services to institutional clients through head office in Bangkok. As of December 31, 2017, the market share of institution customer was 2.7% comprised of 3.3% from local institution investor and 2.3% from foreign institution investor. In 2017, the strategy for institutional brokerage aims at expanding the market aggressively by brought leading corporation's representatives to meet with global investors through Deutsche TISCO Investment Advisory Company Limited in providing world-class equity research and strategic investment advisory service for domestic and foreign institutional investors.

Table shows information on TISCO's Securities Business

(Unit: Million baht)

Information of TISCO Securities Business	2015	2016	2017
Trading values of Institutions Customer	299,084.84	318,798.58	337,049.55
- Domestic	141,833.11	157,520.69	171,316.87
- Foreign	157,251.73	161,277.89	165,732.68
Market Share – Institutions Customer^{/1}	3.4	2.7	2.7
- Domestic Institutions	3.6	3.0	3.3
- Foreign Institutions	3.3	2.5	2.3

^{/1} SET and MAI

Source: TISCO Securities Co., Ltd.

3.5 Asset Management

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

• 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, 2017 there were 66 provident funds accounted for asset under management amounted to 151,053.42 million baht, up by 15.2% (YoY), representing 4,375 companies and 632,605 members. As of December 31, 2017, the provident fund business accounted for a market share of 14.0% 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	2015	2016	2017	% Growth
Single Fund	44,938.98	46,782.57	48,502.87	3.7
Master Fund	73,797.99	84,290.67	102,550.55	21.7
Total	118,736.97	131,073.24	151,053.42	15.2

• 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, 2017, there were 278 private funds accounted for asset under management amounted to 41,855.28 million baht, increased by 56.6%. As of December 31, 2017, the private funds business accounted for a market share of 5.0%, putting the company in 5th 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	2015	2016	2017	% Growth
Juristic person	15,791.17	15,789.24	30,939.45	96.0
Individual	10,622.07	10,943.71	10,915.82	(0.3)
Total	26,413.25	26,732.95	41,855.28	56.6

• Mutual funds

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

As of December 31, 2017, there were 90 mutual funds accounted for asset under management amounted to 47,334.10 million baht. As of December 31, 2017, the mutual fund business accounted for a market share of 0.9% and ranked 14th in the overall mutual fund market.

Distribution Channels

In general, TISCO Asset Management Co., Ltd. uses direct market approach as main channel for all fund types. For mutual fund business, the company has additional channels consisting of selling agents from banks, finance and

securities companies, as stated in their prospectus. In addition, TISCO Asset Management Co., Ltd also increased distribution channel through internet trading in order to increase customer's service convenience. Moreover, TISCO Securities offering brokerage services to retail clients through head office and Thonglor Branch in Bangkok and four other branches upcountry including Chiang Mai, Nakhon Pathom, Nakhon Ratchasima, and Udon Thani.

3.6 Cash Management Services

The Bank's Cash Management Services include cash inflow and cash outflow management for corporate clients, which ultimately help increase operation efficiency and reduce operating cost for clients. Cash Management Services comprise of three 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.

3.7 Mutual Fund Selling Agent

Mutual Fund Selling Agent is operated by TISCO Bank Co., Ltd offering advisory mutual fund products and services via Open Architecture platform for our clients to enjoy benefits from 10 asset management companies, 500 funds including TISCO Asset Management's together with our expertise in wealth advisory service. Additionally, TISCO will also facilitate customer in research and investment strategy to maintaining good return from investment along with the good choice of investment including asset allocation strategy for the customer.

4. Corporate Affairs & CSR

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

- Enterprise Risk Management, Risk Research, Investment, Corporate Accounting, Planning & Budgeting, Credit Control
- Product Development and Marketing, Digital Channel, Bancassurance
- Internal Audit, Compliance, Operational Risk Management, Legal Office, Corporate Secretariat Office
- Corporate Marketing & Communication, Economic Strategy, Corporate Services
- Human Resource Administration, Human Resource Services,
- Productivity, Data Management, Project Management Office, Solutions Development, Enterprise Architecture, Information Security

In addition, TISCO also has Treasury department as a unit under the Bank, which is 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 return under the corporate guidelines and risk policy and in compliance with all related rules and regulations. It also manages liquidity according to the BoT regulations.

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

2.2 Market and Competition

2.2.1 Commercial Banking Business

- **Market**

As of December 31, 2017, there were 30 banks consist of 16 Thai commercial banks and 14 subsidiaries and branches of foreign banks. The conditions of deposits and loans market are detailed as follows

Deposits

As of December 31, 2017, deposits in Thai commercial bank industry¹ were at 12,098,764 million baht, up by 6.5% (YoY) along with the growth in loan demand. At the end of 2017, average 3-month deposit interest rate of the top four large

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

banks remained stable at 0.93% following the deposit demand of commercial bank. In 2017, the Bank's deposits¹ was 181,499 million baht, increased by 16.4% (YoY), stemming from the transfer of deposit from Standard Chartered Bank (Thai).

Table showing movement of average interest rates of Thai commercial banks

(Unit: % per year)

	2015	2016	2017
Minimum Lending Rate (MLR) ¹	6.51	6.26	6.20
3-month fixed deposit rate ¹	1.01	0.93	0.93

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

Loans

As of December 31, 2017, total outstanding loans of Thai commercial bank industry were 11,061,078 million baht, increased by 4.4% (YoY) amid economic recovery. At the end of 2017, the average MLR at the top four large banks was at 6.20% per year, decreased from 6.26% p.a. at the end of year 2016. The Bank's loan was 234,228 million baht, improved by 9.4% (YoY).

Table exhibits comparison of assets, deposits and loans as of December 31, 2017

(Unit: Million baht)

Commercial Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Loans	Market Share (%)
1. Krung Thai Bank Plc.	2,970,037	17.9	2,252,421	18.6	1,817,136	16.4
2. Bangkok Bank Plc.	2,781,740	16.7	2,073,594	17.1	1,748,653	15.8
3. Siam Commercial Bank Plc.	2,725,632	16.4	2,087,890	17.3	1,931,839	17.5
4. Kasikorn Bank Plc.	2,444,824	14.7	1,875,729	15.5	1,662,880	15.0
5. Bank of Ayudhya Plc.	1,999,809	12.0	1,316,705	10.9	1,384,881	12.5
6. Thanachart Bank Plc.	954,460	5.7	717,807	5.9	645,628	5.8
7. Thai Military Bank Plc.	842,976	5.1	611,508	5.1	618,386	5.6
8. UOB Bank Plc.	516,964	3.1	370,279	3.1	340,023	3.1
9. CIMB Thai Bank Plc.	296,307	1.8	177,703	1.5	195,872	1.8
10. TISCO Bank Plc.	288,275	1.7	181,499	1.5	234,228	2.1
11. Kiatnakin Bank Plc.	245,088	1.5	133,278	1.1	184,342	1.7
12. Standard Charter Bank(Thai) Plc.	230,396	1.4	143,742	1.2	150,618	1.4
13. Land & House Bank Plc.	179,892	1.1	100,350	0.8	101,088	0.9
14. ICBC (Thai) Plc.	155,373	0.9	56,259	0.5	45,504	0.4
Total	16,631,773	100.0	12,098,764	100.0	11,061,078	100.0

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

Car hire-purchase business, the major business of the Bank, generally expanded in line with automobile industry growth. In 2017, domestic car sales were 871,647 units, increased by 13.4% (YoY) due to new car models from manufacturers along with improving economic condition. For year 2017, the total new car sales comprised 39.7% of passenger car and 60.3% of commercial car. In addition, TISCO's penetration rate was at 7.2% to total new car sales.

Table showing car sales in Thailand during 2013-2017

(Unit: Vehicle)

Category	2013	2014	2015	2016	2017
Passenger car	631,223	369,836	299,309	279,827	346,247
Commercial car	699,447	511,996	500,323	488,961	525,400
Total	1,330,670	881,832	799,632	768,788	871,647

Source: Automobile Institute

• Competition

In 2017, the performance of commercial banking industry was improved however the net profit decreased compared with the previous year mainly from the setup of provisions to support asset quality deterioration and prepare for the change in accounting standard of IFRS 9 in 2018. Meanwhile, the loan growth expanded by 4.4%, with growth acceleration towards the end of the year in both SME and consumer loans. On the loan quality front, the ratio of gross non-performing loans (NPLs) to total loan increased to 2.91% at decelerated growth rate. The weak consumer confidence together with high level of household debt have pressured on asset quality of loan portfolio. Nevertheless, the provision buffer and capital fund remained solid which had cushion against the weak asset quality. Meanwhile, the Bank of Thailand maintained the policy rate at the 1.50% in 2017 to

¹ Deposit includes the short-term borrowings

stimulate consumption and support the domestic economic recovery. The competition in deposit market slightly increased alongside with the loan growth. The commercial banks launched deposit campaigns to maintain customer base as well as term deposits to maintain cost of fund. In light of changing customer behavior, some banks are downsizing and revamping the physical branch networks, adding more financial service to mobile apps and internet banking to shift towards consumer preference for digital service and support National E-Payment policy including PromptPay which launched in early of 2017. Furthermore, the Bank of Thailand tightened controls on credit cards and unsecured personal loans, by reduce the maximum credit card interest rate to 18% from 20% and curbs credit line limits of both credit cards and personal loans in order to control high household debt levels. In addition, TISCO Bank continued to focus on expanding retail deposit customer base by offering savings products that earn appropriate yield as well as improving services to enhance customer convenience.

For corporate and SMEs banking businesses, the competition remained intense to maintain the existing customer base as well as expanded new customer. Most of the players adopted pricing strategy and integrated financial solution to serve the customer. Nevertheless, the commercial banks tightened credit policy for SMEs segment to curb the weakened asset quality. Meanwhile, some of corporate customers tend to raise fund from the issuance from equity and debt instrument. TISCO Bank has focused on controlling asset quality as well as preparing to cope with economic uncertainty. Thus, the Bank aims to compete on service quality rather than pricing. The Bank also expands customer base by deploying long experience in the business, excellence operation, and quality service to response with diverse needs of the customer.

For auto hire purchase business, the competitors in auto hire purchase business can be divided into two major groups: 1) commercial bank and leasing company, a subsidiary of commercial bank and 2) subsidiary companies of car manufacturers and car dealers (captive finance companies). For the year 2017, the competition in auto hire purchase market remained intense despite the total car sales was increased by 13.4% (YoY) following the end of the first-time car buyer scheme units along with improving economic condition. Meanwhile, the used car sales improved from the previous year partly due to the higher price of new car and more reasonable price of used car. Nevertheless, TISCO Group has retained the competitive advantage in new car business from being the key strategic partner with car manufacturers and car dealers of Ford and Mazda. Amidst economic volatility, TISCO Group continues to expand customer base through efficient and high standard of service, long experience in hire purchase business, good relationship with car dealers, effective cost and risk management together with extensive customer database.

As of December 31, 2017, the Bank was ranked at 10th place among Thai commercial banks based on asset size. The market share of assets, deposits and loans were 1.7%, 1.5% and 2.1% respectively.

2.2.2 Securities Business

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

- **Market**

At the end of 2017, there are 42 companies¹ who have been granted to operate brokerage business service and 73¹ companies who have been granted to operate financial advisory service by the office of Securities and Exchange Commission. In 2017, SET index closed at 1,753.71 points, increased by 210.77 points (13.7% YoY) from 1,542.94 points at the end of 2016. Meanwhile, the average daily turnover was at 47,755 million baht, decreased by 5.0% from 2016. For derivative market, total trading volume increased 13.5% to 79 million contracts from a year earlier. The average daily volume increase to 324,217 contracts per day, significantly improved from 285,189 contracts per day in 2016. In primary market, there were 39 newly listed companies in SET and MAI markets, 6 property funds (REITs) and 1 infrastructure fund (IFF). The total offering size of newly listed securities was 106,279.61 million baht, down by 101.36% (YoY).

In light of equity market rally in 2017, the domestic capital market was continuously improved led by bullish market sentiment in the second half of 2017 following investor confidence toward Thai government stability and the growing corporate income.

Table shows capital market conditions

	2015	2016	2017
SET index (points)	1,288.02	1,542.94	1,753.71
Market capitalization (million baht)	12,282,755	15,079,272	17,587,433
Trading turnover (million baht)	9,997,372	12,259,772	11,652,311
Average daily turnover (million baht)	41,141	50,245	47,755
Dividend yield (%)	3.36	3.04	2.70
Price to earnings ratio (times)	22.57	18.55	19.06
Number of listed companies on the SET	517	522	538
Volume of derivative contract (contracts)	48,538,899	69,576,164	78,990,574

Source: The Stock Exchange of Thailand

¹ Source: www.sec.or.th

- **Competition**

Although there are a lot of players in securities brokerage market, the new players still interest to enter the market amidst the brokerage business liberalization. Thus, the brokerage market competition remained intense to maintain and expand market share. Most of market player has adopted price cutting strategy as well as pure online trading brokerage service to reduce operating cost. Furthermore, some of market players adopted revenue diversification strategy through new sources of income including cross-border business activity to expand investment banking business, exclusive partnership with international brokers in order to increase market share in foreign institution and extend to global market services, and new business expansion such as derivatives warrant business, derivatives business, selling agent business, etc. Also many securities companies extensively operated their own proprietary trading to increase trading income. Going forward, the competitive pressure will be significantly increased led by commission fee liberalization in which sliding scale commission fee will be applied to individual investor while freely negotiated commission fee will be applied to institutional client. TISCO Securities Co., Ltd has no policy in aggressive price cutting. However, TISCO Securities Co., Ltd. focuses to serve fundamental investors rather than speculative investors, by producing high quality research article, and developing other services as an alternative for the investor.

For the year 2017, TISCO Securities has enhanced several service capabilities. For instance, the new Stock Scan application which is a tool that helps customer to sort out prominent stock according to investment style and their risk appetite to be more modern and outstanding, Aspen application for helped customer to received instant news around the world, also the smart technical tools as well as launching Line: @TISCOeResearch which provide news and research by TISCO Research team. For the institutional client business, Deutsche TISCO Investment Advisory Co., Ltd has continually developed research and investment advisory services to serve local and foreign institutional investors. In 2017, TISCO Securities Co., Ltd accounted for a market share (excluding proprietary trading) of 2.5%, ranked 18th place among 38 securities companies.

For the investment banking market, the competition is intense as there are a lot of market players while market demand is limited. Most of the players emphasize in quality of team, experience and expertise in financial advisory as well as established long-term relationship with customer.

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

- **Market**

For the asset management industry, there are 27 players including asset management companies, commercial banks, securities companies, and insurance companies. As of December 31, 2017, the asset under management of asset management market totaled 6,909,910 million baht, increased by 10.6% (YoY). Furthermore, the provident funds totaled 1,082,620 million baht, increased by 11.2% (YoY) while private funds totaled 841,078 million baht, increased by 12.7% (YoY). Mutual funds totaled 4,986,212 million baht, increased by 10.1% (YoY). The details of market funds at year-end of 2015 to 2017 are shown as follows:

Table shows Asset Management market

(Unit: Million baht)

Funds	2015	2016	2017
Provident Fund	883,693	973,273	1,082,620
Private Fund	590,791	746,170	841,078
Mutual Fund	3,977,595	4,529,538	4,986,212
Total	5,452,079	6,248,981	6,909,910

Source: Association of Investment Management Companies

- **Competition**

Overall asset management industry remained highly competitive in all business segments. For provident fund business, TISCO Asset Management Co., Ltd (TISCO Asset) has continued to maintain its market share and leading market position with the highest number of corporate accounts. In 2017, the number of leading corporates that newly assigned TISCO Asset as their provident fund manager were more than 200 companies, e.g. Jay Mart Mobile Co.,Ltd., New City (Bangkok) Plc., Rama 3 Group Honda Automobile Co., Ltd., Benz Amorn Ratchada Group and etc. Also there are funds that transferred to TISCO Asset such as PTT Group, Allianz Ayudhya Assurance Plc., Dow Corning (Thailand) Ltd. and etc. In 2017, TISCO Asset launched "TISCO Smart Retirement" Project including 4 aspects of retirement planning which are Smart Saving, Smart Spending, Smart Living and Smart Insure. The main objective of the project is to encourage younger generations to plan for retirement during their working period to ensure that their retirement goal will be achieved. As of December 31, 2017, total provident fund under management was 151,053.42 million baht.

In 2017, the brighter economic prospect especially in USA, EU and Japan, will bolster investors' sentiment. Even though the Federal Reserve raised interest rates and reduced in bond holding to drain liquidity in the market. However, the investors continue to invest in various asset including medium and high risk assets such as local and foreign equity. Moreover, the equity fund growth more than 20% YoY compared with total mutual fund market growth 10% YoY. In the past year, the asset management companies launched various investment product including Foreign Investment Fund (FIF), Income Fund, Multi-asset Fund and Retirement Mutual Fund (RMF). Moreover, TISCO Asset Management launched variety of product such as

Global Emerging Markets Fund, Global Technology Equity Fund, Global Infrastructure Equity Fund and US Financial Fund that remains popular among investor. Meanwhile, all of the trigger fund launched and achieved the target in 2017. With the strategy to offer product that suitable for customer need, mutual fund continually grew 34% with total size of 47,334 million baht.

As of December 31, 2017, private fund continually grew to 41,855.28 million baht from 26,732.95 million baht or 57% due to the appointment from university client. The private fund business also has intense competition especially in institutional clients for example university group, co-operative group and organization group. Nonetheless, TISCO Asset Management focused on expanding individual client base with professional investment advisory service by highly experienced fund managers that can meet variety of clients' demands, together with effective risk management.

Table shows the TISCO's asset under management by type of fund business as of December 31, 2017

Funds	Net asset under management (Million baht)	Market Share (%)	Market Rank
Provident Fund	151,053.42	14.0	3/16
Private Fund	41,855.28	5.0	5/24
Mutual Fund	47,334.10	0.9	14/23
Total	240,242.80	3.5	9/27

Source: Association of Investment Management Companies

2.3 Resources

1) Sources of Fund

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

(Unit: Million baht)

Sources of Fund	2015	2016	2017
Deposit and Short-term Borrowings	165,281.11	161,034.44	188,280.76
Interbank and Money Market Items	10,030.06	5,196.60	4,017.51
Debentures	67,582.00	64,362.00	63,601.70
Other Liabilities	9,206.18	9,353.82	12,756.67
Total Sources of Fund from Liabilities	252,099.35	239,946.86	268,656.64
Capital	28,194.33	31,325.54	34,731.76
Total Sources of Fund	280,293.68	271,272.40	303,388.41

As of December 31, 2017, list of assets and liabilities breakdown by term to maturity is shown in the following table:

(Unit: Million baht)

Transactions	Term to Maturity							Total
	At call	0 – 3 months	3- 12 months	1-5 years	Over 5 years	Unspecified	Non-performing loans*	
Financial assets								
Cash	1,325	-	-	-	-	-	-	1,325
Interbank and money market items	1,652	42,995	-	-	-	-	-	44,647
Investments - net	-	3,391	2,059	289	2	1,806	-	7,547
Loans to customers	2,503	21,507	49,479	128,672	44,100	-	5,829	252,090
Securities and derivatives business receivables	-	2,342	-	-	-	-	-	2,342
	5,480	70,235	51,538	128,961	44,102	1,806	5,829	307,951
Financial liabilities								
Deposits	70,469	64,855	45,075	405	-	-	-	180,804
Interbank and money market items	540	993	215	2,269	-	-	-	4,017
Liabilities payable on demand	431	-	-	-	-	-	-	431
Derivative liabilities	-	-	-	30	-	-	-	30
Debts issued and borrowings	37	27,514	13,848	23,000	6,680	-	-	71,079
Securities and derivatives business payables	-	2,216	-	-	-	-	-	2,216
Payables to clearing house	-	114	-	-	-	-	-	114
	71,477	95,692	59,138	25,704	6,680	-	-	258,691
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	2	10	31	14	-	571	-	628
Other commitments	-	-	13	2,222	-	575	-	2,810

* Non-performing loan according to the BOT's guidelines

Details of risk of duration mismatch are described in Part 1 Section 3: 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. TISCO Group has established a standard approval process for the hire-purchase portfolio and other retail loan portfolios by systematically 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. Nevertheless, overall customers still have appropriate risk-adjusted return. Meanwhile, TISCO Group has a policy to maintain good credit quality compared to competitors without resorting to a price-cutting policy. In this respect, the focus on enhancing quality of service and good business relationships is a vital competitive tool. For the collateral policy, hire-purchase assets are supported by adequate secondary markets and appropriate insurance strategies.

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

- **Credit Approval Limits and Authorities**

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

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

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

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

- **Credit Risk Management**

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

Management Committee of TISCO Financial Group Public Company Limited, the parent company, on a regular basis in compliance with Consolidated Supervision principle of the Bank of Thailand.

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

A credit grading system has been adopted in credit risk assessment for both corporate and retail credit portfolios in accordance with the implementation of the Internal Ratings Based approach (IRB) resulting in more efficiency in capital utilization in the long term.

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

- **Credit Collection**

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

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

- **Debt restructuring**

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

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

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

(3) Capital Adequacy

The Group has a policy to maintain capital that is adequate to safeguard against company risks in the long run, taking into account long-term solvency within economic uncertainties and the adequacy of regulatory capital-to-risk asset ratios as required by law. Currently, the Bank of Thailand sets the capital adequacy ratio for banks registered in Thailand at 9.75%, where Tier-I Capital must be maintained at a level equal to at least 7.25% of risk assets.

The year-end Capital Adequacy Ratio for 2015 to 2017 has been maintained above the regulatory requirements with details as follows:

(Unit: Percentage)

Capital Adequacy Ratio	December 31, 2015	December 31, 2016	December 31, 2017	Regulatory Requirement
Tier-I Capital to Risk Assets	13.98	14.73	15.98	7.25
Total Capital to Risk Assets	18.01	19.59	20.72	9.75

Remark: Applied IRB approach

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.

(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 Mentioned 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 Mentioned.

The Group has a conservative provisioning policy. As of December 31, 2017, the Bank's reserves were 10,709.29 million baht, or 234.8% of those required by the BoT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Part 1 Section 4: Operating Assets item: 4.2

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

(1) Sources of fund

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, 2017 is 58.24%, well above the 7.0% regulatory requirement of the SEC.

3. 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, 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, TISCO Group aims to maximize sustainable risk-adjusted return for shareholders over the long run.

Risk Management Policy

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

1. Consolidated and centralized risk management

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

2. Business line accountability, independent risk oversight

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

3. Comprehensive risk assessment

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

4. Capital management based on standardized risk tools

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

5. Risk Tolerance Level and Capital Allocation

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

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

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

7. Portfolio management, diversification and hedging

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

8. Strong Risk Awareness Culture

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

9. Effective Risk Modeling and Validation

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

10. Regulatory best practice

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

11. New Business or Product

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

12. Related Party Transaction

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

13. Stress Testing

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

Risk Management Framework

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

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

- Board of Directors

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

- Board of Directors of Subsidiaries

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

- Risk Management Committee

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

- Specific-Area Risk Authorities

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

Risk Types

Risk management of TISCO Group considers five risk factors which are 1) Credit Risk 2) Liquidity Risk 3) Market Risk 4) Operational Risk and 5) Strategic Risk. Details are shown in item 3.1-3.5

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

Additional details are shown in Part 3 Section 14: Management Discussion and Analysis

3.1 Credit Risk

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

3.1.1 Default Risk

Default risk occurs from lower credit quality. As of December 31, 2017, NPL ratio of TISCO Group decreased from 2.54% at the end of 2016 to 2.32% at the end of 2017 mainly resulting from a decrease in non-performing loan of retail and SME portfolios. Moreover, in order to prevent rising credit risk, an increase in expected loss was also absorbed by the provision expense set up during the year, with prudently managed non-performing loans (NPLs) including advanced risk management tools and stringent practice of loan collection, debt restructuring and write-off process. Additionally, NPL ratio of retail loan decreased from 2.85% at the end of 2016 to 2.74% at the end of 2017, where NPL ratio of corporate loan remained stable at 0.94% in 2017. Total NPLs was 5,829.35 million baht which increased by 2.1% or 119.21 million baht. NPLs of the Bank were 5,300.68 million baht and there was NPLs of 528.67 million baht from other subsidiaries.

TISCO Group has applied collective approach for loan loss provisioning to the car hire-purchase portfolio following the Basel III framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based on historical loss data incorporating with adjustment for the recent market situation. In 2017, TISCO Group has utilized portion of general reserve to compensate the potential losses in the future. Meanwhile, as of December 31, 2017, loan loss reserve of TISCO Group was 11,456.11 million baht, or 196.5% of NPLs. Total loan loss reserve of the Bank was 10,709.29 million baht or accounted 234.8% of minimum loan loss reserve requirement, reflecting the prudent provisioning policy to mitigate potential risk.

3.1.2 Concentration Risk

Concentration risk is the risk from borrower concentration. As of December 31, 2017, hire purchase and commercial loans represented 51.6% and 20.1% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 129,719.70 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 979.80 million baht or 0.8% of the total hire purchase portfolio, or equal to 0.4% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into four different sectors: manufacturing and commerce, 11,019.73 million baht; real estate and construction, 14,972.95 million baht; public utilities and services, 22,696.33 million baht; and agricultural and mining, 1,918.50 million baht. Lending to the above industrial sectors represented 21.7%, 29.6%, 44.9%, and 3.8% of the total commercial loan portfolio, and 4.4%, 6.0%, 9.0%, and 0.8% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 33,053.89 million baht or accounting for 11.3% of the total credit portfolio, there is slight concentration in public utilities and services as well as manufacturing and commercial sector which have been managed under risk management procedure. Moreover, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Furthermore, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

3.1.3 Collateral Risk

Collateral risk occurs from borrower defaults and the value after selling collaterals in the debt collection process cannot cover the original debt amount. As of December 31, 2017, lending portfolio of TISCO Group came mostly from TISCO Bank whereby 75.2% of the portfolio was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by TISCO Group. In case the borrowers of hire purchase loans cannot meet the terms and conditions, TISCO Group can follow up and seize the underlying assets immediately. After repossession, the process of asset liquidation can be completed within one month.

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

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

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to regulations of the Bank of Thailand. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 72.8% of the NPLs of commercial loan and mortgage loan.

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

3.1.4 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, 2017 were worth 5.27 million baht, or 0.002% of total assets. Allowances for impairment stood at 69.7% of total foreclosed assets.

▪ Credit Risk Management Framework

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

Credit risk is mainly incurred from subsidiary companies, in which conducting loan as main business. Specific-Area credit risk authorities include the Credit Committee, and Problem Loan Committee, which are established to oversee credit risk management and control at in-depth transaction level of subsidiary companies. The Credit Committee is responsible for reviewing and granting credit approvals to any single client proposed by lending officers. The Credit Committee may delegate its authority

to designated persons for authorizing lower-risk transactions. The Problem Loan Committee was set up to monitor and follow up overdue payment of problem loan accounts and foreclosed assets on a regular basis.

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

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

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

3.2 Liquidity Risk

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

As of December 31, 2017, the value of liquid assets is 53,098.74 million baht, which comprised of cash at 1,324.81 million baht compared to 1,149.00 million baht in December 31, 2016, net transactions with interbank and money market at 44,647.15 million baht compared to 38,067.42 million baht as of December 31, 2016 and net current investment at 7,126.78 million baht compared to 6,752.76 million baht as of December 31, 2016.

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 45,667.56 million baht. In addition, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur.

As of December 31, 2017, the Bank reported deposit 180,803.84 million baht, the outstanding long-term debentures (both subordinated and unsubordinated) of 29,680.00 million baht and short-term debentures of 33,921.70 million baht, and bill of exchange amounted to 7,476.92 million baht.

▪ Liquidity Risk Management Framework

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

3.3 Market Risk

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

3.3.1 Equity Price Volatility

As of December 31, 2017, the equity portfolio stood at 1,804.66 million baht, of which 514.72 million baht was listed equity, 869.58 million baht was ETF in current market value and 420.36 million baht was non-listed equity in book value.

TISCO Group gained profit from security investment amounted to 27.19 million baht. Meanwhile, gain from the difference between fair value of securities as of December 31, 2017 and unrealized gain of securities according to the accounting standard of security foreclosure were 79.53 million baht.

(1) Listed Equity Risk and ETF

TISCO Group exposed to price risk from market price volatilities of listed equity and ETF investment. Investment portfolio in available-for-sale book stood at 1,384.30 million baht in which profit and loss will be realized when sale, however, a

change in its value would impact the equity through unrealized gains or losses. As of December 31, 2017, unrealized gain from available-for-sale investments equaled 79.53 million baht.

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. Three month investment horizon VaR at a 99.0% confidence level excluded unrealized gain/loss, as of December 31, 2017, was 192.28 million baht, increased from 154.87 million baht as of December 31, 2016 mainly resulted from increasing of risk exposure due to stock value increase 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 420.36 million baht, slightly decreased from 436.07 million baht from the end of 2016 from sale transaction. 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.

3.3.2 Interest Rate Risk

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

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

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

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO Group's interest-bearing assets and liabilities structure, as of December 31, 2017, 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	117,369.75	62,756.36	44,935.26	67,557.28	292,618.65
Liabilities	(100,718.47)	(122,859.73)	(23,385.62)	(8,968.25)	(255,932.07)
Net Gap	16,651.28	(60,103.37)	21,549.64	58,589.02	36,686.57

Under the change of interest rate within 1 year, TISCO Group had liabilities over assets within 2-12 month stand at 60,103.37 million baht. Considering the interest rates outlook of gradually increase trend, the repricing gap structure was still under acceptable risk level.

(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, 2017 stood at 5,743.94 million baht, increased from 5,538.33 million baht at the end of 2016. Average duration of the bond portfolio was 0.21 year, slightly increased from 0.20 year from the end of 2016. Meanwhile, average duration of the debenture portfolio was 0.98 years, decreasing from 1.67 years from the end of 2016. However, Fixed-income risk was under acceptable risk and also meets the purpose of maintaining liquidity reserves according to the BoT's requirements.

▪ Market Risk Management Framework

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

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

assessment and corresponding risk treatment has taken into account the transaction intent as well as the market liquidity of the securities.

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

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

3.4 Operational Risk

Reference is made to the definition given by Basel Committee on Banking Supervision of the Bank for International Settlements and in accordance with the Policy Statement of the Bank of Thailand in regard to the Operational Risk Management. Operation Risk is defined as the vulnerability of earnings, capital, or business continuity due to inadequate or deficient or failed internal processes, people, technology or external factors including the legal risk and fraud risk. The impact can be classified into financial loss and non-financial loss as reputational damage and business opportunity losses. TISCO Group well realizes that the operational risk is one of the risks those may significantly impact to the business undertaking of TISCO Group. Thereby, TISCO Group puts more emphasis on the operational risk management and continuously develops the operational risk management programs and processes with an aim to minimize the possible operational risks.

▪ Operational Risk Management Framework

The operational risk management policy is set by TISCO Financial Group Public Company Limited and coherent adoption across all subsidiary companies in TISCO Group. Operational Risk Management function performs duties in supporting and impelling all functions in proceeding operations in accordance with the framework stipulated in the operational risk management policy as well as providing assurance on the adequate control systems established for each business under risk-return perspectives. Compliance functions shall have duty in overseeing all functions to operate in compliance with the rules and regulations of the supervisory authorities. Internal Audit function shall independently conduct audit process and provide assurance on the internal control system and whole risk management processes under the supervision of the Audit Committee.

In year 2017, TISCO Group has expanded its businesses into various aspects in both extending the existing businesses as well as setting up new businesses; therefore, operational risk increased accordingly following the business expansion. Nevertheless, the inherent risks in all aspects of such new businesses were analyzed and well managed to assure that the possible risks were mitigated to be in acceptable risks with prudent control process establishment in compliance with TISCO New Business Guideline prior launching. As a result of business expansion in year 2017 as well as the increasing trend of complex fraudulent behavior in current environment, addition to the effective implementation of fraud risk management process for proper determining fraud response plan to mitigate risks to contain in the acceptable level. In 2017, TISCO has planned to enhance the capacity of Transaction Fraud Monitoring System. The system shall be capable to detect the irregularities in order to have further prudent investigation on the appropriateness of transactional execution and minimize the possible losses incurred either to customers or TISCO.

Pursuant to the ongoing operational risk management process of the TISCO Group, it starts from the establishment of operational risk management culture by building control awareness to all business units and educating them in regard to the stipulations according to the operational risk management framework for thorough understanding and perception. For practicing as risk owner, all functions shall have to participate and take accountabilities in managing operational risk of functions under their supervision. Operational Risk Management function shall have duty in managing overall operational risk in an enterprise wide addition to the duty in supporting, overseeing and monitoring all functions to proceed in accordance with the determined operational risk management framework. In the process of operational risk assessment, the key operational risk would be identified together with the assessment on the control effectiveness. The remedial action plan as well as the Key Risk Indicators would be subsequently determined in order to mitigate the revealed residual risks or prevent the incurrence of possible risks for properly mitigating risks for properly containing them within the acceptable risk level appropriate to each business (Risk and Control Self-Assessment). The result of the risk assessment in corporate level would be reported to the Risk Management Committee and the Audit Committee for acknowledgement.

In regard to the incident management process which treated as an integral part of operational risk management, TISCO Group has arranged the supporting system to log and track the incidents. The purpose of the system arrangement is aimed to have the systematic and integrated remedial process with monitoring control for timely responses. Other than that, the incident and loss database would be gathered to make analysis for mitigating repeated risks for monitoring purpose in order to minimize the error rate or enhance the operational efficiency. In addition, the TISCO has formulated the guideline and authority delegation for considering and approving the compensation made to the customers in order to have the standardized practice and fair to affected customers. The overall results of the incident incurrence within TISCO Group as well as the notable operational incidents as well as the summarized report of compensation made to customers would be reported to the relevant committees for

acknowledgement and determination remedial actions as deemed appropriate. With respect to the complaint handling and management process, TISCO arranged various channels for accepting complaints and determined the measures for handling and resolving complaints cases within determined timeframe. The complaint cases shall be analyzed and summarized the results to report to the relevant managements for considering improving the effectiveness of operational processes as deemed appropriate.

Whereas the TISCO Group undertakes financial businesses and provides financial services to customers, the continuity of business undertaking in order not to disrupt the services provision to the customers is the crucial matter that the TISCO Group highly emphasizes on. TISCO has well developed and proactively prepared readiness of every system and process relating to the critical businesses for ascertaining the continuous business operations (Business Continuity Plan) without any disruption. Within the Business Continuity Plan, it also covers the process for recovering the critical systems to resume their availabilities within the determined period and the other relevant contingency and backup plans. The actions according to the Business Continuity Plan is subjected to be tested on a regular basis in order to make all relevant business units perceive and understand their roles and responsibilities and actions required to be taken whenever disaster incurs. In addition, TISCO has realized the severity of several impacts those may affect to the safety of employees, customers, counterparties or other relevant parties, thereby, the Emergency Plan has been established as an integral part of the Business Continuity Plan to determine appropriate action plans for managing various emergency situations exposed from external events with the primary objective to secure the safety and minimize possible losses. In order to support and enhance the efficiency of the proceeding in accordance with the Business Continuity Plan, TISCO Group has determined communication plan and channels for communication between managements and employees including the communicating channels with the external parties in order to convey the situation updates and the corporate action plans to all relevant persons in the timely manner.

Given the current situation, cyber threats are a growing potential risk that could cause damage to the organization's business operations either in the form of monetary effects or corporate reputation or any other forms. TISCO are well aware of the impact of such threats and proactively prepares the preventive measures and proper response plan in the event of such impacts incurred. To raise awareness and perception of all employees, the enhancement of the understanding on cyber threats is regularly conducted through organizational training, posting on various office places including the announcement of information on the corporate website with an aim to avoid or reduce the possibility of being affected by cyber threats. Additionally, the study on the potential cyber-crime attack, monitoring and assessment on possible IT risks and cyber threats are regularly conducted in order to effectively improve the quality of risk management, appropriately harden the security and prepare for preventive measures and establish response plan including the communication plan both for internal and external parties. In 2017, TISCO has arranged the cyber drill in form of tabletop test with the participants of top managements, head of relevant functions including the function responsible for corporate communication and all customer touch point functions in order to make all relevant functions gain thorough understanding and perceive their roles and responsibilities in responding the cyber-attack whenever the event incurred.

3.5 Strategic Risk

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

3.5.1 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. In addition, the transfer of retail banking business of Standard Chartered Bank (Thai) Public Company Limited was aligned with TISCO Group's business growth and increased business opportunity to expand customer base from the increase in financial products and services to retail customers.

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 improving the Bank's 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 do not directly affect TISCO Group's financial results. However, higher competition on pricing structure is a major risk factor in this business.

3.5.2 Risk from Capital Adequacy

As of December 31, 2017, as TISCO Bank's capital requirement based on Basel III Internal Rating Based Approach (IRB), the regulatory capital adequacy ratio (BIS ratio) stood at 20.72% remaining higher than the 9.75% required by the Bank of Thailand. Tier-I and Tier-II adequacy ratio stood at 15.98% and 4.74%, respectively, in which Tier-I adequacy ratio also remained higher than the minimum requirement at 7.25%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. remained strong at 58.24%, greatly higher than the minimum required ratio by the SEC of 7.0%.

As an internal risk measurement of capital adequacy (ICAAP), the risk-based capital requirement of TISCO Group stood at 11,526.57 million baht, accounting for 31.9% of total capital base of 36,170.20 million baht. In addition, capital surplus for future risks and business expansion stood at 24,643.63 million baht.

3.5.3 Risk from Subsidiaries' Financial Performance

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

Profit recognition of TISCO Group came from all subsidiaries including TISCO Bank. As of December 2017, net profit of TISCO Bank and other subsidiaries was 5,674.53 million baht, where 1,373.97 million baht was from subsidiaries excluding TISCO Bank. Although the subsidiaries experienced outstanding business performance and generated profits to the company, investment strategy is important in the future. Therefore, the board of directors meeting has defined the investment policy for TISCO Group where the company will invest in those businesses having ability to support the competitive efficiency of the group. Besides, the market and industry trends, competitive environment and long-term profit making capability together with prudent risk management shall be considered.

Net income from subsidiaries, excluding TISCO Bank, accounted for 22.5% of total net income, which significantly affects the overall TISCO Group's income. Additionally, the net income from brokerage and investment banking are from TISCO Securities while net income from asset management is from TISCO Asset Management.

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

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

▪ Strategic Risk Management Framework

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

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

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

4. Operating Assets

4.1 Major Fixed Assets

Land, premises, and equipment – Net

Land, premises, and equipment of TISCO Group as of December 31, 2016 - 2017 are as follows: These assets are free from any obligations.

(Unit: Million baht)

List	Type of Property Right	Contingent Liability	Value	
			2016	2017
Land				
Cost	owner	none	17.51	17.51
Office condominium and building improvements				
Cost	owner	none	1,093.60	1,179.69
Revaluation	owner	none	2,103.90	2,103.90
Furniture fixtures computer and equipment				
Cost	owner	none	1,071.64	1,153.76
Motor vehicles				
Cost	owner	none	186.18	156.80
Total			4,472.83	4,611.66
<u>Less</u> Accumulated Depreciation			(1,820.31)	(1,958.46)
Land, premises, and equipment – Net			2,652.52	2,653.20

Long-term contract

1. Contract

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 1 - 10 years. As at December 31, 2016 and 2017, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

(Unit: Million baht)

Types	Maturity	As at December 31,	
		2016	2017
Lease office building and branch office	Within 1 year	164	213
	Over 1-5 years	150	319
	Over 5 years	46	70
Total		360	602

2. Rental contracts between the Company and its subsidiaries

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

Type of Assets	Renter	Owner	Area (sq.m.)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc.	3,533.91
TISCO Tower Office	TISCO Information Technology Co., Ltd.	TISCO Financial Group Plc.	2,329.59
TISCO Tower Office	TISCO Bank Plc.	TISCO Financial Group Plc.	2,458.58
TISCO Tower Office	TISCO Learning Center Co., Ltd.	TISCO Financial Group Plc.	590.00
TISCO Tower Office	Deutsche TISCO Investment Advisory Co., Ltd.	TISCO Financial Group Plc.	375.00

4.2 Loans

Classification of assets

Asset classification in TISCO group consists of loans and receivables, investments in securities and property foreclosed. Our asset classification policies are in compliance with those set by the BOT and the SEC. The details of asset classification as of December 31, 2017 are shown below:

(Unit: Million baht)

Classification	Loans and receivables	Investments in securities	Property foreclosed	Investment in receivable	Total	%
Pass	263,479	-	-	-	263,479	92.1
Special mention	17,158	-	-	-	17,158	6.0
Substandard	2,435	-	-	-	2,435	0.9
Doubtful	1,400	-	-	-	1,400	0.5
Bad debts	1,465	37	14	12	1,528	0.5
Total	285,937	37	14	12	286,000	100.0

Provision for Loan Loss Policy

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

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

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

The Bank of Thailand has imposed criteria to set up provisioning whereby the regulations 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

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

The subsidiary recognises interest on credit card receivables relating to overdue credit card installments from the posing date and interest on credit card receivables arising from cash advances from the date of the cash withdrawals. Interest on credit card receivables paid in installments is recognised on an accrual basis.

The subsidiaries have policies for corporate loans on which interest payments have been defaulted for more than one month, it is the policy of its subsidiaries to cease accruing income. For other loan 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 after that interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue for 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 income and taken up as income evenly throughout the term of the notes or loans.

4.3 Investment in Securities

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

Securities Investment Policy

Securities investment policy is described in Part 1 Section 2 : Business Operations by Area, item 2.3

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 3: 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 Company 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.

4.4 Policies on investment in subsidiaries and joint venture company

The details on investment in subsidiaries and joint venture company are presented in Notes to Financial Statements item 3.5 Investment in subsidiaries and joint venture

The subsidiaries and joint venture 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 investment in subsidiaries and joint venture company

(Unit : Million baht)

Company Name	Paid up As of December 31, 2017	Cost Method As of December 31, 2017
TISCO Bank Plc.	9,216	17,641
TISCO Securities Co., Ltd.	1,000	1,075
TISCO Asset Management Co., Ltd.	100	110
Hi-Way Co., Ltd.	100	273
TISCO Information Technology Co., Ltd.	20	22
TISCO Insurance Solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	100	137
Primus Leasing Co., Ltd. ^{/1}	3	33 ^{/2}
TISCO Learning Center Co., Ltd.	5	5
All-ways Co., Ltd.	700	700
TISCO Tokyo Leasing Co., Ltd. ^{/3}	60	73
Investment in subsidiaries and joint venture company - net		20,069

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

^{/2} Deducted impairment in investment

^{/3} Joint venture Company

5. Legal Disputes

As of December 31, 2017, the Company and its subsidiary companies had 36 unresolved cases from its regular business operations, all of them are civil cases caused by banking business operation (TISCO Bank Plc.) and asset management business (TISCO Asset Management Co., Ltd.) involving an estimated total amount 344.66 million baht, which was less than 5% of its shareholders' equity, consisting of:

- (1) 35 cases that TISCO Bank being sued (estimated total amount of 344.02 million baht), there were 23 cases involving total amount of 97.45 million baht which were in the tribunal process and not yet reach judgment. Furthermore, there were 12 cases, with a total value of 246.57 million baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiffs still appealed to the Appeal Court or Supreme (Dika) Court.; and
- (2) 1 case that TISCO Asset Management Co., Ltd. being sued (estimated total amount of 0.64 million baht) and the tribunal process was not reach judgment.

Additional details on legal disputes are presented in Notes to Financial Statements; 3.37.2 Litigation. The management of the TISCO Group believes that neither the Company nor 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 person of the Company or its subsidiary companies.

6. General Information

6.1 General Information

Company Name	: TISCO Financial Group Public Company Limited
Symbol	: TISCO
Type of Business	: Holding Company
Address	: 48/49 TISCO Tower, 21 st Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	: 0107551000223
Total registered capital	: Baht 8,007,032,950 (Eight thousand and seven million, thirty two thousand and nine hundred and fifty Baht)
Paid-up Capital	: Baht 8,006,554,830 (Eight thousand and six Million, five hundred and fifty-four thousand and eight hundred and thirty Baht) comprising of 800,645,624 common shares and 9,859 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. 93 Rachadapisek Road, Dindaeng, Dindaeng, Bangkok 10400 Tel. (66) 2009 9000 Fax (66) 2009 9991 SET Contact Center: (66) 2009 9999 Email: SETContactCenter@set.or.th Website : www.set.or.th/tsd
Auditor	: Ms. Somjai Khunapasut CPA License No. 4499 EY Office Limited 33 rd Fl., Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. (66) 2264 0777 Fax. (66) 2264 0789-90

6.2 Other Important Information

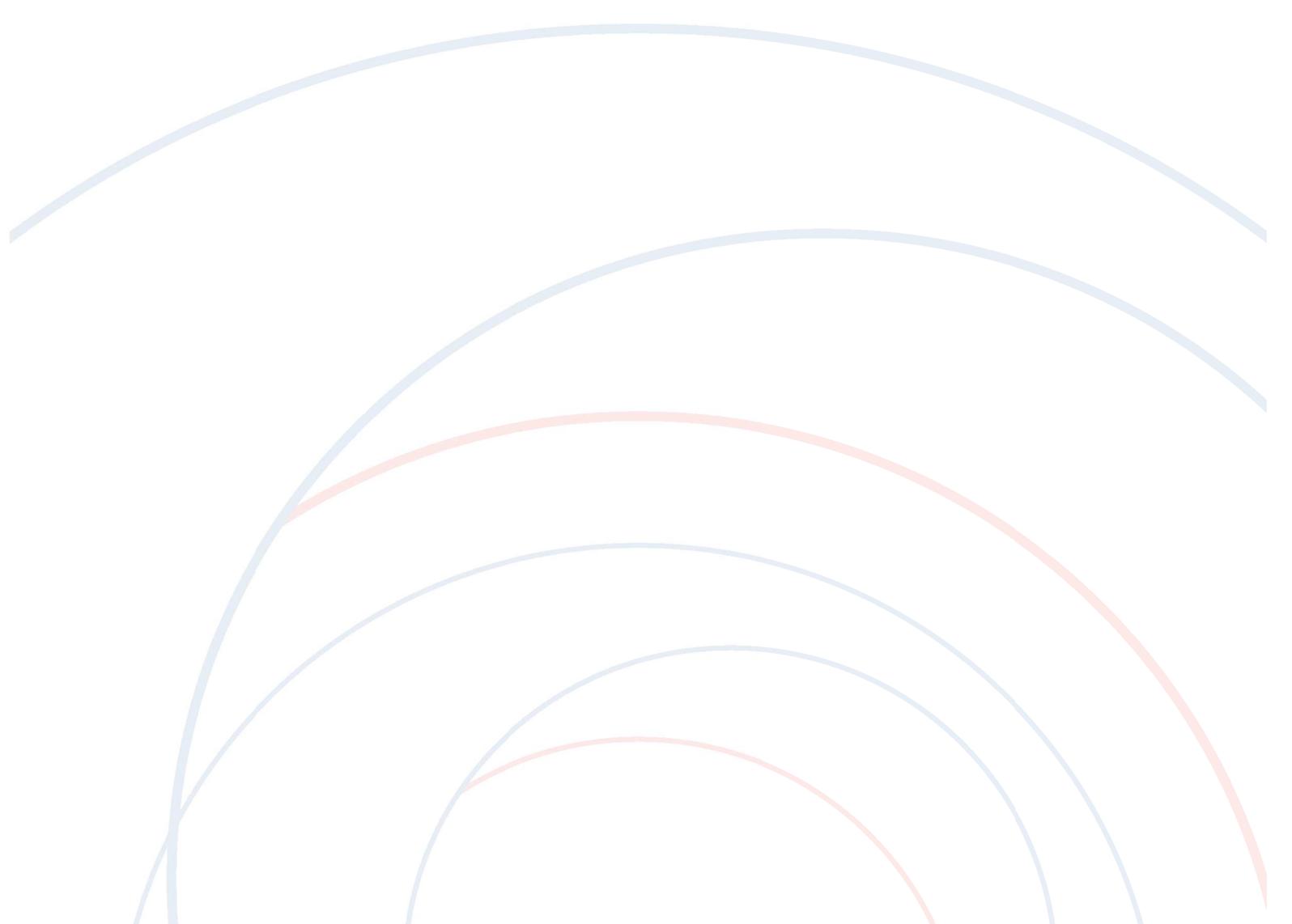
None



TISCO Financial Group PLC.

Part 2

Management and Corporate Governance



7. Securities and Shareholder Information

7.1 Registered and Paid-up capital

(1) Registered and paid-up capital as of December 31, 2017 comprising of :

Registered capital : Baht 8,007,032,950

(Eight thousand and seven million, thirty two thousand and nine hundred and fifty Baht)

Paid-up capital : Baht 8,006,554,830

(Eight thousand and six million, five hundred and fifty-four thousand and eight hundred and thirty Baht) comprised of

800,645,624 common shares (Eight hundred million six hundred forty four thousand seven hundred and twenty-four shares) and

9,859 preferred shares (Ten thousand seven hundred and fifty nine shares)

at par value of 10.00 Baht per share.

(2) Other Securities

Preferred Shares

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.

The issuance of Warrants with Non-Voting Depository Receipts (NVDRs)

As of December 29, 2017, 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 141,653,601 shares, or 17.69% of paid-up capital, consisting of 141,646,301 common shares and 7,300 preferred shares. Although all financial benefits received by NVDR investors are similar to the benefits from the Company's shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of the Company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

7.2 Shareholder

(1) The Company's Major Shareholders

The top 10 major shareholders whose names appeared in the share registration book as of December 29, 2017, are as follows.

No.	Shareholders	Outstanding Stock			
		Common Stock	Preferred Stock	Total Stock	Percentage
1	THAI NVDR CO., LTD.	141,646,301	7,300	141,653,601	17.69
2	CDIB & PARTNERS INVESTMENT HOLDING PTE. LTD.	80,065,320	-	80,065,320	10.00
3	STATE STREET EUROPE LIMITED	41,793,151	-	41,793,151	5.22
4	SATHINEE CO., LTD.	39,482,767	-	39,482,767	4.93
5	CHASE NOMINEES LIMITED	32,153,073	-	32,153,073	4.02
6	SOCIAL SECURITY FUND	24,942,530	-	24,942,530	3.12
7	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	22,959,100	-	22,959,100	2.87
8	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	16,250,590	-	16,250,590	2.03
9	SOUTH EAST ASIA UK (TYPE A) NOMINEES LIMITED	15,762,144	-	15,762,144	1.97
10	STATE STREET BANK AND TRUST COMPANY	14,076,216	-	14,076,216	1.76
TOTAL SHAREHOLDING OF TOP 10 MAJOR SHAREHOLDERS		429,131,192	7,300	429,138,492	53.60
OTHER SHAREHOLDERS		371,514,432	2,559	371,516,991	46.40
GRAND TOTAL		800,645,624	9,859	800,655,483	100.00

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.

(2) Subsidiary Company operated as core business of the Group

Details of TISCO Bank Public Company Limited which Subsidiary Company operated as Core Company of the Group

(2.1) Registered and paid-up capital as of December 31, 2017 comprising of:

- Registered capital : Baht 9,215,676,920 (Nine billion two hundred fifteen million six hundred seventy six thousand nine hundred and twenty Baht)
- Paid-up capital : Baht 9,215,676,920 (Nine billion two hundred fifteen million six hundred seventy six thousand nine hundred and twenty Baht) comprised of
- 921,567,588 common shares (Nine hundred twenty one million five hundred sixty seven thousand five hundred and eighty eight common shares) and
- 104 preferred shares (One hundred and four preferred shares)
- at par value of 10.00 Baht per share.

(2.2) Major Shareholders of the Company

The top 10 major shareholders of TISCO Bank Public Company Limited, whose names appeared in the share registration book as December 22, 2017, were as follow.

No.	Shareholders	Outstanding Stock			
		Common Stock	Preferred Stock	Total Stock	Percentage
1	TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED	921,452,229	-	921,452,229	99.99
2	Mr. KITTICHAJ KRAIKORKIT	30,247	-	30,247	0.00
3	Ms. PORNSUK PORNPAPPA	8,100	-	8,100	0.00
4	Ms. SUPAVADEE PIYAMONGKOLVONG	6,000	-	6,000	0.00
5	Ms. RACHIT KOWATTANAKUL	6,000	-	6,000	0.00
6	Mr. SUCHART TANGKIVIVIJ	5,000	-	5,000	0.00
7	BANK JULIUS BAER & CO., LTD.	4,800	-	4,800	0.00
8	Mr. PRACHA LEELAPRACHAKUL	3,624	-	3,624	0.00
9	Mr. SONGRIT KONGPIPATCHAISIRI	3,000	-	3,000	0.00
10	Mr. PRAPAT SRINUWATTIWONG	3,000	-	3,000	0.00
TOTAL SHAREHOLDING OF TOP 10 MAJOR SHAREHOLDERS		921,522,000	-	921,522,000	100.00
OTHER SHAREHOLDERS		45,588	104	45,692	0.00
GRAND TOTAL		921,567,588	104	921,567,692	100.00

Reference was made to the Holding Company Restructuring plan of TISCO group. TISCO Financial Group Public Company, as the parent company of TISCO Group, was approved by the Bank of Thailand to hold 100% of TISCO Bank's total paid-up shares.

(3) The company enters into shareholders' agreement with effect to security offering and issuance or management power of the company.

None

7.3 Other Securities

7.3.1 Debentures issuance

The Company

- None -

Subsidiary Company

As of December 31, 2017, the outstanding debentures of TISCO Bank Public Company Limited are detailed as follow:

1. Tier 2 Capital Instrument (Subordinated Debentures) of TISCO Bank Public Company Limited No. 1/2014 Series 1 Due 2024, with the issuer's right to early redeem (with loss absorption at the point of non-viability and regulatory authorities decide to provide financial aids to the issuer, and may be written off in proportion not exceed the lowering of par value of common share and preferred share after the lowering of such shares is made)

- Type of Offering : Private Placement to not more than 10 investors within any 4 months period
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 1,600,000 units
- Outstanding : 1,600,000 units
- Tenor : 10 years
- Issuing Date : January 29, 2014
- Maturity Date : January 29, 2024

- | | | |
|---------------------------------|---|---|
| Security | : | None |
| Coupon Rate | : | 6.00% per annum started from issuance date |
| Payment Date | : | On the 29 th of January April July and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Call Option | : | With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) On the 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance. <ul style="list-style-type: none"> i If the issuer can provide funding equivalent or better than the amount of debenture. ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand. (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (c) Any cases or conditions to be specified by the Bank of Thailand in the future. |
| Issuer Rating | : | A from TRIS Rating Company Limited on April 11, 2017 |
| Debenture holder Representative | : | - |
| Debenture Registrar | : | TMB Bank Public Company Limited |
2. Tier 2 Capital Instrument (Subordinated Debentures) of TISCO Bank Public Company Limited No. 1/2014 Series 2 Due 2024, with the issuer's right to early redeem (with loss absorption at the point of non-viability and regulatory authorities decide to provide financial aids to the issuer, and may be written off in proportion not exceed the lowering of par value of common share and preferred share after the lowering of such shares is made)
- | | | |
|---------------------------------|---|---|
| Type of Offering | : | Private Placement to not more than 10 investors within any 4 months period |
| Face Value | : | 1,000 baht |
| Offering Price | : | 1,000 baht |
| Issue size | : | 800,000 units |
| Outstanding | : | 800,000 units |
| Tenor | : | 10 years |
| Issuing Date | : | February 19, 2014 |
| Maturity Date | : | February 19, 2024 |
| Security | : | None |
| Coupon Rate | : | 6.00% per annum started from issuance date |
| Payment Date | : | On the 19 th of February May August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Call Option | : | With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) On the 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance. <ul style="list-style-type: none"> i If the issuer can provide funding equivalent or better than the amount of debenture. ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand. (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (c) Any cases or conditions to be specified by the Bank of Thailand in the future. |
| Issuer Rating | : | A from TRIS Rating Company Limited on April 11, 2017 |
| Debenture holder Representative | : | - |
| Debenture Registrar | : | TMB Bank Public Company Limited |
3. Subordinated Instruments intended to qualify as Tier 2 Capital of TISCO Bank Public Company Limited No.1/2015 Due 2025 with the Issuer's right to early redeem, which may be required to be written off (fully or partially) when the regulatory authorities decide to grant financial assistance to the Issuer

- | | | |
|---------------------|---|--|
| Type of Offering | : | Private Placement to not more than 10 investors within any 4 months period |
| Face Value | : | 1,000 baht |
| Offering Price | : | 1,000 baht |
| Issue size | : | 1,000,000 units |
| Outstanding | : | 1,000,000 units |
| Tenor | : | 10 years |
| Issuing Date | : | June 5, 2015 |
| Maturity Date | : | June 5, 2025 |
| Security | : | None |
| Coupon Rate | : | 4.50% per annum started from issuance date |
| Payment Date | : | Every 5 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Call Option | : | With a written approval from the Bank of Thailand, the issuer may early redeem the debentures before the maturity date without consent from the holder under the following terms and conditions:
(a) After the 5 th anniversary of the issuance of the debenture or on any coupon date after the 5 th year of issuance; or
(b) Any amendment on the Tax Law resulted in the changes of the issuer's tax benefits; or
(c) Any amendment on Capital Regulation resulted in disqualification of debentures as Tier 2 Capital; or
(d) Any cases or conditions to be specified by the Bank of Thailand in the future. |
| Issuer Rating | : | A from TRIS Rating Company Limited on April 11, 2017 |
| Debenture holder | : | - |
| Representative | : | |
| Debenture Registrar | : | TMB Bank Public Company Limited |
4. Subordinated Instruments intended to qualify as Tier 2 Capital of TISCO Bank Public Company Limited No.2/2015 Due 2025 with the Issuer's right to early redeem, which may be required to be written off (fully or partially) when the regulatory authorities decide to grant financial assistance to the Issuer
- | | | |
|---------------------|---|---|
| Type of Offering | : | Private Placement to not more than 10 investors within any 4 months period |
| Face Value | : | 1,000 baht |
| Offering Price | : | 1,000 baht |
| Issue size | : | 1,000,000 units |
| Outstanding | : | 1,000,000 units |
| Tenor | : | 10 years |
| Issuing Date | : | December 17, 2015 |
| Maturity Date | : | December 17, 2025 |
| Security | : | None |
| Coupon Rate | : | 4.25% per annum started from issuance date |
| Payment Date | : | Every 17 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Call Option | : | With a written approval from the Bank of Thailand, the issuer may early redeem the debentures before the maturity date without consent from the holder under the following terms and conditions:
(a) On the 5 th anniversary of the issuance of the debenture or on any coupon date after the 5 th year of issuance; or
(b) Any amendment on the Tax Law resulted in the changes of the issuer's tax benefits; or
(c) Any amendment on Capital Regulation resulted in disqualification of debentures as Tier 2 Capital; or
(d) Any cases or conditions to be specified by the Bank of Thailand in the future. |
| Issuer Rating | : | A from TRIS Rating Company Limited on April 11, 2017 |
| Debenture holder | : | - |
| Representative | : | |
| Debenture Registrar | : | TMB Bank Public Company Limited |

5. Subordinated Instruments intended to qualify as Tier 2 Capital of TISCO Bank Public Company Limited No.1/2016 Due 2026 with the Issuer's right to early redeem, which may be required to be written off (fully or partially) when the regulatory authorities decide to grant financial assistance to the Issuer

Type of Offering	:	Private Placement to not more than 10 investors within any 4 months period
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	680,000 units
Outstanding	:	680,000 units
Tenor	:	10 years
Issuing Date	:	August 10, 2016
Maturity Date	:	August 10, 2026
Security	:	None
Coupon Rate	:	3.875% per annum started from issuance date
Payment Date	:	Every 10 th of February May August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With a written approval from the Bank of Thailand, the issuer may early redeem the debentures before the maturity date without consent from the holder under the following terms and conditions: (a) On the 5 th anniversary of the issuance of the debenture or on any coupon date after the 5 th year of issuance; or (b) Any amendment on the Tax Law resulted in the changes of the issuer's tax benefits; or (c) Any amendment on Capital Regulation resulted in disqualification of debentures as Tier 2 Capital; or (d) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issuer Rating	:	A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	:	-
Representative	:	-
Debenture Registrar	:	TMB Bank Public Company Limited

6. Subordinated Instruments intended to qualify as Tier 2 Capital of TISCO Bank Public Company Limited No.1/2017 Due 2027 with the Issuer's right to early redeem, which may be required to be written off (fully or partially) when the regulatory authorities decide to grant financial assistance to the Issuer

Type of Offering	:	Private Placement to not more than 10 investors within any 4 months period
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	1,000,000 units
Outstanding	:	1,000,000 units
Tenor	:	10 years
Issuing Date	:	February 23, 2017
Maturity Date	:	February 23, 2027
Security	:	None
Coupon Rate	:	4.00% per annum started from issuance date
Payment Date	:	Every 23 rd 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 a written approval from the Bank of Thailand, the issuer may early redeem the debentures before the maturity date without consent from the holder under the following terms and conditions: (a) On the 5 th anniversary of the issuance of the debenture or on any coupon date after the 5 th year of issuance; or (b) Any amendment on the Tax Law resulted in the changes of the issuer's tax benefits; or (c) Any amendment on Capital Regulation resulted in disqualification of debentures as Tier 2 Capital; or (d) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issuer Rating	:	A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	:	-
Representative	:	-

- Debenture Registrar : TMB Bank Public Company Limited
7. Subordinated Instruments intended to qualify as Tier 2 Capital of TISCO Bank Public Company Limited No.2/2017 Due 2027 with the Issuer's right to early redeem, which may be required to be written off (fully or partially) when the regulatory authorities decide to grant financial assistance to the Issuer
- Type of Offering : Private Placement to not more than 10 investors within any 4 months period
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 600,000 units
- Outstanding : 600,000 units
- Tenor : 10 years
- Issuing Date : November 15, 2017
- Maturity Date : November 15, 2027
- Security : None
- Coupon Rate : 3.70% per annum started from issuance date
- Payment Date : Every 15th 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 a written approval from the Bank of Thailand, the issuer may early redeem the debentures before the maturity date without consent from the holder under the following terms and conditions:
- (a) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or
- (b) Any amendment on the Tax Law resulted in the changes of the issuer's tax benefits; or
- (c) Any amendment on Capital Regulation resulted in disqualification of debentures as Tier 2 Capital; or
- (d) Any cases or conditions to be specified by the Bank of Thailand in the future.
- Issuer Rating : A from TRIS Rating Company Limited on April 11, 2017
- Debenture holder : -
- Representative
- Debenture Registrar : TMB Bank Public Company Limited

8. The Debentures of TISCO Bank Public Company Limited No. 1/2016 Tranche 1 Due 2018

- Type of Offering : Private Placement specific for institutional investors and net worth investors
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 4,000,000 units
- Outstanding : 4,000,000 units
- Tenor : 2 years
- Issuing Date : February 5, 2016
- Maturity Date : February 5, 2018
- Security : None
- Coupon Rate : 2.00% per annum started from issuance date
- Payment Date : Every 5th of February and August 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.
- Issue Rating : A from TRIS Rating Company Limited on April 11, 2017
- Debenture holder : -
- Representative
- Debenture Registrar : TMB Bank Public Company Limited

9. The Debentures of TISCO Bank Public Company Limited No. 2/2016 Tranche 1 Due 2018

- Type of Offering : Private Placement specific for institutional investors and net worth investors
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 1,500,000 units
- Outstanding : 1,500,000 units
- Tenor : 2 years
- Issuing Date : February 16, 2016

Maturity Date	:	February 16, 2018
Security	:	None
Coupon Rate	:	1.95% per annum started from issuance date
Payment Date	:	Every 16 th of February and August 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.
Issue Rating	:	A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	:	-
Representative	:	
Debenture Registrar	:	TMB Bank Public Company Limited

10. The Debentures of TISCO Bank Public Company Limited No. 3/2016 Tranche 1 Due 2019

Type of Offering	:	Private Placement specific for institutional investors and net worth investors
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	5,000,000 units
Outstanding	:	5,000,000 units
Tenor	:	3 years
Issuing Date	:	March 23, 2016
Maturity Date	:	March 23, 2019
Security	:	None
Coupon Rate	:	1.95% per annum started from issuance date
Payment Date	:	Every 23 rd of March and September of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Issue Rating	:	A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	:	-
Representative	:	
Debenture Registrar	:	TMB Bank Public Company Limited

11. The Debentures of TISCO Bank Public Company Limited No. 4/2016 Tranche 1 Due 2019

Type of Offering	:	Private Placement specific for institutional investors and net worth investors
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	5,000,000 units
Outstanding	:	5,000,000 units
Tenor	:	3 years
Issuing Date	:	April 27, 2016
Maturity Date	:	April 27, 2019
Security	:	None
Coupon Rate	:	1.85% per annum started from issuance date
Payment Date	:	Every 27 th of April and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Issue Rating	:	A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	:	-
Representative	:	
Debenture Registrar	:	TMB Bank Public Company Limited

12. The Debentures of TISCO Bank Public Company Limited No. 1/2017 Tranche 1 Due 2018

Type of Offering	:	Private Placement specific for institutional investors and net worth investors
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	2,500,000 units
Outstanding	:	2,500,000 units
Tenor	:	1 years
Issuing Date	:	February 9, 2017
Maturity Date	:	February 9, 2018
Security	:	None
Coupon Rate	:	1.80% per annum started from issuance date

- Payment Date : Every 9th of February and August 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.
- Issue Rating : A from TRIS Rating Company Limited on April 11, 2017
- Debenture holder : -
- Representative :
- Debenture Registrar : TMB Bank Public Company Limited
- 13. The Debentures of TISCO Bank Public Company Limited No. 2/2017 Tranche 1 Due 2018**
- Type of Offering : Private Placement specific for institutional investors and net worth investors
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 5,000,000 units
- Outstanding : 5,000,000 units
- Tenor : 1 years
- Issuing Date : April 26, 2017
- Maturity Date : April 26, 2018
- Security : None
- Coupon Rate : 1.75% per annum started from issuance date
- Payment Date : Every 26th of April and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Issue Rating : A from TRIS Rating Company Limited on April 11, 2017
- Debenture holder : -
- Representative :
- Debenture Registrar : TMB Bank Public Company Limited
- 14. The Debentures of TISCO Bank Public Company Limited No. 3/2017 Tranche 1 Due 2018**
- Type of Offering : Private Placement specific for institutional investors and net worth investors
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 5,000,000 units
- Outstanding : 5,000,000 units
- Tenor : 1 years 6 months
- Issuing Date : May 29, 2017
- Maturity Date : November 29, 2018
- Security : None
- Coupon Rate : 1.85% per annum started from issuance date
- Payment Date : Every 29th 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.
- Issue Rating : A from TRIS Rating Company Limited on April 11, 2017
- Debenture holder : -
- Representative :
- Debenture Registrar : TMB Bank Public Company Limited
- 15. The Debentures of TISCO Bank Public Company Limited No. 4/2017 Tranche 1 Due 2019**
- Type of Offering : Private Placement specific for institutional investors and net worth investors
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 5,000,000 units
- Outstanding : 5,000,000 units
- Tenor : 1 years 6 months
- Issuing Date : July 21, 2017
- Maturity Date : January 21, 2019
- Security : None
- Coupon Rate : 1.85% per annum started from issuance date
- Payment Date : Every 21st of January and July 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.

Issue Rating	: A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	: -
Representative	
Debenture Registrar	: TMB Bank Public Company Limited

16. The Debentures of TISCO Bank Public Company Limited No. 5/2017 Tranche 1 Due 2019

Type of Offering	: Private Placement specific for institutional investors and net worth investors
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 8,000,000 units
Outstanding	: 8,000,000 units
Tenor	: 1 years 6 months
Issuing Date	: November 9, 2017
Maturity Date	: May 29, 2019
Security	: None
Coupon Rate	: 1.75% per annum started from issuance date
Payment Date	: Every 9 th of May and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Issue Rating	: A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	: -
Representative	
Debenture Registrar	: TMB Bank Public Company Limited

As of December 31, 2017 TISCO Bank has outstanding subordinated and unsubordinated debentures issued and offered (excluding short-term debenture) totaled 47,680 million baht

13. Short-term Debenture of TISCO Bank Public Company Limited No. 1/2017

Type of Offering	: Private Placement specific for institutional investors
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: up to 70,000,000 units
Outstanding	: 15,921,700 units
Tenor	: As specified in the supplement of terms & conditions of each series. The tenor of short-term debenture will be within 270 days from issuance date
Issuing Date	: As specified in the supplement of terms & conditions of each series. The issuance date will be during January 16, 2017 to January 15, 2018
Maturity Date	: As specified in the supplement of terms & conditions of each series. The tenor of short-term debenture will be within 270 days from issuance date
Security	: None
Coupon Rate	As specified in the supplement of terms & conditions of each series whereby interest rate of each series will be varied.
Payment Date	Payment at maturity date
Issuer Rating	: A from TRIS Rating Company Limited on April 11, 2017
Debenture holder	: None
Representative	
Debenture Registrar	: TISCO Bank Public Company Limited

As of December 31, 2017 TISCO Bank has outstanding short-term debenture totaled 15,922 million baht

The outstanding debentures of TISCO Tokyo Leasing Company Limited are as follow:

1. Guaranteed debenture of TISCO Tokyo Leasing Company Limited No. 1/2015 with maturity date in 2018

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 1,000,000 units
Outstanding	: 1,000,000 units
Tenor	: 3 years
Issuing Date	: March 25, 2015
Maturity Date	: March 25, 2018
Guarantor	: Century Tokyo Leasing Corporation

- | | | |
|---------------------|---|--|
| Coupon Rate | : | 2.94% per annum started from issuance date |
| Payment Date | : | On the 25 th of March and September of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Call Option | : | None |
| Issue Rating | : | AA+ from TRIS Rating Company Limited on June 15, 2017 |
| Debenture holder | : | CIMB Thai Bank Public Company Limited |
| Representative | : | |
| Debenture Registrar | : | CIMB Thai Bank Public Company Limited |
2. Guaranteed debenture of TISCO Tokyo Leasing Company Limited No. 1/2016 with maturity date in 2019
- | | | |
|---------------------|---|--|
| Type of Offering | : | Private Placement |
| Face Value | : | 1,000 baht |
| Offering Price | : | 1,000 baht |
| Issue size | : | 1,000,000 units |
| Outstanding | : | 1,000,000 units |
| Tenor | : | 3 years |
| Issuing Date | : | March 17, 2016 |
| Maturity Date | : | March 17, 2019 |
| Guarantor | : | Century Tokyo Leasing Corporation |
| Coupon Rate | : | 1.99% per annum started from issuance date |
| Payment Date | : | On the 17 th of March and September of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Call Option | : | None |
| Issue Rating | : | AA+ from TRIS Rating Company Limited on June 15, 2017 |
| Debenture holder | : | Bangkok Bank Public Company Limited |
| Representative | : | |
| Debenture Registrar | : | Bangkok Bank Public Company Limited |
3. Guaranteed debenture of TISCO Tokyo Leasing Company Limited No. 1/2017 with maturity date in 2020
- | | | |
|---------------------|---|---|
| Type of Offering | : | Private Placement |
| Face Value | : | 1,000 baht |
| Offering Price | : | 1,000 baht |
| Issue size | : | 1,500,000 units |
| Outstanding | : | 1,500,000 units |
| Tenor | : | 3 years |
| Issuing Date | : | July 27, 2017 |
| Maturity Date | : | July 27, 2020 |
| Guarantor | : | Century Tokyo Leasing Corporation |
| Coupon Rate | : | 2.20% per annum started from issuance date |
| Payment Date | : | On the 27 th of January and July of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Call Option | : | None |
| Issue Rating | : | AA+ from TRIS Rating Company Limited on June 15, 2017 |
| Debenture holder | : | Bangkok Bank Public Company Limited |
| Representative | : | |
| Debenture Registrar | : | Bangkok Bank Public Company Limited |

As of December 31, 2017 TISCO Tokyo Leasing Company Limited has outstanding subordinated and unsubordinated debentures issued and offered totaled 3,500 million baht.

7.3.2 Bills of Exchange

The Company

The Company was granted approval by the Securities and Exchange Commission 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 |
| | : | Type 1 : Non transferrable bill of exchange without interest payment, offering price |

	at face value deducted market interest rate
	Type 2 : Non transferrable bill of exchange with fixed interest rate, offering price at face value and interest is paid upon maturity
	Type 3 : Transferrable bill of exchange (without recourse) without interest payment, offering price at face value deducted market interest rate
	Type 4 : Transferrable bill of exchange (without recourse) with fixed interest rate, offering price at face value and interest is paid upon maturity
Tenor	: Up to 270 days from issuance date
Issue size	: Up to 10,000 units
Face Value	: Not less than 1,000,000 baht
Issuing Period	: From April 1, 2017 to March 31, 2018
Offering price per unit	: For Bill of Exchange Type I and III : offering price at face value deducted market interest rate For Bill of Exchange Type II and IV : offering price at face value and interest is paid upon maturity
Interest Rate	: For Bill of Exchange Type I and III : No interest rate For Bill of Exchange Type II and IV : Fixed interest rate and paid upon maturity
Interest Payment Date	: For Bill of Exchange Type I and III : No interest payment For Bill of Exchange Type II and IV : paid upon maturity as specified on the bill of exchange
Issuer Rating	: A- from TRIS Rating Co., Ltd on April 11, 2017

As of December 31, 2017, TISCO had outstanding short-term bills totaling 7,440 million baht with coupon rate ranging from 1.40% – 1.69% and average of 49 days to maturity.

Subsidiary Companies

As of December 31, 2017, TISCO Bank had outstanding bill of exchange, all in forms of bill of exchange, totaling 36.12 million baht with 2.50% coupon rate, all in forms of callable bill of exchange.

As of December 31, 2017, Hi-Way Co., Ltd. had outstanding short-term bill of exchange, all in forms of callable bill of exchange, totaling 1,720.00 million baht with interest rate of 2.00%.

7.4 Dividend Policy

The Company

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

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

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

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

Subsidiary Companies

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

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

8. Management

8.1 Management Structure and Board of Directors

TISCO Financial Group Public Company Limited, 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 for the Company and its subsidiaries to operate the business in accordance with TISCO Group's Corporate Governance Policy. Subsidiary companies function as strategic business unit, responsible for marketing, transaction, and processing and 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.

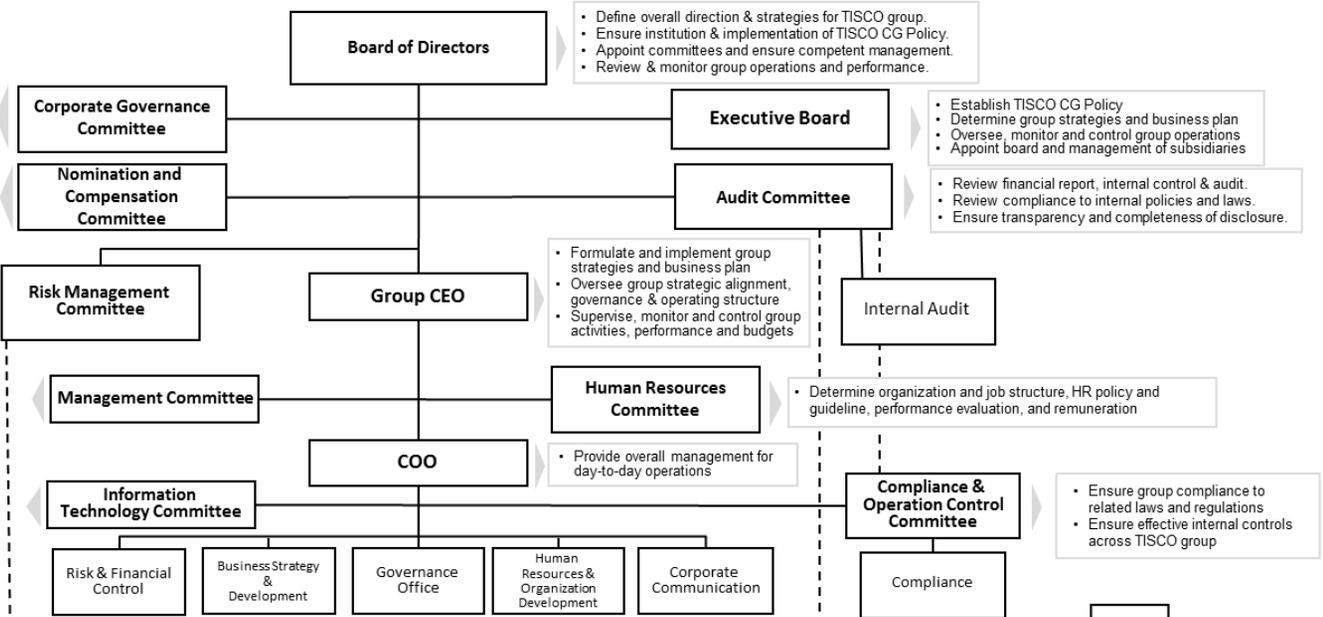
- Set and review CG Policies
- Oversee the practice of Directors and the Management in compliance with the CG Principles and Policies and related regulations.

- Formulate policy & criteria for nomination of directors and top management
- Nominate candidates for directors, members of committees appointed by Board, and top management (holding & bank)
- Establish remuneration policy for directors and employees
- Ensure good CG in nomination and compensation practice.

- Determine group risk management policies and strategies
- Supervise, monitor & control group risk management activities
- Ensure effective RM system across group

- Formulate group business strategies, direction and policy
- Ensure group operations align with business plan and CG Policy, and resolve their conflicts

- Formulate and implement group IT strategies
- Supervise, monitor & control group IT activities

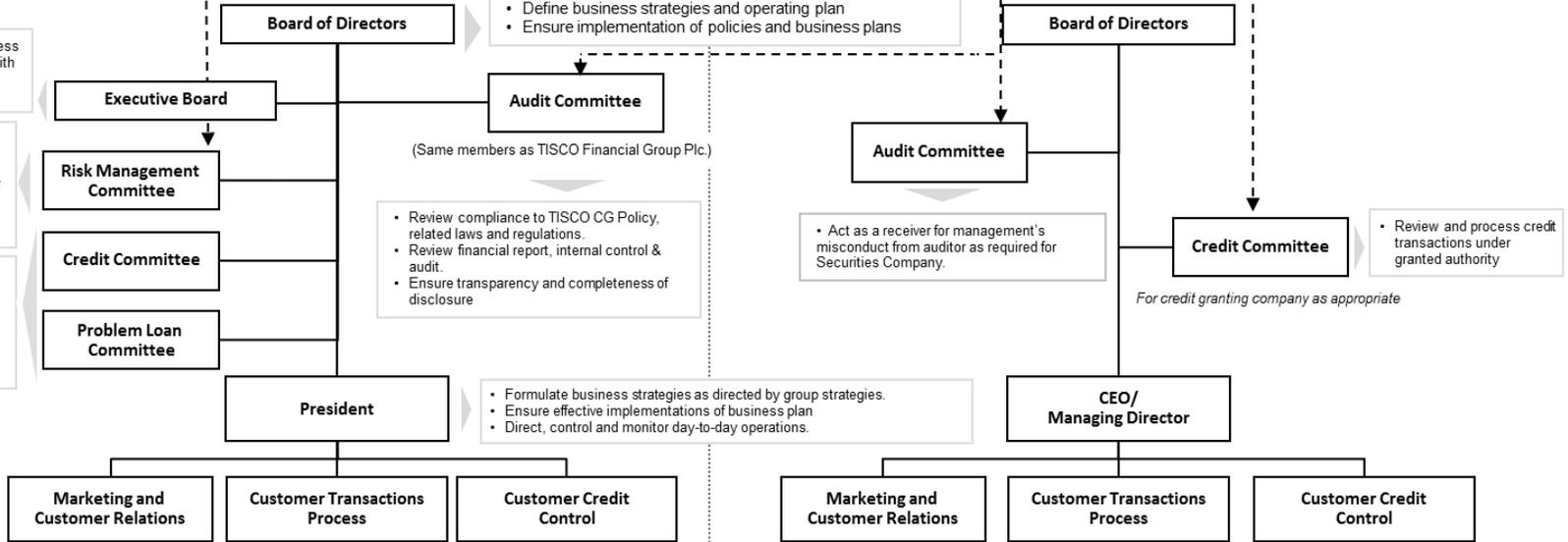


TISCO Bank

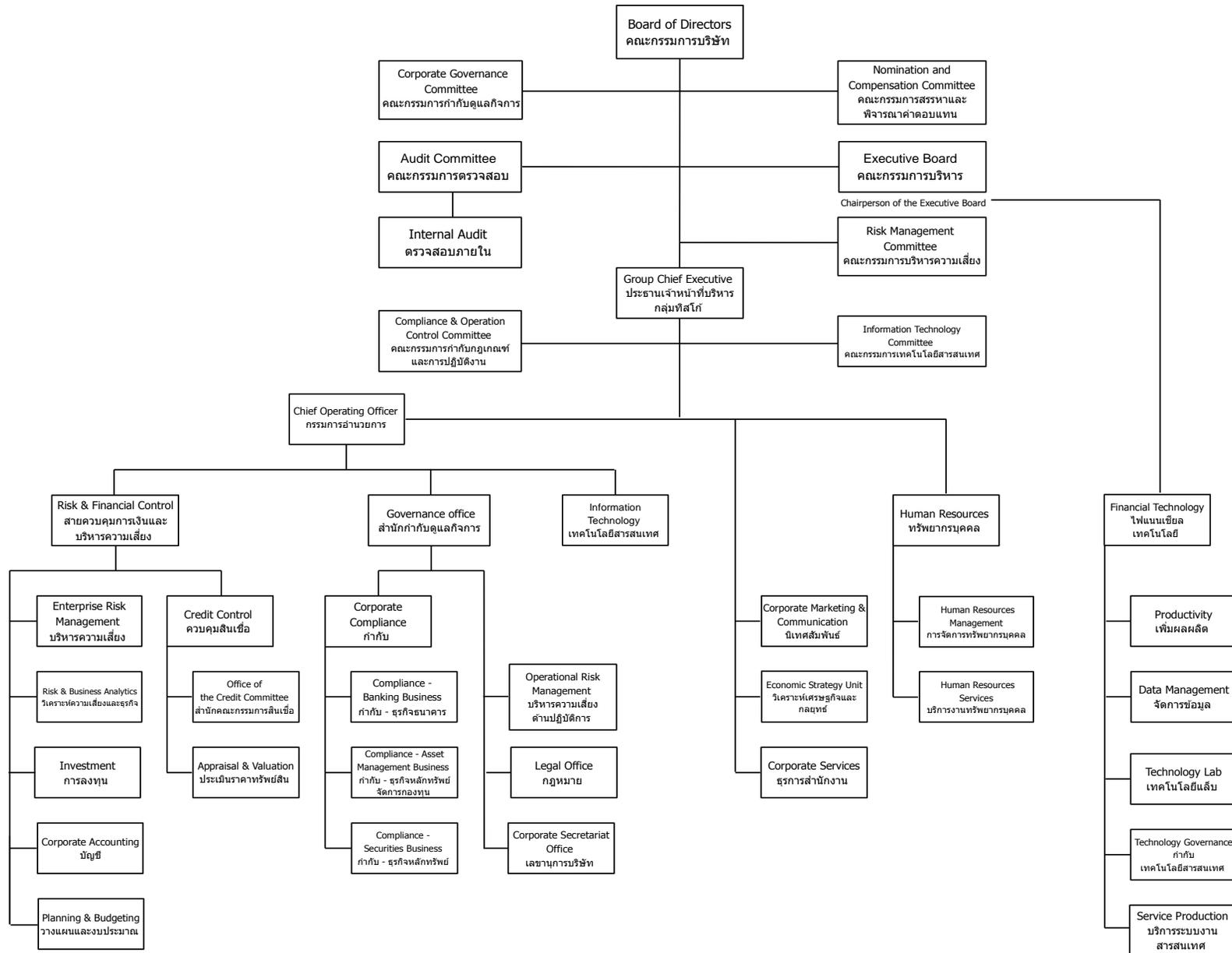
- Oversee and monitor business operations in accordance with TISCO CG Policy

- 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



Management Structure of TISCO Financial Group Public Company Limited as of January 1, 2018



The Board structure is comprised of Board of Directors and 4 boards/committees were appointed by the Board of Directors: (1) Executive Board (2) Audit Committee, (3) Nomination and Compensation Committee, and (4) Corporate Governance Committee. In addition, 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.

Board of Directors Structure

The Board of Directors consisted of Directors from diversified backgrounds and experience, with sufficient understanding of banking and finance, economics, law or any other fields deemed appropriate. According to the Company Certificate issued by Department of Business Development, Ministry of Commerce on August 9, 2017, the Board of Directors consisted of 12 directors, including 5 females and 7 males. The election of Board members followed the resolution of the shareholders meetings, as well as the laws and regulations and the Company's Articles of Association. The number of directors is appropriate for the Company's business operations, and the composition is in conformity with the notifications of the Bank of Thailand, the Capital Market Supervisory Board and the regulations of the Securities and Exchange Commission, as well as the diversity of age, gender, experience, and any other appropriate qualifications. As of January 1, 2018, the Board of Directors comprised the following directors:

- The six Independent Directors¹, 50.00% of the total number of directors, are Mr. Pliu Mangkornkanok, Assoc. Prof. Dr. Angkarat Priebrivat, Prof. Dr. Pranee Tinakorn, Ms. Patareeya Benjapolchai, Ms. Panada Kanokwat, and Mr. Sathit Aungmanee
- The four Executive Directors², 33.33% of the total number of directors, are Ms. Oranuch Apisaksirikul, Mr. Takashi Kurome, Mr. Chi-Hao Sun (Howard Sun), and Mr. Suthas Ruangmanamongkol
- The two Non-executive Directors, 16.67% of the total number of directors, are Mr. Hon Kit Shing (Alexander H. Shing) and Prof. Dr. Teerana Bhongmakapat

¹ "Independent Director" has the meaning specified in the Bank of Thailand's Notification No. SorNorSor. 13/2552 Re: Corporate governance of financial institutions, and the Capital Market Supervisory Board's Notification No. TorJor. 28/2551, Re: Application and approval for offering newly issued shares, and/or their amendments (if any). Moreover, the number of shares held by an independent director and his/her related parties combined shall not exceed 0.5% of the total voting shares of the Bank, or the Bank's parent company, subsidiaries, or associate companies, or major shareholders, or the persons having the authority to control the Bank. This shareholding restriction of not more than 0.5% is the Bank's standard, which is a higher standard than that set by the Capital Market Supervisory Board, which prohibits an independent director from holding more than 1% of the total voting shares of the company of which he/she is a director.

² "Executive Director" means any director who holds an executive position, or any director who is in charge of any actions deemed to be taken by executive, and shall include any authorized director except where it can be demonstrated that such authorized director signs on transactions which have been approved by the board of directors and jointly with other directors, following the Capital Market Supervisory Board's Notification No. TorJor. 28/2551 Re: Application and approval for offering newly issued shares, and/or their amendments (if any).

8.1.1 Board of Directors

The Board of Directors members were appointed by the resolutions of the shareholders' meeting of the year 2017. As of January 1, 2018, the Board of Directors comprised the following 12 directors

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman and Independent Director
2. Mr. Hon Kit Shing (Alexander H. Shing)	Vice Chairman and Member of the Nomination and Compensation Committee
3. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
4. Assoc. Prof. Dr. Angkarat Priebjrivat	Independent Director and Chairperson of the Audit Committee
5. Prof. Dr. Pranee Tinakorn	Independent Director and Chairperson of the Nomination and Compensation Committee
6. Ms. Patareeya Benjapolchai	Independent Director, Member of the Audit Committee and Chairperson of the Corporate Governance Committee
7. Ms. Panada Kanokwat	Independent Director and Member of the Corporate Governance Committee
8. Prof. Dr. Teerana Bhongmakapat ^{/1}	Director and Member of the Corporate Governance Committee
9. Mr. Sathit Aungmanee ^{/2}	Independent Director, Member of the Audit Committee and Member of the Nomination and Compensation Committee
10. Mr. Takashi Kurome	Director and Member of the Executive Board
11. Mr. Chi-Hao Sun (Howard Sun)	Director and Member of the Executive Board
12. Mr. Suthas Ruangmanamongkol	Director, Member of the Executive Board, Group Chief Executive and Chief Operating Officer

Remark: ^{/1} Prof. Dr. Teerana Bhongmakapat was appointed as a member of the Corporate Governance Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Mr. Sathit Aungmanee

^{/2} Mr. Sathit Aungmanee was appointed as a member of the Audit Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Prof. Dr. Teerana Bhongmakapat

Authorized Signatory

Ms. Oranuch Apisaksirikul, the Chairperson of the Executive Board and one of the following executive directors namely Mr. Suthas Ruangmanamongkol, Mr. Chi-Hao Sun (Howard Sun), or Mr. Takashi Kurome, jointly sign with the seal of the Company affixed.

Authority and Responsibilities of Chairman of the Board:

1. Provide leadership to the board and be responsible for the board's effectiveness of overall functioning, including maintaining a relationship of trust with board members. The Chairman will ensure that the Board and its committees work in conformity to the highest standards of corporate governance.
2. With supporting from Group CEO and Company Secretary, set agenda which are primarily focused on strategy, performance, value creation and accountability, and ensure that issues relevant to those areas are considered by the Board. The Chairman is accountable to the Board that directors will perform their duty with accountability and due care, and in compliance with the related laws and regulations, and in the best interest of TISCO.
3. Communicate relevant Board decisions within TISCO where deems appropriate. The Chairman shall also ensure effective communication with shareholders, government agencies and other relevant stakeholders and that the views of these groups are understood by the Board.
4. Ensure that the Board members receive adequate, accurate, timely and relevant information, particularly about TISCO's performance; the Board's decisions are made on a sound and well-informed basis; and the expression and discussion of dissenting views are encouraged within the decision-making process.
5. Ensure good working relationship between the executive and non-executive directors and ensure adequate time for discussion of all agenda, particularly strategic issues.
6. Ensure that the Board understands the nature and extent of the significant risks TISCO is willing to take in the implementation of its strategy, and review on an ongoing basis the effectiveness of risk management and internal control systems.
7. Maintain access to senior management for vital information related to TISCO business as is necessary and useful, and provide access, advice and support to the Group CEO in the development of strategy.
8. Promote effective relationships and communications between non-executive directors and senior management.

9. Ensure that the performance and effectiveness of the Board and Board Committees are formally evaluated on an annual basis.
10. Monitor and ensure that management has taken appropriate action and/or is properly following up on the recommendations and resolutions made by the Board and Board Committees.

Authority and Responsibilities of Vice Chairman of the Board:

1. Take the role as the acting Chairman of the Board during the period when the Chairman is absent and the normal functions of the Chairman cannot be carried out until the Chairman resumes his normal duties or a new Chairman has been elected and appointed by the Board.
2. Assist the Chairman of the Board with agenda related to TISCO Board of Directors, in particular any agenda pertaining to the "Executive Committees or Bodies" created by the Board except any independent committees or bodies, such as Nomination and Compensation Committee, Audit Committee and Corporate Governance Committee.
3. Act as the Chairperson of TISCO Executive Board and any Executive Committees and Bodies (see definition above) when:
 - a. the Chairperson is absent or unable to perform the duties for a period of time until such replacement Chairperson is appointed by TISCO Board of Directors, or
 - b. recommended by the Nomination & Compensation Committee and approved by TISCO Board of Directors.

Authority and Responsibilities of the Board of Directors:

1. Approve TISCO Corporate Governance Policy and oversee TISCO Group Governance.
2. Approve TISCO Company Statement: Vision and Mission.
3. Approval of TISCO's business model, corporate strategies, business plan, and financial budgets.
4. Approval of M&A, investment, divestment and disposal transaction involving high risk or materially impact TISCO.
5. Select and appoint a Chairman and Vice Chairman of the Board from the candidates of the Board as proposed by the Nomination and Compensation Committee.
6. Select and appoint the Group Chief Executive (Group CEO) from the candidates proposed by the Nomination and Compensation Committee.
7. Together with Group CEO and senior management, define overall direction and strategies of TISCO Group and ensuring coherent implementation of those strategies through the institution of a Corporate Governance Policy to produce long-term value for shareholders.
8. Board of Directors including Group CEO and senior management, set example at the top that establishes a culture of legal compliance and integrity.
9. Appoint Board Committees, namely, TISCO Audit Committee, TISCO Nomination and Compensation Committee, TISCO Corporate Governance Committee, and TISCO Executive Board as proposed by TISCO NCC, to carry out the tasks assigned by the Board.
10. Appoint a Corporate Secretary to take care of the Board's and directors' activities and administer critical corporate matters in full compliance with all relevant laws and related regulations. The Corporate Secretary's responsibilities also include monitoring compliance to the Board's resolutions and handling the Board and Shareholders' Meetings on matters concerning notices, minutes and other duties as required by related laws and regulations.

The following activities require approval of the Board of Directors:

1. Vision, Mission, Brand and Corporate Value
2. TISCO's business model, corporate strategies, business plan, and financial budgets
3. Corporate Budget & Major Expenditure includes Head Count and Resource of TISCO
4. Merger & Acquisition, investment, divestment and disposal transaction involving high risk or materially impact TISCO
5. Appointment of Board of Directors and Subcommittees as well as delegation of authority
6. Nomination and appointment names of qualified candidates for Group Chief Executive
7. Performance Evaluation of Group Chief Executive

The following responsibilities of the Board of Directors require approval from shareholders meeting: requirement by laws such as increase or decrease the Company's capital, issuance of debentures, sales or transfers of whole or important parts of the

Company business to other persons, purchase or acceptance or transfer of business belonging to other companies, amendments to Company's Memorandum and Articles of Association, related parties transaction, as well as sale and purchase of relevant assets according to regulations stipulated by the Company's regulators.

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

Details of the Board of Directors of TISCO Bank Public Company Limited, the core company of TISCO Group, are shown in 8.1.6 and Attachment 1-2.

8.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors. As of January 1, 2018, the Executive Board comprised the following four directors:

Name	Position
1. Ms. Oranuch Apisaksirikul	Chairperson of the Executive Board
2. Mr. Chi-Hao Sun (Howard Sun)	Member of the Executive Board
3. Mr. Takashi Kurome	Member of the Executive Board
4. Mr. Suthas Ruangmanamongkol	Member of the Executive Board

Authority and responsibilities of Executive Board:

- Determine and propose group business strategy, merger & acquisition transactions, new business ventures, and new products involving high risk to TISCO Board for approval.
- Review and oversee the TISCO Group business plan and budget, monitors performance and institutes TISCO Group's Centralized Policies on all important operational and control areas.
- Approve credit with substantial amounts and/or transactions that involve high risks under TISCO Group's business framework.
- Supervise subsidiary companies of transactions that involved high risk.
- Act on behalf of TISCO as the major shareholder in appointment of the Board of Directors of all subsidiary companies, except TISCO Bank, TISCO Securities and TISCO Asset Management.
- Ensure that managements of the company and subsidiary company refer material issues of the Group to Executive Board
- Appoint TISCO Risk Management Committee, as required by the Bank of Thailand, to determine overall risk management policies and strategies, and also identify, evaluate and manage the risks inherent in TISCO's strategies.
- Appoint and supervise Credit Committee and Problem Loan Committee.
- Oversee and monitor the significant compliance matters of TISCO Group.
- Appraise annual performance of compliance function with involvement of TISCO Audit Committee to balance the power of management and promote good governance.
- Concur annual compliance report of TISCO Group in order to ensure the Board's acknowledgement and accountability on compliance.
- Ensure that all subcommittees appointed by Group CEO are established, composed and operated appropriately and professionally.

8.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of January 1, 2018, the Audit Committee comprised the following three independent directors:

Name	Position
1. Assoc. Prof. Dr. Angkarat Priebjivat	Chairperson of the Audit Committee
2. Ms. Patareeya Benjapolchai	Member of the Audit Committee
3. Mr. Sathit Aungmanee ¹	Member of the Audit Committee

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

¹ Mr. Sathit Aungmanee was appointed as a member of the Audit Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Prof. Dr. Teerana Bhongmakapat

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, recommend remuneration of such auditor, removal 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. Appoint, 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.
11. Approve Compliance policy and assess the efficiency of compliance risk management.

8.1.4 Nomination and Compensation Committee

The Nomination and Compensation Committee members were appointed by the Board of Directors. As of January 1, 2018, the Nomination and Compensation Committee comprised the following three non-executive directors:

Name	Position
1. Prof. Dr. Pranee Tinakorn	Chairperson of the Nomination and Compensation Committee
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	Member of the Nomination and Compensation Committee
3. Mr. Sathit Aungmanee	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 subsidiary companies 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 subsidiary companies, which are directly supervised by financial and capital market regulators (TISCO Bank, TISCO Securities and TISCO Asset Management), for the following positions;
 - Directors
 - Members of committees whose functions, responsibilities and authorities are directly given by the Board of Directors
 - Top Management
 - Advisor(s) to the Board of Directors and/or committees whose functions, responsibilities and authorities are directly given by the Board of Directors
3. Ensure that size and composition of the Board of Directors of the companies in TISCO Group is appropriate for the organization and the business environment. The Board should comprise members who have diversified expertise and experience.
4. Evaluate the Group CEO's performance with input from Chairman of the Board of Directors, Chairpersons of the Audit Committee and the Corporate Governance Committee, and propose result to the Board of Directors for approval.

5. Ensure that the meeting(s) between the Board and members of Management Committee in absence of the Group CEO is arranged at least once a year prior to his/her annual performance assessment.
6. Ensure that succession plan for Group CEO and members of Management Committee of the companies in TISCO Group is properly developed to allow smooth and continuity of business operations, and that such plan is reviewed periodically.
7. Ensure that the professional development program for Directors and Management are assorted properly.
8. Disclose the nomination policy and process in the Annual Report.

Compensation

9. Review and establish clear and transparent remuneration and benefit policy and criteria for the directors, committee members, Advisor(s) and TISCO Group's employees as proposed by the management.
10. Ensure that the Board remuneration is commensurate with their duties and responsibilities. Board members who handle the extra assignments should be compensated accordingly.
11. 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.
12. Review and approve promotion, remuneration, and benefit of Group CEO.
13. Review and consider the Group CEO's proposal for appointment, performance evaluation, promotion, remuneration, and benefit of each member of Management Committee and one further level down.
14. Review and consider the management's proposals for the total amount of annual performance-oriented, short-term and long-term incentives as well as merit increase for TISCO Group's employee.
15. 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.
16. Report activities to the Board of Directors on a regular basis.
17. Conduct the activities as assigned by the Board of Directors in agreement of the Nomination and Compensation Committee.

8.1.5 Corporate Governance Committee

The Corporate Governance Committee members were appointed by the Board of Directors. As of January 1, 2018, the Corporate Governance Committee comprised the following three non-executive directors:

Name	Position
1. Ms. Patareeya Benjapolchai	Chairperson of the Corporate Governance Committee
2. Prof. Dr. Teerana Bhongmakapat	Member of the Corporate Governance Committee
3. Ms. Panada Kanokwat	Member of the Corporate Governance Committee

Remark: ^{1/} Prof. Dr. Teerana Bhongmakapat was appointed as a member of the Corporate Governance Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Mr. Sathit Aungmanee

Authority and Responsibilities of Corporate Governance Committee:

1. Formulate and review the structure, scope, and policy of TISCO Corporate Governance and Code of Conduct for the Board of Directors' consideration and approval.
2. Give advice to the Board of Directors on the structure, roles and responsibilities, practice and charter of the Board of Directors and Board committees.
3. Review and oversee the corporate governance practice of the Board of Directors, Board committees, and the Management in compliance with Corporate Governance Policy, Code of Conduct and related laws and regulations.
4. Review result of corporate governance and sustainable development assessments by outside agencies and make recommendation to the Board of Directors.
5. Review corporate governance and sustainable development practices of TISCO by benchmarking to that of standards and best practices for further improvement.
6. Work as a consulting body for the Board of Directors and the Management on matters regarding corporate governance and code of conduct.

7. Monitor the implementation of TISCO Corporate Governance Policy and Guidelines, TISCO Sustainable Development Policy, TISCO Code of Conducts, and report its findings to the Board.
8. Review Sustainable Development Policy, oversee work-plans and practices to ensure alignment with TISCO sustainable development policy, framework and strategy, and provide advice related to sustainable development issues.
9. Consider the self-authorized transaction on expenses and business leave as reported by the Chairperson of the Executive Board and the Group CEO on a monthly basis.
10. Monitor the adequacy of the company's disclosure practices relevance to sustainability development and corporate governance.
11. Perform other duties as assigned by the Board of Directors.

Board of Directors' Meeting of the Company

Board Meetings and Subcommittee 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 or the Subcommittee 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, and notify related committees and managements 14-21 days prior each meetings. In case of the most confidential document the Corporate Secretary may hand over the documents with header label 'CONFIDENTIAL' during the meeting then collect them back after the meeting adjourned.

The Board of Directors' Meeting No. 5/2017 on October 16, 2017 approved the preliminary schedule of the Board of Directors' Meetings and the Subcommittee Meetings for the year 2018 in advance which not include special meeting and the schedule may be changed. Details are as follows:

No. of the Meeting	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee	Corporate Governance Committee
No. 1/2017	Monday February 26, 2018	Thursday January 25, 2018	Thursday January 11, 2018	Monday February 26, 2018	Wednesday February 14, 2018
No. 2/2017	Tuesday April 24, 2018	Monday February 26, 2018	Monday February 12, 2018	Monday April 23, 2018	Friday June 8, 2018
No. 3/2017	Friday June 22, 2018	Friday March 23, 2018	Friday March 9, 2018	Friday June 22, 2018	Friday October 12, 2018
No. 4/2017	Thursday August 23, 2018	Tuesday April 24, 2018	Wednesday April 11, 2018	Thursday August 23, 2018	-
No. 5/2017	Friday October 26, 2018	Thursday May 24, 2018	Monday May 7, 2018	Friday October 26, 2018	-
No. 6/2017	Tuesday December 11, 2018	Thursday June 21, 2018	Friday June 1, 2018	Tuesday December 11, 2018	-
No. 7/2017	-	Thursday July 19, 2018	Monday July 9, 2018	-	-
No. 8/2017	-	Thursday August 23, 2018	Tuesday August 7, 2018	-	-
No. 9/2017	-	Thursday September 20, 2018	Friday September 7, 2018	-	-
No. 10/2017	-	Friday October 26, 2018	Friday October 26, 2018	-	-
No. 11/2017	-	Thursday November 22, 2018	Wednesday November 7, 2018	-	-
No. 12/2017	-	Tuesday December 11, 2018	Monday December 3, 2018	-	-

The Board of Directors promotes transparent consideration of each issue and allocates adequate time for the management to present issues, with adequate time set aside for directors to thoroughly discuss important matters. The Board encourages the management to attend the Board of Directors' Meeting to present additional information relevant to their responsibilities.

The Board of directors' meetings and the Executive Board meetings should be ensured that a number of Directors present at the meeting is not less than three-fourth and one-half of total Board members to constitute a quorum in accordance with Corporate Governance Policy, respectively. Before the meeting, the Chairman should inform that the director(s) (who is interested director in any agenda would not allow to vote and comment) may relate to interest in any agenda, would not allow to vote and comment. For all the Subcommittee Meetings comprising Audit Committee, Nomination and Compensation Committee, and Corporate Governance Committee also should be ensured that a number of Directors present at the meeting is not less than

two-thirds of total Board members to constitute a quorum in accordance with Corporate Governance Policy. After the Board of directors' meetings and the Subcommittee meetings, the Corporate Secretary and the Subcommittee Secretary are responsible for preparing minutes of the meeting in which all issues, contents, and opinions are properly recorded and kept for inspection.

The Company also encourages non-executive directors to hold meetings as necessary to discuss issues without executive attendance. In 2017, there was one meeting among non-management directors on June 9, 2017.

Details of Board of Directors meeting and subcommittee meeting attendance of TISCO Financial Group Public Company Limited's directors in 2017 are as follows:

Name	Time of Attendance				
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee	Corporate Governance Committee
No. of total meetings (times) (percentages)	6 (100.00)	12 (100.00)	12 (100.00)	6 (100.00)	3 (100.00)
1. Mr. Pliu Mangkornkanok	6 (100.00)	-	-	-	-
2. Mr. Hon Kit Shing (Alexander H. Shing)	3 (50.00)	-	-	3 (50.00)	-
3. Ms. Oranuch Apisaksirikul	6 (100.00)	12 (100.00)	-	-	-
4. Assoc. Prof. Dr. Angkarat Priebjrivat	6 (100.00)	-	12 (100.00)	-	-
5. Prof. Dr. Pranee Tinakorn	6 (100.00)	-	-	6 (100.00)	-
6. Ms. Patareeya Benjapolchai	6 (100.00)	-	12 (100.00)	-	3 (100.00)
7. Ms. Panada Kanokwat	5 (83.33)	-	-	-	3 (100.00)
8. Prof. Dr. Teerana Bhongmakapat ^{1/1}	6 (100.00)	-	4 (out of 4 times) (100.00)	-	2 (out of 2 times) (100.00)
9. Mr. Sathit Aungmanee ^{1/2}	6 (100.00)	-	8 (out of 8 times) (100.00)	6 (100.00)	1 (out of 1 time) (100.00)
10. Mr. Takashi Kurome	6 (100.00)	12 (100.00)	-	-	-
11. Mr. Chi-Hao Sun (Howard Sun)	6 (100.00)	12 (100.00)	-	-	-
12. Mr. Suthas Ruangmanamongkol	6 (100.00)	12 (100.00)	-	-	-

Remark: ^{1/1} Prof. Dr. Teerana Bhongmakapat was appointed as a member of the Corporate Governance Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Mr. Sathit Aungmanee

^{1/2} Mr. Sathit Aungmanee was appointed as a member of the Audit Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Prof. Dr. Teerana Bhongmakapat

8.1.6 Details of Board/Committees of TISCO Bank Public Company Limited, the core company of TISCO Group

8.1.6.1 TISCO Bank's Board of Directors

TISCO Bank's Board of Directors members were appointed by the resolutions of the shareholders' meeting of the year 2017. As of January 1, 2017, TISCO Bank's Board of Directors consisted of 9 directors as follows:

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman and Independent Director
2. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
3. Assoc. Prof. Dr. Angkarat Priebjrivat	Independent Director and Chairperson of the Audit Committee
4. Ms. Patareeya Benjapolchai	Independent Director and Member of the Audit Committee
5. Mr. Sathit Aungmanee ^{1/1}	Independent Director and Member of the Audit Committee
6. Mr. Chi-Hao Sun	Director and Member of the Executive Board
7. Mr. Takashi Kurome	Director and Member of the Executive Board
8. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board
9. Mr. Sakchai Peechapat ^{1/2}	Director, Member of the Executive Board, and President

Remark: ^{1/1} Mr. Sathit Aungmanee was appointed as a member of the Audit Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Prof. Dr. Teerana Bhongmakapat

^{1/2} Mr. Sakchai Peechapat was appointed as a director by the shareholders' meeting of the year 2017, which effective from April 20, 2017

Authorized Signatory

Ms. Oranuch Apisaksirikul, Chairperson of the Executive Board and one of the following executive directors namely Mr. Suthas Ruangmanamongkol, Mr. Sakchai Peechapat, Mr. Chi-Hao Sun (Howard Sun) or Mr. Takashi Kurome, jointly sign with the seal of the company affixed.

Chairman of the Board

1. Provide leadership to the board and be responsible for the board's effectiveness of overall functioning, including maintaining a relationship of trust with board members. The Chairman will ensure that the Board and its committees work in conformity to the highest standards of corporate governance.
2. With supporting from Group CEO and Company Secretary, set agenda which are primarily focused on strategy, performance, value creation and accountability, and ensure that issues relevant to those areas are considered by the Board. The Chairman is accountable to the Board that directors will perform their duty with accountability and due care, and in compliance with the related laws and regulations, and in the best interest of TISCO.
3. Communicate relevant Board decisions within TISCO where deems appropriate. The Chairman shall also ensure effective communication with shareholders, government agencies and other relevant stakeholders and that the views of these groups are understood by the Board.
4. Ensure that the Board members receive adequate, accurate, timely and relevant information, particularly about TISCO's performance; the Board's decisions are made on a sound and well-informed basis; and the expression and discussion of dissenting views are encouraged within the decision-making process.
5. Ensure good working relationship between the executive and non-executive directors and ensure adequate time for discussion of all agenda, particularly strategic issues.
6. Ensure that the Board understands the nature and extent of the significant risks TISCO is willing to take in the implementation of its strategy, and review on an ongoing basis the effectiveness of risk management and internal control systems.
7. Provide access, advice and support to the Group CEO in the development of strategy. The Chairman also maintains access to senior management for vital information related to TISCO business as is necessary and useful.
8. Promote effective relationships and communications between non-executive directors and senior management.
9. Ensure that the performance and effectiveness of the Board and Board Committees are formally evaluated on an annual basis.
10. Monitor and ensure that management has taken appropriate action and/or is properly following up on the recommendations and resolutions made by the Board and Board Committees.

Authority and Responsibilities of TISCO Bank's Board of Directors:

Under consolidated supervision framework, the Board shall ensure that the Bank adopt and adhere to TISCO Corporate Governance Policy approved by the Board of Directors of the parent company. TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, corporate affairs, and public and client communications. The Board shall carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.

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

8. Appoint other committees according to the needs and suitability to carry out specific tasks to ensure that the operations are in compliance with established Corporate Governance Policy.
9. Ensure that the Bank has policies, guidelines and controls procedures for granting credit and investment transactions with related parties.
10. Ensure that there is a process for prompt submission of management letters from the external auditor and management to the Bank's Board of Directors.
11. Ensure that there exists appropriate check and balance in the management and/or major shareholders of the Bank, in particular, the proportion or the number of independent directors on the Board.
12. Ensure that the Board and the parent company receive sufficient information to effectively discharge its authorities, duties, and responsibilities.
13. Report business activities and financial performance to the shareholders.
14. Report business activities and financial performance to the parent company's Executive Board on a regular basis, in compliance with the Consolidated Supervision Principle of the Bank of Thailand.

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

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

8.1.6.2 TISCO Bank's Executive Board

The Bank's Executive Board members were appointed by the Bank's Board of Directors with the approval from the parent company, TISCO Financial Group Public Company Limited. As of January 1, 2018, the Executive Board comprised the following five directors:

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

Remark: ^{/1} Mr. Sakchai Peechapat was appointed as a director by TISCO Bank's Board of Directors, which effective from April 21, 2017

Authority and Responsibilities of TISCO Bank's Executive Board:

Under consolidated supervision framework, the Executive Board shall ensure that the Bank adopt and adhere to TISCO Corporate Governance Policy approved by the Board of Directors of the parent company. TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, corporate affairs, and public and client communications. The Board shall carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.

1. Determine and propose business strategy, merger & acquisition transactions, new business ventures, and new products involving high risk to Board for approval.
2. Review and oversee the business plan and budget and monitors performance.
3. Approve credit with substantial amounts and/or transactions that involve high risks under TISCO Group's business framework.
4. Approve transactions involving high risk.
5. Appoint TISCO Risk Management Committee, as required by the Bank of Thailand, to determine overall risk management policies and strategies, and also identify, evaluate and manage the risks inherent in the Bank's strategies.

6. Oversee and monitor the significant compliance matters of TISCO Bank.
7. Concur annual compliance report of TISCO Bank in order to ensure the Board's acknowledgement and accountability on compliance.

8.1.6.3 Audit Committee

The Bank's Audit Committee members were appointed the Bank's Board of Directors with the approval from the parent company, TISCO Financial Group Public Company Limited. As of January 1, 2018, the Audit Committee comprised the following independent directors:

Name	Position
1. Assoc. Prof. Dr. Angkarat Priebjrivat	Chairperson of the Audit Committee
2. Ms. Patareeya Benjapolchai	Member of the Audit Committee
3. Mr. Sathit Aungmanee	Member of the Audit Committee

Remark: - All members of the Audit Committee have sufficient knowledge and experience to review the trustworthiness of financial statements.
 - The Audit Committee is same members of the parent company, TISCO Financial Group Public Company Limited
¹ Mr. Sathit Aungmanee was appointed as a member of the Audit Committee by TISCO Bank's Board of Directors, which effective from April 21, 2017 in replacement of Prof. Dr. Teerana Bhongmakapat

Authority and responsibilities of Audit Committee:

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, and corporate affairs, and public and customer communications. The Audit Committee shall carry out the following responsibilities within the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders. The Audit Committee has authority and responsibilities as detailed below;

1. Review the Bank's financial report to ensure accuracy and adequacy.
2. Review and evaluate that the Bank has suitable and efficient internal control system and internal audit.
3. Nominate and/or remove the independent person to be the external auditor of the Bank and recommend remuneration of such auditor as determined by the Audit Committee of the parent company as well as meet with the external auditor at least once a year without participation of management.
4. Ensure the accuracy and completeness of the disclosure of the Bank, especially the connected transaction or the transaction that may cause conflict of interest.
5. Prepare and disclose the Audit Committee report signed by the Chairperson of the Audit Committee in an annual report.
6. Report to the Board of Directors of the Bank and Audit Committee of the parent company in order that remedial action is taken within the time that the Audit Committee deems appropriate in case the Audit Committee finds or suspects any misconduct which may affect the Bank's financial position and performance significantly as follows;
 - Transaction which causes conflict of interest;
 - Fraud or irregularity or material defect in the internal control system;
 - Infringement of applicable laws and regulations of related regulatory agencies. If the Board of Directors or the management do not take remedial action within the time that the Audit Committee proposed, the Audit Committee shall disclose such infringement in annual report and report to the Bank of Thailand
7. Conduct the businesses as assigned by the Board in agreement of the Audit Committee.
8. Report audit activities to the Board of Directors on a regular basis.
9. Report audit activities to the Audit Committee of the Parent Company on a regular basis in compliance with Consolidated Supervision Principle of the Bank of Thailand.

Details of meeting attendance of TISCO Bank Public Company Limited's directors in 2017 are as follows:

Name	Time of Attendance		
	Board of Directors	Executive Board	Audit Committee
No. of total meetings (times) (percentages)	7 (100.00)	12 (100.00)	12 (100.00)
1. Mr. Pliu Mangkornkanok	7 (100.00)	-	-
2. Ms. Oranuch Apisaksirikul	7 (100.00)	12 (100.00)	-
3. Assoc. Prof. Dr. Angkarat Priebjriwat	7 (100.00)	-	12 (100.00)
4. Ms. Patareeya Benjapolchai	7 (100.00)	-	12 (100.00)
5. Prof. Dr. Teerana Bhongmakapat ^{/1}	2 (out of 2 times) (100.00)	-	4 (out of 4 times) (100.00)
6. Mr. Sathit Aungmanee ^{/2}	7 (100.00)	-	8 (out of 8 times) (100.00)
7. Mr. Chi-Hao Sun (Howard Sun)	7 (100.00)	12 (100.00)	-
8. Mr. Takashi Kurome	7 (100.00)	12 (100.00)	-
9. Mr. Suthas Ruangmanamongkol	7 (100.00)	12 (100.00)	-
10. Mr. Sakchai Peechapat	5 (out of 5 times) (100.00)	9 (out of 9 times) (100.00)	-

Remark: ^{/1} Mr. Sathit Aungmanee was appointed as a member of the Audit Committee by TISCO Bank's Board of Directors, which effective from April 21, 2017 in replacement of Prof. Dr. Teerana Bhongmakapat

^{/2} Mr. Sakchai Peechapat was appointed as a director by TISCO Bank's Board of Directors, which effective from April 21, 2017

8.2 Management

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 managements 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.

As of January 1, 2018, Management Committee of the TISCO Group as defined by the Securities and Exchange Commission comprised the following members:

Name	Position in the Company	Position assigned in subsidiary company
1. Mr. Suthas Ruangmanamongkol	Group Chief Executive and Chief Operating Officer	-
2. Mr. Sakchai Peechapat	President	President, TISCO Bank Public Company Limited
3. Mr. Pitada Vacharasiritham	Senior Executive Vice President	Senior Executive Vice President - Corporate Banking, TISCO Bank Public Company Limited
4. Mr. Chalit Silpsrikul	Senior Executive Vice President	Senior Executive Vice President - Retail Banking, TISCO Bank Public Company Limited
5. Mr. Metha Pingsuthiwong	Senior Executive Vice President	Senior Executive Vice President - Wealth Management & Banking Services, TISCO Bank Public Company Limited
6. Mr. Paiboon Nalinthrangkurn	First Executive Vice President	Chief Executive Officer, TISCO Securities Company Limited Chief Executive Officer, Deutsche TISCO Investment Advisory Company Limited
7. Mr. Chatri Chandrangam	First Executive Vice President - Risk & Financial Control	-
8. Ms. Yutiga Sonthayanavin	First Executive Vice President - Information Technology	-

Name	Position in the Company	Position assigned in subsidiary company
9. Mr. Rungroj Jarasvijitkul	Executive Vice President	Executive Vice President - Retail Banking - Sales & Marketing 1, TISCO Bank Public Company Limited
10. Mr. Yuttpong Sriwongjanya	Executive Vice President	Executive Vice President Retail Banking - Sales & Marketing 2, TISCO Bank Public Company Limited
11. Mr. Dejphinun Suthadsanasoung	Executive Vice President	Executive Vice President - Retail Banking Operations, TISCO Bank Public Company Limited
12. Mr. Picha Ratanatam	Executive Vice President	Executive Vice President - Wealth Management, TISCO Bank Public Company Limited
13. Mr. Pairat Srivilairit	Executive Vice President - Governance Office	-

Authority and Responsibilities of Management Committee:

1. To consider and formulate TISCO Group business strategy, financial goals, business plan including annual budget. The strategy, goals and plan must be balanced among short, medium and long term to maximize long term shareholders' value.
2. To review and ensure that TISCO Group's operations are in accordance with its strategies and business plan, the overall business and financial performance meet TISCO's corporate KPI and all are in compliance with Corporate Governance Policy and related regulations.
3. To discuss and make decisions on Group's business direction and policy, diversification of business platforms, synergy of cross-over businesses functions, efficiency and control issues among high-impact business and operations areas, group human resource management policies and capital expenditure policies.
4. To serve as a forum for heads of business and control functions to lodge and discuss on certain conflict and disagreement arising from operations and/or management issues, which cannot be resolved within the organization's normal chain of command.

Authority and Responsibilities of the Group Chief Executive:

1. Focus on strategy formulation, which is guided by the statement of vision and mission approved by the Board of Directors, by working in partnership with the Board of Directors in formulating such strategies and business plan including the level of risk appetite of TISCO Group.
2. Monitor the Company's overall performance with emphasis in long term value creation of the Company.
3. Be responsible to the Board for the business performance and its consistency with agreed business plans, corporate strategies and policies, and keep the Board updated on progress.
4. Lead, direct, and guide other Senior Management.
5. Oversee strategic alignment, governance and management structure, operations, risk management and control systems, and ensure effective implementation of strategies and the business plans across TISCO Group.
6. Facilitate the operating business units of TISCO in developing their own strategic plans for the future, and ensure that they are properly evaluated and that they are built into the overall corporate strategy.
7. Ensure that TISCO has the human capabilities and other resources required to achieve its plans, and that the management succession and management development plans are in place and presented to the Board on a pre-scheduled basis.
8. Ensure that business is conducted in accordance with TISCO Corporate Governance Policy and in compliance with related laws and regulations.
9. Develop and maintain an effective framework of internal controls and risk management in relation to all business activities.
10. Ensure the preparation of, under the oversight of the Audit Committee, financial statements that fairly present the financial condition and result of operations of TISCO; and make the timely disclosures that investors need to assess the financial and business soundness and risks of TISCO.

11. Ensure that TISCO has a suitable system and policy for the timely and accurate disclosure of information in accordance with regulatory requirements and TISCO Corporate Governance Policy.
12. Ensure that the flow of relevant information to the Board is adequate, accurate, timely, and keep the Chairman promptly informed of all matters which are deemed important to the Board or of which the Board should be aware.
13. Establish TISCO Compliance & Operation Control Committee, TISCO Human Resource Committee, TISCO Management Committee, TISCO Technology and Infrastructure Committee and other committees, to carry out specific tasks.
14. Nominate members of TISCO Management Committee and management of one further level down for NCC approval.
15. Ensure that all committees appointed by the Executive Board and Group CEO are established, composed and operated; that the committees' decisions are made on a sound and well-informed basis; and that dissenting views can be expressed, discussed and recorded within the decision-making process.
16. Interface with the Board, employees, stakeholders, and communicate with public community.

Authority and Responsibilities of Chief Operating Officer:

1. Provide overall management for day-to-day operations in TISCO utilizing limited resources to the most productive uses.
2. Assist the Group CEO in developing and cascading organization's strategy/ mission to the lower ranking staff.
3. Make plan by prioritizing customer, employee and company's requirement.
4. Work in partnership with the Group CEO and the management in attaining the highest standard of employee's quality and compliance to TISCO's Corporate Governance Policy and Code of Conduct.

As of January 1, 2018, the Company's management comprised the following 37 persons, the first to thirteenth persons are member of management committee as defined by the Securities and Exchange Commission which shown in page 8-18.

Name	Position
1. Mr. Suthas Ruangmanamongkol	Group Chief Executive and Chief Operating Officer
2. Mr. Sakchai Peechapat	President
3. Mr. Pitada Vatcharasiritham	Senior Executive Vice President
4. Mr. Chalit Silpsrikul	Senior Executive Vice President
5. Mr. Metha Pingsuthiwong	Senior Executive Vice President
6. Mr. Paiboon Nalinthrangkurn	First Executive Vice President
7. Mr. Chatri Chandrangam	First Executive Vice President - Risk & Financial Control
8. Ms. Yutiga Sonthayanavin	First Executive Vice President - Information Technology
9. Mr. Rungroj Jarasvijitkul	Executive Vice President
10. Mr. Yuttpong Sriwongjanya	Executive Vice President
11. Mr. Dejphinun Suthadsanasoung	Executive Vice President
12. Mr. Picha Ratanatam	Executive Vice President
13. Mr. Pairat Srivilairit	Executive Vice President - Governance Office
14. Mr. Nipon Wongchotiwat	Head of Enterprise Risk Management
15. Mr. Puvarin Kullaphatkanon	Head of Risk and Business Analytics
16. Ms. Chutintorn Vigasi ¹	Head of Corporate Accounting
17. Mr. Kontee Sunthornpradit	Head of Planning and Budgeting
18. Ms. Voranuch Supaibulpipat	Head of Credit Control
19. Ms. Surang Techarungnirun	Head of Office of the Credit Committee
20. Mr. Pichit Treethephasumphan	Head of Appraisal and Valuation
21. Ms. Dulyarat Taveebhol	Head of Corporate Compliance
22. Ms. Maneerat Wattanajak	Head of Compliance - Banking Business
23. Ms. Yaninee Papnum	Head of Compliance - Asset Management Business
24. Ms. Sakornrat Manuwong	Head of Compliance – Securities Business
25. Mr. Chuenchit Trakarnratti	Head of Operational Risk Management
26. Ms. Nudtinee Suwanpanitch	Head of Legal Office
27. Ms. Jiraporn Sawsukpaiboon	Head of Internal Audit

Name	Position
28. Ms. Nartrudee Siwabut	Head of Corporate Communication
29. Mr. Somchat Lapamong	Head of Corporate Services
30. Mr. Watsakorn Thepthim	Head of Human Resources
31. Mr. Kittipong Tiyafoonchai	Head of Human Resources Management
32. Ms. Chutiporn Luangrungsawang	Head of Human Resources Services
33. Mr. Montri Siripanasan	Acting Head of Financial Technology
34. Mr. Prayuk Charoencharaskul	Head of Productivity
35. Mr. Pisit Piyapasuntra	Head of Data Management
36. Mr. Pongnarintr Archamongkol	Acting Head of Technology Lab
37. Mrs. Arayapha Panichprecha	Head of Technology Governance

Remark: ¹ Management as defined by the Securities and Exchange Commission

8.2.1 Management of TISCO Bank

As of January 1, 2018, the Management ² of TISCO Bank comprised the following members:

Name	Position
1. Mr. Sakchai Peechat ¹	President
2. Mr. Pitada Vatcharasiritham ¹	Senior Executive Vice President - Corporate Banking
3. Mr. Chalit Silpsrikul ¹	Senior Executive Vice President - Retail Banking
4. Mr. Metha Pingsuthiwong ¹	Senior Executive Vice President - Wealth Management & Banking Services
5. Mr. Rungroj Jarasvijitkul ¹	Executive Vice President - Retail Banking - Sales & Marketing 1
6. Mr. Yuttpong Sriwongjanya ¹	Executive Vice President - Retail Banking - Sales & Marketing 2
7. Mr. Dejphinun Suthadsanasoung ¹	Executive Vice President - Retail Banking-Operations
8. Mr. Picha Ratanatam ¹	Executive Vice President - Wealth Management
9. Mr. Manop Petdamrongsakul	Head of Corporate Finance
10. Mr. Prapatsorn Arthachinta	Head of Corporate Credit Structuring
11. Mrs. Malatip Swintara	Co-Head of Business and Risk Assessment
12. Ms. Sunee Tongsombutpanich	Head of Business and Risk Assessment
13. Ms. Rapeeporn Ounchalanon	Head of Loan Administration
14. Mrs. Savika Jongpakpaisal	Head of Loan Documentation
15. Mr. Wittaya Mettaviharee	Assistant Head of Retail Banking - Sales & Marketing 1
16. Mr. Noppadol Chumwong	Head of Hire Purchase
17. Ms. Parichat Suthatsanasuang	Head of Hire Purchase Captive
18. Mr. Teerayuth Praserttrattanadacho	Head of Retail Marketing & Business Development
19. Mr. Suthep Trivannakij	Head of Branch Channel 1
20. Mr. Somboon Siriruck	Head of Branch Channel 2
21. Mr. Thawan Wichitwatee	Head of Branch Channel 3
22. Ms. Wipa Mettaviharee	Head of All Finance & Direct Sales
23. Ms. Penthip Laobooncharoen	Head of Retail & SME Credit
24. Mr. Konchai Udomsrisuk	Head of Retail Collection
25. Mr. Worapoth Tirakaroon	Head of Retail Service & Support
26. Mr. Sukit Sakulwongyai	Head of Retail Follow-up & Legal
27. Mr. Nattanan Ananpreeyavit	Head of Contact Center
28. Mr. Prakrit Shoonhasriwong	Head of Mortgage Loan
29. Mrs. Wantana Kitchpanich	Head of Branch Operations Support
30. Mr. Thanom Chairoondeekul	Deputy Head of Wealth Management
31. Ms. Rachada Pruksanubal	Deputy Head of Wealth Management and Head of Treasury
32. ML. Waraporn Worawarn	Head of Wealth Product
33. Mrs. Duangporn Yiemwanichnun	Head of Private Banking
34. Ms. Saranya Weeramahawong	Head of Personal Banking 1
35. Mrs. Atchara Petchsangroj	Head of Personal Banking 2

Name	Position
36. Mrs. Vorasinee Sethabutr	Head of Wealth Product Development
37. Ms. Chutima Panlaising	Head of Custodian Service
38. Mrs. Suwadee Khaolaorr	Head of Cash Management
39. Mr. Kittichai Tonnajarn	Head of Counter Services
40. Mr. Worawit Rungsiriopas	Head of Processing & Settlement
41. Mrs. Kusumar Pratomsrimek	Head of Bancassurance and Acting Head of Telemarketing Channel
42. Mr. Noppawat Tangburanakij	Head of Digital Banking Business

Remark: ¹ Management as defined by the Securities and Exchange Commission and Management of TISCO Financial Group Public Company Limited, the Parent Company of TISCO Group, seconded to manage the Bank

² Both First Executive Vice President of Risk & Financial Control, Mr. Chatri Chandrangam, and Head of Corporate Accounting, Ms. Chutintorn Vigasi, are employed under TISCO Financial Group Public Company Limited

Authority and Responsibilities of President:

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

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

8.3 Corporate Secretary

The Board of Directors have appointed Mr. Pairat Srivilairit as the Corporate Secretary, effective from September 1, 2013, to be responsible for preparing and maintaining director profile, notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting, maintaining directors and management's report on conflict of interest, and performing other duties as required by the Capital Market Supervisory Board. *(Profiles and qualification of Corporate Secretary as shown in Attachment 1)*

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.

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 Group Chief Officer and management (called "management") shall be linked to short and long term performance of TISCO Group, in and that of each management member. The remuneration should be determined in accordance with Director and Management Remuneration Policy approved by the Nomination and Compensation Committee with an endorsement from the Board of Directors.

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

Apart from the remuneration payable to directors of TISCO Financial Group Public Company Limited, TISCO Group only pays remuneration to subsidiary companies' directors who are non-executive director(s), that do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO Group of companies, in the same form and amount of TISCO Financial Group Public Company Limited's director. TISCO Group does not pay Executive Board meeting fee to director(s) who hold management position and full-time employment in TISCO Group, effective from January 1, 2017, to be valid until amended.

8.4.2 Financial Remuneration

The Company's shareholders approved at the Shareholders Ordinary General Meeting for the year 2017, the annual directors' remuneration in the form of reward, monthly fee, meeting fee and bonus at the amount of not greater than Baht 2,400,000 for the Chairman of the Board, and not greater than Baht 600,000 for each Board member, to be valid until amended.

The Board of Directors, under the authority delegated by the shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors. Following the Board of Directors' Meeting No. 2/2017 on April 21, 2017 approved new directors' remuneration to be allocated as follows:

(Unit: Baht)

Board/Committee	Monthly Fee	Meeting Fee
<u>Board of Directors</u>		
Chairman	200,000	-
Member	50,000	-
Advisor	40,000	-
<u>Executive Board</u>		
Chairperson	-	60,000
Member	-	40,000
<u>Audit Committee</u>		
Chairperson	-	60,000
Member	-	40,000
<u>Nomination and Compensation Committee</u>		
Chairperson	-	60,000
Member	-	40,000
<u>Corporate Governance Committee</u>		
Chairperson	-	60,000
Member	-	40,000

The details of Board of Directors' remuneration of TISCO Financial Group Public Company for the year 2017 are as follows;

Name	Remuneration (Baht)					Total
	Board of Directors (Monthly Fee)	Executive Board (Meeting Fee)	Audit Committee (Meeting Fee)	Nomination and Compensation Committee (Meeting Fee)	Corporate Governance Committee (Meeting Fee)	
1. Mr. Pliu Mangkornkanok	2,400,000	-	-	-	-	2,400,000
2. Mr. Hon Kit Shing (Alexander H. Shing)	560,000	-	-	120,000	-	680,000
3. Ms. Oranuch Apisaksirikul	560,000	-	-	-	-	560,000
4. Assoc. Prof. Dr. Angkarat Priebjriwat	560,000	-	700,000	-	-	1,260,000
5. Prof. Dr. Pranee Tinakorn	560,000	-	-	340,000	-	900,000
6. Ms. Patareeya Benjapolchai	560,000	-	480,000	-	170,000	1,210,000
7. Ms. Panada Kanokwat	560,000	-	-	-	120,000	680,000
8. Prof. Dr. Teerana Bhongmakapat ^{/1}	560,000	-	160,000	-	80,000	800,000
9. Mr. Sathit Aungmanee ^{/2}	560,000	-	320,000	240,000	40,000	1,160,000
10. Mr. Takashi Kurome	560,000	465,000	-	-	-	1,025,000
11. Mr. Chi-Hao Sun (Howard Sun)	560,000	465,000	-	-	-	1,025,000
12. Mr. Suthas Ruangmanamongkol	560,000	-	-	-	-	560,000
13. Ms. Krisna Theravuth ^{/3}	480,000	-	-	-	-	480,000
Total	9,040,000	930,000	1,660,000	700,000	410,000	12,740,000

Remark: ^{/1} Prof. Dr. Teerana Bhongmakapat was appointed as a member of the Corporate Governance Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Mr. Sathit Aungmanee

^{/2} Mr. Sathit Aungmanee was appointed as a member of the Audit Committee by the Board of Directors, which effective from April 21, 2017 in replacement of Prof. Dr. Teerana Bhongmakapat

^{/3} Ms. Krisna Theravuthi was appointed to be Advisor to TISCO's Board of Directors, with monthly remuneration of Baht 40,000

In 2017, total remuneration for the Board of Directors, the Executive Board, the Audit Committee, the Nomination and Compensation Committee, the Corporate Governance Committee (12 members) was 12,260,000 Baht, Advisor to the Board of Directors (1 member) was 480,000 Baht, the total amount was 12,740,000 Baht, additionally, the Management (41 persons ¹) was 393,814,030 Baht, the total amount was Baht 406,554,030 Baht. This was paid in the form of monthly compensation, meeting fees, provident fund, and bonuses, which varied according to TISCO Group's performance.

Remuneration for subsidiary companies' directors

Regarding directors' remuneration for companies in TISCO Group, in addition to directors' remunerations paid to directors of TISCO, the Parent Company, in 2017, there are also remuneration to be paid to directors who do not hold any directorship in TISCO and/or management position in other subsidiary companies in the same form and amount to TISCO Board member, to be valid until amended. The Board of Directors of each subsidiary company, under the authority delegated by its shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors.

In 2017, TISCO Bank, the core company of TISCO Group, paid remuneration to 33² Managements (excluded 8 persons which are the Parent Company's management and seconded to manage TISCO Bank), was 157,169,256.83 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 other non-monetary benefits for directors as follow:

1. Executive vehicle for the Chairman of the Board with full support of related expenses incurred including vehicle checkup, maintenance, annual registration, and auto insurance
2. Directors & Officers Liability Insurance (D&O) with liability limit of no more than USD 6,000,000
3. Group Life & Accident Insurance with maximum summed insure of 6,000,000 Baht. The Company provides Health Insurance with maximum summed insure of 5,000,000 Baht instead for director(s) who are Thai national and over 60 years old

8.5 Human Resources

As of December 31, 2017, the total number of employees at TISCO Group was 4,579 (excluding senior management) of which 4,146 were permanent employees and 433 contract staff.

Major Function	As of	
	December 31, 2016	December 31, 2017
1. Retail Banking	2,415	2,816
2. Corporate Banking	130	54
3. Wealth & Asset Management	961	1,067
4. Corporate Affairs & CSR	665	642
Total	4,171	4,579

At the end of 2017, the number of employees of TISCO Group increased by 408 staffs (9.8% YoY). Meanwhile, TISCO Group's total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 3,485,574,694.00 Baht.

8.5.1 TISCO Group Registered Provident Fund

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

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% or 10% or 15% 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)		
	Normal Rate	Special Rate	Total Rate
1st year	5	-	5
2nd year	6	-	6
3rd year	7	-	7
4th year	8	-	8
5th year	9	-	9
6th year	10	-	10
7th year	10	1	11
8th year	10	2	12
9th year	10	3	13
10th year	10	4	14
11th year and above	10	5	15

The fund is supervised by the fund committee, which is comprised of the employee's elected representatives and the employer's appointed representatives. Terms for fund committee members are valid for two years, and any individual can be re-elected or re-appointed. The fund committee is responsible for the supervision of fund management and investment policy. To broaden choices of employees for more suit their risk appetite and needs, TISCO Group Provident Fund employs a master fund with 4 investment policies (sub funds) which are Fixed Income, Mixed, Equity and Foreign investments. There are 16 predefined investment allocation choices for members to choose from. Presently, the TISCO Group Master Fund Committee allows members to switch their investment policies twice a year.

8.5.2 General Human Resources Policies

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

1. Principles of Dealing with People at TISCO Group

Because professionalism and trust in financial services is crucial, TISCO Group has established a clear definition of its corporate values in order to foster their development in TISCO Officers. The key to accommodate the journey of the organization towards success is to foster our officers to be sensible and do like TISCO Officers who are smart, well-doing and happy according to TISCO Group's values as below:

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

2. Hiring

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

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

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

3. **Employment at TISCO Group**

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

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

4. **Assessment and Development**

4.1 Assessment

Employees are assessed in all steps of employee movements from selection of new candidates to promotion, career development and succession planning. Assessments and evaluations are carried out in many aspects, including knowledge, skills, competencies, performance, and leadership, as well as alignment with corporate values. This ensures that quality of people be fit with TISCO Group's strategy, culture, technology and environment, which in turn ensure maximum human resources value. 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.

Employee development plans are specific to each job positions in TISSCO and covers 4 types of competencies, namely, organization core, business, technical, and leaderships.

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

5. **Career Management**

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

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 Human Resource policy and will be developed, updated and maintained by the Human Resources function.

7. Employee Compensation and Benefits

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

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

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

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

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

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

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

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

7.2 Pay for performance

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

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

8. Human Resources Administration

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

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

9. Succession Planning

To prepare the organization for the future, all key positions are required to develop successors and put development plans in place. Succession planning is overseen by the HR Committee and Nomination and Compensation Committee 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.

8.5.3 Organizational Development & the Learning process

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

1. Development programs to support business & marketing plans

1.1 Wealth Academy for Wealth Relationship Managers

Along with the improvement of tellers as customer service team, a dedicated and expertise team of wealth relationship managers has been developed for all segments of customers. The program aims to build financial and investment expertise and customer priority of the growing team of relationship managers. This is to ensure that the objective of increasing share of depositors can be achieved. In addition, TISCO is in the process to upgrade financial advisory skills of its wealth relationship manager by ensuring that they hold necessary professional licenses, including the Certified Financial Planner (CFP) accreditation.

1.2 The Teller academy

Teller Academy Program has been designed and continuously updated to equip new TISCO Bank tellers with all the necessary bank teller skills plus the awareness of risk management as well as customer services. Regular refresh courses are also administrated for all existing tellers to ensure that desired level of expertise can be maintained. All tellers are trained on the newly implemented core deposit system; ensure smooth operation which will allow tellers to provide better serve the clients. Service selling skills are also built to offer TISCO product consultancy.

1.3 Hire Purchase Marketing Development Program

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

1.4 Hire Purchase Manager Program

HPM – Hire Purchase Manager plays an important role as a leader of a marking team and strengthens a good relationship with TISCO clients. Designed by TISCO Group, this program aims at the roles and comprehensive knowledge on TISCO products including loan products, banking products and investment. To secure positioning of the all-in-one solution provider for our clients and to meet clients `needs, this reflects our corporate's professionalization and is critical to our corporate's success.

1.5 Somwang Onboarding Program

According to expand Somwang business in suburban areas, new Somwang marketing staff will be trained at Somwang Learning Hub in form of blended learning which are designed to learn standard knowledge from E-learning along with on the job training from experience mentors . This aims at the roles and comprehensive knowledge on retail financial products focusing on loan against auto license as well as customer service skills. Regular refresh courses are also administrated for all existing Somwang marketing staffs to ensure that desired level of expertise can be maintained.

1.6 Somwang District Manager Program

Somwang District Managers play important role as leaders of Somwang marketing team in achieving business targets. Designed by TISCO Group, this program aims at the roles and comprehensive knowledge on TISCO retail products, marketing skills, credit approval and effective operations to meet clients' needs with leadership skills to reflects our leading corporate's professionalization and meets business goals.

2. TISCO Leadership Development Program

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

3. Competencies Development Program

TISCO Group consistently values employee development and promotes training and development on specific job-related competencies, including organization core, business and technical competencies. The development programs are offered as per organizational learning roadmap and individual development plan and promotes employees to be developed continuously to ensure possession of necessary skills and knowledge, both from internal training and external training programs.

4. TISCO Culture and Value enhancement

TISCO Group emphasizes on organizational culture and corporate values, namely, Mastery, Integrity, Reliability, and Customer Priority, including the two behaviors, Creativity and Guidance so that TISCO employee could open up new opportunities for their clients and the society. The statement is further emphasized in 2013 as the group logo was changed to the "Ring of Opportunity". The campaign and communication was clearly designed and embedded with all other programs, from orientations, trainings, and other activities. A more specific campaign was administered to promote and recognize adoption of corporate values into daily lives, including the Financial Architect of the month, and CEO awards program as well as incorporation in CSR activities to share employee expertise in personal financial management to students in the learning camp. Dedicated employee relation team was set up to ensure promotion of corporate values, culture and workplace environment as well as maintain strong and healthy relationships among all parties in the organization.

5. Knowledge Management, Learning Management System and e-Learning

TISCO Group is aware that employees are entitled to competencies development and therefore can access to the organization knowledge. The learning management system has been implemented to allow employee to self-study and track their own development progress. It also systematically accumulates organization knowledge which serves as pool resources that enable future human resources development in the future.

6. Knowledge Management

TISCO Group values expertise and successful factors which have been accumulated and inherited in our corporate traditionally. To gather and apply this knowledge efficiently, this KNOWLEDGE MANAGEMENT is established to completely collect corporate's knowledge. This process begins from gathering knowledge from expert and experienced personnel as well as retired employees and systematically categorized to publish to our employees to learn and as a resource in continuously developing personnel in the future.

9. Corporate Governance

9.1 Corporate Governance Policy

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

TISCO Corporate Governance Policy, developed from the 2012 Good Corporate Governance Policy for listed companies in aligning with the guideline set by the Stock Exchange of Thailand, and the Corporate Governance Code for Listed Company 2017 as prescribed by the Office of Securities and Exchange Commission, was established to accomplish Group's business and social sustainability objective, create values for shareholders and make benefits for all stakeholders, as well as lead directors, management and TISCO Group employees to operate business in accordance with related laws and policy.

However TISCO has reviewed and updated Corporate Governance Policy which was approved by the Board of Directors on October 16, 2017, it 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 five main areas, namely, the Rights and Equitable Treatment of Shareholders, Interest of Stakeholders, Disclosure and Transparency, Responsibilities of the Board, and Integrity and Ethics (details of Corporate Governance Policy are presented on www.tisco.co.th).

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 alignment with changes in laws and regulations. Completion of the test is required by all employees as one of their Compulsory Key Performance Indicator. All new staff employed during the year is required to complete the test in addition to attending the orientation. The result of the test will be considered as part of their evaluation.

TISCO's Shareholder Ordinary General Meeting for the Year 2016 has achieved a full score from the Annual General Meeting Assessment Program conducted by the Securities and Exchange Commission in cooperation with the Thai Listed Companies Association, and the Thai Investors Association. The Thai Institute of Directors (IOD) also evaluated TISCO as the listed company with "Excellent" corporate governance recognition level considering from information disclosed through the Stock Exchange of Thailand's information dissemination channel and other Company's public documents. The Company has reported the assessment result to the Corporate Governance Committee, which further reported to the Board of Directors to review IOD's recommendations to continuously develop and improve corporate governance of TISCO Group.

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

1. Rights and Equitable Treatment of Shareholders

TISCO recognizes the basic rights of its shareholders and commits to protect and facilitate the exercise of its shareholders' rights. These rights include:

The right to buy, sell or transfer their shares; to receive their rightful portion of TISCO's profits; to easily obtain the relevant and adequate information on TISCO on a timely and regular basis; to participate effectively and vote in general shareholders meetings, and to be informed of the rules that govern the general shareholders' meeting; to elect and remove members of the Board of Directors; to participate in, and to be sufficiently informed on, decisions concerning fundamental company changes.

TISCO fairly and equally treats all shareholders, majority or minority, individual or institutional, foreign or Thai, either executive or non-executive. Among its policies are:

- a) Minority shareholders are protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly.
- b) Insider trading and self-dealing abuses are strictly prohibited.
- c) Members of TISCO's board and senior management are required to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting TISCO.

The Company delivers Notice of the shareholder meeting to summon shareholders to join the meetings, attached with Proxy Form A (a simple form for general shareholders), Form B (a specific detail form for general shareholders) and Form C (for foreign shareholders who appointed custodians within Thailand to be responsible for the shares), any shareholders who cannot attend the meeting can have their proxies taken part on their behalf. In addition, the Company has contacted institutional investors, who are funds or custodians, to send in representatives for the meeting and facilitating on advance meeting document checking and providing information or responding to any inquiries.

With regard to shareholder meetings, in addition to the annual general meeting which must be convened within four 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. Any shareholders holding an aggregate number of shares not less than ten percent of the total number of shares sold, may request in writing to the Board of Directors to convene an extra-ordinary meeting of shareholders. The requisition must specify the subject and reasons for which the meeting is required to be summoned. Pursuant to such requisition, the Board of Directors must summon such meeting within forty-five days after the requisition is received.

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

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

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

For the 2017 Annual General Meeting, TISCO invited shareholders to propose agenda and qualified candidates for director positions in advance, from August 29 to December 31, 2016. 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 seven days before the date set for the meeting in accordance with the law. The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders; which include (1) Notice of the meeting (2) Procedure for meeting registration (3) Profile of the independent directors nominated to serve as proxies for shareholders (4) the Company's Articles of Association in the category of company's shareholder meetings, directors; with regard to the number of directors section, an election of directors, director's term of office and dividend (5) Agenda of the meeting (6) Annual Report (7) Proxy Forms (8) Registration and Voting Form (9) Meeting location map and (10) Return envelope. In addition, the Company shall publish Notice of the shareholder meeting in a Thai daily newspaper for three consecutive days and not less than three 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 2017 Annual General Meeting, TISCO disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since February 17, 2017 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 17, 2017 and sent Notice of the shareholder meeting and the meeting materials to shareholders since March 22, 2017 which was 33 and 30 days before the date of shareholders meeting, respectively, in conformance with the good corporate governance practices.

- Meeting attendance

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

For the 2017 Annual General Meeting, the Company proposed four independent directors, Chairman of the Board of Directors, Chairperson of the Audit Committee and Chairperson of the Nomination and Compensation Committee, Chairperson of Corporate Governance Committee including their profiles for shareholders to appoint as proxy. Proxy Form B which allows shareholders to indicate their voting directions was also enclosed in the Notice. In addition, shareholders can download other Proxy Forms from the Company's website.

- Shareholders' opportunity for query and comment

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

For the 2017 Annual General Meeting, 11 directors (out of 12 members), TISCO Management Committee members, and the auditors attended the meeting. In addition, representatives from the Bank of Thailand were also observed the meeting.

- Conduct of the meeting and voting

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

For the 2017 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 DIA Audit Company Limited to ensure that the meeting was conducted with clear and transparency and in accordance with laws and the Company's Articles of Association. There were representatives of DIA Audit Company Limited to observe in the registration and vote counting throughout the meeting.

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

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

recording of the shareholders' meeting to be available on CD. Shareholders who are interested may request a copy of the CD from Investor Relations.

For the 2017 Annual General Meeting held on April 20, 2017, 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 4, 2017, in compliance with the above mentioned timeframe.

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

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

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

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

2. Interest of Stakeholders

TISCO treats all stakeholders fairly in accordance with TISCO Corporate Governance Policy – Section: Rights and Equitable Treatment of Shareholders, and their legal rights, either established by law or through mutual agreements. TISCO continues to develop processes to deliver superior financial products and services in order to meet stakeholders' expectations.

These stakeholders include TISCO's shareholders, employees, customers, business partners, creditors, competitors, and society at large.

2.1 Shareholders

In addition to direct benefits resulting from the rights and equitable treatment shareholders received from TISCO, they indirectly gain from the trust created by the fair treatment TISCO has given to other stakeholders. Such mutual trust in turn promotes co-operation between TISCO and its counterparts and is believed to be the key factor in maximizing the shareholders' long term wealth, and providing TISCO with financial stability and sustainability.

2.2 Employees

TISCO compensates its employees, permanent or contracted, fairly and they are rewarded based on an equitable performance evaluation system. They are equipped with the required standard of education and professional training, and provided with health care benefits and work place safety.

2.3 Customers

TISCO fulfills its contractual commitments to customers by providing professional and practical solution in accordance with the highest standard and code of conduct.

2.4 Business Partners and Creditors

TISCO treats its business partners fairly and honestly and honors any conditions agreed by both parties. TISCO's business partner selection policy and procedure are obviously and do not deal any business with them who suspected of taking bribes or corruption in any form.

TISCO also treats creditors fairly and honestly and honors any conditions agreed by both parties. In such business dealings, TISCO promises to abide by the Collective Action Coalition Against Corruption in the Private Sector and Intellectual Property Rights Act.

2.5 Competitors

TISCO operates its business with respect for free and fair competition and integrity, works within the framework of applicable competition regulations, and refrains from action that may have a negative impact on the financial industry such as cartel, monopoly, or criticizing other banks.

2.6 Social and Environment

TISCO recognizes its social responsibility and has continuously undertaken development initiatives to make a better society. Resources and expertise are focused on sustainable issues which are important to stakeholders and TISCO, such as supporting education and financial literacy. Other CSR activities are allocated to social welfare, cultural and environment preservation, which are driven mostly by voluntary staff, and occasionally with customers and business partners, to cultivate their moral values and social conscience.

In addition, TISCO Group provides variety of channels, for instance, TISCO Contact Center, service counters, TISCO Group website, and TISCO dedicated functions. For example, Investor Relations Function is responsible for feedbacks from shareholders and investors community while TISCO HR Help Line is responsible for those from employees. Moreover, Compliance Function has been assigned to receive suggestions, complaints or any other concerns related to TISCO business operation and regulatory matters. Significant issues shall be reported to the Compliance Committee for consideration. The Compliance and Operation Control Committee will preliminary screen the issue before reporting to the Audit Committee in case of critical corporate issues. The Audit Committee will further review, advise and report the issues and/or outcome to the Board of Directors. In addition, in order to protect the rights and privacy of claimants, the company has set clear policies and operational procedures to handle with claims from customers, employees and stakeholders. Comments, complaints or any information given will be protected and kept confidential.

Complaint Channels

- Channel 1** Inform the complaint at TISCO Bank's Head Office or branches through officers or filling the form and submit to officers.
- Channel 2** Send a letter to the address below:
Compliance Department
TISCO Financial Group Public Company Limited
TISCO Tower, 21st Floor, 48/49 North Sathorn Road, Silom, Bangrak, Bangkok, 10500
- Channel 3** Call TISCO Contact Center at 0 2633 6000 or fax the complaint to 0 2633 6800
- Channel 4** Post your complaint on TISCO's website
- Channel 5** TISCO HR Help Line for employee

3. Disclosure and Transparency

TISCO believes that its shareholders and other stakeholders are entitled to timely and accurate disclosure of all material information regarding the company, including financial reports, Quarterly Management Discussion and Analysis, and other important non-financial information, either by mandatory requirement or on a voluntary basis.

The disclosure is conducted in Thai and English, through easy access channels including TISCO's website, press conferences, quarterly analyst meetings, sessions with investors, and the information dissemination channels of the Stock Exchange of Thailand and the Security Exchange Commission.

TISCO makes publicly available on its website by the next working day the result of voting during the annual general meeting or extraordinary general meeting for all resolutions.

TISCO prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and simplicity. The Board of Directors shall provide a report indicating the performance of the Company and important business activities over the course of the year to shareholders. Moreover, the Board of Directors is accountable for assessing the Company's internal control system, which is primarily assessed by the Executive Board and reviewed by the Audit Committee. The Board of Directors is also responsible to certify the accuracy of information in financial statements, the Board assigns the Audit Committee to review the

financial statements of the Company and its subsidiaries to ensure that they are presented in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner to allow investors to make informed investment decisions. The Board provides the Statement of the Board of Directors' Responsibility for Financial Statements, while the Audit Committee provides reports on audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report are included in the Annual Registration Statement and Annual Report.

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

The Company assigned its Corporate Secretariat Office and Investor Relations Function to represent the Company in communications with shareholders, investors, analysts, credit rating agencies and related regulatory bodies. The Company's information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the SET, the SEC, and the Company's website under the topic of "Investor Relations". Furthermore, TISCO has set up numerous activities to portray or update the Company's information as well as to provide responses to inquiries from investors such as Quarterly Analyst Meetings, Press Conferences, One-on-One meetings and Meetings with investors, both local and international. The mentioned activities are also participated by senior management. In this respect, the activities arranged in 2017 were as follows;

1. 4 Quarterly Analyst Meetings with approximately 60 persons attended each meeting
2. 2 Press Conferences with approximately 40 media representatives attended each conference
3. 2 SET Opportunity Day, arranged by the Stock Exchange of Thailand, with approximately 40 analysts and investors attended the meeting
4. 37 Company Visits and 9 conference calls with investors and equity analysts, both local and foreign
5. Meetings with investors, both local and foreign in America, Europe and Asia including the United States, United Kingdom, Japan, and Singapore. The details are as follows;
 - 5.1 13 Investor Conferences; comprising 8 local conferences and 5 international conferences, covering 148 investors attended

For more information, please contact Investor Relations at:

Address : TISCO Tower, 48/2 North Sathorn Road, Bangrak, Bangkok, 10500
 Telephone : 0 2633 6868
 Fax : 0 2633 6855
 Email : ir@tisco.co.th
 Website : www.tisco.co.th

Directors and management shall file with the Company a Report of their Securities Holding in the Company and Report on their Conflict of Interest as details in 4 mentioned below.

4. Responsibilities of the Board

The Board of Directors is appointed by the shareholders to take overall responsibility for TISCO. These include directing, approving, and overseeing the implementation of, the group strategy, corporate governance and corporate values. The Board is responsible for selection of a qualified Group CEO and key senior management including oversight of the succession plan. It is also responsible for oversight of the Group CEO and senior management, and bears ultimate responsibilities for TISCO's business, risk strategy, and financial soundness as well as how TISCO organizes and governs itself. The Board is also responsible for annually review vision, mission and corporate value along with the business strategy for achieving the objectives and sustainable growth. In addition, monitoring the implementation of business strategy is the one of the Board's responsibility as well.

With the above responsibilities, TISCO has a policy to select its Board that possess, both as individual board members and collectively, appropriate and diverse experience, relevant competencies and personal qualities, including professionalism, personal integrity, and ability to make independent and analytical inquiry, and understand its business.

4.1 Board Structure

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

year. However, the former Board of Directors shall remain in office to conduct the business of the Company as necessary until the new Board of Directors take office.

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

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

Moreover, to be compliance with the Securities and Exchange Act B.E. 2535, the Company assigned Committees and authorized persons in management (according to the Financial Institution Operation Act, B.E. 2551) to compile reports on their own interests and any involving persons to Corporate Secretary. Once any changes on the information are made, Corporate Secretary is responsible for restoring the data and reporting the changes to Chairman of the Board and Chairperson of the Audit Committee.

4.2 Board Self-assessment

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

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

In 2015, 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, good corporate governance and board's responsibilities. 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. The aforementioned self-assessment consists of two aspects, which are 1) comparison between usual practice and best practice and 2) efficiency. In the year 2015, the Committee agreed that the Board Performance, Board Structure, Board Members, Board Policy, Board Performance and Board Meetings were up to best practice standard. As for the efficiency, most Board members give the 'excellent' score to all 6 areas of assessment. Certain areas naming Board Policy and Board Meeting were evaluated as 'satisfied'. Thus, the Committees added comments and suggestions in the assessment so that the Company could take it to consideration for further improvement.

In 2017, the Nomination and Compensation Committee provided the self-assessment divided into 2 forms: whole and individual which approved by the Board of Directors. Then the Corporate Secretary submitted the whole assessment which divided into 6 areas: 1) Board Policy, 2) Board Performance, 3) Board Structure, 4) Board Style, 5) Board Meetings, and 6) Board Members. The aforementioned self-assessment consists of two aspects, which are 1) comparison between usual practice and best practice and 2) efficiency.

The individual assessment consists of effective aspect divided into 3 areas: 1) Board structure and qualifications, 2) Board meeting, and 3) Roles, duties and responsibilities of the board.

For the result of the year 2017, the Committee agreed that the Board Performance, Board Structure, Board Members, Board Policy, Board Performance and Board Meetings were up to best practice standard. As for the efficiency, almost all of board members rated "Excellent" or "Satisfactory" for effective rating in all 6 areas of assessment. As for the Individual Assessment, the "Excellent" or "Satisfactory" was rated over the topics of knowledge and experiences of board member and useful comment during the meeting. The Committees added comments and suggestions in the assessment so that the Company could take it to consideration for further improvement.

In 2017, the Board of Directors also formulated the self-assessment process for all sub-committees namely, the Executive Board, the Audit Committee, the Nomination and Compensation Committee and the Corporate Governance Committee, which has been conducted on an annual basis and the results of self-assessments have already been presented to the Board of Directors.

In addition, the Board of Directors has approved the Policy on Assessing the Independence of Directors on December 8, 2017 with recognition on the importance of transparency in its determination of a Director's independence and the clarity this brings for the benefit of its shareholders and stakeholders. The independence is determined annually for all independent directors, not only those whose term of service as independent director falls under the 9-year presumption of non-independence by the Corporate Governance Code for Listed Company 2017. The assessment of the independence of Director will be conducted by the Nomination and Compensation Committee ("NCC") with inputs from the Board members and reported to the Board of Directors for approval. The assessment is conducted in absence of the director being assessed in order to avoid the conflict of interest.

The assessment of the independence of 6 independent directors namely Mr. Pliu Mangkornkanok, Assoc. Prof. Dr. Angkarat Priebjrivat, Prof. Dr. Pranee Tinakorn, Ms. Patareeya Benjapolchai, Ms. Panada Kanokwat and Mr. Sathit Aungmanee, revealed that their continued independence is still effective.

4.3 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 be commensurate with 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, but avoid excessive pays.

4.4 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 to such director. It is TISCO Group's policy to encourage trainings and educational activities for directors on a regular basis. The Company has subscribed for membership in The Thai Institute of Directors Association for directors in order to keep abreast of news and updates as well as to attend trainings beneficial to a listed company directorship. Training schedules shall be regularly notified to the director in advance.

Details of the Board of Directors and Top Management attending training programs and seminars as of December 31, 2017 are as follows:

Name	Training Program
1. Mr. Pliu Mangkornkanok	<p>Public Training</p> <ul style="list-style-type: none"> • Strategic Board Master Class, Thai Institute of Directors <p>In-house Training</p> <ul style="list-style-type: none"> • Situation, Trend and Growth of Sustainability Development, Thaipat Institute • Role of Financial Sector in Fighting Corruption, Thai Institute of Directors
2. Ms. Oranuch Apisaksirikul	<p>Public Training</p> <ul style="list-style-type: none"> • Top Executive Program in Commerce and Trade (TEPCOT 5), Commerce Academy <p>In-house Training</p> <ul style="list-style-type: none"> • Situation, Trend and Growth of Sustainability Development, Thaipat Institute • Role of Financial Sector in Fighting Corruption, Thai Institute of Directors • Opportunities in Financial Services as a result of Digital disruption and changing customer behaviors, CAPCO - The Capital Markets Company Limited
3. Assoc. Prof. Dr. Angkarat Priebjrivat	<p>Public Training</p> <ul style="list-style-type: none"> • Driving Company Success with IT Governance, Thai Institute of Directors <p>In-house Training</p> <ul style="list-style-type: none"> • Role of Financial Sector in Fighting Corruption, Thai Institute of Directors
4. Prof. Dr. Pranee Tinakorn	<p>Public Training</p> <ul style="list-style-type: none"> • Driving Company Success with IT Governance, Thai Institute of Directors • Board Oversight of Cyber Risk Management, The Securities and Exchange Commission <p>In-house Training</p> <ul style="list-style-type: none"> • Situation, Trend and Growth of Sustainability Development, Thaipat Institute • Opportunities in Financial Services as a result of Digital disruption and changing customer behaviors, CAPCO - The Capital Markets Company Limited
5. Ms. Patareeya Benjapolchai	<p>Public Training</p> <ul style="list-style-type: none"> • Family Business Governance, Thai Institute of Directors <p>In-house Training</p> <ul style="list-style-type: none"> • Situation, Trend and Growth of Sustainability Development, Thaipat Institute • Role of Financial Sector in Fighting Corruption, Thai Institute of Directors • Opportunities in Financial Services as a result of Digital disruption and changing customer behaviors, CAPCO - The Capital Markets Company Limited

Name	Training Program
6. Ms. Panada Kanokwat	<p>Public Training</p> <ul style="list-style-type: none"> Corporate Disclosures: What are investors looking for beyond financial measures?“, Thai Institute of Directors <p>In-house Training</p> <ul style="list-style-type: none"> Situation, Trend and Growth of Sustainability Development, Thaipat Institute Role of Financial Sector in Fighting Corruption, Thai Institute of Directors Opportunities in Financial Services as a result of Digital disruption and changing customer behaviors, CAPCO - The Capital Markets Company Limited
7. Prof. Dr. Teerana Bhongmakapat	<p>In-house Training</p> <ul style="list-style-type: none"> Situation, Trend and Growth of Sustainability Development, Thaipat Institute Opportunities in Financial Services as a result of Digital disruption and changing customer behaviors, CAPCO - The Capital Markets Company Limited
8. Mr. Sathit Aungmanee	<p>Public Training</p> <ul style="list-style-type: none"> The Board’s Role in CEO Succession Planning, Thai Institute of Directors <p>In-house Training</p> <ul style="list-style-type: none"> Situation, Trend and Growth of Sustainability Development, Thaipat Institute Role of Financial Sector in Fighting Corruption, Thai Institute of Directors Opportunities in Financial Services as a result of Digital disruption and changing customer behaviors, CAPCO - The Capital Markets Company Limited
9. Mr. Suthas Ruangmanamongkol	<p>In-house Training</p> <ul style="list-style-type: none"> Situation, Trend and Growth of Sustainability Development, Thaipat Institute Role of Financial Sector in Fighting Corruption, Thai Institute of Directors Opportunities in Financial Services as a result of Digital disruption and changing customer behaviors, CAPCO - The Capital Markets Company Limited

In addition, board members and top managements attended training programs related to the roles and responsibilities of directors, and also further their skills and knowledge in seminars or training programs which presented in Attachment 1.

4.5 Group Chief Executive Performance Assessment

The Board of Directors assigns the Nomination and Compensation Committee to prepare and recommend the Group Chief Executive Performance Assessment Guidelines for the Board’s approval. The Nomination and Compensation Committee shall arrange the meeting(s) between the Board and Management in absence of the Top Management at least once a year prior to his/her annual performance Assessment. The Nomination and Compensation Committee then reports the assessment result to the Board Meeting. The assessment shall be divided into 2 main parts: Financial KPI and Non-Financial KPI. The set KPI is aligning with Company Vision Mission and short-term & long-term goal of the Company in considering the business situation and environment.

To ensure the most effectiveness on the assessment, the Nomination and Compensation Committee will arrange the meeting(s) between the Board and Management of TISCO Group, in absence of the Top Management at least once a year prior to his/her annual performance Assessment. In addition, for the performance assessment of TISCO Group’s Chief Executive the assessment will take into the consideration the assessment result from sub-committees, namely the Audit Committee and the Corporate Governance Committee, and together with the assessment from the Nomination and Compensation Committee. The assessment result will be reported in the Board of Directors’ Meeting.

4.6 Succession Planning

To ensure stability and continuity of TISCO Group business operations, successor of all key positions has been determined. The Board of Directors assigns the Nomination and Compensation Committee to oversee the preparation of Top Management’s succession plan. Said plan shall be regularly reviewed as appropriate. For other senior management positions, Top Management and Human Resources Function shall review and evaluate the successors for the Nomination and Compensation Committee’s approval by considering factors that is qualification, knowledge, ability, experience, and evaluation of qualified management for successor in each position.

5. Integrity and Ethics

A reputation for integrity has been a cornerstone of TISCO’s business since its inception. This provides confidence to all stakeholders that TISCO and its employees are performing and behaving consistently to the highest standards. They are guided by a set of values, such as compassion, dependability, honesty, loyalty, maturity, objectivity, respect, trust and professionalism. Integrity is TISCO’s fundamental requirement in choosing and retaining its employees.

The members of the Board of Directors and employees of TISCO including the Group CEO and senior management also strive to maintain the highest standards of ethical conduct including:

- a) Compliance with applicable laws and regulations.
- b) Conflict of interest must be declared and appropriate arrangements made to ensure that those with a material interest are not involved in the decision-making process.
- c) Improper payments of any kind are prohibited; similarly no gift whose value is material and which may be interpreted as a form of inducement should be accepted or offered by TISCO's employees.
- d) Ethical issues must be dealt with in an efficient and transparent manner.

9.2 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, the Corporate Governance Committee and the Executive Board as detailed below. (Detail of Management Structure is described under Section 8.1.)

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.

Currently, the Executive Board, consisting of four Executives Directors, are Ms. Oranuch Apisaksirikul as the Chairperson of the Executive Board, Mr. Suthas Ruangmanamongkol, Mr. Takashi Kurome, and Mr. Chi-Hao Sun (Howard Sun).

Audit Committee

TISCO Audit Committee provides an independent oversight and review of financial reports, internal controls and audits, and compliance of TISCO Group business activities to internal policies and related laws and regulations. It also ensures transparency and completeness of disclosure and is responsible for ensuring independent checks and balances to produce financial statements that fairly present and make timely disclosures to investors. The Audit Committee engages an independent auditor of TISCO to audit the financial statements prepared by management and issue an opinion that such statements are fairly stated in accordance with recognized accounting principles, as well as to oversee the relationship with the external auditor.

The subsidiary companies may set up their own Audit Committees according to regulatory requirements. To ensure adoption and implementation of responsibilities as defined by the TISCO Audit Committee, the Audit Committees of subsidiary companies, where applicable, must report to TISCO Audit Committee under the Guidelines on Consolidated Supervision of the Bank of Thailand.

The Audit Committee is appointed by the Board of Directors. Currently, the Audit Committee, consisting of three Independent Directors, namely Assoc. Prof. Angkarat Priebjriwat as the Chairperson of the Audit Committee, Ms. Patareeya Benjapolchai and Mr. Sathit Aungmanee. All members of the Audit Committee have sufficient knowledge and experience to review the trustworthiness of financial statements. Details of their experiences in financial statement are in Attachment 1.

Nomination and Compensation Committee

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

of conducting performance assessments of TISCO's Group Chief Executive and presenting the result to the Board of Directors for approval, reviewing and approval of promotion, compensation and other benefits of TISCO's Group Chief Executive, including reviewing proposals on appointment, assessments, promotions, compensations and benefits of the members of the Management Committee and one further level down.

The Nomination and Compensation Committee is appointed by the Board of Directors. Currently, the Nomination and Compensation Committee, consisting of three Directors, namely Prof. Dr. Pranee Tinakorn as the Chairperson of the Nomination and Compensation Committee, Mr. Hon Kit Shing (Alexander H. Shing) and Mr. Sathit Aungmanee.

Corporate Governance Committee

TISCO Corporate Governance Committee establishes Corporate Governance Policy and Code of Conduct, oversees the practices of the Board of Directors, Board committees, and management in compliance with the Corporate Governance Policy, Code of Conduct, and related laws and regulations.

The Corporate Governance Committee is appointed by the Board of Directors. Currently, the Corporate Governance Committee, consisting of three Directors, namely Ms. Patareeya Benjapolchai as the Chairperson of the Corporate Governance Committee, Ms. Panada Kanokwat, and Prof. Dr. Teerana Bhongmakapat.

Specific-Area Committee of TISCO Financial Group

- TISCO Risk Management Committee comprises senior management of key business and control areas of TISCO Group. It is appointed by TISCO Board to determine overall risk management policies, risk limits and strategies of the group. TISCO Risk Management Committee proposes risk management policies and strategies, as well as reports risk monitoring results to TISCO Executive Board and TISCO Board regularly.
- TISCO Management Committee comprises senior management of key business and control areas of TISCO Group appointed by Nomination and Compensation Committee with the proposal from the Group CEO and ratified by the Board of Directors. The Management Committee is responsible to formulate TISCO Group's business strategy, financial goals, business plan, including annual budget, and ensure that operations are in accordance that with strategies and business plan, and are in compliance with Corporate Governance Policy and related regulations.
- The Compliance and Operation Control Committee is appointed by Group CEO to review operational productivity, risks, and control activities, to ensure an optimal level of operations that promotes both operating efficiency and adequate risk controls. TISCO Compliance & Operation Control Committee ensures that TISCO complies with related laws and regulations and effective internal controls across TISCO Group, reviews and determines mitigation plans and actions in response to significant operational risk incidents.
- The Information Technology Committee is appointed by the Group CEO to determine IT strategies and platforms for the group. It also ensures smooth and effective central IT and operating infrastructures including core servers, application architecture, MIS, building and office-related infrastructure and equipment. In addition, the Committee reviews IT capital expenditure and ensures sound IT and infrastructure security policy within TISCO Group.
- TISCO Human Resources Committee is appointed by Group CEO to review and determine organization structure and job structure, human resources policies and guidelines, succession and talent management, performance evaluation, job promotions and remuneration of TISCO Group.

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. TISCO Bank Risk Management Committee reports to TISCO Risk Management Committee under the Guidelines on Consolidated Supervision of the Bank of Thailand.

The Enterprise Risk Management and Risk Research functions support the committee in assessing and monitoring bank risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, and performs risks analyses of new businesses.

- The Credit Committee of TISCO Bank and other credit-granting subsidiaries and the Problem Loan Committee of TISCO Bank are responsible for setting up credit granting criteria and controlling loan approval procedures at the transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Control business line supports the committees in assessing and controlling the credit approval process of each transaction. In addition, the Internal Audit function regularly reviews compliance to the credit approval guidelines and procedures.

9.3 Directors, Independent Directors and Management Selection Guidelines

9.3.1 Director and Independent Director Nomination

The Nomination and Compensation Committee shall, upon contemplating Company's need and good corporate governance, identify and propose qualified nominees, with knowledge, experiences, sufficient understanding of banking and finance including securities business, economics, law or any other fields deem appropriate. The Nomination and Compensation Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors according to the Company's criteria as specified under Section 9.1.1

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

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

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

9.3.2 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.

9.3.3 Qualifications of Independent Director

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

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

9.3.4 Direct or indirect business relationship or being provider of any professional service by Independent director over the past accounting period¹

- None -

9.4 Corporate Governance of Subsidiary Companies and Joint Companies

TISCO Group, comprising TISCO and its subsidiaries, operates as one single entity to ensure good governance and yield effective synergies from group resources. The operating structure between TISCO, the parent company, and all subsidiaries, is framed in such a way as to provide coherent business direction and ensure good governance of equal standards across entities. In this regard, TISCO, the parent holding company, serves as the governing company, and defines policies and standards as well as common corporate strategies to all companies in the group. TISCO also centralizes all key control and support functions within the group. Subsidiary companies serve as strategic business units, which are responsible for the roles of Marketing & Sales, Customer Relations, and Transaction Processing and Credit Control.

As the governing company, TISCO will define group strategic directions, business plans, as well as resource allocations of all subsidiary companies. Although the group strategic plan involves both top-down and bottom-up processes, TISCO's Board of

¹ According to the Notification of Capital Market Supervisory Board No. Tor Chor 4/2009, Application for and Approval of Offer for Sale of Newly Issued Shares (No.2)

Directors ultimately holds the authority to approve the group's business model, corporate strategies, business plan, and financial budgets, which are applied on a group consolidated basis.

Through the authorities provided in this Corporate Governance Policy, TISCO will appoint the Board of Directors and Board committees, if applicable, of all subsidiary companies, as well as define their business policies and strategies. Key significant business activities will also require approval by TISCO. TISCO will monitor on an ongoing basis the business performance and all significant matters of subsidiary companies according to the corporate strategies and business plan approved by TISCO's Board of Directors.

All support and control functions will be centralized at TISCO in order to create good governance standards, promote synergies, as well as maximize operating efficiency and effectiveness of TISCO group operations. These centralized operations cover the areas of governance, strategy & planning, finance & accounting, risk management, credit controls, internal control & compliance, human resources as well as business development and process improvement activities. Centralized policies will be set up on these aspects for application across all subsidiary companies. Subsidiary companies serve as strategic business units, which focus on various business areas of financial services. The key roles of strategic business units consist of sales & marketing, customer relationships, and delivery of products and services to customers. They also have their own transaction processing and credit controls. The subsidiary companies will operate their businesses within the policies, guidelines and strategic directions given by TISCO, the parent holding company.

In addition, 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.

To ensure coherent adoption of Corporate Governance across all subsidiary companies in TISCO Group², roles and responsibility of the Directors and the Management who the Company seconded to manage the subsidiary companies has been clearly set. There are follow-ups procedures set to subsidiaries to ensure their promptly disclosure of any important information in accordance with relevant laws and regulations and to ensure that the subsidiaries are sufficient and appropriate internal control system, including monitoring Directors and the Managements to fulfill their duties and responsibilities according to the governed law and regulations. As stated, the Board of Directors has delegated its monitoring and supervising roles to certain Management and sub-committees. Details on scope of authorities, duties and responsibilities of Sub-Committees are as shown in subtopic 8.1 and 9.2. For subsidiary companies' related party transaction with related parties, significant acquisitions or dispositions of assets, or other significant transactions of subsidiary companies, i.e. termination of subsidiary companies, capital share increase or reduction must be approved by the Board of Directors or in the Shareholders' Meetings prior to conducting the transactions. Over the period, the Company has strictly followed Regulations of Stock Exchange of Thailand, Notification of the Securities and Exchange Commission, and relevant Notification of Capital Market Supervisory Board regarding any related party transactions and any transaction that may cause conflicts of interest.

9.5 Control of Internal Information

TISCO Group's compliance manual acts as a set of guidelines to help employees perform their duties fairly and honestly, comply with applicable laws and regulations, avoid conflicts of interest, and not seek to benefit from insider information. Business guidelines, regulations, and the code of conduct have all been compiled to create the Company's compliance manual.

With respect to TISCO Group's regulations governing employee securities trading, the Group requires management and employees to open trading accounts with TISCO Securities, its subsidiary. In this regard, he or she must, however the case may be, report their transaction to the Compliance function. Furthermore, the Group also prohibits senior management and insiders from trading the Company's shares within 7 working days before last day of the month until 2 days after the Company's monthly financial statements or concise assets and liabilities statement are published.

Additionally, a Director who knows important information about TISCO that has not been disclosed to the public must keep such information confidential. It is a violation of law to purchase or sell TISCO stock on the basis of such important non-public information. Directors may not do so and may not provide such information to others for that or any other purpose. Directors also may not buy or sell securities of any other company using important non-public information obtained in the performance of their duties on behalf of TISCO and may not provide any such information so obtained to others. Directors shall maintain the confidentiality of any non-public information learned in the performance of their duties on behalf of TISCO, except when disclosure is authorized or legally mandated. Directors shall notify the Corporate Secretary at least one day before dealing in any of TISCO shares.

Penalties shall be imposed for any breaches.

² According to the Notification of Capital Market Supervisory Board Re: Application for and Approval of Offer for Sale of Newly Issued Shares

9.6 Auditor's Fee

9.6.1 Audit Fee

The Company and its subsidiaries for the Year 2017 amounting of Baht 8,630,000 to EY Office Limited.

9.6.2 Non Audit Fee

The Company paid non-audit fees in 2017 amounted of Baht 3,050,000 to EY Office Limited. These fees were for review of Net Asset Statement under Business Sale Agreement from Standard Chartered Bank (Thai) Public Company Limited and Electronic Fund Transfer System.

9.7 Implementation of the 2017 Corporate Governance Code for Listed Companies

The Company has reviewed the Corporate Governance Policy, developed from the 2012 Good Corporate Governance Principles for Listed Companies in aligning with the guideline set by the Stock Exchange of Thailand, and the 2017 Corporate Governance Code for Listed Companies as prescribed by the Office of Securities and Exchange Commission. After consideration, the Corporate Governance Committee founded that the Company has adopted most principles and proposed to the Board of Directors' Meeting No.5/2017 for acknowledgement. As of December 31, 2017, the Company is on the process of reviewing the Corporate Governance Policy to be aligning with the new Corporate Governance Code and Banking Industry Code of Conduct set by the Thai Banker's Association in order to keep updated with the fast growing development of corporate governance area. The review process is expected to be completed within the year 2018.

10. Corporate Social Responsibility

Sustainable Business Practices

TISCO Group strongly believes that sustainable business practice which concerns all both internal and external stakeholders deems to be significant to make business grow prudently and sustainably. In order to impel the sustainable business practice in every business process, TISCO Group has formulated the Sustainable Development Policy and Sustainability Development Framework to efficiently drive the effective implementation of the each sustainable topic significant to the organization including Environmental, Social and Governance (ESG). TISCO Group has incorporated the ESG matters into the Vision, Mission and Core Value of the organization with an aim to support the business operations with responsibility to environment, rewarding to both internal and external stakeholders, as well as value creation to society and community in long term. In addition, TISCO Group has also integrated the participation in driving Sustainable Development Goals (SDGs) that announced by United Nations as an integral part of Sustainable Business Practices of the organization.

With an intention in continually undertaking business with professional expertise under good governance concerning creative society and responsibility to environment including creation of good return on the economy for sustainable growth, in 2017, TISCO Financial Group Plc. ("TISCO") was awarded to be one in the name list of "Sustainable Stock" namely "Thailand Sustainability Investment" list of the Stock Exchange of Thailand.

In 2017, TISCO Group has improved the reporting pattern of sustainability report to align with the New Global Reporting Initiative (GRI) or GRI Standard instead of the disclosure under the guideline of Global Reporting Initiative Version 4 (GRI-G4). Details of TISCO sustainable development operations have been disclosed in Sustainability Report 2017.

Anti-Corruption

TISCO Group emphasizes and is committed to transparently undertake businesses for over 49 years adhered to the principles of good corporate governance as well as anti-corruption guidance. TISCO has instilled in all employees operate with integrity and incorporated "Integrity" as an integral part of organization's core values and include therein the Compliance Manual as well.

In 2010, TISCO Group signed a mutual agreement with the Private Sector Collective Action Coalition Against Corruption and was certified as allies of the Thailand's Private Sector Collective Action Coalition Against Corruption on October 8, 2013 and has been recertified for another three years in August 16, 2016.

TISCO Group has launched the "Anti-corruption policy and guideline" and appropriately revised on regular basis to ensure the effectiveness of the stipulations stated therein mentioned policy and guideline. The key essences of such policy and guideline are regularly communicated to all staff through several dedicated channels i.e. announcement on intranet, e-learning, clarification in the arranged meeting whenever having key amendments. The perception and understanding on the key principles of Anti-Corruption policy and guideline have been included in the Compulsory KPI evaluation report. The testing result shall be reported to the relevant committee for consideration. Addition to the letter of intent sent to engaged business partners, TISCO has submitted the clarification on the TISCO's intent on anti-corruption to the engaged vendors, publicly expresses the TISCO's intent on anti-corruption through the participation in anti-corruption activities arranged by organization, association or Private Sector Collective Action Coalition Against Corruption as well as the corporation with CAC to exchange experiences and knowledge in regard to the anti-corruption guideline to the listed companies and other companies who desired to participate with the CAC project.

Anti-Corruption Guideline

To support the effective implementation of the Anti-Corruption Policy, TISCO Group has additionally formulated Anti-Corruption Guideline to prevent or minimize the possibilities for being the vehicle of the involvement in corruption activities. Additionally, the stipulations therein the guidelines also included the practices with counterparties or business partners, the determination of whistle blowing channel, the training and communication, the disclosure of information to public relating to the intent of company in combating with corruption and the report to the executives and the examination on the implementation of anti-corruption program for provide the assurance that the executives and employees appropriately perform in compliance with the guidelines.

TISCO has implemented program to fight against corruption, with details as follows:

1. Place "Integrity" as the company's core values. All of TISCO Group's employee conduct themselves with honesty and follow the code of ethics of the highest standards of business ethics in operating and rendering services to customers as well as instilling this value to employees from the first day of work and throughout the employee term.
2. Evaluate the company's annual Corruption Risk Evaluation during the company's annual Risk Assessment Evaluation

3. Adjust the level of the company's Anti-Corruption implementation to correspond with the result of the annual Risk Assessment Evaluation by regularly reviewing the guidelines in line with the associated risks. Disciplinary actions are imposed on employees who are involved in corruption.

4. Provide Anti-Corruption training programs to employee by adding "Anti-Corruption Policy" into e-learning subjected to annual test through Compulsory KPI report with 100 percent of test result. Additionally, seminar for company's directors and executives was arranged by inviting professional speaker to share and exchange the knowledge and experiences on the role of the financial industry for supporting anti-corruption.

5. Provide appropriate channels for accepting complaints including whistle blower channel both for external and internal reporters. The received information shall be brought into investigation process and the reporters shall be treated anonymous and confidentially.

6. TISCO Group's top executives express the intent in anti-corruption through the regular participation in promoting Anti-Corruption activities with other organization. In year 2017, the seventh year when TISCO has joined and participated as part of private sector in supporting the anti-corruption activities. The joined activities in year 2017 were the participation in "Anti-Corruption Day" arranged in September 6, 2017 at Centara Grand and Bangkok Convention Centre Hotel to show power against corruption the and the activities on the International Anti-Corruption day arranged in December 9, 2017 at the Grand Diamond Ballroom, Impact Exhibition Center, Muang Thong Thani.

7. Strengthen and enhance the control measures for procurement process to minimize the possibility of corruption or bribery. Additionally, the steering committee is appointed to assist in screening the appropriateness of price as well as the term of conditions for the high value procurement.

8. Strengthen the gift receiving guideline to be more stringent by prohibiting receive gift from customers, suppliers or business partners in every circumstance. In case being unable to refuse the receiving, all received gifts are subjected to deliver to any charity organizations or TISCO Foundation on behalf of the givers for charitable activities as deemed appropriate. In the new year of 2018, TISCO submitted letters to seek the cooperation from customers, suppliers or business partners for not giving any gifts to employees and managements of TISCO Group.

9. Provide full cooperation to the supervisory authority to disclose the Anti-Corruption Progress Indicator. At present, TISCO Group was ranked at level 4 which referred to the company passed the certification and is one of members of Private Sector Collective Action Coalition Against Corruption in Private Sector. TISCO is on the preparation process to upgrade to level 5 by extending the anti-corruption practice to counterparty and business partners.

10. In regard to the securities company and asset management company, the subsidiaries within the TISCO Group, they also well provide the support on proceeding for prevention of involvement with the corruption. TISCO Securities Co., Ltd. where undertakes the research business for listed company has disclosed the Anti-Corruption Progress Indicator of such listed company in the research articles of the company in order to be the supportive information for investors.

Meanwhile, as for TISCO Asset Management Co., Ltd., the Anti-Corruption Progress Indicator of the company has been disclosed in the fund fact sheet. Additionally, the factors regarding Anti-Corruption Progress Indicator as well as the being certified company of Private Sector Collective Action Coalition Against Corruption in Private Sector will be taken into account as considering factors for making investment for funds under management of the company.

The details of Anti-Corruption Policy are officially disclosed under the section of Corporate Governance in order to thoroughly disclose the informative information regarding the Anti-Corruption Policy. (For further Anti-Corruption policy could view in TISCO's website at <http://www.tisco.co.th/en/aboutus/governance.html>)

Honors and Awards in 2017

TISCO Group has received awards related to performance standards reflecting its standard policy and outstanding accomplishment in various fields of business. The awards received in the year 2017 were as follows:

Thailand Sustainability Investment (THSI)

TISCO Financial Group ("TISCO") was selected to be into Thailand Sustainability Investment (THSI) 2017 list by the Stock Exchange of Thailand (SET) among the list consisted of listed companies on Stock Exchange of Thailand (SET) and Market for Alternative Investment (mai) which voluntarily join the test. The selection criteria for being in the THSI list has to pass the evaluation of sustainability indications on Environmental, Social and Governance (ESG). This is an option for investors who want to consider the investment according the sustainability concepts by taking the ESG factor as part of their investment decision, along with analyzing the financial data of invested company with an aim to create long term returns on their investment.

ESG100

TISCO Financial Group was selected as 1 of 100 listed companies with notable actions for the Environment, Society and Governance (ESG100) 2017 for three consecutive years from Thaipat Institute.

Excellent CG Scoring

TISCO Financial Group was ranked in the top quartile for corporate governance scoring among listed companies with market capitalization over 10,000 million baht or “Company with excellent CG Scoring”. The company received a score of 95 percent, increasing from a score of 91 percent from the previous year from Corporate Governance Report of the Thai Listed Company 2017 by the Thai Institute of Directors Association (IOD).

Certificate of Sustainability Report Competition Enrollment 2017

TISCO Financial Group received Certificate of Sustainability Report Competition Enrollment 2017 from Thai Listed Company Association.

The Outstanding Call Center Award 2017

TISCO Financial Group received “The Outstanding Call Center Award 2017” from the Office of the Consumer Protection Board (OCPB) in cooperation with the Management System Certification Institute (Thailand) in recognition of its effort to provide the best service for the highest consumer satisfaction.

Outstanding Deal of the Year Awards

TISCO Bank received “Outstanding Deal of the Year Awards” from the SET Awards 2017, organized by Stock Exchange of Thailand (SET) and Money and Banking Magazine. The award was presented to TISCO bank in recognition of its outstanding achievement as financial advisor for the initial public offering (IPO) of BPCG Public Company Limited (BCPG).

Renewable Energy Deal of the Year, Thailand

TISCO Bank received “Renewable Energy Deal of the Year, Thailand” from The Asset Triple A Asia Infrastructure Awards 2017 from the Asset Magazine in recognition of its outstanding achievement as the mandated lead arranger for BCPG Public Company Limited (BCPG) US\$273 million structured finance.

Best Acquisition Financing, Thailand

TISCO Bank received “Best Acquisition Financing, Thailand” from The Asset Triple A Country Awards 2017 from the Asset Magazine in recognition of its outstanding achievement as financial advisor for BCPG Public Company Limited (BCPG) US\$300 million acquisition financing.

Most Active Bank in Corporate Bond Secondary Market

TISCO Bank received “Most Active Bank in Corporate Bond Secondary Market” award from ThaiBMA Best Bond Awards 2017 organized by the Thai Bond Market Association (ThaiBMA) in recognition of its active market making role in corporate bond secondary market with the highest number of corporate bond transaction in 2017.

11. Internal Control and Risk Management

TISCO Group has realized and emphasized the sound risk management and adequacy and appropriateness of internal control system in order to support and sustain the effective and efficient business undertaking of TISCO Group. The control structure has started with the established control environment for transparently operating businesses under good corporate governance, check and balance organizational structure, centralized policies and guidelines for enterprise-wide adoption, written and thoroughly communicated code of conduct, disciplinary punishment and the establishment of channels for accepting complaints and appropriate consideration process.

Oversight of Internal Control System and Risk Management

The business undertakings as well as the sound and adequacy of control system are under the supervision of the Board of Directors of TISCO Financial Group through the Executive Board and the Audit Committee. The centralized supervision has been conducted by TISCO Group in accordance with the consolidated supervision principles of the Bank of Thailand with major structures as follows;

1. The Executive Board of the parent company oversees entire risk management and internal control systems of TISCO Group by appointing and delegating specific sub-committees to oversee and control the dedicated responsible areas. In regard to the TISCO Financial Group, the parent company, the specific sub-committees have been appointed to centralize the oversight functions, namely: the Risk Management Committee, the Compliance and Operation Control Committee, and the Information Technology Committee. Meanwhile, the TISCO Bank, a subsidiary within the TISCO Group has also established specific sub-committees in relevant with the banking business, namely the Risk Management Committee, the Credit Committee, and the Problem Loan Committee. As for other subsidiaries within the TISCO Group, the appointment of the sub-committees have been considered and established to be in line with the complexity of the business undertaking of each subsidiary as deemed necessary and appropriate. The risk management and control system of each subsidiary within TISCO Group shall be implemented in accordance with Internal Control Policy, Corporate Governance Policy and Risk Management Policy as well as the relevant guidelines determined by the parent control as enterprise-wide adoption.
2. The Audit Committee of TISCO Financial Group shall perform duties independently in assessing the adequacy of the TISCO Group's internal control system established and supervised by the Executive Board including the effectiveness of the audit system. The Audit Committee of TISCO Financial Group shall consider Internal Control Assessment Form prepared by the management of the TISCO Group on an annual basis prior proposing to the Board of Directors for consideration and approval. In regard to the oversight function for the group's risks, the Audit Committee reviews the policy and guidelines for internal audit, oversee the appropriateness of internal control system through the performance of duties of Internal Audit Function and Risk Management Function as well as supervise the performance of duties of the Compliance and Operation Control Committee and the Audit Committee of other subsidiaries. The oversight functions are aimed to assess the fair accuracy of financial statements, the transparency of business undertakings, the adequacy and appropriateness of internal control and audit system of every business operations including the proceeding in compliance with laws and regulations. For other subsidiaries those been regulated by supervisory authorities, the Audit Committee, internal control and internal audit reporting process have been established in each company. In regard to the Audit Committee of the TISCO Bank, it has been appointed by the TISCO Bank to independently perform duties in assessing the adequacy of the Bank's internal control system and provide assurance on the fairly accurate and transparent financial statement reports as well as the work proceedings in compliance with the stipulated regulations. The committee shall directly report 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 as well.

Overview of TISCO Group's Internal Control System and Risk Management

TISCO Group has implemented the internal control system and integrated-enterprise risk management framework, which are the international best practices, to ensure the achievement of objectives, efficiency and effectiveness of operations and compliance with laws and regulations. The internal control system has 5 key components those are described as bellows;

1) *Control Environment*

TISCO Group has developed appropriate control environment to promote the sound internal control system. The established control environment has started by defining "Integrity" as one of corporate core values, establishing Internal Control Policy and Guideline, structuring check and balance organization and supervisory lines and determining the appropriate approval authority and accountabilities to drive the pursuit of business objectives. In regard to the oversight function, the Board shall supervise the performance of duties of the Management Committee as well as the effectiveness of establishment of sound control system and risk management process. Meanwhile, the Corporate Governance Committee shall oversee the performance of duties of the Board, directors

and managements to assure that the proceedings are undertaken in accordance with Corporate Governance Policy, code of business ethics and relevant laws and regulations.

Pursuant to the control environment of TISCO Group, in regard to the control aspect, three lines of defenses are determined. The first line of defense is accountable by the managements and business operations in determining effective control measures in accordance with defined Risk Management policy and guideline to mitigate possible risks. The second line of defense is oversight function with main responsibilities in establishing risk management policy and guideline formulation under supervision of corporate policy. The third line of defense is independent assurance line of defense responsible by Audit Committee which performs duties through the operations of Internal Audit Function in assessing the effectiveness of risk management and control system.

2) *Risk Assessment*

TISCO Group places great importance on effective risk management and controls. The Risk Management Committee is delegated to be responsible for establishing effective risk management policies, prudent risk management guidelines and limits as well as the monitoring and controlling process. The Risk Management Committee assesses and measures key risks, particularly in the areas of credit, market, funding, operational and fraud risks. With effective risk management framework and system, Risk Management Function is accountable for measuring and monitoring risks according to the defined Risk Management Guideline, regularly report the monitoring results to the senior management and relevant committee while overall risk management process is also examined by independent internal auditors on regular basis.

3) *Control Activities*

TISCO Group has designed control system to be centralized management in order to provide assurance that all subsidiaries within TISCO Group operate businesses under the effective control system with standardized key processes. The determination of control system shall be developed to align with each environment and business operations. To manage potential risks might affect to the achievement of business objectives and might damage the TISCO Group to be at the optimum level, TISCO Group develops clear role and responsibilities, segregation of duties among operators, reviewers and evaluators through policies and procedures for assuring the check and balance controls as well as the appropriate audit system. The establishment of guidelines and procedures as well as the regular monitoring and controlling process have been placed more importance and emphasized on.

Additionally, the consideration for any businesses or activities shall be regard to the optimized benefit to the TISCO Group including the related transactions. The related transaction is treated on arm's length basis in accordance with the principles of good corporate governance and the group's related party transaction policy.

4) *Information and Communication*

TISCO Group has continuously developed information technology system in order to provide the efficient information and communication management to support the achievement of control objectives. TISCO Group has brought the appropriate information technology and information security to adopt for business operations in order to secure the key information. Additionally, TISCO Group has also determined the channel and process to communicate or provide adequate and accurate information either to internal or external parties in timely manner.

5) *Monitoring Activities*

TISCO Group has established ongoing and separate evaluations of internal control process to ascertain whether the components of internal control are efficiently functioning. Other than the oversight function taken by Operational Risk Management Function, the TISCO Group has also arranged the reporting and communicating channel to report the internal control deficiencies to the responsible person for timely taking corrective action, including the establishment of audit process through the performance of duties of Internal Audit Function and Compliance Function. The examination result of the control effectiveness as well as the compliance with the laws and regulations stipulated by the supervisory authorities shall be regularly reported to senior management and the relevant committees.

11.1 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2018 on February 26, 2018 where the 6 members of independent directors including 3 members of Audit Committee were present, the Board considered the Company's internal control assessment form as prepared by the managements and reviewed by the Audit Committee. According to the assessment form, the evaluation was made to cover five aspects; Organizational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures and Monitoring. The Board viewed that the Company's internal control system is adequate and appropriate for business undertakings. The Company has established sound control system and sufficient resources to carry out according to the determined processes including sufficient monitoring controls for supervising

business operations of subsidiaries to ascertain that they operates businesses under the sound control systems with appropriate control measures to prevent the conflict of interests.

11.2 Audit Committee's and Independent Auditor's Comment on Internal Control System

Audit Committee has agreed with Board of Directors' report on Internal Control System and had no comments on the internal control system. The details are provided in Attachment 6 Report of Audit Committee. Moreover, in year 2017, EY Office Limited as independent auditor of the Company had no comments on the internal control system.

11.3 Head of Internal Audit Unit and Head of Compliance Unit

(1) Head of Internal Audit

TISCO Group appointed Miss Jiraporn Sawsukpaiboon as a Head of Internal Audit who is qualified to take charge for Internal Audit function with her competency and auditing experience. Ms. Jiraporn is able to independently perform her duties with the support of the Audit Committee. Ms. Jiraporn is also appointed as the Secretary to the Audit Committee. Qualification of the current Head of Internal Audit is provided in the Attachment 3.

(2) Head of Compliance

TISCO Group appointed Mrs. Dulyarat Taveephol to be a Head of Corporate Compliance to oversee the business operations in compliance with related laws and regulations. Compliance Function is under supervision of Governance Office which is headed by Mr. Pairat Srivilairit. Qualification of the current Heads is provided in the Attachment 3.

12. Related Party Transactions

The Company disclosed the detail of related party transaction under section 3.34 of notes to the consolidated financial statement for the year ended December 31, 2017. The Company and its subsidiaries had business transactions with related parties whereby such transactions shall be done on the same basis and conditions as applied to external parties.

12.1 Necessity and justification for the transactions

The related party transactions were necessary and justified in order to obtain maximize benefit of the group. These transactions were the supporting transaction for normal business operation of TISCO Group, according to the consolidated supervision principle by the Bank of Thailand. These transactions did not incur any conflict of interests.

12.2 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.

12.3 Policy or Future related transaction policy

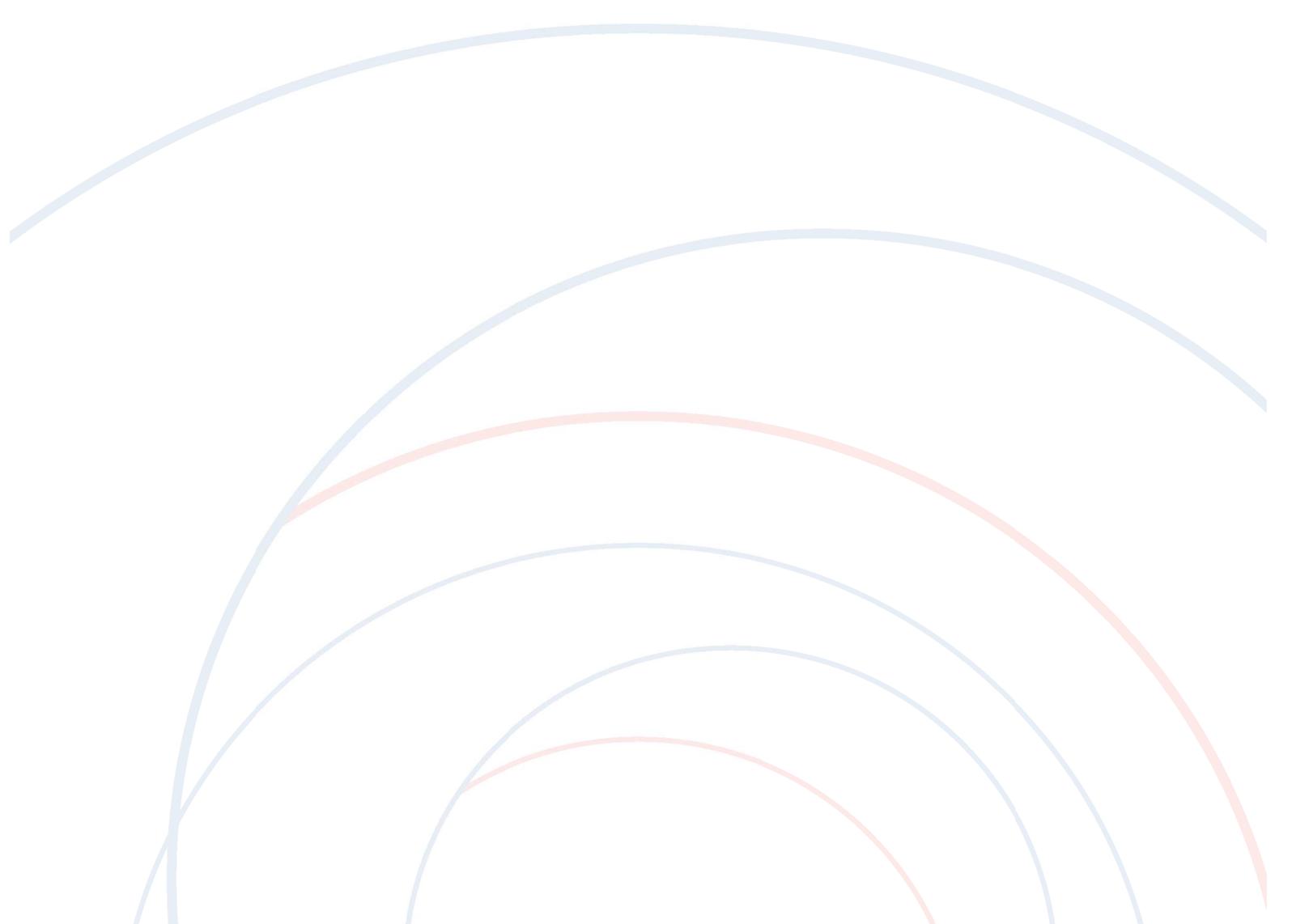
The Group puts a strong emphasis on effective management under Good Governance and in accordance with rules and regulation of related regulators. In addition, the Group has set up "Related Party Transaction Policy" and implemented across the group, and therefore the Group has no policy to encourage transactions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



TISCO Financial Group PLC.

Part 3

Financial Status and Performance



13. Key Financial Information

13.1 Financial Statements

Summary of Auditor's Report

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2017

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, 2017 was Ms. Somjai Khunapasut, Certified Public Accountant (Thailand) No. 4499, of EY Office Limited. The conclusion of his report can be summarized as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at December 31, 2017, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2016

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, 2016 was Ms. Somjai Khunapasut, Certified Public Accountant (Thailand) No. 4499, of EY Office Limited. The conclusion of his report can be summarized as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at December 31, 2016, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2015

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, 2015 was Ms. Ratana Jala, Certified Public Accountant (Thailand) No. 3734, of EY Office Limited. The conclusion of his report can be summarized as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at December 31, 2015, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Table Depicting the Consolidated Financial Statements of the Company and its Subsidiaries
TISCO Financial Group Public Company Limited and its subsidiaries
Statement of financial position

(Unit: Thousand Baht)

As of	December 31, 2017	December 31, 2016	December 31, 2015
Assets			
Cash	1,324,808	1,149,005	1,101,291
Interbank and money market items - net	44,647,149	38,067,417	31,162,645
Investments - net	7,547,143	7,188,845	8,332,419
Investments in subsidiaries and joint venture - net	573,925	442,750	284,107
Loans to customers and accrued interest receivables			
Loans to customers	271,125,255	245,114,243	259,724,989
Accrued interest receivables	715,653	520,704	542,488
Total loans to customers and accrued interest receivables	271,840,908	245,634,947	260,267,477
Less: Deferred revenue	(19,741,455)	(20,180,240)	(21,465,152)
Less: Allowance for doubtful accounts	(11,447,166)	(7,973,890)	(6,168,270)
Less: Allowance for loss on debt restructuring	(8,948)	(9,748)	-
Loans to customers and accrued interest receivables - net	240,643,339	217,471,069	232,634,055
Property foreclosed - net	5,274	7,366	47,390
Investment properties - net	32,396	32,157	32,157
Premises and equipment - net	2,653,195	2,652,515	2,633,339
Intangible assets - net	537,696	567,053	379,659
Deferred tax assets	743,145	513,602	317,686
Securities and derivative business receivables - net	2,342,040	1,373,757	1,130,190
Other assets	2,338,299	1,806,862	2,238,741
Total assets	303,388,409	271,272,398	280,293,679

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As of

(Unit: Thousand Baht)

	December 31, 2017	December 31, 2016	December 31, 2015
Liabilities and equity			
Liabilities			
Deposits	180,803,844	155,067,524	158,344,190
Interbank and money market items - net	4,017,507	5,196,603	10,030,060
Liability payable on demand	431,361	180,242	356,335
Derivatives liabilities	29,815	34,118	41,898
Debts issued and borrowings	71,078,619	70,328,919	74,518,919
Provision for long-term employee benefits	734,853	576,114	466,933
Deferred tax liabilities	15,633	2,581	1,748
Securities and derivatives business payables - net	2,216,256	1,510,870	1,275,029
Accrued interest payable	729,377	753,021	896,969
Income tax payable	849,052	565,781	312,895
Other liabilities	7,750,327	5,731,082	5,854,374
Total liabilities	268,656,644	239,946,855	252,099,350
Equity			
Share capital			
Registered			
33,858 preference shares of Baht 10 each	339	339	339
800,669,437 ordinary shares of Baht 10 each	8,006,694	8,006,694	8,006,694
	8,007,033	8,007,033	8,007,033
Issued and paid-up			
9,859 preference shares of Baht 10 each			
(31 December 2016: 10,758 shares of Baht 10 each)			
(31 December 2015: 18,558 shares of Baht 10 each)	99	108	186
800,645,624 ordinary shares of Baht 10 each			
(31 December 2016: 800,644,724 shares of Baht 10 each)			
(31 December 2015: 800,636,925 shares of Baht 10 each)	8,006,456	8,006,447	8,006,369
	8,006,555	8,006,555	8,006,555
Share premium			
Share premium of preference shares	-	-	-
Share premium of ordinary shares	1,018,408	1,018,408	1,018,408
	1,018,408	1,018,408	1,018,408
Other components of equity	1,653,202	1,447,136	1,381,775
Retained earnings			
Appropriated-statutory reserve	801,000	801,000	709,500
Unappropriated	23,125,364	19,951,807	16,979,196
Equity attributable to equity holders of the Company	34,604,529	31,224,906	28,095,434
Non-controlling interest of the subsidiaries	127,236	100,637	98,895
Total equity	34,731,765	31,325,543	28,194,329
Total liabilities and equity	303,388,409	271,272,398	280,293,679

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the years ended

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

	December 31, 2017	December 31, 2016	December 31, 2015
Interest income	16,469,499	16,011,544	16,887,553
Interest expenses	(4,814,713)	(5,091,110)	(6,757,696)
Net interest income	11,654,786	10,920,434	10,129,857
Fees and service income	6,395,607	5,396,850	5,255,965
Fees and service expenses	(250,021)	(230,082)	(198,932)
Net fees and service income	6,145,586	5,166,768	5,057,033
Net gains (losses) on trading and foreign exchange transactions	(86,773)	(9,468)	96,189
Net gains on investments	41,968	12,594	128,907
Share of profit from investments accounted for under equity method	130,420	131,212	97,655
Dividend income	138,178	78,973	92,332
Penalty fee income from loans	375,524	364,260	452,694
Income from business promotion relating to the business	751,879	273,903	348,001
Other operating income	125,952	121,637	86,258
Total operating income	19,277,520	17,060,313	16,488,926
Expense from business promotion relating to the business	774,535	302,924	396,303
Total net operating income	18,502,985	16,757,389	16,092,623
Operating expenses			
Employee's expenses	5,081,799	4,298,798	3,379,795
Directors' remuneration	12,740	12,745	12,680
Premises and equipment expenses	1,149,814	970,203	928,890
Taxes and duties	256,526	208,869	212,862
Other operating expenses	1,260,224	1,050,415	992,794
Total operating expenses	7,761,103	6,541,030	5,527,021
Bad debt, doubtful accounts and impairment losses	3,098,265	3,972,366	5,277,415
Profit from operating before tax expenses	7,643,617	6,243,993	5,288,187
Income tax expenses	1,526,310	1,220,410	1,032,464
Profit for the year	6,117,307	5,023,583	4,255,723

Statement of comprehensive income (continued)

For the years ended

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

	December 31, 2017	December 31, 2016	December 31, 2015
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period</i>			
Gains (loss) on change in value of available-for-sale investments	270,399	59,888	(334,715)
Share of other comprehensive income of joint venture:			
Cash flow hedges of joint venture	755	27,431	(20,802)
Income tax effects	(55,109)	(11,978)	66,943
Other comprehensive income to be reclassified to profit or loss in subsequent period - net of income tax	216,045	75,341	(288,574)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent period</i>			
Actuarial gains (losses)	(155,385)	(40,122)	6,091
Share of other comprehensive income of joint venture:			
Actuarial gains of joint venture	-	-	26
Income tax effects	30,909	7,995	(1,188)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax	(124,476)	(32,127)	4,929
Other comprehensive income for the year	91,569	43,214	(283,645)
Total comprehensive income for the year	6,208,876	5,066,797	3,972,078
Profit attribute to			
Equity holders of the Company	6,090,008	5,005,894	4,250,119
Non-controlling interests of the subsidiaries	27,299	17,689	5,604
	6,117,307	5,023,583	4,255,723
Total comprehensive income attributable to			
Equity holders of the Company	6,181,910	5,050,062	3,966,053
Non-controlling interests of the subsidiaries	26,966	16,735	6,025
	6,208,876	5,066,797	3,972,078
Basic earnings per share	7.61	6.25	5.31

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement

For the years ended

(Unit: Thousand Baht)

	December 31, 2017	December 31, 2016	December 31, 2015
Cash flows from operating activities			
Profit before income tax expenses	7,643,617	6,243,993	5,288,187
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	350,638	252,316	214,709
Bad debts and doubtful accounts	5,064,167	6,094,764	7,070,231
Share of profit from investments accounted for under equity method	(130,420)	(131,212)	(97,655)
Allowance for impairment of investments (reversal)	(3,671)	4,420	(822)
Allowance for impairment of property foreclosed	394	11,128	1
Gains on disposal of investments in securities	(38,157)	(17,682)	(131,268)
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	83,376	(851)	(80,656)
Gains on disposal of equipment	(12,997)	(14,127)	(1,619)
Losses on written-off of equipment	3,441	941	2,909
Losses on written-off intangible assets	-	6,218	78
Gains on changes in value of investment properties	(239)	-	406
Gains on disposal of property foreclosed	(81,678)	(73,175)	(49,810)
Employee benefit expenses	42,708	89,986	95,269
Increase in accrued income	(317,317)	(19,887)	(14,654)
Increase (decrease) in accrued expenses	601,873	413,512	(279,820)
Net interest income	(11,654,786)	(10,920,434)	(10,129,857)
Dividend income	(138,178)	(78,973)	(92,332)
Cash received on interest income	16,743,707	16,335,057	17,201,200
Cash paid on interest expenses	(3,824,667)	(4,234,443)	(5,822,706)
Cash received on dividend income	138,178	78,973	92,332
Cash paid on income tax expenses	(1,484,013)	(1,173,584)	(1,275,371)
Profit from operating activities before changes in operating assets and liabilities	12,985,976	12,866,940	11,988,752
Operating assets (increase) decrease			
Interbank and money market items	(6,579,740)	(6,904,757)	6,895,479
Loans to customers	3,718,910	6,771,626	13,993,726
Securities and derivative business receivables	(968,284)	(243,566)	689,068
Receivables from clearing house	144,621	103,127	43,907
Properties foreclosed	2,071,939	2,376,862	2,801,136
Other assets	(883,412)	(188,541)	(847,155)
Operating liabilities increase (decrease)			
Deposits	11,114,657	(3,276,666)	(47,244,657)
Interbank and money market items	(1,179,096)	(4,833,456)	(662,375)
Liabilities payable on demand	251,119	(176,093)	(43,582)
Securities and derivative business payables	705,386	235,841	24,962
Short-term debts issued and borrowings	8,072,700	(20,370,000)	(6,567,300)
Payable to clearing house	113,385	(96,576)	(756,680)
Provision for long-term employee benefits	(39,353)	(20,927)	(25,959)
Other liabilities	(395,852)	(1,213,333)	(378,844)
Net cash flows from (used in) operating activities	29,132,956	(14,969,519)	(20,089,522)

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the years ended

(Unit: Thousand Baht)

	December 31, 2017	December 31, 2016	December 31, 2015
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(7,578,768)	(7,759,049)	(17,004,795)
Cash received from disposal of investment in securities held for investment	7,447,916	8,968,790	23,346,837
Cash paid for purchase of equipment	(203,271)	(223,346)	(309,088)
Cash paid for purchase of intangible assets	(116,253)	(242,740)	(102,938)
Cash received from disposal of equipment	13,006	14,168	1,619
Cash paid on business acquisition	(18,394,496)	-	-
Net cash flows from (used in) investing activities	(18,831,866)	757,823	5,931,635
Cash flows from financing activities			
Cash received from issuance of long-term debentures	19,600,000	16,180,000	17,680,000
Cash paid for the redemption of long-term debentures	(26,923,000)	-	(2,000,000)
Dividend paid	(2,802,287)	(1,920,590)	(1,601,304)
Net cash flows from (used in) financing activities	(10,125,287)	14,259,410	14,078,696
Net increase (decrease) in cash	175,803	47,714	(79,191)
Cash at beginning of the year	1,149,005	1,101,291	1,180,482
Cash at end of the year	1,324,808	1,149,005	1,101,291

13.2 Important Financial Ratios

		2017	2016	2015
Profitability Ratio				
Gross Profit Margin	(%)	77.8	75.1	68.6
Net Profit Margin	(%)	32.9	29.9	26.4
Return on Average Shareholders' Equity	(%)	18.4	16.8	15.7
Interest Income Ratio	(%)	5.7	5.8	5.7
Interest Expense Ratio	(%)	2.0	2.2	2.6
Interest Spread	(%)	3.7	3.6	3.1
Return on Investment	(%)	2.0	2.6	4.2
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.1	4.0	3.4
Return on Average Assets	(%)	2.1	1.8	1.4
Total Asset Turnover	(times)	0.06	0.06	0.05
Financial Ratio				
Debt to Equity Ratio	(times)	7.7	7.7	8.9
Total Loans to Total Borrowing and Deposits	(%)	99.6	99.7	102.2
Total Loans to Public Borrowing	(%)	139.0	145.1	150.5
Public Borrowing to Total Liabilities	(%)	67.3	64.6	62.8
Dividend Payout Ratio	(%)	N/A	56.0	45.2
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans	(%)	4.5	3.5	2.6
Bad Debt and Doubtful Account to Total Loans	(%)	1.4	1.9	3.3
Non-accrued loans ¹ to Total Loans	(%)	2.4	2.9	3.1
Allowance for Doubtful Account to Non-performing loans	(%)	196.5	139.8	80.1
Accrued Interest Receivable to Total Loans	(%)	0.3	0.2	0.2
Other Ratios				
Capital Funds to Risk Weighted Asset (BIS)	(%)	20.72	19.59	18.01
Net Capital Rule (TISCO Securities)	(%)	58.24	85.73	84.03

¹according to the Bank of Thailand's definition

14. Management Discussion and Analysis

The Management Discussion and Analysis compares operating performance and financial position of TISCO Group for the year 2017, with those of the year 2016

Movement of Money Market and Capital Market

In 2017, the domestic economy continued to expand following the strong growth in export sector and tourism, together with the steady improvement in private consumption and private investment. Public spending showed sign of recovery toward the end of 2017, while household spending started to recover gradually amidst high level of household debt. Nonetheless, domestic car sale in 2017 increased by 13.4% (YoY), totaled 871,647 units. Overall, the headline inflation for the year 2017 was reported at 0.66%, following an increase in oil prices.

The Bank of Thailand (BOT) maintained the policy rate at 1.50% throughout 2017. The average 3-month fixed deposit rates of Top-4 commercial banks remained stable at 0.93% (YoY), while the average minimum lending rate of Top-4 commercial banks declined from 6.26% to 6.20% (YoY).

The capital market in 2017 retained a solid growth with SET index closed at 1,753.71 points, increased by 210.77 points or 13.7% comparing to 1,542.94 points in the previous year, aligning with the growth in domestic economy and investor confidence toward Thai economy. Still, the average daily turnover decreased from 50,244.97 million baht in 2016 to 47,755.37 million baht.

Major Events

On April 20, 2017, the Annual General Meeting of Shareholders of TISCO Bank Public Company Limited and All-Ways Company Limited for the Year 2017 approved the transfer of retail banking business of Standard Chartered Bank (Thai) Public Company Limited, of which the transfer was completed successfully on October 1, 2017. After the transfer, TISCO Bank Public Company Limited acquired the retail banking business including mortgage loans, personal loans, business loans, wealth management and retail deposit business, as well as 4 new bank branches from the transfer. Meanwhile, All-Ways Company Limited acquired credit card business. The transfer was aligned with TISCO Group's business growth and customer base expansion strategy, together with the offer of a wide range of comprehensive financial products and services to retail customers in every sector.

14.1 Operating Performance for the year 2017

TISCO Financial Group Public Company Limited ("the Company") had net profit from operations on a standalone basis totaling 4,417.09 million baht, mainly contributed by service fee income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business. Therefore, the analysis was based on the Company's consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and securities business.

In 2017, the net profit attributed to owners of the Company totaled 6,090.01 million baht, increased by 1,084.11 million baht (21.7% YoY), contributed by improved net interest income and non-interest income from core business, together with the lower provision expense comparing to the previous year. Net interest income increased by 6.7% (YoY) from the ability to maintain overall loan yield and the effective cost management, combining with the increase in interest income from the transfer of lending business from Standard Chartered Bank (Thai). Non-interest income from core business improved by 18.2% (YoY), from all business sectors. Banking fee increased by 10.6% (YoY) following the strong improvement in bancassurance business and the full initiation of Open Architecture platform. Brokerage fee income increased by 0.7% (YoY) following higher market share of TISCO Securities. Asset management basic fee grew by 20.7% (YoY) from the issuance of funds corresponding to the customer demand and the improvement in capital market condition. The Company also recorded investment banking fee from underwriting service throughout the year. Moreover, the Company recorded extraordinary income from dividend of equity investment and performance fee income from asset management business amid substantially improved capital market during 2017. Meanwhile, provision expense declined by 22.0% (YoY) from the further improved asset quality comparing to the previous year.

Basic earnings per share for the year 2017 was at 7.61 baht per share, increased from 6.25 baht per share in 2016. Meanwhile, the return on average equity (ROAE) was at 18.5%, increased from 16.9% (YoY).

Consolidated Revenue Structure

The Company and its subsidiaries' consolidated revenue structure in 2016 and 2017 are illustrated in Table 1.

Table 1: Consolidated Revenue Structure

Type of Revenue	2016		2017		Change % YoY
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Interest income					
Interest on loans	5,568.41	33.2	6,696.66	36.2	20.3
Interest on interbank and money market items	497.29	3.0	584.94	3.2	17.6
Hire purchase and financial lease income	9,749.53	58.2	8,993.74	48.6	(7.8)
Investments	196.31	1.2	194.16	1.0	(1.1)
Total interest income	16,011.54	95.5	16,469.50	89.0	2.9
Interest expenses	(5,091.11)	(30.4)	(4,814.71)	(26.0)	(5.4)
Net interest income	10,920.43	65.2	11,654.79	63.0	6.7
Fee income					
Fee and service income	5,396.85	32.2	6,395.61	34.6	18.5
Fee and service expenses	(230.08)	(1.4)	(250.02)	(1.4)	8.7
Net fee and service income	5,166.77	30.8	6,145.59	33.2	18.9
Net gain on investment and foreign exchange transactions	3.13	0.0	(44.81)	(0.2)	(1,531.6)
Share of profit from investments accounted for under equity method	131.21	0.8	130.42	0.7	(0.6)
Other operating income	838.77	5.0	1,391.53	7.5	65.9
Total operating income	17,060.31	101.8	19,277.52	104.2	13.0
Expense from business promotion relating to the business	(302.92)	(1.8)	(774.54)	(4.2)	
Total net operating income	16,757.39	100.0	18,502.98	100.0	10.4
Total operating expenses	(6,541.03)		(7,761.10)		
Bad debt, doubtful accounts and impairment losses	(3,972.37)		(3,098.27)		
Profit before income tax and minority interest	6,243.99		7,643.61		22.4
Income tax expenses	(1,220.41)		(1,526.31)		
Profit before minority interest	5,023.58		6,117.30		21.8
Non-controlling interests of the subsidiaries	(17.69)		(27.30)		
Net profit	5,005.89		6,090.00		21.7

(1) Net Interest Income

Net interest income in 2017 was 11,654.79 million baht, increased by 734.35 million baht (6.7% YoY). Total interest income was 16,469.50 million baht, increased by 457.95 million baht (2.9% YoY), while interest expense declined by 276.40 million baht (5.4% YoY) to 4,814.71 million baht.

Yield on loan improved from 6.7% to 6.9% (YoY) from the shift in loan portfolio mix from hire purchase loans to consumer loans that offer higher yield. While, cost of fund declined from 2.2% to 2.1% (YoY) owing to a further decline in cost of fund and the Company's effective cost management. Consequently, loan spread increased from 4.5 to 4.8% (YoY). The net interest margin improved from 4.0% to 4.2% (YoY).

The Company reported net interest income after impairment loss of loans and debt securities totaled 8,556.52 million baht, increased by 1,608.46 million baht (23.1% YoY). Impairment losses on loans totaled 3,098.27 million baht, decreased comparing with 3,972.37 million baht in 2016 (22.0% (YoY)), resulting from the improved asset quality and the effective credit control.

Table 2: Interest spread year 2016 - 2017

%	2016	2017
Yield on Loans	6.7	6.9
Cost of fund	2.2	2.1
Loan spread	4.5	4.8

(2) Non-interest Income

Non-interest income of the Company's core businesses reported at 7,012.61 million baht, increased by 1,079.91 million baht (18.2% YoY), from the growth in all business sectors. Banking fee income grew by 399.09 million baht (10.6% YoY) to 4,178.06 million baht following the strong improvement in bancassurance business and the full initiation of Open Architecture platform. Brokerage fee income increased by 5.49 million baht (0.7% YoY) to 830.76 million baht following higher market share. Asset management basic fee reported at 1,279.99 million baht, rose by 220.93 million baht (20.9% YoY) from the issuance of funds corresponding to the customer demand and the improved capital market condition. Additionally, the Company recorded the investment banking fee amounting 164.36 million baht from underwriting service during the year. Moreover, the Company recorded dividend income from equity investment in total amounting 138.18 million baht, together with performance fee income from asset management business amounting 405.09 million baht amid the significantly improved capital market in 2017.

(3) Bad debt, doubtful accounts and impairment loss of debt securities

The Company set up provision for the year at 3,098.27 million baht, accounted for 1.30% of average loan, and decreased comparing with 3,972.37 million baht (YoY) following the further improved credit quality.

(4) Operating Expenses

Non-interest expenses were 7,761.10 million baht, increased by 1,220.07 million baht (18.7% YoY) mainly from the increase in variable expenses associated with revenue and profit growth, and the expenses related to the business acquisition. The Company still maintained effective operating cost control, resulting in low cost-to-income ratio at 41.9%.

(5) Corporate Income Tax

In 2017, the corporate income tax was 1,526.31 million baht, equivalent to the effective tax rate of 20.0%, increased from 19.5% (YoY).

14.2 Financial Position

(1) Assets

As of December 31, 2017, the Company's total assets were 303,388.41 million baht, increased by 11.8% (YoY), mainly resulting from the transfer of assets from Standard Chartered Bank (Thai). Hence, total loan portfolio increased from 224,934.00 million baht to 251,383.80 million baht (11.8% YoY). Interbank and money market also increased from 38,067.42 million baht to 44,647.15 million baht (17.3% YoY), and investment increased from 7,188.84 million baht to 7,547.14 million baht (5.0% YoY).

Table 3: Assets Breakdown as of December 31, 2016 and 2017

Assets	December 31, 2016		December 31, 2017		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	1,149.00	0.4	1,324.81	0.4	15.3
Interbank and money market items	38,067.42	14.0	44,647.15	14.7	17.3
Investments – net	7,188.84	2.7	7,547.14	2.5	5.0
Investments in subsidiaries and joint venture – net	442.75	0.2	573.93	0.2	29.6
Corporate Loans	46,509.94	17.1	50,607.52	16.7	8.8
Retail Loans	160,572.12	59.2	184,184.72	60.7	14.7
Commercial Loans	16,454.07	6.1	15,099.95	5.0	(8.2)
Other Loans	1,397.87	0.5	1,491.61	0.5	6.7
Allowance for doubtful accounts and for loss on debt restructuring	(7,983.64)	(2.9)	(11,456.11)	(3.8)	43.5
Other Assets	7,474.02	2.8	9,367.70	3.1	25.3
Total – The Company	271,272.40	100.0	303,388.41	100.0	11.8

(a) Investments

As of December 31, 2016, the investment was 7,547.14 million baht, increased by 358.30 million baht (5.0% YoY) due to an increase in investment in fixed income.

(b) Loans and Receivables Breakdown

Total loans and receivables as of December 31, 2017 were 251,383.80 million baht, increased by 26,449.80 million baht (11.8% YoY), driven by the transfer of retail banking business from Standard Chartered Bank (Thai). The composition of loan portfolio was 73.3% of retail loans, 20.1% of corporate loans, 6.0% of commercial loans and 0.6% of other loans.

Table 4: Loans and Receivables Breakdown as of December 31, 2016 and 2017

Type of Business	December 31, 2016		December 31, 2017		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	10,496.69	4.7	11,019.73	4.4	5.0
Real estate and construction	11,696.34	5.2	14,972.95	6.0	28.0
Public utilities and services	23,908.50	10.6	22,696.33	9.0	(5.1)
Agriculture and mining	408.41	0.2	1,918.50	0.8	369.7
Corporate Loans	46,509.94	20.7	50,607.52	20.1	8.8
Commercial Loans	16,454.07	7.3	15,099.95	6.0	(8.2)
Hire purchase	138,565.68	61.6	129,719.70	51.6	(6.4)
Mortgage Loan	978.81	0.4	20,757.33	8.3	2,020.7
Consumer Finance Loan	21,027.63	9.3	26,824.54	10.7	27.6
Personal Loan	-	-	3,930.96	1.6	n.a.
Credit Card	-	-	2,952.19	1.2	n.a.
Retail Loans	160,572.12	71.4	184,184.72	73.3	14.7
Others	1,397.87	0.6	1,491.61	0.6	6.7
Total – The Company	224,934.00	100.0	251,383.80	100.0	11.8

(c) Non-performing Loans

In 2017, the Company reported NPL ratio at 2.32%, decreased from 2.54% (YoY) contributed by the further improved credit quality of the overall loan portfolio following the effective credit control throughout the year. NPL ratio of retail loans, corporate loans, and commercial loans were 2.74%, 0.94%, and 1.27% respectively. Total NPLs were reported at 5,829.35 million baht, increased by 119.21 million baht (2.1% YoY), aligning with the loans transferred from Standard Chartered Bank (Thai). The NPLs comprised of 5,300.68 million baht from the Bank and 528.67 million baht from other subsidiaries.

Table 5: NPLs Breakdown by Area as of December 31, 2016 and 2017

Type of Business	December 31, 2016			December 31, 2017			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	1.78	187.21	3.3	2.06	227.38	3.9	21.5
Real estate and construction	0.70	81.57	1.4	0.51	76.05	1.3	(6.8)
Public utilities and services	0.52	123.39	2.2	0.66	149.10	2.6	20.8
Agriculture and mining	4.85	19.83	0.3	1.23	23.63	0.4	19.2
Total NPL - Corporate Loans	0.89	412.01	7.2	0.94	476.16	8.2	15.6
NPL-Commercial Loans	3.62	595.16	10.4	1.27	191.48	3.3	(67.8)
Hire purchase	2.95	4,090.68	71.6	2.56	3,325.24	57.0	(18.7)
Mortgage Loan	9.32	91.24	1.6	4.08	847.30	14.5	828.7
Consumer Finance Loan	1.91	402.07	7.0	3.18	852.68	14.6	112.1
Personal Loan	-	-	-	0.16	6.37	0.1	n.a.
Credit Card	-	-	-	0.61	18.07	0.3	n.a.
Total NPL - Retail Loans	2.85	4,583.99	80.3	2.74	5,049.67	86.6	10.2
Others	8.51	118.98	2.1	7.51	112.05	1.9	(5.8)
Total NPL – The Company	2.54	5,710.14	100.0	2.32	5,829.35	100.0	2.1

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

At the end of 2017, loan loss reserve of the Company was 11,456.11 million baht reflecting the Company's prudent policy to cushion against business volatility, and partly the setup of provisions to support the change in accounting standard of IFRS 9. The loan loss provision coverage ratio at the end of the year increased to 196.5% while total loan loss reserve of the Bank was 10,709.29 million baht which was higher than the minimum loan loss reserve required by the Bank of Thailand at 4,560.68 million baht or accounted 234.8% of minimum loan loss reserve requirement.

**Table 6: Allowance for doubtful accounts – classified by the receivables classification of TISCO Bank
December 31, 2016 and 2017**

Type of receivables classification	December 31, 2016 (Bt. million)	%	December 31, 2017 (Bt. million)	%	% Change
Pass	2,658	35.5	3,320	31.0	24.9
Special mentioned	2,041	27.3	3,591	33.6	75.9
Substandard	827	11.0	889	8.3	7.5
Doubtful	416	5.6	423	4.0	1.7
Doubtful of loss	273	3.6	389	3.6	42.5
Excess Provision	1,276	17.0	2,088	19.5	63.6
Total	7,491	100.0	10,700	100.0	42.8

(2) Liabilities

As of December 31, 2017, total liabilities were 268,656.64 million baht, increased by 12.0% (YoY) due to the increase in total deposits from 161,034.44 million baht to 188,280.76 million baht (16.9% YoY), stemming from the transfer of liabilities from Standard Chartered Bank (Thai) including individual deposits. However, interbank and money market decreased from 5,196.60 million baht to 4,017.51 million baht (22.7% YoY) and debentures decreased from 64,362.00 million baht to 63,601.70 million baht (1.2% YoY). The liabilities mix comprised of 70.1% total deposits including bill of exchange, 1.5% interbank and money market items, 23.7% debentures, and 4.7% other liabilities.

Table 7: Liabilities Breakdown by Area as of December 31, 2016 and 2017

Type of Borrowings	December 31, 2016		December 31, 2017		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits	161,034.44	67.1	188,280.76	70.1	16.9
Interbank and money market items	5,196.60	2.2	4,017.51	1.5	(22.7)
Debentures	64,362.00	26.8	63,601.70	23.7	(1.2)
Others	9,353.81	3.9	12,756.67	4.7	36.4
Total – The Company	239,946.86	100.0	268,656.64	100.0	12.0

(3) Shareholders' Equity

As of December 31, 2017, shareholders' equity was 34,731.77 million baht, increased by 3,406.22 million baht (10.9% YoY) from an increase in retained earnings for the year 2017. As a result, the book value per share (BVPS) as of December 31, 2017 was 43.38 baht per share, rose from 39.12 baht per share (YoY).

(4) Liquidity

As of December 31, 2017, The Company's cash was 1,324.81 million baht, increased by 15.3% (YoY). There was net cash flow from operating activities total of 29,132.96 million baht mainly contributed by the increase in deposits while net cash flow used in investing activities totaled 18,831.87 million baht, primarily from the cash paid for the business acquisition. Meanwhile, the net cash flows used in financing activities totaled 10,125.29 million baht, contributed by the cash paid for the redemption of long-term debenture.

(5) Sources and Uses of Funds

As of December 31, 2017, the funding structure as shown in the consolidated financial statement comprised of 268,656.64 million baht in liabilities and 34,731.77 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 7.7 times. The major source of funds on liabilities side was deposits, which accounted for 62.1% of total source of funds. Other sources of funds included interbank and money market items accounted for 1.3% of total source of funds, 25.2% of debenture and other liabilities, and 11.4% of shareholders' equity, respectively. The Company's major use of funds was loans, amounting 251,383.80 million baht, resulting in a loan-to-deposit ratio¹ of 133.5%. The other uses of funds include interbank and money market items, and various securities.

(6) Contingent liabilities

As of December 31, 2017, TISCO Bank, a subsidiary of The Company, had avals, guarantees, and commitments totaled 2,403.19 million baht, increased by 8.0% (YoY) mainly driven by the undrawn client overdraft facilities.

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

14.3 Business Segment Performances

(1) Banking Business

Loans

Total loans and receivables as of December 31, 2017 were 251,383.79 million baht, increased by 26,449.79 million baht (11.8% YoY), driven by the transfer of retail banking business from Standard Chartered Bank (Thai). The composition of loan portfolio was 73.3% of retail loans, 20.1% of corporate loans, 6.0% of commercial loans and 0.6% of other loans.

Corporate Lending

Corporate lending portfolio totaled 50,607.51 million baht, increased by 4,097.56 million baht (8.8% YoY), mainly due to the loan drawdown from the clients in real estate and construction sector and agriculture and mining sector. Furthermore, in the beginning of 2017, the Company has made loan classification adjustment by reclassifying some clients in Commercial Lending sector to Corporate Lending sector at the approximate amount of 2,100 million baht, to improve efficiency of loan management.

Commercial Lending

Commercial Lending portfolio totaled 15,099.95 million baht, declined by 1,354.11 million baht (8.2% YoY) from the reclassification of some clients to Corporate Lending sector. Nonetheless, during 2017, the Company received the transfer of small business loans from Standard Chartered Bank (Thai), amounting 2,281.36 million baht at the end of 2017.

Retail Lending

Retail Lending portfolio totaled 184,184.72 million baht, increased by 14.7% (YoY) primarily from the transfer of retail banking business from Standard Chartered Bank (Thai), comprising mortgage loans, personal loans and credit card loans. The total retail portfolio as of December 31, 2017 consisted of 70.4% car and motorcycle hire purchase, 14.6% consumer loans, 11.3% mortgage loans, 2.1% personal loans and 1.6% credit card loans. The outstanding hire purchase loans totaled 129,719.70 million baht, declined by 6.4% (YoY), resulting from the prudent lending policy amid high level of household debt. The domestic car sale in 2017 was 871,647 units, increased by 13.4% (YoY), compared to 768,788 units in 2016. The car penetration rate of TISCO for year declined from 8.0% to 7.2% (YoY).

Consumer loans amounted 26,824.54 million baht, increased by 5,796.91 million baht (27.6% YoY), from the increased new business from all channels – bank branches and loan offices – especially from the expansion of new customer acquisition through “Somwang” channel. Hence, at the end of 2017, “Somwang” loan offices totaled 190 branches nationwide. In addition, the growth of consumer loans included home-equity loans that were transferred from Standard Chartered Bank (Thai) amounting 3,105.06 million baht.

Consequently, after the completion of the business transfer, at the end of 2017, mortgage loans totaled 20,757.33 million baht, personal loans (included only unsecured loans) totaled 3,930.96 million baht and credit card loans totaled 2,952.19 million baht.

Other Loans

Other Loans portfolio totaled 1,491.61 million baht, increased by 93.74 million baht (6.7% YoY).

Deposits

Total deposits and borrowings totaled 251,882.46 million baht, increased by 11.8% (YoY). Total deposits totaled 188,280.76 million baht, grew by 27,246.32 million baht (16.9% YoY) from the acquisition of retail deposit business, while debentures totaled 63,601.70 million baht, declined by 760.30 million baht (1.2% YoY). As of December 31, 2017, the Bank had liquid assets totaling 50,020.37 million baht, increased by 6,683.55 million baht (15.4% YoY). Thus, the liquid assets were 19.9% of total deposits and borrowings.

Table 8: Deposits Structure as of December 31, 2016 and 2017

Type of Deposits	December 31, 2016		December 31, 2017		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	3,690.70	2.3	3,785.00	2.0	2.6
Saving accounts	51,928.03	32.2	64,544.34	34.3	24.3
Fixed accounts	14,839.89	9.2	19,860.34	10.5	33.8
Negotiate certificate deposit	84,608.90	52.5	92,614.16	49.2	9.5
Short-term borrowings	5,966.92	3.7	7,476.92	4.0	25.3
Total deposits	161,034.44	100.0	188,280.76	100.0	16.9

(2) Securities Business

In 2017, TISCO Securities reported strong brokerage fee income totaling 830.76 million baht, improved by 0.7% (YoY), with average daily turnover of TISCO Securities of 2,226.82 million baht, increased by 3.5% (YoY) from 2,152.29 million baht, following higher market share of TISCO Securities which improved from 2.4% to 2.6% (YoY). The market share of local institution sector (excluding proprietary trading) increased from 6.1% to 6.4% (YoY) and the market share of retail investors increased from 1.6% to 1.9% (YoY). Meanwhile, the market share of foreign institution sector dropped from 2.5% to 2.3% (YoY). All in all, TISCO brokerage volume comprised of 31.5% of local institutions, 30.5% of foreign institutions, and 38.0% of retail customers.

(3) Asset Management Business

As of December 31, 2017, assets under management of TISCO Asset Management Co., Ltd. reported at 240,242.80 million baht, increased by 24.4% (YoY), from the growth in all business areas and improved capital market condition. Consequently, basic fee income from asset management grew by 20.7% (YoY), totaling 1,279.36 million baht. Furthermore, performance fee income was recorded amounting 405.91 million baht during the year, reporting the total asset management fee income of 1,684.45 million baht, significantly increased by 47.6% (YoY), mainly contributed by the continual issuance of various types of funds corresponding to market demands, along with the improved capital market condition.

The composition of total asset under management was 62.9% provident fund, 17.4% private fund, and 19.7% mutual fund. Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2017 was 3.5%, ranking 9th in the market. The market share of provident fund was 14.0%, ranking 3rd in the market. The market share of private fund was 5.0%, ranking 5th in the market. For mutual fund, the market share was 0.9%, ranking 14th in the market.

Table 9: Assets under Management Breakdown by Type of Fund as of December 31, 2016 and 2017

Type of Fund	December 31, 2016		December 31, 2017		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	131,073.24	67.9	151,053.43	62.9	15.2
Private Fund	26,732.95	13.8	41,855.28	17.4	56.6
Mutual Fund	35,356.24	18.3	47,334.10	19.7	33.9
Total	193,162.42	100.0	240,242.80	100.0	24.4

14.4 Capital Requirements

As of December 31, 2017, TISCO Group's internal capital stood at 36,170.20 million baht which exceeded the risk-based capital requirement by an internal risk measurement of capital adequacy (ICAAP) of 11,526.57 million baht. Accordingly, the capital surplus remained strong at 24,643.63 million baht or 68.1% of total capital.

The capital requirement from an internal risk measurement comprised of the increase in credit risk capital by 1,657.99 million baht or 22.8% totaling 8,937.88 million baht. Loan portfolio increased by 11.8% during the year, mainly resulting from the transfer of retail banking business from Standard Chartered Bank (Thai). The non-performing loans of TISCO Group decreased from 2.5% to 2.3% following better credit quality specifically hire purchase and SME business.

The market risk capital decreased from 204.62 million baht to 127.18 million baht, resulting from a decrease in risk capital of investment portfolio and the improved capital market during the year. Meanwhile, the overall duration gap decreased to 0.69 year, which was in a manageable level. The assets duration decreased from 1.48 year to 1.32 year, while the liabilities duration declined from 0.70 year to 0.63 year.

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)	
	2016	2017	2016	2017
Assets	1.48	1.32	1,123.32	1,423.78
Liabilities*	0.70	0.63	(1,066.34)	(1,154.74)
Net Gap	0.78	0.69	56.98	269.04

Note: * Exclude saving and current account

In terms of regulatory capital requirement of the Bank and Securities Company, the positions were strong and sufficient levels to cushion for the expansion of asset in the future. At the end of December 2017, the regulatory capital adequacy ratio based on IRB approach (BIS ratio) of the bank stood at 20.72%, remaining higher than the 9.75% required by the Bank of Thailand. The Tier-I and Tier-II capital adequacy ratio stood at 15.98% and 4.74%, respectively, in which Tier-I capital adequacy

ratio also remained higher than the minimum requirement at 7.25%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 58.24%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 10: Capital Adequacy Ratio as of December 31, 2016 and 2017

	December 31, 2016	December 31, 2017
	(%)	(%)
Tier-I Capital	14.73	15.98
Total Capital	19.59	20.72

Applied IRB approach

14.5 Credit Rating

The Company got credit rating 'A-' and rating outlook "Stable" as at April 11, 2017 from TRIS Rating Co., Ltd. The ratings reflect the Company's strong asset quality, capital base, profitability. The detail of credit ratings is shown as follows;

Credit Rating (Unsolicited Rating)	Announcement Date
	April 11, 2017
Company Rating	A-
Rating Outlook	Stable

14.6 Forward Looking

Macro environment that impacted to the Company's operating performance can be categorized into 3 key factors including domestic and global economy, market interest rate trend, and industry car sales. The details are provided as follows;

Domestic economic outlook in 2018 expects a moderate growth through the continuing growth in export sector aligning with the recovery of global economy and the continued expansion of tourism. Likewise, the accelerating government's budget spending and infrastructure investment projects are also the key economic drivers and become more apparent. Meanwhile, the private investment is expected to recover in line with the government infrastructure project. Meanwhile, private consumption is pressured from the high level of household debt while the lending demand further increased along with the economic recovery.

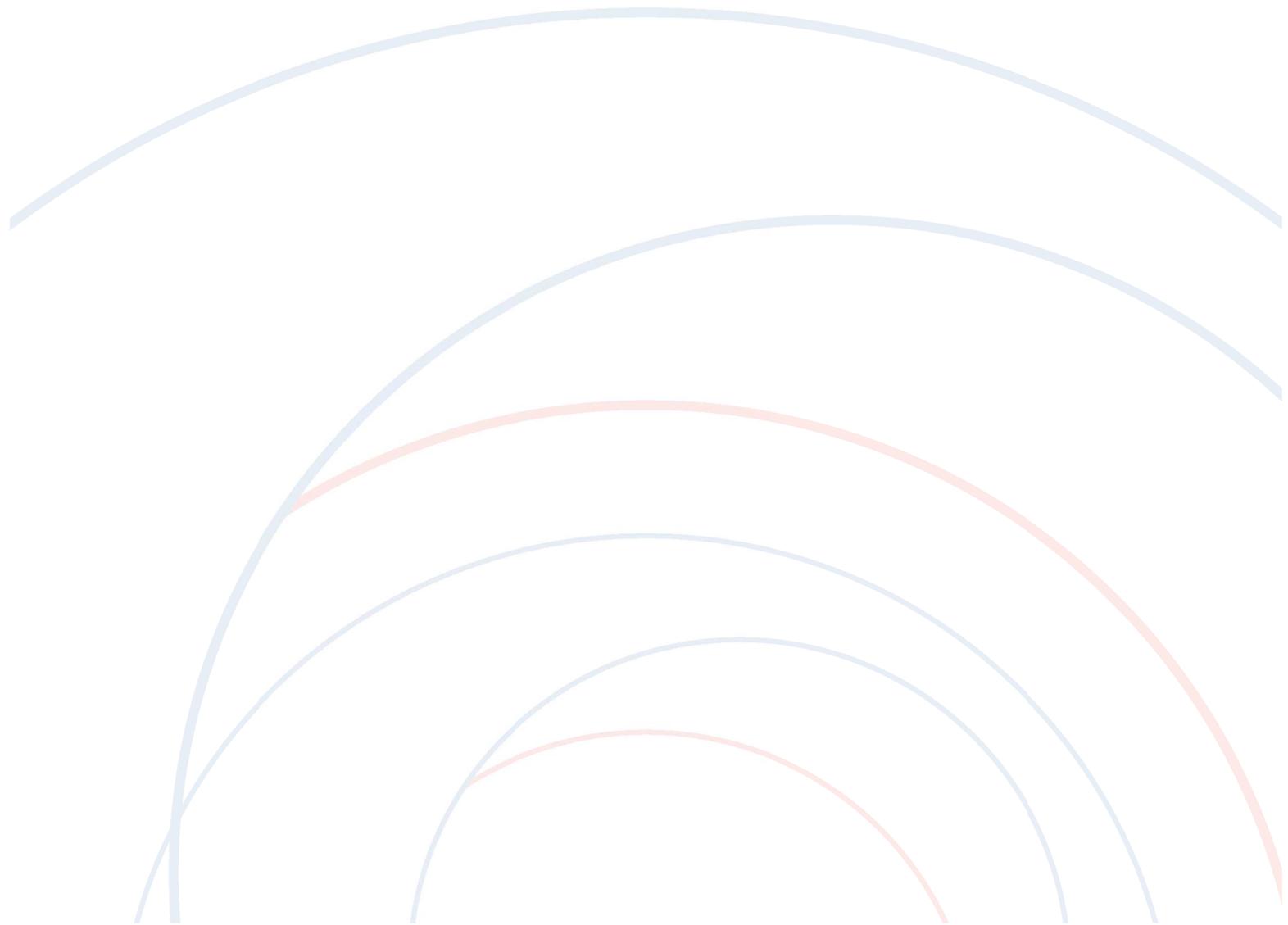
On market interest rate, the Company expects the Bank of Thailand is expected to continue accommodative monetary policy by maintaining the policy rate at 1.50%. Nonetheless, the Bank of Thailand will possibly to raise the policy rate given that the headline inflation rise more than previously expected. For the outlook of domestic car sales, a leading indicator that contribute to hire purchase business, will continue to grow however, the recovery of consumer purchasing power will be a key challenge in year ahead. In addition, the capital market is expected to improve from the previous year following the domestic economic recovery together with the earnings of listed companies are expected to increase in year ahead.

Amidst the backdrop of domestic economic volatility, the company will continue to follow our focused strategies, good corporate governance, prudent business practice as well as strong risk management disciplines, in order to ensure business continuity & resiliency in the long run.



TISCO Financial Group PLC.

Attachment



Attachment 1 Details of Directors, Management and Controlling Persons and Corporate Secretary

1.1 Details of Directors, Management and Controlling Persons and Corporate Secretary as of January 1, 2018

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
<p>1. Mr. Pliu Mangkornkanok Chairman of the Board of Directors Independent Director</p> <p>The Director's date of first appointment: September 4, 2008</p> <p>The Director's date of latest appointment: April 20, 2017</p>	69	<p>Master of Business Administration (Finance) University of California at Los Angeles, USA Master of Science (Industrial Engineering) Stanford University, USA Bachelor of Engineering (Industrial Engineering) Chulalongkorn University - Executive Program in Energy Literacy for a Sustainable Future (Class 5) Thailand Energy Academy - Certificate of Capital Market Academy Leadership Program (Class of 10th) Capital Market Academy - Audit Committee Program - Role of the Chairman Program - Director Certification Program Thai Institute of Directors <u>In-House Training</u> - Situation, Trend and Growth of Sustainability Development Thaipat Institute - Role of Financial Sector in Fighting Corruption Thai Institute of Directors</p>	<p>Common 2,221,010 (0.28) Preferred -</p>	-	<p>2012-Present 2010-Present 2012-Present 2009-Present 2016-Present 2012-Present 2012-2015 2016-Present 2011-Present 2010-Present 2015-Present 2007-2015 2011-Present 2011-Present 2004-Present 2013-2015</p>	<p><u>TISCO Group</u> Independent Director Chairman of the Board of Directors Independent Director Chairman of the Board of Directors <u>Other Company with Conflict of Interest</u> - <u>Others Listed Company</u> Vice Chairman Member of Human Resources Committee Independent Director Chairman of the Audit Committee Chairman of the Nomination and Remuneration Committee <u>Others Non-Listed Company</u> Director Director <u>Others Organization</u> Advisor Vice Chairman Vice Chairman Director Councilor Honorary Director</p>	<p>TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) Star Petroleum Refining Public Company Limited (Refinery) Amata Spring Development Company Limited (Golf and country club) Chuchawal-Royal Haskoning Limited (Engineering Consultant) Design 103 International Limited (Architect Consultant) Thai Institute of Directors TISCO Foundation Sem Pringuangkeo Foundation Thailand Management Association International School of Engineering, Faculty of Engineering, Chulalongkorn University</p>
<p>2. Mr. Hon Kit Shing (Alexander H. Shing) Vice Chairman of the Board of Directors Member of the Nomination and Compensation Committee</p> <p>The Director's date of first appointment: September 4, 2008</p> <p>The Director's date of latest appointment: April 20, 2017</p>	40	<p>Bachelor of Science (Economics) Massachusetts Institute of Technology, USA</p>	<p>Common - Preferred -</p>	-	<p>2010-Present 2008-Present 2008-Present 2010-2014 2015-Present 2012-Present 2008-Present</p>	<p><u>TISCO Group</u> Vice Chairman of the Board of Directors Director Member of the Nomination and Compensation Committee Vice Chairman of the Board of Directors <u>Other Company with Conflict of Interest</u> - <u>Others Listed Company</u> - <u>Others Non-Listed Company</u> Chairman and Chief Executive Officer Managing Director Senior Advisor <u>Others Organization</u> -</p>	<p>TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) Cottonwood Management, LLC. (Real Estate) Capcelona Advisors, LLC. (Consultant Service) CDIB & Partners Investment Holding Corporation (Investment)</p>

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
3. Ms. Oranuch Apisaksirikul Director Chairman of the Executive Board (Authorized Signatory) The Director's date of first appointment: September 4, 2008 The Director's date of latest appointment: April 20, 2017	59	Honorary of Doctor of Philosophy (Business Administration) Western University Master of Business Administration (Finance) Bachelor of Laws Bachelor of Accountancy (Accounting & Commerce) Thammasat University - Intermediate Certificate Course - Good Governance for Medical Executives (Class 5) King Prajadhipok's Institute and The Medical Council of Thailand - Certificate of Thailand Energy Academy (TEA 8) Thailand Energy Academy - Bhumipalung Phandin for Top Executives Program (Class 2) Chulalongkorn University - Thammasat Leadership Program (TLP 2) Thammasat University - Advanced Security Management Program (ASMP 4) Thailand National Defense College Association - Thailand Insurance Leadership Program (Class 2) OIC Advanced Insurance Institute - Top Executive Program in Commerce and Trade (TEPCOT 5) Commerce Academy, University of the Thai Chamber of Commerce - Certificate of Capital Market Academy Leadership Program (Class 12) Capital Market Academy - Director Certification Program - IOD Anti-Corruption Training Program for Corporate and Executives Thai Institute of Directors - Correspondent Banking Seminar DB (Asia Pacific) Training Centre Pte Ltd. <u>In-House Training</u> - Situation, Trend and Growth of Sustainability Development Thaipat Institute - Role of Financial Sector in Fighting Corruption Thai Institute of Directors - Opportunities in Financial Services as a result of Digital disruption and changing customer behaviours CAPCO - The Capital Markets Company Limited	Common - Preferred -	-	2010-Present 2008-Present 2010-2016 2013-2014 2010-Present 2005-Present 2014-Present 2014-Present 2014-Apr2017 2011-Apr2017 2017-Present 2017-Present 2017-Present 2015-2017 2015-Present 2011-Present 2012-2013	<u>TISCO Group</u> Chairperson of the Executive Board Director Group Chief Executive Acting Head of Business Strategy & Development Chairperson of the Executive Board Director Chairperson of the Board Member of the Audit Committee Chairperson of the Board Member of the Audit Committee Director <i>Other Company with Conflict of Interest</i> - <i>Others Listed Company</i> - <i>Others Non-Listed Company</i> - <i>Others Organization</i> Vice Chairperson Director Chairperson Director Chairman of SHIFT Fund Facility Investment Committee Director Member of Risk Management Subcommittee	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) TISCO Securities Company Limited (Securities) TISCO Asset Management Company Limited (Asset Management) TISCO Learning Center Company Limited (Learning Center) Federation of Thai Capital Market Organizations (FETCO) Thailand's Private Sector Collective Action against Corruption: CAC Thai Listed Companies Association The United Nations Capital Development Fund (UNCDF) TISCO Foundation Government Pension Fund
4. Assoc. Prof. Dr. Angkarat Priebjivat Independent Director Chairperson of the Audit Committee The Director's date of first appointment: September 4, 2008 The Director's date of latest appointment: April 20, 2017	63	Doctor of Philosophy (Accounting) New York University, USA Master of Science (Accounting) Bachelor of Business Administration (Accounting) Thammasat University - Driving Company Success with IT Governance (ITG) 6/2017 - Anti-Corruption for Executive Program - Monitoring Fraud Risk Management - Monitoring the System of Internal Control and Risk Management - Role of the Chairman Program - Monitoring the Internal Audit Function - Audit Committee Program - Director Certification Program - Director Accrediation Program Thai Institute of Directors - Certificate in International Financial Reporting Standards (IFRS) The Institute of Chartered Accountants in England and Wales (ICAEW) - Certificate of Capital Market Academy Leadership Program Capital Market Academy	Common - Preferred -	-	Apr2013-Present 2008-Present 2011-2013 Apr2013-Present 2014-Present 2008-Present 2016-present 2016-present 2014-Present 2012-Present	<u>TISCO Group</u> Chairperson of the Audit Committee Independent Director Advisor to the Audit Committee Chairperson of the Audit Committee Independent Director <i>Other Company with Conflict of Interest</i> - <i>Others Listed Company</i> Chairperson of the Risk Management Committee Independent Director Chairperson of the Audit Committee <i>Others Non-Listed Company</i> Director and Risk Management Committee <i>Others Organization</i> Member of Risk Management Subcommittee Director and Member of the Audit Committee Member of the Audit Committee	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) COL Public Company Limited (Supplier of full line office products) TSFC Securities Public Company Limited (Liquidity provider to securities business) State Railway of Thailand Tourism Authority of Thailand Thai Public Broadcasting Service (Thai PBS)

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
		<u>In-House Training</u> - Situation, Trend and Growth of Sustainability Development - Thaipat Institute - Role of Financial Sector in Fighting Corruption - Thai Institute of Directors - Opportunities in Financial Services as a result of Digital disruption and changing customer behaviours CAPCO - The Capital Markets Company Limited			2010-Present Director Feb2017-Present Advisor for Civil Penalty Feb2017-Present Member of the Acquisition of Securities for Business Take-Overs Subcommittee 2010-2017 Directors' Responsibilities Steering Committee 2015-Present Older Fund Administration Committee 2013-Present Member of the SET AWARD Committee and Corporate Governance Subcommittee 2013-Present Corporate Governance and Corporate Social Responsibility Specialist 2013-Present Director 2013-Present Director of Revolving Fund Evaluation Committee 2010-Present Advisor 2011-2014 Director, Award Committee, Board of the Year Award 2010-Present Associate Judge of the Central Intellectual Property and International Trade Court 2007-Present Honorary Advisor 2011-2017 Ethics Committee 2011-2017 Chairperson of the Audit Committee 2002-2016 Director 2010-2013 Audit Committee	Baan Ruam Tang Fhun Company Limited (Property Development) The Securities and Exchange Commission Ministry of Social Development and Human Security The Stock Exchange of Thailand Thai Institute of Directors Ministry of Finance Thai Listed Companies Association The Central Intellectual Property and International Trade Court The Institute of Internal Auditors of Thailand Federation of Accounting Professions Under The Royal Patronage of His Majesty The King The Office of the Agricultural Futures Trading Commission Krabi Petra Company Limited (Property Development) Office of the Permanent Secretary for Defence, Ministry of Defence	
7. Ms. Panada Kanokwat Independent Director Member of the Corporate Governance Committee The Director's date of first appointment: September 4, 2008 The Director's date of latest appointment: April 20, 2017	68	Master of Business Administration (Banking & Finance) North Texas State University, USA Bachelor of Business Administration (Accounting) Thammasat University - Breakfast Talk 3/2017 "Corporate Disclosures: What are investors looking for beyond financial measures?" - Director Certification Program Update - Risk Management Committee Program - Anti-Corruption for Executive Program - Financial Institutions Governance Program - Director Certification Program - Director Accreditation Program Thai Institute of Directors - 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 Management Sloan School of Management, Massachusetts Institute of Technology, USA <u>In-House Training</u> - Situation, Trend and Growth of Sustainability Development - Thaipat Institute - Role of Financial Sector in Fighting Corruption - Thai Institute of Directors - Opportunities in Financial Services as a result of Digital disruption and changing customer behaviours, CAPCO-The Capital Markets Company Limited	Common - Preferred -	-	Apr2014-Present Member of the Corporate Governance Committee 2008-Present Independent Director 2013-2014 Member of the Audit Committee 2011-Apr2013 Chairperson of the Audit Committee 2013-Apr2014 Member of the Audit Committee 2011-Apr2013 Chairperson of the Audit Committee 2008-Apr2014 Independent Director <u>Others Company with Conflict of Interest</u> - <u>Others Listed Company</u> Apr2017-Present Member of the Corporate Governance Committee 2016-Present Independent Director Member of the Audit Committee Apr2017-Present Member of the Corporate Governance Committee 2014-Present Independent Director 2014-Present Member of the Audit Committee <u>Others Non-Listed Company</u> 2015-May2017 Chairperson of Audit Committee Independent Director <u>Others Organization</u> 2014-Present Member of Risk Management Subcommittee 2010-2014 Committee, The Bachelor's Degree in Business Administration (International Program)	TISCO Group TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) PTT Exploration and Production Public Company (Oil and gas exploration and production) Global Power Synergy Public Company Limited (Generate and Supply Electricity, Steam, and Processed Water) Asia Biomass Company Limited (Biomass Fuel) Government Pension Fund Faculty of Commerce and Accountancy, Thammasat University	

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
8. Prof. Dr. Teerana Bhongmakapat Director Member of the Corporate Governance Committee The Director's date of first appointment: May 8, 2013 The Director's date of latest appointment: April 20, 2017	61	Doctor of Philosophy (Economics) University of Wisconsin-Madison, USA Master of Art (Economics) Thammasat University Bachelor of Economics (Qualitative Analysis) Chulalongkorn University - Audit Committee Forum 2017 "The Audit Committee's Role in Compliance and Ethical Culture Oversight" - Driving Company Success with IT Governance - Director Certification Program Update - Financial Institutions Governance Program - Director Certification Program Thai Institute of Directors - Audit Committee Forum 2016 "New Auditor's Report: What's in it for you?" Federation of Accounting Professions Under The Royal Patronage of His Majesty The King in association with Thai Institute of Directors - Certificate of Executive Leadership Program Capital Market Academy <u>In-House Training</u> - Role of Financial Sector in Fighting Corruption Thai Institute of Directors - Opportunities in Financial Services as a result of Digital disruption and changing customer behaviours CAPCO - The Capital Markets Company Limited	Common - Preferred -	-	May2017-Present May2017-Present Aug2013-Apr2014 2017-Present Apr2014-2017 Apr2013-2017 Apr2014-2017 2012-Present 2016-Present 2016-Present 2016-Present 2014-2016 2012-2016 2009-2016 2013-Present 2011-Present 2014-2017 2012-2015 2011-2015 2010-2015 2011-2014 2009-2013	<u>TISCO Group</u> Director Member of the Corporate Governance Committee Advisor to the Economic Strategy Unit (TISCO ESU) Member of the Audit Committee Independent Director Independent Director Member of the Audit Committee <u>Other Company with Conflict of Interest</u> - <u>Others Listed Company</u> Independent Director and Member of Audit Committee - <u>Others Non-Listed Company</u> - <u>Others Organization</u> Member of Academic Nomination Committee Member of Academic Nomination Committee Chairman of the Research Centre Committee Journal editors Subcommittee on Law and Economics Subcommittee on Research Affairs Director of Contemplative Education Center Professor of Economics (C11) President Subcommittee on Determination of License Fees and Price Structure in Broadcasting Services Chairman, Financial Institutions and Trader Supervision in accordance with Anti-Money Laundering Act Eminent Member, Anti-Money Laundering Committee (AMLO) Advisor to Subcommittee on Monetary Policy, Finance and Budget Administration Eminent Member, Commission for Teachers and Education Personnel	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) Banpu Public Company Limited (Energy & Utilities) Ramkhamhaeng University Buriram Rajabhat University Office of National Anti-Corruption Commission Mahidol University Chulalongkorn University Community Prevention and Wellness Initiative Foundation Office of the National Broadcasting and Telecommunications Commission (NBTC) Anti-Money Laundering Office (AMLO) The Senate of Thailand Ministry of Education
9. Mr. Sathit Aungmanee Independent Director Member of the Audit Committee Member of the Nomination and Compensation Committee The Director's date of first appointment: April 30, 2014 The Director's date of latest appointment: April 20, 2017	71	Master of Business Administration (Finance) Fairleigh Dickinson University, USA Bachelor of Business Administration (Accounting) Thammasat University - Director Forum 2017 "The Board's Role in CEO Succession Planning" Thai Institute of Directors <u>In-House Training</u> - Situation, Trend and Growth of Sustainability Development Thaipat Institute - Role of Financial Sector in Fighting Corruption Thai Institute of Directors - Opportunities in Financial Services as a result of Digital disruption and changing customer behaviours CAPCO - The Capital Markets Company Limited	Common 100,035 Preferred (0.01) -	-	May2017-Present 2016-Present Jun2015-Present 2014-Apr2017 2014-2016 Aug2013-2014 May2017-Present 2016-Present 2014-2016 2014-2016 2011-2013 2011-2013	<u>TISCO Group</u> Member of the Audit Committee Independent Director Member of the Nomination and Compensation Committee Member of the Corporate Governance Committee Director Advisor to the Corporate Governance Committee Member of the Audit Committee Independent Director Director Director and Member of the Audit Committee Chairman of the Board of Directors Chairman of the Board of Directors Director and Member of the Audit Committee <u>Other Company with Conflict of Interest</u> - <u>Others Listed Company</u> - <u>Others Non-Listed Company</u> - <u>Others Organization</u> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) TISCO Securities Company Limited (Securities) TISCO Asset Management Company Limited (Asset Management)

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
10. Mr. Takashi Kurome Director Member of the Executive Board (Authorized Signatory) The Director's date of first appointment: July 12, 2016 The Director's date of latest appointment: April 20, 2017	48	Bachelor of Economics The University of Tokyo, Japan - Director Certification Program Thai Institute of Directors	Common - Preferred -	-	Jul2016-Present Jul2016-Present Jun2016-Present Apr2014-May2016 Nov2009-Mar2014 -	<i>TISCO Group</i> Director Member of the Executive Board Director Member of the Executive Board <i>Other Company with Conflict of Interest</i> - <i>Others Listed Company</i> - <i>Others Non-Listed Company</i> Managing Director Deputy General Manager of International Corporate Advisory Div (Current: Global Strategic Advisory Dep.) SVP of International Corporate & Institutional Banking Div <i>Others Organization</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) MHCBC Consulting (Thailand) Company Limited (Consultant) Mizuho Bank Limited (Bank)
11. Mr. Chi-Hao Sun Director Member of the Executive Board (Authorized Signatory) The Director's date of first appointment: June 29, 2011 The Director's date of latest appointment: April 20, 2017	40	Master of Science (Finance) Bentley University, USA Master of Business Administration Boston University, USA Bachelor of Arts (Economics) Taipei University, Taiwan	Common - Preferred -	-	2012-Present 2011-Present Apr2014-Present 2012-Present 2013-Present 2012-2013 -	<i>TISCO Group</i> Member of the Executive Board Director Director (Authorized Signatory) Member of the Executive Board <i>Other Company with Conflict of Interest</i> - <i>Others Listed Company</i> - <i>Others Non-Listed Company</i> Senior Vice President Assistant Vice President <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) CDIB & Partners Investment Holding Corporation (Investment)
12. Mr. Suthas Ruangmanamongkol Director Member of the Executive Board Group Chief Executive Chief Operating Officer (Authorized Signatory) The Director's date of first appointment: September 4, 2008 The Director's date of latest appointment: April 20, 2017	56	Master of Science (Finance) University of Wisconsin-Madison, USA Master of Business Administration (Finance) Western Illinois University, USA Bachelor of Engineering (Computer Engineering) Chulalongkorn University - Director Certification Program Thai Institute of Directors <i>In-House Training</i> - Situation, Trend and Growth of Sustainability Development Thaipat Institute - Role of Financial Sector in Fighting Corruption Thai Institute of Directors - Opportunities in Financial Services as a result of Digital disruption and changing customer behaviours CAPCO - The Capital Markets Company Limited	Common 3,644,000 (0.46) Preferred -	-	Jan2017-Present 2015-Present 2009-Present 2008-Present 2010-2014 2009-Present 2009-2016 Apr2017-Present 2013-Present 2010-Present 2010-Present 2009-Present 2010-2016	<i>TISCO Group</i> Group Chief Executive Chief Operating Officer Member of the Executive Board Director President Director (Authorized Signatory) Member of the Executive Board President Chairman of the Board of Directors Director <i>Other Company with Conflict of Interest</i> - <i>Others Listed Company</i> - <i>Others Non-Listed Company</i> Director Director Director <i>Others</i> Director Director	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) TISCO Asset Management Company Limited (Asset Management) Dole Thailand Company Limited (Food & Beverage) Phelps Dodge International (Thailand) Company Limited (Manufacture of wire and cable products) PDTL Trading Company Limited (Distributor of electric wires and cable) TISCO Foundation The Thai Bankers' Association

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)		Family Relationship with other Management	Work Experience within 5 years		
						Period	Position	Company / Organization (Type of Business)
13. Ms. Krisna Theravuthi Advisor to TISCO's Board of Directors	67	Master of Business Administration (Marketing) University of Wisconsin-Madison, USA Bachelor of Accountancy (Accounting) Chulalongkorn University - Director Certification Program - Director Accreditation Program - Effective Audit Committee and Best Practices Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management Program - Role of Compensation Committee Program - Role of the Chairman Program Thai Institute of Directors	Common - Preferred -		-	Jun2013-Present 2008-Apr2013 2012-Present 2010-Present 2010-Present 2004-Present 1986-Present	<i>TISCO Group</i> Advisor to TISCO's Board of Directors Independent Director Chairperson of the Nomination and Compensation Committee <i>Others</i> Director Vice President Advisor Vice Chairman Member of the Executive Board	TISCO Financial Group Public Company Limited (Holding Company) Krua Charoen Company Limited (Food & Beverage) Business and Professional Women's Association of Thailand - Udonthani Committee on Labour and Welfare Northeast Community Center for Mental Retardation Thavorn Udon Company Limited (Hotel)
14. Mr. Sakchai Peechapat President	50	Master of Business Administration (International Business) University of Hawaii at Manoa, USA Bachelor of Engineering (Civil Engineering) (Honors) Kasetsart University Japan-focused Management Program Japan-America Institute of Management Science, USA - Thailand Insurance Leadership Program OIC Advanced Insurance Institute - Director Certification Program - Director Accreditation Program Thai Institute of Directors - Financial Executive Development Program The Thai Institute of Banking and Finance Association <i>In-House Training</i> - Situation, Trend and Growth of Sustainability Development Thaipat Institute - Role of Financial Sector in Fighting Corruption, Thai Institute of Directors - Opportunities in Financial Services as a result of Digital disruption and changing customer behaviours, CAPCO-The Capital Markets Company Limited	Common 66,177 (0.00) Preferred -		-	Jan2017-Present 2010-2016 Apr2017-Present Jan2017-Present 2010-2016 2015-2017 2010-2017 2009-2017 2009-2017 2006-Present	<i>TISCO Group</i> President Senior Executive Vice President Director (Authorized Signatory) Executive Director President Senior Executive Vice President - Retail Banking Chairman of the Board Director Chairman of the Board Director Chairman of the Board Director <i>Others</i> Director	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) HTC Leasing Company Limited (Leasing) Hi-Way Company Limited (Hire Purchase) TISCO Tokyo Leasing Company Limited (Leasing) AXA Insurance Public Company Limited (Insurance)
15. Mr. Pitada Vatcharasiritham Senior Executive Vice President	53	Master of Business Administration Indiana University of Pennsylvania, USA Bachelor of Economics Thammasat University - Certificate of Executive Leadership Program Capital Market Academy - Corporate Governance for Capital Market Intermediaries Thai Institute of Directors	Common - Preferred -		-	Jan2013-Present 2010-Present 2012-Jan2013 2011-Present <i>Others</i> -	<i>TISCO Group</i> Senior Executive Vice President Senior Executive Vice President - Corporate Banking Acting Head of Investment Banking Director <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) TISCO Securities Company Limited (Securities)
16. Mr. Chalit Silpsrikul Senior Executive Vice President	56	Master of Business Administration Bachelor of Accountancy (Accounting) Thammasat University - Financial Executive Development Program (FINEX 14) The Thai Institute of Banking and Finance Association - Management Skill Development Course Crestcom Bullet Proof Manager - Directors Certification Program Thai Institute of Directors	Common 79 (0.00) Preferred -		-	Feb2017-Present Jul2013-Jan2016 Feb2017-Present Jul2013-Jan2016 2013-2013 2010-2013 Mar2017-Present 2010-2013 <i>Others</i> -	<i>TISCO Group</i> Senior Executive Vice President First Executive Vice President Senior Executive Vice President - Retail Banking First Executive Vice President - Wealth Management First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Retail Banking - Front Chairman of the Board Director <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) TISCO Tokyo Leasing Company Limited (Leasing) Hi-Way Company Limited (Hire Purchase)

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years			
					Period	Position	Company / Organization (Type of Business)	
17. Mr. Metha Pingsuthiwong Senior Executive Vice President	50	Master of Business Administration (Finance) University of Wisconsin-Milwaukee, USA Bachelor of Engineering (Electrical Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors	Common 195,800 (0.02) Preferred -	-	Feb2017-Present	<i>TISCO Group</i> Senior Executive Vice President - Wealth management & Banking Services	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) K-Line (Thailand) Company Limited (Transportation)	
					Jan2010-Jan2016	First Executive Vice President		
					Feb2017-Present	Senior Executive Vice President - Wealth management & Banking Services		
					Jul2013-Jan2016	First Executive Vice President - Retail Banking		
					Jan2010-Jan2013	First Executive Vice President - Wealth Management & Banking Services		
1999-Present	<i>Others</i> Director							
18. Mr. Paiboon Nalinthrangkurn First Executive Vice President	50	Master of Business Administration (Finance) Indiana University at Bloomington, USA Bachelor of Arts (Computer Science) University of California at Santa Cruz, USA Chartered Financial Analyst CFA Institute, USA - Certificate of Advanced Security Management Program (ASMP 5) The Association of National Defence College of Thailand Under the Royal Patronage of His Majesty the King - Certificate of Thailand Energy Academy (TEA 3) Thailand Energy Academy - Certificate of Top Executive Program in Commerce and Trade (TEPCOT5) Commerce Academy, University of the Thai Chamber of Commerce - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Corporate Governance for Capital Market Intermediaries (CGI15/2016) - Directors Certification Program - Directors Accreditation Program - Audit Committee Program Thai Institute of Directors	Common 286,000 (0.04) Preferred -	-	2010-Present	<i>TISCO Group</i> First Executive Vice President	TISCO Financial Group Public Company Limited (Holding Company) TISCO Securities Company Limited (Securities) Deutsche TISCO Investment Advisory Company Limited (Investment Advisory) Asian Securities and Investment Federation Investment Analysts Association The National Reform Council Federation of Thai Capital Market Organizations Joint Public and Private Sector Consultative Committee (JPCC) Capital Market Development Committee Association of Thai Securities Companies The Stock Exchange of Thailand	
					2006-Present	Chief Executive Officer		
					2005-Present	Director		
					2011-Present	Chairman of the Board of Directors and Chief Executive Officer		
						<i>Others</i>		
					2017-Present	Chairman of the Board of Directors		
					2009-Present	Chairman		
					2014-2015	Member of the National Reform Council		
					2010-2014	Chairman		
					2010-2014	Director		
					2008-2014	Director		
					2009-Sep2013	Executive Director		
					2009-May2013	Governor		
19. Mr. Chatri Chandrangam First Executive Vice President Risk and Financial Control	47	Master of Finance (Distinction) Imperial College, London, UK Master of Business Administration (International Business) Schiller International University, UK Bachelor of Business Administration (Banking & Finance) Chulalongkorn University Certified Financial Analyst CFA Institute, USA - Corporate Governance for Capital Market Intermediaries (CGI15/2016) - Directors Certification Program Thai Institute of Directors	Common 30,000 (0.00) Preferred -	-	2017-Present	<i>TISCO Group</i> First Executive Vice President - Risk and Financial Control	TISCO Financial Group Public Company Limited (Holding Company) HTC Leasing Company Limited (Leasing) TISCO Information Technology Company Limited (Information Technology) Deutsche TISCO Investment Advisory Company Limited (Investment Advisory) TISCO Learning Center Company Limited (Learning Center) Hi-Way Company Limited (Hire Purchase) TISCO Tokyo Leasing Company Limited (Leasing) TISCO Securities Company Limited (Securities) TISCO Asset Management Company Limited (Asset Management) TISCO Insurance Solution Company Limited (Insurance)	
					2010-2017	Executive Vice President - Risk and Financial Control		
					2012-Present	Acting Head of Investment		
					2015-Present	Director		
					2011-Present	Director		
					2011-Present	Director		
					2011-Present	Director		
					2009-Present	Director		
					2009-Present	Director		
					2009-Present	Director and Member of Audit Committee		
2007-Present	Director and Member of Audit Committee							
2011-2017	Director							
	<i>Others</i> -							

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
20. Ms. Yutiga Sonthayanavin First Executive Vice President	59	Master of Business Administration Bachelor of Science (Statistics) Chulalongkorn University - Director Certification Program Thai Institute of Directors	Common 576 (0.00) Preferred -	-	Mar2017-Present 2010-Feb2017 Present 2004-2014	<i>TISCO Group</i> First Executive Vice President - Information Technology Executive Vice President Director Managing Director <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Information Technology Company Limited (Information Technology)
21. Mr. Rungroj Jarasvijitkul Executive Vice President	51	Master of Business Administration Bachelor of Business Administration (Finance) Chulalongkorn University	Common - Preferred -	-	Mar2017-Present Feb2017-Present 2015-Jan2017 2009-2015	<i>TISCO Group</i> Executive Vice President Executive Vice President Retail Banking - Sales & Marketing 1 Assistant Executive Vice President - Retail Banking - Product & Marketing Deputy Head of Retail Banking - Bangkok Channel Head of Bangkok Channel <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank)
22. Mr. Yutpong Sriwongjanya Executive Vice President	51	Master of Business Administration The University of Mississippi, USA Bachelor of Science (Materials Science) Chulalongkorn University - Financial Executive Development Program (FINEX) The Thai Institute of Banking and Finance Association	Common - Preferred -	-	Feb2017-Present Feb2017-Present 2013-Jan2017 Jul2013-2015 2009-2013 2016-Present 2013-Present	<i>TISCO Group</i> Executive Vice President Executive Vice President Retail Banking - Sales & Marketing 2 Assistant Executive Vice President - Retail Banking - Branch Channel Assistant Executive Vice President - Branch Channel Sales Deputy Head of Retail Banking Director Director <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) All-Ways Company Limited (Services) Hi-Way Company Limited (Hire Purchase)
23. Mr. Dejphinun Suthadsanasoung Executive Vice President	47	Master of Business Administration Eastern Michigan University, USA Bachelor of Business Administration (Finance) Assumption University	Common - Preferred -	-	Feb2017-Present Feb2017-Present 2010-Jan2016 2016-Present 2008-Present	<i>TISCO Group</i> Executive Vice President Executive Vice President Retail Banking - Operations Assistant Executive Vice President - Retail Banking Operations Director Director <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank) All-Ways Company Limited (Services) Hi-Way Company Limited (Hire Purchase)
24. Mr. Picha Ratanatam Executive Vice President	45	Master of Business Administration (Finance) San Diego State University Bachelor of Business Administration (Applied Statistics) Chulalongkorn University - Financial Executive Development (FINEX) The Thai Institute of Banking and Finance Association	Common - Preferred -	-	Feb2017-Present Feb2017-Present 2013-Jan2016 2010-Present	<i>TISCO Group</i> Executive Vice President Executive Vice President - Wealth Management Assistant Executive Vice President - Wealth Management Head of Wealth Management <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank)

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
30. Ms. Voranuch Supaibulpipat Head of Credit Control	53	Master of Business Administration (Management) Middle Tennessee State University Bachelor of Economics Chulalongkorn University	Common 138,079 (0.02) Preferred -	-	Oct2015-Present 2013-2015	<i>TISCO Group</i> Head of Credit Control Deputy Head of Credit Control <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
31. Ms. Surang Techarungnirun Head of Office of the Credit Committee	42	Master of Science (Finance) Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	Common - Preferred -	-	Jul2013-Present 2011-2013	<i>TISCO Group</i> Head of Office of the Credit Committee Head of Office of the Credit Committee <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank)
32. Mr. Pichit Treethephasumphan Head of Appraisal & Valuation	44	Master of Housing Development (Real Estate and Housing Development Program) Chulalongkorn University Graduate Diploma Program in Property Valuation Thammasat University Certificate in Real Estate Developer (Mini MRE@tbs) Thammasat University	Common - Preferred -	-	Jul2013-Present 2011-Jun2013	<i>TISCO Group</i> Head of Appraisal & Valuation Head of Appraisal & Valuation <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Bank Public Company Limited (Commercial Bank)
33. Ms. Dulyarat Taveebhol Head of Corporate Compliance	60	Bachelor of Accountancy (Accounting) Thammasat University - Corporate Governance for Capital Market Intermediaries (CGI15/2016) Thai Institute of Directors	Common - Preferred -	-	Jul2013-Present 2010-Jun2013 Sep2013-Present 2009-Present 2009-Present	<i>TISCO Group</i> Head of Corporate Compliance Assistant Head of Corporate Office Director Director and Member of the Audit Committee Director and Member of the Audit Committee <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) Deutsche TISCO Investment Advisory Company (Investment Advisory) TISCO Securities Company Limited (Securities) TISCO Asset Management Company Limited (Asset Management)
34. Ms. Maneerat Wattanajak Head of Compliance - Banking Business	48	Master of Financial Accounting Chulalongkorn University Bachelor of Accountancy Thammasat University	Common - Preferred -	-	2017-Present 2010-2017 2009-2010	<i>TISCO Group</i> Head of Compliance - Banking Business Head of Compliance - Asset Management Business Head of Compliance and Internal Control - Asset Management <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
35. Mrs. Yaninee Papnum Head of Compliance - Asset Management Business	47	Bachelor of Accountancy (Second Class Honors) University of the Thai Chamber of Commerce	Common - Preferred -	-	Mar2017-Present 2014-Feb2017 2010-2014	<i>TISCO Group</i> Head of Compliance - Asset Management Business Senior Compliance Officer - Asset Management Business Compliance Officer - Asset Management Business <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
36. Ms. Sakornrat Manuwong Head of Compliance - Securities Business	47	Bachelor of Accountancy (Accounting) Thammasat University Master Business Administration Thammasat University - Corporate Governance for Capital Market Intermediaries (CGI15/2016) Thai Institute of Directors	Common - Preferred -	-	2017-Present 2010-2016	<i>TISCO Group</i> Head of Compliance - Securities Business Head of Compliance - Banking Business <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
37. Ms. Chuenchit Trakarnratti Head of Operation Risk Management	46	Master of Science (Computer Information System) Assumption University Bachelor of Accountancy Chulalongkorn University	Common - Preferred -	-	Aug2014-Present 2008-2014	<i>TISCO Group</i> Head of Operational Risk Management <i>Others</i> First Vice President	TISCO Financial Group Public Company Limited (Holding Company) Industrial and Commercial Bank of China (Thai) Public Company Limited (Commercial Bank)

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)		Family Relationship with other Management	Work Experience within 5 years		
						Period	Position	Company / Organization (Type of Business)
38. Ms. Nudtinee Suwanpanitch Head of Legal Office	43	Master of Business Administration Ramkhamhaeng University Bachelor of Laws Thammasat University	Common	-	-	2010-Present	<i>TISCO Group</i> Head of Legal Office <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
39. Ms. Jiraporn Sawsukpaiboon Head of Internal Audit	48	Master of Business Administration Thammasat University Bachelor of Science (Accounting) Kasetsart University - Certified Internal Auditor (CIA) The Institute of Internal Auditors (IIA), USA - Certified Information System Auditor (CISA) ISACA, USA - Company Secretary Program - Board Reporting Program - Effective Minutes Taking (EMT) - Anti-Corruption: The Practical Guide Thai Institute of Directors	Common	16,544 (0.00)	-	Feb2013-Present	<i>TISCO Group</i> Head of Internal Audit <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
40. Ms. Nartrudee Siwabut Head of Corporate Communication	57	Master of Business Administration (Finance) Thammasat University Bachelor of Arts (English) Chulalongkorn University	Common	120,000 (0.01)	-	2009-Present	<i>TISCO Group</i> Head of Corporate Communication <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
41. Mr. Somchat Lapapong Head of Corporate Services	56	Bachelor of Business Administration (Marketing) Rajamangala University of Technology	Common	-	-	2010-Present	<i>TISCO Group</i> Head of Corporate Services <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
42. Mr. Watsakorn Thepthim Head of Human Resources	45	Master of Information System University of Manchester, UK Master of Business Administration (Management) Bachelor of Business Administration (Finance) Assumption University	Common	-	-	2012-Present	<i>TISCO Group</i> Head of Human Resources 2011-Present Director of TISCO Learning Center 2011-Present Director <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Learning Center Company Limited (Learning Center)
43. Mr. Kittipong Tiyaboonthai Head of Human Resources Management	45	Master of Information Systems University of Memphis, USA Master of Business Administration Bachelor of Business Administration (Banking & Finance) Chulalongkorn University	Common	8,823 (0.00)	-	Oct2013-Present	<i>TISCO Group</i> Head of Human Resources Management Head of Regulatory & Management Report <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
44. Ms. Chutiporn Luangrungsawang Head of Human Resources Services	33	Master of Arts (Industrial and Organizational Psychology) Chulalongkorn University Bachelor of Arts Chulalongkorn University	Common	-	-	Feb2017-Present	<i>TISCO Group</i> Head of Human Resources Services Mar2016-Jan2017 Head of Human Resources Operations Mar2015-Feb2016 Senior Human Resources Services Officer Aug2014-Mar2015 Human Resources Services Officer <i>Others</i> 2007-2014 HR Supervisor	TISCO Financial Group Public Company Limited (Holding Company) AJINOMOTO Company (Thailand) Limited (Food Industries)
45. Mr. Montri Siripanasan Acting Head of Financial Technology	49	Master of Science (Statistics) National Institute of Development Administration Bachelor of Science (Mathematics) King Mongkut's Institute of Technology Thonburi	Common	-	-	Apr2017-Present	<i>TISCO Group</i> Acting Head of Financial Technology Oct2014-Mar2017 Head of Solution Development 2013-2014 Application Development Manager-MIS & Corporate Support 2008-2013 Application Development Manager-Asset Management <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company) TISCO Information Technology Company Limited (Information Technology)

Name/ Position / Date of first appointment/ Date of latest appointment	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares/percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
46. Mr. Prayuk Charocharaskul Head of Productivity	38	Master of Business Administration University of North Carolina at Chapel Hill, USA Bachelor of Business Administration (Management) Chulalongkorn University	Common - Preferred -	-	Aug2014-Present 2013-2014 Feb2013-Sep2013 2009-2013	<i>TISCO Group</i> Head of Productivity Head of Operational Risk Management Head of Process Risk Management Head of Operational Risk Management <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
47. Mr. Pisit Piyapasuntra Head Of Data Management	47	Master of Science (Management Information System) National Institute of Development Administration Bachelor Of Engineering King Mongkut's Institute of Technology Ladkrabang	Common - Preferred -	-	Oct2017-Present Oct2014-Sep2017 Feb2014-Sep2014	<i>TISCO Group</i> Head of Data Management Acting Head of Data Management Transformation Specialist <i>Others</i> Consulting Manager	TISCO Financial Group Public Company Limited (Holding Company) PricewaterhouseCoopers (Accounting Office)
48. Mr. Pongnarintr Archamongkol Acting Head of Technology Lab	51	Master of Science (CEM: Computer Engineering Management) Assumption University Bachelor of Science (Apply Mathematics and Computer Science) King Mongkut's Institute of Technology Ladkrabang	Common - Preferred -	-	Apr2017-Present Oct2015-2017	<i>TISCO Group</i> Acting Head of Technology Lab Senior Solution Manager <i>Others</i> -	TISCO Financial Group Public Company Limited (Holding Company)
49. Mrs. Arayapha Panichprecha Head of Technology Governance	38	Master of Information Technology Queensland University of Technology, Australia Bachelor of Engineering (Computer Engineering) King Mongkut's Institute of Technology Ladkrabang - Certified Information Systems Security Professional (CISSP) Int'l Information Systems Security Certification Consortium (ISC)2, USA - GIAC System and Network Auditor (GSNA) - GIAC Certified Incident Handler (GCIH) The SANS Institute, USA - Cloud Security Knowledge Cloud Security Alliance - Applied Risk and Incident Management - Information Security Management System Lead Implementer (ISO/IEC27001:2013) - Information Security Management System Auditor/Lead Auditor (ISO/IEC 27001:2005) - Information Security Management System Implementation (ISO/IEC 27001:2005) British Standards Institution	Common - Preferred -	-	Jan2017-Present Feb2013-2016 2010-Jan2013 2017-Present	<i>TISCO Group</i> Head of Technology Governance Head of Information Security Management IT Security Specialist <i>Others</i> Committee	TISCO Financial Group Public Company Limited (Holding Company) TISCO Information Technology Company Limited (Information Technology) Thailand Banking Sector CERT (TB-CERT)

Remark: ¹ Including spouse and minor children

1.2 Corporate Secretary

The Corporate Secretary is responsible for preparing and maintaining director profile, notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting, maintaining directors and management's report on conflict of interest, and performing other duties as required by the Capital Market Supervisory Board.

1.3 Changes in TISCO Shareholdings by Directors and Management_TFG (as of January 1, 2018)

No.	Name	Common Shares			Preferred Shares			Total Shareholding (Percentage)
		As of January 1, 2017	As of January 1, 2018	Increase (Decrease) During the Year	As of January 1, 2017	As of January 1, 2018	Increase (Decrease) During the Year	
1	Mr. Pliu Mangkornkanok	2,221,010	2,221,010	-	-	-	-	0.28
	Including spouse and minor children	-	-	-	-	-	-	0
2	Mr. Hon Kit Ching (Alexander H. Ching)	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
3	Ms. Oranuch Apisaksirikul	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
4	Assoc. Prof. Dr. Angkarat Priebjrivat	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
5	Prof. Dr. Pranee Tinakorn	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
6	Ms. Patareeya Benjapolchai	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
7	Ms. Panada Kanokwat	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
8	Prof. Dr. Teerana Bhongmakapat	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
9	Mr. Sathit Aungmanee	100,035	100,035	-	-	-	-	0.01
	Including spouse and minor children	-	-	-	-	-	-	0
10	Mr. Takashi Kurome	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
11	Mr. Chi-Hao Sun (Mr. Howard Sun)	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
12	Mr. Suthas Ruangmanamongkol	3,644,000	3,644,000	-	-	-	-	0.46
	Including spouse and minor children	-	-	-	-	-	-	0
13	Ms. Krisna Theravuthi	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
14	Mr. Sakchai Peechapat	66,177	66,177	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
15	Mr. Pitada Vatcharasiritham	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
16	Mr. Chalit Silpsrikul	-	-	-	-	-	-	0
	Including spouse and minor children	79	79	-	-	-	-	0
17	Mr. Metha Pingsuthiwong	195,800	195,800	-	-	-	-	0.02
	Including spouse and minor children	-	-	-	-	-	-	0

No.	Name	Common Shares			Preferred Shares			Total Shareholding (Percentage)
		As of January 1, 2017	As of January 1, 2018	Increase (Decrease) During the Year	As of January 1, 2017	As of January 1, 2018	Increase (Decrease) During the Year	
18	Mr. Paiboon Nalinthrangkurn	286,000	286,000	-	-	-	-	0.04
	Including spouse and minor children	-	-	-	-	-	-	0
19	Mr. Chatri Chandrangam	30,000	30,000	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
20	Ms. Yutiga Sonthayanavin	576	576	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
21	Mr. Rungroj Jarasvijitkul	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
22	Mr. Yuttpong Sriwongjanya	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
23	Mr. Dejphinun Suthadsanasoung	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
24	Mr. Picha Ratanatam	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
25	Mr. Pairat Srivilairit	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
26	Mr. Nipon Wongchotiwat	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
27	Mr. Puvarin Kullaphatkanon	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
28	Ms. Chutintorn Vigasi	16,356	16,356	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
29	Mr. Kontee Sunthornpradit	13,200	13,200	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
30	Ms. Voranuch Supaibulpipat	132,079	138,079	6,000	-	-	-	0.02
	Including spouse and minor children	-	-	-	-	-	-	0
31	Ms. Surang Techarungnirun	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
32	Mr. Pichit Treethephasumphan	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
33	Ms. Dulyarat Taveebhol	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
34	Ms. Maneerat Wattanajak	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0

No.	Name	Common Shares			Preferred Shares			Total Shareholding (Percentage)
		As of January 1, 2017	As of January 1, 2018	Increase (Decrease) During the Year	As of January 1, 2017	As of January 1, 2018	Increase (Decrease) During the Year	
35	Mrs. Yaninee Papnum	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
36	Ms. Sakornrat Manuwong	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
37	Ms. Chuenchit Trakarnratti	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
38	Ms. Nudtinee Suwanpanitch	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
39	Ms. Jiraporn Sawsukpaiboon	16,544	16,544	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
40	Ms. Nartrudee Siwabut	126,500	120,000	(6,500)	-	-	-	0.01
	Including spouse and minor children	-	-	-	-	-	-	0
41	Mr. Somchat Lapapong	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
42	Mr. Watsakorn Thepthim	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
43	Mr. Kittipong Tiyaboonchai	8,823	8,823	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
44	Ms. Chutiporn Luangrungsawang	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
45	Mr. Montri Siripanasan	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
46	Mr. Prayuk Charoencharaskul	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
47	Mr. Pisit Piyapasuntra	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
48	Mr. Pongnarintr Archamongkol	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0
49	Ms. Arayapha Panichprecha	-	-	-	-	-	-	0
	Including spouse and minor children	-	-	-	-	-	-	0

Attachment 2 Details of Directors and Management in a Subsidiaries Company (as of January 1, 2018)

Name	TISCO Financial Group Plc.	Subsidiary										
		TISCO Bank Plc.	TISCO Securities Co., Ltd.	TISCO Asset Management Co., Ltd.	HIWAY Co., Ltd.	TISCO Information Technology Co., Ltd.	TISCO Insurance Solution Co., Ltd.	TISCO Learning Center Co., Ltd.	All-Ways Co., Ltd.	TISCO Tokyo Leasing Co., Ltd.	Deutsche TISCO Investment Advisory Co., Ltd. ¹	HTC Leasing Co., Ltd. ²
1. Mr. Pliu Mangkornkanok	ID, C	ID, C	-	-	-	-	-	-	-	-	-	-
2. Mr. Hon Kit Shing (Alexander H. Shing)	NED, VC, NCC	-	-	-	-	-	-	-	-	-	-	-
3. Ms. Oranuch Apisaksirikul	ED, CEBD	ED, CEBD	C, AC	-	-	-	-	-	-	-	-	-
4. Assoc. Prof. Dr. Angkarat Priebjrivat	ID, CAC	ID, CAC	-	-	-	-	-	-	-	-	-	-
5. Prof. Dr. Pranee Tinakorn	ID, CNCC	-	-	-	-	-	-	-	-	-	-	-
6. Ms. Patareeya Benjapolchai	ID, CCGC, AC	ID, AC	-	-	-	-	-	-	-	-	-	-
7. Ms. Panada Kanokwat	ID, CGC	-	-	-	-	-	-	-	-	-	-	-
8. Prof. Dr. Teerana Bhongmakapat	NED, CGC	-	-	-	-	-	-	-	-	-	-	-
9. Mr. Sathit Aungmanee	ID, AC, NCC	ID, AC	-	-	-	-	-	-	-	-	-	-
10. Mr. Takashi Kurome	ED, EBD	ED, EBD	-	-	-	-	-	-	-	-	-	-
11. Mr. Chi-Hao Sun (Howard Sun)	ED, EBD	ED, EBD	-	-	-	-	-	-	-	-	-	-
12. Mr. Suthas Ruangmanamongkol	ED, EBD, GCE, COO	ED, EBD	-	C, AC	-	-	-	-	-	-	-	-
13. Ms. Krisna Theravuthi	A	-	-	-	-	-	-	-	-	-	-	-
14. Mr. Sakchai Peechapat ³	PRES	ED, EBD, PRES	-	-	-	-	-	-	-	-	-	-
15. Mr. Pitada Vatcharasiritham ³	SEVP	SEVP	D	-	-	-	-	-	-	-	-	-
16. Mr. Chalit Silpsrikul ³	SEVP	SEVP	-	-	-	-	-	-	-	C	-	-
17. Mr. Metha Pingsuthiwong ³	SEVP	SEVP	D	D	-	-	-	-	-	-	-	-
18. Mr. Paiboon Nalinthrangkurn ³	FEVP	-	D, CEO	-	-	-	-	-	-	-	C, CEO	-
19. Mr. Chatri Chandrangam	FEVP	-	D	D	D	D	-	D	-	D	D	D
20. Ms. Yutiga Sonthayanavin	FEVP	-	-	-	-	D	-	-	-	-	-	-

¹ Deutsche TISCO Investment Advisory Co., Ltd is a Joint Venture of TISCO Securities and Deutsche Bank

² HTC Leasing Co., Ltd. is a Joint Venture of TISCO Tokyo Leasing Co., Ltd.

³ TISCO Financial Group's management seconded to manage subsidiary companies

Name	TISCO Financial Group Plc.	Subsidiary										
		TISCO Bank Plc.	TISCO Securities Co., Ltd.	TISCO Asset Management Co., Ltd.	HIWAY Co., Ltd.	TISCO Information Technology Co., Ltd.	TISCO Insurance Solution Co., Ltd.	TISCO Learning Center Co., Ltd.	All-Ways Co., Ltd.	TISCO Tokyo Leasing Co., Ltd.	Deutsche TISCO Investment Advisory Co., Ltd. ¹	HTC Leasing Co., Ltd. ²
21. Mr. Rungroj Jarasvijitkul	EVP	EVP	-	-	-	-	-	-	-	-	-	-
22. Mr. Yuttpong Sriwongjanya	EVP	EVP	-	-	D	-	-	-	D	-	-	-
23. Mr. Dejphinun Suthadsanasoung	EVP	EVP	-	-	-	-	-	-	D	D	-	-
24. Mr. Picha Ratanatam	EVP	EVP	-	-	-	-	-	-	-	-	-	-
25. Mr. Pairat Srivilairit	CS, EVP, DH	CS	CS	CS	D	D	D	D	-	-	CS	-
26. Mr. Nipon Wongchotiwat	FH	-	-	-	-	-	-	-	D	-	-	-
27. Mr. Puvarin Kullaphatkanon	FH	-	-	-	-	-	-	-	-	-	-	-
28. Ms. Chutintorn Vigasi	FH	-	-	-	-	-	-	-	-	-	-	-
29. Mr. Kontee Sunthornpradit	FH	-	-	-	-	-	D	-	-	D	-	D
30. Ms. Voranuch Supaibulpirat	FH	-	-	-	-	-	-	-	-	-	-	-
31. Ms. Surang Techarungnirun	FH	-	-	-	-	-	-	-	-	-	-	-
32. Mr. Pichit Treethephasumphan	FH	-	-	-	-	-	-	-	-	-	-	-
33. Ms. Dulyarat Taveebhol	DH	-	D, AC	D,AC	-	-	-	-	-	-	D	-
34. Ms. Maneerat Wattanajak	FH	-	-	-	-	-	-	-	-	-	-	-
35. Ms. Yaninee Papnum	FH	-	-	-	-	-	-	-	-	-	-	-
36. Ms. Sakornrat Manuwong	FH	-	-	-	-	-	-	-	-	-	-	-
37. Ms. Chuenchit Trakarnratti	FH	-	-	-	-	-	-	-	-	-	-	-
38. Ms. Nudtinee Suwanpanitch	FH	-	-	-	-	-	-	-	-	-	-	-
39. Ms. Jiraporn Sawsukpaiboon	FH	-	-	-	-	-	-	-	-	-	-	-
40. Ms. Nartrudee Siwabut	FH	-	-	-	-	-	-	-	-	-	-	-
41. Mr. Somchat Lapapong	FH	-	-	-	-	-	-	-	-	-	-	-
42. Mr. Watsakorn Thepthim	DH	-	-	-	-	-	-	D, H	-	-	-	-
43. Mr. Kittipong Tiyaboonthai	FH	-	-	-	-	-	-	-	-	-	-	-
44. Ms. Chutiporn Luangrungsawang	FH	-	-	-	-	-	-	-	-	-	-	-
45. Mr. Montri Siripanasan	FH	-	-	-	-	-	-	-	-	-	-	-
46. Mr. Prayuk Charoencharaskul	FH	-	-	-	-	-	-	-	-	-	-	-
47. Mr. Pisit Piyapasuntra	FH	-	-	-	-	-	-	-	-	-	-	-

Name	TISCO Financial Group Plc.	Subsidiary											
		TISCO Bank Plc.	TISCO Securities Co., Ltd.	TISCO Asset Management Co., Ltd.	HIWAY Co., Ltd.	TISCO Information Technology Co., Ltd.	TISCO Insurance Solution Co., Ltd.	TISCO Learning Center Co., Ltd.	All-Ways Co., Ltd.	TISCO Tokyo Leasing Co., Ltd.	Deutsche TISCO Investment Advisory Co., Ltd. ^{/1}	HTC Leasing Co., Ltd. ^{/2}	
48.	Mr. Pongnarintr Archamongkol	FH	-	-	-	-	-	-	-	-	-	-	-
49.	Ms. Arayapha Panichprecha	FH	-	-	-	-	-	-	-	-	-	-	-

Remark :

Type of Director

ID	=	Independent Director
NED	=	Non-executive Director
ED	=	Executive Director
D	=	Director

Director Position

C	=	Chairperson
VC	=	Vice Chairman
A	=	Advisor to TISCO's Board of Directors
CEBD	=	Chairperson of the Executive Board
EBD	=	Executive Board
CAC	=	Chairperson of the Audit Committee
AC	=	Audit Committee
CNCC	=	Chairperson of the Nomination and Compensation Committee
NCC	=	Nomination and Compensation Committee
CCGC	=	Chairperson of the Corporate Governance Committee
CGC	=	Corporate Governance Committee
CS	=	Corporate Secretary

Management Position

GCE	=	Group Chief Executive
COO	=	Chief Operating Officer
SEVP	=	Senior Executive Vice President
FEVP	=	First Executive Vice President
EVP	=	Executive Vice President
AEVP	=	Assistant Executive Vice President
CEO	=	Chief Executive Officer
PRES	=	President
H	=	Head
DH	=	Division Head
FH	=	Function Head
-	=	None

Attachment 3 Details of Head of Internal Audit and Head of Compliance as of January 1, 2018

Name / Position	Age (years)	Education / Director's Training Course Program	Total Shareholding ¹ (shares / percentage)	Family Relationship with other Management	Work Experience within 5 years		
					Period	Position	Company / Organization (Type of Business)
1. Mr. Pairat Srivilairit Corporate Secretary Head of Governance Office	53	Master of Business Administration Thammasat University Bachelor of Engineering Chulalongkorn University Certified Internal Auditor (CIA) Certificate in Control Self-Assessment (CCSA) Certified Financial Service Auditor (CFSA) The Institute of Internal Auditors (IIA), USA Certified Fraud Examiner (CFE) Association of Certified Fraud Examiners (ACFE), USA - Advances for Corporate Secretaries - Corporate Governance for Capital Market Intermediaries (CGI15/2016) - Company Secretary Program - Company Reporting Program - Board Reporting Program - Effective Minutes Taking - Audit Committee Program - Monitoring the Internal Audit Function - Monitoring Fraud Risk Management Thai Institute of Directors - GRI Certified Training on G4 reporting Guidelines, Thaipat Institute - Anti-Corruption Strategic Management for Senior Executives Office of the National Anti-Corruption Commission	Common - Preferred -	-	Feb2017-Present	<i>TISCO Group</i> Executive Vice President - Governance Office	TISCO Financial Group Public Company Limited (Holding Company) TISCO Insurance Solution Company Limited (Leasing) TISCO Information Technology Company Limited (Information Technology) Hi-Way Company Limited (Hire Purchase) The Comptroller General's Department The Comptroller General's Department Bangkok Metropolitan Administration
					Sep2013-Present	Corporate Secretary	
					2013-2016	Head of Governance Office	
					2013-2013	Head of Operational Risk Management	
					2004-2013	Head of Internal Audit	
					Sep2013-Present	Director	
					Sep2013-Present	Director	
					Sep2013-Present	Director	
					2011-Present	Member of Internal Audit Quality Assurance Committee	
					2010-Present	Member of Internal Audit Development Committee	
2010-Present	Member of Risk Management Committee						
2. Ms. Dulyarat Taveebhol Head of Corporate Compliance	60	Bachelor of Accountancy (Accounting) Thammasat University - Corporate Governance for Capital Market Intermediaries (CGI15/2016) Thai Institute of Directors	Common - Preferred -	-	Jul2013-Present	<i>TISCO Group</i> Head of Corporate Compliance	TISCO Financial Group Public Company Limited (Holding Company) Deutsche TISCO Investment Advisory Company (Investment Advisory) TISCO Securities Company Limited (Securities) TISCO Asset Management Company Limited (Asset Management)
					2010-Jun2013	Assistant Head of Corporate Office	
					Sep2013-Present	Director	
					2009-Present	Director and Member of the Audit Committee	
					2009-Present	Director and Member of the Audit Committee	
						<i>Others</i> -	
3. Ms. Jiraporn Sawsukpaiboon Head of Internal Audit	48	Master of Business Administration Thammasat University Bachelor of Science (Accounting) Kasetsart University - Certified Internal Auditor (CIA) The Institute of Internal Auditors (IIA), USA - Certified Information System Auditor (CISA), ISACA, USA - Company Secretary Program - Board Reporting Program - Effective Minutes Taking (EMT) - Anti-Corruption: The Practical Guide Thai Institute of Directors	Common 16,544 (0.00) Preferred -	-	Feb2013-Present	<i>TISCO Group</i> Head of Internal Audit	TISCO Financial Group Public Company Limited (Holding Company)
						<i>Others</i> -	

Remark: ¹Including spouse and minor children

Details on Asset Valuation

-None-

Report of the Executive Board

Appointed by the Board of Directors on April 21, 2017, the Executive Board of TISCO Financial Group Public Company Limited comprises four executive directors as follows.

1.	Ms. Oranuch Apisaksirikul	Chairperson
2.	Mr. Chi-Hao Sun (Howard Sun)	Member
3.	Mr. Takashi Kurome	Member
4.	Mr. Suthas Ruangmanamongkol	Member

In 2017, the Executive Board convened twelve meetings with full attendances on various matters in accordance with the duties and responsibilities mandated by the Charter of the Executive Board. All meeting results were reported to the Board of Directors for acknowledgement, which in summary include:

1. Determined and proposed TISCO Group business strategy to the Board of Directors for approval,
2. Reviewed and proposed TISCO Group business plan and budget to the Board of Directors for approval,
3. Monitored Group business performance including key performance indicators and financial budgets,
4. Instituted, reviewed, and approved TISCO Group's policies on important operational and control areas, and proposed for the Board of Directors' ratification where applicable,
5. Reviewed TISCO Group's risk profiles and the activities of the Risk Management Committee, Credit Committee, and Problem Loan Committee,
6. Approved major credit decisions and revision of credit policies and guidelines,
7. Conducted the assessment of the adequacy of the internal control system and proposed for the Audit Committee's review and to the Board of Directors for approval,
8. Reviewed and approved major business decisions involving high risk, especially the deal of acquiring the retail banking business from Standard Chartered Bank (Thailand) Public Company Limited,
9. Acted on behalf of TISCO Financial Group Public Company Limited as the major shareholder in the appointment of Board of Directors of all subsidiary companies, except TISCO Bank, TISCO Securities and TISCO Asset Management,
10. Nominated top management of all subsidiary companies, except TISCO Bank, TISCO Securities and TISCO Asset Management.
11. Appointed and supervised Risk Management Committee, Credit Committee and Problem Loan Committee,
12. Approved new line of business,
13. Reported annually to the Board of Directors an assessment of the Executive Board's performance relative to the Board-approved Charter,
14. Reviewed the Executive Board Charter and proposed for the Board of Directors' approval,
15. Reported activities of the Executive Board to the Board of Directors for ratification,

The Executive Board performed self-assessment by comparing the Executive Board's activities to the Charter of the Executive Board and leading practices, and opined that the Executive Board has carried out duties and responsibilities adequately and effectively according to the Charter and as delegated by the Board of Directors.

- Oranuch Apisaksirikul -

(Ms. Oranuch Apisaksirikul)

Chairperson of the Executive Board

January 25, 2018

Report of the Audit Committee

Appointed by the Board of Directors on April 21, 2017, the Audit Committee of TISCO Financial Group Public Company Limited (TISCO) comprises the following three independent directors:

1. Assoc. Prof. Dr. Angkarat Priebjrivat Chairperson
2. Ms. Patareeya Benjapholchai Member
3. Prof Dr. Teerana Bhongmakapat Member (During the period from January 1, to April 20, 2017)
4. Mr. Sathit Aungmanee Member (During the period from April 21, to December 31, 2017)

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

The Audit Committee convened 12 meetings in Year 2017 with full attendance. Major activities performed during the year were as follows:

- **Financial Statements:** Reviewed quarterly and annual financial statements on the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before the dissemination. The Audit Committee agreed with the external auditor that the Company's financial statements and the disclosure of relevant information were adequate and fairly presented in accordance with generally accepted accounting principles.
- **Internal Control and Audit:** Reviewed and assessed internal control system and internal audit works and considered all issues raised by the external auditor and Internal Audit department. Assessed the independence of Internal Audit department and approved annual audit plan, strategy, key performance indicators and the Charter of Internal Audit. The Audit Committee opined that the Company's internal control system and internal audit function were adequate and effective.
- **Regulatory Compliance:** Reviewed and assessed annual compliance plan and reports, compliance activities and status of legal cases and litigations. Acknowledged the results of external examinations by the Bank of Thailand and those of other regulators governing TISCO group, and assessed the Company's corrective actions. The Audit Committee opined that the Company properly followed all necessary rules and regulations as imposed by regulatory authorities.
- **External Auditor:** Reviewed and assessed the independence of the external auditor as well as the overall scope and the focus of the annual and interim audit. Selected and nominated the external auditor to the Board of Directors for further recommendation to the shareholders for approval. Considering the independence, professional proficiency, performance, and appropriateness of the audit fee, the Audit Committee proposed the appointment of Ms. Somjai Khunapasut of EY Office Limited as the Auditor of the Company and its subsidiaries for the Year 2017.
- **Transactions with Related Parties and Conflicts of Interests:** Reviewed and assessed related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Audit Committee agreed with the external auditor that the transactions were either conducted in a normal course of business operation or justified for the best interests of the Company. In addition, related disclosures were in compliance with the corporate governance and related party transaction policy.
- **Risk Management:** Reviewed and assessed the management's presentation on the effectiveness of risk management system, capital adequacy, and operational risk management. Acknowledged reports on material operational loss events and assessed the causes of such events and the appropriateness of pre-emptive measures to prevent future recurrences. The Audit Committee was satisfied with the Company's risk management system.
- **Audit Committee Self-Assessment:** Performed self-assessment by comparing the Audit Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The results revealed that the Audit Committee have carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee, relevant laws and regulations, and as delegated by the Board of Directors.

- Angkarat Priebjrivat -

(Assoc. Prof. Dr. Angkarat Priebjrivat)

Chairperson of the Audit Committee

February 9, 2018

Report of the Nomination and Compensation Committee

Appointed by the Board of Directors on April 21, 2017, the Nomination and Compensation Committee of TISCO Financial Group Public Company Limited comprises three non-management directors and is chaired by an independent director as follows.

1. Prof. Dr. Pranee Tinakorn	Chairperson and Independent Director
2. Mr. Hon Kit Shing (Alexander H. Shing)	Member
3. Mr. Sathit Aungmanee	Member and Independent Director

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

In 2017, the Committee convened six meetings with full attendances at three meetings and two-third attendances at three meetings. Major activities performed during the year in accordance with the responsibilities in the Charter, all of which were reported and ratified by the Board of Directors, were as follows:

1. Reviewing the Guidelines for Board Composition and Selection Criteria for TISCO Group in which the qualifications of independent director shall be added to the Guidelines and recommending to the Board of Directors for approval,
2. Reviewing the Board Skill Matrix and the profiles of the candidates for director position.
3. Recommending number of directors and nominating qualified candidates for director position of TISCO and TISCO Bank for the Board of Directors to recommend to the Annual General Meeting of Shareholders for approval,
4. Reviewing the directors' remuneration and ensuring the directors' remuneration to be commensurate with their responsibilities and performance and benchmarking with the industry, and recommending to the Board of Directors to further recommend to the Annual General Meeting of Shareholders for approval,
5. Recommending the appointment of Chairman and Vice Chairman of the Board of Directors and other committees namely Executive Board, Audit Committee, Nomination and Compensation Committee, Corporate Governance Committee including Advisor to the Board of Directors,
6. Recommending the appointment of new directors for TISCO Bank and the amendment to the authorized signatories of TISCO and TISCO Bank to the Board of Directors for approval,
7. Considering and recommending the candidates for IT Advisor to the Board of Directors for consideration and approval,
8. Considering the practice of term limit for independent directors and the Policy on Assessing the Independence of Directors and recommending to the Board of Directors for approval,
9. Adopting the Board Performance Self-Assessment Guidelines and Questionnaires for the Year 2017 which provided the board an opportunity to reflect on how well the board fulfilled its responsibilities and to identify opportunities for continuous improvement that will increase the board's overall performance and enhance the board's relationship with management,
10. Acknowledging and proposing the results of the Board Performance and Independence of Director Assessments to the Board of Directors for ratification and recommending improvements to be implemented to enhance board performance,
11. Considering and agreed with the Business KPI of TISCO Group proposed by Management to be applied for the Group Chief Executive's performance assessment,
12. Evaluating and proposing the results of the Group Chief Executive's performance to the Board of Directors for approval,
13. Approving the Guidelines of the Appointment of Management Committee and the appointment of new members of Management Committee,
14. Approving the promotion and appointment of top management as well as directors of TISCO Asset Management Co., Ltd.,
15. Reviewing the Remuneration Policy for Directors and Management and recommending to the Board of Directors for approval,

16. Approving in principle the Employee Compensation Policy & Guidelines proposed by the Group Chief Executive and recommending to the Board of Directors for approval,
17. Approving the incentive pay, bonus appropriation for the Chairperson of the Executive Board, management, and staff for the Year 2017.
18. Reviewing the Charter and the Annual Plan of the Committee and recommending to the Board of Directors for approval.

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

Pranee Tinakorn

(Prof. Dr. Pranee Tinakorn)

Chairperson of the Nomination and Compensation Committee

February 26, 2018

Report of the Corporate Governance Committee

Appointed by the Board of Directors on April 21, 2017, the Corporate Governance Committee of TISCO Financial Group Public Company Limited comprises three independent and non-executive directors as follows.

- | | | |
|----|------------------------------------|--|
| 1. | Ms. Patareeya Benjapolchai | Chairperson and Independent Director |
| 2. | Ms. Panada Kanokwat | Member and Independent Director |
| 3. | Mr. Sathit Aungmanee | Member and Independent Director
(January 1 to April 20, 2017) |
| 4. | Professor Dr. Teerana Bhongmakapat | Member and Non-executive Director
(April 20 to December 31, 2017) |

The Committee is charged with the responsibility of setting and reviewing policies and guidelines of corporate governance and sustainable development, oversee the practice of the Board, Board Committees, and the Management in compliance with the Corporate Governance Principles and Policies, Code of Conduct, and related laws and regulations, maintain checks and balances between the Board and the Management, protect shareholders' rights and ensure equitable treatment being provided, and develop corporate governance system for the benefits of shareholders and other stakeholders.

In 2017, the Committee convened three meetings with full attendances on matters in accordance with duties and responsibilities in the Charter and as assigned by the Board, which in summary includes:

1. Considered and recommended the adoption of the Corporate Governance Code Year 2017 of the Securities and Exchange Commission and the Banking Industry Code of Conduct of the Thai Bankers' Association and reviewed TISCO Corporate Governance Policy, Information Disclosure Guidelines, and other guidelines to ensure consistency.
2. Considered the results and recommendations on corporate governance and sustainable development assessments of TISCO by the Stock Exchange of Thailand, the Thai Institute of Directors Association, the Thai Investors Association, and the Thai Listed Companies Association, and recommended improvements to the Board,
3. Considered Sustainability Framework, Sustainable Development Policy, and Sustainability Report and provided recommendations to Management,
4. Advised on the Policy on Assessing the Independence of Directors and the revision of the Articles of Association on authorized directors of TISCO Financial Group Plc. and TISCO Bank Plc., and
5. Acknowledged the adoption of the Investment Governance Code by TISCO Asset Management Co., Ltd., the implementation progress of Corporate Governance Policy, and reviewed self-authorized expenses of the Chairperson of Executive Board and the Group Chief Executive,
6. Reviewed the Committee's Charter and annual plan.

The Corporate Governance Committee also performed self-assessment by comparing the Committee's activities to its Charter, and leading practices, and opined that the Committee has carried out duties and responsibilities adequately and effectively according to the Charter and as delegated by the Board of Directors.

Patareeya Benjapolchai

(Ms. Patareeya Benjapolchai)

Chairperson of the Corporate Governance Committee

February 14, 2018

Internal Control System Assessment Questionnaire

TISCO Financial Group Public Company Limited

February 26, 2018

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.

Internal Control Assessment Questionnaire**Background and Objectives**

Proper Internal Control system is vital to listed companies as it shall prevent, manage and mitigate risk and loss that could impact the companies and their stakeholders. Therefore, Board of Directors is accountable to oversee that the company have implemented proper internal control system that is sufficient to govern and direct the company to achieve its missions and goals while complying with laws and regulations. Besides, the internal control system should also prevent the company from fraud and physical damage and ensure correct accounting and financial reporting.

The Securities Exchange Commission (SEC), coordinated with the Price Waterhouse Cooper (Thailand), had developed this Internal Control Assessment Questionnaire as a tool for listed companies for their self-assessment.

The questionnaire adopted the internal control concept of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which was revised on May 2013 and was adjusted to be applicable to Thai listed company. The questionnaire is constructed in 5 key areas including Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring Activities.

Use of Questionnaire

The companies should apply this questionnaire as guidance for internal control assessment at least annually and may reassess in case of unexpected event which may impact its operations significantly. The assessment should be reviewed by the Audit Committee and the Board in order to lead to discussion about proper improvement of internal control system.

The assessment should be based on execution of the control. If the assessment reflects insufficient control in some areas, the company should provide with rationale and improvement method.

Control Environment

1. The organization demonstrates a commitment to integrity and ethical value.

Question	Yes	No
1.1 Board of Directors and senior management articulate and demonstrate the importance of integrity and ethical values across the organization. The various forms and mechanisms may include: 1.1.1 Day-to-day actions and decision making at all levels of the organization that are consistent with the expected standards of conduct. 1.1.2 Interactions with suppliers, customers, and other external parties.	/ /	
1.2 Practice of integrity and ethics is in place which may include: 1.2.1 Appropriate code of conduct for all employees 1.2.2 Prohibition of conflict of interest and corruption 1.2.3 Penalty when employee action deviates from the standard code of conduct 1.2.4 Communicate the standard code of conducts and penalty when its violated to all level of employees and external parties for adherence.	/ / / /	
1.3 A process of ongoing and separate evaluation of Code of Conduct is in place including; 1.3.1 Ongoing and separated evaluation by Internal Audit Unit or Compliance Unit 1.3.2 Employees self-evaluation 1.3.3 Separate evaluation by independent and external experts	/ / /	
1.4 Deviations of the expected standard code of conduct are identified and remedied in a timely and consistent manner. 1.4.1 Having a process to investigate deviations of the expected standard code of conduct. 1.4.2 Having a process to penalize and conduct an appropriate action taken in timely basis. 1.4.3 The corrective action should be taken in consistent and timely basis.	/ / /	

2. The Board of Directors is independent from the management and is accountable for an oversight of the development and performance of internal control.

Question	Yes	No
2.1 The board of directors demonstrate independence from management by their roles and responsibilities. The board must therefore retain objectivity in relation to management.	/	
2.2 The board of directors oversee the business objectives to ensure that they are clearly defined and measurable to be a guidance for management and other employees.	/	
2.3 The board of directors oversee the clear line of roles and responsibilities of the board committees and senior management and compliance with law and regulations. This includes the roles and responsibilities of audit committee, external auditors, internal auditors and the person with responsibility for financial reporting.	/	
2.4 The director is competent and has expertise in business or ability to request for the experts when needed.	/	
2.5 The board of directors consists of sufficient number of independent directors who are knowledgeable and independent.	/	
2.6 The board of directors oversee the development and execution of internal control system including control environment, risk assessment, control activities, information and communication, and monitoring activities.	/	

3. With the board oversight, Management establishes structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Question	Yes	No
3.1 Management establish organization structure which support the organization's goal, which taking into account business, regulation, and effective internal control system e.g. Segregation of duties, the direct reporting line of internal audit to the Audit Committee, clear reporting line etc.	/	
3.2 Senior management define reporting line which considered appropriate accountabilities, responsibilities and communication channel.	/	
3.3 Clear and appropriate authority delegation of authority among the board of directors, senior management, management and staff is in place.	/	

4. The organization demonstrates a commitment to attract, develop, and retain competent individuals.

Question	Yes	No
4.1 Policies and practice to attract, develop, and retain competent individuals is in place and is reviewed regularly.	/	
4.2 The organization has processes of performance evaluation, incentive, reward and penalty. The processes are communicated to all level of management and employees.	/	
4.3 The organization has a procedure to handle insufficiency of competent staff properly.	/	
4.4 The organization has a human resource management process of recruiting, development, mentoring, coaching, retaining for all level of management and employees.	/	
4.5 The organization has the appropriate succession plan.	/	

5. The organization assigns roles and responsibility of internal control in the pursuit of objectives.

Question	Yes	No
5.1 The board of directors and management establish the mechanisms to communicate and enforce accountability for performance of internal control responsibilities across organization and implement corrective action as necessary.	/	
5.2 The board of directors and management establish proper performance evaluation, incentives, and rewarding system taking into account code of conduct, short-term and long-term business objectives.	/	
5.3 The board of directors and management align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives.	/	
5.4 The board of directors and management evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities.	/	

Risk Assessment**6. Organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.**

Question	Yes	No
6.1 The organization complies with the Generally Accepted Accounting Principles (GAAP) that are appropriate for its business and ensures the existence, completeness, rights and obligation, and valuation.	/	
6.2 The organization defines financial materiality by assessing factors such as stakeholders, transaction size, and business trends.	/	
6.3 The organization's financial statements reflect actual operational activities.	/	
6.4 The board of directors or the Risk Management Committee approves and communicates risk management policies to management and employees as part of the organization culture.	/	

7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as basis for determining how the risks should be managed.

Question	Yes	No
7.1 The organization identifies comprehensive risk that may affect the operational activities at corporate level, entity level, unit level, and functional level.	/	
7.2 The organization assess comprehensive risk that may result from internal and external factors, including strategic risk, operational risk, reporting risk, compliance risk, and IT risk.	/	
7.3 Management of all level participates in risk management.	/	
7.4 The organization prioritize risk through frequency and impact assessment.	/	
7.5 The organization has measures and plans to manage risk through risk acceptance, risk reduction, risk avoidance, or risk sharing.	/	

8. The organization considers the potential for fraud in assessment risks to the achievement of objectives.

Question	Yes	No
8.1 The organization assess fraud risk resulting from falsify reporting, financial loss, corruption, management override of internal controls, misrepresentation of material reports, or embezzlement.	/	
8.2 The organization reviews its performance measurements through achievement likelihood assessment and reviews incentive program to ensures that it does not encourage misconduct such as unrealistic target to encourage misrepresentation.	/	
8.3 Audit Committee reviews and inquires management regarding fraud likelihood and fraud preventive and corrective measures.	/	
8.4 The organization communicates to its employees to ensure that they understand and comply with policies and guidelines.	/	

9. The organization identifies and assesses changes that could significantly impact the system of internal control.

Question	Yes	No
9.1 The organization assess external changes that may affect its operation, internal control, and financial reporting; and defines sufficient measures to respond to those changes.	/	
9.2 The organization assess changes in business operation that may affect its operation, internal control, and financial reporting; and defines sufficient measures to respond to those changes.	/	
9.3 The organization assess changes in organization leaders that may affect its operation, internal control, and financial reporting; and defines sufficient measures to respond to those changes.	/	

Control Activities**10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.**

Question	Yes	No
10.1 The organization's control measures are appropriate with its organization specific risks such as environmental, operational complexity, functional, operational boundary, and other specifics.	/	
10.2 The organization has written internal control measures that appropriately covers its activities such as policies and procedures relating to the financial transactions, procurement process and other administrations which includes roles and responsibilities, and clearly indicate level of authority to prevent fraud such as the determination of authority level of the management in each level, capital expenditures approval process, procurement and vendor selection process, transactional recording, approval process, requisition and disbursement process etc. by arranging the processes for the following cases 10.2.1 Collect and regularly update information on major shareholders, Directors, Management, and their related parties to assist in monitoring and reviewing related party transactions or conflict of interest transactions. 10.2.2 In case the organization approves or enters into long-term contract with related party, the organization monitors to ensure compliance throughout the contract duration.	/	
10.3 Control activities include a range and variety of controls and may include a balance of approaches to mitigate risk, considering both manual and automated controls, and preventive and detective controls.	/	
10.4 Management considers control activities at various levels in the entity.	/	
10.5 The organization segregates the following duties: (1) approval (2) data entry (3) custodial	/	

11. The organization selects and develops general control activities over technology to support the achievement of objectives.

Question	Yes	No
11.1 The organization should determines the dependency and linkage between business processes and technology general controls.	/	
11.2 The organization should have a proper control on IT infrastructure.	/	
11.3 The organization should have a proper IT security system.	/	
11.4 The organization should have a proper control on acquisition, development and maintenance of IT system.	/	

12. The organization deploys control activities through policies that establish what is expected and in procedure that put policies into action.

Question	Yes	No
12.1 The organization has a policy that prevents major shareholders, directors, management from trading based on inside information by using approval process guided by regulators.	/	
12.2 The organization has a policy indicated that transaction approval process has to be executed by an independent without conflict of interest.	/	
12.3 The organization has a policy indicated that transaction approval processes are based on arm's length principle.	/	
12.4 The organization has a process to monitor performance and provide directions to its subsidiaries.	/	
12.5 The organization defines roles and responsibilities for its management and employees to carry out policies and processes.	/	

Question	Yes	No
12.6 The policies and processes are implemented within the proper time frame by the competent personnel including the comprehensiveness of the incident management process	/	
12.7 The organization reviews the appropriateness of its policies and processes regularly.	/	

Information & Communication

13. The organization obtains or generates and users relevant, quality information to support the functioning of other components of internal control.

Question	Yes	No
13.1 A process is in place to identify quality and relevance internal and external information required to achieve the objectives.	/	
13.2 Information usage costs and benefits are considered. The consideration should include quantity and correctness of information.	/	
13.3 The board of directors has material information sufficiently to make decision. The information may include detail of the agenda, reason, impact to the organization and optional solution.	/	
13.4 The organization has processes to schedule the board meeting and provide necessary and sufficient supporting information before a specific time as the requirement by laws or regulation.	/	
13.5 The organization should document sufficient information in the board of directors' minutes of meeting to ensure appropriateness of directors duties, for examples, memo probing the question to management, comments and reason of disagreement	/	
13.6 The organization has proper		
13.6.1 Document retention process to ensure completeness and filing of all important document.	/	
13.6.2 Control deficiencies and corrective action report from both external and internal auditors.	/	

14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of other components internal control.

Question	Yes	No
14.1 The organization effectively communicates relevant and timely information regarding internal control and provides appropriate communications channels.	/	
14.2 The organization reports material information to the board of directors consistently. Otherwise, the board of directors is enabled to access necessary information regards of their duties or reviews transaction i.e. the directors allows to request information from assigned a contact person, external auditors, internal auditors and they can request for the board meeting and other meeting between directors and senior managements.	/	
14.3 The organization provides separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication from internal parties.	/	

15. The organization communicates with external parties regarding matters affecting the functioning of other components of internal control.

Question	Yes	No
15.1 The organization effectively communicates relevant and timely information regarding internal control to external parties and provides appropriate communications channels i.e. investor relation and customer complain hotline.	/	
15.2 The organization provides separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication from external parties.	/	

Monitoring Activities

16. The organization selects, develops, and performs ongoing and/ or separate evaluations to ascertain whether the components of internal control are present and functioning.

Question	Yes	No
16.1 The organization develop the code of ethics and establish conflict of interests ongoing evaluation process i.e. employees perform self-evaluation and report to their supervisor and the internal auditors performs auditing and report to audit committee.	/	

Question	Yes	No
16.2 Has internal evaluation this may perform by employees' self-evaluation or using internal audit to conduct separate evaluation.	/	
16.3 Management varies frequency of evaluation depending on changing condition.	/	
16.4 Evaluators who perform ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated.	/	
16.5 Internal audit department has direct reporting line to audit committee.	/	
16.6 The organization supports the internal audit activities to comply with International Standards for the Professional Practice of Internal Auditing, IIA.	/	

17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Question	Yes	No
17.1 The organization evaluates and communicates material internal control deficiencies in a timely manner to those parties responsible for taking corrective action	/	
17.2 The organization develop policies for reporting the control deficiency including: 17.2.1 Management report the facts and circumstances of significant fraudulent act, illegal acts and the other circumstance that impact over reputation and financial reporting to Board of Directors in a timely basis. 17.2.2 Report significant control deficiency and propose its corrective action to the board of directors/ audit committee. 17.2.3 Report status of remediation plan or corrective action to board of directors/ audit committee.	/	

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, 2017.

Pliu Mangkornkanok

(Mr. Pliu Mangkornkanok)

Chairman of the Board

Suthas Ruangmanamongkol

(Mr. Suthas Ruangmanamongkol)

Group Chief Executive

Independent Auditor's Report

To the Shareholders of TISCO Financial Group Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of TISCO Financial Group Public Company Limited for the same period.

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 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Allowance for doubtful accounts for loans to customers

As discussed in Note 1.6.9 and 3.6 to the financial statements, as at 31 December 2017, the Group had loans to customers of Baht 251,384 million (accounting for 83% of total assets) and allowance for doubtful accounts of Baht 11,447 million, which is a material amount. The estimation of allowance for doubtful accounts was made based on the criteria established by the Bank of Thailand and adjusted to incorporate the additional amounts that are expected not to be collectible, which relies on various estimation assumptions. Management is required to exercise considerable judgement in determining the assumptions to be used in estimating the losses expected to be incurred as a result of debtors being unable to repay principal and interest. Therefore, I have focused on examining the adequacy of the allowance for doubtful accounts for the loans to customers.

I have performed audit procedures on the allowance for doubtful accounts by gaining an understanding of the estimation process and the Group's recording of allowance for doubtful accounts, assessing and testing the internal controls relevant to the recording of allowance for doubtful accounts, the collection of debt and the calculation of allowance for doubtful accounts for loans to customers, including the loan classification process and the collateral valuation, by making enquiry of responsible executives and selecting representative samples to test the operation of the designed controls. I checked the accuracy of the data used in the calculation of allowance for doubtful accounts to its source. I performed analytical procedures to compare the assumptions that the Group used to calculate allowance for doubtful accounts with historical data, the regularity in applying the assumptions, and evaluated the methods that the Group elected to use in estimating allowance for doubtful accounts for each type of product. I reviewed the accuracy of loan's information and tested the accuracy of loan classification as at the end of reporting period.

In addition, I assessed the allowance for doubtful accounts calculated by the management by randomly selecting sample of customers to test the correctness of status of the loan, the loan classification and the existence of collateral, testing the calculation of the valuation of collateral and also testing whether the calculation of the allowance for doubtful accounts was in accordance with the Group's guidelines in cases where the Group sets loan loss provisions on a specific basis and by testing the calculation of the probability of default and loss given default as well as the allowance calculation in cases where the Group applies a collective approach to loan loss provisioning.

Interest income recognition

The Group's interest income recognition policy is as discussed in Note 1.6.1 to the financial statements. The Group's major source of revenue is interest income from loans, which amounted to Baht 16,469 million in the year 2017, accounting for 68% of total revenues. I focused my audit on recognition of interest income because there are a large number of customers such as retail loans, corporate loans and commercial lending loans. There are various types of credit, and there are a variety of conditions in the agreements, with the conditions for interest income recognition differing for each type of agreement. In addition, the Group's recognition of interest income is primarily dependent on data processing by IT system. I therefore focused my audit to determine whether the interest income was recognised in the correct amounts.

I performed my audit by gaining an understanding of, assessing and testing at random the design and the operation of both the IT system controls and internal controls related to loan origination, collection, recognition of interest income and the cessation of the recognition of interest income. I also selected samples of loan agreements to evaluate whether lending, cash receipt and income transactions were recorded in accordance with the conditions in the loan agreement and in compliance with the Group's interest income recognition policy. In addition, I performed analytical procedures on interest income data and, on a sampling basis, examined significant adjustments made through journal vouchers.

Business acquisition

As discussed in Note 1.5 to the financial statements, on 1 October 2017 subsidiaries of TISCO Group, namely TISCO Bank Public Company Limited and All-Ways Co., Ltd., acquired retail banking business from a financial institution including mortgage loans, personal loans, business loans, wealth management, retail deposit business and credit card business. As at the date of acquisition, the subsidiaries recognised and measured the assets acquired and liabilities assumed at their fair value by applying the acquisition method. I have focused on this business acquisition since it is material to the financial statements as a whole, and management was required to exercise substantial judgement when appraising the fair value of the assets acquired and liabilities assumed. The values of acquired assets and liabilities were Baht 33,965 million and 15,576 million, respectively, which accounted for 11 percent of total assets and 6 percent of total liabilities in the Company's consolidated financial statements. Therefore, I focused my audit on the assessment of the fair value of the acquired assets and liabilities assumed to ensure that the recognized amount is appropriate.

I reviewed the terms and conditions of the business acquisition agreement and inquired of management as to the nature and objectives of the acquisition in order to evaluate whether the acquisition was in compliance with the Thai Financial Reporting Standard regarding "Business Combinations". In addition, I checked the value of the acquisition against supporting documents. I also assessed the fair value of assets acquired and liabilities assumed specified in the documentation of measurement under the acquisition method as prepared by the subsidiaries by considering the methods and significant assumptions used in calculating the fair value of assets and liabilities, checking significant assumptions against the subsidiaries' historical information and industry information such as interest rate, testing the fair value calculation, and reviewing the disclosures related to the business acquisition in the note to the financial statements.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.



Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 12 February 2018

TISCO Financial Group Public Company Limited and its subsidiaries**Statement of financial position****As at 31 December 2017***(Unit: Thousand Baht)*

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Assets					
Cash		1,324,808	1,149,005	70	70
Interbank and money market items - net	3.2	44,647,149	38,067,417	237,201	533,562
Investments - net	3.4, 3.8	7,547,143	7,188,845	869,582	781,885
Investments in subsidiaries and joint venture - net	3.5	573,925	442,750	20,069,104	19,469,082
Loans to customers and accrued interest receivables	3.6, 3.8				
Loans to customers		271,125,255	245,114,243	3,540,000	1,803,100
Accrued interest receivables		715,653	520,704	-	-
Total loans to customers and accrued interest receivables		271,840,908	245,634,947	3,540,000	1,803,100
Less: Deferred revenue		(19,741,455)	(20,180,240)	-	-
Less: Allowance for doubtful accounts	3.7	(11,447,166)	(7,973,890)	-	-
Less: Allowance for loss on debt restructuring	3.7	(8,948)	(9,748)	-	-
Loans to customers and accrued interest receivables - net		240,643,339	217,471,069	3,540,000	1,803,100
Properties foreclosed - net	3.8, 3.9	5,274	7,366	-	-
Investment properties - net	3.10	32,396	32,157	834,503	778,245
Premises and equipment - net	3.11	2,653,195	2,652,515	864,555	922,233
Intangible assets - net	3.12	537,696	567,053	182,482	196,303
Deferred tax assets	3.30	743,145	513,602	150,550	147,654
Securities and derivatives business receivables - net		2,342,040	1,373,757	-	-
Dividend receivable from subsidiaries		-	-	4,132,342	2,762,188
Other assets	3.13	2,338,299	1,806,862	165,801	141,969
Total assets		303,388,409	271,272,398	31,046,190	27,536,291

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

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of financial position (continued)
As at 31 December 2017

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Liabilities and equity					
Liabilities					
Deposits	3.14	180,803,844	155,067,524	-	-
Interbank and money market items - net	3.15	4,017,507	5,196,603	-	-
Liabilities payable on demand		431,361	180,242	-	-
Derivatives liabilities	3.3	29,815	34,118	-	-
Debts issued and borrowings	3.16	71,078,619	70,328,919	7,440,000	5,930,000
Provision for long-term employee benefits	3.17	734,853	576,114	154,228	124,230
Deferred tax liabilities	3.30	15,633	2,581	-	-
Securities and derivatives business payables - net		2,216,256	1,510,870	-	-
Accrued interest payable		729,377	753,021	34,268	18,574
Income tax payable		849,052	565,781	24,690	37,001
Other liabilities	3.18	7,750,327	5,731,082	1,433,367	1,190,304
Total liabilities		268,656,644	239,946,855	9,086,553	7,300,109

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

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of financial position (continued)
As at 31 December 2017

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Equity				
Share capital	5			
Registered				
33,858 preference shares of Baht 10 each	339	339	339	339
800,669,437 ordinary shares of Baht 10 each	8,006,694	8,006,694	8,006,694	8,006,694
	<u>8,007,033</u>	<u>8,007,033</u>	<u>8,007,033</u>	<u>8,007,033</u>
Issued and paid-up				
9,859 preference shares of Baht 10 each (31 December 2016: 10,758 shares of Baht 10 each)	99	108	99	108
800,645,624 ordinary shares of Baht 10 each (31 December 2016: 800,644,724 shares of Baht 10 each)	8,006,456	8,006,447	8,006,456	8,006,447
	<u>8,006,555</u>	<u>8,006,555</u>	<u>8,006,555</u>	<u>8,006,555</u>
Share premium				
Share premium on preference shares	-	-	87	95
Share premium on ordinary shares	1,018,408	1,018,408	7,031,436	7,031,428
	<u>1,018,408</u>	<u>1,018,408</u>	<u>7,031,523</u>	<u>7,031,523</u>
Other components of equity	1,653,202	1,447,136	241,442	104,978
Retained earnings				
Appropriated-statutory reserve	801,000	801,000	801,000	801,000
Unappropriated	23,125,364	19,951,807	5,879,117	4,292,126
Equity attributable to equity holders of the Company	<u>34,604,529</u>	<u>31,224,906</u>	<u>21,959,637</u>	<u>20,236,182</u>
Non-controlling interest of the subsidiaries	127,236	100,637	-	-
Total equity	<u>34,731,765</u>	<u>31,325,543</u>	<u>21,959,637</u>	<u>20,236,182</u>
Total liabilities and equity	<u>303,388,409</u>	<u>271,272,398</u>	<u>31,046,190</u>	<u>27,536,291</u>
	-	-	-	-

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



Mrs. Oranuch Apisaksirikul
(Chairperson of the Executive Board)



บริษัท ทีเอสซีไฟแนนเชียลกรุป จำกัด (มหาชน)
TISCO Financial Group Public Company Limited



Mr Suthas Ruangmanamongkol
(Group Chief Executive)

TISCO Financial Group Public Company Limited and its subsidiaries**Statement of comprehensive income****For the year ended 31 December 2017**

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

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Interest income	3.22	16,469,499	16,011,544	52,349	49,741
Interest expenses	3.23	(4,814,713)	(5,091,110)	(96,201)	(101,506)
Net interest income		11,654,786	10,920,434	(43,852)	(51,765)
Fee and service income		6,395,607	5,396,850	-	-
Fee and service expenses		(250,021)	(230,082)	(16,983)	(13,477)
Net fee and service income	3.24	6,145,586	5,166,768	(16,983)	(13,477)
Net losses on trading and foreign exchange transactions	3.25	(86,773)	(9,468)	(84,761)	(6,945)
Net gains on investments	3.26	41,968	12,594	-	-
Share of profit from investments accounted for under equity method	3.5.2	130,420	131,212	-	-
Dividend income		138,178	78,973	4,132,342	2,762,188
Penalty fee income from loans		375,524	364,260	-	-
Income from business promotion relating to the business		751,879	273,903	-	-
Intercompany supporting fee income	3.34	-	-	2,117,903	1,781,876
Other operating income	3.28	125,952	121,637	88,995	75,138
Total operating income		19,277,520	17,060,313	6,193,644	4,547,015
Expense from business promotion relating to the business		774,535	302,924	-	-
Total net operating income		18,502,985	16,757,389	6,193,644	4,547,015
Operating expenses					
Employee's expenses		5,081,799	4,298,798	1,153,393	888,837
Directors' remuneration		12,740	12,745	12,740	12,745
Premises and equipment expenses		1,149,814	970,203	431,075	366,543
Taxes and duties		256,526	208,869	2,214	1,762
Other operating expenses	3.29	1,260,224	1,050,415	116,603	81,128
Total operating expenses		7,761,103	6,541,030	1,716,025	1,351,015
Bad debt, doubtful accounts and impairment losses	3.27	3,098,265	3,972,366	-	-
Profit before income tax expenses		7,643,617	6,243,993	4,477,619	3,196,000
Income tax expenses	3.30	1,526,310	1,220,410	60,530	77,070
Profit for the year		6,117,307	5,023,583	4,417,089	3,118,930

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

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of comprehensive income (continued)
For the year ended 31 December 2017

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

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Other comprehensive income	3.31				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period</i>					
Gains on change in value of available-for-sale investments	3.20	270,399	59,888	172,458	15,580
Share of other comprehensive income of joint venture:					
Cash flow hedges of joint venture		755	27,431	-	-
Income tax effects	3.30, 3.32	(55,109)	(11,978)	(34,492)	(3,116)
Other comprehensive income to be reclassified to profit or loss in subsequent period - net of income tax		216,045	75,341	137,966	12,464
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent period</i>					
Actuarial losses		(155,385)	(40,122)	(36,641)	(6,745)
Income tax effects	3.30, 3.32	30,909	7,995	7,328	1,349
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(124,476)	(32,127)	(29,313)	(5,396)
Other comprehensive income for the year		91,569	43,214	108,653	7,068
Total comprehensive income for the year		<u>6,208,876</u>	<u>5,066,797</u>	<u>4,525,742</u>	<u>3,125,998</u>
Profit attributable to					
Equity holders of the Company	3.33	6,090,008	5,005,894	<u>4,417,089</u>	<u>3,118,930</u>
Non-controlling interests of the subsidiaries		27,299	17,689		
		<u>6,117,307</u>	<u>5,023,583</u>		
Total comprehensive income attributable to					
Equity holders of the Company		6,181,910	5,050,062	<u>4,525,742</u>	<u>3,125,998</u>
Non-controlling interests of the subsidiaries		26,966	16,735		
		<u>6,208,876</u>	<u>5,066,797</u>		
Earnings per share of equity holders of the Company					
Basic earnings per share	3.33	<u>7.61</u>	<u>6.25</u>	<u>5.52</u>	<u>3.90</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries**Cash flow statement****For the year ended 31 December 2017**

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before income tax expenses	7,643,617	6,243,993	4,477,619	3,196,000
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities				
Depreciation and amortisation	350,638	252,316	135,767	93,702
Bad debts and doubtful accounts	5,064,167	6,094,764	-	-
Share of profit from investments accounted for under equity method	(130,420)	(131,212)	-	-
Allowance for impairment of investments (reversal)	(3,671)	4,420	-	-
Allowance for impairment of property foreclosed	394	11,128	-	-
Gains on disposal of investments in securities	(38,157)	(17,682)	-	(9,142)
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	83,376	(851)	84,761	6,945
Gains on disposal of equipment	(12,997)	(14,127)	(7,594)	-
Losses on written-off of equipment	3,441	941	-	45
Losses on written-off intangible assets	-	6,218	-	-
Gains on changes in value of investment properties	(239)	-	(15,568)	-
Gains on disposal of properties foreclosed	(81,678)	(73,175)	-	-
Employee benefit expenses	42,708	89,986	7,996	16,643
(Increase) decrease in accrued income	(317,317)	(19,887)	(23,793)	5,455
Increase in accrued expenses	601,873	413,512	215,440	147,420
Net interest income	(11,654,786)	(10,920,434)	43,852	51,765
Dividend income	(138,178)	(78,973)	(4,132,342)	(2,762,188)
Cash received on interest income	16,743,707	16,335,057	52,365	49,707
Cash paid on interest expenses	(3,824,667)	(4,234,443)	(80,507)	(113,216)
Cash received on dividend income	138,178	78,973	2,762,188	1,842,237
Cash paid on income tax expenses	(1,484,013)	(1,173,584)	(102,900)	(87,512)
Profit from operating activities before changes in operating assets and liabilities	12,985,976	12,866,940	3,417,284	2,437,861
Operating assets (increase) decrease				
Interbank and money market items	(6,579,740)	(6,904,757)	296,362	(116,840)
Loans to customers	3,718,910	6,771,626	(1,736,900)	896,100
Securities and derivatives business receivables	(968,284)	(243,566)	-	-
Receivables from clearing house	144,621	103,127	-	-
Properties foreclosed	2,071,939	2,376,862	-	-
Other assets	-883,412	-188,541	-59	4,659

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

TISCO Financial Group Public Company Limited and its subsidiaries**Cash flow statement (continued)****For the year ended 31 December 2017**

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Operating liabilities increase (decrease)				
Deposits	11,114,657	(3,276,666)	-	-
Interbank and money market items	(1,179,096)	(4,833,456)	-	-
Liabilities payable on demand	251,119	(176,093)	-	-
Securities and derivative business payables	705,386	235,841	-	-
Short-term debts issued and borrowings	8,072,700	(20,370,000)	1,510,000	(970,000)
Payable to clearing house	113,385	(96,576)	-	-
Provision for long-term employee benefits	(39,353)	(20,927)	(14,639)	(5,948)
Other liabilities	(395,852)	(1,213,333)	27,623	9,090
Net cash flows from (used in) operating activities	29,132,956	(14,969,519)	3,499,671	2,254,922
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(7,578,768)	(7,759,049)	-	-
Cash received from disposal of investment in securities held for investment	7,447,916	8,968,790	-	-
Cash paid for purchase of equipment	(203,271)	(223,346)	(56,175)	(105,866)
Cash paid for purchase of intangible assets	(116,253)	(242,740)	(48,781)	(138,602)
Cash received from disposal of equipment	13,006	14,168	7,594	9,142
Cash paid for share capital increase of subsidiary	-	-	(600,022)	(99,006)
Cash paid on business acquisition	(18,394,496)	-	-	-
Net cash flows from (used in) investing activities	(18,831,866)	757,823	(697,384)	(334,332)
Cash flows from financing activities				
Cash received from issuance of long-term debentures	19,600,000	16,180,000	-	-
Cash paid for the redemption of long-term debentures	(26,923,000)	-	-	-
Dividend paid	(2,802,287)	(1,920,590)	(2,802,287)	(1,920,590)
Net cash flows from (used in) financing activities	(10,125,287)	14,259,410	(2,802,287)	(1,920,590)
Net increase in cash	175,803	47,714	-	-
Cash at beginning of the year	1,149,005	1,101,291	70	70
Cash at end of the year	1,324,808	1,149,005	70	70
	-	-	-	-

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

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of changes in equity
For the year ended 31 December 2017

(Unit: Thousand Baht)

Consolidated financial statements														
Equity attributable to equity holders of the Company														
Note	Issued and paid-up			Share premium on ordinary shares	Other components of equity					Retained earnings		Total equity attributable to equity holders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total
	Preference shares	Ordinary shares			Surplus (deficit) on changes in value of available-for-sale investments	Surplus on revaluation of assets	Share of other comprehensive income of joint venture	Adjustment from business combination of entities under common control under holding restructuring plan	Total other components of equity	Appropriated	Unappropriated			
Balance as at 1 January 2016	186	-	8,006,369	1,018,408	(166,292)	899,244	(30,443)	679,266	1,381,775	709,500	16,979,196	28,095,434	98,895	28,194,329
Dividend paid	-	-	-	-	-	-	-	-	-	-	(1,920,590)	(1,920,590)	-	(1,920,590)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	-	-	91,500	(91,500)	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	5,005,894	5,005,894	17,689	5,023,583
Other comprehensive income for the year	-	-	-	47,910	-	27,431	-	75,341	-	-	(31,173)	44,168	(954)	43,214
Total comprehensive income for the year	-	-	-	47,910	-	27,431	-	75,341	-	-	4,974,721	5,050,062	16,735	5,066,797
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(9,980)	-	-	(9,980)	-	-	9,980	-	-	-
Preference shares converted to ordinary shares	(78)	78	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(14,993)	(14,993)
Balance as at 31 December 2016	108	8,006,447	1,018,408	(118,382)	889,264	(3,012)	679,266	1,447,136	801,000	19,951,807	31,224,906	100,637	31,325,543	
Balance as at 1 January 2017	108	8,006,447	1,018,408	(118,382)	889,264	(3,012)	679,266	1,447,136	801,000	19,951,807	31,224,906	100,637	31,325,543	
Dividend paid	-	-	-	-	-	-	-	-	-	(2,802,287)	(2,802,287)	-	(2,802,287)	
Profit for the year	-	-	-	-	-	-	-	-	-	6,090,008	6,090,008	27,299	6,117,307	
Other comprehensive income for the year	-	-	-	215,290	-	755	-	216,045	-	(124,143)	91,902	(333)	91,569	
Total comprehensive income for the year	-	-	-	215,290	-	755	-	216,045	-	5,965,865	6,181,910	26,966	6,208,876	
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(9,979)	-	-	(9,979)	-	9,979	-	-	-	
Preference shares converted to ordinary shares	(9)	9	-	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(367)	(367)	
Balance as at 31 December 2017	99	8,006,456	1,018,408	96,908	879,285	(2,257)	679,266	1,653,202	801,000	23,125,364	34,604,529	127,236	34,731,765	

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the year ended 31 December 2017

(Unit: Thousand Baht)

		Separate financial statements											
		Issued and paid-up				Share premium		Other components of equity			Retained earnings		Total
Note		Preference shares	Ordinary shares	Preference shares	Ordinary shares	Surplus (Deficit) on change in value of available-for-sale investmens	Surplus on revaluation of assets	Total other components of equity	Appropriated	Unappropriated			
	Balance as at 1 January 2016	186	8,006,369	163	7,031,360	(133,973)	227,989	94,016	709,500	3,189,180	19,030,774		
	Dividend paid	-	-	-	-	-	-	-	-	(1,920,590)	(1,920,590)		
	Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	91,500	(91,500)	-		
	Profit for the year	-	-	-	-	-	-	-	-	3,118,930	3,118,930		
	Other comprehensive income for the year	-	-	-	-	12,464	-	12,464	-	(5,396)	7,068		
	Total comprehensive income for the year	-	-	-	-	12,464	-	12,464	-	3,113,534	3,125,998		
	Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(1,502)	(1,502)	-	1,502	-		
	Preference shares converted to ordinary shares	(78)	78	(68)	68	-	-	-	-	-	-		
	Balance as at 31 December 2016	<u>108</u>	<u>8,006,447</u>	<u>95</u>	<u>7,031,428</u>	<u>(121,509)</u>	<u>226,487</u>	<u>104,978</u>	<u>801,000</u>	<u>4,292,126</u>	<u>20,236,182</u>		
	Balance as at 1 January 2017	108	8,006,447	95	7,031,428	(121,509)	226,487	104,978	801,000	4,292,126	20,236,182		
	Dividend paid	-	-	-	-	-	-	-	-	(2,802,287)	(2,802,287)		
	Profit for the year	-	-	-	-	-	-	-	-	4,417,089	4,417,089		
	Other comprehensive income for the year	-	-	-	-	137,966	-	137,966	-	(29,313)	108,653		
	Total comprehensive income for the year	-	-	-	-	137,966	-	137,966	-	4,387,776	4,525,742		
	Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(1,502)	(1,502)	-	1,502	-		
	Preference shares converted to ordinary shares	(9)	9	(8)	8	-	-	-	-	-	-		
	Balance as at 31 December 2017	<u>99</u>	<u>8,006,456</u>	<u>87</u>	<u>7,031,436</u>	<u>16,457</u>	<u>224,985</u>	<u>241,442</u>	<u>801,000</u>	<u>5,879,117</u>	<u>21,959,637</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 year ended 31 December 2017

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and the regulation of the Bank of Thailand ("BOT"), and their presentation has been made in compliance with the Bank of Thailand's Notification No. Sor Nor Sor. 21/2558 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 4 December 2015.

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

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

1.2 Basis of consolidation financial statements

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited ("the Company") and its subsidiary companies ("the subsidiaries") as mentioned in Note 3.1 to the financial statements.
- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

1.3 Separate financial statements

The separate financial statements present investments in subsidiaries and joint ventures under the cost method.

1.4 New financial reporting standards

a) Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

b) Financial reporting standards that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believes that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

1.5 Retail banking business acquisition

On 22 December 2016 TISCO Bank Public Company Limited and All-Ways Co., Ltd. (which are subsidiaries of TISCO Group) agreed to purchase retail banking business from Standard Chartered Bank (Thai) Plc. and entered into a business acquisition agreement. The transfer of the retail banking business of Standard Chartered Bank (Thai) Public Company Limited was completed on 1 October 2017, and the Bank's acquisition included the mortgage loan, personal loan, business loan, wealth management and retail deposit businesses as well as 4 new bank branches, while All-Ways Co., Ltd. acquired the credit card business.

On 1 October 2017, the management of TISCO Bank and the subsidiary of TISCO Group preliminarily estimated the fair value of each asset and liability for the purpose of allocating the cost of business combination as follows.

1. TISCO Bank and the subsidiary have assessed the value of the assets and liabilities in the accounts of the acquired retail banking business and noted that the fair value of the net assets at the payment date was Baht 18,389 million, which was Baht 393 million lower than the book value.
2. Intangible assets are defined as assets that will generate future economic benefit. TISCO Bank and the subsidiary have performed assessment and noted no additional intangible assets that would need to be recognised.
3. Identifiable liabilities or contingent liabilities: TISCO Bank and the subsidiary have performed assessment and noted no additional contingent liabilities that would need to be recognised.

Following the business acquisition, the management of TISCO Bank and the subsidiary of TISCO Group estimated the fair value of the assets and liabilities of the retail banking business and the carrying value of each significant account as at the date TISCO Bank and the subsidiary assumed control, as follows:

	(Unit: Million Baht)	
	Book value	Fair value
Loans	34,079*	33,744
Other assets	221	221
Deposits	(14,622)	(14,622)
Reward point liabilities from credit card business	(253)	(311)
Other liabilities	(643)	(643)
Net assets	<u>18,782</u>	18,389
Adjustment		<u>5</u>
Cost of business combination		<u>18,394</u>

* Net of allowance for doubtful accounts for loans

1.6 Significant accounting policies

1.6.1 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, finance lease and loan against auto license income are recognised over the installment period, using the effective interest rate.

The subsidiary recognises interest on credit card receivables relating to overdue credit card installments from the positing date and interest on credit card receivables arising from cash advances from the date of the cash withdrawals. Interest on credit card receivables paid in installments is recognised on an accrual basis.

The subsidiaries have policies for corporate loans on which interest payments have been defaulted for more than one month, it is the policy of its subsidiaries to cease accruing income. For other loan 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 after that interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue for 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 income and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

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

c) Brokerage fees

Brokerage fees on securities and derivatives trading are recognised as income on the transaction dates.

d) Gains (losses) on trading in securities and derivatives

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

e) Fee and service income

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

Fee and service income as card issuer, fees received from users of other banks and other fees are recognised as income on a cash basis.

1.6.2 Expense recognition

a) Interest expenses

Interest expenses are charged to expenses 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 record the initial commissions and direct expenses arising in respect of hire purchase contracts using the effective interest rate method, and deduct them from deferred revenue over the installment period.

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

1.6.3 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 statements of financial position and the securities purchased are used as collateral.

Under securities purchased under resale agreements according to private repurchase transactions, the subsidiary 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 rate method, and are presented as interest income.

1.6.4 Investments

a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.

b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.

c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any). Investment in joint venture is accounted for in the consolidated financial statements using the equity method.
- 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 the period stipulated in the Bank of Thailand's regulations.
- g) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- h) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and other investments are recognised in profit or loss.
- i) The weighted average method is used for computation of the cost of investments.
- j) In the event the Company and its subsidiaries reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.
- k) Purchases and sales of investments are recorded on settlement date.

1.6.5 Investments in receivable purchased or transferred in

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

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

Since 1 January 2013, investments in receivable purchased or transferred in are recorded as loans to customers in statement of financial position at the fair value of consideration given in exchange, plus direct costs. Subsequent to initial recognition, these investments in receivable are valued at balances on the same basis as loans to customers

1.6.6 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 derivatives balance payable to Thailand Clearing House.

1.6.7 Loans to customers

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

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

1.6.8 Securities and derivatives business receivables

Securities and derivatives business receivables comprise the net balance of securities business receivables and derivative business receivables, after deducting allowance for doubtful accounts. Securities business receivables comprise the net receivable balances of cash accounts, securities borrowing and lending receivables, and other receivables such as securities receivables that are subject to legal proceeding, undergoing restructuring or setting in installments.

1.6.9 Allowance for doubtful accounts and loss on debt restructuring

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

For all loans to customers classified as pass and special mention, except for hire purchase receivables and loan against auto license receivables that are classified as pass and special mention, 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 receivables, respectively.

For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, except for non-performing hire purchase receivables and loan against auto license receivables, the subsidiary company records allowance for doubtful accounts at a rate 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 and loan against auto license receivables that are classified as pass, special mention and non-performing loans, the subsidiary company uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables and loan against auto license receivables.

The subsidiary company has already set provision for all loans to customers in accordance with the BOT's Notifications issued on 10 June 2016.

- 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 set aside using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- For the subsidiary company operating credit card business, allowance for doubtful accounts is set aside using a collective approach, based on historical loss and behavioral grading of the credit card receivables.
- d) Subsidiary companies operating other lending business set aside allowance for doubtful accounts for loans to customers classified as pass and special mention at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables, respectively. For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, the subsidiary companies record allowance for doubtful accounts at a rate 100% of the debt balance net of collateral value.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

1.6.10 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 inflows, 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 records differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.6.11 Recognition and derecognition of customer deposits

Cash which customers have placed with a subsidiary company operating securities business in cash accounts for securities trading and derivative trading is recorded as an asset of the subsidiary company for the customers' position for internal control purposes. At the financial statement date, the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.6.12 Borrowing and lending of securities

A subsidiary company operating securities business is engaged in securities borrowing and lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position. At the end of the year, the balances of securities borrowing payables and securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in part of profit or loss in the statement of comprehensive income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

1.6.13 Properties foreclosed

Properties foreclosed represents assets transferred in respect of receivables on which the debtors have defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transfer date, not exceeding the legally claimable amount of outstanding debt) or 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 properties foreclosed in accordance with the notifications of the Bank of Thailand and the management's estimates.

The subsidiary companies will recognise loss on impairment in profit or loss. Gains or losses from disposal of properties foreclosed are recognised upon disposal.

1.6.14 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the net disposal proceed and the carrying amount of the asset is recognised in profit or loss in the year when the asset is derecognised (if any).

1.6.15 Premises and equipment/Depreciation

Land is stated at cost. Office condominiums and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Office condominiums are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Company's and its subsidiaries' assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expenses.
- When an asset's carrying amount is decreased as a result of the revaluation of the Company's and its subsidiaries' assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

The surplus on revaluation of assets is amortised to retained earnings on a straight-line basis over the remaining life of the related assets. The revaluation surplus which is transferred to retained earnings is the difference between the depreciation calculated on book value of the revalued assets and the depreciation calculated on original cost of the assets. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

Depreciation of office condominiums and equipment is calculated by reference to their costs or fair values 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 condominiums	-	20	years
Office improvements	-	5, 20	years
Furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	5, 6	years

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is included in determining income.

No depreciation is provided on land and assets under installation.

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

1.6.16 Intangible assets

The Company and its subsidiaries initially recognise intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Company and its subsidiaries amortise intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The Company and its subsidiaries review the amortisation year and the amortisation method of such intangible assets at least at each financial year end. The amortisation expenses is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Company and its subsidiaries amortised over the following estimated useful lives:

The license agreements with specified number of years of usage	-	according to the year of license agreement by the straight-line basis
The license agreements with no specified number of years of usage	-	5 years by the straight-line basis
No license agreements	-	3 years by the sum-of-the-year-digits method

1.6.17 Income tax

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

Current tax

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

Deferred tax

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

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

The Company and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At the end of each reporting period, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.6.18 Impairment of assets

The Company and its subsidiaries assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss. However in cases where assets was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

1.6.19 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 when the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. If the Company and its subsidiaries neither transfer nor retain substantially all risks and rewards of ownership of such financial assets, and retain control of such financial assets, the Company and its subsidiaries continue to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.6.20 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of each reporting period.

Gains and losses on exchange are included in determining income.

1.6.21 Employee benefits

Short-term employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expenses of the Company and its subsidiaries are annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the Company's share price. The Company and its subsidiaries record this expenses and accrued bonus when employees receive the

right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting period and any increase or decrease in the expenses according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Company and its subsidiaries based on actuarial techniques.

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

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

1.6.22 Deferred revenue from customer loyalty programs

Obligations resulting from the reward points that can be exchanged for products or services in the future are recognised and measured at the fair value of the consideration received or receivable, based on multiplying the total number of points that are expected to be redeemed in the future by the estimated fair value per point, which is determined with reference to the fair value of the rewards to which customers are entitled.

These obligations are recorded as "Deferred revenue from customer loyalty programs" and recognised in the statement of profit or loss as "Fee and service income" when the points are redeemed by customers.

1.6.23 Provisions

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

1.6.24 Derivatives and hedge accounting

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

- a) A subsidiary operating banking business records derivatives held for trading under fair value method. The subsidiary records gains (losses) from changes in fair value of derivatives in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.
- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

1.6.25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities.

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly.

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

1.6.26 Financial instruments

a) Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, securities and derivatives business receivable, receivable from clearing house, loans to customers and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities, debts issued and borrowings, securities and derivative business payables and payable to clearing house. The financial risks associated with these financial instruments and how they are managed is described in Note 3.38 to the financial statements.

b) Fair value of financial instruments

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 of greater than one year, fair value is determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using the rate used for financial instruments with similar features.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivative business payables and payable to clearing house, the carrying amounts in the statement of financial position approximate their fair value.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or comparing with similar companies when no market price is available.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The subsidiary had considered to counterparty credit risk when determining the fair value of derivatives.

1.6.27 Offsetting financial assets and financial liabilities

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

1.6.28 Significant accounting judgements and estimates

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

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

Allowances for loan losses are intended to adjust the value of loans to customers for probable credit losses. The management uses judgement 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 securities

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosers of fair value hierarchy.

Impairment of investments in securities

The Company and its subsidiaries treat available-for-sale securities and general investments as impaired when the management judges that there has been a significant and prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" and "prolonged" requires judgement of the management.

Investment properties

The Company and its subsidiaries present investment properties at the fair value estimated by an independent appraiser, and recognise changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 3.10.

Premises and equipment/Depreciation

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

The Company and its subsidiaries measure office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the income approach. The valuation involves certain assumptions and estimates as described in Note 3.11.

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

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

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

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

Leases

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

Litigation

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

Consolidation and deconsolidation of subsidiaries

In preparation of the consolidated financial statements, the management is required to make judgement whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

2. General information**2.1 The Company's information**

TISCO Financial Group Public Company Limited ("the Company") is a holding company and is the parent company of TISCO Group. Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

2.2 Share capital

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

2.3 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit 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. At present, the statutory reserve has fully been set aside.

2.4 Directors' remuneration

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

2.5 Related party transactions

Related parties comprise individuals or enterprises 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 or enterprises 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.

3. Supplemental information

3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2017 and 2016 is provided below.

Company's name	Nature of Business	Country of incorporation	(Unit: Percent)	
			Percentage of shares held by the Company as at 31 December	
			2017	2016
Subsidiaries directly held by the Company				
TISCO Bank Public Company Limited	Banking	Thailand	99.99	99.99
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co., Ltd.	Asset management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Insurance solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	Insurance Broker	Thailand	99.99	99.99
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	99.99
All-Ways Co., Ltd.	Services	Thailand	99.99	99.99
Subsidiaries indirectly held by the Company				
Deutsche TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	51.00	51.00

3.2 Interbank and money market items - net (assets)

	(Unit: Thousand Baht)					
	Consolidated financial statements as at 31 December					
	2017			2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	1,148,951	800,000	1,948,951	1,442,149	440,000	1,882,149
Commercial banks	500,213	20,172,622	20,672,835	165,083	16,112,929	16,278,012
Specialised Financial Institutions	452	22,010,897	22,011,349	518	19,899,213	19,899,731
Total	1,649,616	42,983,519	44,633,135	1,607,750	36,452,142	38,059,892
Add: Accrued interest	2,832	11,172	14,004	97	7,348	7,445
Total domestic	1,652,448	42,994,691	44,647,139	1,607,847	36,459,490	38,067,337
Foreign						
Hong Kong dollar	10	-	10	80	-	80
Total foreign	10	-	10	80	-	80
Total domestic and foreign	1,652,458	42,994,691	44,647,149	1,607,927	36,459,490	38,067,417

	(Unit: Thousand Baht)					
	Separate financial statements as at 31 December					
	2017			2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	237,142	-	237,142	533,487	-	533,487
Total	237,142	-	237,142	533,487	-	533,487
Add: Accrued interest	59	-	59	75	-	75
Total domestic	237,201	-	237,201	533,562	-	533,562

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2017	2016	
	Cash at banks of local subsidiary	10	

The subsidiary company operating banking business entered into securities purchased under resale agreements according to private repurchase transactions. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Million Baht)

	Securities purchased under resale agreements according to private repurchase transactions as at 31 December	
	2017	2016
	Commercial banks	18,800
Specialised Financial Institutions	21,900	19,750

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral as at 31 December	
	2017	2016
	Commercial banks	18,290
Specialised Financial Institutions	22,008	19,958

3.3 Derivatives

The subsidiary company operating banking business entered into interest rate swap agreements to manage the risk associated with its loans to customers, as follows:

(Unit: Thousand Baht)

Type of risk	Consolidated financial statements as at 31 December					
	2017			2016		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Interest rate	-	29,815	1,200,000	-	34,118	1,200,000
Total	-	29,815	1,200,000	-	34,118	1,200,000

All counterparties of these derivative transactions are financial institutions.

3.4 Investments

3.4.1 Classified by type of investment

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
Available-for-sale investments - fair value		
Government and state enterprise securities	4,642,792	4,253,685
Private sector debt securities	692,187	870,470
Foreign sector debt securities	408,961	414,163
Domestic marketable equity securities	449,179	375,295
Other securities - domestic unit trusts	65,540	58,722
Other securities - foreign unit trusts	869,582	781,885
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	7,126,781	6,752,760
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	13,683	13,559
Less: Allowance for impairment	(13,683)	(13,543)
Total held-to-maturity debt securities	-	16
General investments - cost		
Domestic non-marketable equity securities	456,014	488,479
Less: Allowance for impairment	(35,652)	(52,410)
Total general investments	420,362	436,069
Investments - net	7,547,143	7,188,845

(Unit: Thousand Baht)
Separate financial statements
as at 31 December**Available-for-sale investments - fair value**

Other securities - foreign unit trusts

Investment - net

	2017	2016
Other securities - foreign unit trusts	869,582	781,885
Investment - net	869,582	781,885

3.4.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

Consolidated financial statements as at 31 December

	2017				2016			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	4,641	-	2	4,643	4,252	-	2	4,254
Private sector debt securities	812	289	-	1,101	182	1,102	-	1,284
Total	5,453	289	2	5,744	4,434	1,102	2	5,538
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	5,452	289	2	5,743	4,433	1,102	2	5,537
Held-to-maturity debt securities								
Investment in receivables	14	-	-	14	14	-	-	14
Less: Allowance for impairment	(14)	-	-	(14)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	5,452	289	2	5,743	4,433	1,102	2	5,537

3.4.3 Investments subject to restriction

(Unit: Million Baht)

Consolidated financial statements as at 31 December

Type of investment	2017	2016	Type of restrictions
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	774	-	Pledge for the use of credit balance on clearing position

3.4.4 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December 2017

	Cost	Fair value	Allowance for changes in value
Companies having problems with debt repayment or in default	1,460	-	1,460

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December 2016

	Cost	Fair value	Allowance for changes in value
Companies having problems with debt repayment or in default	7,060	-	7,060

3.4.5 Investments in which a subsidiary company operating banking business holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	Consolidated financial statements as at 31 December					
	2017			2016		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Juki (Thailand) Co., Ltd.	3,240	-	10	331	-	10
PDTL Trading Co., Ltd.	4,275	-	10	4,265	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,659	-	10	3,233	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	18,062	-	10	17,622	-	10

3.5 Investments in subsidiaries and joint venture

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December		Separate financial statements as at 31 December	
	2017	2016	2017	2016
	Investments in subsidiaries	-	-	19,995,859
Investment in joint venture	573,925	442,750	73,245	73,245
	<u>573,925</u>	<u>442,750</u>	<u>20,069,104</u>	<u>19,469,082</u>

3.5.1 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Type of investments as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2017	2016	2017	2016	2017	2016	2017	2016
				(%)	(%)				
Subsidiaries directly held by the Company									
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.99	99.99	17,641	17,641	2,764	2,027
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	200	110
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	798	460
Hi-Way Co., Ltd.	Hire purchase and retail loan	Preference shares	Preference shares	99.99	99.99	3	3	1	1
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	99	99
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	80	25
TISCO Insurance Solution Co., Ltd. (Previously known as "Tisco Leasing Co., Ltd.")	Insurance broker	Ordinary shares	Ordinary shares	99.99	99.99	137	137	165	20
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	5	5	25	20
All-Ways Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	700	100	-	-
						<u>20,105</u>	<u>19,505</u>	<u>4,132</u>	<u>2,762</u>
Less: Allowance for impairment						<u>(109)</u>	<u>(109)</u>		
Investment in subsidiaries - net						<u>19,996</u>	<u>19,396</u>		

3.5.2 Investment in joint venture

a) Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other company. Details of this investment is as follows:

(Unit: Thousand Baht)

Jointly controlled entity	Nature of business	Consolidated financial statements					
		Shareholding percentage as at		Cost as at		Carrying amounts based on equity method as at	
		31 December		31 December		31 December	
		2017	2016	2017	2016	2017	2016
		(%)	(%)				
TISCO Tokyo Leasing Co., Ltd.	Leasing	49.00	49.00	73,245	73,245	573,925	442,750

(Unit: Thousand Baht)

Jointly controlled entity	Nature of business	Separate financial statements							
		Shareholding percentage as at		Cost as at		Allowance for impairment of investment as at		Carrying amounts based on cost method as at	
		31 December		31 December		31 December		31 December	
		2017	2016	2017	2016	2017	2016	2017	2016
		(%)	(%)						
TISCO Tokyo Leasing Co., Ltd.	Leasing	49.00	49.00	73,245	73,245	-	-	73,245	73,245

b) Share of other comprehensive income and dividend received

During the year, the Company recognised its share of other comprehensive income from investment in joint venture in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Jointly controlled entity	Consolidated financial statements				Separate financial statements	
	Share of profit/loss from investment in joint venture for the years ended 31 December		Share of other comprehensive income from investments in joint venture for the years ended 31 December		Dividend received for the years ended 31 December	
	2017	2016	2017	2016	2017	2016
	TISCO Tokyo Leasing Co., Ltd.	130,420	131,212	755	27,431	-

c) Summarised information about financial position about material joint venture

The Company holds a 49% interest in TISCO Tokyo Leasing Co., Ltd, which is a joint venture operating a leasing business, and accounts for this investment in the consolidated financial statements using the equity method. Summary of financial information of the jointly controlled entity is presented as follows:

Summary information about financial position

(Unit: Million Baht)

	As at 31 December	
	2017	2016
Total assets	10,327	10,386
Total liabilities	(8,794)	(9,124)
Non-controlling interests of the subsidiaries	(361)	(358)
Net assets	1,172	904
The Company's proportionate of shareholding	49%	49%
Carrying amounts of joint venture based on equity method	574	443

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	2017	2016
Total revenues	771	802
Total expenses	(511)	(483)
Profit before income tax expenses	260	319
Tax Income (Income tax expenses)	40	11
Non-controlling interest	(34)	(62)
Profit for the year	266	268
Other comprehensive income	2	56
Total comprehensive income	268	324

- d) Commitments and contingent liabilities of joint venture
Avals, guarantees and commitments

	(Unit: Million Baht)	
	As at 31 December	
	2017	2016
Cross currency interest rate swap agreements	1,008	841

3.6 Loans to customers and accrued interest receivables

- 3.6.1 Classified by type of loans to customers

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December	
	2017	2016
Loans to customers		
Overdrafts	551,542	-
Loans	109,917,587	72,305,583
Hire purchase receivables	160,573,930	172,549,566
Finance lease receivables	197,102	472,172
Less: Deferred revenue	(19,741,455)	(20,180,240)
Advances received from finance lease receivables	(114,906)	(213,078)
Total loans to customers	251,383,800	224,934,003
Add: Accrued interest receivables	715,653	520,704
Less: Allowance for doubtful accounts	(11,447,166)	(7,973,890)
Less: Allowance for loss on debt restructuring	(8,948)	(9,748)
Loans to customers and accrued interest receivables - net	240,643,339	217,471,069

	(Unit: Thousand Baht)	
	Separate financial statements as at 31 December	
	2017	2016
Loans to customers		
Loans	3,540,000	1,803,100
Add: Accrued interest receivables	-	-
Loans to customers and accrued interest receivables - net	3,540,000	1,803,100

3.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

		Consolidated financial statements as at 31 December					
		2017			2016		
		Domestic	Foreign	Total	Domestic	Foreign	Total
Baht		245,051,902	6,331,898	251,383,800	218,744,111	6,189,892	224,934,003
Total loans to customers net of deferred revenue		245,051,902	6,331,898	251,383,800	218,744,111	6,189,892	224,934,003

(Unit: Thousand Baht)

		Separate financial statements as at 31 December					
		2017			2016		
		Domestic	Foreign	Total	Domestic	Foreign	Total
Baht		3,540,000	-	3,540,000	1,803,100	-	1,803,100
Total loans to customers net of deferred revenue		3,540,000	-	3,540,000	1,803,100	-	1,803,100

3.6.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

		Consolidated financial statements as at 31 December 2017							
		Subsidiary company operating banking business					Other subsidiaries	Total	
		Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining		1,859,787	42,769	14,857	7,275	1,495	1,926,183	-	1,926,183
Manufacturing and commerce		20,920,245	1,173,805	133,149	66,408	107,190	22,400,797	-	22,400,797
Real estate and construction		15,178,993	167,588	50,014	18,649	17,639	15,432,883	-	15,432,883
Public utilities and services		24,636,419	967,676	118,683	62,829	65,073	25,850,680	-	25,850,680
Personal consumption									
Hire purchase		109,400,504	11,560,962	1,419,507	791,511	560,880	123,733,364	3,433,890	127,167,254
Loan against auto license		18,386,159	1,616,539	263,194	131,052	30,203	20,427,147	60,671	20,487,818
Housing loans		19,278,784	631,250	246,650	195,621	405,025	20,757,330	-	20,757,330
Credit card		-	-	-	-	-	-	2,952,195	2,952,195
Others		12,817,635	997,250	189,195	126,847	277,733	14,408,660	-	14,408,660
Total loans to customers		222,478,526	17,157,839	2,435,249	1,400,192	1,465,238	244,937,044	6,446,756	251,383,800
Add: Accrued interest receivables		474,676	192,766	1,883	133	3	669,461	46,192	715,653
Total loans to customers and accrued interest receivables		222,953,202	17,350,605	2,437,132	1,400,325	1,465,241	245,606,505	6,492,948	252,099,453

(Unit: Thousand Baht)

		Consolidated financial statements as at 31 December 2016							
		Subsidiary company operating banking business					Other subsidiaries	Total	
		Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining		426,150	30,352	11,918	7,155	759	476,334	-	476,334
Manufacturing and commerce		18,399,474	1,122,935	154,503	65,785	117,472	19,860,169	-	19,860,169
Real estate and construction		13,414,247	121,882	37,978	23,427	22,444	13,619,978	-	13,619,978
Public utilities and services		27,872,035	348,251	320,057	85,993	145,705	28,772,041	-	28,772,041
Personal consumption									
Hire purchase		118,084,143	12,741,097	1,671,048	1,030,141	792,296	134,318,725	3,122,108	137,440,833
Loan against auto license		15,787,723	1,452,248	253,085	114,016	8,615	17,615,687	317,698	17,933,385
Housing loans		837,582	49,987	26,118	15,851	49,270	978,808	-	978,808
Others		5,275,181	409,920	94,495	54,600	18,259	5,852,455	-	5,852,455
Total loans to customers		200,096,535	16,276,672	2,569,202	1,396,968	1,154,820	221,494,197	3,439,806	224,934,003
Add: Accrued interest receivables		302,295	181,729	-	-	-	484,024	36,680	520,704
Total loans to customers and accrued interest receivables		200,398,830	16,458,401	2,569,202	1,396,968	1,154,820	221,978,221	3,476,486	225,454,707

3.6.4 Classified by loan classification of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December					
	2017			2016		
	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	222,953	185,825	3,320	200,399	177,089	2,658
- Special mention	17,351	15,503	3,591	16,458	15,567	2,041
- Sub-standard	2,437	2,214	889	2,569	2,534	827
- Doubtful	1,400	1,170	423	1,397	1,384	416
- Doubtful of loss	1,465	852	389	1,155	1,062	273
Allowance established in excess	-	-	2,088	-	-	1,276
Total	245,606	205,564	10,700	221,978	197,636	7,491

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

⁽²⁾ As at 31 December 2017, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor. 5/2559 minimum requirement by a total of Baht 6,140 million (As at 31 December 2016: total of Baht 3,158 million). TISCO Bank allocated Baht 4,051 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2016: total of Baht 1,882 million) and so combined with the minimum provision requirement of Baht 4,561 million (As at 31 December 2016: total of Baht 4,333 million), the total provision set aside in accordance with BOT requirements is Baht 8,612 million (As at 31 December 2016: total of Baht 6,215 million).

Percentage of allowance for doubtful accounts set up (%)

	Hire purchase receivables ⁽¹⁾		Loan against auto license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December		As at 31 December	
	2017	2016	2017	2016	2017	2016
Pass	0.94	0.80	1.63	1.57	1	1
Special mention	10.44	5.92	16.80	16.80	2	2
Sub-standard	30.33	28.21	35.75	34.57	100	100
Doubtful	26.43	24.19	35.75	34.57	100	100
Doubtful of loss	25.32	22.75	35.75	34.57	100	100

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

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

3.6.5 Hire purchase and finance lease receivables

As at 31 December 2017, net receivables of the subsidiaries under hire purchase and finance lease agreements amount to Baht 141,107 million (31 December 2016: 152,906 million) and mostly comprise hire purchase agreements for cars, and finance lease agreements for machines 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 2017				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	53,110	94,869	5,533	7,259	160,771
Less: Deferred revenue ⁽¹⁾	(7,082)	(8,677)	(212)	(3,578)	(19,549)
Advances received from finance lease receivables	(80)	(34)	-	(1)	(115)
Present value of minimum lease pay from agreements	45,948	86,158	5,321	3,680	141,107
Allowance for doubtful accounts ⁽²⁾					(3,869)
Net hire purchase and finance lease receivables					137,238

⁽¹⁾ Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.

⁽²⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provisions in excess of BOT's minimum requirement to specific provisions for an individual debtor.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016					
Amounts of installments due under the long-term lease agreements					
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	58,191	101,931	4,783	8,117	173,022
Less: Deferred revenue ⁽¹⁾	(7,534)	(8,981)	(163)	(3,225)	(19,903)
Advances received from finance lease receivables	(89)	(121)	-	(3)	(213)
Present value of minimum lease pay from agreements	50,568	92,829	4,620	4,889	152,906
Allowance for doubtful accounts ⁽²⁾					(3,427)
Net hire purchase and finance lease receivables					149,479

⁽¹⁾ Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.⁽²⁾ These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provisions in excess of BOT's minimum requirement to specific provisions for an individual debtor.

3.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has ceased

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under TISCO Bank's policy as at 31 December	
	2017	2016	2017	2016
	Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	6,122	6,573	6,860

⁽¹⁾ These amounts are calculated on an account by account basis.⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2017	2016
Hire purchase receivables, financial lease receivables and other loans receivables for which the recognition of interest income has been ceased	559	650

3.6.7 Deferred revenue which is presented as a deduction against loans to customers of subsidiary companies

(Unit: Million Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
	Deferred revenue ⁽¹⁾	19,741

⁽¹⁾ These amounts included deferred revenue of hire purchase and finance lease contracts which are stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.6.8 Troubled debt restructuring of a subsidiary company operating banking business

	For the years ended 31 December	
	2017	2016
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	3,648	6,421
Loan balances before restructuring (Million Baht)	1,152	2,805
Loan balances after restructuring (Million Baht)	1,136	2,820
Loss on troubled debt restructuring (Million Baht)	-	9
Average contract year of debt restructuring (years)		
Hire purchase receivables	4	5
Mortgage loan receivables	4	2
Loan against auto license receivables	4	4
Commercial lending receivables	-	1

Supplemental information for the years ended 31 December 2017 and 2016 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2017	2016
Interest income on restructured receivables	365	343
Receipt of principal and interest	1,478	1,155

As at 31 December 2017 and 2016, a subsidiary company operating banking business has the outstanding balance with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at 31 December			
	2017		2016	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	17,265	4,646	16,638	5,286

3.7 Allowance for doubtful accounts and loss on debt restructuring

3.7.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2017							
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	2,775,661	2,123,183	935,111	494,702	369,707	1,275,526	7,973,890
Increase in allowance for doubtful accounts during the year	835,353	1,578,102	276,639	1,327,506	2,012,151	926,435	6,956,186
Bad debt written-off	(2,241)	(23,299)	(215,110)	(1,333,575)	(1,908,685)	-	(3,482,910)
Balance - end of year	3,608,773	3,677,986	996,640	488,633	473,173	2,201,961	11,447,166

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2016							
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,986,095	1,269,078	1,073,807	712,133	815,222	311,935	6,168,270
Increase in allowance for doubtful accounts during the year	790,553	871,395	18,330	1,830,336	1,616,790	963,591	6,090,995
Bad debt written-off	(987)	(17,290)	(157,026)	(2,047,767)	(2,062,305)	-	(4,285,375)
Balance - end of year	2,775,661	2,123,183	935,111	494,702	369,707	1,275,526	7,973,890

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

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2017				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,630,677	4,067,687	1,275,526	7,973,890
Increase in allowance for doubtful accounts during the year	2,553,187	3,476,564	926,435	6,956,186
Bad debt written-off	(655,328)	(2,827,582)	-	(3,482,910)
Balance - end of year	4,528,536	4,716,669	2,201,961	11,447,166

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2016				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,300,466	3,555,869	311,935	6,168,270
Increase in allowance for doubtful accounts during the year	601,511	4,525,893	963,591	6,090,995
Bad debt written-off	(271,300)	(4,014,075)	-	(4,285,375)
Balance - end of year	2,630,677	4,067,687	1,275,526	7,973,890

3.7.3 Allowance for loss on debt restructuring of a subsidiary company operating banking business

(Unit: Thousand Baht)

	As at 31 December	
	2017	2016
Balance - beginning of year	9,748	-
Increase during the year	-	9,748
Bad debt written-off	(800)	-
Balance - end of year	8,948	9,748

3.7.4 Non-performing loans to customers of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December	
	2017	2016
Non-performing loans to customers	5,300	5,121
Allowance for doubtful accounts ⁽¹⁾	1,701	1,516

⁽¹⁾ These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8 Classification of assets

3.8.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts	
	as at 31 December		as at 31 December		as at 31 December	
	2017	2016	2017	2016	2017	2016
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽²⁾	-	6	-	-	-	6

⁽¹⁾ Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

⁽²⁾ Investments in securities of companies which are vulnerable to delisting, of companies whose auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

3.8.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business.

As at 31 December 2017 and 2016, the quality of assets of a subsidiary company operating banking business classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customers ⁽¹⁾		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Pass	263,479	235,147	-	-	-	-	-	-	263,479	235,147
Special mention	17,158	16,277	-	-	-	-	-	-	17,158	16,277
Sub-standard	2,435	2,569	-	-	-	-	-	-	2,435	2,569
Doubtful	1,400	1,397	-	-	-	-	-	-	1,400	1,397
Doubtful of loss	1,465	1,155	37	54	14	14	12	12	1,528	1,235
Total	285,937	256,545	37	54	14	14	12	12	286,000	256,625

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

3.8.3 Classification of assets under the Bank of Thailand's guidelines which a subsidiary company operating banking business sets aside provision using a collective approach

3.8.3.1 Hire purchase receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
					(%)	(%)		
Pass	122,116	131,798	122,116	131,798	0.94	0.80	1,142	1,052
Special mention	12,298	13,434	12,298	13,434	10.44	5.92	1,284	795
Sub-standard	1,638	2,134	1,638	2,134	30.33	28.21	497	602
Doubtful	891	1,168	891	1,168	26.43	24.19	236	283
Doubtful of loss	660	1,017	660	1,017	25.32	22.75	167	231
Total	137,603	149,551	137,603	149,551			3,326	2,963

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

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

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

3.8.3.2 Loan against auto license receivables

(Unit: Million Baht)

	Debt balance as at 31 December		Net amount used for setting up allowance for doubtful accounts as at 31 December		Percentage of allowance for doubtful account set up ⁽¹⁾ as at 31 December		Allowance for doubtful accounts ⁽²⁾ as at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
					(%)	(%)		
Pass	20,027	16,665	20,027	16,665	1.63	1.57	327	261
Special mention	1,731	1,527	1,731	1,527	16.80	16.80	291	257
Sub-standard	288	269	288	269	35.75	34.57	103	93
Doubtful	143	125	143	125	35.75	34.57	51	43
Doubtful of loss	33	9	33	9	35.75	34.57	12	3
Total	22,222	18,595	22,222	18,595			784	657

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

⁽²⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8.4 Hire purchase receivables/financial lease receivables and other loan receivables of the other subsidiaries classified in accordance with the Bank of Thailand's guidelines are as follows:

(Unit: Million Baht)

	Debt balance as at 31 December		Allowance for doubtful accounts as at 31 December		Debt balance - net as at 31 December	
	2017	2016	2017	2016	2017	2016
Pass	5,407	2,365	338	117	5,069	2,248
Special mention	512	486	127	82	385	404
Sub-standard	195	206	108	109	87	97
Doubtful	124	149	66	78	58	71
Doubtful of loss	209	234	108	97	101	137
Total	6,447	3,440	747	483	5,700	2,957

3.8.5 Loans to customers includes debts due from companies with weak financial position and operating results of a subsidiary company operating banking business

	Number of debtors as at 31 December		Debt balance as at 31 December		Collateral value as at 31 December		Allowance for doubtful accounts provided in the accounts ⁽²⁾ as at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET ⁽¹⁾	1	1	737	821	635	656	737 ⁽³⁾	821 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	4	662	577	255	249	8	7
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	5	5	1,399	1,398	890	905	745	828

⁽¹⁾ The company is currently under rehabilitation.

⁽²⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

⁽³⁾ The amount already includes allowance for loss on debt restructuring.

3.9 Properties foreclosed

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2017	2016
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	11,713	16,397
Disposals	-	(4,684)
Balance - end of year	11,713	11,713
(Unit: Thousand Baht)		
Consolidated financial statements		
as at 31 December		
	2017	2016
Movable assets		
Balance - beginning of year	7,398	31,610
Additions	3,284,008	4,024,148
Disposals	(3,285,706)	(4,048,360)
Balance - end of year	5,700	7,398
Total properties foreclosed	17,413	19,111
Less: Allowance for impairment		
Balance - beginning of year	11,745	617
Increase	923	11,632
Decrease	(529)	(504)
Balance - end of year	12,139	11,745
Total properties foreclosed - net	5,274	7,366

3.10 Investment properties

The book value of investment properties as at 31 December 2017 and 2016 is as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
Book value - beginning of year	32,157	32,157	778,245	778,245
Transfer type of asset	-	-	40,690	-
Gain from fair value adjustment	239	-	15,568	-
Book value - end of year	32,396	32,157	834,503	778,245

The investment property is an office condominium for rent and stated at fair value at the end of 2017. The fair value of investment properties was calculated by the asset appraisal method based on the market and income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalisation rate, discount rate and other relevant factors. These asset appraisal approach also made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of TISCO Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at 31 December 2017	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	11.7	Decrease in fair value

3.11 Premises and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Revaluation basis	Cost basis				Total
	Building, office condominium and building improvements	Land	Building and improvements	Furniture, fixtures, computer and equipment	Motor vehicles	
Cost:						
As at 1 January 2016	2,103,897	17,509	1,030,175	1,075,105	169,507	4,396,193
Additions/transfers in	-	-	68,761	96,721	57,864	223,346
Disposals/written-off/transfers out	-	-	(5,341)	(100,180)	(41,190)	(146,711)
As at 31 December 2016	2,103,897	17,509	1,093,595	1,071,646	186,181	4,472,828
Additions/transfers in	-	-	111,346	89,494	8,319	209,159
Disposals/written-off/transfers out	-	-	(25,248)	(7,379)	(37,700)	(70,327)
As at 31 December 2017	2,103,897	17,509	1,179,693	1,153,761	156,800	4,611,660
Accumulated depreciation:						
As at 1 January 2016	72,346	-	724,730	853,258	112,520	1,762,854
Depreciation for the year	39,445	-	55,938	63,273	19,391	178,047
Depreciation on disposals/written-off/transfers out	-	-	(4,365)	(75,041)	(41,182)	(120,588)
As at 31 December 2016	111,791	-	776,303	841,490	90,729	1,820,313
Depreciation for the year	39,902	-	66,774	71,803	24,284	202,763
Depreciation on disposals/written-off/transfers out	-	-	(20,007)	(6,913)	(37,691)	(64,611)
As at 31 December 2017	151,693	-	823,070	906,380	77,322	1,958,465
Net book value:						
As at 31 December 2016	1,992,106	17,509	317,292	230,156	95,452	2,652,515
As at 31 December 2017	1,952,204	17,509	356,623	247,381	79,478	2,653,195
Depreciation for the years ended 31 December:						
2016						178,047
2017						202,763

(Unit: Thousand Baht)

	Separate financial statements				
	Revaluation basis	Cost basis			
	Office condominium and building improvements	Office condominium improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
As at 1 January 2016	576,621	189,065	314,680	63,572	1,143,938
Additions/transfers in	-	16,919	35,969	52,979	105,867
Disposals/written-off/transfers out	-	-	(2,959)	(26,028)	(28,987)
As at 31 December 2016	576,621	205,984	347,690	90,523	1,220,818
Additions/transfers in	-	6,747	49,428	-	56,175
Disposals/written-off/transfers out	-	(43,935)	(132)	(23,830)	(67,897)
As at 31 December 2017	576,621	168,796	396,986	66,693	1,209,096
Accumulated depreciation:					
As at 1 January 2016	21,428	12,913	176,811	55,533	266,685
Depreciation for the year	10,714	7,814	35,836	6,477	60,841
Depreciation on disposals/transfer out	-	-	(2,913)	(26,028)	(28,941)
As at 31 December 2016	32,142	20,727	209,734	35,982	298,585
Depreciation for the year	10,714	10,748	41,367	10,335	73,164
Depreciation on disposals/transfer out	-	(3,246)	(132)	(23,830)	(27,208)
As at 31 December 2017	42,856	28,229	250,969	22,487	344,541
Net book value:					
As at 31 December 2016	544,479	185,257	137,956	54,541	922,233
As at 31 December 2017	533,765	140,567	146,017	44,206	864,555
Depreciation for the years ended 31 December:					
2016					60,841
2017					73,164

The Company and its subsidiaries arranged for an independent professional appraiser to appraise the value of the office condominium in 2013, using the income approach.

Had the office condominiums been carried in the financial statements based on the cost model, their net book value as at 31 December 2017 and 2016 would have been as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements as at 31 December		Separate financial statements as at 31 December	
	2017	2016	2017	2016
Office condominiums - net of accumulated depreciation	838,065	871,342	247,605	256,441

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at December 2017	31	Result to fair value where an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300		Increase in fair value
Estimated occupancy rate (%)	100		Increase in fair value
Estimated discount rate (%)	11.7		Decrease in fair value

3.12 Intangible assets

The book value of intangible assets as at 31 December 2017 and 2016 is presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	Computer software	Computer software
As at 31 December 2017:		
Cost	1,477,211	497,298
Less: Accumulated amortisation	(939,515)	(314,816)
Net book value	<u>537,696</u>	<u>182,482</u>
As at 31 December 2016:		
Cost	1,358,693	448,516
Less: Accumulated amortisation	(791,640)	(252,213)
Net book value	<u>567,053</u>	<u>196,303</u>

A reconciliation of the net book value of intangible assets for the years ended 31 December 2017 and 2016 is presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Net book value at beginning of year	567,053	379,659	196,303	90,562
Acquisitions of/transfers in computer software	135,661	267,880	48,782	144,820
Disposals of computer software	(17,143)	(5,963)	-	(5,963)
Amortisation	(147,875)	(74,523)	(62,603)	(33,116)
Net book value at end of year	<u>537,696</u>	<u>567,053</u>	<u>182,482</u>	<u>196,303</u>

3.13 Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
Receivables from clearing house	387	145,009	-	-
Value added tax - net	478,262	378,538	3,810	4,335
Accrued interest receivables	27,468	14,474	-	-
Fee and service receivables	585,431	268,114	130,240	106,448
Refundable income tax and prepaid income tax	29,122	33,050	-	-
Deposits	74,638	58,350	2,118	2,119
Other receivables	732,083	552,740	3	-
Other assets	410,908	356,587	29,630	29,067
Total other assets	<u>2,338,299</u>	<u>1,806,862</u>	<u>165,801</u>	<u>141,969</u>

3.14 Deposits

3.14.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
Deposits		
Current accounts	3,785,003	3,690,699
Savings accounts	64,544,344	51,928,032
Fixed accounts		
- not over 6 months	8,978,148	7,606,080
- over 6 months but not over 1 year	10,389,836	6,994,920
- over 1 year	492,353	238,889
Certificates of deposit/negotiable certificates of deposit	92,614,160	84,608,904
Total	180,803,844	155,067,524

3.14.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
Not over 1 year ⁽¹⁾	180,398,973	154,747,368
Over 1 year	404,871	320,156
Total deposits	180,803,844	155,067,524

⁽¹⁾ Including fully-mature deposit contracts

3.14.3 As at 31 December 2017 and 2016, all outstanding deposits are deposits from domestic depositors and in Baht.

3.15 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2017			2016		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions Development Fund	-	-	-	-	15,007	15,007
Commercial banks	133,861	800,000	933,861	505,404	250,000	755,404
Specialised Financial Institutions	-	2,269,000	2,269,000	-	2,444,000	2,444,000
Other financial institutions	406,107	408,539	814,646	330,992	1,651,200	1,982,192
Total	539,968	3,477,539	4,017,507	836,396	4,360,207	5,196,603

3.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
<u>Domestic borrowings</u>				
Subordinated unsecured debentures	6,680,000	7,323,000	-	-
Unsubordinated unsecured debentures	56,921,700	57,039,000	-	-
Bills of exchange	7,476,122	5,966,122	7,440,000	5,930,000
Promissory notes	797	797	-	-
Total	71,078,619	70,328,919	7,440,000	5,930,000

3.16.1 Subordinated unsecured debentures

As at 31 December 2017 and 2016, a subsidiary company operating banking business has long-term subordinated unsecured debentures as follows:

Issued year	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
	2017	2016		2017	2016		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2012	-	1.00	1,000	-	1,000	2022	4.85 percent per annum
2012	-	1.24	1,000	-	1,243	2022	4.60 percent per annum
2014	1.60	1.60	1,000	1,600	1,600	2024	6.00 percent per annum
2014	0.80	0.80	1,000	800	800	2024	6.00 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	0.68	1,000	680	680	2026	3.875 percent per annum
2017	1.00	-	1,000	1,000	-	2027	4.00 percent per annum
2017	0.60	-	1,000	600	-	2027	3.70 percent per annum
Total				<u>6,680</u>	<u>7,323</u>		

3.16.2 Unsubordinated unsecured debentures

As at 31 December 2017 and 2016, a subsidiary company operating banking business has short-term and long-term unsubordinated unsecured debentures as follows:

Issued year	Type of debentures	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
		2017	2016		2017	2016		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2015	Long-term debenture	-	15.68	1,000	-	15,680	2017	1.875 - 2.00 percent per annum
2016	Short-term debenture	-	16.859	1,000	-	16,859	2017	1.50 - 1.71 percent per annum
2016	Long-term debenture	5.50	5.50	1,000	5,500	5,500	2018	1.95 - 2.00 percent per annum
2016	Long-term debenture	10.00	10.00	1,000	10,000	10,000	2019	1.85 - 1.95 percent per annum
2016	Short-term debenture	-	9.00	1,000	-	9,000	2017	1.75 - 1.80 percent per annum
2017	Short-term debenture	7.50	-	1,000	7,500	-	2018	1.75 - 1.80 percent per annum
2017	Short-term debenture	15.922	-	1,000	15,922	-	2018	1.38 - 1.55 percent per annum
2017	Long-term debenture	5.00	-	1,000	5,000	-	2019	1.85 percent per annum
2017	Long-term debenture	5.00	-	1,000	5,000	-	2018	1.85 percent per annum
2017	Long-term debenture	8.00	-	1,000	8,000	-	2019	1.75 percent per annum
Total					<u>56,922</u>	<u>57,039</u>		

3.16.3 Bills of exchange

Bills of exchange comprise the fixed interest rates bearing are between 1.40 and 2.50 percent per annum, which will gradually mature in 2018.

3.17 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 31 December 2017 and 2016 is as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December	
	2017	2016
Defined post-employment benefit obligation at beginning of year	396,988	328,677
Past service cost	160	-
Current service cost	36,039	29,590
Interest cost	13,467	9,290
Benefits paid during the year	(26,243)	(10,691)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	40,463	(22,023)
Financial assumptions changes	89,787	31,488
Other assumptions changes	25,135	30,657
Defined post-employment benefit obligation at end of year	575,796	396,988
Other long-term benefits	159,057	179,126
Total provision for long-term employee benefits at end of year	734,853	576,114

	(Unit: Thousand Baht)	
	Separate financial statements as at 31 December	
	2017	2016
Defined post-employment benefit obligation at beginning of year	99,752	88,897
Current service cost	7,692	6,222
Interest cost	3,188	2,130
Benefits paid during the year	(13,139)	(4,242)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	5,772	(5,649)
Financial assumptions changes	17,954	5,140
Other assumptions changes	12,915	7,254
Defined post-employment benefit obligation at end of year	134,134	99,752
Other long-term benefits	20,094	24,478
Total provision for long-term employee benefits at end of year	154,228	124,230

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Past service cost	160	-	-	-
Current service cost	54,821	48,461	9,683	8,303
Interest cost	16,718	12,083	3,595	2,488
Actuarial (gains) losses	(28,991)	29,442	(5,282)	5,852
Total employee benefits expenses	42,708	89,986	7,996	16,643

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries as at 31 December 2017 and 2016 amounted to Baht 233 million and Baht 108 million, respectively (The Company only: Baht 58 million and Baht 29 million, respectively).

As at 31 December 2017 and 2016, the Company and its subsidiaries expect to pay long-term employee benefits during the next year of Baht 12 million and Baht 16 million, respectively. (The Company only: Baht 3 million and Baht 7 million, respectively)

As at 31 December 2017 and 2016, the weighted average duration of the liabilities for long-term employee benefits is 20 years and 21 years, respectively (The Company only: 15 years and 16 years, respectively.)

Significant actuarial assumptions are summarised below:

	(Unit: Percent per annum)			
	Consolidated financial statements		Separate financial statements	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
Discount rate	1.45 - 3.67	1.50 - 3.72	1.45 - 3.60	1.50 - 3.70
Average salary increase rate	5.00	3.50	5.00	3.50

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below.

	(Unit: Thousand Baht)			
	Consolidated financial statements as at 31 December			
	2017		2016	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(19,200)	20,115	(11,950)	12,489
Average salary increase rate	19,797	(19,000)	12,686	(12,193)

	(Unit: Thousand Baht)			
	Separate financial statements as at 31 December			
	2017		2016	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(3,324)	3,451	(2,219)	2,301
Average salary increase rate	3,399	(3,292)	2,350	(2,277)

3.18 Other liabilities

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
Payable to clearing housing	113,385	-	-	-
Withholding income tax and other tax payables	492,052	477,710	90,939	63,324
Accrued insurance premium	628,572	714,434	-	-
Deferred income	1,080,943	1,066,171	-	-
Deferred revenue from customer loyalty programs	296,865	-	-	-
Accrued expenses	3,339,489	2,737,615	1,342,337	1,126,897
Suspense creditors	1,282,132	390,459	-	-
Other liabilities	516,889	344,693	91	83
Total other liabilities	7,750,327	5,731,082	1,433,367	1,190,304

The above accrued expenses included accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses included costs of annual bonus that are determined with reference to the Company's share price, paid to employees whose performance impacts the Company's operation results, as an incentive to work effectively and to build loyalty to the Company. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the Company's shares over the period of five years from grant date to settlement date. As of 31 December 2017 and 2016, the Company and its subsidiaries have issued bonus under this scheme amounting to Baht 972 million and Baht 758 million, respectively. (The Company only: Baht 530 million and Baht 390 million, respectively.)

3.19 Capital funds

The primary objectives of TISCO Group's capital management are to maintain its ability to continue as a going concern and to maintain capital adequacy ratio, cash liquidity and others in accordance with the regulations of the Bank of Thailand or relevant regulatory agencies.

TISCO Group maintains capital adequacy ratio in compliance with Basel III principles which is implementing capital to risk assets requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, loan against auto license receivables, corporate lending, floor-plan loans, equity exposure and other assets.

Regarding Capital fund as at 31 December 2017 and 2016, TISCO Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of the Financial Business Group (under Basel III principles) are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2017	2016
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	8,006,456	8,006,447
Premium on share capital	1,018,408	1,018,408
Statutory reserve	801,000	709,500
Net profits after appropriation	17,711,512	15,729,622
Other components of equity	1,649,726	1,439,760
Less: Deductions from Common Equity Tier I items	(1,285,612)	(955,206)
Total Common Equity Tier I capital	27,901,490	25,948,531
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	99	108
Total Tier I capital	27,901,589	25,948,639
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	7,323,000
Surplus of provision	685,518	804,086
Reserve for loans classified as pass	903,089	512,063
Total Tier II capital	8,268,607	8,639,149
Total capital funds	36,170,196	34,587,788

(Unit: Percent)

	As at 31 December			
	2017		2016	
Capital fund ratios	Financial Business Group	Requirement	Financial Business Group	Requirement
Common Equity Tier I capital to risk assets	14.96	5.75	13.77	5.125
Tier I capital to risk assets	14.96	7.25	13.77	6.625
Total capital to risk assets	19.39	9.75	18.36	9.125

Capital funds of the TISCO Bank (under Basel III principles) are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2017	2016
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	15,036,972	13,501,650
Other components of equity	218,860	218,920
Less: Deductions from Common Equity Tier I items	(734,918)	(481,432)
Total Common Equity Tier I capital	27,263,614	25,981,838
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	27,263,615	25,981,839
<u>Tier II Capital</u>		
Long-term subordinated debentures	6,680,000	7,323,000
Surplus of provision	668,708	789,422
Reserve for loans classified as pass	739,109	447,354
Total Tier II capital	8,087,817	8,559,776
Total capital funds	35,351,432	34,541,615

	(Unit: Percent)			
	As at 31 December			
	2017		2016	
Capital fund ratios	TISCO Bank	Requirement	TISCO Bank	Requirement
Common Equity Tier I capital to risk assets	15.98	5.75	14.73	5.125
Tier I capital to risk assets	15.98	7.25	14.73	6.625
Total capital to risk assets	20.72	9.75	19.59	9.125

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 5/2556 regarding "Public Disclosure of Capital Maintenance for Financial Business Group", the Company has disclosed capital maintenance information of the Financial Business Group as at 30 June 2017 on its website on 31 October 2017.

3.20 Surplus (deficit) on changes in value of investments

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2017	2016
Balance - beginning of year	(125,899)	(185,787)
Increase from changes in value of investments during the year	270,399	59,888
	144,500	(125,899)
Less: The effect of deferred tax assets (liabilities)	(47,592)	7,517
Balance - end of year	96,908	(118,382)

	(Unit: Thousand Baht)	
	Separate financial statements	
	as at 31 December	
	2017	2016
Balance - beginning of year	(151,886)	(167,466)
Increase from changes in value of investments during the year	172,458	15,580
	20,572	(151,886)
Less: The effect of deferred tax assets (liabilities)	(4,115)	30,377
Balance - end of year	16,457	(121,509)

3.21 Surplus on revaluation of assets

This represents surplus arising from revaluation of office condominiums. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December	
	2017	2016
Balance - beginning of year	1,111,580	1,124,055
Transfer to retained earnings	(12,474)	(12,475)
	1,099,106	1,111,580
Less: The effect of deferred tax liabilities	(219,821)	(222,316)
Balance - end of year	<u>879,285</u>	<u>889,264</u>

	(Unit: Thousand Baht)	
	Separate financial statements as at 31 December	
	2017	2016
Balance - beginning of year	283,109	284,986
Transfer to retained earnings	(1,878)	(1,877)
	281,231	283,109
Less: The effect of deferred tax liabilities	(56,246)	(56,622)
Balance - end of year	<u>224,985</u>	<u>226,487</u>

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

3.22 Interest income

Interest income in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements For the years ended 31 December	
	2017	2016
Interbank and money market items	584,938	497,296
Investments in debt securities	194,158	196,311
Loans to customers	6,696,663	5,568,410
Hire purchase and finance lease	8,993,740	9,749,527
Total interest income	<u>16,469,499</u>	<u>16,011,544</u>

	(Unit: Thousand Baht)	
	Separate financial statements For the years ended 31 December	
	2017	2016
Interbank and money market items	7,945	5,280
Loans to customers	44,404	44,461
Total interest income	<u>52,349</u>	<u>49,741</u>

3.23 Interest expenses

Interest expenses in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Deposits	2,313,868	2,473,160
Interbank and money market items	29,148	132,077
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	1,014,368	1,004,772
Issued debt securities		
- Subordinated debentures	358,945	348,497
- Unsubordinated debentures	983,432	1,030,184
Borrowings	114,952	102,420
Total interest expenses	<u>4,814,713</u>	<u>5,091,110</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Interbank and money market items	6	-
Borrowings	96,195	101,506
Total interest expenses	<u>96,201</u>	<u>101,506</u>

3.24 Net fee and service income

Net fee and service income in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Fee and service income		
- Acceptance, aval and guarantee	8,784	10,171
- Insurance service	2,670,365	2,393,714
- Brokerage fees	830,756	825,265
- Fund management	1,418,815	966,433
- Financial advisory	31,414	42,373
- Underwriting fee	164,360	70,762
- Others	1,271,113	1,088,132
Total fee and service income	6,395,607	5,396,850
Fee and service expenses		
- Information service expenses	(44,492)	(26,275)
- Others	(205,529)	(203,807)
Total fee and service expenses	<u>(250,021)</u>	<u>(230,082)</u>
Net fee and service income	<u>6,145,586</u>	<u>5,166,768</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Fee and service income	-	-
Fee and service expenses	(16,983)	(13,477)
Net fee and service income	<u>(16,983)</u>	<u>(13,477)</u>

3.25 Net losses on trading and foreign exchange transactions

Net losses on trading and foreign exchange transactions in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(87,680)	(6,930)
- Derivatives on interest rates	(13,831)	(7,606)
- Debt securities	14,738	5,068
Net losses on trading and foreign exchange transactions	<u>(86,773)</u>	<u>(9,468)</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Losses on trading and foreign exchange transactions		
- Foreign currencies	(84,761)	(6,945)
Net losses on trading and foreign exchange transactions	<u>(84,761)</u>	<u>(6,945)</u>

3.26 Net gains on investments

Net gains on investments in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Gains on disposal		
- Available-for-sale investments	22,681	6,761
- General investments	15,476	10,921
Total	38,157	17,682
Reversal of allowance (losses) on impairment		
- General investments	3,811	(5,088)
Total	3,811	(5,088)
Net gains on investments	<u>41,968</u>	<u>12,594</u>

3.27 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Held-to-maturity debt securities	139	(668)
Loans to customers	3,098,126	3,973,034
Total	<u>3,098,265</u>	<u>3,972,366</u>

3.28 Other operating income

Other operating income in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Gains on disposal of properties foreclosed	81,678	73,175
Others	44,274	48,462
Total	125,952	121,637

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Rental income	64,295	64,364
Others	24,700	10,774
Total	88,995	75,138

3.29 Other operating expenses

Other operating expenses in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Mailing expenses	64,775	61,890
Software amortisation expenses	147,878	74,268
Legal expenses	408,264	353,404
Transportation expenses	99,080	91,459
Advertising and business promotion expenses	124,042	105,834
Others	416,185	363,560
Total	1,260,224	1,050,415

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Mailing expenses	220	227
Software amortisation expenses	62,604	32,860
Transportation expenses	8,972	8,465
Others	44,807	39,576
Total	116,603	81,128

3.30 Income tax expenses

Income tax expenses of the Company and its subsidiaries for the years ended 31 December 2017 and 2016 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Current income tax:				
Income tax expenses for the year	1,767,223	1,419,491	90,589	96,378
Adjustment in respect of current income tax of previous year	-	(31)	-	(41)
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	(240,913)	(199,050)	(30,059)	(19,267)
Income tax expenses reported in the statement of comprehensive income	1,526,310	1,220,410	60,530	77,070

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Gains on change in value of available-for-sale investments	(55,109)	(11,978)	(34,492)	(3,116)
Actuarial losses	30,909	7,995	7,328	1,349
Income tax expenses recorded directly to other comprehensive income	(24,200)	(3,983)	(27,164)	(1,767)

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2017 and 2016 is as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Accounting profit before tax	7,643,617	6,243,993	4,477,619	3,196,000
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,528,723	1,248,799	895,524	639,200
Adjustment in respect of current income tax of previous year	-	(31)	-	(41)
Adjustment in respect of deferred tax assets	-	6,711	-	-
Income tax effect:				
Tax effect of net tax-exempt income and net disallowed expenses	18,226	(14,732)	(834,994)	(562,089)
Others	(20,639)	(20,337)	-	-
Income tax expenses reported in the statement of comprehensive income	1,526,310	1,220,410	60,530	77,070

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2017	2016	2017	2016
Allowance for doubtful accounts	530,279	350,502	179,777	169,783
Allowance for impairment of investments	43,997	44,731	(734)	884
Allowance for impairment of properties foreclosed	2,428	2,349	79	2,226
Non-accrual of interest income	42,761	45,283	(2,522)	(10,413)
Depreciation of assets	(53,473)	(33,127)	(20,346)	(19,194)
Finance leases	6,013	16,519	(10,506)	4,078
Gains on changes in value of investment properties	-	(3,371)	3,371	-
Surplus on revaluation of assets	(233,221)	(203,190)	-	-
Surplus on changes in value of investments	(8,118)	7,517	-	-
Unrealised loss on derivatives	5,749	6,610	(861)	(1,555)
Deferred commission and direct expenses incurred at the initiation of hire purchase	(532,481)	(498,693)	(33,788)	(9,831)
Losses on disposal of properties foreclosed	21,752	27,492	(5,740)	(4,300)
Unearned interest income on hire purchase	116,891	113,277	3,614	(29,629)
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	516,996	395,359	121,637	86,836
Employee benefit expenses	134,148	105,961	(3,942)	12,855
Others	127,989	114,948	13,041	(1,317)
Deferred tax assets	743,145	513,602	243,080	200,423

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2017	2016	2017	2016
Depreciation of assets	1,082	665	417	258
Gains on changes in value of investment properties	3,486	-	3,486	-
Surplus on revaluation of assets	-	26,634	-	-
Surplus on changes in value of investments	39,474	-	-	-
Accrued expenses	(8,618)	(16,301)	7,683	1,305
Employee benefit expenses	(12,152)	(8,077)	(2,120)	(64)
Others	(7,639)	(340)	(7,299)	(126)
Deferred tax liabilities	15,633	2,581	2,167	1,373

(Unit: Thousand Baht)

	Separate financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2017	2016	2017	2016
Allowance for impairment of investments	21,732	21,732	-	-
Depreciation of assets	(31,681)	(23,361)	(8,320)	(9,710)
Gains on changes in value of investment properties	(92,774)	(89,660)	(3,114)	-
Surplus on revaluation of assets	(57,749)	(57,749)	-	-
Surplus on changes in value of investments	(4,114)	30,377	-	-
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	262,856	220,336	42,520	27,398
Employee benefit expenses	30,845	24,399	(882)	1,651
Others	-	145	(145)	(72)
Deferred tax assets	150,550	147,654	30,059	19,267

3.31 Components of other comprehensive income

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Other comprehensive income				
Available-for-sale investments:				
Gains during the year	293,080	66,649	172,458	15,580
Less: Reclassification adjustments for gains included in profit or loss	(22,681)	(6,761)	-	-
	270,399	59,888	172,458	15,580
Actuarial losses	(155,385)	(40,122)	(36,641)	(6,745)
Share of other comprehensive income of joint ventures:				
Cash flow hedges of joint ventures	755	27,431	-	-
Other comprehensive income	115,769	47,197	135,817	8,835
Income tax effects relating to components of other comprehensive income	(24,200)	(3,983)	(27,164)	(1,767)
Net other comprehensive income for the year	<u>91,569</u>	<u>43,214</u>	<u>108,653</u>	<u>7,068</u>

3.32 Income tax effects relating to components of other comprehensive income

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	For the years ended 31 December					
	2017			2016		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains on change in value of available-for-sale investments	270,399	(55,109)	215,290	59,888	(11,978)	47,910
Actuarial losses	(155,385)	30,909	(124,476)	(40,122)	7,995	(32,127)
	<u>115,014</u>	<u>(24,200)</u>	<u>90,814</u>	<u>19,766</u>	<u>(3,983)</u>	<u>15,783</u>
(Unit: Thousand Baht)						
	Separate financial statements					
	For the years ended 31 December					
	2017			2016		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains on change in value of available-for-sale investments	172,458	(34,492)	137,966	15,580	(3,116)	12,464
Actuarial losses	(36,641)	7,328	(29,313)	(6,745)	1,349	(5,396)
	<u>135,817</u>	<u>(27,164)</u>	<u>108,653</u>	<u>8,835</u>	<u>(1,767)</u>	<u>7,068</u>

3.33 Earnings per share

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

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Profit attributable to equity holders of the Company (Thousand Baht)	6,090,008	5,005,894	4,417,088	3,118,930
Weighted average number of shares (Thousand shares)	800,655	800,655	800,655	800,655
Basic earnings per share (Baht/share)	7.61	6.25	5.52	3.90

3.34 Related party transactions

The relationships between the Company and its related parties.

Name of related parties	Relationship
TISCO Bank Public Company Limited	Subsidiary company
Deutsche TISCO Investment Advisory Co., Ltd.	Subsidiary company
TISCO Securities Co., Ltd.	Subsidiary company
TISCO Asset Management Co., Ltd.	Subsidiary company
Hi-Way Co., Ltd.	Subsidiary company
TISCO Information Technology Co., Ltd.	Subsidiary company
TISCO Learning Center Co., Ltd.	Subsidiary company
TISCO Insurance Solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	Subsidiary company
All-Ways Co., Ltd.	Subsidiary company
TISCO Tokyo Leasing Co., Ltd.	Joint venture company

As at 31 December 2017 and 2016, the balances of the accounts between the Company and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2017	2016
Outstanding balance		
(Eliminated from the consolidated financial statements)		
Subsidiary companies		
Interbank and money market items (Assets):		
TISCO Bank Public Company Limited	237,201	533,562
Dividend receivables:		
TISCO Bank Public Company Limited	2,764,357	2,027,194
TISCO Asset Management Co., Ltd.	797,995	459,997
TISCO Securities Co., Ltd.	200,000	110,000
Hi-Way Co., Ltd.	100,000	100,000
TISCO Information Technology Co., Ltd.	79,998	24,999
TISCO Insurance Solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	164,993	19,999
TISCO Learning Center Co., Ltd.	24,999	19,999
Other assets:		
TISCO Bank Public Company Limited	130,011	106,460
TISCO Learning Center Co., Ltd.	436	238
Other liabilities:		
TISCO Learning Center Co., Ltd.	161	1,539

Loan to related companies

As at 31 December 2017 and 1 January 2017, the balances of loans between the Company and its related companies and their movement are as follows:

	(Unit: Thousand Baht)			
	As at 1 January 2017	Increase	Decrease	As at 31 December 2017
Subsidiary Companies				
Loan to customers				
All-ways Co., Ltd.	-	1,820,000	-	1,820,000
Hi-Way Co., Ltd	1,470,000	250,000	-	1,720,000
TISCO Insurance Solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	333,100	-	(333,100)	-

	Separate financial statements		(Unit: Thousand Baht)
	For the years ended 31 December 2017	2016	Terms and pricing policy

Transactions occurred during the year

(Eliminated from the consolidated financial statements)

Subsidiary companies

Risk and financial management fee income, human resources management fee income and office administration fee income	2,117,903	1,781,876	Determined on market prices and/or actual cost in compliance with the criteria specified by the Bank of Thailand
Interest income	52,264	49,741	With reference to the terms and prices as offered to other customers
Rental income	63,155	63,336	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	175,000	163,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	9,477	8,462	With reference to the prices as offered from other service providers
Other expenses	1,987	2,017	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	
	2017	2016
Loans ⁽¹⁾	15,818	18,744

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December	
	2017	2016
Deposits	317,664	178,804

Directors and management's benefits

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had short-term benefit paid to their directors and key management during the years and other employee benefit expenses payable to their directors and management as follows:

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Short-term benefits	643	542	385	377
Post-employment benefits	50	40	28	25
Other long-term benefits	141	129	88	86
Total	834	711	501	488

3.35 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Group Chief Executive, TISCO Group.

For management purposes, the Company and its subsidiaries operate four main businesses as follows:

1. Commercial banking business: Provides financial services under the Commercial Banking Business license. Banking services are provided through the TISCO Bank Public Company Limited headquarters and its branches.
2. Securities business: Provides securities business services under the Securities Business license. These businesses are serviced through the headquarters and branches of subsidiaries across the country.
3. Asset management business: Provides asset management services.
4. Support business: Provides all governance and support functions of the Group.

The Company and its subsidiaries have aggregated operating segments that have similar economic characteristics and are similar in the other respects required by the Thai Financial Reporting Standard.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. However, the Company's and its subsidiaries' income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The Company and its subsidiaries operate in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

During the years 2017 and 2016, the Company and its subsidiaries did not have income from any customer amounting to or over 10 percent of their income.

The following tables present revenue, profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2017 and 2016, respectively.

(Unit: Million Baht)

	Commercial banking business	Securities business	Asset management business	Support business	Total segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2017							
Revenue							
External customers	16,624	1,039	1,671	(57)	19,277	-	19,277
Inter-segment	191	266	2	6,869	7,328	(7,328)	-
Total revenue	16,815	1,305	1,673	6,812	26,605	(7,328)	19,277
Operating results:							
Net interest income	11,672	18	7	(42)	11,655	-	11,655
Net fee and service income	3,754	1,260	1,661	600	7,275	(1,129)	6,146
Other operating income	1,389	27	5	6,254	7,675	(6,199)	1,476
Total operating income	16,815	1,305	1,673	6,812	26,605	(7,328)	19,277
Premises and equipment expenses and amortisation	(1,218)	(79)	(29)	(568)	(1,894)	596	(1,298)
Other operating expenses	(6,843)	(908)	(513)	(1,677)	(9,941)	2,703	(7,238)
Bad debt, doubtful accounts and impairment losses	(3,098)	-	-	-	(3,098)	-	(3,098)
Total operating expenses	(11,159)	(987)	(542)	(2,245)	(14,933)	3,299	(11,634)
Segment profit	5,656	318	1,131	4,567	11,672	(4,029)	7,643
Income tax expenses							(1,526)
Non-controlling interests of the subsidiaries							(27)
Profit for the year - equity holders of the Company							6,090
As at 31 December 2017							
Segment total assets	294,933	4,732	1,613	31,345	332,623	(29,235)	303,388
Premises and equipment - net	780	21	217	872	1,890	763	2,653

(Unit: Million Baht)

	Commercial banking business	Securities business	Asset management business	Support business	Total segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2016							
Revenue							
External customers	14,985	930	1,133	12	17,060	-	17,060
Inter-segment	123	259	1	5,001	5,384	(5,384)	-
Total revenue	15,108	1,189	1,134	5,013	22,444	(5,384)	17,060
Operating results:							
Net interest income	10,950	13	6	(49)	10,920	-	10,920
Net fee and service income	3,334	1,149	1,123	449	6,055	(888)	5,167
Other operating income	824	27	5	4,613	5,469	(4,496)	973
Total operating income	15,108	1,189	1,134	5,013	22,444	(5,384)	17,060
Premises and equipment expenses and amortisation	(923)	(82)	(28)	(473)	(1,506)	462	(1,044)
Other operating expenses	(5,353)	(906)	(470)	(1,333)	(8,062)	2,262	(5,800)
Bad debt, doubtful accounts and impairment losses	(3,972)	-	-	-	(3,972)	-	(3,972)
Total operating expenses	(10,248)	(988)	(498)	(1,806)	(13,540)	2,724	(10,816)
Segment profit	4,860	201	636	3,207	8,904	(2,660)	6,244
Income tax expenses							(1,220)
Non-controlling interests of the subsidiaries							(18)
Profit for the year - equity holders of the Company							5,006
As at 31 December 2016							
Segment total assets	264,221	3,665	1,079	27,868	296,833	(25,561)	271,272
Premises and equipment - net	741	22	223	928	1,914	739	2,653

3.36 Provident fund

The Company, its nine subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The provident funds of the Company and its eight subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. During the years 2017 and 2016, the Company and its subsidiaries recognised the contributions as expenses totaling Baht 235 million and Baht 211 million, respectively (the Company only: Baht 47 million and Baht 39 million, respectively).

3.37 Commitments and contingent liabilities

3.37.1 Avals, guarantees and commitments

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2017	2016
Avals	-	268,042
Other guarantees	627,912	728,146
Undrawn client overdraft facilities	575,279	30,000
Interest rate swap agreements (Note 3.38.4)	1,200,000	1,200,000
Others	1,034,498	6,559,395
Total	3,437,689	8,785,583

3.37.2 Litigation

As at 31 December 2017 and 2016, the subsidiaries have been sued for compensation totaling approximately Baht 345 million and Baht 312 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Company and its subsidiaries believe that no material losses to the consolidated financial statements will be incurred as a result of the mentioned lawsuits.

3.37.3 Other commitments

- a) The subsidiary companies have 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 buildings and branch offices. The terms of the agreements are generally 1 - 10 years.

As at 31 December 2017 and 2016, the subsidiary companies have future minimum lease payments required under these non-cancellable operating leases contracts as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2017	2016
Payable within:		
Not over 1 year	213	164
Over 1 to 5 years	319	150
Over 5 years	70	46

- c) The subsidiary company has commitments on computer and operation services agreements in relation to credit card business, whereby it is to pay service fees as stipulated in the agreements. The subsidiary company has payables to service fees within 1 year amounting to Baht 191 million.

3.38 Financial instruments

3.38.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

TISCO Group is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

TISCO Group has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Company and its subsidiaries ("the Group") manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Group has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. It 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 it has a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans to customers as stated in the financial statements.

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

The risk of hire purchase credit that is not overdue of the subsidiary operating banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are "Very High Grade", "High Grade" and "Medium Grade", with "Very High Grade" credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; "High Grade" as credit from which losses within one year are expected to be between 0.2% and 2.0% and "Medium Grade" as credit from which losses within one year are expected to exceed 2% of the balance.

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

	(Unit: Million Baht)	
	As at 31 December	
	2017	2016
Neither past due nor impaired		
Very high grade	55,544	42,556
High grade	53,935	76,086
Medium grade	12,637	13,156
Subtotal	122,116	131,798
Hire purchase receivables - overdue for 31 to 90 days	12,298	13,434
Hire purchase receivables - overdue for more than 90 days	3,189	4,319
Total	137,603	149,551

3.38.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices and 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.

3.38.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the 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	
	2017	2016
Marketable financial assets		
Equity securities	201	173
Debt securities	3	5
Derivatives	3	10
Foreign currencies	32	53

3.38.2.2 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 the period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2017	2016
Change in interest rate		
Increase by 1 percent	299.01	56.98
Decrease by 1 percent	(299.01)	(56.98)

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 the effect on net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities does not include the status of marketable debt securities, which is presented in the market risk - marketable portfolio.

3.38.2.3 Interest rate risk

The Company and its subsidiaries have the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements as at 31 December 2017			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,325	1,325
Interbank and money market items	232	43,030	1,385	44,647
Investments - net	-	3,957	3,590	7,547
Loans to customers ⁽¹⁾	27,340	220,741	4,019	252,100
Securities and derivatives business receivables	-	-	2,342	2,342
	<u>27,572</u>	<u>267,728</u>	<u>12,661</u>	<u>307,961</u>
<u>Financial liabilities</u>				
Deposits	68,049	112,474	281	180,804
Interbank and money market items	442	3,479	96	4,017
Liabilities payable on demand	-	-	431	431
Derivatives liabilities	-	-	30	30
Debts issued and borrowings	-	71,079	-	71,079
Securities and derivatives business payables	-	-	2,216	2,216
Payables to clearing house	-	-	114	114
	<u>68,491</u>	<u>187,032</u>	<u>3,168</u>	<u>258,691</u>

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
Financial assets				
Cash	-	-	1,149	1,149
Interbank and money market items	24	36,459	1,584	38,067
Investments - net	-	2,097	5,092	7,189
Loans to customers ⁽¹⁾	15,254	206,731	3,470	225,455
Securities and derivatives business receivables	-	-	1,374	1,374
Receivables from clearing house	-	-	145	145
	<u>15,278</u>	<u>245,287</u>	<u>12,814</u>	<u>273,379</u>
Financial liabilities				
Deposits	55,375	99,448	244	155,067
Interbank and money market items	345	4,811	41	5,197
Liabilities payable on demand	-	-	180	180
Derivatives liabilities	-	-	34	34
Debts issued and borrowings	-	70,329	-	70,329
Securities and derivatives business payables	-	-	1,511	1,511
	<u>55,720</u>	<u>174,588</u>	<u>2,010</u>	<u>232,318</u>

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2017

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
Financial assets				
Interbank and money market items	7	230	-	237
Investments - net	-	-	870	870
Loans to customers	-	3,540	-	3,540
	<u>7</u>	<u>3,770</u>	<u>870</u>	<u>4,647</u>
Financial liabilities				
Debts issued and borrowings	-	7,440	-	7,440
	<u>-</u>	<u>7,440</u>	<u>-</u>	<u>7,440</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2016

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
Financial assets				
Interbank and money market items	8	526	-	534
Investments - net	-	-	782	782
Loans to customers	-	1,803	-	1,803
	<u>8</u>	<u>2,329</u>	<u>782</u>	<u>3,119</u>
Financial liabilities				
Debts issued and borrowings	-	5,930	-	5,930
	<u>-</u>	<u>5,930</u>	<u>-</u>	<u>5,930</u>

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2017							
Transactions	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	35	42,995	-	-	-	43,030	1.5099
Investments - net	-	2,404	1,262	289	2	3,957	2.7386
Loans to customers	3,598	21,238	48,376	119,012	28,517	220,741	7.7769
	<u>3,633</u>	<u>66,637</u>	<u>49,638</u>	<u>119,301</u>	<u>28,519</u>	<u>267,728</u>	
Financial liabilities							
Deposits	2,139	64,558	45,372	405	-	112,474	1.5044
Interbank and money market items	1	994	215	2,269	-	3,479	1.3685
Debts issued and borrowings	37	30,014	11,348	23,000	6,680	71,079	2.1993
	<u>2,177</u>	<u>95,566</u>	<u>56,935</u>	<u>25,674</u>	<u>6,680</u>	<u>187,032</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016							
Transactions	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	99	36,359	1	-	-	36,459	1.5869
Investments - net	-	742	251	1,102	2	2,097	3.7354
Loans to customers	22,559	22,561	49,345	107,253	5,013	206,731	7.5118
	<u>22,658</u>	<u>59,662</u>	<u>49,597</u>	<u>108,355</u>	<u>5,015</u>	<u>245,287</u>	
Financial liabilities							
Deposits	3,661	61,634	33,833	320	-	99,448	1.6042
Interbank and money market items	451	639	1,277	-	2,444	4,811	1.4656
Debts issued and borrowings	37	24,730	22,739	15,500	7,323	70,329	2.2208
	<u>4,149</u>	<u>87,003</u>	<u>57,849</u>	<u>15,820</u>	<u>9,767</u>	<u>174,588</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2017							
Transactions	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	230	-	-	-	-	230	0.8500
Loans to customers	3,540	-	-	-	-	3,540	2.0000
	<u>3,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,770</u>	
Financial liabilities							
Debts issued and borrowings	-	7,440	-	-	-	7,440	1.5766
	<u>-</u>	<u>7,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,440</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2016							
<u>Transactions</u>	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	526	-	-	-	-	526	0.8500
Loans to customers	1,803	-	-	-	-	1,803	1.7500
	<u>2,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,329</u>	
Financial liabilities							
Debts issued and borrowings	-	4,930	1,000	-	-	5,930	1.6575
	<u>-</u>	<u>4,930</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>5,930</u>	

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

3.38.3 Liquidity risk

Liquidity risk is uncertainty that the subsidiary operating banking business is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy of the subsidiary operating banking business and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the subsidiary operating banking business's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserve assets. The procurement and concentration of funding sources will be well-planned to optimise risk and return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, those subsidiary sets the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

The subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios cover the subsidiary's specific scenarios and industry-based scenarios, which cause unusual cash outflow from the subsidiary operating banking business.

The main sources of fund came from deposits. In the past, there was high rollover rate for matured deposits. Besides, the subsidiary operating banking business also issued subordinated and unsubordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets as cushion against liquidity risk. Moreover, the subsidiary provides credit line to other companies under TISCO Group to support liquidity position if required.

3.38.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

As at 31 December 2017				
Liabilities	Remaining contractual maturity			Total
	Less than 3 months	3 - 12 months	More than 1 year	
	170,031	56,935	32,384	259,350

(Unit: Million Baht)

	As at 31 December 2016			
	Remaining contractual maturity			Total
	Less than 3 months	3 - 12 months	More than 1 year	
Liabilities	150,827	56,850	25,621	233,298

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

3.38.3.2 Volume and composition of highly liquid assets and internal ratio

	(Unit: Million Baht)	
	As at 31 December	
	2017	2016
Composition of highly liquid assets		
Cash	1,323	1,148
Interbank and money market - net	43,177	37,062
Current investments - net	5,520	5,127
Total highly liquid assets ⁽¹⁾	50,020	43,337
Liquid asset requirement ⁽¹⁾	30,189	9,507

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

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 31 December 2017 and 2016, the subsidiary operating banking business has highly liquid assets, which are daily calculated, at Baht 50,020 million and Baht 43,337 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 30,189 million and Baht 9,507 million, respectively. In addition, the subsidiary operating banking business has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.38.3.3 Counting from the financial statement date, as at 31 December 2017 and 2016, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2017								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans	Total
Financial assets								
Cash	1,325	-	-	-	-	-	-	1,325
Interbank and money market items	1,652	42,995	-	-	-	-	-	44,647
Investments - net	-	3,391	2,059	289	2	1,806	-	7,547
Loans to customers	2,503	21,507	49,479	128,672	44,100	-	5,829	252,090
Securities and derivatives business receivables	-	2,342	-	-	-	-	-	2,342
	<u>5,480</u>	<u>70,235</u>	<u>51,538</u>	<u>128,961</u>	<u>44,102</u>	<u>1,806</u>	<u>5,829</u>	<u>307,951</u>
Financial liabilities								
Deposits	70,469	64,855	45,075	405	-	-	-	180,804
Interbank and money market items	540	993	215	2,269	-	-	-	4,017
Liabilities payable on demand	431	-	-	-	-	-	-	431
Derivatives liabilities	-	-	-	30	-	-	-	30
Debts issued and borrowings	37	27,514	13,848	23,000	6,680	-	-	71,079
Securities and derivatives business payables	-	2,216	-	-	-	-	-	2,216
Payables to clearing house	-	114	-	-	-	-	-	114
	<u>71,477</u>	<u>95,692</u>	<u>59,138</u>	<u>25,704</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>258,691</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	2	10	31	14	-	571	-	628
Other commitments	-	-	13	2,222	-	575	-	2,810

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans	Total
Financial assets								
Cash	1,149	-	-	-	-	-	-	1,149
Interbank and money market items	1,707	36,359	1	-	-	-	-	38,067
Investments - net	-	1,851	2,164	1,102	2	2,070	-	7,189
Loans to customers	24,464	23,437	49,886	111,272	10,686	-	5,710	225,455
Securities and derivatives business receivables	-	1,374	-	-	-	-	-	1,374
Receivables from clearing house	-	145	-	-	-	-	-	145
	<u>27,320</u>	<u>63,166</u>	<u>52,051</u>	<u>112,374</u>	<u>10,688</u>	<u>2,070</u>	<u>5,710</u>	<u>273,379</u>
Financial liabilities								
Deposits	59,280	61,634	33,833	320	-	-	-	155,067
Interbank and money market items	837	639	1,277	-	2,444	-	-	5,197
Liabilities payable on demand	180	-	-	-	-	-	-	180
Derivatives liabilities	-	-	-	34	-	-	-	34
Debts issued and borrowings	37	24,730	22,739	15,500	7,323	-	-	70,329
Securities and derivatives business payables	-	1,511	-	-	-	-	-	1,511
	<u>60,334</u>	<u>88,514</u>	<u>57,849</u>	<u>15,854</u>	<u>9,767</u>	<u>-</u>	<u>-</u>	<u>232,318</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	5	298	16	31	1	645	-	996
Other commitments	-	-	4,410	3,349	-	30	-	7,789

(Unit: Million Baht)

Separate financial statements as at 31 December 2017

Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-performing	Total
		months	months	years	years		Loans	
Financial assets								
Interbank and money market items	237	-	-	-	-	-	-	237
Investments - net	-	-	-	-	-	870	-	870
Loans to customers	3,540	-	-	-	-	-	-	3,540
	<u>3,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>870</u>	<u>-</u>	<u>4,647</u>
Financial liabilities								
Debts issued and borrowings	-	7,440	-	-	-	-	-	7,440
	<u>-</u>	<u>7,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,440</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2016

Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-performing	Total
		months	months	years	years		Loans	
Financial assets								
Interbank and money market items	534	-	-	-	-	-	-	534
Investments - net	-	-	-	-	-	782	-	782
Loans to customers	1,803	-	-	-	-	-	-	1,803
	<u>2,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782</u>	<u>-</u>	<u>3,119</u>
Financial liabilities								
Debts issued and borrowings	-	4,930	1,000	-	-	-	-	5,930
	<u>-</u>	<u>4,930</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,930</u>

3.38.4 Derivatives

The subsidiaries have a policy to enter into transactions involving financial derivatives instruments, for hedging risks and trading.

As at 31 December 2017 and 2016, the subsidiaries have the following trading financial derivatives instruments.

Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets as follows:

(Unit: Million Baht)

As at 31 December 2017		
Maturity	Notional amount	Fair value loss
2019	1,200	(30)

(Unit: Million Baht)

As at 31 December 2016		
Maturity	Notional amount	Fair value loss
2019	1,200	(34)

3.38.5 Fair value of financial instruments

The estimated fair value of financial instruments, in comparison with the related amounts carried in the statement of financial position, is as follows:

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December					
		2017		2016	
<u>Transactions</u>	Book value	Fair value	Book value	Fair value	
<u>Financial assets</u>					
Cash	1,325	1,325	1,149	1,149	
Interbank and money market items - net	44,647	44,647	38,067	38,067	
Investments - net	7,547	8,968	7,190	8,332	
Loans to customers and accrued interest receivables - net	242,731 ⁽¹⁾	245,812	218,747 ⁽¹⁾	221,104	
Securities and derivatives business receivables	2,342	2,342	1,374	1,374	
Receivables from clearing house	-	-	145	145	
<u>Financial liabilities</u>					
Deposits	180,804	180,804	155,068	155,068	
Interbank and money market items - net	4,017	4,017	5,197	5,197	
Liabilities payable on demand	431	431	180	180	
Derivatives liabilities	30	30	34	34	
Debt issued and borrowings	71,079	71,232	70,329	70,678	
Securities and derivatives business payables	2,216	2,216	1,511	1,511	
Payables to clearing house	114	114	-	-	

⁽¹⁾ As at 31 December 2017 and 2016, book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 2,088 million and Baht 1,276 million, respectively.

(Unit: Million Baht)

Separate financial statements					
As at 31 December					
		2017		2016	
<u>Transactions</u>	Book value	Fair value	Book value	Fair value	
<u>Financial assets</u>					
Cash	70	70	70	70	
Interbank and money market items - net	237	237	534	534	
Investments - net	870	870	782	782	
Loans to customers and accrued interest receivables - net	3,540	3,540	1,803	1,803	
<u>Financial liabilities</u>					
Debt issued and borrowings	7,440	7,440	5,930	5,930	

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

3.39 Fair value hierarchy

As of 31 December 2017 and 2016, the Company and its subsidiaries have the following assets and liabilities that were measured at fair value or disclosed using different levels of inputs as follows:

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December 2017					
Book value	Fair value			Total	
	Level 1	Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Equity securities	449	449	-	-	449
Debt securities	5,743	-	5,742	-	5,743
Unit trusts	935	870	65	-	935
Investment properties	32	-	-	32	32
Office condominiums	1,952	-	-	1,952	1,952
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	30	-	30	-	30
Assets for which fair value is disclosed					
Cash	1,325	1,325	-	-	1,325
Interbank and money market items - net	44,647	2,278	42,369	-	44,647
General investments	420	-	-	1,841	1,841
Loans to customers and accrued interest receivables	242,731 ⁽¹⁾	-	63,353	182,459	245,812
Securities and derivatives business receivables	2,342	-	2,342	-	2,342
Liabilities for which fair value is disclosed					
Deposit	180,804	68,329	112,475	-	180,804
Interbank and money market items - net	4,017	844	3,173	-	4,017
Liabilities payable on demand	431	431	-	-	431
Debts issued and borrowings	71,079	-	71,232	-	71,232
Securities and derivatives business payables	2,216	-	2,216	-	2,216
Payables to clearing house	114	114	-	-	114

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 2,088 million.

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December 2016					
Book value	Fair value			Total	
	Level 1	Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Equity securities	405	405	-	-	405
Debt securities	5,538	-	5,538	-	5,538
Unit trusts	811	782	29	-	811
Investment properties	32	-	-	32	32
Office condominiums	1,992	-	-	1,992	1,992
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	34	-	34	-	34
Assets for which fair value is disclosed					
Cash	1,149	1,149	-	-	1,149
Interbank and money market items - net	38,067	2,059	36,008	-	38,067
General investments	436	-	-	1,881	1,881
Loans to customers and accrued interest receivables	218,747 ⁽¹⁾	-	37,942	183,162	221,104
Securities and derivatives business receivables	1,374	-	1,374	-	1,374
Receivables from clearing house	145	-	145	-	145
Liabilities for which fair value is disclosed					
Deposit	155,068	55,619	99,449	-	155,068
Interbank and money market items - net	5,197	612	4,585	-	5,197
Liabilities payable on demand	180	180	-	-	180
Debts issued and borrowings	70,329	-	70,678	-	70,678
Securities and derivatives business payables	1,511	-	1,511	-	1,511

(1) Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 1,276 million.

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2017					
Book value	Fair value			Total	
	Level 1	Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Unit trusts	870	870	-	-	870
Investment properties	835	-	-	835	835
Office condominiums	544	-	-	544	544
Assets for which fair value is disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	237	7	230	-	237
Loans to customers and accrued interest receivables	3,540	-	-	3,540	3,540
Liabilities for which fair value is disclosed					
Debts issued and borrowings	7,440	-	-	7,440	7,440

(Unit: Million Baht)

	Separate financial statements				
	As at 31 December 2016				
	Book value	Fair value			Total
Level 1		Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Unit trusts	782	782	-	-	782
Investment properties	778	-	-	778	778
Office condominiums	544	-	-	544	544
Assets for which fair value is disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	534	7	527	-	534
Loans to customers and accrued interest receivables	1,803	-	-	1,803	1,803
Liabilities for which fair value is disclosed					
Debts issued and borrowings	5,930	-	-	5,930	5,930

Sensitivity to changes in unobservable inputs for non-financial assets

The Company and its subsidiaries have hired an appraiser licensed by the Securities and Exchange Commission, who used the Income Approach to calculate the fair value of investment properties and office condominiums. Under this approach the free cash flows that the Company and its subsidiaries expect to receive annually are discounted using rates that take into account borrowing rates and various risk factors.

The significant unobservable inputs used in the fair value measurement of investment properties and office condominiums are the growth rate of rental income and discount rate. The growth rate of rental income and discount rate used as inputs are 5% and 9%, respectively. Significant decreases in growth rates of rental income or increases in discount rates, in isolation, would result in a significantly lower fair value measurement of investment properties and office condominiums.

During the current year, there were no transfer within the fair value hierarchy.

4. Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)		
Annual dividends for 2015	The 2016 Annual General Meeting of the Shareholders on 21 April 2016	2.40	2.40	1,921	May 2016
Total dividend payment in year 2016				<u>1,921</u>	
Annual dividends for 2016	The 2017 Annual General Meeting of the Shareholders on 20 April 2017	3.50	3.50	2,802	May 2017
Total dividend payment in year 2017				<u>2,802</u>	

5. Significant events during the year**Increase in registered share capital of a subsidiary company**

A resolution passed by the Extraordinary General Meeting of the Shareholders of All-Ways Co., Ltd. (a subsidiary company) No. 3/2560, on 12 September 2017, approved an increase of Baht 600 million in its registered share capital, from Baht 100 million to Baht 700 million, by issuing 6,000,000 new ordinary shares. As a result, the number of ordinary shares will increase from 1,000,000 shares to 7,000,000 shares of Baht 100 each and they are to be 100% paid up. The meeting also approved the amendment of item No.5 in the memorandum of association, to state that the subsidiary's issued and fully paid-up registered capital is Baht 700 million, consisting of 7,000,000 ordinary shares of Baht 100 each. On 18 September 2017, the Company registered the increase in its share capital and the amendment of its memorandum of association with the Ministry of Commerce.

6. Approval of financial statements

These financial statements were approved by the Company's Audit Committee on 12 February 2018.

Summary of Specified Items per Annual Report (Form 56-2)

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Remark: Investors can study further information from the Company's 56-1 Form, which appears on www.sec.or.th or the Company website (www.tisco.co.th).



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