



**TISCO Financial Group Public Company Limited**  
**Annual Registration Statements 2008 (Form 56-1)**

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## **Part 1**

### **Executive Summary**

The year 2008 was a challenging year for the global economy and financial markets. The economy faced record high oil prices, followed by economic fallout from the sub-prime crisis, which was exacerbated by domestic political uncertainty. As a consequence, the Thai economy experienced a sharp downturn in consumer and business confidence, and reported a decline in economic growth of 4.3% for the last quarter. The SET index finished at 449.96 points by the end of the year, a sharp decline of 47.6% over the year with a net foreign capital outflow of 162 billion Baht.

Despite the challenging backdrop, TISCO Group maintained a strong operating performance in 2008. The Group reported a net income of 1,721 million Baht or 2.11 Baht per share, a 4.2% improvement from the previous year. While achieving strong growth momentum in the first half of 2008, TISCO showed resilience in the face of the economic and financial market turmoil which dominated the latter half of the year.

In 2008, core business of the Group continued to grow at a satisfactory rate in most areas. In banking, the loan portfolio expanded by 19.3% driven by continued strong growth in hire purchase, corporate and SME loans, despite shrinking demand in the slowing economy. With cost of funds well managed and asset yields sustained, net interest income increased by almost 20% over the year. Meanwhile, fee-based business has surged, with a rise in banking fee income as high as 41%, driven by great success in the bancassurance business.

Securities, on the other hand, were more affected by the economic collapse in the later half of the year. Securities brokerage fee income dropped by almost 17% following a sharp decline in market activity. Meanwhile, asset management fee income managed to grow at a slower rate of 2.9%, although the asset management market shrank by 13% following the decline in equity markets around the globe. On the bright side, our investment banking demonstrated steady growth, following our refocused strategies, as evidenced in an increase of 81% in investment banking fee income.

The hardest hit area was in proprietary trading, in which a net trading loss of 223 million Baht was recorded. Nonetheless, TISCO Group still exhibited solid financial performance with net revenue from core businesses recording continued growth and strong profitability over the year. Good asset quality was maintained as evidenced in the decrease of NPLs from 4.3% at the end of 2007 to 2.9% at the end of 2008. In addition, TISCO's capital position remained strong with the capital adequacy ratio (BIS Ratio) under the Basel II framework as high as 11.71%. With Tier-II subordinated debt being issued in the first quarter of 2009, it is expected that the BIS ratio of TISCO will be 13% or higher throughout 2009.

The year 2008 marked a key development in the completion of the holding company restructuring process for TISCO Group. Effective from January 2009, TISCO Group will operate with TISCO Financial Group Public Co., Ltd. as the new parent holding company whereby TISCO Bank, the former parent company, will become a subsidiary company. The tender offer process for share swaps which took place during December 2008 – January 2009 resulted in 99.51% of shares swapped in the restructuring process, reflecting genuine understanding of the benefit of the new holding structure. We take this opportunity to thank our shareholders for their continued support of the Group's restructuring.

Under the new structure, TISCO Financial Group, the parent company, operates as the governance body, overseeing group governance, strategy & business direction, risk management and control, finance, accounting, and human resource management for the group. Subsidiary companies, including TISCO Bank, TISCO Securities, TISCO Asset Management etc., operate as strategic business units, providing financial services to clients in various sectors. Under the new operating structure, maximum flexibility will be wielded in terms of business management while also ensuring optimal management and control of resources as well as good standards of governance.

TISCO Group also celebrated the year end with the addition of a new member to the group - TISCO Tokyo Leasing, a new subsidiary joint venture company with Tokyo Leasing, a leading Japanese company. The company, 49% owned by TISCO Financial Group, provides machinery and equipment financing for clients in the Japanese market.

In addition, TISCO Group also successfully acquired Primus Leasing Company Limited, a captive leasing company for vehicles under the Ford, Mazda and Volvo brands, with total assets of around 7 billion Baht. The acquisition marks another important milestone in business expansion for TISCO Group, even amidst the troubled economic conditions in 2009. The business acquisition will result in TISCO becoming the sole partner in auto floor plans and leasing with the Ford group in Thailand.

In 2008, TISCO Group continued to receive numerous prestigious awards, reflecting group business excellence. The Group received the "Top Corporate Governance Report Award" at the SET Awards 2008, an event organized by the Stock Exchange of Thailand to honor outstanding listed companies, securities companies and asset management companies which performed best in their category.

The Group was also voted "Best Managed Company" (Mid-Cap category) for Thailand in the Asia's Best Managed Companies Poll 2008 by Finance Asia Magazine, reflecting the opinions of investors, financial analysts and investment professionals in the region. TISCO Bank also ranked first in the Asset Currency Bond Benchmark Survey for Thai Baht Corporate Bonds as the "Best Bank in Thai Baht Corporate Bonds 2008", the result of a survey of more than 300 institutional investors across nine markets in Asia reflecting their opinions regarding dealer services in the region.

In continuing our commitment to Corporate Social Responsibility (CSR), in 2008, the TISCO Foundation granted 5,532 scholarships to needy students at more than 700 educational institutions and donated 106 used computers, books, stationery, school uniforms and educational equipment to under-resourced schools throughout the country. Sixty per cent of the scholarships are provided on a long-term basis to allow the recipients to continue their studies until completion.

Looking forward, the business outlook for 2009 will be challenging. After enjoying a strong and sustained period of expansion with GDP growth averaging 5.5% per year over the past decade, Thailand cannot escape the adverse consequences of deteriorating global economic conditions. With negative GDP growth expected for 2009, our strategy for going through this difficult period will be more prudent and stringent business growth and asset quality. Tight management of risk, capital and costs will be a priority as we redouble our efforts in this turbulent time.

Finally, the board wishes to convey its gratitude to all of TISCO's clients and shareholders for their commitment and support, and would like to extend special thanks to management and staff for their dedication, diligence and contributions throughout the year.

**Board of Directors**

## **Part 2**

### **The Company**

<b>Company Name</b>	:	TISCO Financial Group Public Company Limited (hereafter "Company" or "the Company")
<b>Type of Business</b>	:	Holding Company
<b>Address</b>	:	Fl.21, TISCO Tower, 48/49 North Sathorn Road, Silom, Bangrak, Bangkok 10500
<b>Registration Number</b>	:	0107551000223
<b>Paid-up Capital</b>	:	7,246,064,050 Baht comprised of 541,179,179 common shares and 183,427,226 preferred shares, both with par value of 10 Baht per share.
<b>Home Page</b>	:	<a href="http://www.tisco.co.th">www.tisco.co.th</a>
<b>Telephone</b>	:	(66) 2633 6888
<b>Fax</b>	:	(66) 2633 6880

#### **Reference:**

<b>Share Registrar</b>	:	<b>Thailand Securities Depository Co., Ltd.</b> Capital Market Academy Building, 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road Tung Song Hong, Laksi, Bangkok 10210 Tel. 0 2596 9000 Fax. 0 2832 4994-6
<b>Auditor</b>	:	<b>Mr. Narong Puntawong</b> Certified Public Accountant (Thailand) Registration No.3315 Ernst & Young Office Limited 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90

**Subsidiaries' Head Office:**

TISCO Financial Public Company Limited invests in companies by holding shares more than 10% of total paid-up share as detailed as follows;

Company/Address	Type of Business	Type of share	Issued Share	No. of share held	Proportion of share held (%)
<b>TISCO Bank Public Company Limited</b> 48/2 1th Floor, TISCO Tower, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 Fax. 0 2633 6800	Commercial Bank	Common  Preferred		726,952,407 <sup>/1</sup>  41,200 <sup>1</sup>	99.8
<b>Hi-Way Company Limited</b> 2046/16 New Petchaburi Road, Bangkok 10310 Tel. 0 2319 1717 Fax. 0 2314 5095	Hire Purchase and Leasing	Common	1,000,000	999,997	100.0
<b>TISCO Securities Company Limited</b> 48/8 4th Floor, TISCO Tower, North Sathorn Road Silom , Bangrak, Bangkok 10500 Tel. 0 2633 6616 Fax. 0 2633 6400	Securities	Common	150,000,000	150,000,000	100.0
<b>TISCO Asset Management Company Limited</b> 48/16-17 9th Floor, TISCO Tower, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7777 Fax. 0 2633 7300	Asset Management	Common	1,000,000	1,000,000	100.0
<b>TISCO Information Technology Company Limited</b> 48/12 6th Floor, TISCO Tower, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7766 Fax. 0 2633 7600	Service Support	Common	200,000	199,997	100.00
<b>TISCO Tokyo Leasing Company Limited</b> 48/44 19th Floor, TISCO Tower, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2638 0900 Fax. 0 2638 0913	Hire Purchase and Leasing	Common	60,000	29,400	49.0
Primus Leasing 48/49 21th Floor, TISCO Tower, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7766 Fax. 0 2633 7600	Ceased business	Common			100.0

## 1. Risk Factors

### Overview of Risk Management

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

### Risk Management Policy

Overall risk management policy encompasses the following structures:

1. Consolidated and centralized risk management  
Risk management infrastructure is centralized by consolidating risk exposure from all subsidiaries under TISCO Financial Group through careful risk assessment and the establishment of appropriate risk guidelines and procedures.
2. Business line accountability, independent risk oversight  
Each business line is accountable for managing its own risks in the best interests of TISCO Group while complying with risk management policies, guidelines, and procedures. Independent risk oversight and check-and-balance system have been established to ensure that risks are adequately monitored and controlled.
3. Comprehensive risk assessment  
Risk assessment is performed comprehensively in all key activities. Risk assessment methodologies may range from basic approaches such as expert judgments to more advanced approaches such as quantitative and statistical analysis, depending on the size and complexity of the risks involved. These assessments are in turn supplemented by fundamental risk analysis and stress testing of extreme risk events.
4. Capital management based on standardized risk tools  
Capital represents the ultimate interests of the shareholders. All risk exposures are quantified into a standardized risk measure called Value-at-Risk (VaR) which can relate risks to the amount of capital required to protect against them according to predefined risk limits. Risk capital enables management and business line managers to understand the level of risks being taken in a meaningful manner. Risks from different levels are integrated to produce an overall risk picture of TISCO Group, which is used for capital adequacy planning and strategic capital allocation both at the corporate and business unit level.
5. Adequate return for risk and risk-adjusted performance management  
To promote shareholder value creation, risk components are incorporated into business performance measurements with the objective of maximizing risk-adjusted returns for shareholders. Product pricing takes into account varying risks to ensure overall profitability. Business expansion is advocated in the areas where marginal risk-adjusted returns are in excess of the marginal risks.
6. Portfolio management, diversification and hedging  
Risk diversification is a key risk management principle in all business activities. Diversification is considered and adopted by management and business line managers both at the portfolio and transaction levels as an effective approach to reducing the aggregate level of risks in accordance with certain guidelines and limits.
7. Strong Risk Awareness Culture  
Awareness and understanding of risks and risk management are important for the accountability of risk management. Business heads are expected to have a high degree of awareness and understanding of the risks in their accountable areas and how they contribute to the overall risk of the corporate as a whole.
8. Regulatory best practice  
TISCO Group has adopted risk management policies and guidelines that comply with all regulations and best practice standards of the Bank of Thailand (BoT), the Securities and Exchange Commission (SEC) and other regulatory bodies.
9. New Business or Product  
All new businesses or products shall be approved by the portfolio risk authority and relevant specific-area risk authority according to the procedure outlined in the risk management guideline. New business or product will be evaluated in terms of its risk-reward characteristics, the contributions to the overall corporate risk profile, and the consistency with corporate capital capacity.

#### 10. Related Party Transaction

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

#### 11. Stress Testing

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

### **Risk Management Framework**

In accordance with enterprise-wide risk management policies and objectives, risk management and internal control have been monitored and controlled by the Board of Directors of TISCO Financial Group with the delegation to the Executive Board of Directors of TISCO Financial Group. An effective management process has been established for assessing and managing all firm-wide risk exposures at both the portfolio and transactional levels to ensure the financial soundness and safety of TISCO Group. Senior Management and relevant business advisory committees oversee the entire risk management framework and strategy for all business areas supported by planning and budgeting function. Risk Management Committee, supported by risk management and operational risk management functions, is set up to oversee that enterprise-wide risk management of the group is undertaken according to the same standard. Specific-area risk authorities are then established to manage in-depth, transaction-level risks in each particular area, such as the Credit Committee, Problem Loan Committee, and Head of Credit Control. These mechanisms are in turn supported by the Office of the Credit Committee and functions governing internal controls, compliance, and legal issues. 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 report 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 TISCO Financial Group has assigned Executive Board the task of overseeing and monitoring risk management activities by reviewing and approving relevant policies and guidelines on an annual basis. This is achieved by setting risk limits and risk appetites, and ensuring the establishment of effective risk management systems and procedures in accordance with the standard practices of risk identification, assessment, monitoring and control, all of which are in line with the Audit Committee standards.

- Board of Directors of Subsidiaries

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

- Risk Management Committee

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



- Specific-Area Risk Authorities

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

## Risk Types

### 1.1 Credit Risk

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

- Credit Risk Management Framework

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

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

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

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

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

#### 1.1.1 Default Risk

Non-performing loans of TISCO Group are effectively managed by applying advanced risk management tools through prudent collection and follow-up, loan restructuring, and write off process resulting in a lower NPLs to decrease from 4.3% at the end of 2007 to 2.9 % of total loans and receivables. In addition, the NPLs of 2.4% and 3.1% were from retail loans and commercial loans respectively. The non-performing loans held by TISCO Group decreased by 766.99 million Baht or 20.4% to 2,984.42 million Baht including 2,566.08 million Baht of TISCO Bank and 418.34 million Baht of subsidiaries.

TISCO Group set up reserve allowance against potential loan loss for hire purchase portfolio following Basel II rules and regulations as well as Collective Approach. Reserve allowance is set equivalent to the estimation of expected loss using historical loss of loan portfolio with an update on regular basis. TISCO Group set aside a total reserve allowance for covering doubtful accounts and losses on debt restructuring of 1,854.53 million Baht which accounted for 62.1% of NPLs. Out of TISCO Bank's reserve 1,604.48 million Baht, 1,337.89 million Baht represented specific reserves for loan class assets and 266.59 million Baht represented general reserves. Given a conservative provisioning policy, TISCO Group's total reserve were higher than BOT requirements at 1,270.58 million Baht.

#### 1.1.2 Concentration Risk

As of December 31, 2008, hire purchase and commercial loans represented 75.0% and 18.9% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 77,287.11 million Baht outstanding. Top-10

borrower exposure stood at 134.85 million Baht or 0.17% of the total hire purchase portfolio, or equal to 0.13% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into three different sectors: manufacturing and commerce, 7,342.21 million Baht; real estate and construction, 8,807.72 million Baht; and public utilities and services, 3,212.80 million Baht. Lending to the above industrial sectors represented 37.68%, 45.20%, and 16.49% of the total commercial loan portfolio, and 7.1%, 8.5%, and 3.1% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 11,842.54 million baht or accounted for 11.5% of the total credit portfolio. There is slight concentration in real estate and construction sector which has been managed under risk management procedure. However, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Additionally, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

### 1.1.3 Collateral Risk

As of December 31, 2008, about 96,056.71 million Baht or 94.6% of the total lending portfolio in TISCO Bank was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by TISCO Group. In case the borrowers of hire purchase loans cannot meet the terms and conditions, TISCO Group can follow up and seize the underlying assets immediately. After repossession, the process of asset liquidation can be completed within one month.

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

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

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to International Accounting Standard No. 39 from BoT rules and regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 26.8% of the total outstanding NPLs.

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

### 1.1.4 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 realisable value. Outstanding assets in the process of liquidation held by TISCO Group as of December 31, 2008 were worth 1,005.71 million Baht, or 0.8% of total assets. Allowances for impairment stood at 4.2% of total foreclosed assets.

## 1.2 Market Risk

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

- Market Risk Management Framework

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

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

addition, Stress testing in place as a supplement to VaR is performed under various extreme scenarios. The risk assessment and corresponding risk treatment has taken into account the transaction intent as well as the market liquidity of the securities.

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

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

### **1.2.1 Equity Price Volatility**

As of December 31, 2008, the equity portfolio stood at 2,642.72 million Baht, of which 866.38 million Baht was listed equity in current market value and 1,776.34 million Baht was non-listed equity in book value.

In 2008, TISCO Group lost from equity investment of 222.61 million Baht. However, there was an unrealized loss of 404.64 million Baht in the available-for-sale portfolio, which have not been realized in the financial performance during the year.

#### **(1) Listed Equity Risk**

Listed equity investment portfolio in available-for-sale book stood at 1,095.42 million Baht in which a change in its value would impact the equity through unrealized gains or losses. As of December 31, 2008, unrealized gain from available-for-sale investments equaled 404.64 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. Daily VaR at a 99% confidence level, as of December 31, 2008, was 56.40 million Baht, down from 108.24 million Baht as of December 31, 2007 as a main result of decreasing equity position following the largely deteriorated stock market from both negative domestic and global factors together with liquidations of the portfolio 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 1,776.34 million Baht, increased from 1,284.12 million Baht in December 31, 2007. The increased value was mainly due to the purchase of receivables from TISCO Leasing Company Limited, 209.82 million Baht, as investment portfolio. In case of excluding the purchase of receivables from TISCO Leasing Company Limited as an investment, the outstanding value is 646.12 million Baht, decreasing from 678.77 million Baht from the end of 2007.

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.

### **1.2.2 Interest Rate Risk**

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

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

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

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO Group's interest-bearing assets and liabilities structure, as of December 31, 2008, 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	30,245.57	33,980.65	25,813.45	36,276.36	126,316.04
Liabilities	(40,438.49)	(60,059.97)	(6,180.97)	(1,804.92)	(108,484.34)
Net Gap	(10,192.92)	(26,079.31)	19,632.48	34,471.44	17,831.69

Under the change of interest rate within 1 month, TISCO Group had liabilities over assets cause the net gap to stand at 10,192.92 million Baht. The negative gap shown was mainly from an increase of the portion of short-term deposit specifically saving and current account which are less sensitive to the interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Group was exposed to a small interest rate rise. However, under the current circumstances, it is only expected that minimal market interest rate will rise.

## (2) Fixed-Income Risk

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

TISCO Group's fixed-income portfolio as of December 31, 2008 stood at 2,712.75 million Baht, an increase of 1,321.92 million Baht compared to the end of 2007. Average duration of the bond portfolio and debenture portfolio in TISCO Bank were 0.26 years and 0.11 years, respectively. Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

### 1.3 Liquidity Risk

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

#### ▪ Liquidity Risk Management Framework

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

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

As of December 31, 2008, the value of liquid assets is 16,892.72 million Baht; comprised of cash at 595.57 million Baht compared to 439.90 million Baht in December 31, 2007, net transactions with banks and money market at 13,590.72 million Baht compared to 1,050.15 million Baht as of December 31, 2007 and net current investment at 2,706.17 million Baht compared to 1,575.02 million Baht in December 31, 2007.

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 1,572.25 million Baht. However, 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. An important liquidity ratio which is a loan to deposit ratio stood at 103.16%, a decrease from last year at 126.2%.

In order to provide more alternatives in investments for the public and the Bank's depositors as well as to enhance flexibility and variety of funding structure management, in December 31, 2008, the Bank reported the outstanding debentures of 4,000 million Baht with a maturity between 2-4 years, including bill of exchange amounted of 41,437.42 million Baht.

#### 1.4 Operational Risk

Operational risk comes in the form of operational losses caused by the failure or inadequacy of internal processes, people, systems, non-compliance to laws and regulations or external factors. These include both financial and non-financial damages to TISCO Group, by potentially affecting its reputation and future business opportunities. In year 2008, TISCO Group expanded the business into various aspects in both extending the existing businesses as well as setting up the new businesses, therefore, operational risk increased accordingly following the business expansion. Nevertheless, TISCO Group established new business guidelines aimed to examine inherent risk of new business and ensure that the incremental risk shall be justified. In term of operational risk in each process the compliance and internal control department shall ensure that prudent control processes are in place and appropriate for the risk incurred.

- Operational Risk Management Framework

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

The Risk Management Committee of TISCO Financial Group oversees and periodically assesses a firm-wide framework for operational risk management. At each business level, the Head of Compliance and internal control is accountable for managing the operational risks of each business line, within an established risk policies and guidelines. All internal control processes are examined by the Audit Committee, which directly reports to the Board of Directors of TISCO Financial Group. Additionally, Operational Risk Management function has been established in order to assess and identify the incurred risks as a key part of enhancing monitor and control systems. Along with the Basel II requirement and the BoT regulation, TISCO Group has started in collecting necessary data of operational losses in transaction level together with the annual operational risk self assessment in each function covering all areas of the group for further risk assessment as well as important data in developing operational risk framework, in accordance with the best practice guidelines of the BoT and the Basel Committee on Banking Supervision.

Additionally, TISCO Group has been prepared for operational risk of extreme event that could disrupt normal business operations. TISCO Group has been establishing the business continuity plan of all key operations along with existing IT Disaster Recovery plan to control and ensure that necessary operational are always available to the group-wide business continuity management team.

TISCO Group provides business in a number of different ways which operate under various regulators e.g. the Bank of Thailand, the Securities and Exchange Commission and the Stock Exchange of Thailand. Therefore, the change in laws, rules and regulations as external factor shall affect TISCO Bank and subsidiaries' performance including Basel II accord, International Accounting Standard No. 39, Consolidated Supervision as well as Deposit Protection Agency Act. The adoptions of those laws and regulations may affect directly to provision allowance, capital requirement, and financial performance of TISCO Group. For the Basel II capital requirement, as assessed, the Bank has strong capital to support the new requirement. However, to mitigate the risks, Legal department, Compliance and internal control department, Risk Management department as well as Operational Risk Management department are responsible for studying the impacts and fine-tuning the operating procedures following those rules and regulations. Those departments also provide consulting services, offer recommendations, and coordinate with related business units to ensure TISCO Group's full compliance.

#### 1.5 Strategic Risk

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

- Strategic Risk Management Framework

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

### **1.5.1 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.

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

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

### **1.5.2 Risk from Capital Adequacy**

As of December 31, 2008, under the Basel II-Standardised Approach, the Bank's capital adequacy ratio stood at 11.71%, well above the BoT requirement of 8.5%. As an internal risk measurement of capital adequacy, the risk-based capital requirement stood at 8,467.50 million Baht, accounting for 73.4% of the total capital base of 11,535.60 million Baht. Additionally, the Bank maintained provisions against potential loan losses 25.5% higher than BoT requirements. However, during the first quarter of 2009, TISCO Group planned to issue subordinated debenture with amount of 2,000 million Baht to increase Tier II capital and will improve capital adequacy ratio more than 2%.

Based on capital adequacy of Basel II requirements which were in effective at the end of 2008, the Bank has adopted the Standardised Approach for capital requirement calculation and also parallel calculated capital requirement under the Internal Rating Based Approach which will be in effective with phase rolled out at the end of 2009. As calculated, the Bank has strong capital to support the new requirement. Considerably, after implementation of Basel II, the Bank benefits from the new capital requirement since the required capital for retail loans is lower than that under the current capital requirement and the risk from capital adequacy also declines.

### **1.5.3 Risk from Subsidiaries' Financial Performance**

TISCO Financial Group was established with the purpose of investing in other companies only. Therefore, the performance of TISCO Financial Group depends on the performance of invested companies. Subsidiaries' risks involve the risk of TISCO Bank's business operation which is a core business of TISCO Financial Group and other subsidiaries' business operations. TISCO Financial Group holds shares of all six 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 TISCO Financial Group's performance. In effect, the dividend payment to shareholders may also be volatile.

As of December 31, 2008, net profit of TISCO Bank and subsidiaries was 1,720.61 million Baht including net profit of 245.59 million Baht from subsidiaries. Although the subsidiaries experienced outstanding business performance and generated profits to TISCO Financial Group, however, investment strategy is important in the future. Therefore, the Board of Directors meeting has defined the investment policy for TISCO Financial Group where TISCO Financial Group will invest in those businesses having ability to support the competitive efficiency of the group. Besides, the market and industry trends, competitive environment and long-term profit making capability together with prudent risk management shall be considered.

Net income from subsidiaries accounts for 29.4% of total net income, which significantly affects the overall TISCO Group's income. Net income from subsidiaries can be broken down into three streams: 8.3% from brokerage, 1.1% from investment banking, and 7.8% from asset management. Additionally, the net income from brokerage and investment banking are from TISCO Securities while net income from asset management is from TISCO Asset Management.

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

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

## **1.6 Other Risks**

### **1.6.1 Risk Concerning the Rights from Holding Securities**

As of December 31, 2008, the TISCO Financial Group's paid-up shares were divided into 541,179,179 common shares and 183,427,226 preferred shares. Preferred shareholders will receive rights and interest privileges beyond those of common shareholders as detailed below.

Preferred shares can be converted into common shares on a 1:1 basis and have the same rights and benefits as those of common shareholders except:

- (1) Preferred shareholders will receive a dividend of 1 Baht per share prior to common shareholders. In addition, the Bank may pay dividends to preferred shareholders without making payment to common shareholders.
- (2) Preferred shareholders have the first right to claims, in the case of bankruptcy, prior to common shareholders.
- (3) Preferred shareholders have the right to reduce capital after the common shareholders in the event of a capital decrease to eliminate retained losses.

The above rights of preferred shares will expire on June 30, 2009. More detailed information is presented in Section 8 : Capital Structure.

## 2. Overview of TISCO Business

### 2.1 History and major developments

In 2008, TISCO Group implemented the Holding Company Restructuring Plan which 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 submitted application to establish the Financial Group to the Bank of Thailand by set up a new company, TISCO Financial Group Public Company Limited, a non-bank public company limited to be a holding company and parent company of the group in place of TISCO Bank. TISCO Financial Group Public Company Limited ("the Company") shall make a tender offer of all securities of TISCO Bank in exchange for newly issued securities of its securities at swap ratio of 1:1. After successful tender offer, the Company acquired all stakeholding in TISCO Bank and subsidiaries<sup>1</sup> identical to shareholding structure of TISCO Bank before restructuring and acquired all shares of Tokyo Leasing (Thailand) Company Limited<sup>2</sup>. Moreover, TISCO Financial Group Public Company Limited has already operated since January 1, 2008.

The Holding Company Restructuring Plan has 3 main objectives which are 1) Risk Reduction: Under the new shareholding structure, TISCO Bank will become the subsidiary company and holds no shares in other subsidiaries within TISCO Group. Operating risks for other subsidiaries will be segregated from each other and will no longer be overlapping. 2) Capital Efficiency: Under the new shareholding structure TISCO Bank will become sold financial institution and no longer hold shares in subsidiary companies, while investment in subsidiaries will be sold from TISCO Bank and deducted from calculation of investment limited. 3) Business Opportunity: Under the new structure, flexibility for engaging in new business opportunities at each subsidiary level e.g. strategic alliance, joint venture etc. can be increased, compared to previous structure which TISCO Bank was parent company, the group was somewhat rigid in exploring and engaging in new business opportunities, given concerns on the implication to the banking operation.

At the present, the Holding Company Restructuring Plan which TISCO Financial Group Public Company Limited is the parent company of TISCO Group, has completed which the Company can acquire 99.5% of TISCO Bank's issued securities and listed on the Stock Exchange of Thailand in place of TISCO Bank and simultaneously, delisted from the Stock Exchange of Thailand on January 15, 2009. In addition, TISCO Financial Group Public Company Limited directly hold shares in 6 subsidiary companies which are 1) TISCO Bank Public Company Limited 2) Hi-Way Co., Ltd. 3) TISCO Securities Co., Ltd. 4) TISCO Asset Management Co., Ltd. 5) TISCO Information Technology Co., Ltd. 6) TISCO Tokyo Leasing Co., Ltd.

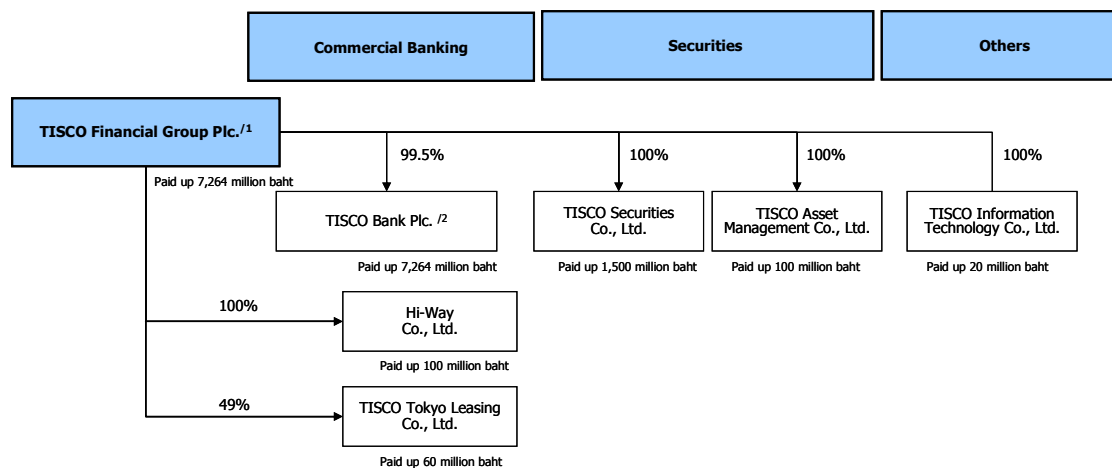
<sup>1</sup> Except the company which will be ceased and the company in liquidation process.

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



## 2.2 Businesses of the Bank and subsidiaries

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



/1 Listed on the Stock Exchange of Thailand.  
/2 Delisted from the Stock Exchange of Thailand

## 2.3 Revenue structure

The revenue structure of the TISCO Group is as follows.

(unit: million Baht)

	2006		2007		2008	
	Amount	%	Amount	%	Amount	%
<b>Interest and dividend Income</b>						
- TISCO Bank Plc.	4,484	87.1	5,903	112.7	6,817	128.3
- Hi-Way Co., Ltd.	881	17.1	824	15.7	619	11.6
- TISCO Leasing Co., Ltd.*	133	2.6	136	2.6	79	1.5
- Other Subsidiaries	207	4.0	81	1.5	71	1.3
<b>Total Interest and Dividend Income</b>	<b>5,705</b>	<b>110.8</b>	<b>6,944</b>	<b>132.6</b>	<b>7,586</b>	<b>142.7</b>
Total Expenses on Borrowings	2,899	56.3	3,456	66.0	3,424	64.4
<b>Net Interest and Dividend Income</b>	<b>2,806</b>	<b>54.5</b>	<b>3,488</b>	<b>66.6</b>	<b>4,162</b>	<b>78.3</b>
Bad debts and doubtful accounts (Reversal)	(50)	(1.0)	695	13.3	980	18.4
<b>Net interest and dividend income after bad debt and doubtful accounts</b>	<b>2,856</b>	<b>55.5</b>	<b>2,793</b>	<b>53.3</b>	<b>3,181</b>	<b>59.8</b>
<b>Non-interest Income</b>						
- TISCO Bank Plc.	1,170	22.7	1,016	19.4	935	17.6
- TISCO Securities Co., Ltd.	656	12.7	831	15.9	588	11.1
- TISCO Asset Management Co., Ltd.	296	5.7	478	9.1	491	9.2
- Other Subsidiaries	171	3.3	119	2.3	120	2.3
<b>Total Non-interest Income</b>	<b>2,293</b>	<b>44.5</b>	<b>2,444</b>	<b>46.7</b>	<b>2,134</b>	<b>40.2</b>
<b>Total interest and dividend income after bad debt and doubtful accounts and Non-interest income</b>	<b>5,149</b>	<b>100.0</b>	<b>5,237</b>	<b>100.0</b>	<b>5,315</b>	<b>100.0</b>

\*The company has ceased its operations and is entering liquidation process.

## 2.4 TISCO Group Business Strategy

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

### **Vision, Mission and Values for business operations**

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

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

Our Mission: "We are a constantly learning organization that strongly adheres to the highest standards of professionalism and good corporate governance. We are committed to providing competitive and innovative financial solutions that ensure complete customer satisfaction. We are also dedicated to investing in our people and providing them with every opportunity for career development."

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

1. **Customer Priority** : Customers are our primary focus. Their needs are our priority. TISCO group derives a professional and practical solution that fulfills our customers' requirements.
2. **Integrity** : Customers are assured of our unyielding commitment to ethical conduct, which is projected in all aspects of our undertakings. Dependable and constant in our actions, we endorse our values through our actions.
3. **Reliability** : We raise the quality of client relationship by infusing excellence and integrity into all our dealings. Clients are offered the knowledge base and experience of our integrated resources. The measure of client progress and satisfaction is our base for evaluation.
4. **Mastery** : Serving our customers by constantly and progressively improving our abilities through a sustained passion for knowledge. Our people are trained to demonstrate exceptional skills and show the ability to lead others.

### **Strategic Plan and Strategy Map**

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

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

### **Strategic action for the organization**

To achieve the organization's goals, within the Vision and Mission framework, the Bank has determined strategic actions as follows:

1. Deliver the best solutions for clients in order to satisfy their needs by transforming the organization to become Customer Centric, which were previously structured as Product Centric.
2. Enhance distribution channels and the marketing team as well as continually identify new business opportunities in niche markets in order to maximize customer reach. In addition, the Bank offers services and products totally based on clients' needs, with an aim to maximize customers' satisfaction.

3. Emphasize on quality product development to deliver the best solutions for clients, including enhance banking infrastructure and automate working process to support growth in business volume and service channels.
4. Build corporate branding and preserve corporate image in order to widely promote TISCO Bank's product and services as well as business synergy among companies in TISCO Group. Customer Relationship Management is also employed for business opportunity expansion as well as maintaining good relationship with clients.
5. Focus on improving information technology, business decision support system and personnel development in order to shift efficiency in business operations and fully utilize the banking platform.

### 3. Business Operations by Area

TISCO Financial Group Public Company Limited ("the Company"), the parent company of TISCO Group ("the Group"), and its subsidiaries operate two main businesses: commercial banking and securities.

**Commercial banking business:** TISCO Group offers financial services under its Commercial Banking Business license. Banking services are offered through the TISCO Bank ("The Bank")'s headquarters, its subsidiaries, as of December 31, 2008, the Bank has 33 branches in every regions of Thailand. In Bangkok, the Bank branches are Rattanaithibet, Srinakarin, Rangsit, sub-branch at New Phetchburi Road, sub-branch Central World, sub-branch Fashion Island, sub-branch the Old Siam, sub-branch Asoke, sub-branch University of the Thai Chamber of Commerce, sub-branch Pakin Building and sub-branch Central Chaeng Watthana. In the North, the Bank branches are in Chiang Mai, Phitsanuloke, and Nakhon Sawan. Covering the Northeast are branches in Nakorn Ratchasima, Khon Kaen, Udon Thani, Ubon Ratchathani and Surin. In the East, they are located in Chonburi, sub-branch Si Racha, Rayong and Chantaburi. The Central region is served by the Bank's branches in Ratchaburi, Saraburi, Ayutthaya, Nakorn Pathom and Samutsakhon while the South is host to the Bank's branches in Phuket, Songkhla, Surathani, Trang and Krabi.

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

#### 3.1 Area of Services

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

##### 1. Retail and SME Banking

Retail and SME Banking provides three service types as follows:

###### 1.1 Retail and SME Loans

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

- **Hire-Purchase Financing**

Hire-purchase financing are operated by TISCO Bank Plc, TISCO Leasing Co., Ltd.<sup>1</sup>, TISCO Tokyo Leasing Co., Ltd.<sup>2</sup> And Hi-Way Co., Ltd. allow borrowers to buy assets under hire-purchase terms. The buyer makes a down payment at the predetermined proportion of asset value and pays equal installment amounts over the contract period. The ownership of assets is then transferred to the buyer after all installments are paid. Contract periods run from one to six years. A fixed interest rate is charged in line with the market rate on the contract date.

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

Hire-purchase, as one of the Bank's major businesses, has experienced continuous growth for years. It recorded 19.5% growth as of December 31, 2008, with 77,287.11 million Baht in loans in the hire-purchase portfolio, up from 64,684.40 million Baht at the end of 2007.

<sup>1</sup> Ceased business operation on October 2008 and will be entering the liquidation process

<sup>2</sup> Joined TISCO Group on December 30, 2008

**Table shows details of car and motorcycle hire purchase loans**

Hire Purchase	December 31, 2007 (million Baht)	December 31, 2008 (million Baht)	Growth rate (%)
Car	62,053.11	75,061.42	21.0
Motorcycle	2,631.29	2,225.69	(15.4)
<b>Total</b>	<b>64,684.40</b>	<b>77,287.11</b>	<b>19.5</b>

The Group's strategy is to continue on expanding hire-purchase financing to benefit from strong market demand by offering a variety of high quality services, rather than low pricing. However, the interest rates charged are competitive and the maximum payment period is in compliance with the BoT rules.

#### • Consumer Loans

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

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

Mortgage loans as of December 31, 2008 was 1,706.03 million Baht, decreased by 9.6% from 1,887.89 million Baht in 2007.

**Consumption Loans** is operated by TISCO Bank, provides multipurpose lending for individuals such as personal loans, loans against car registration, loans for insurance premiums, and loans for provident fund members. The repayment period is varied from 6 to 30 months depending on cash flow and client's earning ability.

Consumption loans as of December 31, 2008 was 4,628.50 million Baht, increased by 9.4% from 4,231.56 million Baht in 2007 as illustrated in the following table:

**Table shows details of retail loans**

Retail Finance	December 31, 2007		December 31, 2008		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	
Hire purchase loans	64,684.40	91.3	77,287.11	92.4	19.5
Mortgage loans	1,887.89	2.7	1,706.03	2.0	(9.6)
Consumption loans	4,231.56	6.0	4,628.50	5.6	9.4
<b>Total</b>	<b>70,803.85</b>	<b>100.0</b>	<b>83,621.64</b>	<b>100.0</b>	<b>18.1</b>

#### **Customer and Distribution Channels**

Target customers of the hire-purchase business are individuals with annuity income or salary and good repayment record. The Group service's channels operate through the Bank's headquarters and its subsidiaries totaled 33 branches (24 full branches, and 9 sub branches in all regions) and other subsidiary companies. The car hire-purchase business in the TISCO group is operated by TISCO Bank PCL, TISCO Leasing Co., Ltd.<sup>1</sup> and TISCO Tokyo Leasing Co., Ltd.<sup>2</sup> while motorcycle hire-purchase is operated by Hi-Way Co., Ltd. TISCO Group has an assured client base via dealer which major portion of client base are fixed income individual with well payment background.

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

<sup>1</sup> Ceased business operation on October 2008 and will be entering the liquidation process

<sup>2</sup> Joined TISCO Group on December 30, 2008

## **1.2 Retail Deposit**

The Bank has provided deposit services, mainly consisting of current deposits, savings deposits and fixed deposits. The services include financial-related products such as cashier cheques, bill payments and money transfers through its headquarter and branches channels. In 2008, TISCO Bank has incorporated with Thai Smart Card Company Limited to issue TISCO Purse which is considered as a bundle of ATM and E-money Card. TISCO Purse is designed for conduct electronic money transaction through TISCO's E-money ATM (ETM) and ATM pool system by other banks' ATM. This will response to retail banking strategy in order to acquire new customer by offering diversified banking products. In addition, the Bank, partnering with Ayudhya Allianz C.P. Life Pcl., is the first bank offering fixed deposit/bill of exchange with health insurance with high coverage for both in-patient and out-patient. The product gets well response from customers which indicates the success of marketing strategy by offering wide-range of products that serves customer's needs.

## **1.3 Bancassurance**

The Bank has been granted Insurance Broker License since October 2005 from the Department of Insurance, under the Ministry of Commerce. The Bank operates as a life and non-life assurance broker, which provides life insurance, health insurance, credit insurance, motor insurance, fire insurance, and miscellaneous insurance such as personal accident insurance, travel abroad insurance, cancer insurance, etc. To increase competitive advantage, the Bank signed an agreement with American International Assurance Company Limited (Thailand), a well-known insurance company, to develop strategic alliance in operating bancassurance businesses. There are 116,488 hire-purchase customers who held Auto-Loan Protection (ALP) from total of 120,000 customers. Moreover, the Bank and its business alliance developed a bancassurance product offering saving deposit with life and accidental insurance (TIP Saving) in order to capture insurance client who wish to pay periodical insurance premium via bank account. And the product receives well response from customers.

## **2. Private Clients and Asset Management**

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

### **2.1 Private Banking**

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

### **2.2 Private Sales Brokerage**

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

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

TISCO Securities Co., Ltd.'s market share by individual customer as of December 31, 2008 remained at 2.2%, slightly declined from 2.3% in 2007. Aligning with institutional brokerage segment, the strategy for Private Sales Brokerage aims at expanding the market aggressively, and enhancing the quality of securities research. TISCO Securities Co., Ltd. regularly organizes seminars for customer to update information about financial market and capital market. In 2008, TISCO Securities Co., Ltd. expanded its derivatives brokerage business by provided Stock Futures service in order to provide investment alternative and respond to customer's need. In addition, TISCO Securities Co., Ltd. was the first company providing Derivatives Trading Workshop that allows investor to trade in the simulation market. The workshop is organized on regular basis in order to prepare the investor for transaction in the derivatives exchange market.

**Table shows information on TISCO securities business**

(unit: million Baht)

Information of TISCO Securities Business	2006	2007	2008
<b>Trading values categorized by Individual Customer</b>	<b>90,880.00</b>	<b>100,536.35</b>	<b>89,952.90</b>
<b>Trading values classified by types of transactions</b>			
- Cash Account			
Place orders via internet	17,847.45	25,752.64	28,767.74
Place orders via marketers	73,032.35	74,783.71	61,185.16
<b>Market Share – Company<sup>1</sup></b>	<b>3.2</b>	<b>3.0</b>	<b>2.7</b>
<b>Market Share – Individual Customer<sup>1</sup></b>	<b>2.1</b>	<b>2.3</b>	<b>2.2</b>

<sup>1</sup> SET and MAI  
Source: TISCO Securities Co., Ltd.

### 2.3 Asset Management

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

#### • Provident funds

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

Under management by the Company as of December 31, 2008 there were 59 provident funds representing 2,344 companies and 377,415 members with a net asset value of 68,526.02 million Baht, accounting for a market share of 14.7% and first-ranked 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	2006	2007	2008	% Growth
Single fund	10,551.45	14,266.84	16,581.27	15.8
Pooled fund	21,593.30	23,177.01	29,272.14	26.3
State Enterprise Fund	20,871.29	25,282.03	22,672.61	(10.3)
<b>Total</b>	<b>53,016.04</b>	<b>62,725.88</b>	<b>68,526.02</b>	<b>9.2</b>

#### • 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 at December 31, 2008, there were 199 private funds with net asset value of 23,848.51 million Baht, representing a market share of 14.2%, putting the company in 4<sup>th</sup> 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	2006	2007	2008	% Growth
Juristic person	21,222.80	26,436.05	19,549.88	(26.0)
Individual	3,169.70	3,980.80	4,298.63	8.0
<b>Total</b>	<b>24,392.50</b>	<b>30,416.85</b>	<b>23,848.51</b>	<b>(21.6)</b>

- **Mutual funds**

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

Mutual funds under management by the Company as of December 31, 2008, numbered 43, with net asset value of 14,611.79 million Baht. The breakdown of mutual fund types at is shown below:

(unit : million Baht)

Mutual Fund	2006	2007	2008	% Growth
Open-ended fund	7,169.19	14,535.15	14,611.79	0.5
Close-ended fund	159.04	58.50	-	N.A.
<b>Total</b>	<b>7,328.23</b>	<b>14,593.65</b>	<b>14,611.79</b>	<b>0.1</b>

**Distribution Channels**

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

### 3. Corporate and Investment Banking

Corporate and Investment Banking provides four service types as follows:

#### 3.1 Corporate Lending

Corporate Lending service is operated by the Bank. Commercial finance facilities are provided to medium and large corporate clients for commercial purposes, including loans and related services such as guarantees, aval, loan arrangement services and loan restructuring. Commercial lending is classified by the following service types:

- **Working Capital Loans**

Working capital loans fill the need for business liquidity and cash flow, especially for industry and seasonal businesses, by facilitating loans for buying raw materials and inventory, and loans for accounts payable repayments. They are revolving loans, with repayment terms set for within one year. The terms and conditions of such loans are subject to credit review annually.

- **Project and Term Loans**

Project and term loans fill the need created by medium or long-term business development projects which have a specific purpose. The funding project, as the ultimate source of funds for loan repayment, must be traceable in terms of project progress. This segment mainly consists of term loans which have a repayment schedule in line with the timeline, progress and cash flow of the project. The Bank's policy is to support industry and manufacturing in all business areas, especially ones that support national development. Project and term loans are generally offered for building factories, offices or business expansion, property developments, infrastructure construction, project bids or buying industrial machinery.

- **Other Commercial Loans**

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



- **Guarantee and Aval Services**

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

- **Loan Consultancy and Related Services**

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

- **Custodian Service**

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

As of December 31, 2008, The Group had a commercial lending portfolio of 19,488.08 million Baht, which accounted for 18.9% of total loans. This indicated a 24.8% increase from 2007's year-end figure of 15,616.55 million Baht.

Type of Business	December 31, 2007		December 31, 2008		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	
Manufacturing and commerce	7,821.51	9.1	7,342.21	7.1	(6.1)
Real estate and construction	5,041.33	5.8	8,807.72	8.5	74.7
Public utilities and services	2,648.16	3.1	3,212.80	3.1	21.3
Agriculture and mining	105.55	0.1	125.35	0.1	18.8
<b>Commercial Lending</b>	<b>15,616.55</b>	<b>18.1</b>	<b>19,488.07</b>	<b>18.9</b>	<b>24.8</b>
Hire purchase	64,684.40	74.8	77,287.11	75.0	19.5
Housing	1,887.89	2.2	1,706.03	1.7	(9.6)
<b>Retail Lending</b>	<b>66,572.29</b>	<b>77.0</b>	<b>78,993.14</b>	<b>76.6</b>	<b>18.7</b>
<b>Others</b>	<b>4,231.56</b>	<b>4.9</b>	<b>4,628.50</b>	<b>4.5</b>	<b>9.4</b>
<b>Total - The Bank and Subsidiaries</b>	<b>86,420.41</b>	<b>100.0</b>	<b>103,109.71</b>	<b>100.0</b>	<b>19.3</b>

### **Customer and Distribution Channels**

Targeted customers are mainly current customer base who have established long-term relationships with the Bank, and new customers from industries that support national development or sectors with strong government backing, such as vehicles and parts, agriculture and food processing, transportation and logistics, and petrochemicals. In addition, future infrastructure projects, such as those in the energy, property development, and construction sectors, are within our scope of interest.

Apart from the headquarters in Bangkok and branches upcountry, the Bank also provides its services through direct sales by marketing officers and client visits. In addition, advertising and public relations via newspapers and the Internet are deployed as alternative sale channels.

### **3.2 Cash Management Services**

The Bank's Cash Management Services include cash inflow and cash outflow management for corporate clients, which ultimately help increase operation efficiency and reduce operating cost for clients. Cash Management Services comprise of 3 main business areas, TISCO Collection, TISCO Payment, and TISCO Liquidity Management. Additionally, TISCO E-Cash Management was introduced to facilitate customer in performing business transaction and enquiring consolidated account information.

### **3.3 Investment Banking**

TISCO Securities Co., Ltd. was approved by the SEC to provide financial advisory services and granted an underwriting license from the Ministry of Finance. With its notable expertise based on competent staff with in-depth industry knowledge and a wealth

of experience in equity and debt markets, both domestically and internationally, TISCO Securities provides financial advisory services including public offerings, mergers and acquisitions, financial restructuring, feasibility studies and corporate valuation.

In 2008, TISCO Securities Co., Ltd. performed as an underwriter for the debenture offering of Thai Airways International Plc., PTT Chemical Plc., and AEON Thana Sinsap (Thailand) Plc. and share offering of ESSO (Thailand) Plc., and Thai Tap Water Supply Plc.

Furthermore, in 2008, TISCO Securities Co., Ltd. was one of the initiators of Clean Development Mechanism (CDM) to facilitate carbon credit business, which involves the right of carbon emission trading. TISCO Securities Co., Ltd. provides full range of services in Certified Emission Reductions (CERs) brokerage service, working with organization that would like to maximize value of CERs starting from project management, project approval, and project financing by targeting at large industrial corporation.

### 3.4 Institutional Brokerage

TISCO Securities Co., Ltd., as a member number two on the SET, offers brokerage services to institutional clients through head office in Bangkok. TISCO Securities Co., Ltd.'s market share by institution customer as of December 31, 2008 was 3.8%, from domestic 5.1% and foreign 3.3%. However, its strategy aims at expanding the market aggressively, and enhancing the quality of securities research so that it is broadly accepted by investors. TISCO Securities Co., Ltd. and its strategic alliance, Sacombank Securities Co., Ltd. organized "Vietnam Corporate Day" to allow TISCO's institutional investor to get an opportunity to meet representatives from Vietnam. Also, "Thailand Corporate Day" was arranged in Singapore to allow international investor to meet with leading corporations' representatives from Thailand. In addition, TISCO Securities Co., Ltd. continuously produce high-quality and broadly-accepted research paper for general investors.

**Table shows information on TISCO securities business**

	(unit: million Baht)		
<b>Information of TISCO Securities Business</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Trading values categorized by Institutions Customer</b>	<b>165,321.21</b>	<b>156,897.61</b>	<b>118,765.66</b>
- Domestic	68,528.21	66,809.13	55,192.13
- Foreign	96,792.99	90,088.48	63,573.53
<b>Trading values classified by types of transactions</b>			
- Cash Account			
Place orders via internet	3,392.55	2,752.49	2,764.49
Place orders via market makers	161,928.65	154,145.12	116,001.17
<b>Market Share – Company<sup>1</sup></b>	<b>3.2</b>	<b>3.0</b>	<b>2.7</b>
<b>Market Share – Institutions Customer<sup>1</sup></b>	<b>4.5</b>	<b>3.8</b>	<b>3.3</b>
- Domestic Institutions	7.4	5.1	4.1
- Foreign Institutions	3.6	3.3	2.8

<sup>1</sup> SET and MAI

Source: TISCO Securities Co., Ltd.

### 4. Corporate Investment

Treasury department is a unit of the Bank, responsible for asset and liability management activities, including the procuring of funding sources from local and foreign financial institutions, and investing and trading bonds in order to maximize returns under the corporate guidelines and risk policy and in compliance with all related rules and regulations. It also manages liquidity according to the BoT regulations.

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

The investment portfolio of debt and equity instruments as of December 31, 2008, was 4,769.11 million Baht, down 17.5% from 5,780.56 million Baht in 2007.

TISCO Securities Co., Ltd. handles the securities trading business and trades equity securities for company accounts, with an aim to maximize trading gains. However, securities trading volume was insignificant because TISCO Securities has maintained its investment policy of long-term returns rather than short-term trading gains.

However, TISCO Securities Co., Ltd. actively performs securities trading when the stock market is favorable for making short-term profits. TISCO Securities Co., Ltd. only invests in proven good performers and fundamental securities to minimize market risk.

## 5. Corporate Function

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

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

In addition, the Company will set up functions to manage the group policies in the area of investment and information technology.

## 3.2 Market and Competition

### 3.2.1 Commercial Banking Business

#### 1) Market

##### Deposits

In 2008, deposit in Thai commercial bank industry<sup>1</sup> increased by 9.9% from the previous year. This was mainly the result of commercial banks had been rallied in funding both short-term and long-term deposit base in order to support the Deposit Protection Act. Also, in the third quarter, commercial banks emphasized on long-term fixed deposit product with an aim to alleviate high inflation situation. At the end of 2008, average 3-month deposit interest rate at the top five large banks declined from 2.15 % to 1.58% at the end of year 2007.

As of December 31, 2008, deposit in Thai commercial bank industry was 6,485,616.41 million Baht, up by 9.9% YoY. The Bank's deposit<sup>2</sup> was 98,903.97 million Baht, up by 50.6% YoY.

**Table showing movement of average interest rates of Thai commercial banks**

	(unit: % per year)		
	2006	2007	2008
Minimum Lending Rate (MLR) <sup>1</sup>	7.750	6.920	6.800
3-month fixed deposit rate <sup>1</sup>	3.95	2.15	1.58

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

<sup>1</sup> Summary of Assets and Liabilities Form (C.B. 1.1) Bank of Thailand

<sup>2</sup> Deposit includes short-term borrowings from the Bank's regular client base.

### Loans

Generally, car hire-purchase business expands in line with automobile industry growth. Since the end of 2006, industry-wide new car sales have been slow down and shrunk by 2.8% from 631,251 cars in 2007 to 614,078 cars in 2008. The proportion of new passenger car sales to commercial car sales in 2008 was 38.9% to 61.1%.

As of December 31, 2008, loan in commercial bank industry was 5,815,275.78 million Baht, up by 12.8% YoY. The Bank's loan was 99,926.45 million Baht, up by 25.1% YoY.

**Table showing car sales in Thailand during 2002-2008**

Unit : cars	2002	2003	2004	2005	2006	2007	2008
<b>Passenger cars</b>	126,253	179,005	209,110	188,211	195,458	182,767	238,990
<b>Commercial cars</b>	283,009	354,171	419,155	515,050	486,705	448,484	375,088
<b>Total</b>	409,262	533,176	628,265	703,261	682,163	631,251	614,078

Source : Automobile Institute

### **2) Competition**

In 2008, the loan financing industry was still in a state of intense competition. Although, there were several negative economic factors i.e. fluctuation of inflation rate, instability of domestic political situation, and sub-prime crisis in U.S. that effect global economy. Those factors decreased investor's confidence and resulted in business growth of commercial bank in the forth quarter of 2008. As of December 31, 2008, there were 18 Thai commercial banks and 16 branches of foreign banks.

The loan financing industry was still in a state of intense competition, especially, hire-purchase business that emphasized on pricing competition and terms and condition of hire-purchase e.g. amount of down payment, and installment period. Major players are subsidiary of bank and large commercial banks who enjoy funding cost advantages amid declining interest environment.

For commercial finance, the Bank's strategy focuses on improving loan quality and reducing NPLs by accelerating the loan restructuring process and preparing for expected market growth in the following year. Amid the high market competition, the Bank has focused on quality rather than quantity and expanding its customer base on account of its over 40 years of business experience, efficient operations and management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships.

Competitors in hire-purchase financing number approximately 10 companies which can be divided into two major groups: 1) leasing companies and financial institutions and 2) subsidiary companies of car manufacturers and car dealers (captive finance). At present, hire-purchase competition is even tougher than before. While most players expand their customer base by applying a low-pricing policy, lower down payment, and longer installment period, the Bank focuses on providing efficient and high standards of service, and maintaining long-term relationships with agents and dealers. It will decrease prices as necessary to maintain its client base. In 2008, the TISCO Group increased used car portion in hire-purchase portfolio in order to increase average portfolio yield.

Although there are more commercial bank players being allowed to conduct hire-purchase operations under the Bank of Thailand's financial master plan in 2004, the TISCO Group expects the number of newcomers to be insignificant because most commercial banks presently operate hire-purchase business through subsidiary companies. However, the Group is highly confident that it can maintain its status as one of the top three in the market given the long-term experience of TISCO Group, good connections with dealers, effective cost and risk management and an extensive customer database.

### **3.2.2 Securities Business**

#### **1) Market**

The SET Index in 2008 declined from 858.10 at the end of 2007 to 449.96 points with average daily turnover decreased from 17,097.05 million Baht to 15,869.94 million Baht due to the fluctuation of global financial system and domestic political situation resulted in lowered confidence of both local and foreign investors.

**Table showing stock market conditions**

	2006	2007	2008
SET index (points)	679.84	858.10	449.96
Market capitalization (million Baht)	5,078,704	6,636,068	3,568,223
Trading value (million Baht)	3,956,262	4,188,776	3,919,874
Average daily turnover (million Baht)	16,280	17,097	15,870
Dividend payout ratio (%)	4.23	3.31	6.57
Price to earnings ratio (times)	8.10	12.63	7.01
Number of listed companies on the SET	476	475	476

Source: The Stock Exchange of Thailand

The asset management market as of December 31, 2008 recorded net asset value of mutual funds decreased by 15.7% totaling 1,358,673.71 million Baht. Private funds decreased by 4.1%, totaling 168,276.96 million Baht, and provident funds increased by 5.3%, totaling 465,296.44 million Baht. The details of market funds at year-end for 2006, 2007, and 2008 are as follows:

(unit : million Baht)

Funds	2006	2007	2008
Mutual Funds	1,040,478.25	1,610,892.87	1,358,673.71
Private Funds	147,327.78	175,480.71	168,276.96
Provident Funds	386,656.94	441,720.26	465,296.44

Source: TISCO Asset Management Co., Ltd.

## 2) Competition

In 2008, intense competition occurred among the 41 securities firms in the market in order to maintain or increase its market share. In addition, there were business realignment effort in preparation to the securities business liberalization in 2011. Revenue diversification strategy through new sources of income can be seen including cross-border business activity, exclusive partnership with international brokers, derivatives business, selling agent business, etc. In addition, several securities companies extensively operated their own proprietary trading to increase trading income. Given the regulated minimum commission set by the SET, the competition mainly focused on service variety and quality of services. In general, major client of TISCO Securities comprised the fundamental investors rather than speculative investors.

In 2008, there were 12 listed companies in the equity market, reduced from 13 listed companies in 2007. The total offering size was 18,764.30 million Baht, increased from 11,552.00 million Baht in 2007. The major portion of total offering size was contributed by Esso (Thailand) Plc., representing 50.0% of the total offering size. The negative economic factors in the latter half of 2008 and instable political situation directly affected the capital market by causing a delay in company to be listed in SET and MAI.

For the competition in investment banking sector, there were 77 financial advisor companies approved by the SEC.<sup>1</sup> The increase of players in the market intensifies the competition as reflecting in the quality of team, experience in business, service excellence, initiatives of new financial instruments, and strong customer relationship.

For the asset management industry, 30 players including asset management companies, commercial banks, securities companies, and insurance companies. In 2008, asset management industry remains intense competition despite investment environment was influenced by global economic slowdown and global capital market downturn. On the other hand, the enforcement of the Deposit Protection Act was positive factor for asset management industry which resulting an increase in money inflow to asset management industry.

<sup>1</sup> Information from the SEC as of the third quarter of 2008

In terms of innovative product, the asset management companies launched variety of products with emphasis on foreign investment funds ,commodity funds e.g. oil, gold, and agricultural products, and foreign government bond fund. In addition, credit link note was offered as an investment alternative for client.

Enforcement of the new Provident Fund Act allows each provident fund to have multiple investment policies (Master Fund) and encourage asset management's client to set up employee's choice fund that allow employee to select investment policy according to their needs. Under TISCO Group's policy in maximizing customer satisfaction, TISCO Asset Management Co.,Ltd. emphasizes on maximizing returns at the appropriate risk level according to clients' risk appetite, and applying financial innovation to investment product under high standards of good corporate governance.

### 3.3 Resources

#### 3.3.1 Commercial Banking Business operated by TISCO Bank Public Company Limited

##### 1) Source of Funds

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

(unit : million Baht)

Source of Funds	2006	2007	2008
Total Deposits <sup>1</sup>	66,288.14	68,458.96	100,591.04
Long-term Borrowings	361.70	8,005.05	4,899.30
Interbank and Money Market Items	2,156.98	5,852.19	5,727.88
Other Liabilities	3,291.74	4,263.29	8,318.18
<b>Total Source of Funds from Liabilities</b>	<b>72,098.56</b>	<b>86,579.49</b>	<b>114,637.10</b>
Capital	12,682.86	12,373.60	11,536.04
<b>Total Source of Funds</b>	<b>84,781.42</b>	<b>98,953.10</b>	<b>126,173.14</b>

<sup>1</sup> Deposit includes short-term borrowings from the Bank's regular client base.

As of December 31, 2008, list of assets and liabilities breakdown by term to maturity is shown in the following table:

(Unit : Million Baht)

Transaction	At call	0 – 3 months	3- 12 months	1-5 years	Over 5 years	Unspecified	Non performing loans	Total
	<b>Financial assets</b>							
Cash	595	-	-	-	-	-	-	595
Interbank and money market items	35	13,113	-	-	-	-	-	13,148
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Investment – net	678	2,115	827	735	1	103	-	4,459
Receivable from clearing house	-	-	-	-	-	-	-	-
Loans and receivable	2,762	9,433	21,644	61,432	3,130	-	3,241	101,642
	<u>4,070</u>	<u>24,661</u>	<u>22,471</u>	<u>62,167</u>	<u>3,131</u>	<u>103</u>	<u>3,241</u>	<u>119,844</u>
<b>Financial liabilities</b>								
Deposits	14,093	30,060	12,820	1,825	78	-	-	58,876
Interbank and money market items	855	1,071	716	1,310	-	-	-	3,952
Liabilities payable on demand	497	-	-	-	-	-	-	497
Borrowings	3,383	30,401	6,168	4,974	1	-	-	44,927
Payable to clearing house	-	-	-	-	-	-	-	-
Securities and derivative business payables	-	-	-	-	-	-	-	-
	<u>18,828</u>	<u>61,532</u>	<u>19,704</u>	<u>8,109</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>108,252</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	13	46	12	-	-	-	71
Other commitments	28	4,587	511	680	-	419	-	6,225

Details of risk of duration mismatch is described in Section 2 item : 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. In 2008, the growth of automobile hire-purchase was impressive. Although there were effects from high oil prices and aggressive newcomers, TISCO Group has a policy to competitively expand while still maintaining good loan quality and market share.

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

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

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

- **Credit Approval Limits and Authorities**

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

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

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

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

- **Credit Risk Management**

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



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

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

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

- **Credit Collection**

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

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

- **Debt restructuring**

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

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

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

### **3) Capital Adequacy**

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

The year-end Capital Adequacy Ratio for 2007 and 2008 have been maintained above the regulatory requirements with details as follows:

(unit: percentage)

<b>Capital Adequacy Ratio as of December 31</b>	<b>2007</b>	<b>2008</b>	<b>Regulatory Requirement</b>
Tier-I Capital to Risk Assets	12.41	11.23	4.25
Total Capital to Risk Assets	12.81	11.71	8.50

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

#### **4) Liquidity Management Policy**

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

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

- The Bank shall maintain liquid assets on average of no less than 6% of the total of all types of deposits and total foreign borrowings, which shall mature within one year.
- The liquid assets must consist of deposits with the BoT of no less than 0.5%, unencumbered securities of no less than 4.5%, and deposits at commercial banks residing in Thailand.

#### **5) Asset Classification, Provisions and Write-offs**

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

(1) Assets classified as Loss are claims where there is no possibility of repayment due to death, disappearance, bankruptcy or dissolved business, or losses from debt restructuring according to the rules and regulations of the Bank of Thailand.

(2) Assets classified as Doubtful-to-Loss are assets or claims whose entire value is expected to be irrevocable, such as debt claimed on the principal and interest overdue more than 12 months from the payment date.

(3) Assets classified as Doubtful are assets or claims that are unlikely to be repaid in full, such as debtors with payments overdue more than 6 months from the contractual payment date.

(4) Assets classified as Sub-Standard are defined as assets or claims with difficulties of repayment or that do not generate a reasonable income, such as debtor-owing interest and/or principal payments for a cumulative period of over three months from the contractual due date.

(5) Assets classified as Special Mention are assets or claims whose value is deteriorating, such as debtor-owing interest and/or principal payments for a cumulative period of over one month from the contractual due date.

(6) Assets classified as Pass are assets or claims which are not classified as Loss, Doubtful to Loss, Doubtful, Sub-Standard, or Special Mention.

The Group has a conservative provisioning policy. As of December 31, 2008, the Bank's reserves were 1,604.48 million Baht, or 126.28% of those required by the BoT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Section 5 : Operating Assets in 5.2

### **3.3.2 Securities Business** operated by TISCO Securities

#### **1) Source of funds**

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

#### **2) Credit approval and authorization**

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

#### **3) Margin trading accounts**

All clients of securities brokerages are cash accounts.

#### **4) Investment Policy**

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

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

#### **5) Capital Adequacy Ability**

The Net Capital Rule (NCR) ratio of TISCO Securities Co., Ltd. as of December 31, 2008 is 115.86%, well above the 7.0% regulatory requirement of the SEC.

## 4. Research and Development

In 2008, TISCO continued to pursue the development in various areas such infrastructure development, increased process efficiency of TISCO Group together with development of banking and securities products in order to increase the Group's financial service efficiency and better response to the varieties of customers' needs.

### 4.1 Commercial Banking

#### • Products and Services

TISCO Bank ("the Bank") continuously acquired the retail customers by aimed on products and services innovation. The Bank offered saving products in both short term and long term along 2008. In addition, TISCO Bank has bundling the variety of financial products with other benefits in response to various customer's needs. Meanwhile, the customer has received the best convenience and privileges.

Apart from products, The Bank has opened a lot of branches at both metropolitan and provincial which can expand banking service to customer nationwide. Furthermore, the Bank has co-operated with agency for instance, Thai Post Office as a deposit channel of the Bank. In additional, cash withdrawal can be made through any ATM bank nationwide without any fee charged. Hence, the Bank could expand customers' convenience by its service channels efficiently.

For corporate customer, the Bank has continuously increased capabilities of cash management services with variety of service and convenient through various channels in both bank branches and electronic channel which the Bank is an agent of payroll service and check printing in order to provide integrated services and support customers' business operation.

In 2008, the Bank acquired an electronic money license from the Bank of Thailand (BOT) in order to cooperate with Thai Smart Card Co., Ltd. To provide TISCO Purse, a bundling ATM with Electronic Money Card which is so called Smart Purse, to customer. TISCO Purse is utilized as an ATM card which could be top up electronic money to make a purchase of products and services at Smart Purse's network shops which has more than 8,000 shops countrywide. In order to provide full service of electronic money, ETM (an electronic money ATM) has been introduced to the market. Customers can make electronic banking transaction as well as an ATM excluding cash withdrawal through ETM. Moreover, top up electronic money to TISCO Purse or other Smart Purse and reload back to the Bank account are available. It could be said that ETM aims to generate efficiency of electronic money service to customer. At the beginning phase, ETM are deployed at Bangkok and Metropolitan branch. Furthermore, the Bank collaborates with the organization eg. university to employ TISCO Purse as a student ID card.

#### • Operations

In 2008, the Bank aimed to improve working process in order to response with group's client centric strategy. the Bank implemented re-engineering process in both of point of services and internal working structure in order to increase agility and to support the rapid growth of customers. Meanwhile, the Bank still maintained the efficiency and quality of services. In order to ensure customers' satisfaction, the Bank improved its operational process through Productivity Improvement function which set up in the previous year. The bank was continuing the re-engineering process and also created new initiatives such as:

- Quick Account Opening is the result of reengineering the account acquisition process. It employs the 'ID Card Reader' to retrieve customer information from the card. The information then will be interface to the account opening process which can immediately print out passbook and issue the ATM card together with ATM PIN and E Statement. By eliminate non value added activity, the account opening step is completed within 2 minute instead of 30 minute in the past.
- The cashiering process was reengineered the whole process. The common activity was grouped to a Standard Job. Each standard job will be assembling to be an assembly line. By doing so, we can group standard activity into 4 Standard Assembly Lines, which can produce the same output. The reengineering process assists TISCO to reduce cost per transaction and increase capacity to support strong growth in the future.

In addition, the Bank continuously developed information technology system to support service development and increase efficiency of business operation. The details are shown as follows :

- TISCO Bank consolidated all customer service via telephones in many business units into one unit namely TISCO Contact Center in order to make a one stop service under the one contact number. The services now include banking service, car loans, home loans, loan against car loans, insurances, and mutual funds. The operating hours of TISCO Contact Center have expanded to 24 x 7 from normal bank's operating hours in order to increase convenience for customer with enable them to use all services of the bank and subsidiary companies under speed and match to their needs.

- Bank has implemented Enterprise Content Management System to support the paperless office concept. The first area to utilize this system is Banking Operation function to keep the customer's signature. The bank teller can verify the customer signature on-line real time so that Bank's customers can do any transactions at any branches. The other areas to implement are Hire Purchase operation and accounting in order to increase efficiency in searching documents and also reduce expenditures.
- Video Conference & Instant Messaging System are implemented to improve the communication channel between Head office and Branches. These systems will be the effective channels to announce the company's policy , the tele-conference meeting, Training , etc.

In the part of risk management, the Bank continued to develop the risk management system. Operational Risk Management unit was set up to manage the operational risk to cover all areas of the risk management and also increase its efficiency. The Operational Risk Management unit responsible for operational risk part by framing the operational risk framework and standardize the risk event and cause. The responsibility expands to service quality to TISCO customer in area of productivity improvement and operational risk management. In the year 2008, the unit has laid down operational risk management mechanism, including Operational Risk Self Assessment, Incident Management, and QC Network setting up.

## **4.2 Securities Business**

### **4.2.1 Securities Brokerage and Investment Banking**

For securities brokerage and investment banking business, TISCO Securities continued to develop new products and services to meet the customers' needs and to maintain the leading position in securities business. In 2008, TISCO Securities developed new products and services as follows:

- Direct Market Access (DMA) - This powerful trading channel has been globally recognized and utilized by institutional investors all over the world. DMA provides the investors with more efficient execution and transaction cost. It is expected that DMA will be another main trading channel for Thai market.
- MTrack Energy Exchanged Traded Fund - TISCO Securities joined the consortium to launch the MTrack Energy Exchanged Traded Fund which is the second ETF product listed in the Stock Exchange of Thailand. TISCO Securities was one of the participating dealer responsible to create and redeem the ETF unit.
- Clean Development Mechanism (CDM) – TISCO Securities was the pioneer in providing advisory services relating to the CDM. CDM is the global initiative offering the companies with project helping reduce the green house effect to receive carbon credit certificate, tradable in major European carbon exchange. TISCO Securities provide full range of CDM advisory services including project planning, project approval and project financing. The initial target customers are large industrial companies in Thailand.

### **4.2.2 Asset Management Business**

Product and service development under asset management business which operated by TISCO Asset Management Co., Ltd. have developed in both service and product as follows:

#### **Provident Fund**

In 2008, there was the amendment of Provident Fund Act, the new Provident Fund Act (No.3) B.E. 2550 has been effective since January 27, 2008 with 5 key amendments which are 1) to allow the transfer of retirement fund from Government Pension Fund to Provident Fund, 2) to legitimate multiple investment policies under one Master Fund for provident fund, 3) to allow resigned members to maintain their money in the fund, 4) to allow retired members to choose to receive payment upon their exit in periodic partially payment in addition to a fixed lump sum payment, 5) to stipulate rules and regulations regarding vesting scheme for best interest of members. TISCO Asset Management Co., Ltd. has prepared for the change by developing new registrar system to fully support the implementation of the Master Fund which allows each member to select his/her own investment policies that suits his/her needs, not only for ready-mixed menu but also self-asset allocation

In addition, TISCO Asset Management Co., Ltd. has been engaging in constant public relations to provide basic investment knowledge and investment policies to the fund members which is deemed important basis in establishing of the Employee's Choice under Master Fund together with arranging seminars "FC Fundamental Course" for fund committee in order to provide basic knowledge such as general view of provident fund.

**Mutual Fund and Private Fund**

For mutual fund business, aimed to develop mutual fund product which meet variety of customer's need in each group. In 2008, TISCO Asset Management Co., Ltd. focused to offer Foreign Investment Fund (FIF) such as "TISCO Australia Bond", "TISCO New Zealand Bond", "TISCO Asia Pacific Ticker 15%", "TISCO Agricultural Euro Fund" and etc. TISCO Asset Management Co., Ltd. currently had asset under management of FIF in the top position of mutual fund business in Thailand.

For private fund business which TISCO Asset Management Co., Ltd. is the one of leader in private fund business. For the year 2008 was the first year that the Securities and Exchange Commission granted the large customer including institutional customer able to invest in foreign country through private fund. TISCO Asset Management Co., Ltd. provided advisory service for investor in order to prepare for that investment opportunity and received positive response with more than 40 customers willing to use that service.

## 5. Operating Assets

### 5.1 Major Fixed Assets

#### Land, premises, and equipment – Net

Land, premises, and equipment to TISCO Group as of December 31, 2006-2008 are as follows: These assets are free from any obligations.

Type of Assets	(unit: million Baht)		
	2006	2007	2008
<b>Land and buildings</b>			
1. Office of TISCO Financial Group Plc. at TISCO Tower	0	0	661
2. Office for subsidiaries at TISCO Tower	1,262	1,262	546
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai	4	4	3
4. Brokerage branch – Nakhon Pathom	8	8	8
<b>Total land and buildings (net)</b>	1,274	1,272	1,218
Office improvements	95	135	181
Office furniture and improvements	158	94	181
Others	76	62	79
<b>Total (net)</b>	1,603	1,563	1,659

#### Long-term contract

##### 1. Contract

The following table shows rental expenses incurred by the Company's subsidiaries and branches in 2008 under the current land and building rental contract for office purposes, excluding rental fees paid by firms to others within the TISCO group, along with rental obligations due in 2009.

	2008	2009 <sup>1</sup>
<b>Domestic offices and branches</b>	22,617,679 bath	35,308,148 baht

<sup>1</sup> excluding rental contract for new branches in 2009

##### 2. Rental contracts between the Bank and subsidiaries

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

Type of Assets	Renter	Owner	Area (sq.m.)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc. <sup>1</sup>	4,346.65
TISCO Tower Office	TISCO Information Technology Co., Ltd.	TISCO Financial Group Plc. <sup>1</sup>	1,655.32
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc. <sup>2</sup>	378.53

<sup>1</sup> Transferred from TISCO Leasing Co., Ltd. on December 30, 2008

<sup>2</sup> Transferred from TISCO Leasing Co., Ltd. on December 30, 2008

## 5.2 Loans

### Classification of assets under BOT guidelines

Asset classification in TISCO group consists of loans and receivables, investments in securities and property foreclosed. Our asset classification policies are in compliance with those set by the BOT and the SEC. The details of asset classification as of December 31, 2008, are shown below:

(unit: million Baht)

	Loans and receivables	Investments	Property foreclosed	Others	Total	%
Pass	106,958	-	-	-	106,958	90.9
Special mention	6,975	-	-	-	6,975	6.0
Substandard	1,176	-	-	-	1,176	1.0
Doubtful	492	-	-	-	492	0.4
Bad debts	1,310	678	43	-	2,031	1.7
<b>Total</b>	<b>116,910</b>	<b>678</b>	<b>43</b>	<b>-</b>	<b>117,631</b>	<b>100.0</b>

### Provision for Loan Loss Policy

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

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

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

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

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

### Provision of Asset Impairment Policy

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

### Policy of revenue recognition on interest income

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

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

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



### 5.3 Investment in Securities

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

#### Securities Investment Policy

Securities investment policy is described in Section 3 : Business Operations by Area, Section 3.2.2 (4)

#### 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 Section 1: Risk Factors.

#### Allowance for Impairment of Securities

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

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

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

### 5.4 Policies on investment in associates and subsidiaries

The details on investment in associates and subsidiaries are presented in Notes to Financial Statements, 3.4 Investments in securities and 3.5 Investment in subsidiary companies

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

#### 1) Strategic Investment

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

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

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

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

#### 2) Financial Investment

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

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

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

**Table illustrates details of subsidiary companies**

(Unit : million Baht)

<b>Company Name</b>	<b>Paid up As of December 31, 2008</b>	<b>Cost Method<sup>1</sup> As of December 31, 2008</b>
TISCO Bank Plc.	7,264	13,244
TISCO Securities Co., Ltd.	1,500	1,575
TISCO Asset Management Co., Ltd.	100	110
Hi-Way Co., Ltd.	100	273
TISCO Information Technology Co., Ltd.	20	22
TISCO Tokyo Leasing Co., Ltd. <sup>1</sup>	60	73
	-	15,297

<sup>1</sup> Joined TISCO Group on December 30, 2008 under the restructuring plan of TISCO Group

## **6. Future Projects**

### **6.1 Business Channel Expansion**

In 2009, the Bank expects to open 30-35 branches nationwide, in order to extend coverage and enhance service quality. New branch opening will be situated in strategic location, which enables the Bank to strongly expand its customer base and increase business volume for both saving and loan products. Moreover, the Bank has placed a great concern in providing high quality service through well-trained and professional staff, in which the Bank believes that this will ensure the future success under current business environment.

In addition to new branch opening, the Bank plans to expand service channel of ATM and ETM machines in order to facilitate and serve customers' need which continually grow up.

## **7. Legal Disputes**

As of December 31, 2008, the Company and its subsidiary companies had 13 unresolved cases from its regular business operations, all of them are civil cases and caused by the Banking business operation of subsidiary(TISCO Bank), involving an estimated total amount of 147.21 million Baht, which is less than five percent of its shareholders' equity. No cases were incurred from irregular business operations. Of all cases, there are seven cases involving total amount of 6.31 million Baht which are in the tribunal process and not yet reach judgment. Furthermore, there are four cases, with an estimated total value of 83.5 million Baht, that already dismissed by the Court of First Instance and/or the Appeal Court. However, the plaintiff still appealed to the Appeal Court or Dika Court. Apart from the said case, there are two cases which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd. in which TISCO Bank has an indemnification for any damages suffered by it (if any). Additional details on legal disputes are presented in Notes to Financial Statements; 3.30.2 Litigation. The management of TISCO Group believes that neither the Company and its subsidiary companies will suffer material loss as a result of the abovementioned lawsuits and request for damages.

## 8. Capital Structure

### 8.1 Securities Information

#### 8.1.1 Common Shares and Preferred Shares

Total registered and paid-up capital as of January 16, 2009

Total registered capital : 11,002,000,000 Baht  
 Total paid-up capital : 7,246,064,050 Baht comprised of 541,179,179 common shares and 183,427,226 preferred shares, both with par value of 10 Baht per share.

The preferred shares have the same rights and benefits as common shares, with added rights and benefits as follows:

1. Holders of preferred shares receive dividends for each year that the Company pays dividends prior to the holders of common shares at the rate of 1 baht per share. Additionally, the holders of preferred shares are entitled to share leftover dividends with the holders of common shares.

In a year that the Company does not declare a dividend payment to the holders of common shares, the Company may still declare a dividend payment at the above-mentioned rate to the holders of preferred shares.

The holders of preferred shares shall be entitled to receive a dividend only in the years in which the Company has declared a dividend payment. Dividends shall not be made up in subsequent years for the years that the Company did not declare a dividend payment.

2. In the event of liquidation or dissolution of the Company, all assets shall be returned to the holders of preferred shares according to the amount of preferred shares, prior to the holders of common shares. The amount paid to preferred shareholders shall be proportionate to their number of preferred shares.

In the event that the value of the assets is inadequate for dividing up among the holders of preferred shares, as specified in the above paragraph, assets shall be divided and returned to the holders of preferred shares proportionately to their respective shareholding.

The assets that remain after division among the holders of preferred shares as specified in the first paragraph shall thereafter be distributed among BOTH preferred shareholders and common shareholders proportionate to shareholding.

3. In the event of a capital decrease for the purpose of recovering retained losses, the preferred shares' value shall be decreased after the common shares.

All of the above preferential rights of the holders of preferred shares shall be valid until June 30, 2009. Upon expiration, the rights and benefits of preferred shareholders shall be equal to those of holders of common shares, and preferred shares shall be converted into common shares. Preferred shareholders shall then submit applications to the Company for conversion in a form prescribed by the Company together with the preferred share certificates.

The details of total preferred shares held by management as of January 16, 2009 are described in Attachment 2.

#### 8.1.2 Offerings of Securities and Convertibles to the Thai Trust Fund or NVDR

##### Offerings of Securities and Other Convertibles to the Thai Trust Fund

None

##### Non-Voting Depository Receipts (NVDRs)

As of January 16, 2009, Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Company's shares as underlying securities totaling 34,119,596 units, or 4.71% of paid-up capital. Although all financial benefits received by NVDR investors are similar to the benefits from the Company's common shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of the Company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

### 8.1.3 Warrants

The Company allotted one set of bearer and non-transferable warrants to swap a unit of the Company's warrant to purchase preferred shares with one unit of TISCO Bank's warrant to purchase preferred shares Tranche 5 offered to the employee. Common details of warrants are as follows:

Issued Date	: January 9, 2009
Offered Warrants	: 970,250 units
Allotted Warrants	: 970,250 units
Unexercised Warrants	: 970,250 units
Exercise Price	: 21.88 Baht
Exercise Ratio	: 1 unit of warrant : 1 preferred share
Maturity Date	: August 20, 2009

### 8.1.4 Major shareholder agreements regarding share issuance or the Company management

None

## 8.2 Shareholders

The list of the top 10 major shareholder groups whose names appeared in the share registration book on January 16, 2009 is as follows:

Shareholder Name	Total Shareholding			
	Common Share	Preferred Share	Total	%
1. CDIB & PARTNERS INVESTMENT HOLDING PTE LTD <sup>1</sup>	6,011,900	80,000,000	86,011,900	11.87
2. SATHINEE CO., LTD.	-	35,893,425	35,893,425	4.95
3. THAI NVDR CO., LTD.	33,759,196	360,400	34,119,596	4.71
4. CHASE NOMINEES LIMITED 42	33,096,700	-	33,096,700	4.57
5. CITIBANK NOMINEES SINGAPORE PTE LTD.	19,718,900	-	19,718,900	2.72
6. CHASE NOMINEES LIMITED 4	8,666,252	10,106,575	18,772,827	2.59
7. SOCIAL SECURITIES FUND (2 CASES)	13,119,600	-	13,119,600	1.81
8. SOMER (U.K.) LIMITED	11,991,400	-	11,991,400	1.65
9. OPEN LONG-TERM FUND SHARES DIVIDEND AYUTTHAYA	9,603,000	1,271,600	10,874,600	1.50
10. BNP PARIBAS SECURITIES SERVICES	10,751,000	-	10,751,000	1.48
Total shareholding of the top 10 major shareholders	146,717,948	127,632,000	274,349,948	37.86
Other Minority Shareholders	394,461,231	55,795,226	450,256,457	62.14
Total	541,179,179	183,427,226	724,606,405	100.00

<sup>1</sup> CDIB & Partners Investment Holding Pte Ltd. Is 100% owned by CDIB & Partners Investment Holding Corporation via CDIB & Partners Investment Holding (Cayman) Limited

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

### **8.3 Dividend Policy**

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

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

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

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

#### **8.3.1 Dividend Policy of Subsidiary Companies**

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

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

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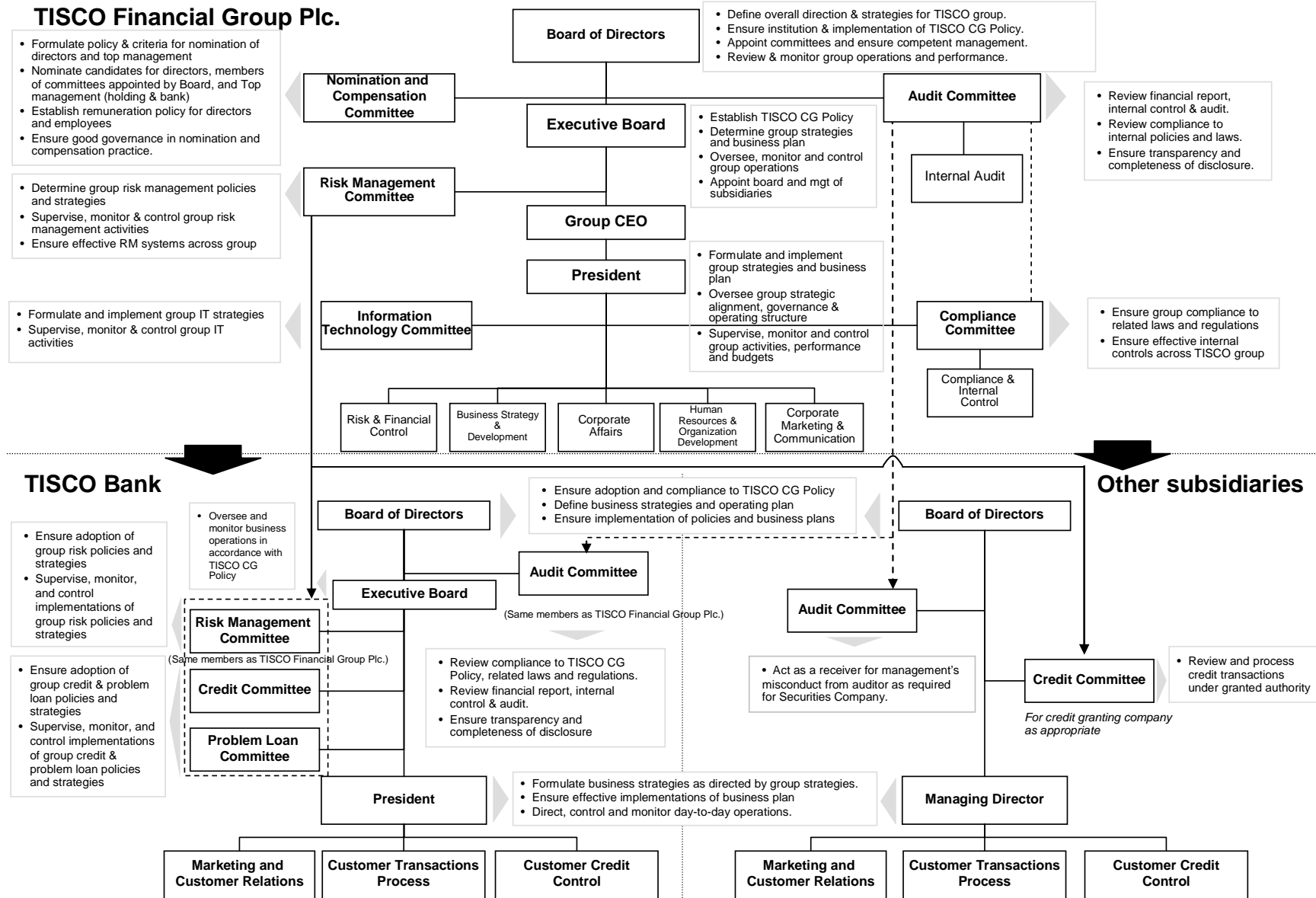
## **9. Management**

### **9.1 Management Structure**

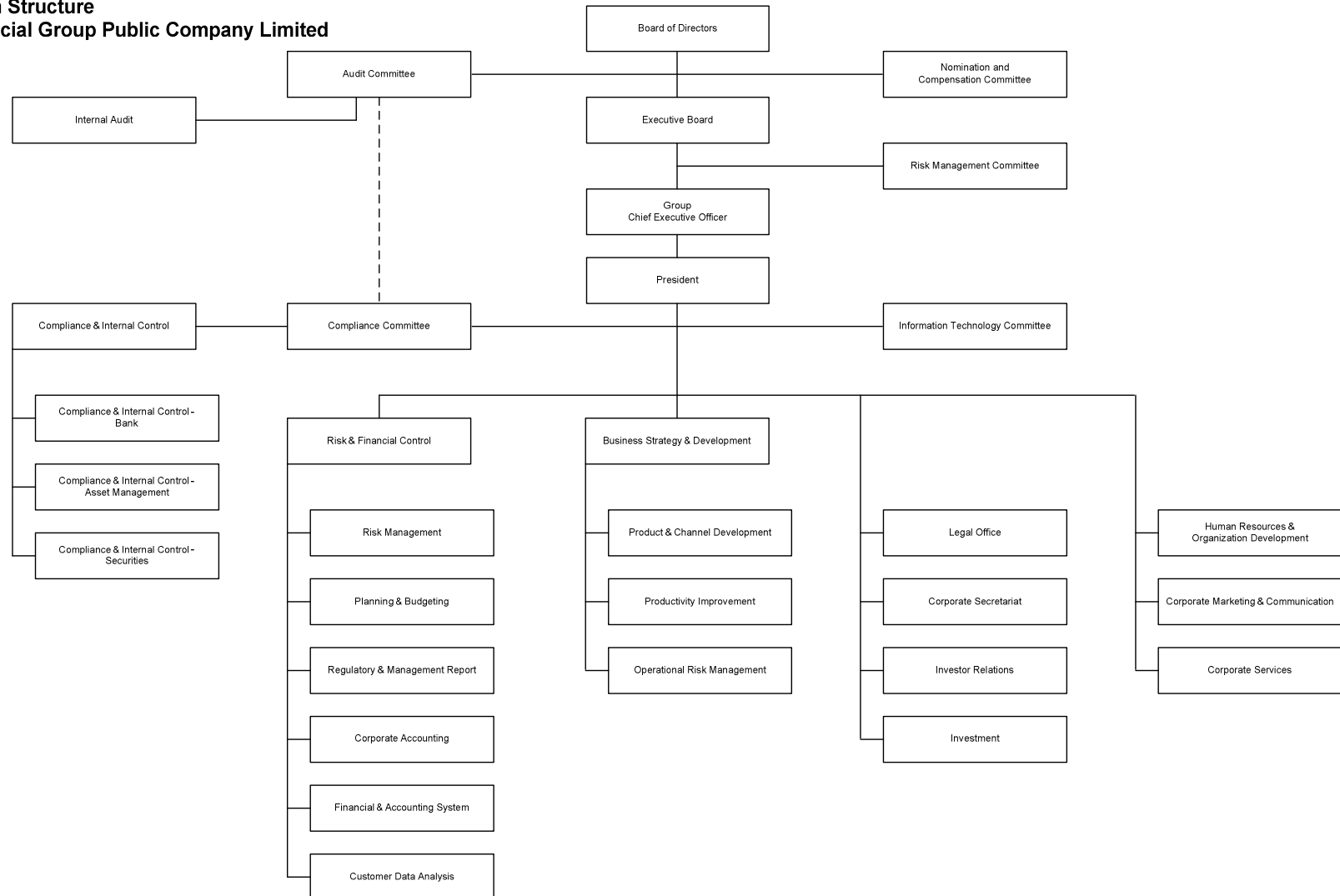
TISCO Financial Group Public Company Limited ("TISCOFG" or the "Company"), the parent company of TISCO Group, oversees, monitors and controls business operations of all subsidiary companies to ensure that all companies in TISCO Group operate under the same standard to maximize shareholders' benefit.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

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





**Organization Structure  
TISCO Financial Group Public Company Limited**



The Board structure is comprised of 4 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination and Compensation Committee. In addition, the Management Committee oversees and monitors all companies in TISCO Group to ensure that all operations are in line with policy and plan as approved by the Board of Directors.

### 9.1.1 Board of Directors

As of January 16, 2009, the Board of Directors consisted of 10 directors as follows:

Name	Position
1. Dr. Phisit Pakkasem	Chairman and Independent Director
2. Mr. Pliu Mangkornkanok	Director and Chairman of the Executive Board
3. Ms. Krisna Theravuthi	Independent Director and Chairperson of the Nomination and Compensation Committee
4. Assoc. Prof. Dr. Angkarat Priebjivat	Independent Director and Chairperson of the Audit Committee
5. Ms. Panada Kanokwat	Independent Director and Member of the Audit Committee
6. Pro. Dr. Pranee Tinakorn <sup>/1</sup>	Independent Director and Member of the Audit Committee
7. Mr. Alexander H. Shing	Director, Vice Chairman of the Executive Board and Member of the Nomination and Compensation Committee
8. Mr. Hirohiko Nomura	Director, Member of the Executive Board and Member of the Nomination and Compensation Committee
9. Ms. Oranuch Apisaksirikul	Director and Member of the Executive Board
10. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board

<sup>/1</sup> Appointed in replacement Prof. Dr. Praipol Koomsup who resigned on October 7, 2008 and the Company processed for registration of Prof. Dr. Pranee Tinakorn to be a director with the Ministry of Commerce on December 30, 2008.

### Authorized Signatory

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

#### Authority and Responsibilities of the Board of Directors:

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

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

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

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

#### **Corporate Secretary**

The Board appointed Ms. Pakaporn Punyashtiti the Corporate Secretary with responsibilities in preparing and maintaining directors profile, notice and minutes of the meeting, annual report, notice and minutes of shareholders meeting, maintaining directors and management shareholding report, and performing other duties as required by the Capital Market Supervisory Board.

### 9.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors. As of January 1, 2009, the Executive Board comprised the following directors:

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

*Authority and responsibilities of Executive Board:*

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

### 9.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of January 1, 2009, the Audit Committee comprises the following independent directors:

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

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

#### Authority and responsibilities of Audit Committee:

1. Review TISCO Group's financial report to ensure accuracy and adequacy.
2. Review and evaluate that TISCO Group has suitable and efficient internal control system and internal audit.
3. Review TISCO Group's operations to ensure compliance with related laws and regulations.
4. Consider, select and nominate the independent person to be the external auditor of TISCO Group and recommend remuneration of such auditor as well as meet with the external auditor at least once a year without participation of management.
5. Consider connected transaction or the transaction that may cause conflict of interest to ensure the appropriateness and best interest of TISCO Group.
6. Ensure the accuracy and completeness of the disclosure of TISCO Group, especially the connected transaction or the transaction that may cause conflict of interest.
7. Prepare and disclose the Audit Committee report signed by the Chairperson of the Audit Committee in an annual report.
8. Consider the independence of TISCO Group's Internal Audit function. 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.

#### 9.1.4 Nomination and Compensation Committee

The Nomination and Compensation Committee members were appointed by the Board of Directors. As of January 1, 2009 the Nomination and Compensation Committee comprises the following directors;

Name	Position
1. Mrs. Krisna Theravuthi	Chairperson of the Nomination and Compensation Committee
2. Mr. Alexander H. Shing	Member of the Nomination and Compensation Committee
3. Mr. Hirohiko Nomura	Member of the Nomination and Compensation Committee

*Authority and Responsibilities of Nomination and Compensation Committee:*

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

**The details of meeting attendance of TISCO Financial Group Public Company Limited's directors in 2008 are as follows:**

The Company represents the parent company of TISCO Group in replacement of TISCO Bank Public Company Limited resulted from the success of the Holding Company Restructure. Most of the Bank's directors took the position as directors of the Company. Details of meeting attendance of the directors when acting as director of the Bank and of the Company are as follows:

**Meeting attendance of the Bank's directors are as follows:**

Name-Surname	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee
<i>No. of total meetings (times)</i>	7	12	13	8
1. Dr. Phisit Pakkasem	7	-	-	-
2. Mr. Pliu Mangkornkanok	7	11 (out of 12 times)	-	-
3. Ms. Krisna Theravuthi	7	-	6 (out of 6 times)	8
4. Assoc. Prof. Dr. Angkarat Priebjivat	7	-	13	-
5. Prof. Dr. Praipol Koomsup (Resigned on October 6, 2008)	5 (out of 5 times)	-	9 (out of 9 times)	-
6. Ms. Panada Kanokwat <sup>1</sup>	4 (out of 4 times)	-	7 (out of 7 times)	-
7. Mr. Alexander H. Shing (Hon Kit Shing)	6 (out of 7 times)	12	-	8
8. Mr. Hirohiko Nomura <sup>2</sup>	- (out of 1 time)	- (out of 1 time)	-	-
9. Mr. Danny Suen Kam Yim <sup>3</sup>	1 (out of 1 time)	-	-	-
10. Ms. Oranuch Apisaksirikul	7	-	-	-

<sup>1</sup> Appointed in replacement of Mr. Sangiam Santad whose term was due to retire on April 25, 2008 and the Bank processed for registration of Ms. Panada Kanokwat to be a director with the Ministry of Commerce on May 27, 2008. In addition, Ms. Panada Kanokwat was appointed to be Member of the Audit Committee in replacement of Ms. Krisna Theravuthi on June 20, 2008

<sup>2</sup> Appointed in replacement of Mr. Mitsunobu Hasegawa who resigned on July 7, 2008 and the Bank processed for registration of Mr. Hirohiko Nomura to be a director with the Ministry of Commerce on November 25, 2008

<sup>3</sup> Appointed in replacement of Mr. Kah-Hua Yeo who resigned on July 16, 2008 and the Bank processed for registration of Mr. Danny Suen Kam Yim to be a director with the Ministry of Commerce on August 20, 2008. Subsequently, Mr. Danny Suen Kam Yim tendered his resignation from being the Bank's director on October 27, 2008 and the Bank processed for registration of such resignation with the Ministry of Commerce on October 31, 2008.



**Meeting attendance of the Company's directors are as follows:**

Name-Surname	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee
<i>No. of total meetings (times)</i>	2	1	1	1
1. Dr. Phisit Pakkasem (Assumed on September 4, 2008)	1 (out of 1 time)	-	-	-
2. Mr. Pliu Mangkornkanok	2	1	-	-
3. Ms. Krisna Theravuthi	2	-	-	1
4. Assoc. Prof. Dr. Angkarat Priebjrivat	2	-	1	-
5. Prof. Dr. Praipol Koomsup (Resigned on October 17, 2008)	1 (out of 1 time)	-	-	-
6. Ms. Panada Kanokwat	2	-	1	-
7. Prof. Dr. Pranee Tinakorn <sup>/1</sup> (Assumed on December 30, 2008)	0 (out of 0 time)	-	0 (out of 0 time)	-
8. Mr. Alexander H. Shing (Hon Kit Shing) (Assumed on September 4, 2008)	1 (out of 1 time)	1	-	1
9. Mr. Hirohiko Nomura (Assumed on September 4, 2008)	0 (out of 1 time)	0 (out of 1 time)	-	0 (out of 1 time)
10. Mr. Danny Suen Kam Yim (Resigned on January 8, 2009)	1 (out of 1 time)	-	-	-
11. Ms. Oranuch Apisaksirikul	2	1	-	-
12. Mr. Suthas Ruangmanamongkol (Assumed on September 4, 2008)	1 (out of 1 time)	1	-	-

/1 Appointed in replacement Prof. Dr. Praipol Koomsup who resigned on October 7, 2008 and the Company processed for registration of Prof. Dr. Pranee Tinakorn to be a director with the Ministry of Commerce on December 30, 2008.

### 9.1.5 Management

The Company, the parent company of TISCO Group after the holding company restructuring, oversees, monitors and control business operations of all companies in TISCO Group to ensure that all companies operate under the same standard to maximize shareholders' benefit. The Management Committee is responsible for monitoring TISCO Group business operations to be in line with policies and plan approved by the Board of Directors. Therefore, information of management in this report shall include TISCO Group's Management Committee as formerly disclosed in TISCO Bank's Annual Registration Statement during the past years. Furthermore, the Company has additional 19 management members, as per the definition of "management" defined by the Securities and Exchange Commission, after the completion of TISCO Group restructuring.

Management Committee members of the TISCO Group as of January 2009 comprise of the following members:

Name	Position
1. Mr. Pliu Mangkornkanok	Group Chief Executive Officer
2. Mr. Pichai Chanvirachart	Advisor
3. Mr. Sathit Aungmanee	Advisor
4. Ms. Oranuch Apisaksirikul	President, TISCO Financial Group Public Company Limited
5. Mr. Suthas Ruangmanamongkol	President, TISCO Bank Public Company Limited
6. Mr. Sakchai Peechapat	Senior Executive Vice President - Marketing and Customer Relations, TISCO Bank Public Company Limited
7. Mr. Panya Wotticharoenvong	Executive Vice President - Banking Transactions, TISCO Bank Public Company Limited
8. Ms. Nattamon Issaradharm	Executive Vice President - Credit Control, TISCO Bank Public Company Limited
9. Mr. Metha Pingsuthiwong	Executive Vice President - Treasury and Private Banking, TISCO Bank Public Company Limited
10. Ms. Araya Thirakomen	President, TISCO Asset Management Company Limited
11. Mr. Paiboon Nalinthrangkurn	Chief Executive Officer, TISCO Securities Company Limited

#### Authority and Responsibilities of Management Committee:

The Management Committee shall oversee and monitor the operations of each business to be in line with policy and plan as approved by the Board of Directors as follows;

1. Formulate corporate plan and strategies including annual budget to propose to the Executive Board
2. Direct, control, and monitor operations as set out in the business plan approved by the Executive Board
3. Oversee resource management

Nonetheless, the senior management of each subsidiary shall establish in-depth policy.

Authority and Responsibilities of the Group CEO:

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

Authority and Responsibilities of the President:

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

In addition to the Management Committee of TISCO Group, the Company's management, as defined by the Securities and Exchange Commission, comprises the following persons;

<b>Name-Surname</b>	<b>Position</b>
1. Mr. Kontee Sunthornpradit	Head of Risk Management
2. Mr. Kittipong Tiyaboonchai	Head of Regulatory & Management Report
3. Mr. Chatri Chandrangam	Head of Risk & Financial Control
4. Ms. Chutintorn Vigasi	Head of Corporate Accounting
5. Ms. Dulyarat Taveebhol	Head of Compliance & Internal Control
6. Mr. Noppawat Tangburanakij	Head of Productivity Improvement
7. Ms. Nartrudee Siwabut	Head of Corporate Marketing & Communication
8. Mr. Nipon Wongchotiwat	Head of Planning & Budgeting
9. Mr. Prayuk Charocharaskul	Head of Operational Risk Management
10. Ms. Pakaporn Punyashthiti	Head of Corporate Secretariat
11. Ms. Phanit Tiravongchaipunt	Head of Human Resources & Organization Development
12. Mr. Pongsupat Supasirisin	Assistant Head of Business Strategy & Development
13. Ms. Pattarinee Ratananakin	Head of Investor Relations
14. Ms. Maneerat Wattanajak	Head of Compliance & Internal Control - Asset Management
15. Mr. Watsakorn Thepthim	Assistant Head of Business Strategy & Development
16. Ms. Siriporn Pornviriyakul	Head of Financial & Accounting System
17. Ms. Sasinee Phattiyakul	Head of Corporate Services
18. Ms. Supaporn Aramtiantamrong	Head of Compliance and Internal Control - Securities
19. Mr. Ekkapol Apinun	Head of Legal Office

## 9.2 Directors and Independent Directors Nomination Guidelines

The Nomination and Compensation Committee shall, upon contemplating Company's need and good corporate governance, identify and propose qualified nominees, with knowledge, experiences, sufficient understanding of banking and finance, economics, law or any other fields deem appropriate, to the Board of Directors or the shareholders' meeting for consideration. The Nomination and Compensation Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors.

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

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

The following are the qualifications of an Independent Director set up in accordance with the Bank's Corporate Governance Policy and Guideline, which are stricter than those of the SEC and the SET:

1. Holding not exceeding 0.25 per cent of the total number of voting rights of the company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director.
2. Neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the company, its parent company, subsidiary, affiliate, same-level subsidiary or juristic person who may have conflicts of interest unless the foregoing status has ended not less than two years.
3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the company or its subsidiary.
4. Not having any business relationship, as defined by the Capital Market Supervisory Board, with the Company, subsidiary company, associated company or any juristic persons who might 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 companies with the stakeholders of the Company, subsidiary company, associated company or any juristic persons who may have a conflict of interest with exception that the person liberated from such criteria for more than two years.
5. Neither being nor having been an auditor of the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years.
6. Neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than two years.
7. Not being a director who has been appointed as a representative of the company's director, major shareholder or shareholders who are related to the company's major shareholder.
8. Not having any characteristics which make him/her incapable of expressing independent opinions with regard to the company's business affairs.

## **9.4 Director and Management Remuneration**

### **9.4.1 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.

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 top executives/management shall be linked to the performance of TISCO Group, and that of each executive/management. The remuneration should be determined in accordance with the principles and policies approved by the Executive Board with an endorsement from the Nomination and Compensation Committee and the Board of Directors respectively.

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 top executives upon the propose and consideration of the Nomination and Compensation Committee.

#### 9.4.2 Financial Remuneration

Following the success in TISCO Group holding company restructuring, TISCO Financial Group Public Company Limited became a parent company of the financial business of TISCO Group instead of TISCO Bank Public Company Limited. Majority of TISCO Bank's directors were appointed as the Company's directors and would receive Directors' remuneration only from the Company starting from 2009 onwards. Thus, the Directors' remunerations shown under this topic were remuneration paid to the Company directors during their term in TISCO Bank. Remunerations for the year 2008 are as follows:

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

<sup>1</sup> Only the board members who are not members in any other committees

The details of Board of Director remuneration during January 1 to December 31, 2008 are as follows:

Name of the Directors	Remuneration (Baht)					Total
	Board of Directors		Executive Board	Audit Committee	Nomination and Compensation Committee	
	Monthly Remuneration	Meeting Allowances			Meeting Allowances	
1. Dr. Phisit Pakkasem	720,000	105,000				825,000
2. Mr. Pliu Mangkornkanok	300,000		480,000			780,000
3. Mrs. Krisna Theravuthi	300,000			240,000	225,000	765,000
4. Assoc. Prof. Dr. Angkarat Priebjivat	300,000			600,000		900,000
5. Prof. Dr. Praipol Koomsup (Resigned on October 6, 2008)	225,000			360,000		585,000
6. Ms. Panada Kanokwat <sup>(1)</sup>	200,000			240,000		440,000
7. Mr. Alexander H. Shing (Hon Kit Shing)	300,000		420,000		135,000	855,000
8. Mr. Hirohiko Nomura <sup>(2)</sup>	50,000		70,000		15,000	135,000
9. Mr. Danny Suen Kam Yim <sup>(3)</sup>	75,000	30,000				105,000
10. Mrs. Oranuch Apisaksirikul	300,000	105,000				405,000
Total	2,770,000	240,000	970,000	1,440,000	375,000	5,795,000

Remarks: (1) Appointed in replacement of Mr. Sangiam Santad whose term was due to retire on April 25, 2008 and the Bank processed for registration of Ms. Panada Kanokwat to be a director with the Ministry of Commerce on May 27, 2008. In addition, Ms. Panada Kanokwat was appointed to be Member of the Audit Committee in replacement of Ms. Krisna Theravuthi on June 20, 2008.

(2) Appointed in replacement of Mr. Mitsunobu Hasegawa who resigned on July 7, 2008 and the Bank processed for registration of Mr. Hirohiko Nomura to be a director with the Ministry of Commerce on November 25, 2008.

(3) Appointed in replacement of Mr. Kah-Hua Yeo who resigned on July 16, 2008 and the Bank processed for registration of Mr. Danny Suen Kam Yim to be a director with the Ministry of Commerce on August 20, 2008. Subsequently, Mr. Danny Suen Kam Yim tendered his resignation from being the Bank's director and the Bank processed for registration of such resignation with the Ministry of Commerce on October 31, 2008.

Following the restructure of shareholding of TISCO Group, the Company becomes the parent company of TISCO Group. The Company oversees, monitors, and controls business operations of all subsidiary companies within TISCO group. The Board of Directors of The Company is the ultimate governance authority who ensures that all subsidiary companies within the group coherently conduct business to the best interest of the shareholders. Management Committee is responsible for managing and controlling business operations of companies in TISCO Group in compliance with policies and plans approved by the Board of Directors. Therefore, information regarding Management in this document shall include Management Committee of TISCO Group similar to information disclosed by TISCO Bank Annual Registration Statement (Form 56-1) in the previous years. Furthermore, there are 19 additional management members which shall be defined as "management" as per definition of the SEC as a result of the group restructuring.

In 2008, total remuneration for the Board of Directors, the Executive Board, the Audit Committee, the Management Committee (11 members) and the Management (total of 19 persons) was 195,680,925 baht. This was paid in the form of monthly compensation, salaries, meeting allowances, provident fund and bonuses, which varied according to TISCO Group's performance.

## 9.5 Corporate Governance

The essence of this section is TISCO Group's Corporate Governance policy. Corporate governance practices and examples illustrated in this section are those of TISCO Bank Public Company Limited ("TISCO Bank"), the former parent company of TISCO Group in 2008.

The Company has formulated corporate governance policy in full conformity with the principles of good corporate governance, as per international standards and national standards set out by domestic authorities including the Bank of Thailand, Securities and Exchange Commission, and the Stock Exchange of Thailand. The policy aims to ensure that all subsidiary companies carry out their duty with maximum accountabilities, transparency, and equitable treatment of all stakeholders, while promoting managerial integrity, effectiveness, and efficiency in order to bolster enduring business growth in line with corporate plan and strategy.

The Corporate Governance Code of Conduct has been developed to assist the Board of Directors in effectively carrying out their duties in compliance with related laws, regulations, and business ethics. The Corporate Governance Code of Conduct embrace all key issues of the code of best practices for directors, and also include the role and structure of the Board of Directors, relationships with stakeholders, information disclosure, and applicable laws and regulations related to directors. Since the Corporate Governance Code of Conduct is significant to every level of the company; from directors to operations, the Bank has endeavored to ascertain that all employees adhere to the code of conduct, thus conducive to good corporate governance (details of Corporate Governance Policy and Code of Conduct are presented on [www.tisco.co.th](http://www.tisco.co.th)). In addition, TISCO Group has endorsed Operating Policies to be applied at the managerial and operational level in dealing with such matters as customer complaints, conflicts of interest, control of inside information, confidentiality, and related issues including securities trading by employees.

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

TISCO Group strictly and consistently applies good corporate governance at all levels within the organization, from directors, to management and employees. This commitment has yielded TISCO Bank much recognition and honors from many institutes. TISCO Bank's Shareholder Ordinary General Meeting for the year 2008 received an "Excellent" score from the Ordinary General Meeting Assessment Program conducted by the Securities and Exchange Commission in cooperation with the Thai Listed Companies Association, and the Thai Investors Association. TISCO Bank was also among 182 listed companies, out of 486 in the program, to score over 90 points. The Bank also received the "Top Corporate Governance Report Awards" from the SET Awards 2008, organized by the Stock Exchange of Thailand. The Award were presented to listed companies with outstanding corporate governance report considering information disclosed in Annual Report, Annual Registration Statement (Form 56-1), AGM Notice to shareholders and AGM minutes. In addition, Thai Institute of Directors (IOD) awarded TISCO Bank as 1 of 22 listed companies with "Excellent" corporate governance recognition level in the Corporate Governance Report of Thai Listed Companies in 2008 (CGR 2008).

TISCO Bank was voted Thailand's Best Managed Companies from the Asia's Best Managed Companies Poll 2008 by Finance Asia Magazine in Mid-Cap category, total market capitalization between USD100 to USD1,000 million. The result reflects the opinions of investment analysts and institutional investors in Asian region toward the Bank. TISCO Group emphasizes on information disclosure. Therefore, regular meetings with investors both local and international were held to illustrate TISCO Group's policies, exchange viewpoints, and respond to any queries on the basis of trustworthiness and professionalism by concerning all stakeholders.

Corporate Governance Policy that TISCO Group established as guideline for business operations is classified into the following categories;

### 1) Rights of Shareholders

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



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

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

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

TISCO allocates sufficient time frame for the shareholders to propose agenda items that they deem worthy of being placed on the annual general meeting agenda, and to propose qualified director candidates. The shareholders can submit their proposals in advance of the meeting according to the criteria set by the company. Regarding agenda items, the Board of Directors shall add items that are considered appropriate for the agenda and make sure that the items are included in the notice of the annual general meeting. For nominations of qualified candidates for director positions, the Nomination and Compensation Committee shall review and propose candidates for the Board of Directors' consideration and recommendation to the shareholders at the annual general meeting.

For the 2008 Annual General Meeting, TISCO Bank invited shareholders to propose agenda and qualified candidates for director positions for the period of 3 months from September 28, 2007 to January 4, 2008.

- Notification of Meeting Details

The Company prepares notice of the shareholder meeting in both Thai and English and notifies the meeting details to investors not less than 30 days prior to the meeting date through the Stock Exchange of Thailand's information dissemination channel and its website to allow shareholders adequate time to study meeting materials. Such notice and materials shall be sent to the shareholders not less than 7 days before the date set for the meeting in accordance with the law. The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders; which include (1) Notice of the meeting (2) Procedure for meeting registration (3) Profile of the independent directors nominated to serve as proxies for shareholders (4) the Company's Articles of Association in the category of company's share, shareholder meetings, directors; with regard to the number of directors section, an election of directors, director's term of office and dividend (5) Agenda of the meeting (6) Annual Report (7) Proxy Form and Registration and Voting Form (8) Return envelope, and (9) Meeting location map. In addition, the Company shall publish notice of the shareholder meeting in a Thai daily newspaper for 3 consecutive days and not less than 3 days before the date set for the meeting. The order of the annual general meeting agenda shall be in accordance with the Company's Articles of Association. All agenda items shall indicate clearly whether it is a matter being proposed for acknowledgement, for approval, or for consideration, as the case may be, and include the opinions of the Board of Directors in said matters.

For the 2008 Annual General Meeting and the Extra-ordinary Meeting No. 1/2008 held on April 25, 2008, TISCO Bank 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 24, 2008 or 30 days before the meeting date. The Bank mailed notice and materials to shareholders since April 10, 2008 or 14 days before the meeting date.

- Meeting attendance

To protect shareholders' rights to attend the meeting and ensure equitable treatment for shareholders, TISCO assigned officers to check shareholders' or proxies' documents according to the requirements stated in the notice. Moreover, any shareholder could register to attend 2 hours in advance of the meeting time. TISCO utilized a computer and barcode system for registration and printing of voting forms for each agenda item to facilitate shareholder participation, and to ensure prompt and accurate registration. In addition, shareholders are also able to register to attend and exercise their voting rights on impending agenda 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. Moreover, the shareholders can download other types of proxy forms from the website of TISCO Group.

- Shareholders' opportunity for query and comment

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

For the 2008 Annual General Meeting and the Extra-ordinary Meeting No. 1/2008 held on April 25, 2008, eleven TISCO Bank's directors, auditors, and top management including Executive Vice President - SME Banking, Executive Vice President - Governance, Executive Vice President - Retail Banking, Executive Vice President - Treasury and Private Banking, TISCO Securities Managing Director, TISCO Asset Management's Managing Director and Deputy Managing Director attended the meetings.

- Conduct of the meeting and voting

The meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the shareholders holding an aggregate number of shares not less than two-third of total number of shareholders attending the meeting resolve to change the order of the agenda. In addition, the shareholders holding an aggregate number of shares not less than one-third of the total number of shares sold may request that the meeting consider other matters in addition to those specified in the notice of the meeting. Before the meeting starts considering the agenda, the shareholders will be informed of their voting rights, total votes required for each agenda and the voting process for each agenda. For the purpose of transparency and equitable treatment of the shareholders in the voting process, the Company shall utilize voting forms for each agenda. The Company assigns external inspectors to review the voting process for transparency and accuracy of the voting. 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 2008 Annual General Meeting and the Extra-ordinary Meeting No. 1/2008, there were no additional information distributed in the meeting, no additional agenda, no changes to the agenda order, or no changes in important information without prior notification to shareholders.

## 2) Equitable Treatment of Shareholders

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

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

The Company shall give notification of the shareholders' meeting resolutions to all investors immediately through the SET's information dissemination channel within the same day of the meeting, and 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 2008 Annual General Meeting and the Extra-ordinary Meeting No. 1/2008 held on April 25, 2008, TISCO Bank 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 8, 2008, in compliance with the above mentioned timeframe.

Regarding measures taken to prevent conflict of interest, the Corporate Governance Code of Conduct requires employees to comply with stipulated laws and regulations, conduct their duties with integrity, consider the Company's interests above their own, and refrain from exploiting inside information for their own benefit. TISCO Group has compiled business guidelines, relevant regulations and its business code of conduct into a Compliance Manual published on the Bank's intranet system. The manual includes relevant criteria and procedures to protect against conflict of interest.

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

Each member of TISCO's management as well as their spouse and underage, including director, management and those holding executive level positions in accounting or finance at the level of the department manager or higher, or equivalent must report their securities holdings in TISCO, as well as the securities holding of their spouse and any minor children, to the SEC. This report on securities holdings must be filed within 30 days of the appointment. Moreover, they must report on the change of securities holdings within 3 working days from the date of the change. Directors must also notify the Audit Committee of their shareholdings at the end of each quarter.

The above-mentioned persons must file a copy of their report on securities holdings to TISCO within the same date on which such a report is filed to the SEC. In addition a director 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 in the notification of the Capital Market Supervisory Board.

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

### 3) Role of Stakeholders

Since each stakeholder has different objectives and expectations, TISCO Group fully considers the differing stakeholders' legal rights, and ensures that those rights are well protected and treated with care. The principal stakeholder groups of TISCO include: shareholders and investors, depositors and creditors, management and employees, customers and suppliers, external auditors and concerned state agencies, the communities in which the company's activities are located, and the environment. Co-operation between the company and various groups of stakeholders is promoted in order to secure profits and business sustainability.

Shareholders : TISCO Group focuses on the ownership rights of the shareholders and commits to providing shareholders with the best performance, and recognizes the important of quality services as well as an ever-expanding scope of opportunities for future achievement. The shareholders are empowered to exercise their rights as shown by the implementation of cumulative voting which allows minority shareholders to nominate directors. The company's policy regarding the protection of shareholder rights and interests is shown in Item 1. Rights of Shareholders and Item 2. Equitable Treatment of Shareholders.

Employees : TISCO Group recognizes and values the dedication and commitment of its staff in carrying out their duties. As an organization built on the solid foundation of good corporate governance, the goal is to equip the employees with the education and training they need to serve customers with the highest standards of professionalism. TISCO Group has provided employees with various training: for basic knowledge, job-specific skills, and specialized trainings in accordance to each annual policy.

With regard to compensation, to ensure that our people are rewarded fairly for their dedication, a performance management system is in place so that all employees may enjoy the fruits of TISCO Group's success and be treated fairly and equitably. The Group ensures that

employee welfare is well taken care of, both in health and safety. Details of employee's rights and benefits are described in Topic 9.8 under Section 9. Management.

- Customers** : The Company's Mission and Values (Details are shown in Topic 2.4 under Section 2. Overview of TISCO Business) reflect TISCO Vision: "To be the Customers' First Choice". This means providing professional and practical solutions that fulfill customer needs, elevating the quality of the bank-client relationship by infusing excellence and integrity into all our dealings, and offering the knowledge base and experience of our integrated resources in accordance with the highest standards of professional ethics.
- The Company also realizes that customer feedback is significant so that customers have variety of channels to convey their feedback to the Company including through Customer Service Center, service counters at head office and branches and TISCO Group website. Customer feedback has enabled the Bank to evaluate the level of satisfaction and use it to improve our products and services. In addition, a dedicated function under the Compliance Committee directly and independently reporting to Management has been assigned to receive complaints. The Bank shall keep customer information confidential.
- TISCO business structure is Client Centric. Our goal is to offer the best services and products in order to fulfill customer needs. All service channels, such as branches and the sales force, have been expanded in order to maximize our reach, while quality improvements in all aspects: products, services, work process, and IT system, have been simultaneously carried out. In addition, the Bank focuses on branding and maintaining a good corporate image, as well as introducing a Customer Relationship Management system to expand business opportunities and maintain good relationships with our customers.
- Business Partners and Creditors** : Any conditions within the agreements made with business partners and creditors will be served honorably by TISCO Group. The Group refrains from accepting or giving any benefits in bad faith from business partners and creditors. TISCO Bank was recognized as the **Best Dealer Compliance Award**, from the Best Bond Award, which is the award for bond dealers with excellent standard from the Thai Bond Market Association for 2 consecutive years. TISCO Bank also received the "**Best Bank in Thai Baht Corporate Bonds**" award from the Asset Currency Bond Benchmark Survey for Thai Baht Corporate Bonds for 3 consecutive years. The result of a survey of more than 300 institutional investors across nine markets in Asia reflecting their opinions regarding dealer services in the region.
- Competitors** : TISCO Group executes business with due regard for fair competition and integrity, operates within the framework of applicable competition regulations, and refrains from competitive action that may have a negative impact on the industry.
- Society** : TISCO Group recognizes its social responsibility and has continually taken a leading role in making society a better place through a broad array of initiatives. Great emphasis is given on education and on creating opportunities for sustainable development in underprivileged communities, on cultural and environmental activities.
- TISCO Group established the TISCO Foundation in 1982 to carry out long-term social activities including the provision of educational support for underprivileged students, medical care for disadvantaged and handicapped patients, vocational support for those in need, and cooperation with other charities in performing public and social services.
- In addition to ongoing charity services through the TISCO Foundation, in 2008, TISCO Group also supports other social and community development programs such as;
- Donation of computers and learning equipments
  - Support to the southern border provinces
  - Support poor children through UNICEF
  - Support Autism students
  - Support victims of Cyclone Nargis

etc.

Details of the Company's social responsibility activities are described in Topic 13.3 under Section 13. Others.

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

TISCO Group's environmental awareness activities held consistently since 1989 were the annual "reforestation" project all over the country with great support from the management and employees. This project supports TISCO Group's awareness to social and environment responsibilities and creating preserving the environment conscious.

In addition, TISCO Group's environmental conservations also include resource management policy. TISCO Group places great importance on creating mindset for energy and environmental conservation among TISCO employees, for instance, power saving, using environmental-friendly office supplies and waste reducing. In 2008, TISCO Group established the "Clean Development Mechanism (CDM Division)" to help in the campaign against global warming. The unit also provides Carbon Credit trading service.

#### 4) Disclosure and Transparency

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

TISCO prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and accessibility. The Board of Directors shall provide a report indicating the performance of the company and important business activities over the course of the year to shareholders. Moreover, the Board of Directors is accountable for assessing the company's internal control system, which is carried out by the Executive Board and reviewed by the Audit Committee, and for certifying the accuracy of information in financial statements. The Board assigns the Audit Committee to review the financial statements of the company and 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 above-mentioned reports, 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 Group has set out a written corporate governance code of conduct which is disclosed on the company's website. A compliance monitoring process is consistently conducted.

TISCO Group established Corporate Governance Policy in written format and disclosed on TISCO Group website. From the latest corporate governance survey organized by Thai Institute of Directors (IOD) with support from the Securities and Exchange Commission and the Stock Exchange of Thailand in 2008, TISCO Bank was ranked as 1 of 22 listed companies with "Excellent" corporate governance recognition levels in the Corporate Governance Report of Thai Listed Companies in 2008 (CGR 2008).

TISCO arranges for the disclosure of the names and responsibilities of directors and other committees, the number of meetings, each director's meeting attendance record and their remuneration in the annual report. The company assigned its Investor Relations to represent the company in communications with all shareholders, investors, analysts, credit rating agencies, and regulatory agencies concerned. 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 Relation". 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.

Investor Relations is responsible for keeping shareholders, investors, securities analysts, ratings agencies, and regulators well informed on the Company's financial performance and general information through report to the Stock Exchange of Thailand, the

Securities and Exchange Commission and TISCO Group's website under "Investor Relations" topic. In addition, activities to provide information and responses to inquires from investors were normally participated by Top Management. In this respect, the activities arranged in 2008 were as follows;

- o 4 Quarterly Analyst Meetings and 4 general meetings with approximately 35-40 persons in attendance at each meeting
- o 16 Press Conferences: with approximately 20 media representatives attending each conference
- o 38 One-on-one meetings with investors and equity analysts, both domestic and foreign; comprising 25 in-person interviews and 13 conference calls
- o Meetings with investors, both local and international in America, Europe and Asia including the United States, United Kingdom, Hong Kong, and Singapore. The details are as follows:
  - a) 1 Non-deal Roadshow
  - b) 8 Investor Conferences; comprising 4 domestic conferences and 4 international conferences

For more information, please contact Investor Relations at:

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

Telephone: 0 2633 6899

Fax : 0 2633 6818

Email : IR@tisco.co.th

Website : www.tisco.co.th

## 5) Responsibilities of the Board

### 5.1 Board Structure

Our Board members are selected on the basis of, among other things, knowledge, experience, skill, expertise, integrity, diversity, ability to make independent analytical inquiries, and their understanding of the company's business environment. TISCO has established operating policy regarding structure of the Board as well as qualification of directors including the Board Composition 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. For instance, the Board of Directors shall be comprised of 9-12 directors with not more than three executive directors, while one-third of the Board shall be independent directors who meet the qualifications as stipulated in Topic 9.3 under Section 9. Management. With regard to the board's composition representing major shareholders, the Bank has also issued a code of conduct concerning fair proportion of each group's investment to ensure that no single individual or group has unfettered power. In addition, the term of office of TISCO's directors is specified in the Articles of Association, whereby the whole Board of Directors shall be simultaneously elected. However, the former Board of Directors shall remain in office to conduct the business of the company as necessary until the new Board of Directors takes office.

Recognizing the crucial roles of the Board of Directors and senior management in devoting time and effort to managing the company, directors and senior management are allowed to assume the position of Chairman, executive director, or director with full signatory authority in no more than three business groups. Directors should avoid other positions or jobs that may lead to conflicts of interest. The details of each director are disclosed in the Attachment of Annual Registration Statement and Annual Report.

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

## 5.2 Roles, duties and Responsibilities of the Board

Key roles of the Board of Directors are divided into 2 areas: Performance roles, which cover Strategy and policy formulation, and Compliance roles, governing Supervision, Monitoring, and Accountability. This illustrates that the Board of Directors not only places great emphasis on overseeing the company's strategic planning, but that it is also responsible for monitoring the company's operations to ensure that key policies are implemented effectively and efficiently and in accordance with all laws, rules and regulations as well as upholding the highest ethical standards.

The Board of Directors plays a major role in overseeing the company's overall performance and ensures that key policies are implemented effectively and efficiently. To ensure high standards of performance, the Board delegates a large part of its administrative functions including day-to-day operations to other committees as illustrated in Item 5.3 "Other Committees".

Key roles of the Board of Directors are divided into 2 areas as follows;

### (1) Performance roles of the Board – Strategy and policy formulation

The Board oversee the development of a long-term strategic plan, which reflects the Board's general business philosophy and vision for the future of the company. Short-term business plans should outline specific and measurable targets that management adhere to and that are evaluated at regular intervals. The Board approves a 3-year rolling business plan as a guideline for staff and annual budgets prepared by the management. The business plan also includes key performance indicators and business targets wherein variation from these targets is regularly measured and analyzed. In addition, business performance analysis prepared by management is regularly reported to the Board to provide updates on progress and achievement of targets. Timely performance monitoring and assessment helps the company identify significant deviations of results from predefined business plans in order to perform corrective actions promptly.

The Board determines the operational policies designed to regulate areas of fiduciary and insider activities, personnel administration, financial disclosure, auditing and investments that are consistent with TISCO Group's long-term and short-term strategic plans. By approving the implementation of such policies and procedures developed by management, the Board defines what practices are acceptable and in line with the overall business philosophy of the institution. Policies should be devised to assist the institution's management in determining what actions to take in various situations, limiting unnecessary errors resulting from ill-informed judgments.

All major activities of TISCO Group are to be regulated by policy which shall be flexible. When required, they should extend to cover new or improved practices and adapt to changing business conditions. Having clearly written policies prevents miscommunication. Newly introduced activities should not be undertaken without proper implementation of policy. The Board should specify appropriate procedures in monitoring and reporting risk activity.

In implementing policies, clear standards of performance are communicated through all levels of the company, providing a single, authoritative source of reference. The Board also establishes the norm of periodically reviewing policies and revising such policies as necessary to ensure that they remain consistent with the institution's long and short term strategic plans.

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

### (2) Compliance roles of the Board – Supervising, Monitoring, and Accountability

Although the Board delegates a substantial part of its administrative function including day-to-day operations to a full-time management team of executives, in fulfilling its compliance roles, the Board is responsible for monitoring company's operations. The Board must be continually aware of the institution's operating environment. Directors are to be well informed of internal and external factors affecting the institution, including business environments, legal and regulatory frameworks. Directors also be aware of the potential liabilities imposed on them by law or regulations and ensure that the company has appropriate policies and procedures in place to maintain compliance with them. Directors should also be aware and keep themselves updated on local, regional, national, and international financial trends and any statutory and regulatory changes affecting the company.

The primary mechanism for overseeing TISCO Group's operations is regular reports to the Board from the management containing relevant information regarding financial performance, management of the loan portfolio, liquidity risk, market risk, investment portfolio, asset/liability, and compliance. The Board shall carefully review reports and be aware of any warning signs of deteriorating performance, increased risk, abuse of power within the management, problems with internal control systems, compliance

issues or issues relating to the accuracy and reliability of the reports. In addition to providing the reports noted above, management should regularly brief the Board on the business environment, market trends, industry benchmarks, regulatory changes and macro-economic indicators. Management should be expected to promptly alert the Board of any competitive threats, business opportunities, changes within the industry, or political procedures that may impact the institution or information which would assist the Board in strategic planning, setting policy, or monitoring operations or business performance.

On the Board's role in supervising risk management, the Board ensures that management has identified potential risks and has established an adequate risk management process to assist in identification, measurement, monitoring and control of various categories of risk commonly encountered by financial institutions. It is the responsibility of the Board to approve and periodically review TISCO Group's risk management strategies that are ultimately implemented by senior management.

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

### 5.3 Other Committees

To optimize the efficiency of its corporate governance 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 any committee member who may have a conflict of interest in the transaction shall exclude the voting right on such matter to avoid conflict of interest. Details of the composition and responsibilities of other committees is shown in Topic 9.1 Management Structure under Section 9. Management. All committees shall have responsibility to report their activities to the Board of Directors on a regular basis.

The Board of Directors is accountable for clearly defining and separating the roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination and Compensation Committee, and the Executive Board as detailed below;

#### Audit Committee

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

#### Nomination and Compensation Committee

The Nomination and Compensation Committee is charged with the responsibility of identifying qualified candidates for directorships and Top Management. 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 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. Board members who handle extra assignments shall be compensated accordingly. In addition, the Committee reviews and recommends remuneration and benefit policy for the Board and TISCO Group's employees with clear and transparent criteria. The performance assessment criteria for Board members and TISCO Group's employees for annual remuneration review should be devised by the Committee, taking into account their responsibilities and risks as well as enhancement of long-term shareholder value.



### Executive Board

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

#### 5.4 Board of Directors' Meeting

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

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

In addition to the Board of Directors Meeting, the Executive Board meets regularly every month. Meanwhile, the Audit Committee also sets up meetings to communicate with the Company's auditor with regard to financial statements without intervention by management. Such meetings are regularly conducted at least 4 times a year in order to summarize issues arising from the financial statement audit along with suggestions and to evaluate the Bank's cooperation in the auditing process. The Nomination and Compensation Committee meets at least twice a year to consider remuneration for directors and TISCO Group employees as well as to nominate qualified candidates for director positions. Notice of committee meetings and period of sending the notice of the committees shall be the same standard as that of the Board of Directors.

In 2008, 7 Board of Directors meetings of TISCO Bank were convened. In addition, there were 12 Executive Board Meetings, 13 Audit Committee Meetings and 8 Nomination and Compensation Committee Meetings. This ensured that business was conducted effectively and in compliance with related regulations. Details of directors' attendance are shown in Topic 9.1 Management Structure under Section 9. Management.

#### 5.5 Board Self-assessment

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

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

In 2008, the Nomination and Compensation Committee revised the self-assessment form into 6 areas: 1) Board Policy, 2) Board Performance, 3) Board Structure, 4) Board Style, 5) Board Meetings, and 6) Board Members. From the assessment result, it was found that the Board of Directors fully complied with all 6 areas in a satisfactory manner. Moreover, each director also gave insightful suggestions that will contribute to improving the Board's performance.

#### 5.6 Remuneration

To ensure that the remuneration policies are set up with transparency, the Board of Directors assigns the Nomination and Compensation Committee to formulate director remuneration policies with clear and transparent criteria. Director remuneration shall reflect their duties and responsibilities. Directors who are assigned with extra work should receive appropriate remuneration for special assignments. The Committee shall propose the remuneration to the Board Meeting or 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.

The Company discloses Director Remuneration Policy and director remuneration payment in detail in Topic 9.4 Director and Management Remuneration under Section 9. Management.

#### 5.7 Board and Management Training

When a new director is appointed to the Board, senior management will arrange for an orientation regarding TISCO Group's business operations and past performance to provide clear understanding and enable the director to fully perform his/her duties. The company shall also provide a copy of the Director Manual and the Corporate Governance Policy and Guidelines to said director.

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

Details of the Board of Directors and Top Management attending training programs organized by Thai Institute of Directors as of December 31, 2008 are as follows:

Name	IOD Training Program
Mr. Pliu Mangkornkanok	<ul style="list-style-type: none"> <li>● Chairman 2000 Program</li> <li>● Directors Certification Program</li> </ul>
Ms. Krisna Theravuthi	<ul style="list-style-type: none"> <li>● Role of Chairman Program</li> <li>● Role of Compensation Committee</li> <li>● Monitoring the System of Internal Control and Risk Management</li> <li>● Audit Committee Program</li> <li>● Director Certification Program</li> <li>● Director Accreditation Program</li> <li>● Effective Audit Committee and Best Practices</li> </ul>
Assoc. Prof. Dr. Angkarat Priebjrivat	<ul style="list-style-type: none"> <li>● Role of Chairman Program</li> <li>● Monitoring the Internal Audit Function</li> <li>● Audit Committee Program</li> <li>● Director Certification Program</li> <li>● Director Accreditation Program</li> </ul>
Ms. Panada Kanokwat	<ul style="list-style-type: none"> <li>● Director Accreditation Program</li> </ul>
Ms. Oranuch Apisaksirikul	<ul style="list-style-type: none"> <li>● Director Certification Program</li> </ul>
Mr. Suthas Ruangmanamongkol	<ul style="list-style-type: none"> <li>● Director Certification Program</li> </ul>
Mr. Pichai Chanvirachart	<ul style="list-style-type: none"> <li>● Director Certification Program</li> </ul>
Mr. Sakchai Peechapat	<ul style="list-style-type: none"> <li>● Director Certification Program</li> <li>● Director Accreditation Program</li> </ul>
Mr. Panya Wotticharenvong	<ul style="list-style-type: none"> <li>● Director Certification Program</li> </ul>
Ms. Nattamon Issaradharm	<ul style="list-style-type: none"> <li>● Director Certification Program</li> </ul>
Mr. Metha Pingsuthiwong	<ul style="list-style-type: none"> <li>● Director Certification Program</li> </ul>
Ms. Araya Thirakomen	<ul style="list-style-type: none"> <li>● Director Certification Program</li> </ul>
Mr. Paiboon Nalinthrangkurn	<ul style="list-style-type: none"> <li>● Director Accreditation Program</li> </ul>

In addition, to ensure stability and continuity of TISCO Group in future circumstances, successor of all key positions has been determined. The Board of Directors assigns the Nomination and Compensation Committee to oversee the preparation of the top executive's succession plan. Said plan shall be regularly reviewed as appropriate. For other senior management positions, Senior Management and Human Resource function shall consider and evaluate the successors for the Executive Board's approval.

## 9.6 Business Ethics

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

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

## 9.7 Control of Internal Information

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

## 9.8 Human Resources

As of December 31, 2008, the total number of employees at TISCO Group was 2,651 (excluding senior management) of which 2,305 were permanent employees and 346 contract staff.

Major Function	As of December 31	
	2007	2008
1. Retail and SME Banking	1,341	1,620
2. Private Clients and Asset Management	229	194
3. Corporate and Investment Banking	164	246
4. Corporate Investment	16	16
5. Corporate Function	586	575
<b>Total</b>	<b>2,336</b>	<b>2,651</b>

The number of employees of TISCO Group at the end of 2008 was increased by 315 additional staff, or 13.5% increasing as a result of 7 TISCO Bank's branches expansion. For the year 2008, TISCO Group's total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 1,371,202,382.61 Baht. In the last 3 years, the TISCO Group have adjusted personnel expenses to match business performance. The proportion of variable personnel expenses to total personnel expenses in 2006, 2007 and 2008 was 27%, 33% and 30% respectively.

### 9.8.1 TISCO Group Registered Provident Fund

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

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

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

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

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

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

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

As of December 31, 2008, the total fund size of "TISCO Group Investment Registered Provident Fund" was 776,419,947.67 Baht with 1,498 members. The total fund size of "TISCO Group Savings Registered Provident Fund" was 258,117,919.88 Baht with 695 members.

## 9.8.2 General Human Resources Policies

To strengthen the group's corporate identity and brand personality in 2008, the implementation of people-oriented practices is conducted at a high standard to reflect TISCO Group's philosophy of human resources management. Although all **human resources policies** and some human resources operations are centralized for work efficiency and consistency, for example, payroll systems and employee data recording, 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.

### 1. Principles of Dealing with People at TISCO Group

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

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

### 2. Hiring

In order to serve various business aims while maintaining a uniform corporate culture across the group, the hiring of TISCO Group employees is based on three sets of competencies: Organizational Core Competencies, Functional Competencies and Leadership Competencies. Organizational and Leadership Competencies meet the same criteria across the group, whereas Functional Competencies can be varied to fit business strategy, business culture and competitive environment. TISCO Group hires employees with the right attitude and professional abilities that enable them to develop a long-term relationship with the Bank.

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.

The Human Resources function is responsible for providing adequate recruitment and selection tools. It is understood that each hiring decision is in the hands of the manager responsible.

Even while promoting employees intensively from within the organization, it is the role of management and HR to keep an eye on valuable candidates from outside and to benchmark internal skills with external offers.

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. People Assessment and Development**

##### **4.1 Assessment**

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

##### **4.2 Development**

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

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

#### **5. Career Management**

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

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

#### **6. Performance Management**

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

#### **7. Employee Compensation and Benefits**

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

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

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

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

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

TISCO Group rewards employees in the following aspects:

### **7.1 Pay for roles and responsibilities**

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

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

### **7.2 Pay for performance**

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

Different types of businesses in TISCO Group can have different combinations and methods of pay, with senior management agreement and CEO and COO 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 superceded and the Bank's rules will be revised in accordance with new labor laws.

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

## **9. Succession Planning**

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

For senior management positions, the Executive Board, with authorized delegation from the Board of Directors, will form a committee to screen and assess successors with support from the CEO, COO and the Human Resources function.

### **9.8.3 Organizational Development**

TISCO Group have focused a great deal of energy towards becoming a "learning organization" through performance and competency development, productivity improvement, leadership and developmental effectiveness. This has led TISCO Group to undertake many changes and pursue a strategy of continuous development. In 2008, TISCO Group continued implementing development programs as follows:

#### **1. Branded Customer Service Project**

As the financial services needs of customers rapidly change, the banking industry faces significant delivery challenges. TISCO Group has realized the importance of concentrating on service quality as the way to increase customer satisfaction and loyalty to confirm our customer centric strategy, and to improve the core competence and business performance. The Branded Customer Service Project includes an assortment of activities including; the Customer Service Research and Survey, the Business Grooming Enhancement Activity, and the Customer Service Awareness and Intervention Activity.

Starting with the Customer Service Research and Survey to assess the needs, expectations, and satisfaction of our customers as well as service staff. The research and survey analysis includes different methodologies including; Focus group interview, Face-To-Face Interview, and questionnaire. The target groups are key account customers, our teller and customer service staffs, management staffs. The research results are taken into consideration as the groundwork of this project to identify the standard of customer service attitudes and behaviors of all frontlines staff at all TISCO Bank branches.

Meanwhile the **Business Grooming Ambassador Training** has been arranged for Frontline staff from all bank branches including Tellers, Counter Service Managers, Customer Service, All finance Marketing representatives, and Branch Managers to build a good personality including business style make-up and hair setting, dressing, and personality. We will continue launching the **Customer Service Awareness Activity** as to build their understanding and alertness in delivering TISCO branded service standard to customers, followed by the **Customer Service Intervention Activity** which aims to develop customer service foundation for the right servicing behaviors which are : TISCO service standard behavior, and how to deal with customer complaints.

In the year 2009, the monitoring and follow-up service quality and in-dept customer service main research will be proceeded during January – September 2009.

## 2. Performance and Competency Development Project

TISCO Group consistently supports the Performance and Competency Development of people and organizational effectiveness. The project entitled "**TISCO Best Practice Model**" has been initiated with aiming at developing best practice guidelines for some key positions. This is to enhance the performance capability in achieving targets at maximum level of both individual and team's competency. This also considered as a knowledge management tool in which recording all necessary knowledge and practical skills of all best current performers for sharing among practitioner. New TISCO frontline staff will also benefit from this guideline for effective and quick learning reference.

The key target group are sales, marketing, and customer service staff in the strategic business units. The target participants in 2009 are Private Fund/Mutual Fund, Securities Sales functions. This project model includes different phases including;

- 1) **Need Assessment:** discuss with key heads and key persons in charge to gain a better understanding of the current situation, structure, process, expected standard, etc.
- 2) **Searching for Best Practices:** prioritize issues and decide what the action areas (e.g. critical improvement areas or strengths) to employ to get better performance **and** identify who and where the greatest potential of top performers exist.
- 3) **Data Collection:** One-on-one / Focus Group discussion with selected top performers to find best practices.
- 4) **Guidelines Development & Approval:** Develop the best practices guidelines or specific strategies for actions across the units **and** verify all of the best practices to ensure that they can be fully and effectively applied to the present jobs of each individual.
- 5) **Best Practices Model:** conduct the customized training solutions for individual to fulfill the performance gap.
- 6) **Progress Report & Conclusion:** apply a proper methodology to analyze and evaluate changes in performance.

### 9.8.4 Human Resources Development

In 2008, TISCO Group focused mainly on expanding customer service distribution channels based on the customer-centric approach. Training and development activities therefore were aligned with corporate goals and direction, and was the HR Development Plan aimed at promoting and retaining officers with high potential. These policy objectives were delivered through training and development programs as follows:

#### 1. Basic Training Courses and Specific Knowledge and Skills Training

In 2008, training courses were provided for both existing and new staff in order to align their knowledge and understanding with the requirements of their functions. This process enhanced their knowledge and abilities, as well as diversified their creativity, better enabling them to assess and adapt to future situations with sound rationale.

Specific Knowledge and Skills Training assists business units in developing their staff according to specific requirements. To accomplish this, HRD organized internal training courses or sent staff to attend external courses. Internal training programs included Coaching and Feedback Skills for managers, Receiving Feedback Skills for staff, AMLO, Team Activity, IT applications, Strength Finders, Competency-base selection and more. Also, staff attended several external courses besides licensing courses for fund and securities representatives such as Tax, Accounting, Risk and Financial Advisory.

#### 2. 2009 Strategic Policy Training

Human resources development policy in 2008 concentrated on 2 major groups: line managers and talent. Line managers were required to attend Individual Development Plan Workshops which set guidelines for developing talented subordinates within their functions. Also, employees displaying exceptional talent were provided with training courses according to their individual needs. Unit heads and junior managers were also provided with the Effective Management Skills course by HRD to refresh and enhance their skills.



TISCO Professional Look Program is aimed to develop TISCO talents, high performers in both personality appearance and interpersonal skill.

Customer service staff, including front counter and marketing representatives were trained in the correct way to serve today's customers. As a financial services provider, staff must be made aware of new service concepts. To this end, HRD provided Effective Service Skills as well.

### **3. Executive Trainee**

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

## 10. Internal Control

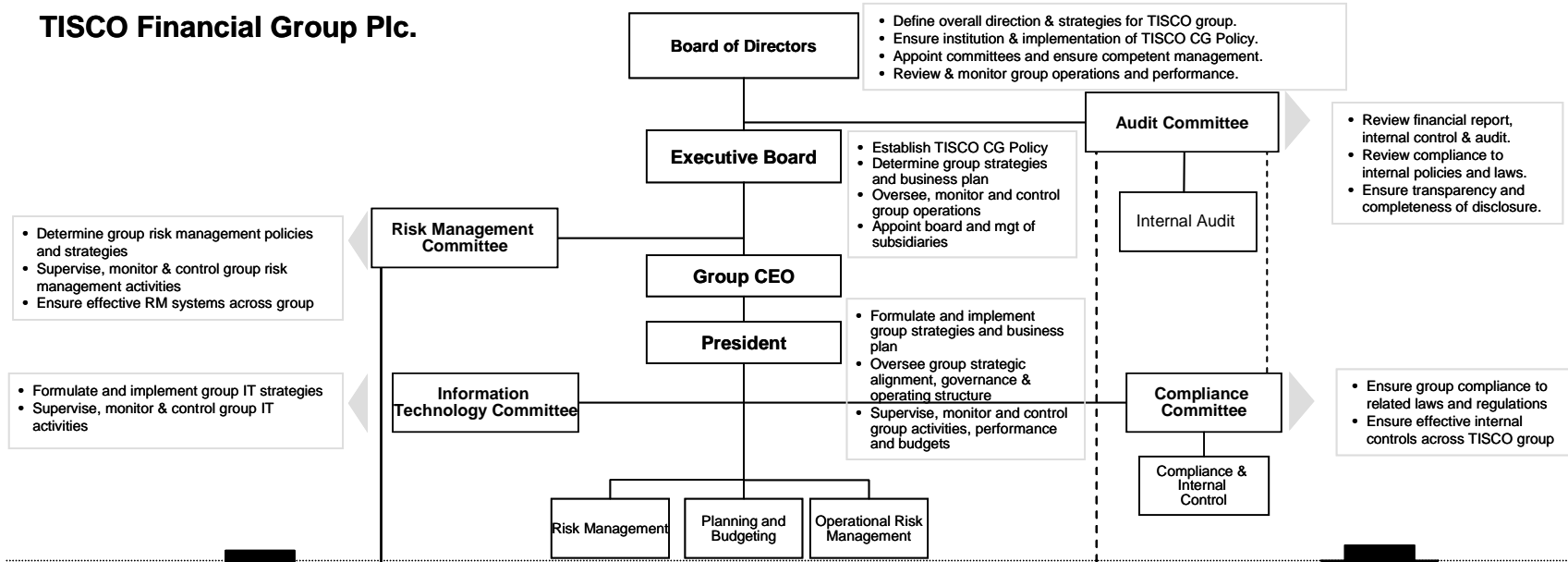
### 10.1 Internal Control Overview

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

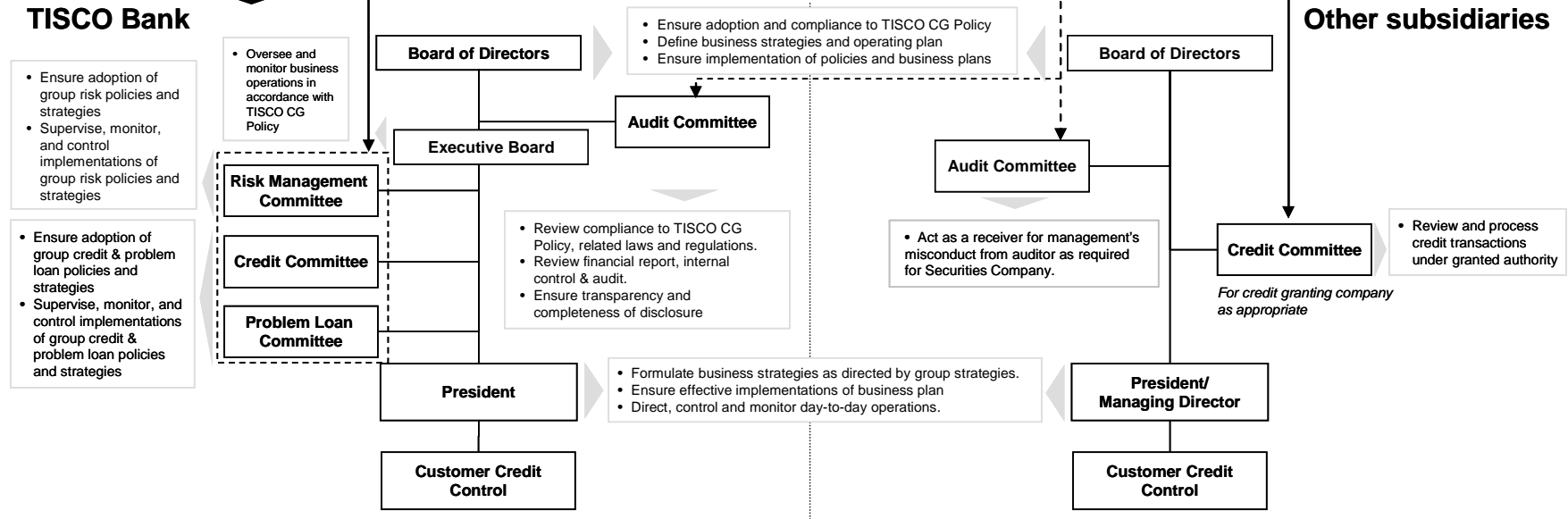
For all business operations, clear goals and operating guidelines have been set up in a measurable way to ensure operational efficiency. The Group also sets up training programs to increase staff knowledge and skills at many levels in order to improve efficiency and reduce operational errors. In addition,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

The Board of Directors of TISCO Financial Group oversees all of the internal control system through the Executive Board and the Audit Committee, with the following organizational structure:

### TISCO Financial Group Plc.



### TISCO Bank



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

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

#### Specific-Area Committee of TISCO Financial Group

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

#### Specific-Area Committee of TISCO Bank and other subsidiaries

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

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

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

#### **10.1.1 Audit Committee Report**

The Audit Committee held 3 meeting in Year 2009. Major activities performed by the Committee were as follows:

1. Reviewing financial statements for the period from the company incorporation dated August 22, 2008 to September 30, 2008 reviewed by the certified public accountant and recommending to the Board of Directors.
2. Selecting and nominating to the Board of Directors and the Company's founders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Narong Puntawong of Ernst & Young Office Limited as the auditor of the Company for the Year 2008.
3. Approving the principle of Corporate Governance Policy and Related Party Transaction Policy, including reviewing that related party transactions or transactions that may lead to conflict of interest were in compliance with relevant laws and regulations.
4. Assessing the independence of Internal Audit department and endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit.

In addition, the Audit Committee agrees with the certified public accountant that the Company's financial statements and the disclosure of relevant information were adequate and fairly presented in accordance with generally accepted accounting principles.

See the Report of the Audit Committee in Attachment 4.

#### **10.2 Board of Directors' Report on Internal Control System**

At the Board of Directors' Meeting No. 1/2009 on February 20, 2009, where all Audit Committee members and independent directors were present, the Board assessed the Company's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Company's internal control system is adequate based upon the assessment of five aspects: Organisational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, including sufficient internal control system for transaction with major shareholders, management and related persons, with details provided in Attachment 6.

#### **10.3 Independent Auditor's Comment on Internal Control System**

In year 2008, Ernst & Young Office Limited as independent auditor of the Company had no comments on the internal control system.

## 11. Related Party Transactions

During the year 2008, TISCO Group had has had related party transaction with the connected person who is the juristic person, in which its authorized director is the same person as the director of TISCO Bank As of November 1, 2008, TISCO Bank signed the memorandum of understanding for the business co-operation in operating card member services with Thai Smart Card Co., Ltd. the outsourcer, to provide Electronic Money service namely TISCO Purse for the Bank's customers. Prices and conditions applied to the Bank, are the same as Thai Smart Card Co., Ltd. has provided to other customers.

In addition, this transaction was the supporting transaction for normal business operation of the Bank, and the value of the transaction was below 0.03% of net assets value of the Bank as of December 2008 according to the SEC's Notification, subject: disclosure and operation of listed company for the related party transaction. However, in compliance with the good governance practices, such transaction was considered and acknowledged by the Audit Committee and reported to the Board of Directors of the Bank.

The details of related party transaction between TISCO Bank and Thai Smart Card Co., Ltd. are as follows.

Connected Person	Type of Transaction	Total Value	Audit Committee's Opinion
Dr. Phisit Pakkasem <u>TISCO Bank</u> Position : Chairman and independent director Shareholding in the Bank : No <u>Thai Smart Card Co., Ltd.</u> Position : Chairman and authorized director Shareholding in company : no	Provide Electronic money card services (TISCO Purse) which is the supporting transaction for normal business operation of the Bank, in which prices and conditions are the same as general trading conditions	<ul style="list-style-type: none"> <li>In 2008, total value for this transaction was 11 Million Baht</li> </ul>	After consideration of the related party transaction, related issue and compliance issue, the Audit Committee has acknowledged the transaction between TISCO Bank and Thai Smart Card Co., Ltd. Such transaction was conducted for supporting TISCO Bank's business.

### 11.1 Measures or procedures for approval of related party transactions

All transactions between related parties shall be done on the same basis and conditions as applied to external parties. Information will be disclosed in a transparent manner to satisfy the Group's Good Governance rules and all related regulations.

### 11.2 Future related transaction policy

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

## **12. Financial Status and Performance**

### **12.1 Financial Statements**

#### **12.1.1 Auditor's Report**

##### *The Consolidated Financial Statements of the Bank and its Subsidiaries for the Year Ended December 31, 2006 and 2007*

The independent auditor for the Bank's financial statements and the Bank's and its subsidiaries' consolidated financial statements for the year ended December 31, 2006 and 2007 was Mr. Narong Puntawong, Certified Public Accountant (Thailand) No. 3315, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

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

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

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2006 and 2007 was Mr. Narong Puntawong, Certified Public Accountant (Thailand) No. 3315, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

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

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

<b>TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES</b>			
<b>BALANCE SHEETS</b>			
<b>AS AT DECEMBER 31</b>			
	<b>Unit: Baht</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>ASSETS</b>			
CASH	210,224,762	439,899,137	595,570,347
INTERBANK AND MONEY MARKET ITEMS			
Domestic			
Interest bearing	201,922,475	249,079,891	13,469,082,429
Non-interest bearing	502,547,476	623,051,763	44,195,931
Foreign items			
Interest bearing	187,328,700	82,039,317	77,693,216
Non-interest bearing	132,436,705	95,983,409	26
Total Interbank and money market items – net	1,024,235,356	1,050,154,380	13,590,971,602
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	1,718,000,000	2,400,000,000	-
INVESTMENT IN SECURITIES			
Current investment – net	774,660,668	1,575,024,537	2,706,174,952
Long-term investment – net	3,618,540,549	4,205,541,687	2,649,306,996
Net investments	4,393,201,217	5,780,566,224	5,355,481,948
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	256,710,155	29,422,882	700
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE			
Loans and receivable	74,641,231,101	86,420,407,816	103,109,705,688
Securities business receivable	667,250,225	1,405,656,785	667,372,933
Total loans and receivable	75,308,481,326	87,826,064,601	103,777,078,621
Accrued interest receivable	143,399,168	155,649,753	136,704,347
Total loans, receivable and accrued interest receivable	75,451,880,494	87,981,714,354	103,913,782,968
Less : Allowance for doubtful accounts	( 2,771,223,476)	(2,805,418,008)	(1,854,509,254)
Less : Allowance for loss on debt restructuring	( 22,403,970)	(538,175)	(18,258)
Net Loans, receivable and accrued interest receivable	72,658,253,048	85,175,758,171	102,059,255,456
PROPERTY FORECLOSED – net	1,042,803,295	1,042,318,525	1,005,709,117
LAND, PREMISES AND EQUIPMENT – Net	1,602,800,147	1,563,081,469	1,658,578,523
DEFERRED TAX ASSETS	655,771,653	426,542,297	417,081,532
OTHER ASSETS	1,219,421,878	1,045,353,206	1,490,488,212
<b>TOTAL ASSETS</b>	<b>84,781,421,511</b>	<b>98,953,096,291</b>	<b>126,173,137,437</b>



**TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**BALANCE SHEETS (CONTINUED)**

**AS AT DECEMBER 31**

	<b>Unit: Baht</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
DEPOSITS IN BAHT	40,567,860,158	35,714,173,953	58,822,617,507
INTERBANK AND MONEY MARKET ITEMS			
Domestic – interest bearing	2,156,981,126	5,852,187,820	5,727,882,862
LIABILITY PAYABLE ON DEMAND	477,515,807	475,067,616	496,740,597
BORROWINGS			
Short-term borrowings	25,720,283,810	32,744,785,052	41,768,420,409
Long-term borrowings	361,700,000	8,005,054,853	4,899,301,740
Total borrowings	26,081,983,810	40,749,839,905	46,667,722,149
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	365,137,963	576,524,037	339,141,179
SECURITIES BUSINESS PAYABLE	710,639,235	866,189,116	292,190,840
ACCRUED INTEREST PAYABLE	462,185,329	782,340,521	878,535,993
OTHER LIABILITIES	1,276,255,960	1,563,168,325	1,412,268,512
<b>TOTAL LIABILITIES</b>	<b>72,098,559,388</b>	<b>86,579,491,293</b>	<b>114,637,099,639</b>

**TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**BALANCE SHEETS (CONTINUED)**

**AS AT DECEMBER 31**

	<b>Unit: Baht</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
Registered	11,002,000,000	11,002,000,000	11,002,010,000
Issued and paid up – Registered			
Preferred shares of Baht 10 each (2007: 182,775,380 preferences shares of Baht 10 each)	1,851,276,300	1,827,753,800	-
Ordinary shares of Baht 10 each (2007: 544,617,120 ordinary shares of Baht 10 each)	5,412,771,200	5,446,171,200	10,000
Issued and paid up – Awaiting to Register			
183,427,226 Preferred shares of Baht 10 each	-	-	1,834,272,260
541,179,179 Ordinary shares of Baht 10 each	-	-	5,411,791,790
Share premium			
Share premium of preference shares	73,190,950	84,925,420	-
Share premium of ordinary shares	36,500,000	36,500,000	-
Adjustment from Holding Company Restructuring Plan under common control	-	-	656,755,136
Revaluation surplus (deficit) on changes in the value of investment	662,956,136	751,139,152	(398,991,796)
Translation adjustments	82,146,613	73,872,818	78,101,573
Retained earnings			
Appropriated – statutory reserve	422,100,000	486,800,000	-
Unappropriated	3,715,079,758	3,666,442,608	3,835,778,528
Equity attributable to Bank's shareholders	12,256,020,957	12,373,604,998	11,417,717,491
Minority interest - equity attributable to minority shareholders of subsidiaries	426,841,166	-	118,320,307
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>12,682,862,123</b>	<b>12,373,604,998</b>	<b>11,536,037,798</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>84,781,421,511</b>	<b>98,953,096,291</b>	<b>126,173,137,437</b>

**TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF EARNINGS**

**FOR THE YEARS ENDED 31 DECEMBER**

	<b>Unit: Baht</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans	943,334,215	1,044,299,001	1,214,895,743
Interbank and money market items	438,037,356	441,708,308	333,885,837
Hire purchase and financial lease income	4,068,351,456	5,173,014,718	5,679,673,468
Investments	255,587,949	285,165,468	357,367,145
Total interest and dividend income	5,705,310,976	6,944,187,495	7,585,822,193
<b>INTEREST EXPENSES</b>			
Deposit	2,344,239,878	2,195,247,918	1,789,712,880
Interbank and money market items	127,926,648	134,657,541	153,626,516
Short-term borrowings	295,086,990	858,962,585	1,286,199,736
Long-term borrowings	131,989,790	267,509,933	194,655,549
Total interest expenses	2,899,243,306	3,456,377,977	3,424,194,681
Net interest and dividend income	2,806,067,670	3,487,809,518	4,161,627,512
<b>REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS</b>			
(BAD DEBT AND DOUBTFUL ACCOUNTS)	50,310,979	(695,066,913)	(980,498,975)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	2,856,378,649	2,792,742,605	3,181,128,537
<b>NON-INTEREST INCOME</b>			
Brokerage fees	648,525,326	627,339,484	521,211,961
Gain on investments	455,375,963	376,087,382	(218,389,416)
Gain on derivatives	-	22,143,500	(4,219,300)
Fees and service income			
Acceptances, aval and guarantees	6,620,546	10,203,762	10,201,047
Others	880,431,520	1,184,130,111	1,429,034,157
Gain on exchange	4,722,384	(1,572,285)	(11,057,779)
Other income	297,540,794	226,031,878	407,546,947
Total non-interest income	2,293,216,533	2,444,408,832	2,134,327,617
<b>Total Net Income</b>	<b>5,149,595,182</b>	<b>5,237,151,437</b>	<b>5,315,456,154</b>
<b>NON-INTEREST EXPENSES</b>			
Personnel expenses	1,216,248,371	1,487,382,356	1,662,418,691
Premises and equipment expenses	451,629,893	511,497,512	622,305,457
Taxes and duties	101,466,463	117,984,924	113,370,452
Fees and service expenses	728,456,160	360,703,187	317,017,056
Directors' remuneration	7,695,000	8,050,000	7,550,000
Other expenses	441,572,879	462,768,020	511,143,940
Total non-interest expenses	2,947,068,766	2,948,385,999	3,233,805,596
<b>EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST</b>	<b>2,202,526,416</b>	<b>2,288,765,438</b>	<b>2,081,650,558</b>
<b>CORPORATE INCOME TAX</b>	<b>( 633,420,167)</b>	<b>(637,583,504)</b>	<b>(361,039,168)</b>
<b>EARNINGS BEFORE MINORITY INTEREST</b>	<b>1,569,106,249</b>	<b>1,651,181,934</b>	<b>1,720,611,390</b>
<b>MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES</b>	<b>( 23,573,140)</b>	<b>(70,484)</b>	<b>(6,473,210)</b>
<b>NET EARNINGS FOR THE YEAR</b>	<b>1,545,533,109</b>	<b>1,651,111,450</b>	<b>1,714,138,180</b>
<b>Diluted earnings per share</b>	<b>1.87</b>	<b>2.01</b>	<b>2.11</b>

**Remarks** Change was made to statement of earnings for the year ended December 31, 2006 due to reclassification of non-interest income and non-interest expenses.

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

	<b>Unit: Baht</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Cash flows from operating activities</b>			
Income before income tax and minority interest	2,202,526,416	2,288,765,438	2,081,650,558
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:-			
Depreciation and amortisation	210,802,077	230,523,768	251,295,706
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts)	(95,816,882)	991,164,564	1,513,482,986
Unrealised loss (gain) on revaluation of investment	(5,797,556)	(13,973,134)	11,585,602
Allowance for impairment of property foreclosed (reversal)	(33,490,244)	9,055,388	14,953,680
Gain on disposal of investments	(449,578,736)	(368,592,309)	115,517,328
Unrealised loss on exchange rate	3,819,200	4,334,311	11,057,779
Unrealised gain from derivatives	-	(12,000,000)	-
Gain on disposal of equipment	(8,225,985)	(4,669,267)	866,719
Loss from written-off equipment	116,573	-	-
Unrealised loss from trading securities	-	312,809	122,595,714
Loss on disposal of property foreclosed	(71,018,230)	(9,162,537)	(34,371,263)
Decrease in deferred tax assets	182,799,738	-	-
Increase in accrued interest and dividend receivable	(29,956,606)	-	-
Decrease (increase) in other accrued income	5,099,493	(37,174,399)	24,098,766
Increase (decrease) in accrued interest payable	215,040,869	-	-
Increase (decrease) in accrued expenses	8,761,107	83,779,072	81,405,233
Earnings from operating activities before changes in operating assets and liabilities	1,693,294,831	3,162,363,704	4,194,138,808
Decrease (increase) in operating assets			
Interbank and money market items	477,358,224	(77,147,030)	(12,529,908,932)
Securities purchased under resale agreements	282,000,000	(682,000,000)	2,400,000,000
Investment in securities – held for trading	-	647	27,719,550
Trading transactions with securities companies	(195,518,722)	239,287,273	29,422,182
Loans and receivable	(12,414,384,742)	(15,531,180,034)	(19,280,238,280)
Securities business loans and receivable	608,019,110	(738,406,560)	738,283,852
Property foreclosed	1,182,745,079	1,531,579,373	1,703,167,228
Other assets	(244,356,916)	380,372,271	(288,448,554)

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

	Unit: Baht		
	2006	2007	2008
Increase (decrease) in operating liabilities			
Deposits	6,117,058,923	(4,853,686,205)	23,108,443,554
Interbank and money market items	(4,258,271,695)	3,946,613,745	(1,943,571,386)
Liabilities payable on demand	230,228,615	(2,448,191)	21,672,981
Short-term borrowings	8,591,444,162	11,596,223,512	5,930,854,194
Trading transactions with securities companies	(201,352,852)	211,386,074	(237,382,858)
Securities business payable	(636,643,383)	155,549,882	(573,998,276)
Other liabilities	(182,695,978)	79,320,049	21,865,822
	<u>1,048,946,656</u>	<u>(582,171,490)</u>	<u>3,322,019,885</u>
Interest and dividend income – Net	-	(3,487,809,518)	(4,161,627,512)
Cash received from interest	-	6,882,701,195	7,779,649,681
Cash paid for interest	-	(3,132,796,810)	(3,341,445,163)
Cash paid for corporate income tax	-	(426,795,353)	(538,866,696)
<b>Net cash flows from (used in) operating activities</b>	<b>1,048,946,656</b>	<b>(746,871,976)</b>	<b>3,059,730,195</b>
<b>Cash flows from investing activities</b>			
Cash paid for purchase of investment in securities held for investment	(1,434,251,692)	(12,256,561,803)	(11,503,235,200)
Cash received from disposal of investment in securities held for investment	2,209,231,397	11,244,424,257	9,568,282,118
Cash paid for purchase of property, plant and equipment	(208,584,734)	(161,128,723)	(261,215,672)
Cash received from disposal of equipment	10,038,337	5,288,486	6,694,651
Cash received from dividend	-	167,127,124	138,835,219
Cash received from capital return from a subsidiaries	-	512,461,232	667,370,466
Cash paid for purchase of a subsidiary	-	-	(51,871,200)
<b>Net cash flows from (used in) investing activities</b>	<b>576,433,308</b>	<b>(488,389,427)</b>	<b>(1,435,139,618)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	(1,663,104,630)	(1,633,234,980)	(1,489,771,452)
Cash paid for redemption of long-term debenture and debt instruments	-	(4,800,000,000)	-
Cash received from issue of long-term debenture and debt instruments	-	7,884,832,583	-
Cash received from exchange of warrants to purchase preference shares	74,432,320	21,611,970	16,623,330
<b>Net cash flows from (used in) financing activities</b>	<b>(1,588,672,310)</b>	<b>1,473,209,573</b>	<b>(1,473,148,122)</b>
Translation adjustment	(30,413,543)	(8,273,795)	4,228,755
Net increase in cash and cash equivalents	6,272,111	229,674,375	155,671,210
Cash and cash equivalents at beginning of the year	203,952,651	210,224,762	439,899,137
<b>Cash and cash equivalents at the end of the year</b>	<b>210,224,762</b>	<b>439,899,137</b>	<b>595,570,347</b>

### 12.1.2 Important Financial Ratios

		2006	2007	2008
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	49.9	56.5	60.8
Net Profit Margin	(%)	30.0	31.5	32.2
Return on Average Shareholders' Equity	(%)	12.0	13.2	14.4
Interest Income Ratio	(%)	7.5	7.9	7.0
Interest Expense Ratio	(%)	4.6	4.6	3.5
Interest Spread	(%)	2.9	3.4	3.4
Return on Investment	(%)	14.8	13.4	2.4
<b>Efficiency Ratio</b>				
Net Interest Income to Total Assets	(%)	3.5	3.8	3.7
Return on Average Assets	(%)	1.9	1.8	1.5
Total Asset Turnover	(times)	0.1	0.1	0.1
<b>Financial Ratio</b>				
Debt to Equity Ratio	(times)	5.7	7.0	9.9
Total Loans to Total Borrowing and Deposits	(%)	111.2	112.3	92.7
Total Loans to Public Borrowing	(%)	184.0	242.0	175.3
Public Borrowing to Total Liabilities	(%)	56.3	41.3	51.3
Dividend Payout Ratio	(%)	105.7	90.4	53.0
<b>Asset Quality Ratio</b>				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	3.7	3.2	1.8
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	0.7	0.7	2.3
Non-accrued loans <sup>1</sup> to Total Loans	(%)	3.8	4.3	3.7
Loan loss provision to Non-performing loans	(%)	81.0	74.8	62.1
Accrued Interest Receivable to Total Loans	(%)	0.2	0.2	0.1
<b>Other Ratios</b>				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.01	0.02	0.01
Capital Funds to Risk Weighted Asset (BIS)	(%)	13.4	12.8	11.7
Net Capital Rule (TISCO Securities)	(%)	181.2	108.4	115.9

<sup>1</sup> according to the Bank of Thailand's definition

## 12.2 Explanation and Analysis of Financial Status and Performance

### TISCO Group Restructuring

In 2008, under the restructuring plan of TISCO Group<sup>1</sup>, TISCO Financial Group Public Company Limited ("the Company") was set up and became a parent company of TISCO Group in place of TISCO Bank Public Company Limited ("the Bank"). The Company acquired all stakeholding in the Bank and other subsidiary companies identical to shareholding structure of the Bank before restructuring. The tender offer was successful on January 9, 2009 with the securities offered for the swap represented 99.51% of total outstanding paid-up shares of the Bank. The Company will be listed and tradable on the SET starting from January 15, 2009 onwards. In addition, operating performance of the bank and other subsidiary companies were consolidated in the Company's financial statement starting from January 1, 2008 onward.

Moreover, the Company acquired 49% of shares in Tokyo Leasing (Thailand) Company Limited on December 30, 2008. Afterward, Tokyo Leasing (Thailand) Company Limited changed its name to TISCO Tokyo Leasing Company Limited and became a subsidiary company of TISCO Group, which its performance was consolidated in the Company's financial statement starting from the end of 2008 onwards.

**The Management Discussion and Analysis compares operating performance and financial position of TISCO Group for the year 2008, with TISCO Financial Group Public Company Limited as the parent company, with those of the year 2007, with TISCO Bank Public Company Limited as the parent company.**

### Movement of Money Market and Capital Market in 2008

In 2008, under highly fluctuated capital market, the Bank of Thailand raised its policy rate (Repo 1-day) twice in the third quarter from 3.25% at the end of 2007 to 3.50% and 3.75% in order to alleviate soaring inflation rate. However, the BoT lowered its policy rate to 2.75% in December 2008 with an attempt to stimulate domestic economy, together with easing inflation situation by the end of the third quarter. The rate cut was considered in line with monetary policy in other countries. Meanwhile, average 1-year fixed deposit rates of commercial banks increased from 2.50% at the end of 2007 to 3.00% at the end of the second quarter of 2008, then lowered to 2.00% at the end of 2008.

The SET index declined by 408.14 points from the end of the 2007, closed at 449.96 points following sluggish global capital market resulting from U.S. financial crisis, together with local political turmoil. As a result of weak sentiment, foreign investors recorded consecutive net selling during the year 2007. Average daily turnover decreased by 1,227.11 million baht to 15,869.94 million baht.

#### 12.2.1 Operating Results for the Year 2008

TISCO Financial Group Public Company Limited, as a holding company, 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 2008, TISCO Group recorded income before minority interest of 1,720.61 million baht, increased by 69.43 million baht (4.2% YoY). Net interest and dividend income increased by 19.3% (YoY) following strong growth in corporate and retail lending businesses of 19.3% (YoY) together with a higher loan spread<sup>2</sup> at 3.7% compared to 3.5% in the year 2007. Non-interest income of TISCO Group's core businesses increased by 15.2% (YoY) as contributed by an increase in income from hire-purchase business of 76.6% (YoY), an increase in income from bancassurance business of 30.8% (YoY), an increase in income from financial advisory business of 61.4% (YoY), and an increase in income from asset management business of 4.9% (YoY), while brokerage income decreased by 16.9% (YoY) following sluggish investment environment. Overall, total non-interest income decreased by 12.7% (YoY) due to loss from investment of 222.61 million baht.

Diluted earnings per share for year 2008 were 2.11 baht increased from 2.01 baht in 2007. The average return on equity (ROAE) for the year 2008 was 14.39% with those in 2007 of 13.18%.

<sup>1</sup> After restructuring is complete, TISCO Group will comprise of TISCO Financial Group Public Company Limited as a parent company, and other subsidiary companies as follows: TISCO Bank Public Company Limited, Hi-Way Company Limited, TISCO Securities Company Limited, TISCO Asset Management Company Limited, TISCO Information Technology Company Limited, and TISCO Tokyo Leasing Company Limited.

<sup>2</sup> After Commission and Direct Expense from Hire Purchase Business

**(1) Consolidated Revenue Structure**

The Company and its subsidiaries' consolidated revenue structure in 2007 and 2008 is illustrated in Table1.

**Table 1: Consolidated Revenue Structure**

Type of Revenue	2007		2008		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest and dividend income					
Interest on loans	1,044.30	17.6	1,214.90	19.3	16.3
Interest on interbank and money market items.	441.71	7.4	333.89	5.3	(24.4)
Hire purchase and financial lease income	5,173.01	87.2	5,679.67	90.2	9.8
Investments	285.17	4.8	357.37	5.7	25.3
<b>Total interest and dividend income</b>	<b>6,944.19</b>	<b>117.1</b>	<b>7,585.82</b>	<b>120.5</b>	<b>9.2</b>
Interest expenses	(3,456.38)	(58.3)	(3,424.19)	(54.4)	(0.9)
<b>Net interest and dividend income</b>	<b>3,487.81</b>	<b>58.8</b>	<b>4,161.63</b>	<b>66.1</b>	<b>19.3</b>
Non-interest income					
Brokerage Fees	627.34	10.6	521.21	8.3	(16.9)
Gain on securities	398.23	6.7	(222.61)	(3.5)	n.a.
Fees and services income	1,194.33	20.1	1,439.24	22.9	20.5
Others	224.50	3.8	396.49	6.3	76.6
<b>Total non-interest income</b>	<b>2,444.41</b>	<b>41.2</b>	<b>2,134.33</b>	<b>33.9</b>	<b>(12.7)</b>
<b>Total income before bad debts and doubtful accounts</b>	<b>5,932.22</b>	<b>100.0</b>	<b>6,295.96</b>	<b>100.0</b>	<b>6.1</b>
Bad debt and doubtful accounts	(719.25)		(1,054.50)		
Bad debt written back revenue	24.19		74.00		
<b>Total income – net of bad debts and doubtful accounts</b>	<b>5,237.15</b>		<b>5,315.46</b>		
Non-interest expenses	(2,948.39)		(3,233.81)		
<b>Profit before income tax and minority interest</b>	<b>2,288.77</b>		<b>2,081.65</b>		
Corporate income tax	(637.58)		(361.04)		
<b>Profit before minority interest</b>	<b>1,651.18</b>		<b>1,720.61</b>		
Minority interest in net earnings in subsidiary company	(0.07)		(6.47)		
<b>Net Profit</b>	<b>1,651.11</b>		<b>1,714.14</b>		

**(2) Net Interest and Dividend Income**

Net interest and dividend income for the year 2008 was 4,161.63 million baht, increased by 673.82 million baht (19.3% YoY), interest and dividend income was 7,585.82 million baht, increased by 641.63 million baht (9.2% YoY). Meanwhile, interest expense decreased by 32.18 million baht (0.9% YoY) to 3,424.19 million baht following strong loan growth.

TISCO Bank was able to increase loan spread increased to 3.7% compared to 3.5% in 2007 through its ability to manage asset-liability mix, as TISCO Bank has pursued the strategy to penetrate in high-yield loan segments under prudent risk management. Meanwhile, TISCO Bank captured low-yield cost of fund segment by expanding retail deposit base via variety of saving product that meets customer needs resulting in growth in deposit<sup>1</sup> of 46.9% (YoY).

<sup>1</sup> Deposit includes short-term borrowings from the Bank's regular client base



Table 2: Interest spread

%	2007	2008
Yield on Loans	7.6	7.3
Cost of fund	4.1	3.6
<b>Loan spread</b>	<b>3.5</b>	<b>3.7</b>

**(3) Non-interest Income**

Non-interest income of TISCO Group's core businesses recorded at 2,356.94 million baht, increased by 310.76 million baht (15.2% YoY) as contributed by an increase in income from hire-purchase business of 171.98 million baht (76.6% YoY), an increase in income from bancassurance business of 121.72 million baht (30.8% YoY), an increase in income from financial advisory business of 30.06 million baht (61.4% YoY), and an increase in income from asset management business of 23.64 million baht (4.9% YoY), while brokerage income decreased by 106.13 million baht (16.9% YoY) following sluggish investment environment. Overall, total non-interest income decreased by 310.08 million baht (12.7% YoY) due to loss from investment of 222.61 million baht.

**(4) Non-interest Expenses**

Non-interest expenses for 2008 were 3,233.81 million baht, increased by 285.42 million baht (13.7% YoY). The increase was due to higher personnel expenses associated with higher income, and higher premises and equipment expenses from investment in information technology and infrastructure in supporting increased business volume and service coverage.

**(5) Bad Debt and Doubtful Accounts**

In 2008, TISCO Group recorded net bad debts and doubtful accounts totaling 980.50 million baht compared to 695.07 million in 2007. In addition, TISCO Group recorded net bad debt written back revenue amounting 74.00 million baht in 2008 compared to 24.19 million baht in 2007.

**(6) Corporate Income Tax**

In 2008, the corporate income tax was 361.04 million baht, equivalent to the effective tax rate of 17.3%, compared to 27.9% in 2007.

**12.2.2 Financial Position****(1) Assets**

TISCO Group's total assets as of December 31, 2008 were 126,173.13 million baht, increased by 27,220.04 million baht (27.5% YoY) following strong loan growth from 86,420.41 million baht to 103,109.71 million baht (19.3% YoY) together with higher short-term liquidity of 12,540.82 million baht following active funding activities to support future loan growth.

Table 3: Assets Breakdown

Assets	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	439.90	0.4	595.57	0.5	35.4
Interbank and Money Market Items	1,050.15	1.1	13,590.97	10.8	1,194.2
Securities purchased under resale agreements	2,400.00	2.4	0.00	0.0	(100.0)
Fixed income	1,390.83	1.4	2,712.76	2.2	95.0
Equity	4,389.73	4.4	2,642.72	2.1	(39.8)
Corporate Loans	15,616.55	15.8	19,488.07	15.4	24.8
Retail Loans	66,572.29	67.3	78,993.14	62.6	18.7
Other Loans	4,231.56	4.3	4,628.50	3.7	9.4
Allowance for doubtful accounts and for loss on debt restructuring	(2,805.96)	(2.8)	(1,854.53)	(1.5)	(33.9)
Other Assets	<b>5,668.02</b>	<b>5.7</b>	<b>5,375.94</b>	<b>4.3</b>	<b>(5.2)</b>
<b>Total – The Company and Subsidiaries</b>	<b>98,953.09</b>	<b>100.0</b>	<b>126,173.13</b>	<b>100.0</b>	<b>27.5</b>

**(a) Investments**

At the end of 2008, total investment in securities totaled 5,355.48 million baht, decreased by 7.4% from the end of 2007. Investment in equity decreased by 39.8% to 2,642.72 million baht in order to cope with changing investment environment. The investment in debt instrument also increased by 95.0% to 2,712.75 million Baht arising from an increase of investment in short-term debt instruments.

**(b) Loans and Receivables Breakdown**

Total consolidated loans and receivables were 103,109.71 million baht, up by 16,689.30 million baht (19.3% YoY), following growth in corporate and retail loan. The composition of loan portfolio was 76.6% of retail loans, 18.9% of corporate loans, and 4.5% of other loans. In addition, loans and receivables breakdown is displayed in the following table (Loans categorized by contractual maturity periods was mentioned in Note to financial statement 3.6.2)

Table 4: Loans and Receivables Breakdown

Type of Business	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	7,821.51	9.1	7,342.21	7.1	(6.1)
Real estate and construction	5,041.33	5.8	8,807.72	8.5	74.7
Public utilities and services	2,648.16	3.1	3,212.80	3.1	21.3
Agriculture and mining	105.55	0.1	125.35	0.1	18.8
<b>Commercial Lending</b>	<b>15,616.55</b>	<b>18.1</b>	<b>19,488.07</b>	<b>18.9</b>	<b>24.8</b>
Hire purchase	64,684.40	74.8	77,287.11	75.0	19.5
Housing	1,887.89	2.2	1,706.03	1.7	(9.6)
<b>Retail Lending</b>	<b>66,572.29</b>	<b>77.0</b>	<b>78,993.14</b>	<b>76.6</b>	<b>18.7</b>
<b>Others</b>	<b>4,231.56</b>	<b>4.9</b>	<b>4,628.50</b>	<b>4.5</b>	<b>9.4</b>
<b>Total – The Company and Subsidiaries</b>	<b>86,420.41</b>	<b>100.0</b>	<b>103,109.71</b>	<b>100.0</b>	<b>19.3</b>

**(c) Non-performing Loans**

TISCO Group has prudently managed non-performing loans (NPLs) with effective risk management tools and stringent practice of loan collection, debt restructuring and write-off process. In which, the percentage of total NPLs declined from 4.3% at year-end 2007 to 2.9% as of December 31, 2008. Additionally, the percentage of NPLs of retail loan and corporate loan was 2.4% and 3.1%, respectively with total NPLs of 2,984.42 million baht which declined by 20.4% or 766.99 million baht during the period. (NPLs of the Bank was 2,566.08 million baht and there was NPLs of 418.34 million baht from other subsidiaries)

Table 5: NPLs Breakdown by Area

Type of Business	December 31, 2007			December 31, 2008			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	5.6	435.13	11.6	1.4	102.22	3.4	(76.5)
Real estate and construction	14.2	717.70	19.1	4.9	435.09	14.6	(39.4)
Public utilities and services	1.2	32.33	0.9	2.1	68.93	2.3	113.2
Agriculture and mining	0.3	0.35	0.0	0.2	0.25	0.0	(30.0)
<b>Commercial Lending</b>	<b>7.6</b>	<b>1,185.51</b>	<b>31.6</b>	<b>3.1</b>	<b>606.49</b>	<b>20.3</b>	<b>(48.8)</b>
Hire purchase	2.2	1,413.36	37.7	2.2	1,719.79	57.6	21.7
Housing	12.1	229.07	6.1	11.0	187.94	6.3	(18.0)
<b>Retail Lending</b>	<b>2.5</b>	<b>1,642.43</b>	<b>43.8</b>	<b>2.4</b>	<b>1,907.73</b>	<b>63.9</b>	<b>16.2</b>
<b>Others</b>	<b>16.4</b>	<b>923.46</b>	<b>24.6</b>	<b>8.9</b>	<b>470.19</b>	<b>15.8</b>	<b>(49.1)</b>
<b>Total – The Company and Subsidiaries</b>	<b>4.3</b>	<b>3,751.41</b>	<b>100.0</b>	<b>2.9</b>	<b>2,984.42</b>	<b>100.0</b>	<b>(20.4)</b>

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

TISCO Group has applied the portfolio provisioning approach to the car hire-purchase portfolio following Basel II and Collective Approach framework. In which, the loan loss reserve will be based on expected loss from historical loss data incorporating with adjustment for the recent market situation. As of December 31, 2008, loan loss reserve of TISCO Group was 1,854.53 million baht or 62.1% of NPLs. In which, the total loan loss reserve of the Bank was 1,604.48 million baht with specific reserve for classified loan of 1,337.89 million baht and general reserve of 266.59 million baht. Total reserve was higher than the minimum loan loss reserve required by the Bank of Thailand at 1,270.58 million baht, reflecting the prudent provisioning policy to mitigate potential risk.

**(e) Foreclosed Properties**

Net foreclosed property as of December 31, 2008 slightly decreased to 1,005.71 million baht from 1,042.32 million baht YoY as a result of sale of foreclosed property to TISCO Financial Group Co., Ltd. according to TISCO Group's restructuring plan.

**(2) Liabilities**

Total liabilities as of December 31, 2008 were 114,637.10 million baht, increased by 28,057.61 million baht (32.4% YoY) following an increase in deposit of 32,132.08 million baht (46.9% YoY).

Table 6: Liabilities Breakdown by Area

Type of Borrowings	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Total deposits <sup>1</sup>	68,458.96	79.1	100,591.04	87.7	46.9
Interbank and money market items	5,852.19	6.8	5,727.88	5.0	(2.1)
Long-term borrowings	8,005.05	9.2	4,899.30	4.3	(38.8)
Others	4,263.29	4.9	3,418.88	3.0	(19.8)
<b>Total – The Company and Subsidiaries</b>	<b>86,579.49</b>	<b>100.0</b>	<b>114,637.10</b>	<b>100.0</b>	<b>32.4</b>

<sup>1</sup> Deposit includes short-term borrowings from the Bank's regular client base

### (3) Shareholders' Equity

Shareholder's equity as of December 31, 2008 was 11,536.04 million baht, and book value per share (BVPS) was 15.92 baht. TISCO Group had paid-up shares amounting 724.61 million shares, comprising 541.18 million common shares and 183.43 million preference shares. As the Company successfully acquired 99.51% of securities of TISCO Bank from tender offer, and also held 49% of shares in TISCO Tokyo Leasing Company Limited, TISCO Group recorded minority interest amounting 118.32 million baht as of December 31, 2008.

### (4) Commitments and contingent liabilities

TISCO Group's commitments and contingent liabilities included Avals, Guarantees of loans, and other obligations in 2007 and 2008 amounted to 3,501.17 million baht and 6,295.47 million baht, respectively. An increase was mainly arisen from a decrease in other guarantees. The detail of commitments and contingent liabilities was demonstrated in Note to financial statement 3.30.

## 12.2.3 Business Segment Performances

### (1) Banking Business

#### Loans

Total consolidated loans and receivables were 103,109.71 million baht, up by 16,689.30 million baht (19.3% YoY), following growth in corporate and retail loan. The composition of loan portfolio was 76.6% of retail loans, 18.9% of corporate loans, and 4.5% of other loans.

**Corporate lending** portfolio of TISCO Group totaled 19,488.07 million baht, up by 3,871.52 million baht (24.8% YoY), mainly due to an increase in loans to real estate and construction industry, public utilities and services, and agricultural and mining.

**Retail lending** portfolio consisted of 97.8% car, motorcycle, and other hire purchase and 2.2% mortgage loans. Outstanding hire purchase loans equaled 77,287.11 million baht, rose by 12,602.71 million baht (19.5% YoY). Car hire purchase new business volume amounted 41,448.99 million baht, increased by 4,432.18 million baht (12.0% YoY). The domestic car sales for 2008 reported at 614,084 units decreased from 631,251 units (2.8% YoY), resulting in car penetration rate of 10.2%, compared with average penetration rate of 9.4% in 2007.

#### Deposit

Total deposit totaled 100,591.04 million baht, increased by 32,132.08 million baht (46.9% YoY). The portion of saving accounts and current accounts contributed to 11.5% of total deposits, increased from 6.3% (YoY).

**Table 7: Deposits Structure**

Type of Deposits	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	2,089.34	3.1	6,414.46	6.4	207.0
Saving accounts	2,157.76	3.2	5,140.40	5.1	138.2
Fixed accounts	28,089.72	41.0	4,043.74	4.0	(85.6)
Negotiate certificate deposit	994.30	1.5	43,221.62	43.0	4,246.9
Promissory notes and Bill of exchange	2,383.05	3.5	2.40	0.0	(99.9)
Short-term borrowings	32,744.79	47.8	41,768.42	41.5	27.6
<b>Total deposits</b>	<b>68,458.96</b>	<b>100.0</b>	<b>100,591.04</b>	<b>100.0</b>	<b>46.9</b>

The loans to deposit ratio decreased from 126.2% to 102.5% (YoY) as a result of strong growth in retail deposit base and higher short term excess liquidity.

### (2) Securities Business

At the end of 2008, the SET index ended at 449.96 points, decreased from 858.10 points (YoY), with average daily turnover of 15,869.94 million baht, decreased from 17,097.05 million baht (YoY) following bearish capital market as affected by global capital market conditions.

Average daily turnover of TISCO Securities Co., Ltd. decreased from 1,049.24 million baht to 845.01 million baht (YoY). Average market share decreased from 3.03% to 2.64% (YoY), mainly due to a decrease in market share of local institutional sector from 5.60% to 4.11% as overall institutional investors had lower trading volume comparing to total trading volume in the market. In addition, the majority of TISCO's client emphasized on long-term investment and seldom traded on regular basis. In terms of revenue, brokerage commission income decreased from 627.34 million baht to 521.21 million baht (YoY) Meanwhile, TISCO brokerage volume in 2008 comprised of 30.5% of foreign institutions, 26.4% of local institutions, and 43.1% of retail customers.

Fee income from investment banking business continuously improved since the second quarter of 2007 after realigning business strategy to be in line with current capital market situation. Investment banking fee increased by 30.06 million baht to 78.99 million baht (61.4% YoY).

### (3) Asset Management Business

Fee income from asset management totaled 504.24 million baht, increased by 23.64 million baht (4.9% YoY). The asset management fee comprised of basic fee of 486.99 million baht, increased by 95.12 million baht (24.3% YoY) in line with growth in asset under management. However, performance and incentive fee declined by 71.48 million baht (80.5% YoY) following sluggish capital market environment.

As of December 31, 2008, asset management industry shrank by 235,846.76 million baht (10.6%) from December 31, 2007. During the year 2008, TISCO Asset Management Co., Ltd. was successful in launching variety of funds. However, due to sluggish capital market since the second half of 2008 onwards, TISCO Asset Management Co., Ltd. recorded assets under management of 106,986.32 million baht, slightly decreased by 726.99 million baht (0.7% YoY). The composition of total asset under management was 64.1% of provident fund, 22.3% of private fund, and 13.7% of mutual fund. In addition, mutual fund business successfully launched Foreign Investment Funds (FIF) in 2008, which were well-responded from investors. Those FIFs were TISCO Korean Bond Fund #2, TISCO Sovereign Bond #1-2 and TISCO China Link Fund #3.

Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2008 was 5.4%, ranking 8<sup>th</sup> in the market. Provident fund business has stepped up to be the 1<sup>st</sup> in the market since January 2008 onwards with market share of 14.7%. The market share of private fund was 14.2%, ranking 4<sup>th</sup> in the market. For mutual fund, the market share was 1.1%, ranking 14<sup>th</sup> in the market which was up from 17<sup>th</sup> ranking in December 2007 with market share of 0.9% following aggressive business strategy. In addition, TISCO Asset Management Co., Ltd. recorded an achievement in FIF investment, namely TISCO Asia Pacific ex Japan Trigger 15% fund, in which the fund successfully generated the target returns within 3 months.

**Table 8: Assets under Management Breakdown by Type of Fund**

Type of Fund	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	62,702.81	58.2	68,524.87	64.1	9.3
Private Fund	30,416.85	28.2	23,848.51	22.3	(21.6)
Mutual Fund	14,593.65	13.5	14,611.79	13.7	0.1
<b>Total</b>	<b>107,713.31</b>	<b>100.0</b>	<b>106,985.17</b>	<b>100.0</b>	<b>(0.7)</b>

#### 12.2.4 Liquidity

As of December 31, 2008, the Company and its subsidiaries' cash was 595.57 million baht, an increase of 155.67 million baht. This was mainly comprised of 3,059.73 million baht in net cash flows from operating activities mainly arose from dividend income and an increase of deposit and borrowings. On the other hand, there was net cash flows used in financing activities amounting 1,473.15 million baht for dividend payment, and investing activities amounting 1,435.14 million baht mainly arising from an increase in purchase of investment in securities and branch network expansion.

#### 12.2.5 Sources and Uses of Funds

As the end of 2008, the funding structure as shown in the consolidated financial statement comprised of 114,637.10 million baht in liabilities and 11,536.04 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 9.9. The major source of funds on liabilities side was deposits, which accounted for 87.7% of total source of funds. Other sources of funds included interbank and money market items and borrowing, accounted for 5.0% and 4.3% of total, respectively.

As of December 31, 2008, the Company and its subsidiaries major use of funds was loans, amounting 103,109.71 million baht, resulting in a loan-to-deposit ratio of 102.5%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

More details of deposits and loans appear in Part 2, Section 1 : Risk Factors, 1.3 Liquidity Risk.

### 12.2.6 Capital Requirements

The capital of TISCO group as of December 31, 2008 was 11,535.60 million baht higher than the integrated risk capital requirement at 8,467.50 million baht, which calculated based on internal risk model, by 24.5%. During the past year, the internal risk capital requirement increased by 788.39 million baht or 10.27%, resulting from the continuing business growth.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions are still in strong levels and sufficient to cushion for the expansion of asset in the future. The regulatory capital adequacy ratio of the bank (BIS ratio) based on Basel II reduced from 12.81% to 11.71% following a continuous expansion in loan position while Tier-I capital adequacy ratio of the bank decreased from 12.41% to 11.23%. Nevertheless, they remained higher than the 8.50% and 4.25% required by the Bank of Thailand. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. remained strong at 115.86%, greatly higher than the minimum required ratio by the SEC of 7.00%. Meanwhile, TISCO group planned to issue subordinated debenture with amount of 2,000 million baht to increase Tier II capital and will improve capital adequacy ratio more than 2.00%. The details of capital adequacy ratio are as follows;

**Table 9: Capital Adequacy Ratio**

	December 31, 2007	December 31, 2008
Tier-I Capital	12.41	11.23
Total Capital	12.81	11.71

**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)	
	2007	2008	2007	2008
Assets	1.41	1.35	312.28	473.35
Liabilities	0.52	0.34	(520.50)	(709.93)
Net Gap	0.89	1.01	(208.22)	(236.58)

### 12.2.7 Auditor's Fee

#### (1) Audit Fee

The Company and its subsidiaries paid the audit fee for the year 2008 of 7,528,010 Baht to Ernst & Young Office Limited.

#### (2) Non-audit Fee

The Company and TISCO Securities Hong Kong Ltd. paid non-audit fees in 2008 amounted to 230,000 Baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand and for taxation service.

## 13. Others

### 13.1 Corporate Social Responsibility

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

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

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

### 13.2 General Policy on Social Responsibility

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

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

TISCO Group is thoroughly committed to maintaining high standards of corporate governance. It is the group's policy to ensure that the rights and interests of all stakeholders are well protected (see more details in Part 2 Section 9.5 Corporate Governance). The board carefully considers the various stakeholders' legal rights, and ensures that those rights are protected and treated with care. Co-operation between the company and all stakeholders is promoted in order to secure profits and business stability.

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

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

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

Furthermore, to provide the best financial services, the group requires that its employees follow the guidelines set out in its "Know Your Customers" measures and under the "Customer Due Diligence" policy, bank employees must ensure that the services granted by TISCO are given at an appropriate risk level for each customer. This policy also requires that projects financed by the Bank operate in compliance with environmental regulations and do not create any adverse effects for the community and environment. In

2008, TISCO Bank launched a new product called "TISCO Purse", a two-in-one card which functions as an ATM card and a digital payment card – or smart purse – instead of having to use cash. TISCO Purse cardholders can complete deposits, withdrawals, and money transfers at all TISCO's branches, all banks' ATMs, and also at Post offices nationwide. TISCO Bank also initiated the e-Money ATM machine, also called e-TM machine, a new financial innovation for doing electronic transactions with smart purse and/or ATM cards. Via TISCO e-TMs, customers can complete deposits, withdrawals, money transfers, and payments conveniently. TISCO Purse cardholders can top up their credit by transferring money from their saving accounts into their TISCO Purse card via ETMs.

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

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

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

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

Furthermore, TISCO Group places a high value on education and learning as an important part of its corporate culture. As such, training and development activities are therefore aligned with corporate goals and policy directives. While every employee is responsible for their own career path development, the group encourages them to express their goals and expectations through the performance management system and equips them with appropriate tools. The group also invests in human resources development to improve employee potential, thus enabling them to meet the highest requirements of professional ethics (See more details in Section 9.8 Human Resources).

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

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

In 2008, TISCO Group and its subsidiaries placed great emphasis on establishing an organizational culture in pursuit of continuous development. The group implemented 458 training sessions totaling 4,571.50 hours, 177 in-house and 281 external development programs, each totaling 1,280 hours and 3,291.5 hours respectively.

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

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

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

### 13.3 Corporate Social Responsibility Highlights in 2008

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



## 1. Social Supports

### 1.1 TISCO Foundation for Charity

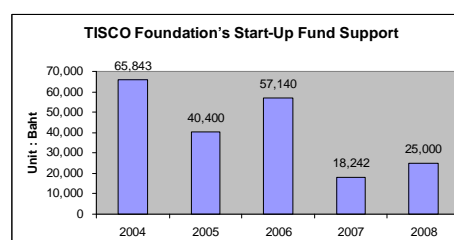
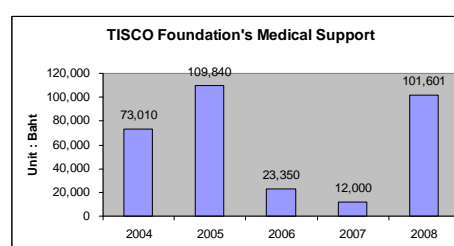
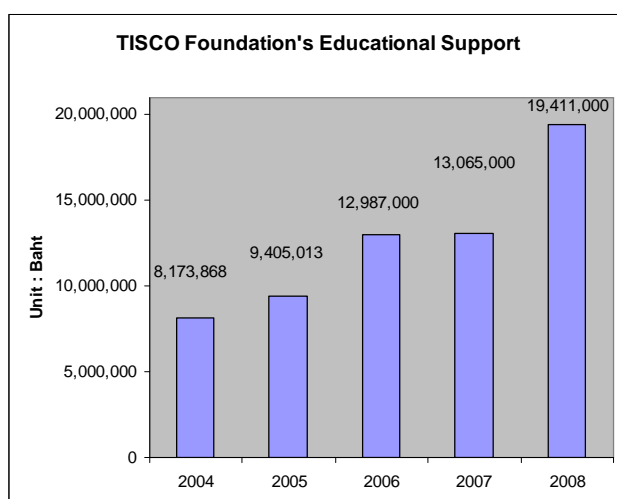
As a demonstration of TISCO Group's long-term commitment to sustainable development, the "TISCO Foundation for Charity" was established in 1982 to work towards the long-term goal of improving society and the nation. Since then, TISCO's major social contributions have been made through the work of TISCO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

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

Apart from the interest generated by the foundation's capital fund, the foundation has received regular support from TISCO Group, TISCO employees and the general public. The interest income from such funds has been donated to many charitable projects in accordance with the foundation's objectives. In 2008, educational support, medical support and start-up support from TISCO Foundation for Charity totaled 19,537,601 baht.

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

Year	Educational Support	Medical Support	Start-Up Fund	Total
1982-2005	94,882,612	4,001,336	1,741,379	100,625,357
2006	12,987,000	23,350	57,140	13,067,490
2007	13,065,000	12,000	18,242	13,095,242
2008	19,411,000	101,601	25,000	19,537,601



In 2008, TISCO Foundation has provided 5,532 scholarships at the total amount of 19,411,000 baht to needy students at every level i.e., 596 scholarships to primary school students, 4,188 scholarships to secondary school students, 486 scholarships to vocational school students, 217 scholarships to university students and 45 scholarships to other levels. Among these scholarships, 2,624 scholarships have been granted to former students under the foundation's continuous support and 2,908 to the new ones.

Moreover, TISCO Foundation has provided medical support and start-up fund for small businesses, 101,601 baht for medical support and 25,000 baht for start-up fund, for those socially disadvantaged's need both in Bangkok and local areas.

### *Follow-up Progress*

TISCO Foundation has regularly followed-up and made outcome evaluations of the scholarships to maximize its benefits in the future. TISCO Foundation's committee members, staff and voluntary working group usually made follow-up progress in every November by visiting schools and homes of the granted students and also the prospective ones.

In 2008, TISCO Foundation's staff made a follow-up progress in various provinces, including Nan, Chiang Rai, Patumthanee, Bangkok, Nonthaburi, Nakhon Nayok, Rayong, Nakhon Ratchasima, Khonkaen, Kalasin, Roi-et, Amnat Charoen, and Ubon Ratchathani. As for the start-up fund support, the Foundation's staffs usually visit the fund recipients to see their progress 2 times, once after the funds have been granted for 2 months, and once after 1 year.

### **1.2 Other Social Support Activities**

Apart from continuous social support activities through TISCO Foundation, TISCO Group also supports other social and community development as follows:-

#### *Computers and Tools for Schools*

In 2008 TISCO Group donated used computers, books, stationery, school uniforms and educational equipment to under-resourced schools in Bangkok and 15 provinces, i.e. Nong Ben Charoenvit School in Chaiyaphum, Kratum Suae Pla School in Bangkok, Wangwiwekaram School in Kanchanaburi, Amornsiri Samakki School in Buriram, Baan Yang Wang Kang Hung School and Baan Tha Chang in Ubon Ratchathani.

In addition, the group donated 106 used computers to government agencies as well as several non-profit organizations, i.e. the Weapon Production Center, Ministry of Defense, Lopburi province, Dindang Metropolitan Police Station, the Foundation for the Promotion of Supplementary Occupations, Sirindhorn Foundation, King Rama II Memorial Foundation under Royal Patronage, Baan Tawanmai Orphanage.

#### *Support for the Troubled Four Provinces of Southern Thailand*

The Southern Thailand insurgency is a critical problem which needs support and cooperation from every part. Several private and public organizations held special projects to help people in those affected areas. TISCO Bank has provided financial support to the "Krom Luang Songkhla Nagarindra Foundation under Royal Patronage" in the acquisition of medical equipment for hospitals in the troubled four provinces of Southern Thailand.

#### *Support Underprivileged Children through UNICEF*

TISCO Group made a financial contribution to "UNICEF Thailand" to support disadvantaged children in Thailand for better education.

#### *Support Education of Autistic Children*

TISCO Bank made a donation to the Education Research and Development Center of Kasetsart University Demonstration School to support education of autistic children.

#### *Support the Law Development Foundation of Thailand*

TISCO Group made a donation to the Law Development Foundation of Thailand to support the Revenue Code Study and Improvement project.

#### *Support the Victims of Nargis Cyclone*

When the Nargis Cyclone devastated Myanmar in May 2008, TISCO teamed up with government and private sectors agencies to lend a helping hand to our neighbor. With donation provided by employees of TISCO Group, a number of survival kits were procured and sent to help victims of the disaster through the Federation of Thai Industries aid center.

#### *Support the Slum Infants through the TV Program, "In Remembrance of the Late HRH Princess Galyani Vadhana"*

TISCO Group supported the Slum infants through the TV Program "In Remembrance of the Late Her Royal Highness Princess Galyani Vadhana" organized by Office of the Permanent Secretary of Defense Ministry and Foundation for Slum Child Care under the patronage of Her Royal Highness Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. Proceeds from the TV program will be used for the construction of a monument in memorial of HRH Princess Galyani Vadhana as well as for the procurement of necessary equipment for Sua Yai Infant House (Sua Yai Pracha Uthit Community).

*Support the Sem Pringpuangkeo Foundation*

TISCO Group made a contribution to the Sem Pringpuangkeo Foundation through its annual Invitational Charity Golf to provide educational support to children who have become orphans as a result of AIDS.

*Blood Donation for the Thai Red Cross Society*

TISCO Group organized blood donation for the Thai Red Cross Society on a quarterly basis at its headquarters for 10 consecutive years. In 2008, a total of 342,400 cc of blood was donated by approximately 300 regular donors in the TISCO Group.

**2. Environmental Conservation***Reforestation Project*

As part of TISCO Group policy to instill a sense of social responsibility and environmental conservation amongst its employees, the group and its staff have embarked on numerous charity ventures focused on preserving the environment. In 2008, the group organized its 21th annual reforestation trip with participation from management and 250 staff, mostly new recruits, to plant more than 4,000 saplings on a 12-rai plot of land at the Huay Sai Royal Development Center in Petchaburi Province. Since the reforestation project began in 1991, TISCO staffs have planted more than 265,000 trees on 1,054 rai in Kanchanaburi, Nakhon Nayok and Petchaburi provinces.

A special CSR report entitled "Two Decades of TISCO Reforestation", published in 2008 on the occasion of TISCO's 20<sup>th</sup> anniversary of reforestation program. The report was distributed to TISCO shareholders and the public, including university libraries, listed companies, the Stock Exchange of Thailand, as well as other organizations. This was intended to share TISCO Group's experience and lessons learned in almost two decades of reforestation activity.

A new development this year was the establishment of a new business unit in TISCO's Investment Banking group, the "Clean Development Mechanism (CDM) Division", to help in the campaign against global warming. The unit provides a Certified Emission Reductions (CERs) brokerage service to work with project owners in identifying the most suitable buyers of CDM credits, such as buyers with strong credit ratings and those which are well recognized internationally.

Besides operating CDM projects and engaging in CER trading, the new division also educates investors and the public about the system of carbon trading and CDM benefits. Another function is to provide advice on strategies that can maximize the value of CERs. TISCO Securities is sponsoring the Asia and the Pacific Clean Development Mechanism (APACCDM) which will organize a CDM forum for interested parties in South and Southeast Asia, to be held in Bangkok in 2009.

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

**3. Support for the Arts and Cultures***Thai Art Support*

Apart from social and environmental support, TISCO Group has been a pioneer and continuous supporter of the Thai contemporary art since 1970, realizing that a vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, TISCO consistently supported a number of initiatives and collected more than 300 Thai contemporary and modern arts.

To promote the Thai Contemporary Arts, in 2008 TISCO Group has planned to publish TISCO Art Collection on the occasion of the 40<sup>th</sup> anniversary of TISCO. The book will be completed in early 2009.

*Religious support*

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

In 2008 the group hosted the kathin ceremony at Prariyattitham Bor-ngern Bor-tong Monk Sanctuary and School in Chachoengsao Province. The contribution was intended to support the construction of a library for monks and novices at the temple. Another merit-making ceremony, Thot Phapa, was held at Wat Tham Khuha Sawan in Ubon Ratchathani Province to support the construction of multipurpose building at the temple.

### Summary of Corporate Social Responsibility Donations and Supports in 2008

#### 1. Social support

##### 1.1 TISCO Foundation for Charity

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2008	Educational Support	To provide nationwide educational scholarships for needy students	19,411,000
All Year 2008	Medical Support	To provide medical funding for destitute patients	101,601
All Year 2008	Start-Up Fund	To provide business start-up funds for underprivileged people to promote self-reliance	25,000
	Total		19,537,601

##### 1.2 Other Social Support Activities

Date/Month	Activities	Objectives	Amount (Baht)
4 Jan 08	Support the Sem Pringpungkeo Foundation	To provide educational support to children who have become orphans as a result of AIDS.	50,000
9 Feb 08	Support Underprivileged Children through UNICEF	To make a financial contribution to "UNICEF Thailand" to support disadvantaged children in Thailand for better education.	100,000
15 Feb 08	Support Education of Autistic Children	To make a donation to the Education Research and Development Center of Kasetsart University Demonstration School to support education of autistic children.	500,000
16 May 08	Support the Victims of Nargis Cyclone	To donate a number of survival kits provided by employees of TISCO Group to help victims of the disaster through the Federation of Thai Industries aid center.	100,000
27 May 08	Support the Slum Infants through the T.V. Program, "In Remembrance of the Late HRH Princess Galyani Vadhana"	To support the Slum infants through the T.V. Program "In Remembrance of the Late Her Royal Highness Princess Galyani Vadhana". Proceeds will be used for the construction of a monument in memorial of HRH Princess Galyani Vadhana as well as for the procurement of necessary equipment for Sua Yai Infant House.	100,000
8 Jul 08	Support for the Troubled Four Provinces of Southern Thailand	To provide financial support to the "Krom Luang Songkhla Nagarindra Foundation under Royal Patronage" in the acquisition of medical equipment for hospitals in the troubled four provinces of Southern Thailand.	47,600
6 Nov 08	Support the Law Development Foundation of Thailand	To make a donation to the Law Development Foundation of Thailand to support the Revenue Code Study and Improvement project.	300,000
	Total		1,197,600

#### 2. Environmental Conservation

Date/Month	Activities	Objectives	Amount (Baht)
21 Jun 08	Reforestation Project	To organize its 21st annual reforestation trip to plant more than 4,000 young trees on a 12-rai plot of land at the Huay Sai Royal Development Center in Petchaburi Province.	402,000
	Total		402,000

#### 3. Support for the Arts and Cultures

Date/Month	Activities	Objectives	Amount (Baht)
28 Oct 08	Host paprasamukkee ceremony at Wat Tham Khuha Sawan in Ubon Ratchathani Province	To support the construction of multipurpose building at the temple.	333,380
1 Nov 08	Host kathin ceremony at Priyattitham Borngern Bor-tong Monk Sanctuary and School in Chachoengsao Province.	To support the construction of a library for monks and novices at the temple.	375,803
	Total		709,633
<b>Total</b>			<b>21,846,834</b>

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

#### **13.4 The Committee's Planning and Implementation for Corporate Social Responsibility**

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

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

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

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

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

In addition, TISCO Group published a Corporate Social Responsibility Special Report in 2008, apart from Corporate Social Responsibility Report enclosed in the Annual Report, to convey TISCO's social responsibility ideas and activities that TISCO Group and its subsidiaries participated.

#### **13.5 Honors & Awards in 2008**

Awards are recognition of professional success, a reflection of TISCO Group's achievements, and proof of the quality of service and standardized operational policies that TISCO provides. In 2008, TISCO Group received honored awards as follow;

##### *SET Awards 2008*

The SET Awards 2008 was organized by the Stock Exchange of Thailand to honor outstanding listed companies, securities companies and asset management companies who performed best in their category. This year TISCO Bank received "Top Corporate Governance Awards" and TISCO Securities and TISCO Asset Management were also nominated for Best Securities Company Award and Best Asset Management Award respectively.

##### *Best Bank in Thai Baht Corporate Bond 2008*

For the third time in a row, TISCO Bank ranks first in the Asset Currency Bond Benchmark Survey for Thai Baht Corporate Bonds Market as " Best Bank in Thai Baht Corporate Bond 2008". The result of a survey of more than 300 institutional investors across nine markets in Asia as follows; Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand, reflects their opinions in dealer services in this region.

##### *Best Managed Company*

TISCO Bank Plc. was voted Best Managed Company for Thailand in the Asia's Best Managed Company Poll 2008 by FinanceAsia Magazine. The result reflects the opinions of investors, financial analysts and fund managers in Asia region toward the company on the basis of overall management, corporate governance, investor relations and the commitment to strong dividend payments. TISCO Bank ranked first in overall management of 'mid-sized' company or "Best Mid-cap" category in Thailand in the Magazine's Asia's Best Companies Poll 2008 by fund managers and financial analysts in Asia region.

### **Part 3**

#### **Certification of the Accuracy of Information**

I have examined the information contained in this annual registration statement and hereby certify that the information contained herein is neither false nor misleading nor are there any factual omissions. I further certify that:

- (1) The financial statements and financial summary in this annual registration statement present fairly, in all material respects, the financial position, the results of the operations and cash flows of the Company and subsidiary companies.
- (2) I shall be responsible for providing the Company with sound information disclosure systems to ensure that the Company has accurately disclosed all the Company's and subsidiary companies' material information and that all the procedures of the said systems were followed properly.
- (3) I shall be responsible for providing the Company with reliable internal control system and ensure that the Company has comprehensively complied with the said system. Moreover, I have reported the internal control assessment on February 20, 2009 to the auditor and the Audit Committee. The information presented includes errors and significant changes, if any, of the internal control systems as well as any misconduct which might have an effect on the preparation of the Company's and subsidiary companies' financial statements.

In order to ensure the authenticity and the wholeness of the said documents, I authorize Ms. Pakaporn Punyashthiti to sign every page of each document. If any document does not contain the signature of Ms. Pakaporn Punyashthiti, I will deem that such document is not the document that I certified.

<b>Name</b>	<b>Position</b>	<b>Signature</b>
Mr. Pliu Mangkornkanok	Director, Chairman of the Executive Board and Group Chief Executive Officer	
<b>Name</b>	<b>Position</b>	<b>Signature</b>
Authorised Signatory	Ms. Pakaporn Punyashthiti	Corporate Secretary

### Certification of the Accuracy of Information

I have examined the information contained in this annual registration statement and hereby certify that the information contained herein is neither false nor misleading nor are there any factual omissions.

In order to ensure the authenticity and the wholeness of the said documents, I authorize Ms. Pakaporn Punyashthiti to sign every page of each document. If any document does not contain the signature of Ms. Pakaporn Punyashthiti, I will deem that such document is not the document that I certified.

<b>Name</b>	<b>Position</b>	<b>Signature</b>
Dr. Phisit Pakkasem	Chairman of the Board and Independent Director	
Ms. Krisna Theravuthi	Independent Director	
Assoc.Prof.Dr. Angkarat Priebjriwat	Independent Director	
Ms. Panada Kanokwat	Independent Director	
Prof. Dr. Pranee Tinakorn	Independent Director	

	<b>Name</b>	<b>Position</b>	<b>Signature</b>
Authorised Signatory	Ms. Pakaporn Punyashthiti	Corporate Secretary	



## **Attachment 1**

### **Details of Directors, Management and Controlling Persons**

## 1.1 Details of Directors, Management and Controlling Persons as of 16 January 2009

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years				
					Period	Position	Company / Organization	Type of Business	
1. Dr. Phisit Pakkasem Chairman of the Board Independent Director	76	Common -	-	Ph.D. (Development Economics) University of Pittsburgh, USA MPA. (Development Economics) Harvard University, USA B.A. (Economics) Claremont Men's College, USA	2008-present	TISCO Group	TISCO Financial Group Public Company Limited	Holding Company	
		Preferred -				2005-2008	Chairman of the Board Independent Director	TISCO Bank Public Company Limited	Bank
						2005-2006	Chairman of the Nomination Committee	TISCO Bank Public Company Limited	Bank
						2002-2005	Chairman of the Board Independent Director Chairman of the Audit Committee Chairman of the Nomination Committee	TISCO Finance Public Company Limited	Finance
						1998-2002	Chairman of the Board Independent Director Chairman of the Audit Committee	TISCO Finance Public Company Limited	Finance
						2007-present	Member, Asian Wise Person's Group	Asian Development Bank	Bank
						2003-present	Chairman of the Board	Thai Smart Card Co.,Ltd	Smart Card
						1995-present	Executive Advisor	C.P.Group of Companies	Agro-Industries, Retail and Communications
						1994-present	Director	Toyota Thailand Foundation	Foundation
						1985-2006	Director	Thailand Development Research Institute Foundation (TDRI Foundation)	Foundation
						2002-2005	Vice Chairman	Vinythai Public Co., Ltd.	Import, export and wholesale of petrochemical products
	1999-2002	Chairman	Vinythai Public Co., Ltd.						
2. Mr. Pliu Mangkornkanok Director Chairman of the Executive Board (Authorized Signatory) TISCO Group Chief Executive Officer	60	Common 35,600	-	M.B.A. (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Directors Certification Program Chairman 2000 Program Thai Institute of Directors Association	2008-present	TISCO Group	TISCO Financial Group Public Company Limited	Holding Company	
		Preferred 1,983,500				2009-present	Chairman of the Executive Board TISCO Group Chief Executive Officer	TISCO Financial Group Public Company Limited	Holding Company
						2009-Present	Chairman of the Board	TISCO Bank Public Company Limited	Bank
						2005-2008	Director	TISCO Bank Public Company Limited	Bank
						2005-2006	Secretary to the Nomination Committee	TISCO Bank Public Company Limited	Bank
						2002-2005	Director Chairman of the Executive Board Member of the Nomination Committee Chief Executive Officer	TISCO Finance Public Company Limited	Finance
						2008-present	Director	Thai Institute of Directors Association	Association
						2007-present	Executive Director	The Thai Bankers' Association	Association
						2006-present	Director	Amata Spring Development Co., Ltd.	Golf Course
						2004-present	Councillor	Thai Management Association	Association
						1994-present	Director	Phelps Dodge International (Thailand) Co., Ltd.	Manufacture of wire and cable products
	1990-present	Director	TISCO Foundation	Foundation					
	2003-2006	Director	Thai Agro Exchange Co., Ltd.	Fruits & Vegetables Wholesale					
	2002-2005	Chairman	Association of Finance Company	Association					
3. Ms. Krisna Theravuthi Independent Director Chairperson of the Nomination and Compensation	59	Common 12	-	M.B.A. (Marketing) University of Wisconsin-Madison, USA B.A. (Accounting) Chulalongkorn University Role of Chairman Program Role of Compensation Committee Monitoring the System of Internal Control and Risk Management Audit Committee Program Director Certification Program Director Accreditation Program Effective Audit Committee and Best Practice Program Thai Institute of Directors Association	2008-present	TISCO Group	TISCO Financial Group Public Co., Ltd.	Holding Company	
		Preferred -				2007-2008	Chairperson of the Nomination and Compensation Committee Chairperson of the Nomination and Compensation Committee Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
						2005- 2008	Independent Director	TISCO Bank Public Company Limited	Bank
						2005- 2007	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
						1998-2005	Independent Director Member of the Audit Committee	TISCO Finance Public Company Limited	Finance
						2008-present	Expert	Committee on Labour and Social Welfare	Government
						2004-present	Secretary-general	Women's Association of Thailand - Udornthani	Association
						2004-present	Vice President	The North-Eastern Mentally Retarded Welfare Center	Foundation
	1986-present	Executive Director	Tavornudom Co., Ltd.	Hotel					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years							
					Period	Position	Company / Organization	Type of Business				
4. Assoc.Prof.Dr. Angkarat Priebjivat Independent Director Chairperson of the Audit Committee	54	Common -	-	Ph.D (Accounting) New York University, USA M.S. (Accounting) Thammasat University B.B.A. (Accounting) Thammasat University Role of Chairman Program Monitoring the Internal Audit Function Audit Committee Program Director Certification Program Director Accreditation Program Thai Institute of Directors Association	2008-present	TISCO Group Independent Director	TISCO Financial Group Public Company Limited	Holding Company				
		Preferred -							2007-present	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
									2005-present	Independent Director	TISCO Bank Public Company Limited	Bank
									2005-2007	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
										<u>Others</u>		
									2009-present	Member, Accounting and Corporate Governance Steering Group	The Securities and Exchange Commission	Independent State Agency
									2008-present	Independent Director and Chairperson of the Audit Committee	Office Mate Public Company Limited	Supplier of full line office products
									2006-present	Chairman, Supervisory Committee	The ABF Thailand Bond Index Fund	Fund
									2004-present	Member of the Consultative Subcommittee on Cost Accounting Development Project	Commission on Higher Education	Commission on Higher Education
									2004-present	Independent Director	Association of Investment Management Companies	Association
									2002-present	Advisor	The Comptroller General's Department, Ministry of Finance	Government
									2002-present	Advisor to the Audit Committee	TOT Corporation Public Co., Ltd.	Communication
									1997-present	Associate Professor	National Institute of Development Administration (NIDA)	Educational Institute
									1992-present	Advisor to the Listing and Disclosure Department	The Stock Exchange of Thailand	The Stock Exchange of Thailand
									2006-2008	Director and Chairperson of the Audit Committee	National Housing Authority	State Enterprise
									2005-2008	Chairperson of the Accounting Standard Setting Committee	Federation Of Accounting Professions	Federation
									2002-2005	Specialist - Financial Institutions Policy Group	The Bank of Thailand	The Bank of Thailand
	2001-2005	Associate Dean of Administrative Affair and Director of the Executive MBA Program	National Institute of Development Administration (NIDA)	Educational Institute								
5. Ms. Panada Kanokwat Independent Director Member of the Audit Committee	60	Common -	-	M.B.A. (Banking & Finance) North Texas State University, USA B.B.A. (Accounting) Thammasat University Capital Market Academy Leadership Program Capital Market Academy Executive Program in International Management Stanford-National University of Singapore Building, Leading & Sustaining Innovation Organization Sloan School of Management, Massachusetts Institute of Technology, USA Director Accreditation Program Thai Institute of Directors Association	2008-present	TISCO Group Independent Director	TISCO Financial Group Public Company Limited	Holding Company				
		Preferred -							2008-present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
									2008-present	Independent Director	TISCO Bank Public Company Limited	Bank
									2008-present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
										<u>Others</u>		
									2008-present	Director	PTT Chemical International (Asia Pacific ROH) Limited	Petrochemical and Chemical
									2008-present	Director	Thai Oleochemicals Co., Ltd.	Petrochemical and Chemical
									2008-present	Director	PTT Chemical International (Singapore) Pte.Ltd.	Petrochemical and Chemical
									2008-present	Director	TOC Glycol Co.,Ltd.	Petrochemical and Chemical
									2008-present	Director	Thai Choline Chloride Co., Ltd.	Petrochemical and Chemical
									2008-present	Director	Thai Ethanolamines Co., Ltd.	Petrochemical and Chemical
									2005-present	Executive Vice President Petrochemical And Refining Business Unit	PTT Public Co., Ltd.	Oil and Gas
									2005-present	Senior Executive Vice President Finance and Accounting PTT Chemical Public Co., Ltd.	PTT Chemical Public Co., Ltd.	Petrochemical and Chemical
	2008	Senior Executive Vice President, Chief Corporate Finance & Accounting	PTT Chemical Public Co., Ltd.	Petrochemical and Chemical								
	2006	Director	Bangkok Polyethylene Public Co., Ltd.	Petrochemical and Chemical								
	2004-2005	Director	Star Petroleum Refining Co., Ltd.	Refinery								
	2001-2005	Director	Rayong Refinery Public Co., Ltd.	Refinery								
	2001-2005	Executive Vice President, Corporate Finance	PTT Public Co., Ltd.	Energy								

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<b>6. Prof. Dr. Pranee Tinakorn</b> Independent Director Member of the Audit Committee	60	Common -	-	Ph.D. (Economics) University of Pennsylvania, USA B.A. (Economics) Swarthmore College, USA	2008-present	<i>TISCO Group</i> Independent Director	TISCO Financial Group Public Company Limited	Holding Company
		2009-present				Member of the Audit Committee Independent Director Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
		1979-present			<i>Others</i> Professor of Economics	Thammasat University	Academic Institute	
		2006-present			Member and Executive Committee of TDRI Council of Trustees	Thailand Development Research Institute Foundation	Foundation	
		2008-present			Member of the Committee on Budget Subsidy for Public Services	Ministry of Finance	Government Office	
		2007-2008			Subcommittee on Budget Law under the Committee on Fiscal, Banking and Financial Institutions	National Council of Legislation	Government Office	
		2007-2008			Advisor to the Minister of Finance	Ministry of Finance	Government Office	
		2007-2008			Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Co., Ltd.	CAT Telecom Public Co., Ltd.	Communication	
		2007-2008			Member of Executive Committee	Triam-Udomsuksa Alumni Association	Alumni Association	
		2005-2007			Subcommittee of the Thammasat University Council on Assets and Fiscal Affairs	Thammasat University	Academic Institute	
		2005-2006			University Committee on Grievance and Appeal	Thammasat University	Academic Institute	
		2004-2005			Member of the Thammasat University Council	Thammasat University	Academic Institute	
		2004-2005			Member of the Committee on Adjustment of the State Enterprise Capital Act B.E. 2542	Ministry of Finance	Government Office	
		2003-2006			Dean, Faculty of Economics	Thammasat University	Academic Institute	
2003-2006	Member of the Research Committee	Puey Ungphakorn Institute Committee Secretariate of the House of Representatives	Institute Government Office					
<b>7. Mr. Alexander H. Shing</b> Director Member of the Nomination and Compensation Committee Vice Chairman of the Executive Board (Authorized Signatory)	32	Common -	-	B.Sc. (Economics) Massachusetts Institute of Technology, USA	2009-present	<i>TISCO Group</i> Vice Chairman of the Executive Board	TISCO Financial Group Public Company Limited	Holding Company
		2009-present				Member of the Nomination and Compensation Committee	TISCO Financial Group Public Company Limited	Holding Company
		2008-present			Director	TISCO Financial Group Public Company Limited	Holding Company	
		2009-present			Chairman of the Executive Board	TISCO Bank Public Company Limited	Bank	
		2007-present			Director	TISCO Bank Public Company Limited	Bank	
		2007-2008			Member of the Executive Board	TISCO Bank Public Company Limited	Bank	
		2007-2008			Member of the Nomination and Compensation Committee	TISCO Bank Public Company Limited	Bank	
		2008-present			<i>Others</i> Senior Advisor	CDIB & Partners Investment Holding Corporation	Investment	
		2005-present			Managing Director	Quintus Capital Group Ltd.	Investment	
		2005-2008			Senior Vice President	CDIB & Partners Investment Holding Corporation	Investment	
		2005-2008			Director	CDIB & Partners Asset Management Holding Ltd.	Asset Management	
2004-2005	Vice President/Advisor	China Development Industrial Bank, Taipei	Bank					
<b>8. Mr. Hirohiko Nomura</b> Director Member of the Nomination and Compensation Committee Member of the Executive Board (Authorized Signatory)	45	Common -	-	B.A. (Economics) The University of Tokyo, Japan	2009-present	<i>TISCO Group</i> Member of the Executive Board	TISCO Financial Group Public Company Limited	Holding Company
		2008-present				Director	TISCO Financial Group Public Company Limited	Holding Company
		2008-present			Member of the Nomination and Compensation Committee	TISCO Financial Group Public Company Limited	Holding Company	
		2008-present			Director	TISCO Bank Public Company Limited	Bank	
		2008			Member of the Executive Board	TISCO Bank Public Company Limited	Bank	
		2008			Member of the Nomination and Compensation Committee	TISCO Bank Public Company Limited	Bank	
		2008-present			<i>Others</i> Managing Director	MHCB Consulting (Thailand) Co., Ltd.	Consultant	
2002-2008	Senior Manager, International	Mizuho Corporate Bank, Ltd.. Head Office	Bank					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<b>9. Ms. Oranuch Apisaksirikul</b> Director Member of the Executive Board (Authorized Signatory) President	51	Common 100,000 Preferred 1,846,200	-	M.B.A. (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association	2009-present	<i>TISCO Group</i> Member of the Executive Board	TISCO Financial Group Public Company Limited	Holding Company
						President		
					2009-present	Member of the Executive Board	TISCO Bank Public Company Limited	Bank
					2008-present	Director	TISCO Financial Group Public Company Limited	Holding Company
					2005-present	Director	TISCO Bank Public Company Limited	Bank
					2009-present	Director	TISCO Securities Co., Ltd.	Finance
					2009-present	Director	TISCO Asset Management Co., Ltd.	Asset Management
					2009-present	Director	TISCO Information Technology Co., Ltd.	Information Technology
					2005-2008	Senior Executive Vice President and Chief Financial Officer	TISCO Bank Public Company Limited	Bank
					2000-2007	Director	TISCO Global Securities Ltd.	Securities
					2000-2007	Director	TISCO Securities Hong Kong Ltd.	Securities
					2005	Director	TISCO Finance Public Company Limited	Finance
					2002-2005	Senior Executive Vice President and Chief Financial Officer	TISCO Finance Public Company Limited	Finance
	<i>Others</i>							
2004-present	Member of Risk Management Committee	Small Industry Credit Guarantee Corporation	Specialized Financial Institution					
2001-present	Member of Risk Management Sub-Committee	The Stock Exchange of Thailand	The Stock Exchange of Thailand					
<b>10. Mr. Suthas Ruangmanamongkol</b> Director Member of the Executive Board (Authorized Signatory) President of TISCO Bank Public Co., Ltd.	48	Common 514,100 Preferred 2,110,000	-	M.S. (Finance & Banking) University of Wisconsin-Madison, USA M.B.A. (Finance) Western Illinois University, USA B.Eng. (Computer Engineering) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2009-present	<i>TISCO Group</i> Member of the Executive Board	TISCO Financial Group Public Company Limited	Holding Company
					2008-present	Director	TISCO Financial Group Public Company Limited	Holding Company
					2009-present	Member of the Executive Board	TISCO Bank Public Company Limited	Bank
						President		
					2008-present	Director	TISCO Bank Public Company Limited	Bank
					2005-present	Director	TISCO Asset Management Co., Ltd.	Asset Management
					2009-present	Director	TISCO Information Technology Co., Ltd.	Information Technology
					2005-2008	Managing Director	TISCO Asset Management Co., Ltd.	Asset Management
					2002-2005	Head of Commercial Finance Treasury and Funding	TISCO Finance Public Company Limited	Finance
						<i>Others</i>		
	-							
<b>11. Mr. Pichai Chanvirachart</b> Advisor	59	Common 2,136 Preferred 2,170,000	-	B.B.A. (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association	2009-present	<i>TISCO Group</i> Advisor	TISCO Financial Group Public Company Limited	Holding Company
					2009-present	Director	TISCO Information Technology Co., Ltd.	Information Technology
					2005-present	Director, President	TISCO Bank Public Company Limited	Bank
					2001-2005	Director, Member of the Executive Board, President	TISCO Finance Public Company Limited	Finance
						<i>Others</i>		
					1993-present	Director	Mizuho Corporate Leasing (Thailand) Co., Ltd.	Leasing
2000-2006	Director	AXA Insurance Public Co., Ltd.	Insurance					
<b>12. Mr. Satit Ongmanee</b> Advisor	63	Common 14,832 Preferred 600,000	-	M.B.A. (Finance) Fairleigh Dickinson University, USA B.B.A. (Accounting) Thammasat University	2009-present	<i>TISCO Group</i> Advisor	TISCO Financial Group Public Company Limited	Holding Company
					2005-present	Advisor	TISCO Bank Public Company Limited	Bank
					2001-2005	Advisor	TISCO Finance Public Company Limited	Finance
						<i>Others</i>		
						-		

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
<b>13. Mr. Sakchai Peechapat</b> Management Committee member Executive Vice President - Marketing & Customer Relations of TISCO Bank Public Co., Ltd.	42	Common	60,000	-	M.B.A. (International Business) University of Hawaii at Manoa, USA B.E. (Civil Engineering) (Honour) Kasetsart University Director Certification Program Director Accreditation Program Thai Institute of Directors Association Japan-focused Management Program Japan-America Institute of Management Science, USA	2009-present	<i>TISCO Group</i> Executive Vice President-Marketing & Customer Relations	TISCO Bank Public Company Limited	Bank
						2009-present	Director	TISCO Securities Co., Ltd.	Securities
		2009-present	Director			TISCO Asset Management Co., Ltd.	Asset Management		
		2009-present	Director			Hi-Way Co., Ltd.	Leasing		
		2009-present	Director			TISCO Tokyo Leasing Co., Ltd.	Leasing		
		2006-2008	Executive Vice President-Retail Banking			TISCO Bank Public Company Limited	Bank		
		2006-2008	Executive Vice President-Human Resources and Organization Development (Acting)			TISCO Bank Public Company Limited	Bank		
		2005-2006	Executive Vice President-Human Resources and Organization Development			TISCO Bank Public Company Limited	Bank		
		2004-2005	Head of Human Resources and Organization Development			TISCO Finance Public Company Limited	Finance		
		2002-2004	Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting)			TISCO Finance Public Company Limited	Finance		
2006-present	<i>Others</i> Director	AXA Insurance Public Co., Ltd.	Insurance						
<b>14. Ms. Nattamon Issaradharm</b> Management Committee member Executive Vice President - Credit Control of TISCO Bank Public Co., Ltd.	55	Common	70,000	-	B.A. (Accounting) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association Certified Public Accountants C.P.A. Thailand	2009-present	<i>TISCO Group</i> Executive Vice President-Credit Control	TISCO Bank Public Company Limited	Bank
						2007-present	Director	TISCO Asset Management Co., Ltd.	Asset Management
		2005-present	Executive Vice President and Chief Governance Officer			TISCO Bank Public Company Limited	Bank		
		2002-2005	Executive Vice President and Chief Governance Officer			TISCO Finance Public Company Limited	Finance		
		1998-2006	<i>Others</i> Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC)			The Bank of Thailand	The Bank of Thailand		
2002-2005	Representative	Association of Finance Companies	Association						
<b>15. Mr. Panya Wotticharoenvong</b> Management Committee member Executive Vice President - Banking Transaction of TISCO Bank Public Co., Ltd.	55	Common	44	-	M.S (Accounting) Thammasat University LL.B. Thammasat University B.A. (Accounting) Thammasat University Graduate Diploma Program in Business Law Thammasat University Directors Certification Program Thai Institute of Directors Association Certified Public Accountants C.P.A. Thailand	2009-present	<i>TISCO Group</i> Executive Vice President-Banking Transaction	TISCO Bank Public Company Limited	Bank
						2009-present	Director	TISCO Information Technology Co., Ltd.	Information Technology
		2006-2008	Executive Vice President-SME Banking			TISCO Bank Public Company Limited	Bank		
		2005-2006	Executive Vice President-Retail Banking			TISCO Bank Public Company Limited	Bank		
		2005	Executive Vice President-Retail Banking			TISCO Finance Public Company Limited	Finance		
		2002-2004	Head of Retail Finance and Head of Special Asset Management			TISCO Finance Public Company Limited	Finance		
2002-2004	<i>Others</i> -								
<b>16. Mr. Metha Pingsuthiwong</b> Management Committee member Executive Vice President - Treasury and Private Banking of TISCO Bank Public Co., Ltd.	42	Common	-	-	M.B.A. (Finance) University of Wisconsin-Milwaukee, USA B.Eng. (Electrical Engineering) (Honour) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2009-present	<i>TISCO Group</i> Executive Vice President-Treasury and Private Banking	TISCO Bank Public Co., Ltd.	Bank
						2009-present	Director	TISCO Securities Co., Ltd.	Securities
		2005-2008	Executive Vice President-Treasury and Private Banking			TISCO Bank Public Co., Ltd.	Securities		
		2005	Executive Vice President-Treasury and Funding			TISCO Finance Public Company Limited	Finance		
		2002-2005	Head of Securities Investment and Trading			TISCO Securities Co., Ltd.	Securities		
		1999-present	<i>Others</i> Director			K-Line (Thailand) Co., Ltd.	Transportation		

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<b>17. Ms. Araya Thirakomen</b> Management Committee member  President of TISCO Asset Management Co., Ltd.	46	Common 5,000 Preferred 173,000	-	M.B.A. (Finance) University of New Haven, USA  B.A. (Finance) Chulalongkorn University Director Certification Program Thai Institute of Directors Association	2009-present 2005-2008 2003-2005 1999-2003  2006-present 2004-present 2002-present 2002-present 2002-2004	<u>TISCO Group</u> President  Deputy Managing Director Head of Provident Fund Business Head of Provident Fund-Marketing <u>Others</u> Member of National Pension Sub-Committee Deputy Chairman, Chairperson of Provident Member of Sub Committee on Pension and Provident Fund Member of Sub Committee on Consideration of draft Member of Sub Committee on Consideration of the Amendment	TISCO Asset Management Co., Ltd.  TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd.  Fiscal Policy Office, Ministry of Finance Association of Investment Management Company ("AIMC") Fiscal Policy Office, Ministry of Finance The Securities and Exchange Commission (SEC) The Securities and Exchange Commission (SEC)	Asset Management  Asset Management Asset Management Asset Management  Government Agency Association Government Agency Independent Agency & Regulator Independent Agency & Regulator
<b>18. Mr. Paiboon Nalinthangkurn</b> Management Committee member Chief Executive Officer of TISCO Securities Co., Ltd.	43	Common - Preferred 260,000	-	M.B.A. (Finance) Indiana University at Bloomington, USA B.A. (Computer Science) University of California at Santa Cruz, USA C.F.A. C.F.A. Institute, USA Director Accreditation Program Thai Institute of Directors Association	2009-present 2006-2008 2005-2008 2005-2006  2001-2005  2007-present 2006-present 2006-present  2006-present 2003-2005	<u>TISCO Group</u> Chief Executive Officer Managing Director Director Deputy Managing Director and Head of Brokerage Equity Director and Head of Equity and Research <u>Others</u> Director Director Representative of the Sub-Committee on Standard Setting of CISA Program Deputy Chairman Director and Secretary-General	TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. TISCO Securities Co., Ltd.  TISCO Securities Co., Ltd.  Futures Industry Club Association of Securities Companies Thailand Securities Institute (TSI)  Securities Analysts Association Securities Analysts Association	Securities Securities Securities Securities  Securities  Club Association Institute  Association Association
<b>19. Mr. Kotee Sunthornpradit</b> Head of Risk Management	33	Common - Preferred 12,000	-	Master Degree-Management - Operation Research Case Western Reserve University	2009-present 2006-2008 2005-2006 2005 2005	<u>TISCO Group</u> Head of Risk Management Head of Risk Management Head of Enterprise Risk Head of Risk Research and Analysis Head of Risk Research and Analysis <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Bank Bank Finance
<b>20. Mr. Kittipong Tiyaboonchai</b> Head of Regulatory & Management Report	37	Common - Preferred 48,000	-	MBA Chulalongkorn University	2009-present 2007-2008 2006-2007 2005-2006 2004-2005	<u>TISCO Group</u> Head of Regulatory & Management Report Head of Corporate Information Management Head of Cashiering & Bulk Processing Financial Officer Financial Officer <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Bank Bank Finance
<b>21. Mr. Chatri Chandrangam</b> Head of Risk & Financial Control Acting Head of Customer Data Analysis	39	Common - Preferred 10,000	-	M.Sc. (Finance) Imperial College, University of London M.B.A. (International Business) Schiller International University B.A. (Banking & Finance) Chulalongkorn University C.F.A. C.F.A. Institute, USA	2009-present 2009-present 2009-present 2007 - present 2005 - present 2000-2005	<u>TISCO Group</u> Financial Controller and Risk Management Director Director Director Financial Controller and Risk Management Head of Risk Management <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Securities Co., Ltd. Hi-Way Co., Ltd. TISCO Asset Management Co., Ltd. TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Securities Leasing Asset Management Bank Finance

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
<b>22. Ms. Chutintorn Vigasi</b> Head of Corporate Accounting	47	Common	324	-	M.B.A (Accounting) Thammasat University B.A. (Accounting) Chulalongkorn University	2009-present 2005-2008 2002-2005	<i>TISCO Group</i> Head of Corporate Accounting Head of Corporate Accounting Head of Corporate Accounting <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
<b>23. Ms. Dulyarat Taveebhol</b> Head of Compliance & Internal Control Acting Compliance & Internal Control - Bank	52	Common	60	-	B.A. (Accounting) Thammasat University	2009-present 2008-2009 2009-present 2009-present 2005-2008 1997-2005	<i>TISCO Group</i> Head of Compliance & Internal Control Acting Compliance & Internal Control - Bank Head of Compliance & Internal Control Director Member of the Audit Committee Director Member of the Audit Committee Head of Internal Control Head of Internal Control <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Asset Management Co., Ltd. TISCO Securities Co., Ltd. TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Asset Management Securities Bank Finance
<b>24. Mr. Noppawat Tangburanakij</b> Head of Productivity Improvement	32	Common	-	-	Master of Science in Information Technology Arizona State University	2009-present 2007-2008 2005-2007 2005	<i>TISCO Group</i> Head of Productivity Improvement Head of Cash Management & Bulk Processing Head of Cash Management Services Cash Management Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank Bank Bank
<b>25. Ms. Nartrudee Siwabut</b> Head of Corporate Marketing & Communication	48	Common	-	-	MBA (Finance) Thammasat University	2009-present 2004-2008	<i>TISCO Group</i> Head of Corporate Marketing & Communication Head of Corporate Marketing & Communication <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
<b>26. Mr. Nipon Wongchotiwat</b> Head of Planning & Budgeting	32	Common	-	-	Master of Science (Finance) Thammasat University	2009-present 2007-2008 2005-2007 2005 2005	<i>TISCO Group</i> Head of Planning & Budgeting Head of Risk Management Acting Head of Budgeting & Cost Management Risk Management Officer Risk Management Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Bank Bank Finance
<b>27. Mr. Prayuk Charoencharakul</b> Head of Operational Risk Management	30	Common	-	-	MBA University of North Carolina at Chapel Hill	2009-present 2006-2008	<i>TISCO Group</i> Head of Operational Risk Management Productivity Improvement Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
<b>28. Ms. Pakaporn Punyashthiti</b> Corporate Secretary Head of Corporate Secretariat	43	Common	-	-	Master of Business Administration Baylor University Texas, U.S.A.	2009-present 2005-2008 2003-2005 2008-present 2008-present	<i>TISCO Group</i> Corporate Secretary Head of Corporate Secretariat Head of Corporate Secretariat & Investor Relations Head of Corporate Secretariat & Investor Relations <i>Others</i> Director Director	TISCO Financial Group Public Company Limited and certain related company TISCO Bank Public Company Limited TISCO Finance Public Company Limited Sivadon Co., Ltd. Bangkok Trading Co., Ltd.	Holding Company Bank Finance Building Rental Holding Company
<b>29. Ms. Phanit Tiravongchaitunt</b> Head of Human Resources & Organization Development	49	Common	-	-	Master of Science in Human Resources Management Sasin Graduate Institute of Business Administration of Chulalongkorn University	2009-present 2008 2007 2007	<i>TISCO Group</i> Head of Human Resources & Organization Development Head of Human Resources & Organization Development <i>Others</i> Head of HR Office Head of HR&Admin	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Asian Institute of Technology Capital Advisory Services (Thailand)	Holding Company Bank University Finance Business



Name of Director, Management and Controlling Person	Age (years)	Total Shareholding in the Bank (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
<b>30. Mr. Pongsupat Supasirisin</b> Assistant Head of Business Strategy & Development	35	Common Preferred	3,000 -	-	Master Degree in Engineering Business Management University of Wanwick / Chulalongkorn University Bachelor Degree in Engineering Chulalongkorn University	2009-present 2007-2008	<i>TISCO Group</i> Assistant Head of Business Strategy and Development Head of Productivity Improvement  <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
<b>31. Ms. Pattarinee Ratananakin</b> Head of Investor Relations	28	Common Preferred	- -	-	M.B.A. (Finance) University of Wisconsin-Madison, USA B.B.A. (Finance and Banking) Chulalongkorn University	2009-present 2008-2008  2005-2008	<i>TISCO Group</i> Head of Investor Relations Senior Investor Relations  <i>Others</i> Associate Director, Investment Banking	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited  Kasikorn Securities Public Co., Ltd.	Holding Company Bank  Securities
<b>32. Ms. Maneerat Wattanajak</b> Head of Compliance & Internal Control - Asset Management	40	Common Preferred	- -	-	Master Degree - Financial Accounting Chulalongkorn University	2009 - present 2008 2000-2008	<i>TISCO Group</i> Head of Compliance and Internal Control - Asset Management Head of Compliance and Internal Control Senior Compliance and Internal Control Officer  <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Asset Management Co., Ltd. TISCO Asset Management Co., Ltd.	Holding Company Asset Management Asset Management
<b>33. Mr. Watsakorn Thepthim</b> Assistant Head of Business Strategy & Development Acting Head of Product & Channel Development	37	Common Preferred	- -	-	Master of Science in Computation University of Manchester, England Master of Business Administration Assumption University	2009-present  2005-2008  2001-2005	<i>TISCO Group</i> Assistant Head of Business Strategy & Development Acting Head of Product & Channel Development Head of Product Development and Market Research  Planing and Budgeting Officer <i>Others</i> -	TISCO Financial Group Public Company Limited  TISCO Bank Public Company Limited  TISCO Finance Public Company Limited	Holding Company  Bank  Finance
<b>34. Ms. Siriporn Pornviriyakul</b> Head of Financial & Accounting System	39	Common Preferred	- -	-	MBA Thammasart University	2009-present 2006-2008  2005-2006	<i>TISCO Group</i> Head of Financial & Accounting System Head of Financial & Accounting System  <i>Others</i> Accounting System Development, Finance and Accounting	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited  Nok Airlines Company Limited.	Holding Company Bank  Airlines
<b>35. Ms. Sasinee Phattiyakul</b> Head of Corporate Services	55	Common Preferred	250,000 158,000	-	Bachelor of Arts Chulalongkorn University	2009-present 2002-2008	<i>TISCO Group</i> Head of Corporate Services Head of Corporate Services  <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
<b>36. Ms. Supaporn Aramtiantamrong</b> Head of Compliance and Internal Control - Securities	52	Common Preferred	23,248 60,000	-	Master Degree - Management Chulalongkorn University	2009-present 2008 2003-2008	<i>TISCO Group</i> Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Asset Management  <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Securities Co., Ltd. TISCO Asset Management Co., Ltd.	Holding Company Securities Asset Management
<b>37. Mr. Ekkapol Apinun</b> Head of Legal Office	39	Common Preferred	- -	-	Master Degree - Law Thammasart University	2009-present 2007-2008  2006-2007 1997-2006	<i>TISCO Group</i> Head of Legal Office Head of Legal Office  <i>Others</i> Senior Legal Manager Associate	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited  Yum Restaurant International (Thailand) Co.,Ltd. Deacons Co., Ltd.	Holding Company Bank  Restaurant Law Firm

Remarks : The Company's Authorized Signatories comprise Mr. Pliu Mangkornkanok, Mrs.Oranuch Apisaksirikul , Mr.Alexander H. Shing, Mr. Hirohiko Nomura and Mr. Suthas Ruangmanamongkol  
It is required that Mr. Pliu Mangkornkanok sign with the seal of the Company affixed or Mrs.Oranuch Apisaksirikul , Mr.Alexander H. Shing, Mr. Hirohiko Nomura and Mr. Suthas Ruangmanamongkol, two persons jointly sign with the seal of the Company affixed.

**Attachment 2**

**Changes in TISCO Shareholdings by Directors and Management**

Changes in TISCO Shareholdings by Directors and Management<sup>1</sup>

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of January 16, 2009	Increase (Decrease) During the Year	As of January 16, 2009
1	Dr. Phisit Pakkasem	0	0	0	0
2	Mr. Pliu Mangkornkanok	35,000	35,600	(979,200)	1,983,500
3	Mrs. Krisna Theravuthi	0	12	0	0
4	Assoc.Prof.Dr.Angkarat Priebjivat	0	0	0	0
5	Ms. Panada Kanokwat	0	0	0	0
6	Prof. Dr. Pranee Tinakorn	0	0	0	0
7	Mr. Alexander H. Shing	0	0	0	0
8	Mr. Hirohiko Nomura	0	0	0	0
9	Mrs. Oranuch Apisaksirikul	100,000	100,000	86,800	1,846,200
10	Mr. Suthas Ruangmanamongkol	0	0	0	2,110,000
11	Mr. Pichai Chanvirachart	0	2,136	0	2,170,000
12	Mr. Satit Ongmanee	0	14,832	0	600,000
13	Mr. Sakchai Peechapat	60,000	60,000	0	0
14	Ms. Nattamon Issaradharm	0	70,000	0	481,700
15	Mr. Panya Wotticharoenvong	0	44	0	0
16	Mr. Metha Pingsuthiwong	0	0	0	178,000
17	Ms. Araya Thirakomen	0	5,000	0	173,000
18	Mr. Paiboon Nalinthrangkurn	0	0	40,000	260,000
19	Mr. Kontee Sunthornpradit	0	0	0	12,000
20	Mr. Kittipong Tiyaboonchai	0	0	0	48,000
21	Mr. Chatri Chandrangam	0	0	10,000	10,000
22	Ms. Chutintorn Vigasi	0	324	0	7,500
23	Ms. Dulyarat Taveebhol	0	60	0	156,000
24	Mr. Noppawat Tangburanakij	0	0	0	0
25	Ms. Nartrudee Siwabut	0	0	0	145,000
26	Mr. Nipon Wongchotiwat	0	0	0	0
27	Mr. Prayuk Charoencharaskul	0	0	0	0
28	Ms. Pakaporn Punyashthiti	0	0	0	20,000
29	Ms. Phanit Tiravongchaipunt	0	0	0	0
30	Mr. Pongsupat Supasirisin	0	3,000	0	0
31	Ms. Pattarinee Ratananakin	0	0	0	0
32	Ms. Maneerat Wattanajak	0	0	0	0
33	Mr. Watsakorn Thepthim	0	0	0	0
34	Ms. Siriporn Pornviriyakul	0	0	0	0
35	Ms. Sasinee Phattiyakul	0	250,000	0	158,000
36	Ms. Supaporn Aramtiantamrong	0	23,248	0	60,000

**Changes in TISCO Shareholdings by Directors and Management<sup>/1</sup>**

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of January 16, 2009	Increase (Decrease) During the Year	As of January 16, 2009
37	Mr. Ekkapol Apinun	0	0	0	0

<sup>/1</sup> Including spouse and minor children

## **Attachment 3**

### **Details of Directors in Subsidiaries**

**Details of Directors of Subsidiaries as of January 16, 2009**

Name	TBANK	TSEC	TASSET	HI-WAY	TISCOIT	TTL*	TLEASE	TISCOGS	TISCOHK
Mr. Pliu Mangkornkanok	C	-	-	-	-	-	-	-	-
Assoc.Prof.Dr.Angkarat Priebjriwat	I,A	-	-	-	-	-	-	-	-
Ms. Panada Kanokwat	I,A	-	-	-	-	-	-	-	-
Prof. Dr. Pranee Tinakorn	I,A	-	-	-	-	-	-	-	-
Mr. Alexander H. Shing	D,E	-	-	-	-	-	-	-	-
Mr. Hirohiko Nomura	D,E	-	-	-	-	-	-	-	-
Mr. Pichai Chanvirachart	D	-	-	-	D	-	-	-	-
Mrs. Oranuch Apisaksirikul	D,E	D	D	-	D	-	-	-	-
Mr. Suthas Ruangmanamongkol	D,E	-	D	-	D	-	-	-	-
Mr. Sakchai Peechapat	-	D	D	D	-	D	-	-	-
Mr. Paiboon Nalinthrangkurn	-	D,CEO	-	-	-	-	-	-	-
Mr. Metha Pingsuthiwong	-	D	-	-	-	-	-	-	-
Mr. Panya Wotticharoenvong	-	-	-	-	D	-	-	-	-
Mr. Suradech Kietthanakorn	-	D	-	-	-	-	-	-	-
Mr. Visit Ongpipattanakul	-	D	-	-	-	-	-	-	-
Mrs.Dulyarat Taveebhol	-	D	D	-	-	-	-	-	-
Mr. Chatri Chandrangam	-	D	D	D	-	-	-	-	-
Mrs. Duangrat Kittivitayakul	-	-	D	-	-	-	-	-	-
Ms. Araya Thirakomen	-	-	D,P	-	-	-	-	-	-
Mr. Theerarat Rujimethapass	-	-	D,MD	-	-	-	-	-	-
Mr. Yuttpong Sriwongjanya	-	-	-	D	-	D	D	-	-
Mr. Supachai Boonsiri	-	-	-	D,MD	-	-	-	-	-
Mr. Worapan Luanguthai	-	-	-	D	-	-	-	-	-
Mrs. Yutiga Sonthayanavin	-	-	-	-	D,MD	-	-	-	-
Ms. Wanthana Chotchaisathit	-	-	-	-	D	-	-	-	-
Mrs. Penjit Taepaisitpong	-	-	-	-	D	-	-	-	-
Ms. Charupee Chinapongpaisal	-	-	-	-	-	-	D	-	-
Mr. Teerayuth Praserttrattanadacho	-	-	-	-	-	-	D	-	-
Mrs. Sasinee Phattiyakul	-	-	-	-	-	-	D	-	-
Mr. Songsak Niltiean	-	-	-	-	-	-	D	-	-
Mr. Lee Kin Lam	-	-	-	-	-	-	-	D	D
Mr. Pithak Limratnadamrong	-	-	-	-	-	-	-	D	D
Ms. Umaporn Dachavijit	-	-	-	-	-	-	-	D	D
Mr. Deiphinun Suthadsanasoung	-	-	-	-	-	D	-	-	-

Remark 1 : C = Chairman D = Director I = Independent Director E = Executive Board Member  
A = Audit Committee NCC = Nomination and Compensation Committt CEO = Chief Executive Officer MD = Managing Director  
P = President AV = Advisor

Remark 2 : TBANK = TISCO Bank Public Co., Ltd. TSEC = TISCO Securities Co., Ltd.  
TASSET = TISCO Asset Management Co., Ltd. HI-WAY= Hi-Way Co., Ltd.  
TISCOIT = TISCO Information Technology Co., Ltd. TTL = TISCO Tokyo Leasing Co., Ltd.  
TLEASE = TISCO Leasing Co., Ltd. TISCOGS = TISCO Global Securities Ltd.  
TISCOHK = TISCO Securities Hong Kong Ltd.

\* As of February 2, 2009

**Attachment 4**

**Report of the Audit Committee**

### Report of the Audit Committee

The Audit Committee of TISCO Financial Group Public Company Limited, a listed company incorporated on August 22, 2008, currently comprises three independent directors:

- |  |                        |
|--|------------------------|
| 1. Assoc. Prof. Dr. Angkarat Priebjrivat | Chairperson            |
| 2. Miss Panada Kanokwat                  | Director               |
| 3. Prof. Dr. Pranee Tinakorn             | Director <sup>/1</sup> |

<sup>/1</sup> since December 30, 2008, in replacement of Prof. Dr. Praipol Koomsup who had been appointed as a member of the Monetary Policy Committee of the Bank of Thailand.

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.

Since the company incorporation dated August 21, 2008, the Audit Committee held 3 meetings in Year 2008. Major activities performed by the Committee were as follows:

1. Reviewing quarterly financial statements audited by the certified public accountant and recommending to the Board of Directors.
2. Selecting and nominating to the Board of Directors a certified public accountant and his audit fee. The Committee proposed the appointment of Mr. Narong Puntawong of Ernst & Young Office Limited as the auditor of the Company for the Year 2008.
3. Approving the Principle of Corporate Governance Policy and Related Party Transaction Policy, including reviewing that related party transactions or transactions that may lead to conflict of interest were in compliance with relevant laws and regulations.
4. Assessing the independence of Internal Audit department and endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit.

The Audit Committee has agreed with the certified public accountant that the Company's financial statements and the disclosure of relevant information are adequate and fairly presented in accordance with generally accepted accounting principles.

*Angkarat Priebjrivat*

(Assoc. Prof. Dr. Angkarat Priebjrivat)  
Chairperson of the Audit Committee  
February 6, 2009



**Attachment 5**

**Report of the Nomination and Compensation Committee**

## Report of the Nomination and Compensation Committee

Responding to the success of the Holding Company Restructure, the Nomination and Compensation Committee of TISCO Financial Group Public Company Limited ("TISCO") was appointed by the Board of Directors on December 12, 2008 to replace the Nomination and Compensation Committee of TISCO Bank Public Company Limited (the "Bank"). The 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, and top management in TISCO and its subsidiary companies and proposing them to the Board of Directors or shareholder meeting in order to preserve an effective and efficient board and management structure.

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

- |    |                        |  |
|----|------------------------|--|
| 1. | Ms. Krisna Theravuthi  | Chairperson of the Nomination and Compensation Committee |
| 2. | Mr. Alexander H. Shing | Member of the Nomination and Compensation Committee      |
| 3. | Mr. Hirohiko Nomura    | Member of the Nomination and Compensation Committee      |

In 2008 until January 2009, the Nomination and Compensation Committee of TISCO and the Bank convened 10 meetings with all members attended to carry out the following activities:

1. Approving Corporate Governance Policy and Corporate Governance Code of Conduct for TISCO Group;
2. Adopting the Board Performance Self-assessment Guideline for the year 2008 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;
3. Reviewing and approving the criteria and formula proposed by the management for calculating employee compensation including incentive and bonus pay;
4. Acknowledging and proposing the results of the Board Performance Self-assessment for the year 2007 and 2008 to the Board of Directors for ratification and recommending the Board the corrective action to be implemented to enhance board performance;
5. Recommending number of directors and nominating qualified candidates for director position of the Bank to the Board of Directors and the Shareholder Ordinary General Meeting for the year 2008 for approval;
6. Reviewing and recommending the Board of Directors to approve the revised Charter of the Audit Committee in order to reflect the scope of their duties and to ensure independence and transparency;
7. Recommending the Board of Directors to approve the board composition of TISCO and its subsidiary companies after completion of the Holding Company Restructure;
8. Reviewing and recommending the appointment of members of Board of Directors, Executive Board, Audit Committee, Nomination and Compensation Committee, top management and advisors of TISCO and the Bank; and
9. Reviewing and ensuring the directors' remuneration to be commensurable with their performance and benchmarking with the industry.

*Krisna Theravuthi*  
(Ms. Krisna Theravuthi)  
Chairperson

The Nomination and Compensation Committee  
January 23, 2009

**Attachment 6**

**Evaluation of the Sufficiency of Internal Control System**

**Internal Control System Assessment Questionnaire**

**TISCO Financial Group Public Company Limited**

**January 23, 2009**

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

**Part 1 Organizational Control and Environment Measure**

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

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Under TISCO Group Restructuring Plan in 2008, TISCO Financial Group Public Company Limited ("the parent company" or "the Company") was set up as a holding company and parent company of TISCO Group ("the group") in place of TISCO Bank Public Company Limited. Currently, the Company directly holds shares in 6 subsidiary companies (including TISCO Bank).

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

Corporate governance, risk management, business development, control & compliance, and corporate support activities will be centralized at the parent company, which will be responsible to ensure consistent operating standard across the group. Subsidiary companies will outsource all such functional activities to the parent company.

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

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

Yes

No

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

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

Yes

No

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

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

Yes

No

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

**Attachment 6**

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

Yes  No

The code of conduct is a part of TISCO Group compliance manual which are distributed /communicated to every employees.

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

Yes  No

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

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

Yes  No

The group emphasizes in customer and business partner satisfaction in its operation in order to strengthen long-term relationship following the group's policy of being customer's first choice. In addition, the group strictly follows related customer protection law and ensures that product and service information has been adequately provided to customers through well-trained staff. Also, any complaints from customers are handled by function under the Compliance Committee who reports directly to the President of the company.

**Part 2 Risk Management Measures**

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

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

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

Yes  No

Planning and Budgeting function will constantly assesses internal and external risk factors from strategic and business stand point of the group while Risk Management function regularly assesses financial risks, particularly in the areas of credit, market, and liquidity risks of the group.

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

Yes  No

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

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

Yes  No

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

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

Yes  No

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

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

Yes  No

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

**Part 3 Management Control Activities**

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

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

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

- Yes  No

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

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

- Yes  No

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

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

- Yes  No  No such cases

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

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

- Yes  No  No such cases

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

- Yes  No  No such cases

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

- Yes  No  No such cases



3.7 Do the procedures for transactions mentioned in 3.3 cover cases whereby major shareholders, directors, management or related persons might have used opportunities or benefits of the Company for themselves?

Yes  No  No such cases

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

Yes  No  No such cases

Similar to the group's standard of performance monitoring, the operation of subsidiaries has been monitored with clearly defined business strategies while key performance indicators and business targets have also been set in alignment with the group's business direction.

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

Yes  No

The Company assigns Compliance Function to assure the group's compliance with all regulations. It shall encourage all business and operational functions in the group to operate in compliance with all regulations. In order to strengthen the compliance practice within the group, the compliance function is progressively rolling out comprehensive compliance program, including communication, and monitoring of business and operational practices across the group employing industry and regulatory best practices. On top of that the Company also appoint the Compliance Committee to oversee, advise, and settle all compliance issues and customer's complaints with assistance from Legal Function and Compliance Function.

3.10 Does the Company have preventive and corrective measures to ensure the non-recurrence of activities that were not in compliance with law, in case the Company used to have such activities?

Yes  No  No such cases

As a preventive measure, a standard policy and compliance manual, reviewed by Compliance and Internal Control Function, have been developed and implemented to ensure good compliance with relevant laws and regulations. The Company also has Internal Audit Function to regularly audit all activities and independently report to the Audit Committee. Meanwhile, as a corrective measure, all activities founded not in compliance with relevant laws and regulations shall be brought to the Compliance Committee to consider and take necessary action within the time deemed appropriate to ensure the non-recurrence of such activities and immediately reported to the Audit Committee. Infringement of laws and regulations governed by relevant regulators, if the Board of Directors or the management do not take remedial action within the time that the Audit Committee proposed, the Audit Committee shall disclose such infringement in annual report and report to relevant regulators e.g. the Bank of Thailand, the Securities and Exchange Commission, etc

**Part 4 Information and Communication Measures**

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

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

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

Yes  No

The Company has clear procedures that the Executive Board, authorized by the Board of Directors, will monitor business operations of the group. The Executive Board will then assign Management to perform part of the Executive Board's responsibilities. Management will regularly report their activities and provide adequate information required by the Executive Board for decision making on a monthly basis. The Executive Board will propose the matters to the Board of Directors for acknowledgement or approval.

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

Yes - average 7 days before meeting  No

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

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

Yes  No

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

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

Yes  No

The auditors have never reported any deficiency in accounting records.

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

Yes  No

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

**Part 5 Monitoring**

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

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

Yes  No  No such cases

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

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

Yes  No  No such cases

The Executive Board reviews business performance with Management on a monthly basis. In addition Performance Dashboard Meeting are organized on a monthly basis among the Management and business line managers. The meeting helps monitor, evaluate and respond to business performance in timely and proactive manners. Any significant deviation of the results from predefined business plans will be identified and discussed so that any corrective actions can be performed promptly.

5.3 Have periodic evaluations of internal control systems been conducted?

Yes  No

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

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

Yes  No  No such cases

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

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

Yes  No  No such cases

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

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

Yes  No

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

**Attachment 6**

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

Yes

No

No such cases

The Company will report the significant cases of fraud or suspected fraud, lawsuit filed on the Company and other abnormal activities to the Audit Committee instantly so that the Audit Committee can examine the cases as well as providing corrective actions to the Board immediately.

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**Attachment 7**

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

**Statement of the Board of Directors' Responsibility for Financial Statements**

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

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

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

The Board of Directors views that the Company's internal control systems are satisfactory and provide reasonable assurance as to the reliability of both the Company's financial statements and the consolidated financial statements of the Company and its subsidiaries as of December 31, 2008.

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

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

**TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2008 AND 2007**

TISCO Financial Group Public Company Limited  
and its subsidiary companies  
Report and financial statements  
For the year ended 31 December 2008



## **Report of Independent Auditor**

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated balance sheet of TISCO Financial Group Public Company Limited and its subsidiaries ("TISCO Group" after holding restructuring) as at 31 December 2008, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year ended 31 December 2008, and the separate financial statements of TISCO Financial Group Public Company Limited as at 31 December 2008, and for the period as from 22 August 2008 (the Company's incorporation date) to 31 December 2008. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The balance sheet as at 31 December 2008 of one subsidiary was audited by another auditor, whose report has been furnished to me. My opinion, insofar as it relates to the amounts included in the consolidated financial statements for this subsidiary, is based solely on the report of this other auditor. The Company acquired the investment in this subsidiary and gained control over such subsidiary on 31 December 2008. Total assets of the subsidiary as at 31 December 2008 of approximately Baht 1,979 million were included in the consolidated balance sheet and no operating results were included in the consolidated income statement.

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

In my opinion based on my audit and the report of the other auditor, 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 2008, and the results of their operation, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above-mentioned financial statements, I draw attention to the matters as described in Notes 1.2 and 4.1 to the financial statements. The Company was established according to the holding restructuring plan and, in the period between 1 December 2008 and 9 January 2009, made a tender offer to acquire all securities of TISCO Bank (i.e. ordinary shares, preference shares and warrants to purchase preference shares) and issued new shares to shareholders of TISCO Bank who had expressed an intention to sell their shares. As of 9 January 2009, the Company had been able to acquire 99.51% of the securities of TISCO Bank. This holding restructuring plan was thus completed in compliance with the criteria approved by the regulators and the securities of the Company, instead of those of TISCO Bank, were listed on the Stock Exchange of Thailand on 15 January 2009. The Company has recognised investment in TISCO Bank amounting to Baht 13,244 million, proportionate to the 99.51% shareholding acquired under the plan, and prepared the consolidated financial statements that include the financial statements of TISCO Bank and the subsidiaries in TISCO group under the business combination of entities under common control, as if the implementation of the holding restructuring plan in compliance with the criteria approved by the regulators had been completed in 2008. The management has exercised judgment and determined that this recognition of investment and the preparation of such consolidated financial statements were in accordance with the relevant accounting standards, since the separate financial statements and the consolidated financial statements of TISCO Group reflect the substance of the holding restructuring of the group and facilitate understanding by the financial statement users.

As mentioned in Note 1.2 to the financial statements, the Company has presented the consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries (“TISCO Group” before holding restructuring) to facilitate comparison by the financial statement users, since the holding company restructuring plan represents a business combination of entities under common control and has been implemented in compliance with the criteria approved by regulators, as described in Note 4.1 to the financial statements. The consolidated balance sheet as at 31 December 2007 and the related consolidated statements of income, changes in shareholders’ equity, and cash flows for the year ended 31 December 2007, together with notes to the consolidated financial statements, as presented herein for comparative purposes, form a part of the consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries (“TISCO Group” before holding restructuring) which I previously audited and on which I expressed an unqualified opinion, under my report dated 11 February 2008.

Narong Puntawong  
Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited  
Bangkok: 6 February 2009

TISCO Financial Group Public Company Limited and its subsidiary companies

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

		After holding restructuring	Before holding restructuring	
		Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	Note	2008	2007	2008
<b>Assets</b>				
Cash		595,570,347	439,899,137	-
Interbank and money market items	3.2			
Domestic				
Interest bearing		13,469,082,429	249,079,891	27,992,087
Non-interest bearing		44,195,931	623,051,763	-
Foreign				
Interest bearing		77,693,216	82,039,317	-
Non-interest bearing		26	95,983,409	-
Total interbank and money market items - net		13,590,971,602	1,050,154,380	27,992,087
Securities purchased under resale agreements		-	2,400,000,000	-
Investments	3.3,3.4,3.7			
Current investment - net		2,706,174,952	1,575,024,537	-
Long-term investment - net		2,649,306,996	4,205,541,687	-
Investment in subsidiaries - net		-	-	15,297,196,349
Net investments		5,355,481,948	5,780,566,224	15,297,196,349
Receivable from clearing house		700	29,422,882	-
Loans, receivables and accrued interest receivable	3.5,3.7			
Loans and receivables		103,109,705,688	86,420,407,816	-
Securities and derivatives business receivables		667,372,933	1,405,656,785	-
Total loans and receivables		103,777,078,621	87,826,064,601	-
Accrued interest receivable		136,704,347	155,649,753	-
Total loans, receivables and accrued interest receivable		103,913,782,968	87,981,714,354	-
Less: Allowance for doubtful accounts	3.6.1	(1,854,509,254)	(2,805,418,008)	-
Less: Allowance for loss on debt restructuring	3.6.3	(18,258)	(538,175)	-
Net loans, receivables and accrued interest receivable		102,059,255,456	85,175,758,171	-
Property foreclosed - net	3.8	1,005,709,117	1,042,318,525	-
Land, premises and equipment - net	3.9	1,658,578,523	1,563,081,469	772,831,040
Deferred tax assets	3.22	417,081,532	426,542,297	-
Other assets	3.10	1,490,488,212	1,045,353,206	14,125,187
<b>Total assets</b>		<b>126,173,137,437</b>	<b>98,953,096,291</b>	<b>16,112,144,663</b>

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

		After holding restructuring	Before holding restructuring	
	Note	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
		<u>2008</u>	<u>2007</u>	<u>2008</u>
<b>Liabilities and shareholders' equity</b>				
Deposits in baht	3.11	58,822,617,507	35,714,173,953	-
Interbank and money market items				
Domestic - Interest bearing	3.12	5,727,882,862	5,852,187,820	2,600,000,000
Liability payable on demand		496,740,597	475,067,616	-
Borrowings	3.13			
Short-term borrowings		41,768,420,409	32,744,785,052	-
Long-term borrowings		4,899,301,740	8,005,054,853	-
Total borrowings		46,667,722,149	40,749,839,905	-
Payable to clearing house		339,141,179	576,524,037	-
Securities and derivative business payables		292,190,840	866,189,116	-
Accrued interest payable		878,535,993	782,340,521	-
Other liabilities	3.14	1,412,268,512	1,563,168,325	272,179,993
<b>Total liabilities</b>		<u>114,637,099,639</u>	<u>86,579,491,293</u>	<u>2,872,179,993</u>

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Balance sheets (continued)

As at 31 December 2008 and 2007

(Unit: Baht)

		After holding restructuring	Before holding restructuring	
		Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	Note	2008	2007	2008
<b>Shareholders' equity</b>				
<b>Share capital</b>				
Registered	2.2	11,002,010,000	11,002,000,000	11,002,010,000
Issued and fully paid-up - registered				
Preference shares		-	1,827,753,800	-
(2007: 182,775,380 preference shares of Baht 10 each)				
1,000 Ordinary shares of Baht 10 each		10,000	5,446,171,200	10,000
(2007: 544,617,120 ordinary shares of Baht 10 each)				
		10,000	7,273,925,000	10,000
Issued and fully paid-up - awaiting to register	4.1			
183,427,226 Preference shares of Baht 10 each		1,834,272,260	-	1,834,272,260
541,179,179 Ordinary shares of Baht 10 each		5,411,791,790	-	5,411,791,790
		7,246,064,050	-	7,246,064,050
Share premium				
Share premium of preference shares		-	84,925,420	1,614,159,589
Share premium of ordinary shares		-	36,500,000	4,383,551,350
		-	121,425,420	5,997,710,939
		7,246,074,050	7,395,350,420	13,243,784,989
Adjustment from business combination of entities				
under common control under holding restructuring plan	1.2	656,755,136	-	-
Revaluation surplus (deficit) on changes in the value of investment	1.2, 3.17	(398,991,796)	751,139,152	-
Translation adjustment	1.2	78,101,573	73,872,818	-
Retained earnings				
Appropriated-statutory reserve	2.3	-	486,800,000	-
Unappropriated (deficit)	1.2	3,835,778,528	3,666,442,608	(3,820,319)
Equity attributable to the Company's shareholders		11,417,717,491	12,373,604,998	13,239,964,670
Non-controlling interest - equity attributable to minority shareholders of subsidiaries		118,320,307	-	-
<b>Total shareholders' equity</b>		<b>11,536,037,798</b>	<b>12,373,604,998</b>	<b>13,239,964,670</b>
<b>Total liabilities and shareholders' equity</b>		<b>126,173,137,437</b>	<b>98,953,096,291</b>	<b>16,112,144,663</b>
		-	-	-
<b>Off-balance sheet items - contingencies</b>				
Aval to bills and guarantees of loans	3.27	70,696,967	51,925,000	-
Other commitments		7,477,492,093	3,449,249,378	-

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

Mr. Pliu Mangkornkanok  
(Group Chief Executive Officer)

Mrs. Oranuch Apisaksirikul  
(President)

TISCO Financial Group Public Company Limited and its subsidiary companies

Income statements

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
Note			
<b>Interest and dividend income</b>			
Loans	1,214,895,743	1,044,299,001	-
Interbank and money market items	333,885,837	441,708,308	8,957
Hire purchase and financial lease income	5,679,673,468	5,173,014,718	-
Investments	357,367,145	285,165,468	-
<b>Total interest and dividend income</b>	<b>7,585,822,193</b>	<b>6,944,187,495</b>	<b>8,957</b>
<b>Interest expenses</b>			
Deposits	1,789,712,880	2,195,247,918	-
Interbank and money market items	153,626,516	134,657,541	712,329
Short-term borrowings	1,286,199,736	858,962,585	-
Long-term borrowings	194,655,549	267,509,933	-
<b>Total interest expenses</b>	<b>3,424,194,681</b>	<b>3,456,377,977</b>	<b>712,329</b>
<b>Net interest and dividend income</b>	<b>4,161,627,512</b>	<b>3,487,809,518</b>	<b>(703,372)</b>
<b>Bad debt and doubtful accounts</b>	<b>(980,498,975)</b>	<b>(695,066,913)</b>	<b>-</b>
<b>Net interest and dividend income after bad debt and doubtful accounts</b>	<b>3,181,128,537</b>	<b>2,792,742,605</b>	<b>(703,372)</b>
<b>Non-interest income</b>			
Brokerage fees	521,211,961	627,339,484	-
Gain (loss) on investments	3.18 (218,389,416)	376,087,382	-
Gain (loss) on derivatives	3.19 (4,219,300)	22,143,500	-
Fees and service income			
Acceptances, aval and guarantees	10,201,047	10,203,762	-
Insurance services	673,440,258	512,609,114	-
Fund management	418,677,637	418,373,630	-
Others	336,916,262	253,147,367	-
Loss on exchange	(11,057,779)	(1,527,285)	-
Other income	3.20 407,546,947	226,031,878	-
<b>Total non-interest income</b>	<b>2,134,327,617</b>	<b>2,444,408,832</b>	<b>-</b>
<b>Total net income</b>	<b>5,315,456,154</b>	<b>5,237,151,437</b>	<b>(703,372)</b>

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Income statements (continued)

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
Note			
<b>Non-interest expenses</b>			
Personnel expenses	1,662,418,691	1,487,382,356	-
Premises and equipment expenses	622,305,457	511,497,512	-
Taxes and duties	113,370,452	117,984,924	1,006,701
Fees and service expenses	317,017,056	360,703,187	1,860,086
Directors' remuneration	7,550,000	8,050,000	-
Other expenses	511,143,940	462,768,020	250,160
<b>Total non-interest expenses</b>	<b>3,233,805,596</b>	<b>2,948,385,999</b>	<b>3,116,947</b>
<b>Income (loss) before income tax</b>	<b>2,081,650,558</b>	<b>2,288,765,438</b>	<b>(3,820,319)</b>
Corporate income tax	(361,039,168)	(637,583,504)	-
<b>Net income (loss) for the year</b>	<b>1,720,611,390</b>	<b>1,651,181,934</b>	<b>(3,820,319)</b>
<b>Net income attributable to:</b>			
Equity holders of the parent	1,714,138,180	1,651,111,450	(3,820,319)
Non-controlling interests of the subsidiaries	6,473,210	70,484	
	<b>1,720,611,390</b>	<b>1,651,181,934</b>	
<b>Earnings (loss) per share</b>			
Basic earnings (loss) per share			
Net income (loss) attributable to equity holders of the parent	2.11	2.02	(0.26)
Diluted earnings (loss) per share			
Net income (loss) attributable to equity holders of the parent	2.11	2.01	(0.26)

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



**TISCO Financial Group Public Company Limited and its subsidiary companies**

**Cash flow statements**

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
<b>Cash flows from operating activities</b>			
Income (loss) before corporate income tax	2,081,650,558	2,288,765,438	(3,820,319)
Adjustments to reconcile net income (loss) before corporate income tax to net cash provided by (paid from) operating activities			
Depreciation and amortisation	251,295,706	230,523,768	-
Bad debt and doubtful accounts	1,513,482,986	991,164,564	-
Allowance for impairment of investments (reversal)	11,585,602	(13,973,134)	-
Allowance for impairment of property foreclosed	14,953,680	9,055,388	-
Loss (gain) on disposal of investments	115,517,328	(368,592,309)	-
Unrealised loss on exchange rate	11,057,779	4,334,311	-
Unrealised gain on derivatives	-	(12,000,000)	-
Loss (Gain) on sales of equipment	866,719	(4,669,267)	-
Unrealised loss from trading securities	122,595,714	312,809	-
Gain from disposal of property foreclosed	(34,371,263)	(9,162,537)	-
Decrease (increase) in other accrued income	24,098,766	(37,174,399)	-
Increase in accrued expenses	81,405,233	83,779,072	-
Income from operating activities before changes in operating assets and liabilities	4,194,138,808	3,162,363,704	(3,820,319)
Decrease (increase) in operating assets			
Interbank and money market items	(12,529,908,932)	(77,147,030)	(27,992,087)
Securities purchased under resale agreements	2,400,000,000	(682,000,000)	-
Investment in trading securities	27,719,550	647	-
Receivable from clearing house	29,422,182	239,287,273	-
Loans and receivables	(19,280,238,280)	(15,531,180,034)	-
Securities and derivatives business receivables	738,283,852	(738,406,560)	-
Property foreclosed	1,703,167,228	1,531,579,373	-
Other assets	(288,448,554)	380,372,271	(14,125,187)

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Cash flow statements (continued)

(Unit: Baht)

	After holding restructuring	Before holding restructuring	
	Consolidated financial statements of TISCO Financial Group Plc. and its subsidiaries	Consolidated financial statements of TISCO Bank Plc. and its subsidiaries	Separate financial statements of TISCO Financial Group Plc.
	For the year ended 31 December 2008	For the year ended 31 December 2007	For the period as from 22 August 2008 to 31 December 2008
Increase (decrease) in operating liabilities			
Deposits	23,108,443,554	(4,853,686,205)	-
Interbank and money market items	(1,943,571,386)	3,946,613,745	2,600,000,000
Liability payable on demand	21,672,981	(2,448,191)	-
Borrowings	5,930,854,194	11,596,223,512	-
Payable to clearing house	(237,382,858)	211,386,074	-
Securities and derivative business payables	(573,998,276)	155,549,882	-
Other liabilities	21,865,822	79,320,049	1,716,111
	3,322,019,885	(582,171,490)	2,555,778,518
Net interest and dividend income	(4,161,627,512)	(3,487,809,518)	703,372
Cash received from interest	7,779,649,681	6,882,701,195	8,957
Cash paid for interest	(3,341,445,163)	(3,132,796,810)	(712,329)
Cash paid for corporate income tax	(538,866,696)	(426,795,353)	-
<b>Net cash flows from (used in) operating activities</b>	<b>3,059,730,195</b>	<b>(746,871,976)</b>	<b>2,555,778,518</b>
<b>Cash flows from investing activities</b>			
Cash paid for purchase of investment in securities held for investment	(11,503,235,200)	(12,256,561,803)	-
Proceed from sales of investment in securities held for investment	9,568,282,118	11,244,424,257	-
Cash paid for purchase of property, plant and equipment	(261,215,672)	(161,128,723)	(502,367,158)
Cash received from disposal of equipment	6,694,651	5,288,486	-
Cash received from dividend	138,835,219	167,127,124	-
Cash received from capital returned from subsidiaries (Note 4.4.1)	667,370,466	512,461,232	-
Cash paid for purchase of a subsidiary (Note 4.3)	(51,871,200)	-	(2,053,421,360)
<b>Net cash flows used in investing activities</b>	<b>(1,435,139,618)</b>	<b>(488,389,427)</b>	<b>(2,555,788,518)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	(1,489,771,452)	(1,633,234,980)	-
Cash paid for the redemption of long-term debentures and debt instruments	-	(4,800,000,000)	-
Cash received from issue long-term debentures and debt instruments	-	7,884,832,583	-
Cash received from issue ordinary shares	-	-	10,000
Cash received from exchange of warrants to purchase preference shares	16,623,330	21,611,970	-
<b>Net cash flows from (used in) financing activities</b>	<b>(1,473,148,122)</b>	<b>1,473,209,573</b>	<b>10,000</b>
<b>Translation adjustment</b>	<b>4,228,755</b>	<b>(8,273,795)</b>	<b>-</b>
<b>Net increase in cash</b>	<b>155,671,210</b>	<b>229,674,375</b>	<b>-</b>
Cash at beginning of year	439,899,137	210,224,762	-
<b>Cash at end of year</b>	<b>595,570,347</b>	<b>439,899,137</b>	<b>-</b>
	-	-	
<b>Supplemental cash flows information</b>			
Conversion of preference shares to ordinary shares	347,000	33,400,000	-
Issuance securities for swap ordinary shares and preference shares under holding restructure under common control (Note 1.2)	-	-	13,243,774,989

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Statements of changes in shareholders' equity

For the years ended 31 December 2008 and 2007

(Unit: Baht)

Before holding restructuring - Consolidated financial statements of TISCO Bank Plc. and its subsidiaries													
Equity attributable to the parent's shareholders													
	Issued and fully paid-up share capital (Consist of registered part and awaiting to be registered part)				Adjustment from business combination		Revaluation			Unappropriated retained earnings	Total equity attributable to the parent's shareholders	Non-controlling interest equity attributable to minority shareholders of subsidiaries	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	of entities under common control under holding restructuring plan	Revaluation surplus (deficit) on changes in value of investment	Translation adjustment	Statutory reserve					
<b>Balance as at 31 December 2006</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	-	662,956,136	82,146,613	422,100,000	3,715,079,758	12,256,020,957	426,841,166	12,682,862,123	
<b>Incomes (expenses) recognised directly in equity</b>													
Increase in fair value of investments	-	-	-	-	-	125,975,737	-	-	-	125,975,737	-	125,975,737	
Decrease in translation adjustment	-	-	-	-	-	-	(8,273,795)	-	-	(8,273,795)	-	(8,273,795)	
Deferred tax recognised in shareholder equity	-	-	-	-	-	(37,792,721)	-	-	-	(37,792,721)	-	(37,792,721)	
<b>Incomes (expenses) recognised directly in equity</b>	-	-	-	-	-	88,183,016	(8,273,795)	-	-	79,909,221	-	79,909,221	
Net income for the year	-	-	-	-	-	-	-	-	1,651,111,450	1,651,111,450	70,484	1,651,181,934	
<b>Total incomes (expenses) for the year</b>	-	-	-	-	-	88,183,016	(8,273,795)	-	1,651,111,450	1,731,020,671	70,484	1,731,091,155	
Dividend paid (Note 4.2)	-	-	-	-	-	-	-	-	(1,633,234,980)	(1,633,234,980)	-	(1,633,234,980)	
Income tax from unpaid dividend	-	-	-	-	-	-	-	-	(1,813,620)	(1,813,620)	-	(1,813,620)	
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	64,700,000	(64,700,000)	-	-	-	
Warrants converted to preference shares	9,877,500	-	11,734,470	-	-	-	-	-	-	21,611,970	-	21,611,970	
Preference shares converted to ordinary shares	(33,400,000)	33,400,000	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interest in subsidiary company	-	-	-	-	-	-	-	-	-	-	(426,911,650)	(426,911,650)	
<b>Balance as at 31 December 2007</b>	<b>1,827,753,800</b>	<b>5,446,171,200</b>	<b>84,925,420</b>	<b>36,500,000</b>	<b>-</b>	<b>751,139,152</b>	<b>73,872,818</b>	<b>486,800,000</b>	<b>3,666,442,608</b>	<b>12,373,604,998</b>	<b>-</b>	<b>12,373,604,998</b>	

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

TISCO Financial Group Public Company Limited and its subsidiary companies

Statements of changes in shareholders' equity (Continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

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

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

**TISCO Financial Group Public Company Limited and its subsidiary companies**

**Statements of changes in shareholders' equity (continued)**

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

(Unit: Baht)

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

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

**TISCO Financial Group Public Company Limited and its subsidiary companies**  
**Notes to consolidated financial statements**  
**For the year ended 31 December 2008**

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

**1.1 Basis of preparation**

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

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

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

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

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 such financial statements in Thai language.

## 1.2 Basis of consolidation

- a) As mentioned in Note 4.1 to the financial statements, the Company has implemented the holding restructuring plan and, as of 9 January 2009, had been able to acquire 99.51% of securities of TISCO Bank Public Company Limited (“TISCO Bank”), consisting of ordinary shares, preference shares and warrants to purchase preference shares of TISCO Bank in exchange for its newly issued shares. This holding restructuring plan was completed in compliance with the criteria approved by regulators and so, as at 31 December 2008, the Company had recognised investment in TISCO Bank amounting to Baht 13,244 million, proportionate to the 99.51% shareholding acquired under the plan. The Company prepared consolidated financial statements that include the financial statements of TISCO Bank and subsidiaries in TISCO Group under the business combination of entities under common control, as if the implementation of the holding restructuring plan had been completed in compliance with the criteria approved by regulators in 2008. The management has exercised judgment in preparation of the financial statements in respect of the following;
- a.1) The management believed that the financial statements fairly present the financial position, results of its operation, and cash flows.
- a.2) The management considered that the recognition of the 99.51% investment in TISCO Bank and the preparation of consolidated financial statements as if implementation of the holding restructuring plan had been completed in compliance with the criteria approved by regulators in 2008, were both appropriate and in accordance with Thai Accounting Standard No. 35 “Presentation of Financial Statements”. The basis for this decision was that the Company considered all transactions related to the holding restructuring plan, which was completed as of 9 January 2009 to be a single transaction. As a result of this recognition of investment and preparation of the consolidated financial statements, the separate and consolidated financial statements are presented fairly and reflect in substance the holding restructuring of the group to facilitate understanding of the financial statement users.
- b) The consolidated financial statements of TISCO Group after holding restructuring include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- c) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

- d) As mentioned in Note 4.1 to the financial statements, the Company made a tender offer to acquire all securities of TISCO Bank (ordinary shares, preference shares and warrants to purchase preference shares) by means of a share swap with interested shareholders of TISCO Bank in a ratio of 1:1. The swap price was set based on the weighted average market price of TISCO Bank securities, whereby the swap prices for the ordinary shares and preference shares were equal to Baht 18.10 and Baht 18.80 per share, respectively. The Company acquired capital of TISCO Bank totaling Baht 13,244 million, consisting of 541,179,179 ordinary shares of TISCO Bank amounting to Baht 9,795 million, and 183,427,226 preference shares of TISCO Bank amounting to Baht 3,449 million. This represented 99.51% of the total outstanding paid-up shares of TISCO Bank, and TISCO Bank therefore became a subsidiary of the Company under holding restructuring plan.

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

	(Unit: Million Baht)
Share premium of preference shares	1,614
Share premium of ordinary shares	4,384
Total share premium	<u>5,998</u>
The difference of the purchase price and the net book value of the consolidated financial statements of TISCO Group after adjusted equity transactions as if the business combination had taken place at the beginning of the year	<u>(5,341)</u>
Adjustment from business combination of entities under common control under holding restructuring plan	<u>657</u>



- e) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.
- f) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies.
- g) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing average exchange rates as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences are shown under the caption of "Translation adjustment" in shareholders' equity.
- h) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- i) Non-controlling interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- j) For comparative purposes and to facilitate comparison by the financial statement users, the Company has presented consolidated financial statements of TISCO Bank Public Company Limited and its subsidiaries ("TISCO Group" before holding restructuring), consisting of consolidated balance sheet as at 31 December 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year ended 31 December 2007, together with notes to the consolidated financial statements.

### **1.3 Adoption of new accounting standards**

#### **1.3.1 Accounting standards which are effective for the current year**

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows.

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 31, TAS 33 and TAS 49 are not relevant to the business of the Company, while TAS 25, TAS 29, TAS 35, TAS 39, TAS 41, TAS 43 and TAS 51, do not have any significant impact on the financial statements for the current year.

#### **1.3.2 Accounting standards which are not effective for the current year**

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

## 1.4 Significant accounting policies

### 1.4.1 Income recognition

a) Interest and discounts on loans

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

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

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

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fee

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

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

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

e) Fees and service income

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

#### **1.4.2 Expense recognition**

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

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

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

#### **1.4.3 Investments in securities**

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

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

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

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

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

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

#### **1.4.4 Investments in receivable purchased or transferred in**

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

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

#### **1.4.5 Securities purchased under resale agreements**

The subsidiary company has purchased securities under resale agreements, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Securities purchased under resale agreements" in the balance sheet and the securities purchased are used as collateral.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction, and are presented as interest income.

#### **1.4.6 Receivable from Clearing House/ Payable to Clearing House**

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD, and the net balance receivable from Thailand Clearing House (TCH), including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD, and the net balance payable to Thailand Clearing House.

#### **1.4.7 Loans and receivables**

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

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

Securities and derivative business receivables are the net balances of securities and derivative business receivables. Securities business receivables include customer cash accounts, customers' securities borrowing and lending accounts, and other receivables such as securities receivable that are being enforced by courts, and being compromised, or being settled in installments.

#### **1.4.8 Allowance for doubtful accounts and losses from troubled debt restructuring**

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

##### 2008

For all loans and receivables classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, the subsidiary records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivable, respectively.

For non-performing loans and receivables which are classified as substandard, doubtful and doubtful of loss (except for non-performing hire purchase receivables), the subsidiary company records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications.

For hire purchase receivables that are classified as pass, special mention and non-performing hire purchase receivables, the subsidiary company uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

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

#### 2007

The subsidiary company records allowance for doubtful accounts for loans and receivables, for loans classified as pass using the Credit Migration rate and for special mentioned loans using at not less than 2%, of the loan balances (excluding accrued interest receivables) net of collateral value, except for hire purchase receivables, for which the subsidiary company does not deduct the collateral value from the outstanding loan balance.

For non-performing loans and receivables which are classified as substandard, doubtful and doubtful of loss, the subsidiary records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications, in accordance with the BOT's guidelines issued on 21 December 2006. For non-performing hire purchase receivables, the subsidiary company sets aside provision using a collective approach based on past experience of actual loss or damage.

- 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 and financial lease business, an allowance for doubtful accounts is based on a percentage of the outstanding balance, net of unearned interest income, for each age of receivable. The subsidiaries also estimate the allowances for doubtful accounts on the basis of historical statistical data, assessment of the risk associated with the receivable, the nature of the collateral provided, and the actual losses arising from such debtors in the past, while emphasising the principal of conservatism. Furthermore, the adequacy of the allowance at the balance sheet date has been reviewed and evaluated in relation to the current status of the receivables. Bad debts are written off for accounts considered to be uncollectible.
- d) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the balance sheet date.
- e) Increase (decrease) in allowance for doubtful accounts is recorded as expense in the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are recorded as income in the period of recovery.

#### **1.4.9 Troubled debt restructuring**

The subsidiary records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring". The subsidiary records the assets or equities transferred to the subsidiary for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates prevailing at the restructuring date. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the income statement when incurred.

#### **1.4.10 Recognition and derecognition of customer deposits**

Cash which customers have placed with a subsidiary company for securities trading through cash accounts and derivative trading is recorded as assets of the subsidiary company for internal control purposes, but at the balance sheet date the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

#### **1.4.11 Borrowing and lending of securities**

A subsidiary company operating securities business conducts both securities borrowing and securities lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the balance sheet. At the end of the year, the balances of Securities borrowing payables and Securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange on Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in determining income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees for borrowing and lending are recognised on an accrual basis over the term of the lending.

#### **1.4.12 Property foreclosed**

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

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

#### 1.4.13 Depreciation and amortisation

- a) Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation.

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

Buildings and office condominium units	-	20	years
Office improvements	-	5,10	years
Furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	5	years
Leased assets under operating lease agreements	-	according to the period of lease agreement	

No depreciation is provided on land.

Depreciation is included in determining income.

- b) Software license fees are deferred and amortised over the period of the license agreements, which are 5 and 10 years (with the exception of the amortisation of software licenses, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years).

#### **1.4.14 Income tax**

a) Current tax

The Company and its subsidiaries calculate corporate income tax in accordance with tax legislation.

b) Deferred tax

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

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

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

The Company and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At each balance sheet date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### **1.4.15 Impairment of assets**

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

Impairment losses are recognised in the income statement.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed.

#### **1.4.16 Sales of commercial paper**

Commercial paper sold without recourse is recorded by crediting the notes receivable account.

Commercial paper without an aval or acceptance and sold with recourse, is recorded as a liability under the caption of "Liabilities from sale of commercial paper". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

#### **1.4.17 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies outstanding at the balance sheet date and off-balance sheets transactions are translated into Baht at the average exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

#### **1.4.18 Employee benefits**

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses on an accrual basis.

#### **1.4.19 Provisions**

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

#### **1.4.20 Derivatives**

Since the first quarter of 2008, a subsidiary operating banking business changed its accounting method in recording derivatives from accrual basis to fair value method. The subsidiary records gains (losses) from changes in the fair value of derivatives in the income statements. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

The recording of derivatives using fair value method is in accordance with the principles for recording derivatives under IAS 39 “Financial Instruments: Recognition and Measurement”. The subsidiary has not restated the financial statements of the year 2007 for comparative purposes because the impact of such change is not material to the prior year’s financial statements.

A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in the income statements, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

#### 1.4.21 Financial instruments

a) Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), securities purchased under resale agreement, investments, receivable from clearing house, loans and receivables and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, borrowings, payable to clearing house, and securities and derivative business payables. The financial risks associated with these financial instruments and how they are managed is described in Note 3.28 to the financial statements.

b) Fair value of financial instruments

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

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using rates at which financial instruments with similar features and maturities could be issued as of balance sheet date.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows.

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities purchased under resale agreements, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, payable to clearing house, and securities and derivative business payables, the carrying amounts in the balance sheet approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- Loans and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivable and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debentures and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

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



#### **1.4.22 Earnings per share**

Basis of computation of earnings per share is summarised below.

##### Basic earnings per share

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

##### Diluted earnings per share

Diluted earnings per share is calculated by dividing net income for the year, after deducting the portion of dividends which the preference shareholders receive before the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issue during the year plus the weighted average number of ordinary shares to be issued upon conversion of warrants into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the warrants were issued.

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

#### **1.4.23 Significant accounting judgments and estimates**

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

### ***Allowance for doubtful accounts for loans and receivables***

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

### ***Fair value of financial instruments***

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

### ***Impairment of investments***

The Company and its subsidiaries treat available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

### ***Deferred tax assets***

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

### ***Leases***

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

### ***Recognition and derecognition of assets and liabilities***

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

### ***Consolidation and deconsolidation of subsidiaries***

In preparation of the consolidated financial statements, the management is required to make judgment whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

In addition, as mentioned in Note 1.2 to the financial statements, the management exercise judgment to prepare consolidated financial statements that included the financial statements of TISCO Bank and its subsidiaries, according to the holding company restructuring plan.

## **2. General information**

### **2.1 The Company's information**

On 22 August 2008, TISCO Group Holding Public Company Limited was incorporated as a public company under Thai law and on 4 September 2008, the Company changed its name to TISCO Financial Group Public Company Limited (“the Company”). The Company's principal activity is a holding company, being a parent company of TISCO Group instead of TISCO Bank in accordance with the holding company restructuring plan (as mentioned in Note 4.1 to the financial statements).

Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

Implementation of the restructuring plan of TISCO Group has been completed in accordance with the conditions approved by regulators and, on 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

### **2.2 Share capital**

As at 31 December 2008, the Company has a registered capital of Baht 11,002,010,000 which consists of 544,652,820 ordinary shares and 555,548,180 preference shares both with a par value of Baht 10 each. The preference shares can be converted to ordinary shares in accordance with the Memorandum and Articles of Association.

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

### **2.3 Statutory reserve**

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

### **2.4 Directors' remuneration**

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

### **2.5 Provident fund**

The Company, its six subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 - 10 percent of the employees' salaries, depending on the number of years of service. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to the employees upon termination in accordance with the fund rules.

### **2.6 Related party transactions**

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

The Company has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, which are reference to the terms and price as charged to other customers.

The Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10 percent of the common shares of paid up capital are held by the Company, the Company's directors or management-level employees, with the exception of loans to related party and loans to employees under the employee welfare scheme, as mentioned in Note 3.25 to the financial statements.

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

The Company and its subsidiaries have no investments in related companies which are related by way of members of the management of the Company or of its subsidiaries being shareholders and/or authorised directors.

### 3. Details of financial statements

#### 3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements of TISCO Group after the holding restructuring as at 31 December 2008 is provided below.

(Unit: Percentage)					
Company's name	Country of incorporation	Percentage of shares held by the Company as at 31 December 2008	Subsidiaries' total assets as a percentage to the consolidated total as at 31 December 2008	Subsidiaries' total revenues	Subsidiaries' net income (loss)
				as a percentage to the consolidated total for the year ended 31 December 2008	as a percentage to the consolidated total for the year ended 31 December 2008
<b><u>Subsidiaries directly owned by the Company</u></b>					
TISCO Bank Public Company Limited	Thailand	99.51	93.98	70.25	85.50
TISCO Securities Co., Ltd.	Thailand	99.99	1.62	12.06	11.42
TISCO Asset Management Co., Ltd.	Thailand	99.99	0.24	9.33	10.92
Hi-Way Co., Ltd.	Thailand	99.99	1.83	6.65	5.48
TISCO Information Technology Co., Ltd.	Thailand	99.99	0.03	0.01	(11.32)
TISCO Tokyo Leasing Co., Ltd.	Thailand	49.00	1.57	-	-
<b><u>Subsidiaries indirectly owned by the Company</u></b>					
TISCO Leasing Co., Ltd.	Thailand	99.99	0.05	1.56	(0.82)
TISCO Securities Hong Kong Ltd. (in the process of liquidation)	China-Hong Kong	100.00	0.06	0.02	(0.18)
TISCO Global Securities Ltd. (in the process of liquidation)	China-Hong Kong	100.00	0.01	0.01	(1.17)

A list of subsidiaries included in the consolidated financial statements of TISCO Group before holding restructuring as at 31 December 2007 is provided below.

(Unit: Percentage)

Company's name	Country of incorporation	Percentage of shares held by TISCO Bank as at 31 December 2007	Subsidiaries' total assets as a percentage to the consolidated total as at	Subsidiaries' total revenues as a percentage to the consolidated total for the year ended	Subsidiaries' net income (loss) as a percentage to the consolidated total for the year ended
			31 December 2007	31 December 2007	31 December 2007
<b>Subsidiaries directly owned by TISCO Bank</b>					
TISCO Securities Co., Ltd.	Thailand	99.99	2.73	17.10	20.21
TISCO Asset Management Co., Ltd.	Thailand	99.99	0.35	9.21	13.05
Hi-Way Co., Ltd.	Thailand	99.99	2.85	8.78	9.26
TISCO Information Technology Co., Ltd.	Thailand	99.99	0.02	0.02	(8.98)
TISCO Leasing Co., Ltd.	Thailand	99.99	1.75	1.78	1.61
TISCO Securities Hong Kong Ltd. (in the process of liquidation)	China - Hong Kong	100.00	0.07	0.22	(1.05)
<b>Subsidiary indirectly owned by TISCO Bank</b>					
TISCO Global Securities Ltd. (in the process of liquidation)	China - Hong Kong	100.00	0.08	0.02	(0.02)

### 3.2 Interbank and money market items (assets)

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2008			31 December 2007		
	At call	Term	Total	(Before holding restructuring)		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development						
Fund	6,408,371	13,110,000,000	13,116,408,371	508,571,379	-	508,571,379
Commercial banks	127,745,632	263,496,602	391,242,234	286,437,891	75,495,913	361,933,804
Total	134,154,003	13,373,496,602	13,507,650,605	795,009,270	75,495,913	870,505,183
Add: Accrued interest	1,629,916	3,997,839	5,627,755	747,439	879,032	1,626,471
Total domestic	135,783,919	13,377,494,441	13,513,278,360	795,756,709	76,374,945	872,131,654
<b>Foreign</b>						
Hong Kong dollar	9,865,944	22,589,419	32,455,363	117,722,871	-	117,722,871
US dollar	251,503	44,986,376	45,237,879	59,982,324	-	59,982,324
Others	-	-	-	317,531	-	317,531
Total	10,117,447	67,575,795	77,693,242	178,022,726	-	178,022,726
Add: Accrued interest	-	-	-	-	-	-
Total foreign	10,117,447	67,575,795	77,693,242	178,022,726	-	178,022,726
Total domestic and foreign	145,901,366	13,445,070,236	13,590,971,602	973,779,435	76,374,945	1,050,154,380

(Unit: Baht)

	Separate financial statements as at		
	31 December 2008		
	At call	Term	Total
<u>Domestic</u>			
Commercial banks	27,992,087	-	27,992,087
Total	27,992,087	-	27,992,087
Add: Accrued interest	-	-	-
Total domestic	27,992,087	-	27,992,087

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at		Type of pledge
	31 December 2008	31 December 2007 (Before holding restructuring)	
Cash at banks of local subsidiary	10	10	To secure facilities provided for bank overdraft



### 3.3 Investments

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2008		31 December 2007	
	Cost / Book value	Fair value	Cost / Book value	Fair value
			(Before holding restructuring)	
<b><u>Current investments</u></b>				
<b>Trading securities</b>				
Equity securities:				
Domestic marketable equity securities	35,392,608	37,650,756	28,032,401	27,719,550
Add (less): Allowance for changes in value	2,258,148		(312,851)	
Net equity securities	37,650,756		27,719,550	
<b>Total trading securities</b>	<b>37,650,756</b>		<b>27,719,550</b>	
<b>Available-for-sales securities</b>				
Debt securities:				
Government and state enterprise securities	416,952,466	418,305,147	760,471,078	760,647,986
Debt securities of private sector	201,616,916	200,108,860	732,828,893	672,943,585
Foreign debt securities	1,869,822,358	1,668,501,090	-	-
Total	2,488,391,740	2,286,915,097	1,493,299,971	1,433,591,571
Add (less): Allowance for changes in value	8,174,225		705,600	
Exchange difference	(208,190,868)		-	
Less: Allowance for impairment	(1,460,000)		(60,414,000)	
Debt securities - net	2,286,915,097		1,433,591,571	
Equity securities:				
Domestic marketable equity securities	-	-	103,869,880	62,853,002
Unit trust	60,000,000	45,746,975	-	-
Total	60,000,000	45,746,975	103,869,880	62,853,002
Add (less): Allowance for changes in value	(14,253,025)		(41,016,878)	
Net equity securities	45,746,975		62,853,002	
<b>Total available-for-sales securities</b>	<b>2,332,662,072</b>		<b>1,496,444,573</b>	
<b>Held-to-maturity debt securities - due within 1 year</b>				
Debt securities:				
Government and state enterprise securities	335,860,124		856,414	
Debt securities of private sector	2,000		4,000	
<b>Total held-to-maturity debt securities - due within 1 year</b>	<b>335,862,124</b>		<b>860,414</b>	
<b>Other Investments</b>				
Equity securities:				
Unit trusts	-		50,000,000	
<b>Total other investments</b>	<b>-</b>		<b>50,000,000</b>	
<b>Net current investments</b>	<b>2,706,174,952</b>		<b>1,575,024,537</b>	

(Unit: Baht)

	Consolidated financial statements as at			
	31 December 2008		31 December 2007	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<b>Long-term investments</b>				
<b>Available-for-sales securities</b>				
Debt securities:				
Debt securities of private sector	100,000,000	99,895,030	100,000,000	99,230,140
Add (less): Allowance for changes in value	(104,970)		(769,860)	
Debt securities - net	99,895,030		99,230,140	
Equity securities:				
Domestic marketable equity securities	1,086,032,360	767,562,880	2,434,567,527	2,485,058,099
Other securities - unit trusts	9,156,787	5,510,922	-	-
Total	1,095,189,147	773,073,802	2,434,567,527	2,485,058,099
Add (less): Allowance for changes in value	(322,115,345)		50,490,572	
Net equity securities	773,073,802		2,485,058,099	
<b>Total available-for-sales securities</b>	<b>872,968,832</b>		<b>2,584,288,239</b>	
<b>Held-to-maturity debt securities</b>				
Debt securities:				
Government and state enterprise securities	-		337,135,499	
<b>Total held-to-maturity debt securities</b>	<b>-</b>		<b>337,135,499</b>	
<b>Other investments</b>				
Equity securities:				
Domestic non-marketable equity securities	712,984,649		738,343,910	
Investments in receivables	1,133,545,787		606,714,311	
Total	1,846,530,436		1,345,058,221	
Less: Allowance for impairment	(70,192,272)		(60,940,272)	
<b>Total other investments</b>	<b>1,776,338,164</b>		<b>1,284,117,949</b>	
<b>Net long-term investments</b>	<b>2,649,306,996</b>		<b>4,205,541,687</b>	
<b>Net investments</b>	<b>5,355,481,948</b>		<b>5,780,566,224</b>	

	(Unit: Baht)	
	Separate financial statements as at	
	31 December 2008	
	Cost /	
	Book value	Fair value
<b><u>Investment in subsidiaries</u></b>		
Investments in subsidiaries (cost method)	15,297,196,349	
<b>Investments in subsidiaries - net</b>	<b>15,297,196,349</b>	
<b>Net investments</b>	<b>15,297,196,349</b>	

### 3.3.1 Held-to-maturity debt securities with the Ministry of Finance under the Tier I and Tier II capital support scheme

	Consolidated financial statements		(Unit: Million Baht)
	as at		Remark
	31 December 2008	31 December 2007	
	(Before holding restructuring)		
Government bonds	331	331	These bonds are redeemable within a 10-year period, maturing in 2009, and carry interest at rates of 4% and 5% per annum.

### 3.3.2 Investments subject to restriction

	Consolidated financial statements		(Unit: Million Baht)
Type of investment	as at		Type of restriction
	31 December 2008	31 December 2007	
	(Before holding restructuring)		
Government debt securities	6	5	Pledged for electricity usage
Government debt securities	-	65	Pledged under agreement to swap a floating interest rate for a fixed interest rate, expired in June 2008

### 3.3.3 Investments in debt securities classified by remaining periods of contracts

(Unit: Baht)

Consolidated financial statements as at 31 December 2008				
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	415,854,970	-	1,097,496	416,952,466
Debt securities of private sector	31,552,768	270,064,148	-	301,616,916
Foreign debt securities	1,869,822,358	-	-	1,869,822,358
Total	2,317,230,096	270,064,148	1,097,496	2,588,391,740
Add (less): Allowance for changes in value	8,156,052	(141,237)	54,440	8,069,255
Exchange difference	(208,190,868)	-	-	(208,190,868)
Less: Allowance for impairment	(1,460,000)	-	-	(1,460,000)
Total	2,115,735,280	269,922,911	1,151,936	2,386,810,127
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	335,860,124	-	-	335,860,124
Debt securities of private sector	2,000	-	-	2,000
Total	335,862,124	-	-	335,862,124
<b>Total debt securities</b>	<b>2,451,597,404</b>	<b>269,922,911</b>	<b>1,151,936</b>	<b>2,722,672,251</b>

(Unit: Baht)

Consolidated financial statements as at 31 December 2007				
(Before holding restructuring)				
	Maturity			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
<b>Available-for-sale securities</b>				
Government and state enterprise securities	760,471,078	-	-	760,471,078
Debt securities of private sector	60,414,000	772,414,893	-	832,828,893
Total	820,885,078	772,414,893	-	1,593,299,971
Add (less): Allowance for changes in value	176,908	(241,168)	-	(64,260)
Less: Allowance for impairment	(60,414,000)	-	-	(60,414,000)
Total	760,647,986	772,173,725	-	1,532,821,711
<b>Held-to-maturities debt securities</b>				
Government and state enterprise securities	856,414	337,135,499	-	337,991,913
Debt securities of private sector	4,000	-	-	4,000
Total	860,414	337,135,499	-	337,995,913
<b>Total debt securities</b>	<b>761,508,400</b>	<b>1,109,309,224</b>	<b>-</b>	<b>1,870,817,624</b>

### 3.3.4 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business.

(Unit: Baht)

	Consolidated financial statements		
	as at 31 December 2008		
	Cost	Fair value	Allowance for changes in value <sup>(1)</sup>
Companies having problems with debt repayment or in default	7,060,000	-	7,060,000

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

### 3.3.5 Investments where the Company and its subsidiaries hold not less than 10 percent of the equity of the investees

(Unit: Baht)

Name	Consolidated financial statements as at					
	31 December 2008			31 December 2007		
	Book value	Unpaid amounts	Percentage of holding	Book value	Unpaid amounts	Percentage of holding
						(Before holding restructuring)
			%			%
<b><u>Insurance:</u></b>						
AXA Insurance Plc.	53,168,806	-	10	53,168,806	-	10
<b><u>Services:</u></b>						
Jiji Press (Thailand) Co., Ltd.	813,823	300,000	10	813,823	300,000	10
K. Line (Thailand) Co., Ltd.	37,334,990	-		37,334,990	-	10
<b><u>Leasing and hire purchase:</u></b>						
TISCO Tokyo Leasing Co., Ltd. (Formerly known as "Tokyo Leasing (Thailand) Co., Ltd." or "Mizuho Corporate Leasing (Thailand) Co., Ltd.")	-	-	-	1,849,050	-	21
<b><u>Trading import and export:</u></b>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	9,269,807	-	10	9,269,807	-	10
Wattana Inter-Trade Co., Ltd.	4,291,200	-	10	3,966,300	-	10
<b><u>Real estate:</u></b>						
Prosperity Industrial Estate Co., Ltd.	45,227,553	-	10	45,289,171	-	10
UMI Property Co., Ltd.	10,156,500	-	10	10,156,500	-	10
<b><u>Industrial:</u></b>						
Siam Art Ceramic Co., Ltd.	16,555,000	-	10	16,291,000	-	10

(Unit: Baht)

Name	Separate financial statements as at		
	31 December 2008		
	Book value (Cost method)	Unpaid amounts	Percentage of holding %
<b>Services:</b>			
TISCO Bank Public Company Limited	13,243,774,989	-	99.51
TISCO Securities Co., Ltd.	1,575,065,134	-	99.99
TISCO Asset Management Co., Ltd.	110,075,340	-	99.99
TISCO Information Technology Co., Ltd.	22,117,205	-	99.99
<b>Leasing and hire purchase:</b>			
Hi-Way Co., Ltd. (ordinary shares and preference shares)	272,918,665	-	99.99
TISCO Tokyo Leasing Co., Ltd.	73,245,016	-	49.00

### 3.4 Investments in subsidiary companies

Company's name	Nature of Business	(Unit: Million Baht)		
		Paid-up share capital as at	Cost as at	Dividend received for the period as from
		31 December 2008	31 December 2008	22 August 2008 to 31 December 2008
<b>Subsidiary companies directly held by the Company:</b>				
TISCO Bank Public Company Limited	Banking	7,282	13,244	-
TISCO Securities Co., Ltd.	Securities business	1,500	1,575	-
TISCO Asset Management Co., Ltd.	Asset management	100	110	-
Hi-Way Co., Ltd.	Hire purchase	100	273	-
TISCO Information Technology Co., Ltd.	Services	20	22	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	60	73	-
			15,297	-

### 3.5 Loans, receivables and accrued interest receivable

#### 3.5.1 Classified by type of loan and receivable

	(Unit: Baht)	
	Consolidated financial statements	
	As at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
<b><u>Loans and receivables</u></b>		
Loans	18,200,353,365	15,657,461,101
Hire purchase and financial lease receivables		
Hire purchase and financial lease receivables	97,436,863,199	81,273,774,155
Add (less): Unearned income	(13,200,245,468)	(10,813,828,832)
: Deferred commissions and direct expenses incurred at the initiation of hire purchase	698,790,471	429,061,936
: Advances received from financial lease receivables	(26,055,879)	(126,060,544)
Net hire purchase and financial lease receivables	84,909,352,323	70,762,946,715
Total loans and receivables	103,109,705,688	86,420,407,816
Add: Accrued interest receivable	136,704,347	155,649,753
Less: Allowance for doubtful accounts	(1,852,875,157)	(2,801,776,443)
Less: Allowance for loss on debt restructuring	(18,258)	(538,175)
Net loans, receivables and accrued interest receivable	101,393,516,620	83,773,742,951
<b><u>Securities and derivatives business receivables</u></b>		
Securities business receivable		
Customers' cash accounts	665,835,392	1,357,156,735
Customers' securities borrowings and lending accounts		
Guarantee deposit receivables	-	25,878,060
Securities borrowing receivables	-	20,674,000
Other receivables		
Installment receivables	1,537,541	1,947,990
Total securities business receivables	667,372,933	1,405,656,785
Less: Allowance for doubtful accounts	(1,634,097)	(3,641,565)
Net securities business receivables	665,738,836	1,402,015,220
Net loans, receivables and accrued interest receivable	102,059,255,456	85,175,758,171

### 3.5.2 Classified by remaining periods of contracts

(Unit: Baht)

Consolidated financial statements  
as at

	31 December 2008	31 December 2007
		(Before holding restructuring)
Loans and receivables		
Not over 1 year (included contract which are due)	10,116,664,282	10,687,741,681
Over 1 year	92,993,041,406	75,732,666,135
Total loans and receivables	103,109,705,688	86,420,407,816
Add: Accrued interest receivable	136,704,347	155,649,753
Total loans, receivables and accrued interest receivable	<u>103,246,410,035</u>	<u>86,576,057,569</u>

### 3.5.3 Classified by type of business

(Unit: Baht)

Consolidated financial statements as at 31 December 2008

	Subsidiary company operating banking business						Other subsidiaries	Total
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful of loss	Total		
	Agricultural and mining	121,834,907	3,269,345	-	245,991	-	125,350,243	-
Manufacturing and commerce	7,074,285,218	165,700,977	33,375,457	17,300,664	51,547,354	7,342,209,670	-	7,342,209,670
Real estate and construction	8,265,099,280	107,521,231	19,458,732	27,785,108	387,851,106	8,807,715,457	-	8,807,715,457
Public utilities and services	3,031,153,439	112,714,616	44,193,625	12,350,173	12,384,335	3,212,796,188	-	3,212,796,188
Personal use								
Hire purchase	65,794,611,089	6,010,762,700	837,776,039	284,162,006	181,876,230	73,109,188,064	4,178,778,785	77,287,966,849
Housing loans	1,479,727,790	38,356,878	25,644,460	24,382,016	137,914,535	1,706,025,679	-	1,706,025,679
Securities	-	-	-	-	-	-	667,372,933	667,372,933
Others	4,035,184,664	124,621,782	17,229,940	12,236,841	438,368,375	4,627,641,602	-	4,627,641,602
Total loans, receivables and securities business receivables	89,801,896,387	6,562,947,529	977,678,253	378,462,799	1,209,941,935	98,930,926,903	4,846,151,718	103,777,078,621
Add: Accrued interest receivable	26,633,480	84,121,100	-	-	-	110,754,580	25,949,767	136,704,347
Total loans, receivables and securities business receivables and accrued interest receivable	<u>89,828,529,867</u>	<u>6,647,068,629</u>	<u>977,678,253</u>	<u>378,462,799</u>	<u>1,209,941,935</u>	<u>99,041,681,483</u>	<u>4,872,101,485</u>	<u>103,913,782,968</u>



## Consolidated financial statements as at 31 December 2007

	(Before holding restructuring)						Other	
	Subsidiary company operating banking business						Subsidiaries	Total
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	101,375,497	3,824,981	351,403	-	-	105,551,881	-	105,551,881
Manufacturing and commerce	7,298,262,830	88,112,978	27,054,507	6,403,522	401,672,267	7,821,506,104	-	7,821,506,104
Real estate and construction	4,253,934,634	69,697,174	17,420,371	6,403,354	693,877,123	5,041,332,656	-	5,041,332,656
Public utilities and services	2,571,086,451	44,743,745	10,574,666	6,332,634	15,422,912	2,648,160,408	-	2,648,160,408
Personal use								
Hire purchase	55,215,829,660	4,474,592,392	623,254,632	171,891,892	101,138,095	60,586,706,671	4,097,696,816	64,684,403,487
Housing loans	1,629,990,311	28,828,939	19,236,169	31,337,021	178,497,599	1,887,890,039	-	1,887,890,039
Securities	-	-	-	-	-	-	1,405,656,785	1,405,656,785
Others	3,234,412,709	75,637,539	13,969,758	25,756,326	880,930,648	4,230,706,980	856,261	4,231,563,241
Total loans, receivables and securities business								
receivables	74,304,892,092	4,785,437,748	711,861,506	248,124,749	2,271,538,644	82,321,854,739	5,504,209,862	87,826,064,601
Add: Accrued interest receivable	40,504,215	69,801,961	-	-	-	110,306,176	45,343,577	155,649,753
Total loans, receivables and securities business receivables and accrued interest receivable	74,345,396,307	4,855,239,709	711,861,506	248,124,749	2,271,538,644	82,432,160,915	5,549,553,439	87,981,714,354

### 3.5.4 Hire purchase and finance lease receivables

As at 31 December 2008, net receivables of the subsidiaries under hire purchase agreements and financial leases amount to Baht 84,909 million and mostly comprise hire purchase agreements and financial leases for cars, motorcycles, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008					
Amounts of installments due under the contract					
	Less than 1 year	1 - 5 years	Over 5 years	Non performing loans	Total
Hire purchase and financial lease receivables	31,928	61,303	1,505	2,701	97,437
Unearned income*	(5,323)	(6,331)	(46)	(802)	(12,502)
Advances received from financial lease receivable	(7)	(19)	-	-	(26)
Hire purchase and financial lease receivables - net	<u>26,598</u>	<u>54,953</u>	<u>1,459</u>	<u>1,899</u>	<u>84,909</u>
Allowance for doubtful accounts					<u>1,070</u>

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

### 3.5.5 Loans and receivables for which the recognition of interest income has ceased of a subsidiary company operating banking business

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines <sup>(2)</sup>		Amounts calculated under TISCO Bank's policy	
	as at		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Loans and receivables for which the recognition of interest income has ceased <sup>(1)</sup>	3,241	2,927	3,405 <sup>(3)</sup>	3,285 <sup>(3)</sup>

<sup>(1)</sup> These amounts are calculated on an account by account basis.

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

<sup>(3)</sup> Loans and receivables totaling Baht 1,396 million (2007: Baht 2,473 million), for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account by account basis.

Other subsidiaries	(Unit: Million Baht)	
	As at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Securities business loans and receivables, hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	411 <sup>(1)</sup>	525 <sup>(1)</sup>

<sup>(1)</sup> Baht 30 million of such amounts being loans and receivables (2007: Baht 75 million), for which a 100 percent allowance for doubtful debts has been provided.

### 3.5.6 Unearned interest income which is presented as a deduction against loans and receivables of subsidiaries.

	(Unit: Million Baht)	
	Consolidated financial statements as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Unearned interest income <sup>(1)</sup>	12,751	10,634

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

### 3.5.7 Outstanding balances (net of collateral) of restructured loans and receivables and receivables which are being restructured of a subsidiary company operating banking business

	(Unit: Million Baht)	
	as at 31 December 2008	
Restructured loans and receivables <sup>(1)</sup>		302
Loans and receivables which are being restructured		-

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

### 3.5.8 Troubled debt restructuring of a subsidiary company operating banking business

#### - Debt restructuring during the year

	For the years ended	
	31 December 2008	31 December 2007
Number of debtors (number)	38	32
Loan balances before restructuring (million Baht)	578	828
Interest income on restructured receivables (million Baht)	82	68
Receipt of principal and interest (million Baht)	767	530
Loss on troubled debt restructuring (million Baht)	-	-

#### - Debtors which were restructured

Type of restructuring	As at 31 December 2008			
	Number of receivables	Outstanding loan	Type of assets transferred	Fair value
		balance before restructuring		of transferred assets
		Million Baht	Million Baht	
Transfer of assets	23	2,600	Land	20
			Land and premises	2,468
Transfer of equity securities	5	789	Equity securities	414
Transfer of assets and equity securities and modification of terms	3	898	Land	198
			Equity securities	14
			Machinery	22
Transfer of equity securities and modification of terms	45	4,071	Equity securities	1,237
			Debt securities	21
Transfer of assets and modification of terms	12	2,191	Land and premises	465
			Equity securities	190
			Air conditioners	2
Modification of terms	1,183	24,526		
Total	1,271	35,075		5,051

- The balance of the restructured debts

(Unit: Million Baht)

	As at	
	31 December 2008	31 December 2007
The balance of the restructured debts	1,142	2,143

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

(Unit: Million Baht)

Allowance for doubtful accounts / allowance for loss on debt restructuring	As at	
	31 December 2008	31 December 2007
Amount to be provided under BOT's guidelines	1,270	2,097
Amount already recorded by TISCO Bank	1,604 <sup>(1)</sup>	2,465 <sup>(1)</sup>
Amount in excess of the required amount	334	368

<sup>(1)</sup> The allowance for doubtful debts consists of allowance for doubtful debts of Baht 758 million (2007: Baht 1,700 million) set aside for the unsecured portion of loans amounting Baht 1,396 million (2007: Baht 2,473 million) at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 846 million (2007: Baht 765 million) set up for the other loans and receivables.

#### 3.6.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Baht)

	Consolidated financial statements as at 31 December 2008						Total
	Pass	Special- mentioned	Sub- Standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of year	212,466,334	107,864,920	340,528,650	182,654,912	1,749,593,975	212,309,217	2,805,418,008
Increase (decrease) in allowance for doubtful accounts during the year	204,398,559	(18,821,406)	333,485,968	540,389,853	280,810,230	54,429,493	1,394,692,697
Bad debt written-off	(5,358,732)	(51,221,066)	(428,366,236)	(527,253,273)	(1,333,402,144)	-	(2,345,601,451)
Balance - end of year	<u>411,506,161</u>	<u>37,822,448</u>	<u>245,648,382</u>	<u>195,791,492</u>	<u>697,002,061</u>	<u>266,738,710</u>	<u>1,854,509,254</u>

(Unit: Baht)

## Consolidated financial statements as at 31 December 2007

	(Before holding restructuring)						Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Doubtful of loss	General reserve	
Balance - beginning of year	625,452,082	72,020,965	119,659,639	140,135,831	1,719,724,337	94,230,622	2,771,223,476
Increase (decrease) in allowance for doubtful accounts during the year	(405,536,988)	47,874,125	348,531,707	263,949,808	253,187,470	118,158,052	626,164,174
Bad debt written-off	(7,448,760)	(12,030,170)	(127,662,696)	(221,430,727)	(223,317,832)	(79,457)	(591,969,642)
Balance - end of year	<u>212,466,334</u>	<u>107,864,920</u>	<u>340,528,650</u>	<u>182,654,912</u>	<u>1,749,593,975</u>	<u>212,309,217</u>	<u>2,805,418,008</u>

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

(Unit: Baht)

Consolidated financial statements  
as at 31 December 2008

	Individual impairment	Collective impairment	Total
	Balance - beginning of year	2,104,294,823	701,123,185
Increase (decrease) in allowance for doubtful accounts during the year	(181,547,753)	1,576,240,450	1,394,692,697
Bad debt written-off	(1,101,257,786)	(1,244,343,665)	(2,345,601,451)
Balance - end of year	<u>821,489,284</u>	<u>1,033,019,970</u>	<u>1,854,509,254</u>

## 3.6.3 Allowance for loss on debt restructuring of a subsidiary company operating banking business

(Unit: Baht)

	As at	
	31 December 2008	31 December 2007
Balance - beginning of year	538,175	22,403,970
Increase during the year	18,258	-
Write off/transfer to general reserve	(538,175)	(21,865,795)
Balance - end of year	<u>18,258</u>	<u>538,175</u>

### 3.6.4 Non-performing loans and receivables of a subsidiary company operating banking business

(Unit: Million Baht)

	as at	
	31 December 2008	31 December 2007
Non-performing loans and receivables	2,566	3,232
Allowance for doubtful accounts	911	1,976

### 3.7 Classification of assets

#### 3.7.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts <sup>(1)</sup>	
	as at		as at		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Debt instruments - debentures <sup>(2)</sup>	1	60	-	-	1	60
Equity instruments - ordinary shares <sup>(3)</sup>	6	6	-	-	6	6
Equity instruments - preference shares <sup>(3)</sup>	-	2	-	-	-	2

<sup>(1)</sup> Allowance for possible losses is determined based on the investment cost less collateral value.

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

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

### 3.7.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business

(Unit: Million Baht)

	Allowance for doubtful accounts							
	Debt balance		Debt balance after		Amounts to be provided under		Amounts already set up	
	as at		net of collateral		BOT's guidelines		by TISCO Bank	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
2008	2007	2008	2007	2008	2007	2008	2007	
<b>Loans and receivables</b> <sup>(1)(2)(3)</sup>								
Pass	105,512	74,305	92,419	63,431	380	161	396	183
Special mentioned	6,563	4,785	6,489	4,746	30	95	30	95
Substandard	978	712	954	689	147	226	147	226
Doubtful	378	248	337	209	139	122	139	122
Doubtful of loss	1,210	2,272	588	1,500	575	1,492	625	1,628
Total	114,641	82,322	100,787	70,575	1,271	2,096	1,337	2,254
Loss on receivables under troubled debt restructuring	-	-	-	-	-	1	-	1
Total	114,641	82,322	100,787	70,575	1,271	2,097	1,337	2,255
General reserve							267	210
Total							1,604	2,465
<b>Investments in securities</b>								
Doubtful of loss								
Debt instruments	203	62	203	62	203	62	203	62
Equity instruments	67	340	67	340	67	340	67	340
Total	270	402	270	402	270	402	270	402
<b>Investments in receivables</b>								
Doubtful of loss	36	8	36	1	36	1	36	1
<b>Properties foreclosed</b>								
Doubtful of loss	43	29	43	29	43	29	43	29
Total classified assets	114,990	82,761	101,136	71,007	1,620	2,529	1,953	2,897

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

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

<sup>(3)</sup> Loans and receivables include investment in debt securities under resale agreements of BOT and loans to financial institutions (which presented as part of interbank and money market items in the balance sheet).



3.7.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which a subsidiary company operating banking business sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Debt balance		Percentage of allowance for		Allowance for doubtful accounts	
	as at		after net of collateral value		doubtful account set up		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
<b>Hire purchase receivables<sup>(1)</sup></b>								
Pass	72,859	(a)	72,859	(a)	0.43 <sup>(3)</sup>	(a)	316	(a)
Special mentioned	6,375	(a)	6,375	(a)	0.43 <sup>(3)</sup>	(a)	27	(a)
Substandard	937	681	937	681	32 <sup>(3)</sup>	32,100 <sup>(2)</sup>	130	218
Doubtful	324	193	324	193	32 <sup>(3)</sup>	32,100 <sup>(2)</sup>	126	106
Doubtful of loss	236	137	236	137	32 <sup>(3)</sup>	32,100 <sup>(2)</sup>	223	130

<sup>(1)</sup> TISCO Bank does not deduct the collateral value from the outstanding loan balance for calculation allowance for doubtful accounts for hire purchase receivables.

<sup>(2)</sup> As at 31 December 2007, TISCO Bank set aside provision for non-performing hire purchase receivables which are in the legal process at 100% and which are not yet in the legal process at 32%.

<sup>(3)</sup> These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts.

- (a) As at 31 December 2007, TISCO bank did not use a collective approach in provisioning for hire purchase receivables that were classified as pass and special mentioned.

3.7.4 Loans and receivables includes debts due from companies with weak financial position and operating results of a subsidiary company operating banking business

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	as at		as at		as at		as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
				Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	3	12	279	519	182	-	147	519
3. Listed companies whose shares have been suspended from trading	-	1	-	15	-	-	-	15
4. Listed companies under rehabilitation	2	5	92	136	12	16	81	120
5. Companies which have loan settlement problems or have defaulted on payment of debts	2	21	339	1,236	276	658	63	710
6. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7</b>	<b>39</b>	<b>710</b>	<b>1,906</b>	<b>470</b>	<b>674</b>	<b>291</b>	<b>1,364</b>

3.7.5 Classification of assets of the securities business of a local subsidiary in accordance with the Notification of the Office of the Securities and Exchange Commission

(Unit: Million Baht)

	Securities business receivables and accrued interest as at		Allowance for doubtful accounts as required by SEC as at		Allowance for doubtful accounts provided in the accounts as at	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	Doubtful	2	2	2	2	2
General reserve					-	2
Total					2	4

3.7.6 Hire purchase receivables/financial lease receivables and other loan receivables of the other subsidiaries classified by the due date of the contracts

(Unit: Million Baht)

	Debt balance as at		Percentage of allowance for doubtful accounts set up %	Allowance for doubtful account as at		Debt balance - net as at	
	31 December 2008	31 December 2007		31 December 2008	31 December 2007	31 December 2008	31 December 2007
	Current	3,026		2,335	1	11	23
Overdue							
1 month	325	601	1	3	6	322	595
2 - 3 months	411	640	2	8	13	403	627
4 - 6 months	197	234	32, 50, 100*	99	115	98	119
7 - 12 months	114	120	32, 50, 100*	57	60	57	60
Over 12 months	70	103	32, 50, 100*	35	54	35	49
Debtors under litigation	35	66	100	35	6	-	-
Total	4,178	4,099		248	337	3,930	3,762

\* The subsidiary companies apply provisioning rate of 32% for non-performing loan of auto-hire purchase receivables, 50% for motorcycle-hire purchase receivables, and 100% for financial lease receivables.

### 3.8 Property foreclosed

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Foreclosed assets		
Immovable assets		
Balance - beginning of year	1,017,130,703	1,019,802,996
Additions	1,502,192	4,683,840
Disposals	(17,214,600)	(19,166,133)
Related transactions	(14,690,012)	11,810,000
Balance - end of year	986,728,283	1,017,130,703
Movable assets		
Balance - beginning of year	54,247,684	44,210,456
Additions	2,598,928,757	1,807,294,909
Disposals	(2,590,696,234)	(1,797,257,681)
Balance - end of year	62,480,207	54,247,684
Allowance for impairment		
Balance - beginning of year	29,059,862	21,210,157
Increase	20,297,807	34,735,629
Decrease	(5,858,296)	(26,885,924)
Balance - end of year	43,499,373	29,059,862
Property foreclosed - net	1,005,709,117	1,042,318,525

### 3.9 Land, premises and equipment

(Unit: Baht)

Consolidated financial statements							
	Operating assets					Assets for operating lease contracts	Total
	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Motor vehicles		
<b>Cost:</b>							
31 December 2007	522,039,947	1,052,341,516	578,395,092	482,453,232	106,965,361	42,778,888	2,784,974,036
Additions	-	-	166,645,995	89,687,002	2,177,375	2,705,300	261,215,672
Additions from acquisition of a subsidiary company	-	-	9,241,958	1,700,000	623,900	86,977,787	98,543,645
Disposals	-	-	(14,801,306)	-	-	(35,339,422)	(50,140,728)
Transfer from foreclosed asset	5,432,573	9,474,878	-	-	-	-	14,907,451
31 December 2008	527,472,520	1,061,816,394	739,481,739	573,840,234	109,766,636	97,122,553	3,109,500,076
<b>Accumulated depreciation:</b>							
31 December 2007	-	394,203,498	483,876,382	256,157,323	60,098,931	27,556,433	1,221,892,567
Depreciation for the year	-	61,333,584	81,016,963	51,667,160	19,405,703	5,293,743	218,717,153
Additions from acquisition of a subsidiary company	-	-	6,087,148	1,188,603	370,253	43,147,439	50,793,443
Depreciation on disposals	-	-	(11,955,254)	-	-	(28,526,356)	(40,481,610)
31 December 2008	-	455,537,082	559,025,239	309,013,086	79,874,887	47,471,259	1,450,921,553
<b>Net book value:</b>							
31 December 2007	522,039,947	658,138,018	94,518,710	226,295,909	46,866,430	15,222,455	1,563,081,469
31 December 2008	527,472,520	606,279,312	180,456,500	264,827,148	29,891,749	49,651,294	1,658,578,523
<b>Depreciation for the years ended 31 December:</b>							
2007							199,279,697
2008							218,717,153

(Unit: Baht)

## Separate financial statements

	Land	Buildings and office condominium units	Furniture, fixtures and equipment	Office improvements	Total
<b><u>Cost:</u></b>					
22 August 2008	-	-	-	-	-
Additions	265,851,981	462,953,407	3,473,932	40,551,720	772,831,040
Disposals	-	-	-	-	-
31 December 2008	265,851,981	462,953,407	3,473,932	40,551,720	772,831,040
<b><u>Accumulated depreciation:</u></b>					
22 August 2008	-	-	-	-	-
Depreciation for the period	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-
31 December 2008	-	-	-	-	-
<b><u>Net book value:</u></b>					
22 August 2008	-	-	-	-	-
31 December 2008	265,851,981	462,953,407	3,473,932	40,551,720	772,831,040
<b><u>Depreciation:</u></b>					
For the period as from 22 August 2008 to 31 December 2008					-

As mentioned in Note 4.3 to the financial statements, the Company purchased its land, office condominium units and equipment from its subsidiary companies on 30 December 2008, in accordance with the holding restructuring plan of TISCO Group. Therefore, no depreciation for the period recorded in the separate financial statements.

Leased assets of a subsidiary company are operating leases for cars, computers and office equipment with terms of 3 to 5 years. Payment conditions are monthly and quarterly.

As at 31 December 2008, these assets will generate the following minimum amounts of lease income in future.

	(Unit: Thousand Baht)
Not over 1 year	24,210
1 - 5 years	10,064
Total	<u>34,274</u>

### 3.10 Other assets

	Consolidated financial statements		(Unit: Baht) Separate financial statements
	as at		as at
	31 December 2008	31 December 2007	31 December 2008
		(Before holding restructuring)	
Value added tax - net	248,020,663	218,674,405	3,895,116
Accrued interest receivable	25,675,989	21,895,938	-
Fee and charges receivable	192,009,872	216,761,152	-
Prepaid income tax	31,097,336	15,186,162	-
Deferred computer system development cost - net	143,643,730	95,871,927	10,228,781
Deposits	25,865,183	18,479,086	-
Other receivables	368,939,756	276,348,485	-
Financial derivatives assets	197,909,233	-	-
Other assets	257,326,450	182,136,051	1,290
Total other assets	<u>1,490,488,212</u>	<u>1,045,353,206</u>	<u>14,125,187</u>

### 3.11 Deposits

#### 3.11.1 Classified by type of deposits

	(Unit: Baht)	
	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Promissory notes	2,399,539	2,383,053,853
Deposits		
Current accounts	6,414,670,683	2,089,336,269
Saving accounts	5,140,190,158	2,157,756,433
Fixed accounts		
- not over 6 months	727,196,529	368,906,160
- over 6 months and less than 1 year	2,297,400,375	173,387,558
- over 1 year	1,019,142,113	1,682,157,654
Certificates of deposit/negotiable certificates of deposit	43,221,618,110	26,859,576,026
Total	<u>58,822,617,507</u>	<u>35,714,173,953</u>

#### 3.11.2 Classified by the remaining period of contract

	(Unit: Baht)	
	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Not over 1 year*	56,919,256,162	32,783,707,129
Over 1 year	1,903,361,345	2,930,466,824
Total deposits	<u>58,822,617,507</u>	<u>35,714,173,953</u>

\*Including fully-mature deposit contract



### 3.12 Interbank and money market items (liabilities)

(Unit: Baht)

	Consolidated financial statements as at					
	31 December 2008			31 December 2007		
	At call	Term	Total	(Before holding restructuring)		
	At call	Term	Total	At call	Term	Total
Commercial banks	29,728,657	1,815,717,271	1,845,445,928	648,108,994	1,570,000,000	2,218,108,994
Other banks and financial institutions	697,799,064	3,184,637,870	3,882,436,934	95,194,057	3,538,884,769	3,634,078,826
<b>Total</b>	<b>727,527,721</b>	<b>5,000,355,141</b>	<b>5,727,882,862</b>	<b>743,303,051</b>	<b>5,108,884,769</b>	<b>5,852,187,820</b>

(Unit: Baht)

	Separate financial statements as at		
	31 December 2008		
	At call	Term	Total
Commercial banks	2,600,000,000	-	2,600,000,000
<b>Total</b>	<b>2,600,000,000</b>	<b>-</b>	<b>2,600,000,000</b>

The subsidiary company operating banking business has entered into an interest rate swap agreement to swap the floating interest rate on Baht 300 million of bill of exchange for a fixed interest rate, as mentioned in Note 3.28.5 to the financial statements.

A subsidiary company that operates a leasing business entered into interest rate swap agreements to pay interest at a fixed rate and receive interest at a floating rate, associated with its interest-bearing financial liabilities, amounting to Baht 1,253 million, as mentioned in Note 3.28.5 to the financial statements.

### 3.13 Borrowings

(Unit: Baht)

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
<u>Domestic borrowings</u>		
Subordinated debentures	331,000,000	331,000,000
Unsubordinated unsecured debentures	4,000,000,000	4,000,000,000
Bills of exchange	42,299,118,264	36,380,747,346
Promissory note	37,603,885	38,092,559
Total	<u>46,667,722,149</u>	<u>40,749,839,905</u>

#### 3.13.1 Subordinated debentures

In 1999, the subsidiary company operating banking business issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the subsidiary company by purchasing its newly issued subordinated debentures in order to increase its Tier II capital funds to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The subsidiary company immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

#### 3.13.2 Unsubordinated unsecured debentures

Year	Issuer	Type of debenture	Units		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
			31 December 2008	31 December 2007		31 December 2008	31 December 2007		
			(Million Baht)	(Million Baht)		(Million Baht)	(Million Baht)		
2007	TISCO Bank	Unsubordinated and unsecured long-term debentures	3 million	3 million	1,000	3,000	3,000	2010	3.75 percent per annum.
2007	TISCO Bank	Unsubordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2012	4.04 percent per annum.
Total						<u>4,000</u>	<u>4,000</u>		

### 3.13.3 Bills of exchange

Bills of exchange bear fixed interest rates between 2.25 and 5.00 percent per annum and mature in 2009 and 2010.

The subsidiary company operating banking business has entered into interest rate swap agreements to swap the floating interest rate on Baht 745 million of bills of exchange for a fixed interest rate, as mentioned in Note 3.28.5 to the financial statements.

### 3.13.4 Promissory note

As of 31 December 2008, the subsidiary company operating banking business had an outstanding promissory note amounting to Baht 38 million, carrying interest at a fixed rate of 1% plus a reference rate specified in the contract that is calculated based on the SET50 Index, and maturing in 2009.

That subsidiary company enters into a call option agreement, under which rewards will be reference to SET50 Index. Therefore, the net return is equal to the issue of fixed effective return rate promissory note, as mentioned in Note 3.28.5 to the financial statements.

## 3.14 Other liabilities

	Consolidated financial statements		(Unit: Baht) Separate financial statements
	as at		as at
	31 December 2008	31 December 2007	31 December 2008
		(Before holding restructuring)	
Corporate income tax payable	42,246,528	220,096,941	-
Withholding income tax and other tax payable	166,999,229	162,259,377	600
Accrued insurance premium	634,126,924	631,030,922	-
Other liabilities	568,895,831	549,781,085	272,179,393
Total other liabilities	<u>1,412,268,512</u>	<u>1,563,168,325</u>	<u>272,179,993</u>

### 3.15 Warrants

Under the holding company restructuring plan, the Company received the transfer of 970,250 warrants to purchase preference shares from TISCO Bank. These warrants were allocated in the year 2004 and have an exercise price of Baht 21.88 per share, with the exercise period ending in August 2009.

### 3.16 Capital funds

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

Capital funds of the subsidiary company operating banking business are as follows:

	(Unit: Thousand Baht)	
	as at	
	31 December 2008	31 December 2007
<u>Tier I</u>		
Issued and fully paid up share capital	7,281,523	7,273,925
Premium on share capital	130,451	121,425
Statutory reserve	486,800	422,100
Retained earnings - unappropriated	2,491,136	2,251,422
Total Tier I	<u>10,389,910</u>	<u>10,068,872</u>
<u>Tier II</u>		
Subordinated debentures	66,200	132,400
Reserve for loans classified as pass	380,640	159,503
Surplus from revaluation of equity securities - available for sale	-	25,108
Total Tier II	<u>446,840</u>	<u>317,011</u>
Total capital fund	<u>10,836,750</u>	<u>10,385,883</u>

Capital ratios	as at			
	31 December 2008		31 December 2007	
	TISCO Bank	Requirement	TISCO Bank	Requirement
Tier I capital to risk assets	11.23%	4.25%	11.58%	4.25%
Total capital to risk assets	11.71%	8.50%	11.94%	8.50%

As at 31 December 2008, capital funds are calculated in accordance with the Bank of Thailand's Notification dated 27 November 2008 regarding governance of capital funds for commercial banks.

### 3.17 Surplus (deficit) on changes in the value of investments

(Unit: Baht)

	Consolidated financial statements	
	as at 31 December	
	2008	2007
		(Before holding restructuring)
Balance - beginning of year	756,633,812	608,259,541
Increase (decrease) from changes in the value of securities during the year	(1,252,962,617)	148,374,271
	(496,328,805)	756,633,812
Add (less): The effect of deferred tax assets / liabilities	97,337,009	(5,494,660)
Balance - end of year	(398,991,796)	751,139,152

### 3.18 Gain (loss) on investments

(Unit: Baht)

	Consolidated financial statements	
	for the years ended	
	31 December	
	2008	2007
		(Before holding restructuring)
Unrealised gain (loss) on investments	(134,181,316)	13,660,324
Realised gain (loss) on investments	(84,208,100)	362,427,058
Total	(218,389,416)	376,087,382

### 3.19 Gain (loss) from trading derivatives

(Unit: Baht)

	Consolidated financial statements	
	for the years ended	
	31 December	
	2008	2007
		(Before holding restructuring)
Unrealised gain on derivatives (reversal)	(12,000,000)	12,000,000
Realised gain on derivatives trading	7,780,700	10,143,500
Total	<u>(4,219,300)</u>	<u>22,143,500</u>

### 3.20 Other income

(Unit: Baht)

	Consolidated financial statements		Separate financial
	for the years ended		statements
	31 December		for the period as from
	2008	2007	22 August 2008 to
		(Before holding restructuring)	31 December 2008
Penalty fee income from loans	142,119,030	114,433,037	-
Gains on disposal of property foreclosed	34,371,263	9,162,537	-
Rental income	21,617,538	13,839,647	-
Others	209,439,116	88,596,657	-
Total	<u>407,546,947</u>	<u>226,031,878</u>	<u>-</u>

### 3.21 Other expenses

	Consolidated financial statements		(Unit: Baht)
	for the years ended		Separate financial
	31 December		statements
	2008	2007	for the period as from
			22 August 2008 to
			31 December 2008
		(Before holding	
		restructuring)	
Contributions to the Financial Institutions Development Fund / Deposit Protection Agency	170,932,163	166,387,832	-
Allowance for impairment of property foreclosed	14,953,680	9,055,388	-
Mailing expenses	36,766,901	32,556,178	-
Loan losses from court - ordered executions	29,288,877	22,671,226	-
Transportation expenses	71,294,286	60,893,442	-
Advertising and promotion expenses	38,066,651	19,617,173	-
Others	149,841,382	151,586,781	250,160
Total	511,143,940	462,768,020	250,160

### 3.22 Corporate income tax

	Consolidated financial statements		(Unit: Baht)
	for the years ended		
	31 December		
	2008	2007	
			(Before holding
			restructuring)
Income tax payable on taxable profit for the year	237,271,794	496,370,226	
Add (less): Net decrease (increase) in deferred tax on temporary differences	114,273,032	141,213,278	
Adjustment in respect of current income tax of prior year	9,494,342	-	
Income tax expenses - net	361,039,168	637,583,504	

The temporary differences giving rise to the deferred tax assets and deferred tax liabilities arose from the following.

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		as at 31 December	
		2008	2007
			(Before holding restructuring)
Allowance for doubtful accounts (general reserve)		509,268	559,514
Allowance for doubtful accounts for VAT receivables		4,047	58,248
Allowance for impairment of investments		218,824	170,464
Allowance for impairment of property foreclosed		43,499	29,060
Non-accrual of interest income		689,976	757,760
Depreciation of assets		117,636	91,734
Financial leases		4,587	137,352
Revaluation deficit (surplus) on changes in the value of investments		325,994	(18,316)
Unrealised gain on derivatives		(866)	(12,000)
Deferred commissions and direct expenses of incurred at the initiation of hire purchase		(692,248)	(421,062)
Loss on disposal of property foreclosed		112,613	66,507
Deferred subsidised income		52,273	-
Others		4,669	2,547
		<u>1,390,272</u>	<u>1,421,808</u>
<b>Deferred tax assets (30%)</b>		<u>417,082</u>	<u>426,542</u>
Financial leases		91,183	-
Allowance for doubtful accounts		(3,060)	-
Loss carry forwards		(81,390)	-
Allowance for impairment of other assets		(900)	-
		<u>5,833</u>	<u>-</u>
<b>Deferred tax Liabilities (30%)</b>		<u>1,750</u>	<u>-</u>



### 3.23 Provident fund

	Consolidated financial statements	
	for the years ended	
	31 December	
	2008	2007
Amounts contributed to the provident fund (million Baht)	67	56

### 3.24 Earnings per share

The computation of basic and diluted earnings per share is listed below.

	Consolidated financial statements					
	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2008	2007	2008	2007	2008	2007
		(Before holding restructuring)		(Before holding restructuring)		(Before holding restructuring)
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
<b>Basic earnings per share</b>						
Net income attributable to equity holders of the parent	1,714,138	1,651,111				
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(183,401)	(184,568)				
	1,530,737	1,466,543	724,490	726,983	2.11	2.02
<b>Effect of dilutive potential ordinary shares</b>						
Warrants to purchase preferences shares	-	-	-	2,150		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion to ordinary shares	1,530,737	1,466,543	724,490	729,133	2.11	2.01

Separate financial statements		
For the period as from 22 August 2008 to 31 December 2008		
Net loss	Weighted average number of ordinary shares	Loss per share
Thousand Baht	Thousand shares	Baht
<b>Basic loss per share</b>		
Net loss attributable to equity holders of the parent	(3,820)	
Less: Dividend paid to preference shares in preference to the ordinary shares for the year	(183,401)	
	(187,221)	724,490
		(0.26)
<b>Effect of dilutive potential ordinary shares</b>		
Warrants to purchase preferences shares	-	-
<b>Diluted earnings per share</b>		
Net loss of ordinary shareholders assuming the conversion to ordinary shares	(187,221)	724,490
		(0.26)

Dividend paid to preference shares in preference to the ordinary shares for the years calculated from the rights and benefits that the holders of preference shares receive dividend for each of the year that the Company pays dividend prior to the holders of ordinary shares at the rate of Baht 1 per share on a time proportion basis. However, since 30 June 2009, the rights and benefits of the preference shareholders shall be equal to the holders of ordinary shares (as mentioned in Note 2.2 to the financial statements).

In calculating diluted earnings per share for the year ended 31 December 2008 the number of potential ordinary shares that the Company may have to issue for warrants to purchase preference share has not been taken into account, because exercise price of the warrants is higher than the fair value of the Company's preference shares.

The holding restructuring plan of TISCO Group is considered to be a business combination of entities under common control, treated as if it had been taken place at the beginning of the year. Therefore, the weighted average number of ordinary shares used in determining earning per share for the year ended 31 December 2008 in the consolidated financial statements and separate financial statements is calculated from the weighted average number of ordinary shares and preference shares of TISCO Bank in issue during the year, less the number of TISCO Bank shares that minority shareholders did not swap under the holding restructuring plan.

### 3.25 Related party transactions

(Unit: Thousand Baht)

	Balance - Beginning of the period	Increase	Decrease	Balance - end of the period
<b><u>Outstanding balance as at 31 December 2008</u></b>				
(Eliminate in consolidated financial statements)				
<b>Subsidiary companies</b>				
Interbank and money market items (assets):				
TISCO Bank Public Company Limited.	-	27,992	-	27,992
Interbank and money market items (liabilities):				
TISCO Bank Public Company Limited.	-	2,600,000	-	2,600,000
Other Liabilities:				
TISCO Leasing Company limited.	-	270,464	-	270,464

(Unit: Thousand Baht)

<u>Separate financial statements</u>	<u>Terms and pricing policy</u>
	(For the year 2008)

#### **Transactions occurred during the period as from**

#### **22 August 2008 to 31 December 2008**

(Eliminate in consolidated financial statement)

#### **Subsidiary company**

Interest expenses	712	With reference to the terms and prices offered to other customers
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Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
Loans	2,939	3,675

Besides the above transactions, the Company has additional related party transactions with its subsidiaries, which are presented in Note 4.3 to the financial statements.

Directors and management's remuneration

In 2008, the Company and its subsidiaries paid monthly remuneration, meeting allowances, salaries, provident fund contributions and bonuses to their directors and key managements totaling Baht 160 million (2007: Baht 168 million).

**3.26 Financial information by segment**

3.26.1 Financial information by business segment

(Unit: Million Baht)

	For the years ended 31 December									
	Bank		Securities		Other business		Elimination		Total	
	business/financial		business		business					
	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>	2008	2007 <sup>(1)</sup>
Net interest and dividend										
income after bad debt										
and doubtful accounts	3,889	3,067	62	75	-	1	(770)	(350)	3,181	2,793
Non-interest income	302	1,169	1,050	1,315	221	181	561	(221)	2,134	2,444
Non-interest expenses	(2,506)	(2,292)	(820)	(770)	(213)	(164)	305	278	(3,234)	(2,948)
Corporate income tax	(268)	(444)	(93)	(194)	-	-	-	-	(361)	(638)
Net income	<u>1,417</u>	<u>1,500</u>	<u>199</u>	<u>426</u>	<u>8</u>	<u>18</u>	<u>96</u>	<u>(293)</u>	<u>1,720</u>	<u>1,651</u>

<sup>(1)</sup> Before holding restructuring

(Unit: Million Baht)

As at 31 December

	Bank		Securities business		Other business		Elimination		Total	
	business/financial									
	service business		2008	2007 <sup>(f)</sup>	2008	2007 <sup>(f)</sup>	2008	2007 <sup>(f)</sup>	2008	2007 <sup>(f)</sup>
Investments	4,506	7,571	1,002	1,245	15,298	1	(15,451)	(3,036)	5,355	5,781
Loans, receivables and accrued										
interest receivable - net	103,997	83,774	666	1,420	-	-	(2,604)	(18)	102,059	85,176
Other assets	17,683	7,323	1,003	1,323	857	39	(784)	(689)	18,059	7,996
Total assets	126,186	98,668	2,671	3,988	16,155	40	(18,839)	(3,743)	126,173	98,953

<sup>(f)</sup> Before holding restructuring

### 3.26.2 Significant financial positions and operating results by domestic and foreign activities

#### 3.26.2.1 Financial position by activity

(Unit: Million Baht)

	As at							
	31 December 2008				31 December 2007			
	Domestic	Foreign	Elimination	Total	(Before holding restructuring)			
				Domestic	Foreign	Elimination	Total	
Total assets	144,898	114	(18,839)	126,173	102,508	188	(3,743)	98,953
Interbank and money								
market items (assets)	13,747	78	(234)	13,591	1,626	119	(695)	1,050
Loans, receivables and								
accrued interest								
receivable - net	104,663	-	(2,604)	102,059	85,171	23	(18)	85,176
Investments	20,806	-	(15,451)	5,355	8,817	-	(3,036)	5,781
Deposits in Baht	58,876	-	(53)	58,823	35,729	-	(15)	35,714
Interbank and money								
market items (liabilities)	8,484	-	(2,756)	5,728	6,502	-	(650)	5,852
Borrowings	46,696	-	(28)	46,668	40,780	-	(30)	40,750
Commitments	6,295	-	-	6,295	3,501	-	-	3,501

### 3.26.2.2 Operating results by activity

(Unit: Million Baht)

	For the years ended 31 December							
	2008				2007			
	Domestic	Foreign	Elimination	Total	(Before holding restructuring)			
	Domestic	Foreign	Elimination	Total	Domestic	Foreign	Elimination	Total
Net interest and dividend income after bad debt and doubtful accounts	3,950	1	(770)	3,181	3,140	3	(350)	2,793
Non - interest income	1,572	1	561	2,134	2,656	9	(221)	2,444
Non - interest expenses	(3,514)	(25)	305	(3,234)	(3,199)	(27)	278	(2,948)
Corporate income tax	(361)	-	-	(361)	(635)	(3)	-	(638)
Net income	<u>1,647</u>	<u>(23)</u>	<u>96</u>	<u>1,720</u>	<u>1,962</u>	<u>(18)</u>	<u>(293)</u>	<u>1,651</u>

### 3.27 Commitments and contingent liabilities

#### 3.27.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at	
	31 December 2008	31 December 2007
		(Before holding restructuring)
Avals	70,697	51,925
Guarantees of loans	984,125	886,889
Obligations covering principal under interest rate swap agreements (Note 3.28.5)	2,297,717	2,495,000
Obligations covering principal under call option agreements (Note 3.28.5)	15,960	15,960
SET50 Index Futures contracts	-	51,400
Obligations for cross currency swap agreements (Note 3.28.5)	4,179,690	-
	<u>7,548,189</u>	<u>3,501,174</u>

### 3.27.2 Litigation

As at 31 December 2008, the Company and its subsidiaries have been sued for compensation totaling approximately Baht 147 million. Final judgments have not yet been reached in respect of these cases.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 211 million as at 31 December 2008). However, suit has not been filed with a court in respect of this claim.

The management of the Company and its subsidiaries believe that neither the Company nor the subsidiaries will suffer material loss as a result of the above mentioned lawsuits and request for damages.

### 3.27.3 Other commitments

- a) The subsidiary company operating banking business has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The subsidiary companies have entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally between 3 and 10 years.

As at 31 December 2008, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	<u>Million Baht</u>
Payable within:	
Less than 1 year	56
1 to 5 years	86
More than 5 years	15

- c) The subsidiary company operating banking business has outstanding capital commitments of approximately Baht 34 million in respect of the office improvements and installment of computer systems.

## **3.28 Financial instruments**

### **3.28.1 Credit risk**

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

TISCO Group is exposed to credit risk primarily with respect to loans and receivables and guarantees of loans and others.

TISCO Group has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Company and its subsidiaries (“the Group”) manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Group has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. They have also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Group therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Group is not exposed to concentrations of credit risk because they have a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the balance sheets.



Quality of risk from provision of hire purchase receivables by a subsidiary operating a 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 as at 31 December 2008 is as follow:

	(Unit: Million Baht)
Neither past due nor impaired	
Very high grade	53,755
High grade	16,642
Medium grade	2,462
Sub total	<u>72,859</u>
Hire purchase receivable - overdue 31 - 90 days	6,375
Hire purchase receivable - overdue more than 90 days	1,497
Total	<u><u>80,731</u></u>

### 3.28.2 Market risk

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

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

### 3.28.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position at the balance sheet date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of TISCO potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

	(Unit: Million Baht)	
	Value at Risk	
	<u>2008</u>	<u>2007</u>
Marketable financial assets		
Equity securities	581	1,310
Debts securities	6	18
Derivatives	-	28
Foreign currencies	18	44

### 3.28.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the balance sheet date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

	(Unit: Million Baht)	
	Increase (Decrease) in sensitivity of net interest income	
	<u>2008</u>	<u>2007</u>
Change in interest rate		
Increase 1 percent	(241.15)	(256.08)
Decrease 1 percent	241.15	256.08

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual, the interest rate sensitivity is estimated at 20% to 50% of the net interest income presented in the table above.

### 3.28.2.3 Interest rate risk

The Company and its subsidiaries have the following significant exposures to interest rate risk, relating to financial instruments.

(Unit: Million Baht)

		Consolidated financial statements as at 31 December 2008			
		Outstanding balances of financial instruments			
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Without interest	Total	
<b><u>Financial assets</u></b>					
Cash	-	-	596	596	
Interbank and money market items	65	13,482	44	13,591	
Investment - net	200	3,665	1,490	5,355	
Loans and receivables	10,382	92,471	1,061	103,914	
	<u>10,647</u>	<u>109,618</u>	<u>3,191</u>	<u>123,456</u>	
<b><u>Financial liabilities</u></b>					
Deposits	11,466	47,268	89	58,823	
Interbank and money market items	1,282	4,446	-	5,728	
Liabilities payable on demand	-	-	497	497	
Borrowings	-	46,668	-	46,668	
Payable to clearing house	-	-	339	339	
Securities and derivative business payables	3	-	289	292	
	<u>12,751</u>	<u>98,382</u>	<u>1,214</u>	<u>112,347</u>	

(Unit: Million Baht)

## Consolidated financial statements

as at 31 December 2007

(Before holding restructuring)

## Outstanding balances of financial instruments

<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Without interest</u>	<u>Total</u>
<b><u>Financial assets</u></b>				
Cash	-	-	440	440
Interbank and money market items	242	89	719	1,050
Securities purchased under resale agreements	-	2,400	-	2,400
Investment - net	201	2,271	3,309	5,781
Receivable from clearing house	-	6	23	29
Loans and receivables	9,379	76,190	2,413	87,982
	<u>9,822</u>	<u>80,956</u>	<u>6,904</u>	<u>97,682</u>
<b><u>Financial liabilities</u></b>				
Deposits	4,259	31,352	103	35,714
Interbank and money market items	48	5,804	-	5,852
Liabilities payable on demand	-	-	475	475
Borrowings	-	40,750	-	40,750
Payable to clearing house	-	-	577	577
Securities and derivative business payables	3	-	863	866
	<u>4,310</u>	<u>77,906</u>	<u>2,018</u>	<u>84,234</u>

(Unit: Million Baht)

## Separate financial statements

as at 31 December 2008

## Outstanding balances of financial instruments

<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Without interest</u>	<u>Total</u>
<b><u>Financial assets</u></b>				
Interbank and money market items	28	-	-	28
Investment - net	-	-	15,297	15,297
	<u>28</u>	<u>-</u>	<u>15,297</u>	<u>15,325</u>
<b><u>Financial liabilities</u></b>				
Interbank and money market items	-	2,600	-	2,600
	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	37	13,445	-	-	-	13,482	2.7120
Investment - net	39	2,120	813	692	1	3,665	5.8187
Loans and receivables	1,354	9,741	21,143	58,665	1,568	92,471	8.1340
	<u>1,430</u>	<u>25,306</u>	<u>21,956</u>	<u>59,357</u>	<u>1,569</u>	<u>109,618</u>	
<b>Financial liabilities</b>							
Deposits	2,485	30,060	12,820	1,825	78	47,268	3.3823
Interbank and money market items	698	1,169	1,269	1,310	-	4,446	4.0707
Borrowings	3,358	31,232	7,103	4,974	1	46,668	3.7834
	<u>6,541</u>	<u>62,461</u>	<u>21,192</u>	<u>8,109</u>	<u>79</u>	<u>98,382</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2007							
(Before holding restructuring)							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	13	76	-	-	-	89	3.1850
Securities purchased under resale agreements	-	2,400	-	-	-	2,400	3.2005
Investment - net	18	126	1,038	1,089	-	2,271	4.4938
Receivable from clearing house	-	6	-	-	-	6	3.0000
Loans and receivables	1,674	8,813	21,970	43,683	50	76,190	8.5683
	<u>1,705</u>	<u>11,421</u>	<u>23,008</u>	<u>44,772</u>	<u>50</u>	<u>80,956</u>	
<b>Financial liabilities</b>							
Deposits	475	15,589	12,473	2,815	-	31,352	3.3378
Interbank and money market items	695	2,301	560	2,248	-	5,804	3.9473
Borrowings	4,351	25,010	3,384	8,005	-	40,750	3.5637
	<u>5,521</u>	<u>42,900</u>	<u>16,417</u>	<u>13,068</u>	<u>-</u>	<u>77,906</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2008							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial liabilities</b>							
Interbank and money market items	2,600	-	-	-	-	2,600	5.0000
	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>	

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

### 3.28.3 Liquidity risk

Counting from the balance sheet date, as at 31 December 2008 and 2007, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2008

<u>Transactions</u>	<u>At call</u>	<u>0 – 3 Months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>	<u>Unspecified</u>	<u>Non performing loans</u>	<u>Total</u>
<b><u>Financial assets</u></b>								
Cash	596	-	-	-	-	-	-	596
Interbank and money market items	146	13,445	-	-	-	-	-	13,591
Investments - net	678	2,120	843	862	1	851	-	5,355
Loans and receivables	263	10,492	23,071	63,306	3,130	-	3,652	103,914
	<u>1,683</u>	<u>26,057</u>	<u>23,914</u>	<u>64,168</u>	<u>3,131</u>	<u>851</u>	<u>3,652</u>	<u>123,456</u>
<b><u>Financial liabilities</u></b>								
Deposits	14,040	30,060	12,820	1,825	78	-	-	58,823
Interbank and money market items	728	1,169	1,938	1,893	-	-	-	5,728
Liabilities payable on demand	497	-	-	-	-	-	-	497
Borrowings	3,358	31,232	7,103	4,974	1	-	-	46,668
Payable to clearing house	-	339	-	-	-	-	-	339
Securities and derivative business payables	3	289	-	-	-	-	-	292
	<u>18,626</u>	<u>63,089</u>	<u>21,861</u>	<u>8,692</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>112,347</u>
<b><u>Off-balance sheet items</u></b>								
Aval to bills and guarantees of loans	-	13	46	12	-	-	-	71
Other commitments	28	4,587	1,180	1,263	-	419	-	7,477

(Unit: Million Baht)

## Consolidated financial statements as at 31 December 2007

Transactions	(Before holding restructuring)						Non	Total
	At call	0 – 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing loans	
<b>Financial assets</b>								
Cash	440	-	-	-	-	-	-	440
Interbank and money market items	974	76	-	-	-	-	-	1,050
Securities purchased under resale agreements	-	2,400	-	-	-	-	-	2,400
Investments – net	753	126	1,088	1,290	-	2,524	-	5,781
Receivable from clearing house	-	29	-	-	-	-	-	29
Loans and receivables	1,251	10,525	22,945	47,601	2,208	-	3,452	87,982
	<u>3,418</u>	<u>13,156</u>	<u>24,033</u>	<u>48,891</u>	<u>2,208</u>	<u>2,524</u>	<u>3,452</u>	<u>97,682</u>
<b>Financial liabilities</b>								
Deposits	4,837	15,589	12,473	2,815	-	-	-	35,714
Interbank and money market items	743	2,301	560	2,248	-	-	-	5,852
Liabilities payable on demand	475	-	-	-	-	-	-	475
Borrowings	4,351	25,010	3,384	8,005	-	-	-	40,750
Payable to clearing house	-	577	-	-	-	-	-	577
Securities and derivative business payables	3	829	34	-	-	-	-	866
	<u>10,409</u>	<u>44,306</u>	<u>16,451</u>	<u>13,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,234</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	40	12	-	-	-	-	52
Other commitments	27	1,052	855	1,129	-	386	-	3,449

(Unit: Million Baht)

## Separate financial statements as at 31 December 2008

Transactions							Non	Total
	At call	0 – 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing Loans	
<b>Financial assets</b>								
Interbank and money market items	28	-	-	-	-	-	-	28
Investments - net	-	-	-	-	-	15,297	-	15,297
	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,297</u>	<u>-</u>	<u>15,325</u>
<b>Financial liabilities</b>								
Interbank and money market items	2,600	-	-	-	-	-	-	2,600
	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>

### 3.28.4 Foreign exchange risk

As at 31 December 2008, the Company and its subsidiaries had the following significant financial instruments in foreign currencies.

- a) Investment in the subsidiaries indirectly owned by the Company amounting to HKD 35 million (under the cost method equivalent to Baht 133 million).
- b) Investment in foreign debt securities amounting to KRW 59,946 million (amortised cost amounting to Baht 1,870 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.28.5 c) to the financial statements.

### 3.28.5 Derivatives

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

As at 31 December 2008, the subsidiaries have the following financial derivative instruments.

- a) 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 liabilities. The subsidiary has signed contracts to pay interest at a fixed rate and receive interest at a floating rate, as follow.

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2009	365	(2)
2010	380	(13)
2012	300	13

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

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2013	1,253	(54)



b) Call option agreement

The subsidiary operating banking business entered into a call option contract, under which returns are linked to the SET50 Index, and the option can only be exercised at the maturity date (European-style). The contract is intended to hedge the risk associated with the promissory note mentioned in Note 3.13.4 to the financial statements.

(Unit: Million Baht)

Maturity	Notional amount	Fair value gain (loss)
2009	16	1

c) Cross currency swap agreement

The subsidiary operating banking business entered into six cross currency swap contracts to manage risk associated with investments in foreign debt securities, as follow.

Maturity	Number of contracts	Notional amount (Million Baht)	Fair value gain (loss) (Million Baht)
February 2009	2	1,384	60
February 2009	2	1,412	79
March 2009	2	1,384	60

### 3.28.6 Fair value of financial instruments

As at 31 December 2008, the fair values of significant financial instruments of the Company and its subsidiaries, as presented below.

<u>Transactions</u>	(Unit: Million Baht)	
	<u>Book Value</u>	<u>Fair Value</u>
<b><u>Financial assets</u></b>		
Interbank and money market items	13,591	13,591
Investments - net	5,355	5,355
Loans and receivables	102,059	102,806
<b><u>Financial liabilities</u></b>		
Deposits	58,823	58,823
Interbank and money market items	5,728	5,728
Liabilities payable on demand	497	497
Borrowings	46,668	46,642
Payable to clearing house	339	339
Securities and derivative business payables	292	292

In determining the fair value of financial instruments, the estimated fair value will be adjusted by reserve with respective risk. The book value of financial instruments is the net value, after adjusting for loan loss reserve.

#### **4. Significant events during the year and other information**

##### **4.1 Holding restructuring**

a) On 2 September 2008, the following resolutions were passed by the Extraordinary General Meeting No.1/2008 of the shareholders.

- 1) Approve the plan to restructure shareholding into a holding company structure, whereby the Company is to make a tender offer for all shares (ordinary shares, preference shares and warrants) of TISCO Bank, in exchange for its newly issued shares. After the completion of the tender offer, the Company will have more than 75 percents of shares and the Company will purchase all shares of its subsidiaries (except those companies in the process of dissolution or liquidation) from TISCO Bank, together with the investments and other assets as defined in holding restructuring plan.

Meanwhile, the Company's ordinary and preference shares will be listed on the Stock Exchange of Thailand in place of the ordinary and preference shares of TISCO Bank, which will simultaneously be delisted from the Stock Exchange of Thailand.

- 2) Approve an increase in the registered share capital, and the issue and offer of warrants to purchase the Company's preference shares, as follows:
  - Increase registered share capital from Baht 10,000 (1,000 ordinary shares of Baht 10 each) to Baht 11,002,010,000 (544,652,820 ordinary shares and 555,548,180 preference shares, both with a par value of Baht 10 each).
  - Allot the new 729,122,500 ordinary shares and 184,470,680 preference shares to shareholders of TISCO Bank, with the shares of TISCO Bank to be transferred in settlement in a ratio of 1:1.
  - Issue and allot up to 970,250 warrants to purchase the preference shares of the Company (at an exercise price of Baht 21.88 each), exercisable under stipulated conditions and maturing on 30 August 2009, for exchange with the warrants to purchase preference shares of TISCO Bank belonging to warrant holders receiving warrant allocation from TISCO Bank in 2004.

- 3) Approve a reduction in share capital, by reducing initial share capital of Baht 10,000 (1,000 ordinary shares), in order to prevent crossholding after the completion of the TISCO Group shareholding restructuring plan.
- b) On 4 September 2008, the Company registered the above increase in registered share capital of Baht 11,022,000,000 (544,651,820 ordinary shares and 555,548,180 preference share, both with a par value of Baht 10 each) with the Ministry of Commerce, in order to support the future conversion of shares and warrants to purchase preference shares from shareholders of TISCO Bank Public Company Limited.
- c) On 13 November 2008, the holding company restructuring plan was approved by the Bank of Thailand.
- d) The Company made a tender offer for all shares (ordinary shares, preference shares and warrants to purchase preference shares) of TISCO Bank, where by the Company would issue its shares to those TISCO Bank shareholders who had expressed an intention to sell their shares, with a swap ratio of 1 : 1. The terms of the shares are the same as those of the original TISCO Bank shares. The prices for the share swap were calculated from the average market price of TISCO Bank shares, which were equal to Baht 18.10 for ordinary share and Baht 18.80 for preference share. The offer period was from 1 December 2008 to 9 January 2009.
- e) On 9 January 2009, the Company reported that it held 541,179,179 ordinary shares, 183,427,226 preference shares and 970,250 warrants, representing 99.51% shareholding in TISCO Bank. On 13 January 2009, the Company registered a paid-up share capital of Baht 7,246,064,050 (541,179,179 ordinary shares and 183,427,226 preference shares, both with a par value of Baht 10 each) with the Ministry of Commerce. In addition, on 16 January 2009 the Company registered the decrease in its initial capital of Baht 10,000 (1,000 shares with a par value of Baht 10 each) with the Ministry of Commerce in order to prevent crossholding after the completion of the shareholding restructuring of TISCO Group.
- f) On 15 January 2009, TISCO Bank delisted its shares from the Stock Exchange of Thailand in accordance with the the Group shareholding restructuring plan, and the shares of TISCO Financial Group Public Company Limited were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

- g) Due to the completion of the Group shareholding restructuring plan in accordance with the criteria approved by the regulators, the Company had recognised investment in TISCO Bank totaling Baht 13,244 million as at 31 December 2008, proportionate to the 99.51% shareholding that the Company acquired under the plan. The Company prepared consolidated financial statements as at 31 December 2008 that include the financial statements of TISCO Bank and its subsidiaries under common control, as if the implementation of the holding restructuring plan in compliance with the criteria approved by regulators had been completed in 2008, in order to reflect in substance the holding restructuring and to benefit users of the financial statements as the basis of preparation mentioned in Note 1.2 to the financial statements.

#### 4.2 Dividend payment of the subsidiary operating banking business

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	payment
		Baht per share	Baht per share	Million Baht	period
Dividend for the year 2007	The 2007 Annual General Meeting of the Shareholders on 20 April 2007	3.00	2.00	1,633	May 2007
Dividend for the year 2008	The 2008 Annual General Meeting of the Shareholders on 25 April 2008	2.80	1.80	1,490	May 2008

#### 4.3 Related party transactions

Besides the related party transactions as described in Note 3.25 to the financial statements, during the year, there are related party transactions with its related companies under TISCO Group, as presented below. Gain or loss occurred from the related party transactions of TISCO Group was eliminated from the consolidated financial statements.

- a) On 31 July 2008, TISCO Bank entered into an assignment agreement to claim against hire purchase receivables of TISCO Bank's subsidiary, TISCO Leasing Company Limited, for a total consideration of approximately Baht 926 million. This was paid to the subsidiary on 4 August 2008. The transaction was approved by the Executive Board of Directors' Meeting No.6/2008 on 20 June 2008, gave rise to no profit or loss.

- b) On 30 September 2008, TISCO Bank entered into an assignment agreement to claim against lease receivables of TISCO Leasing Company Limited (TISCO Bank's subsidiary), for a total consideration of approximately Baht 256 million, paid on 7 October 2008. TISCO Leasing Company Limited recorded a gain from the sale of Baht 49 million.
- c) In November 2008, TISCO Bank sold its investments in listed securities to TISCO Securities Company Limited (a subsidiary) for a total of approximately Baht 480 million, and recorded losses from the sale of the investments of approximately Baht 981 million.
- d) To implement the holding restructuring plan of TISCO Group, the Company has the following significant related party transactions.
  - d.1) The Company borrowed Baht 2,600 million from TISCO Bank under a call promissory note carrying interest at a fixed rate of 5% per annum and maturing within 2009. As at 31 December 2008, the Company recorded this borrowing under "Interbank and money market items (liabilities)" in the balance sheet of the separate financial statement.
  - d.2) The Company bought investments in group subsidiaries from TISCO Bank in accordance with the holding restructuring plan, and has already paid the purchase price of approximately Baht 1,980 million. TISCO Bank recorded loss on the sale of these investments of approximately Baht 56 million.
  - d.3) The Company purchased a 19% holding in TISCO Tokyo Leasing Company Limited from TISCO Bank and has already paid the purchase price of approximately Baht 21 million. TISCO Bank recorded gain from the sale of this investment amounting to approximately Baht 19 million. The Company also bought shares in TISCO Tokyo Leasing Company Limited from other shareholders, amounting to a 30% stake and has already paid the Baht 52 million purchase price of these shares.

Therefore, the Company holds 49% of equity of TISCO Tokyo Leasing Company Limited and has management control by virtue of having more than half of the votes of the Board of Directors. The Company therefore has management control over this company and considers it as a subsidiary.

Fair values of net assets of TISCO Tokyo Leasing Company Limited as at the acquisition date (31 December 2008) are as follows:

	(Unit: Million Baht)
Interbank and money market items (assets) - deposits	12
Investment - net	46
Hire purchase and finance leases receivables - net	1,859
Other assets	62
Total asset	1,979
Interbank and money market items (liabilities) - loans from banks	1,810
Other liabilities	47
Total liabilities	1,857
Net assets	122
Net assets - attributable to the Company's 49% shareholding	60
Less: Acquisition cost paid to former shareholders	(52)
Cost value of TISCO Group's original shares	(2)
Excess of the Company's interest in the fair value of net assets and liabilities acquired over cost (recognised as other income in the consolidated income statement)	6

- d.4) The Company bought office condominium units, furniture and fixtures and office equipment from TISCO Bank, paying a total of approximately Baht 515 million (including VAT). TISCO Bank recorded gain from the sale of these assets amounting to approximately Baht 48 million.
- d.5) The Company bought office condominium units from TISCO Leasing Company Limited, and the agreed purchase price of approximately Baht 271 million is to be paid by the Company on 30 January 2009. TISCO Leasing Company Limited recorded gain from the sale of these assets amounting to approximately Baht 51 million.

#### **4.4 Significant events of subsidiaries**

##### **4.4.1 Capital returns from subsidiaries**

- During the second quarter of 2007, TISCO Bank received returns of capital from Thai Commercial Auto Company Limited (in the process of liquidation) and TISCO Group Company Limited (already liquidated and deregistration) totaling Baht 512.5 million.
- In March 2008, TISCO Bank received the return of capital amounting to Baht 1.4 million from TISCO Group Company Limited.
- In October 2008, TISCO Bank received a return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 666 million as mentioned in Note 4.4.2 a) to the financial statements.
- In January 2009, TISCO Bank received the return of capital from the reduction of registered share capital of TISCO Leasing Company Limited amounting to Baht 168 million, as mentioned in Note 4.4.2 b) to the financial statements.

##### **4.4.2 Reduction of a subsidiary's registered share capital**

- a) A special resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.5/2008, on 5 September 2008, approved a decrease in that company's registered share capital from Baht 890 million (8,900,000 ordinary shares of Baht 100 each) to Baht 224 million (2,240,000 ordinary shares of Baht 100 each). On 10 October 2008, the company registered the decrease in its registered share capital with the Ministry of Commerce.
- b) A special resolution passed by the Extraordinary General Meeting of the Shareholders of TISCO Leasing Company Limited No.6/2008, on 31 October 2008, approved a decrease in that company's registered share capital from Baht 224 million (2,240,000 ordinary shares of Baht 100 each) to Baht 56 million (560,000 ordinary shares of Baht 100 each). On 24 December 2008, the company registered the decrease in its registered share capital with the Ministry of Commerce.



#### **4.5. Economic crisis**

The financial crisis experienced by the United States over the past year has had far reaching adverse effect on the global economy and may effect economic and operating results of Thailand enterprises. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to its normalcy. These financial statements have been prepared on the bases of facts currently known to the Company and its subsidiaries, and on estimates and assumptions currently considered appropriate, which may change due to future uncertainties.

#### **5. Approval of financial statements**

These financial statements were approved by the Company's Audit Committee on 6 February 2009.