

ANNUAL REPORT 2011



WEALTH OF POSSIBILITIES

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Report from the Board of Directors

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

Amidst various economic and societal turmoil, TISCO managed to sustain a strong operating performance with reported profit of 3,267 million Baht for the year 2011, up by 13.1% from the previous year. The asset base of TISCO Group strongly surpassed 220 billion Baht following continued loan growth despite intense competitions in several core businesses. The growth was partly contributed by completion of TISCO business platform integration, which successfully promoted cross selling among all subsidiaries in the group. It was also due to adoption of the right focused strategies to leverage on group strengths and penetrate into new markets. With strengthening market position, TISCO continued to outperform several leading indicators versus industry peers, with a second consecutive year of Return on Equity (ROE) exceeding 20% and the lowest NPL ratio in the banking industry.

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

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

Year 2011 was the year TISCO 4-pillar business groups fully operated with integrated business platform that maximized synergies from resources within the group. This has been demonstrated in successful achievements of key milestones across all the business groups that can be elaborated.

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

Riding the continued investment cycle in Thailand, the **Corporate Banking** group enjoyed another year of exceptionally strong growth in 2011, with portfolio grew sharply by 44%, following a broader coverage of our expanded exposures in various industries ranging from industrial manufacturing, power & energy, logistics & transportation, to property & real estate. Broad base expansion not only shows TISCO increasing client base, but also reflects good business and risk diversification of exposures into several business sectors. The success of Corporate Banking business can be thanked to our strong committed highly-professional team, who strive to deliver the best solutions to our clients.

The **Wealth & Asset Management** business continues to provide full-service to our high-networth wealth clients with emphasis on quality financial advice and services. Although competition was intense, TISCO Wealth thrived through the year by offerings of various attractive investment and saving products combining with quality services, and managed to grow the wealth portfolio by almost 40%. With a strict application of fiduciary role to our clients, TISCO successfully sustained top-tier position in asset management business, ranking 2nd and 3rd in private fund and provident fund, respectively. In addition, TISCO finished the year with "Best Securities Company Award" from SET Awards 2011, reflecting the broad coverage, reliable, and timely research to support retail and institutional clients.

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

To reemphasize clients' focus on our core value, TISCO has introduced the branding essence of "Wealth of Possibilities", which represents the promise to provide a wealth of possibilities to clients for the realization of their goals by helping them define, create, and achieve their own wealth. The revisited new brand concept also shapes TISCO business focus to fulfill our corporate vision. Extensive internal and external communication programs have been initiated and will be carried out as going concerns, to promote

strong brand recognition, and strengthen TISCO's market presence as a House of Financial Expertise that draws a clear destination for individuals or corporate seeking for definite financial solution.

Our corporate social responsibility policy in 2011 placed great emphasis on creating an engagement with all stakeholders under the concept of TISCO's Environmental Social and Governance (ESG), to continue social activities, environmental programs, cultural supports, and quality improvement projects for the unprivileged through TISCO long standing "Volunteer Spirit". All activities have been carried out under both normal circumstances and disaster crisis. During the flood crisis, TISCO not only provided an emergency assistance to all parties concerned, but also implemented post-flood rehabilitation programs to help restore damaged schools and provide flood-relief funds for those who have lost their jobs. In addition, TISCO will establish financial guidance program for those who are at their beginnings to promote social awareness on the importance of saving and financial planning. The educational programs will be delivered by TISCO volunteer team who possess extensive practical knowledge on selected subjects.

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

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

Board of Directors

Part 1**The Company****1. General Information**

Company Name	:	TISCO Financial Group Public Company Limited (hereafter "Company" or "the Company")
Type of Business	:	Holding Company
Address	:	21 st Fl., TISCO Tower 48/49, North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	:	0107551000223
Total registered capital	:	11,002,000,000 Baht
Paid-up Capital	:	7,279,120,860 Baht comprised of 727,878,228 common shares and 33,858 preferred shares, both with par value of 10 Baht per share.
Home Page	:	www.tisco.co.th
Telephone	:	(66) 2633 6888
Fax	:	(66) 2633 6880
Reference:		
Share Registrar	:	Thailand Securities Depository Co., Ltd. Capital Market Academy Building, 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road Tung Song Hong, Laksi, Bangkok 10210 Tel. 0 2596 9000 Fax. 0 2832 4994-6
Auditor	:	Ms. Ratana Jala Certified Public Accountant (Thailand) Registration No.3734 Ernst & Young Office Limited 33 rd Fl., Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90

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

Company/Head office's Address	Type of Business	Type of shares	Issued and paid-up shares	Shareholding by the Company	
				Amount of shares held ¹	Percentage of ownership (%)
TISCO Bank Public Company Limited ² 48/2, TISCO Tower, 1 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 Fax. 0 2633 6800	Commercial Bank	Common	728,152,146	728,032,730	99.98
		Preferred	104	-	
		Total	728,152,250	728,032,730	
Hi-Way Company Limited 2046/16 New Petchaburi Road, Bangkapi, Huankwang, Bangkok 10310 Tel. 0 2319 1717 Fax. 0 2314 5095	Hire Purchase and Leasing	Common	994,500	994,496	100.0
		Preferred	5,500	5,500	
		Total	1,000,000	999,996	
TISCO Securities Company Limited 48/8, TISCO Tower, 4 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6616 Fax. 0 2633 6400	Securities	Common	100,000,000	99,999,993	100.0
TISCO Asset Management Company Limited 48/16-17, TISCO Tower, 9 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7777 Fax. 0 2633 7300	Asset Management	Common	1,000,000	999,994	100.0
TISCO Information Technology Company Limited 48/12, TISCO Tower, 6 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7766 Fax. 0 2633 7600	Service Support	Common	200,000	199,994	100.00
TISCO Tokyo Leasing Company Limited 48/44, TISCO Tower 19 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2638 0900 Fax. 0 2638 0913	Hire Purchase and Leasing	Common	60,000	29,400	49.0
Primus Leasing Company Limited 48/49, TISCO Tower, 21 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7766 Fax. 0 2633 7600	Hire Purchase and Leasing (Ceased business operation and currently in process of liquidation)	Common	30,000	29,998	100.0
TISCO Leasing Company Limited 48/12, TISCO Tower 6 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6203 Fax. 0 2633 6220	Hire Purchase and Leasing	Common	1,000,000	999,965	100.0
TISCO Learning Center Company Limited 48/20, TISCO Tower, 12 th Fl. Zone A, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 Fax. 0 2633 6880	Service Support	Common	50,000	49,997	100.0

¹ As of January 1, 2012² Core company of TISCO Group

In addition, TISCO Bank Plc., a core company of TISCO Group, held 10% of issued shares in other companies, all of them are non-listed companies. The investment in such companies is classified as general investment. Details of shareholding in such companies are shown in notes to financial statement item 5.4.3

2. Risk Factors

Overview of Risk Management

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

Risk Management Policy

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

1. Consolidated and centralized risk management
Risk management infrastructure is centralized by consolidating risk exposure from all subsidiaries under the Company through careful risk assessment and the establishment of appropriate risk guidelines and procedures.
2. Business line accountability, independent risk oversight
Each business line is accountable for managing its own risks in the best interests of TISCO Group while complying with risk management policies, guidelines, and procedures. Independent risk oversight and check-and-balance system have been established to ensure that risks are adequately monitored and controlled.
3. Comprehensive risk assessment
Risk assessment is performed comprehensively in all key activities. Risk assessment methodologies may range from basic approaches such as expert judgments to more advanced approaches such as quantitative and statistical analysis, depending on the size and complexity of the risks involved. These assessments are in turn supplemented by fundamental risk analysis and stress testing of extreme risk events.
4. Capital management based on standardized risk tools
Capital represents the ultimate interests of the shareholders. All risk exposures are quantified into a standardized risk measure called Risk Capital based on Value-at-Risk (VaR) concept which can relate risks to the amount of capital required to protect against them according to predefined risk limits. The process of risk assessment under Risk Capital is considered as part of Internal Capital Adequacy Assessment Process (ICAAP) of TISCO. Risk capital enables management and business line managers to understand the level of risks being taken in a meaningful manner. Risks from different levels are integrated to produce an overall risk picture of the Group, which is used for capital adequacy planning and strategic capital allocation both at the corporate and business unit level.
5. Risk Tolerance Level and Capital Allocation
The total risk capital shall not be in excess of available capital fund of the Group where qualitative risk tolerance level shall be applied for non-capital based assessment. Risk Capital shall determine the economic capital adequacy of TISCO, which the available capital is also allocated to the business and operating units such that the capital adequacies to undertaken risk are ensured both at the corporate- and business-unit-level.
6. Adequate return for risk and risk-adjusted performance management
To promote shareholder value creation, risk components are incorporated into business performance measurements with the objective of maximizing risk-adjusted returns for shareholders. Product pricing takes into account varying risks to ensure overall profitability. Business expansion is advocated in the areas where marginal risk-adjusted returns are in excess of the marginal risks.
7. Portfolio management, diversification and hedging
Risk diversification is a key risk management principle in all business activities. Diversification is considered and adopted by management and business line managers both at the portfolio and transaction levels as an effective approach to reducing the aggregate level of risks in accordance with certain guidelines and limits.
8. Strong Risk Awareness Culture
Awareness and understanding of risks and risk management are important for the accountability of risk management. Business heads are expected to have a high degree of awareness and understanding of the risks in their accountable areas and how they contribute to the overall risk of the corporate as a whole.

9. Effective Risk Modeling and Validation

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

10. Regulatory best practice

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

11. New Business or Product

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

12. Related Party Transaction

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

13. Stress Testing

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

Risk Management Framework

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

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

- Board of Directors

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

- Board of Directors of Subsidiaries

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

- Risk Management Committee

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

- Specific-Area Risk Authorities

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

Risk Types

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

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

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

2.1 Credit Risk

Credit Risk is defined as the possibility of an obligor's failure to meet the terms of any contract with TISCO 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.

2.1.1 Default Risk

Default risk occurs from lower credit quality. As of December 31, 2011, NPL ratio of TISCO Group decreased from 1.8% at the end of 2010 to 1.4% mainly due to prudently managed non-performing loans (NPLs) including advanced risk management tools and stringent practice of loan collection, debt restructuring and write-off process. Additionally, NPL ratio of retail loan increased from 1.4% at the end of 2010 to 1.5% at the end of 2011, where NPL ratio of corporate loan fall to 1.2% compared to 2.4% at the end of 2010. Total NPLs was 2,611.73 million baht which decreased by 1.6% or 42.35 million baht during the period. NPLs of the Bank were 2,215.13 million baht and there was NPLs of 396.60 million baht from other subsidiaries.

The nationwide flood during the last quarter of 2011 has affected client's ability to repay, especially for retail clients in which the NPL ratio of retail loan rose from 1.1% in the third quarter to 1.5% in the end of 2011.

TISCO Group has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel II framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based on historical loss data incorporating with adjustment for the recent market situation. However in 2011, TISCO Group has utilized portion of general reserve to compensate for the effects of flooding and potential losses in the future.

Meanwhile, as of December 31, 2011, loan loss reserve of TISCO Group was 4,420.35 million baht or 169.2% of NPLs. Furthermore, total loan loss reserve of the Bank was 4,098.96 million baht. In addition, as of December 31, 2011, TISCO Bank has provision in excess of BoT's minimum requirement totaling 2,057 million baht. In this regard, TISCO Bank has assigned these excess provisions totaling 2,053 million baht to specific provision for an individual debtor. The total provision according to BoT requirement after including the minimum provision of 2,042 million baht required by BoT are then be 4,095 million baht. These provision set up are in compliance with the BoT's guideline.

2.1.2 Concentration Risk

Concentration risk is the risk from borrower concentration. As of December 31, 2011, hire purchase and commercial loans represented 67.5% and 17.5% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 124,915.88 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 69.32 million baht or 0.06% of the total hire purchase portfolio, or equal to 0.04% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into four different sectors: manufacturing and commerce, 16,368.35 million baht; real estate and construction, 8,789.92 million baht; public utilities and services, 6,862.20 million baht; and agricultural and mining, 328.26 million baht. Lending to the above industrial sectors represented 50.6%, 27.2%, 21.2%, and 1.0% of the total commercial loan portfolio, and 8.8%, 4.8%, 3.7%, and 0.2% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 21,228.02 million baht or accounted for 11.5% of the total credit portfolio. There is slight concentration in manufacturing and commerce as well as real estate sector which has been managed under risk management procedure. Moreover, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Additionally, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

2.1.3 Collateral Risk

Collateral risk occurs from borrower defaults and the value after selling collaterals in the debt collection process cannot cover the original debt amount. As of December 31, 2011, lending portfolio of TISCO Group came mostly from TISCO Bank, of which 81.5% of it 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.

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

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

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to BoT regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 60.7% of the NPLs of commercial loan and mortgage loan.

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

2.1.4 Property Risk from Foreclosed Assets

Property risk from foreclosed assets is the impairment of assets transferred from loans, hire purchase receivable on which debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of repossessed assets is stated at the lower of cost and net realizable value. Outstanding assets in the process of liquidation held by

TISCO Group as of December 31, 2011 were worth 257.87 million baht, or 0.12% of total assets. Allowances for impairment stood at 16.20% of total foreclosed assets, which increased from 21.40 million baht as of December 31, 2010.

- **Credit Risk Management Framework**

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

Credit risk is mainly incurred from subsidiary companies, in which conducting loan as main business. Specific-Area credit risk authorities include the Credit Committee, and Problem Loan Committee, which are established to oversee credit risk management and control at in-depth transaction level of subsidiary companies. The Credit Committee is responsible for reviewing and granting credit approvals to any single client proposed by lending officers. The Credit Committee may delegate its authority to designated persons for authorizing lower-risk transactions. 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 analysis, credit rating, delinquency analysis, concentration level and risk capital. All loan origination must operate under a sound credit granting process in which an effective credit rating system is employed in key business area. In retail lending area, quantitative-oriented approaches to credit grading are implemented, considering its homogenous high-volume characteristics, with emphasis on the use of extensive data mining and analysis. In corporate lending area, qualitative-oriented credit grading approaches shall be employed, taking into account its highly varying risk profiles, with well-defined standard.

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

TISCO Group uses credit risk management guidelines and limits that are comprehensively applied to all credit-related functions both at the portfolio and transaction levels.

2.2 Liquidity Risk

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

As of December 31, 2011, the value of liquid assets is 33,129.04 million baht; comprised of cash at 903.45 million baht compared to 903.31 million baht in December 31, 2010, net transactions with banks and money market at 30,722.35 million baht compared to 12,545.40 million baht as of December 31, 2010 and net current investment at 1,503.24 million baht compared to 2,624.87 million baht in December 31, 2010.

Currently, liquidity risk from the maturity mismatch is moderate, once adjustments for the historical behavior of creditors and debtors such as loan defaults or rollovers are taken into account. According to maturity mismatch profile within 1 year, the cumulative gap has shown the matured assets over the matured liabilities accounted for 35,806.08 million baht. In addition, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur.

In order to provide more alternatives in investments for the public and the Bank's depositors as well as to enhance flexibility and variety of funding structure management, in December 31, 2011, the Bank reported deposit 38,059.89 million baht, the outstanding long-term debentures (both subordinated and unsubordinated) of 7,000.00 million baht and short-term debentures of 76.00 million baht, and bill of exchange amounted to 136,710.77 million baht. The expansion of bill of exchange proportion will reduce the impact of Deposit Protection Agency rule which reduced the deposit insurance up to 50 million baht in August 2011 and 1 million baht in August 2012.

- **Liquidity Risk Management Framework**

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

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

2.3 Market Risk

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

2.3.1 Equity Price Volatility

As of December 31, 2011, the equity portfolio stood at 2,010.57 million baht, of which 1,519.69 million baht was listed equity in current market value and 490.88 million baht was non-listed equity in book value.

TISCO Group gained profit from security investment amounted to 34.27 million baht. Moreover, gains arising from the difference between fair value of securities as of December 31, 2011 and unrealized gains of securities according to the accounting standard of security foreclosure were 135.35 million baht.

(1) Listed Equity Risk

Listed equity investment portfolio in available-for-sale book stood at 1,519.69 million baht in which a change in its value would impact the equity through unrealized gains or losses. As of December 31, 2011, unrealized gain from available-for-sale investments equaled 135.35 million baht, comparing to unrealized loss of 278.34 million baht as of December 31, 2010.

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 99.0% confidence level, as of December 31, 2011, was 734.50 million baht, increased from 442.70 million baht as of December 31, 2010 as a main result of decreasing in market value and higher fluctuation from domestic and international events 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 490.88 million baht, slightly decreasing from 631.00 million baht from the end of 2010.

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

2.3.2 Interest Rate Risk

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

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

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

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO Group's interest-bearing assets and liabilities structure, as of December 31, 2011, is provided in the following table.

(Unit: Million baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 months	Changed within 1-2 years	Changed after 2 years	Total
Assets	55,590.72	51,183.09	38,916.53	57,002.87	202,693.22
Liabilities	(55,854.18)	(123,507.97)	(6,813.07)	(7,132.43)	(193,307.66)
Net Gap	(263.46)	(72,324.88)	32,103.46	49,870.44	9,385.56

Under the change of interest rate within 1 month, TISCO Group had liabilities over assets cause the net gap to stand at 263.46 million baht. The negative gap shown was mainly from the portion of short-term deposit which are less sensitive to the interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Bank was exposed to an interest rate rise.

(2) Fixed-Income Risk

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

TISCO Group's fixed-income portfolio as of December 31, 2011 stood at 1,695.69 million baht, a decrease of 1,104.37 million baht compared to the end of 2010. Average duration of the bond portfolio in TISCO Bank were 0.83 year, increasing from 0.11 year from the end of 2010 mainly due to the longer maturity investment portfolio in the year. Meanwhile, average duration of the debenture portfolio was 1.08 years, decreasing from 2.11 years from the end of 2010. However, Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

▪ **Market Risk Management Framework**

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

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

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

2.4 Operational Risk

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

2.4.1 Operational Risk from business execution

Considering likelihood and impact of risk, TISCO Group operational risk mostly incurs in low to moderate impact area (financial loss is less than 0.05% of annual net profit, and does not impact the business in the long term). These operational risks generally impact reputation than financial status; however, impact can be contained. Regarding to the operations in 2011, error rate for the operation was less than 0.1% of total number of transaction. Most loss events are erroneous data entry, late transaction execution and system unavailability. Also, TISCO Group has some fairly high to high operational risks including fraud, critical business disruption and high value customer dissatisfaction, which are exclusively controlled in order to terminate or transfer out.

From business line aspect, Retail Banking Business has highest likelihood level, in line with the high number of transaction. The risks in Retail Banking Business are generally classified as high likelihood, low to moderate impact, e.g. error in transactional

data entry and late transaction execution to customers. These operational risks typically do not impact financial loss because the erroneous transaction can be reversed, excluding some loan transactions that the recipients have taken cash out of the system. From cause perspective, human error is a key risk factor in the business. Therefore, TISCO Group focuses on staff training and communication program. In addition, TISCO Group continuously simplifies process which leads to lower error rate. However, there are some operational risks in low likelihood, fairly high to high impact area including risks in cash handling, fraudulent risks, and critical reputational risks. These groups of operational risks, once occurring, can impact to financial loss or business sustainability. Additional prudent controls are combined in the processes to prevent and able to responsively detect any loss. This risk profile is similar to mutual fund business in Asset Management business line. However, with lower number of transaction in mutual fund business, operational risk is classified as low error level.

Operational risks in Securities Business are similar to ones in Retail Banking Business in that most operational risks are classified as high likelihood, low to moderate impact, which normally incur in transactional data entry. The key difference is that because the business nature aims for processing quickness than impeccable accuracy in order to overtake the rapid change in securities price, some errors can be accepted to some extents; therefore error limit was developed. In addition, if customers are impacted from the errors, proper financial reparation shall be offered.

Operational risks in Payment & Settlement is mainly fairly low likelihood with low to moderate impact area, mostly incurred in cheque issuance, cheque clearing, and transactional money transfer, which are normally reversible. For the area of low likelihood, fairly high to high impact, operational risks incur in high value customer transactions. Any error, although reversible, could impact TISCO Group image and following business opportunities. Operational risks in high value customers also incur in business targeting high potential customer, for instance Corporate Banking, Private Banking, Custodian, Cash Management, Treasury and Investment, as well as Private Fund and Provident Fund in Asset Management business. The operations is, therefore, embedded with extensive controlling process and set to perform by experienced staffs.

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

- **Operational Risk Management Framework**

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

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

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

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

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

2.5 Strategic Risk

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

2.5.1 Risk from Economic Conditions and Business Competition

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

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

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

2.5.2 Risk from Capital Adequacy

As of December 31, 2011, as the TISCO Group's capital requirement based on Basel II Standardized Approach (SA), the regulatory capital adequacy ratio (BIS ratio) stood at 11.91% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II adequacy ratio stood at 7.23% and 4.68%, respectively, Tier-I adequacy ratio also remained higher than the minimum requirement at 4.25%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. remained strong at 102.5%, greatly higher than the minimum required ratio by the SEC of 7.0%.

As an internal risk measurement of capital adequacy, the risk-based capital requirement of TISCO Bank stood at 9,822.24 million baht, accounting for 68.7% of the total capital base of 14,306.06 million baht.

2.5.3 Risk from Subsidiaries' Financial Performance

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

As of December 2011, net profit of TISCO Bank and subsidiaries was 3,062 million baht including net profit of 432.43 million baht from subsidiaries. Although the subsidiaries experienced outstanding business performance and generated profits to the Company, however, investment strategy is important in the future. Therefore, the Board of Directors meeting has defined the investment policy for TISCO Group where the Company will invest in those businesses having ability to support the competitive efficiency of the group. Besides, the market and industry trends, competitive environment and long-term profit making capability together with prudent risk management shall be considered.

Net income from subsidiaries accounts for 22.65% of total net income, which significantly affects the overall TISCO Group's income. Additionally, the net income from brokerage and investment banking are from TISCO Securities while net income from asset management is from TISCO Asset Management.

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

Internal control and risk management of subsidiaries is centralized at the Company which applying a universal set of standards and guidelines for all. The Company sends its representatives to serve as directors at subsidiaries for at least half of the total directors. 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.

- **Strategic Risk Management Framework**

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

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

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

3. Overview of TISCO Business

3.1 History and major developments

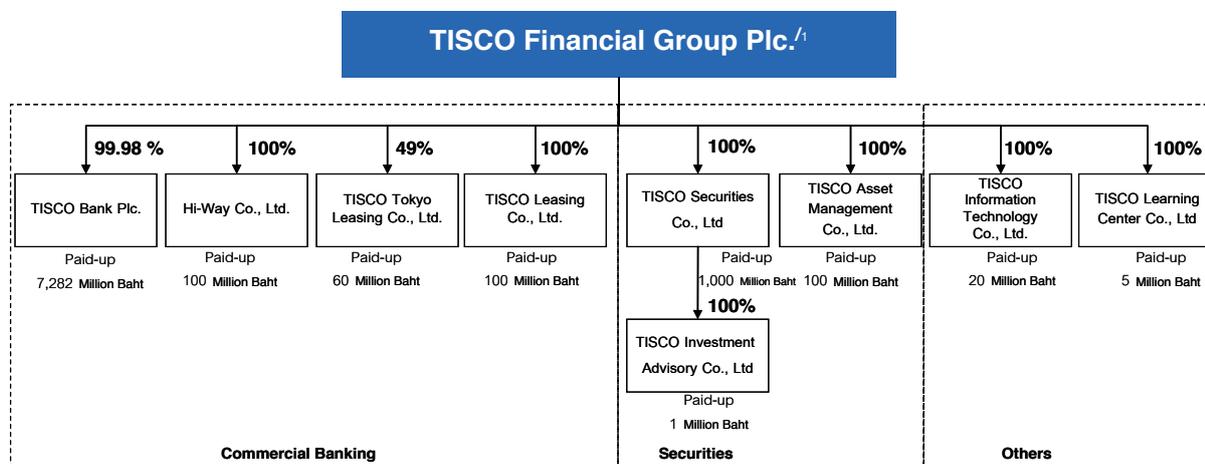
In 2008, TISCO Group implemented the Holding Company Restructuring Plan with the holding company as the parent company of the Group. After the enactment of Financial Institutions Business Act, B.E. 2551 on August 3, 2008, TISCO Bank Public Company Limited (“the Bank” or “TISCO Bank”) submitted application to establish the Financial Group to the Bank of Thailand by set up a new company, TISCO Financial Group Public Company Limited, a non-bank public company limited to be a holding company and parent company of the Group in place of TISCO Bank. TISCO Financial Group Public Company Limited (“the Company”) made a tender offer of all securities of TISCO Bank in exchange for newly issued securities of its securities at swap ratio of 1:1. As the result, the Company acquired 99.51% of TISCO Bank’s total issued securities. After successful tender offer, the Company acquired all stakeholding in TISCO Bank and subsidiaries¹ identical to shareholding structure of TISCO Bank before restructuring and acquired all shares of Tokyo Leasing (Thailand) Company Limited. Moreover, TISCO Financial Group Public Company Limited has already operated since January 1, 2009 and listed on the Stock Exchange of Thailand in place of TISCO Bank which was simultaneously delisted from the Stock Exchange of Thailand on January 15, 2009.

In November 2009, the Company was granted approval from the Securities and Exchange Commission to offer the newly issued common shares of the Company to TISCO Bank’s shareholders. The offering of newly issued common shares of the Company has been carried out in order to achieve the objective of the Holding Company Restructuring plan of TISCO Group in which the Company acquires 100% of shares in TISCO Bank as well as protecting the benefit of the shareholders who did not swap securities into the Company’s securities. As of January 5, 2011, the Company held 99.98% of TISCO Bank’s total issued securities. In 2010, TISCO Leasing Co., Ltd. became one of the companies under TISCO financial group with an aim to expand retail loan business in provincial areas. TISCO Leasing Co., Ltd. provides loan against auto license, hire purchase loan, leasing for car, motorcycle as well as machinery and equipment. In 2011, TISCO Learning Center Co., Ltd. became one of the companies under TISCO financial group with an aim to provide to develop, facilitate training and HR development roadmap for all subsidiaries under TISCO Group. Moreover, in late 2011 TISCO Investment Advisory Co., Ltd., a wholly owned subsidiary of TISCO Securities Co., Ltd., has become one of the companies under TISCO financial group. TISCO Investment Advisory Co., Ltd. was granted approval from Ministry of Finance and Securities and Exchange Commission to operate the investment advisory business. In addition, TISCO Investment Advisory Co., Ltd. will officially be commenced operation in 2012.

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

3.2 Businesses of the Company and subsidiaries

As TISCO Financial Group Public Company Limited operates as shareholders in other companies 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 TISCO Group's structure as of January 5, 2012 is shown below:



^{/1} Listed on the Stock Exchange of Thailand

3.3 Revenue structure

The revenue structure of the TISCO Group is as follows.

(unit: million Baht)

	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
Interest Income						
- TISCO Bank Plc.	7,718	91.6	8,711	82.0	11,552	104.3
- Hi-Way Co., Ltd.	521	6.2	542	5.1	567	5.1
- Other Subsidiaries	155	1.8	179	1.7	249	2.2
Total Interest Income	8,395	99.6	9,433	88.8	12,368	117.7
Total Interest Expenses	(2,720)	(32.3)	(2,571)	(24.2)	(5,528)	(49.9)
Net Interest Income	5,675	67.3	6,862	64.6	6,907	62.4
Fee and Service Income						
- TISCO Bank Plc.	760	9.0	1,256	11.8	1,613	14.6
- TISCO Securities Co., Ltd.	632	7.5	920	8.7	753	6.8
- TISCO Asset Management Co., Ltd.	645	7.7	699	6.6	660	6.0
- Other Subsidiaries	42	0.5	49	0.5	41	0.4
Fees and Service Income	2,078	24.7	2,924	27.5	3,067	27.7
Fees and Service Expenses	(201)	(2.4)	(221)	(2.1)	(211)	(1.9)
Net Fees and Service Income	1,876	22.3	2,702	25.5	2,854	25.8
Other Operating Income	879	10.4	1,053	9.9	1,311	11.8
Total Operating Income	8,430	100.0	10,617	100.0	11,072	100.0

3.4 TISCO Group Business Strategy

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

Vision, Mission, and Values for business operations

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

Our Vision is "TISCO always provides a wealth of possibilities to its clients for the realization of their goals.", through TISCO's financial knowledge, as a House of Financial Expertise, we create and provide wealth of possibilities to our customers and all stakeholders by helping them define, create and achieve their own wealth. TISCO believes that their lives will be better when they could engage a wealth of possibilities.

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

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

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

Strategic Plan and Strategy Map

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

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

Strategic action for the organization

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

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, TISCO Group 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 Group's product and services as well as business synergy among companies in TISCO Group. Customer Relationship Management is also employed for business opportunity expansion as well as maintaining good relationship with clients.
5. Focus on improving information technology, business decision support system and personnel development in order to shift efficiency in business operations and fully utilize the banking platform.

4. Business Operations by Area

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

Commercial banking business: TISCO group offers financial services under its Commercial Banking Business license. Banking services are offered through the TISCO Bank’s (“The Bank”) headquarters, its subsidiaries, as of December 31, 2011, the Bank has 47 branches in every regions of Thailand. The locations of bank branch by region are shown as follows;

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

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

4.1 Area of Services

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

1. Retail Banking

Retail Banking group provides 2 service types as follows:

1.1 Retail Loans

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

- **Hire-Purchase Financing**

Hire-purchase financing is operated by TISCO Bank Plc, TISCO Tokyo Leasing Co., Ltd. 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 1-6 years. A fixed interest rate is charged in line with the market rate on the contract date.

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

Hire-purchase, one of the TISCO group's major businesses, has experienced continuous growth for years. As of December 31, 2011, the hire-purchase loans were 124,915.88 million baht, up from 106,047.24 million baht at the end of 2010 or 17.8% (YoY).

Table shows details of car and motorcycle hire purchase loans

Hire Purchase	December 31, 2009 (Million baht)	December 31, 2010 (Million baht)	December 31, 2011 (Million baht)	Growth rate (%)
Car	84,691.48	104,117.38	122,986.71	18.2
Motorcycle	1,904.91	1,929.86	1,929.17	0.0
Total	86,596.39	106,047.24	124,915.88	17.8

In 2011, TISCO group (specified for TISCO Bank and credit granting companies) provided car hire purchase loan, ranked by car brands which are Toyota 22%, Isuzu 16%, Honda 11%, Mazda 15% and other brands 36% of total car hire purchase loan. The proportion of hire purchase loan between new car and used car were at 78% and 22% in 2011. In addition, the Group's strategy is to continue on expanding hire-purchase financing to benefit from strong market demand by offering a variety of high quality services, rather than low pricing. However, the interest rates charged are competitive and the maximum payment period is in compliance with the BoT rules.

• Consumer Loans

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

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

As of December 31, 2011, mortgage loans were 1,366.69 million baht, decreased by 3.9% from 1,422.29 million baht in 2010 partly due to early principal repayment as well as contraction in mortgage loans demand resulting from flood crisis.

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

As of December 31, 2011, consumption loans were 12,753.92 million baht, increased by 22.6% from 10,405.72 million baht in 2010.

Table shows details of retail loans

Retail Finance	December 31, 2009		December 31, 2010		December 31, 2011		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	86,596.39	92.3	106,047.24	90.0	124,915.88	89.8	17.8
Mortgage loans	1,475.83	1.6	1,422.29	1.2	1,366.69	1.0	(3.9)
Consumption loans	5,612.40	6.1	10,405.72	8.8	12,753.92	9.2	22.6
Total	93,684.62	100.0	117,875.24	100.0	139,036.49	100.0	18.0

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 branch network and other

subsidiary companies. The car hire-purchase business in the TISCO group is operated by TISCO Bank Plc. and TISCO Tokyo Leasing Co., Ltd. while motorcycle hire-purchase is operated by Hi-Way Co., Ltd. TISCO Group has an assured client base via dealer which major portion of client base are fixed income individual with well payment background.

For consumption loans which are operated by TISCO Bank Plc. and TISCO Leasing Co., Ltd., targets existing hire-purchase clients with good performance and adequate earning ability.

1.2 Bancassurance

The Bank has been granted Insurance Broker License since 2005 from the Department of Insurance, under the Ministry of Commerce. The Bank provides insurance brokerage services for both life and non-life insurances covering various types of insurances. In order to protect risks in both life and property of customer as well as to provide full-shelved financial service for customer, TISCO Bank has partnered with strong financial stability and well-know insurance company in developing products that meet customer's needs as well as obtain highest benefit from the protection. For non-life insurance, the service includes motor insurance, fire insurance, accidental insurance, critical illness insurance, and miscellaneous insurance. For life insurance, the service includes group-life insurance, health insurance. Moreover, the Bank has continually focused on Auto Loan Protection insurance (ALP) for hire purchase and loan against auto license customers. For the year 2011, in addition to causality and accidental protection, the protection coverage of ALP insurance improved by covering cost of medical treatment from the accident up to 15,000 baht/time with unlimited claims, which was a value added benefit over general protection. As of December 31, 2011, there were more than 360,000 hire-purchase customers who held ALP insurance.

2. Corporate Banking

Corporate Banking group provides 3 service types as follows:

2.1 Corporate Lending

Corporate Lending service is operated by TISCO Bank. Commercial finance facilities are provided to 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.

2.2 Commercial Lending

Commercial lending provides commercial credits mainly in small and medium-sized businesses such as inventory financing for car-dealers, working capital loans and hire-purchase and leasing loans for customers in various segments including automobile & parts, logistics, etc.

As of December 31, 2011, TISCO group had a corporate lending portfolio of 32,348.73 million baht, which accounted for 17.5% of total loans. This indicated a 44.2% increase from 22,431.58 million baht at the end of 2010. Commercial loans had a portfolio of 13,628.40 million baht, a 44.6% increase from 9,425.41 million baht from 2010, following increasing trends in auto loans and logistic-related loans.

Type of Business	December 31, 2009		December 31, 2010		December 31, 2011		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	6,811.98	6.0	10,996.33	7.3	16,368.35	8.8	48.9
Real estate and construction	6,167.64	5.4	6,374.43	4.3	8,789.92	4.8	37.9
Public utilities and services	1,781.04	1.6	4,905.58	3.3	6,862.20	3.7	39.9
Agriculture and mining	118.13	0.1	155.24	0.1	328.26	0.2	111.5
Corporate Lending	14,878.78	13.1	22,431.58	15.0	32,348.73	17.5	44.2
Commercial Lending	4,669.58	4.1	9,425.41	6.3	13,628.40	7.4	44.6
Retail loans and other loans	93,684.62	82.7	117,875.24	78.7	139,036.49	75.1	18.0
Total TISCO Loan	113,232.98	100.0	149,732.23	100.0	185,013.62	100.0	23.6

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.

2.3 Investment Banking

TISCO Securities Co., Ltd. is a leader in investment banking service with a long-established reputation more than 30 years in providing the best services to both with corporate and government-related clients. With high caliber and highly experienced professionals, TISCO Securities Co., Ltd. is specialized in many industries such as oil & gas, power, telecommunications, banking, transportation, health care, media and entertainment, and manufacturing together with a wealth of experience in equity and debt markets, both domestically and internationally. TISCO Securities Co., Ltd. has been approved by the SEC to provide financial advisory services and granted an underwriting license from the Ministry of Finance. The full range of financial advisory and underwriting services are covering various types of instrument including equity, debt, and convertible instruments. Moreover, TISCO Securities Co., Ltd. also provides financial advisory service for merger & acquisition, privatization advisory and implementation, project financing, debt restructuring, feasibility study, project valuation, and general advisory, etc.

For the highlighted projects for the year 2011, TISCO performed as a Co-lead underwriter for the private placement of newly issued shares of Sahaviriya Steel Industries Plc. totaling 3,144 million baht. For the financial advisory service, TISCO performed as financial advisor for leading companies including MFEC Plc. for the acquisition of 3 other IT groups of companies at the same time; Toyo-Thai Corporation Plc. for the investment in 1,100 million baht of preferred shares of Navanakorn Electric Co., Ltd., a 110 MW Small Power Producer (SPP); Thai Tap Water Supply Plc. (TTW) for the investment in common shares

totaling 2,760 million baht of CK Power Co., Ltd. Likewise, TISCO performed as tender offer agent to Mitr Phol Sugar Corporation Ltd. and OSK Investment Bank Berhad for the tender offers to purchase shares of United Standard Terminal Plc. and BFIT Securities Plc., respectively, as well as several other M&A and other advisory transactions.

3. Wealth & Asset Management

Wealth & Asset Management group provides 6 service types as follows:

3.1 Private Banking

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

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

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

3.2 Retail Deposit

TISCO Bank has provided variety of deposit products such as current, savings and fixed deposits along with related financial product for instance cashier cheques, personal cheques, cheques clearing and money transfers at headquarter and branches channel. In 2011, the Bank has launched deposit account namely "Diamond Savings", a savings account with high return for both individuals and corporate customers. The key benefits of Diamond Savings includes withdrawal money with unlimited times, exemption for card issuing fee and annual fee for TISCO Purse card together with fee exemption for automatic money transferring between Diamond Savings and TISCO Bank's savings or current account. Furthermore, Diamond Savings could be used in clearing transaction for securities/fund trading transaction via TISCO Securities Co., Ltd. or TISCO Asset Management Co., Ltd., which received a well feedback from customers.

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

3.3 Private Sales Brokerage

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

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

As the end of 2011, TISCO Securities Co., Ltd.'s market share of individual customer was at 2.1% increased from 1.9% in 2010. The strategy for Private Sales Brokerage aims at expanding market aggressively as well as continuously provides investment knowledge for the customer.

For the year 2011, TISCO Securities Co., Ltd. expanded its derivatives brokerage business by providing 10 baht gold future (Mini Gold Futures) trading and extending service time for gold futures trading during 18.00 – 22.00 PM. In addition, TISCO Securities Co., Ltd. provided Oil futures trading as alternative investment product, responding to customer's needs. Moreover, TISCO introduced the employee joint investment program (EJIP) in which Charoen Pokphand Foods Plc. (CPF) has firstly

joined the program with TISCO Securities Co., Ltd. in 2010. Accordingly, there were more than 2,000 employees of CPF who joined the program. In 2011, MINOR International Co., Ltd. and Universal Adsorbent and Chemicals Co., Ltd. also joined the program. In addition, TISCO Securities Co., Ltd. was providing foreign equity trading with well-response from the customer. In term of investor education, TISCO Securities Co., Ltd. was providing derivatives trading workshop that allows investor to trade in the simulation market. TISCO Securities Co., Ltd. also organized investment workshop for both individual on regular basis.

Table shows information on TISCO securities business

(Unit: Million baht)

Information of TISCO Securities Business	2009	2010	2011
Trading values categorized by Individual Customer	107,806.35	162,094.05	158,875.15
Market Share – Company¹	2.9	2.7	2.6
Market Share – Individual Customer	2.0	1.9	2.1

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

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. As of December 31, 2011, the market share of institution customer was 2.5% comprised of 2.8% from local institution investor and 2.3% from foreign institution investor. TISCO Securities Co., Ltd.'s strategy aims at expanding the market aggressively by brought leading corporation's representatives to meet with world-wide investors. In addition, TISCO Securities Co., Ltd. continuously produces high-quality and broadly-accepted research paper for general investors.

Table shows information on TISCO securities business

(Unit: Million baht)

Information of TISCO Securities Business	2009	2010	2011
Trading values categorized by Institutions Customer	111,572.80	171,117.30	162,427.78
- Domestic	59,270.90	104,749.29	88,416.48
- Foreign	52,301.90	66,368.31	74,011.30
Market Share – Institutions Customer¹	3.2	3.2	2.5
- Domestic Institutions	3.4	3.8	2.8
- Foreign Institutions	3.0	2.6	2.3

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

3.5 Asset Management

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

• Provident funds

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

As of December 31, 2011 there were 78 provident funds with a net asset value of 85,028.35 million baht, representing 2,939 companies and 455,450 members. As of December 31, 2011, the provident funds business accounted for a market share of 13.8% putting the company in 3rd place in the overall market based on net asset value. The breakdown of TISCO Asset's provident fund types is shown below:

(Unit : Million baht)

TISCO Asset Provident Fund	2009	2010	2011	% Growth
Single Fund	21,732.30	18,401.84	20,304.09	10.3
Pooled Fund	22,445.56	22,287.52	23,240.81	4.3
State Enterprise Fund	9,796.43	4,292.30	4,420.92	3.0
Master Fund	16,487.06	32,284.03	37,062.52	14.8
Total	70,461.35	77,265.69	85,028.35	10.0

• Private funds

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

As of December 31, 2011, there were 338 private funds with net asset value of 36,814.50 million baht, representing a market share of 11.6 %, putting the company in 2nd place in the overall private fund market. The breakdown of TISCO Asset Management Co., Ltd.'s private fund types is shown below:

(Unit : Million baht)

TISCO Asset private fund	2009	2010	2011	% Growth
Juristic person	30,524.33	33,638.27	27,482.02	(18.3)
Individual	7,273.10	8,389.19	9,332.48	11.2
Total	37,797.42	42,027.46	36,814.50	(12.4)

• Mutual funds

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

As of December 31, 2011, mutual funds under management by the Company totaled 50 funds, with net asset value of 14,110.31 million baht, representing a market share of 0.7% and ranking 15th in the overall mutual fund market.

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 convenience.

3.6 Cash Management Services

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

4. Corporate Affairs & CSR

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

- Risk Management, Planning & Budgeting, Corporate Accounting, Regulatory & Management Report, Operational Risk Management, Data Analysis & Management, Investor Relations, Investment
- Product and Channel Development, Productivity Improvement
- Corporate Secretary, Compliance, Legal Office, Corporate Services
- Human Resource Strategy, Human Resource Services, Corporate Marketing & Communication
- Internal Audit

In addition, 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.

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

As of December 31, 2011, the investment portfolio of debt and equity instruments was 3,706.26 million baht, down 42.8% from 6,481.00 million baht in 2010.

4.2 Market and Competition

4.2.1 Commercial Banking Business

- **Market**

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

Deposits

As of December 31, 2011, deposits in Thai commercial bank industry¹ was at 7,216,405 million baht, up by 5.6% from 2010 due to market interest rates increased continuously and the intensified deposit raising competition in order to maintain cost of capital and rising interest rate environment. At the end of 2011, average 3-month deposit interest rate of the top four large banks was at 2.08%, up from 1.10% at the end of year 2010 following continually increase of policy rate by the Bank of Thailand. However, in the last quarter 2011, the Bank of Thailand cut the policy rate by 0.25% in order to stimulate economy which was affected by flood crisis

Table showing movement of average interest rates of Thai commercial banks

(Unit: % per year)

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

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

In 2011, the Bank's deposit² was 171,625.69 million baht, up by 38.6% (YoY), comprised of 37,978.99 million baht of deposits and 133,646.69 million baht of short-term borrowings.

Loans

As of December 31, 2011, loan in Thai commercial bank industry was 7,479,437 million baht, up by 13.0% (YoY) following domestic economic growth. The Bank's loan was 185,013.62 million baht, up by 23.6% (YoY). At the end of 2011, the average MLR at the top four large banks was at 7.25% per year, increased from 6.12% per year at the end of year 2010.

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

² Deposit includes the short-term borrowings

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

(Unit: Million baht)

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

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

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

Table showing car sales in Thailand during 2007-2011

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

Source : Automobile Institute

- **Competition**

Although Thai commercial banks showed stabilizing growth during the first half of year 2011, the impact of flood crisis affected the whole economy resulting in contraction in loan demand during 2011. In 2011, the competition in deposit market remained intense along with the growth in credit market. Furthermore, most of commercial banks rose interest rates in line with the policy rate which increased during the first nine month of 2011. Meanwhile, some of commercial banks focused on fund raising through an issuance of bill of exchange (B/E) which provides higher return in order to retain their customer base and preserve the proper cost of fund. For corporate lending, the Bank's strategy focuses on improving loan quality and reducing NPLs by accelerating the loan restructuring process and preparing for uncertainty in the market. Amidst the high market competition, the Bank has focused on quality rather than quantity and has expanded its customer base on account of its over 40 years of business experience with efficient operations, management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships. As of December 31, 2011, the Bank was ranked at 10th place compared with the industry. The market share of assets, deposits and loans were 1.9%, 0.5% and 2.3% respectively.

For auto hire purchase business, the competitors in auto hire purchase business can be divided into two major groups: 1) commercial bank and leasing company, a subsidiary of commercial bank and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). In 2011, the competition in auto hire purchase market remained intense due to the key market player, who has funding cost advantage and aiming to be the market leader, offered low interest rate to attract the customer. As the result, the auto hire purchase loan providers including TISCO Bank Plc. shifted the focus to expand loan against car registration rather than hire purchase loan for new car due to its better return. However, TISCO Group (specified for TISCO Bank and credit granting companies) focuses on providing efficient and high standards of service, and maintaining long-term relationships with agents and dealers. TISCO Group will decrease prices as necessary to maintain its client base. TISCO Group also expanded loan against car registration client while maintained used car portion in hire-purchase portfolio in order to increase average portfolio yield. Furthermore, TISCO Group has also gained competitive advantage after becoming the key strategic partner with car manufacturers and car dealers of Ford, Mazda, Volvo, and Chevrolet. In addition, TISCO Group is highly confident that it

can maintain long term competitive position given the long-term experience of TISCO group, good connections with dealers, effective cost and risk management and an extensive customer database.

4.2.2 Securities Business

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

- **Market**

In 2011, there are 40 companies who have been granted to operate brokerage business service and 75¹ companies who have been granted to operate financial advisory service from the Securities Exchange Commission. In 2011, SET Index closed at 1,025.32 points decreased from 1,032.76 points at the end of 2010 with average daily turnover increased from 28,668.97 million baht to 28,854.34 million baht. During the year, the capital market was highly fluctuated due to the impact of Tsunami in Japan as well as domestic flood crisis which directly affected to investors confident. In primary market, there were 12 newly listed companies in SET and MAI markets, increased from 11 newly listed companies in 2010. The total offering size of newly listed securities was 4,953.99 million baht, declined from 6,716.56 million baht in 2010.

Table showing stock market conditions

	2009	2010	2011
SET index (points)	734.54	1,032.76	1,025.32
Market capitalization (million baht)	5,873,101	8,334,684	8,407,696
Trading value (million baht)	4,338,479	6,937,890	7,040,457
Average daily turnover (million baht)	17,854	28,669	28,854
Dividend yield (%)	3.65	2.92	3.72
Price to earnings ratio (times)	25.56	15.35	12.07
Number of listed companies on the SET	474	474	472

Source: The Stock Exchange of Thailand

- **Competition**

Due to a lot of players in the market, the competition among companies is intense in order to maintain and expand its market share. Also, there are merger & acquisition between Brokerage Company in preparation to the securities business liberalization in 2012. Revenue diversification strategy through new sources of income can be seen including cross-border business activity to expand investment banking business, exclusive partnership with international brokers in order to increase market share in foreign institution sector, and new service expansion such as derivatives business, selling agent business, etc. Furthermore, several securities companies extensively operated their own proprietary trading to increase trading income. Going forward, the competitive pressure will be significantly increased led by commission fee liberalization in which sliding scale commission fee will be applied to individual investor while freely negotiated commission fee will be applied to institutional client. In addition, TISCO Securities Co., Ltd. has no price cutting policy for commission fee. However, TISCO Securities Co., Ltd. focuses on fundamental investors rather than speculative investors, quality of research article, and developing other services as an alternative for the investor. For year 2011, TISCO Securities Co., Ltd. was a pioneer in launching customer royalty program namely "TISCO Smart Point" which was a tool to manage long-term relationship with customer. In addition, TISCO Securities Co., Ltd. accounted for a market share of 2.60%, ranking 19th place among 33 securities companies at the end of 2011.

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

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

- **Market**

For the asset management industry, there are around 23 players including asset management companies, commercial banks, securities companies, and insurance companies. The asset management market as of December 31, 2011 recorded net

¹ Source: www.sec.or.th

asset value of mutual funds increased by 2.6% (YoY) totaling 1,916,889 million baht. Private funds increased by 14.2% (YoY), totaling 316,516 million baht, and provident funds increased by 7.2% (YoY), totaling 615,259 million baht. The details of market funds at year-end for 2009 to 2011 are shown as follows:

(Unit: Million baht)

Funds	2009	2010	2011
Provident Funds	514,237	574,075	615,259
Private Funds	216,501	277,209	316,516
Mutual Funds	1,676,301	1,868,510	1,916,889

Source: Association of Investment Management Companies

- **Competition**

Overall asset management industry competition was relatively intense in all kinds of business. The industry growth was driven by positive factors including domestic economic recovery and capital markets upturn; these factors favorably affected to asset management business in which much more capital flow in mutual fund business. In provident fund business sector, the competition remained intense driven by price cutting strategy of large competitors in order to gain market share. However, TISCO Asset Co., Ltd. has continued to maintain the market share by receiving trusted from leading corporate such as Navakij Insurance Plc., Panasonic Home Appliances (Thailand) Co., Ltd., Thai Obayashi Corp., Ltd, Bangkok Chain Hospital Plc. and Abbott Laboratories Co., Ltd. Furthermore, Master Fund has become more popular whereby it increased opportunity to create wealth in retirement period for diverse risk appetite of fund member. In response to the various investment styles of the fund member, Master fund has allowed the fund member to mix the different investment policies according to their demand. Currently, the size of Master Fund was around 37,000 million baht. In addition, TISCO Asset Management Co., Ltd. has policy to maximize returns at the appropriate risk level according to customers' risk appetite for each client type.

In mutual fund business sector, the industry competition remained intense, especially fixed-income fund business due to its return was low. Meanwhile, the investment in foreign bond with hedging in exchange rate risk such as Korean Government Bond fund, which its return started to decline resulting in lower investment attraction. Accordingly, the supply of private bond was relatively low. As the result, the asset under management of fixed income fund was sluggish across the industry. Furthermore, the public debt crisis in US and European zone has deteriorated the investor's confidence to invest in equity mutual fund of both domestic and foreign countries due to there was no clear solution to such the problem, resulting in highly volatile equity investment. However, RMF and LTF remained favorable due to they are long term investment and providing tax deductible incentive.

In first half of 2011, given the positive prospect of global economic growth, the target fund or trigger fund was generated good return for investors by achieved the target before its ending period. Moreover, TISCO Asset Management Co., Ltd. issued fixed income fund which invested in domestic corporate bond and saving/debt instrument of foreign commercial bank with hedging exchange rate risk. To provide equity investment hedging, TISCO Asset Management Co., Ltd. issued mutual fund that invested in debt and derivative instrument (stock index linked) with hedging downside market risk such as TISCO China Links 4 and 5, etc which aligned with market situation in later half of 2011. In private fund business sector, TISCO Asset Management Co., Ltd. has expertise in managing specific fund to match with variety of customers' need. The new customers of private fund are leading universities, private company as well as individual customer. As of December 31, 2011, TISCO Asset Management Co., Ltd. accounted for a market share of 4.8% ranked 7th place among 28 asset management companies¹. Details of market share and market position compared with peers are shown as follows;

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

Funds	Net asset under management (Million baht)	Market Share (%)	Market Rank
Provident Fund	85,028.35	13.8	3/19
Private Fund	36,814.50	11.6	2/22
Mutual Fund	14,110.31	0.7	15/23
Total	135,953.16	4.8	7/28

Source: Association of Investment Management Companies

¹ Source: Association of Investment Management Companies

4.3 Resources

1) Source of Funds

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

(Unit : Million baht)

Source of Funds	2009	2010	2011
Deposit	56,808.48	48,535.60	37,978.99
Short-term Borrowings	53,698.94	75,313.44	133,646.69
Long-term Borrowings	5,429.75	15,460.40	11,749.90
Interbank and Money Market Items	6,380.22	10,842.76	14,478.65
Other Liabilities	3,968.25	6,398.11	6,551.73
Total Source of Funds from Liabilities	126,285.64	156,550.32	204,405.98
Capital	12,518.72	14,857.23	16,311.59
Total Source of Funds	138,804.35	171,407.55	220,717.57

As of December 31, 2011, list of assets and liabilities breakdown by term to maturity is shown in the following table:

(Unit: Million baht)

Transaction	At call	0 – 3 months	3- 12 months	1-5 years	Over 5 years	Unspecified	Non performing loans*	Total
	Financial assets							
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	773	25,924	4,025	-	-	-	-	30,722
Derivative Asset	-	-	-	44	1	-	-	45
Investment – net	18	52	1,218	827	-	1,591	-	3,706
Loans to customers	14,246	18,647	38,058	105,918	5,058	-	3,345	185,272
Securities and derivatives business receivables	-	725	-	-	-	-	-	725
Receivable from clearing house	-	31	-	-	-	-	-	31
	15,940	45,379	43,301	106,789	5,059	1,591	3,345	221,404
Financial liabilities								
Deposits	21,176	10,359	5,918	526	-	-	-	37,979
Interbank and money market items	1,299	2,869	7,522	2,788	-	-	-	14,478
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivative Liability	-	128	129	1	18	-	-	276
Debts issued and borrowings	1,462	59,705	72,480	5,750	6,000	-	-	145,397
Securities and derivative business payables	-	470	-	-	-	-	-	470
Payable to clearing house	-	284	-	-	-	-	-	284
	24,385	73,815	86,049	9,065	6,018	-	-	199,332
Off-balance sheet items								
Aval to bills and guarantees								
Loans	5	-	-	-	-	-	-	5
Other commitments	149	3,514	4,124	4,868	1,750	4,279	-	18,684

* Followed by Bank of Thailand's rule

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

2) Lending

- **Credit granting policy**

Commercial loans

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

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

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

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

Retail loans

The hire-purchase business covers a large portion of the retail credit portfolio. TISCO Group has a policy to aggressively expand its hire-purchase business in this market with justified risk-adjusted returns. Despite the growth of automobile hire-purchase in 2011 was moderate following sluggish economy, TISCO Group has a policy to competitively expand while still maintaining good loan quality and market share.

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

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

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

- **Credit Approval Limits and Authorities**

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

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

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

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

- **Credit Risk Management**

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

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

A credit grading system has been adopted in credit risk assessment for both corporate and retail credit portfolios. In accordance with the implementation of the Internal Ratings Based approach (IRB) 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 restructure cases on a regular basis.

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

- **Debt restructuring**

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

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

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

(3) Capital Adequacy

The Group has a policy to maintain capital that is adequate to safeguard against company risks in the long run, taking into account long-term solvency within economic uncertainties and the adequacy of regulatory capital-to-risk asset ratios as required by law. Currently, the Bank of Thailand sets the capital adequacy ratio for banks registered in Thailand at 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 2009 to 2011 has been maintained above the regulatory requirements with details as follows:

(Unit: Percentage)

Capital Adequacy Ratio	December 31, 2009 ¹	December 31, 2010 ¹	December 31, 2011 ¹	Regulatory Requirement
Tier-I Capital to Risk Assets	14.48	11.29	9.88	4.25
Total Capital to Risk Assets	16.96	15.23	14.91	8.50

¹ Use calculation method under Basel II IRB

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

(4) Liquidity Management Policy

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

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

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

(5) Asset Classification, Provisions and Write-offs

The 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, 2011, the Group's reserves were 4,098.96 million baht, or 185.0 % of those required by the BoT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Section 5 : Operating Assets item: 5.2

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

(1) Source of funds

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

(2) Credit approval and authorization

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

(3) Margin trading accounts

All clients of securities brokerages are cash accounts.

(4) Investment Policy

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

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

(5) Capital Adequacy Ability

The Net Capital Rule (NCR) ratio of TISCO Securities Co., Ltd. as of December 31, 2011 is 102.5%, well above the 7.0% regulatory requirement of the SEC.

5. Operating Assets

5.1 Major Fixed Assets

Land, premises, and equipment – Net

Land, premises, and equipment of TISCO Group as of December 31, 2009 - 2011 are as follows: These assets are free from any obligations.

(Unit: Million baht)

Type of Assets	2009	2010	2011
Land and buildings			
1. Office of TISCO Financial Group Plc. at TISCO Tower	697	625	630
2. Office for subsidiaries at TISCO Tower	444	419	421
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai	2	2	-
4. Brokerage branch – Nakhon Pathom	8	7	7
Total land and buildings (net)	1,151	1,053	1,058
Office improvements	204	171	156
Office furniture and improvements	151	139	140
Others	52	104	97
Total (net)	1,558	1,467	1,451

Long-term contract

1. Contract

TISCO Group has entered into several lease agreements in respect of the lease office building and branch office, in which terms of the agreements are generally between 3 – 10 years. The details are shown in notes to financial statement item 5.36.3

2. Rental contracts between the Bank and subsidiaries

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

Type of Assets	Renter	Owner	Area (sq.m.)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc.	3,908.91
TISCO Tower Office	TISCO Information Technology Co., Ltd.	TISCO Financial Group Plc.	2,123.71
TISCO Tower Office	TISCO Bank Plc.	TISCO Financial Group Plc.	848.32
TISCO Tower Office	TISCO Learning Center Co., Ltd.	TISCO Financial Group Plc.	590.00

5.2 Loans

Classification of assets

Asset classification in TISCO group consists of loans and receivables, investments in securities and property foreclosed. Our asset classification policies are in compliance with those set by the BOT and the SEC. The details of asset classification as of December 31, 2011, are shown below:

(Unit: Million baht)

Classification	Loans and receivables	Investments in securities	Property foreclosed	Investment in receivable	Total	%
Pass	191,868	-	-	-	191,868	93.5
Special mention	10,880	-	-	-	10,880	5.3
Substandard	1,517	-	-	-	1,517	0.7
Doubtful	254	-	-	-	254	0.1
Bad debts	443	119	18	50	630	0.3
Total	204,962	119	18	50	205,149	100.0

Provision for Loan Loss Policy

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

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

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

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

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

Provision of Asset Impairment Policy

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

Policy of revenue recognition on interest income

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

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

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

5.3 Investment in Securities

Details of investment in securities are shown in Notes to Financial Statements, 5.4 Investments in securities.

Securities Investment Policy

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

Risk Management of Investment Portfolio

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

Allowance for Impairment of Securities

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

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

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

5.4 Policies on investment in associates and subsidiaries

The details on investment in associates and subsidiaries are presented in Notes to Financial Statements, 5.4 Investments in securities and 5.5 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)

Company Name	Paid up	Cost Method
	As of December 31, 2011	As of December 31, 2011
TISCO Bank Plc.	7,282	13,294
TISCO Securities Co., Ltd.	1,000	1,075
TISCO Asset Management Co., Ltd.	100	110
Hi-Way Co., Ltd.	100	273
TISCO Information Technology Co., Ltd.	20	22
TISCO Leasing Co., Ltd.	100	137
TISCO Tokyo Leasing Co., Ltd.	60	73
Primus Leasing Co., Ltd. ^{/1}	3	32 ^{/2}
TISCO Learning Center Co., Ltd.	5	5
	-	15,022

^{/1} Ceased business operation and proceeding liquidation process^{/2} Deducted impairment in investment

6. Legal Disputes

As of December 31, 2011, the Company and its subsidiary companies had 19 unresolved cases from its regular business operations that being sued, all of them caused by banking business operation of subsidiary (TISCO Bank), consisting of:

- (1) 1 administrative case which the plaintiff who claimed that he was an owner of the disputed car, filed lawsuit with the Central Administrative Court against the Department of Land Transport, petition for cancellation of car registration book that show TISCO Bank's name as the car owner and issue new one showing the plaintiff's name as car owner instead. The Central Administrative had taken the view that TISCO Bank had an interest in this case, and for the benefit of the Court's consideration of the case thus the Court named TISCO Bank as co-defendant. Currently, the case is under the consideration of the Central Administrative Court;
- (2) 1 criminal case which the plaintiff filed a lawsuit against used car dealer for forging documents and use of forged documents and also against TISCO Bank, in capacity of the hire purchaser, for receiving stolen property. The case was dismissed by the Court of First Instance but the plaintiff appealed the case to the Court; and
- (3) 17 civil cases involving an estimated total amount of 136.09 million Baht, which was less than five percent (5%) of its shareholders' equity. Of all civil cases, there were 7 cases involving total amount of 9.25 million Baht which were in the tribunal process and not yet reach judgment. Furthermore, there were 2 cases, with a total amount of 0.84 million Baht, that already reach judgment but the Bank appealed the cases to the Court. There were 8 cases, with a total value of 126 million Baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiff still appealed to the Appeal Court or Supreme (Dika) Court. Apart from the said case, there were 2 cases which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd., amounting 40.24 million Baht in which the Bank had an indemnification for any damages suffered (if any). Moreover, in June 2009, a foreign subsidiary has been sued in amounting to 46.6 million HKD (equivalent to 190 million Baht as of December 31, 2011) and the case is in the tribunal process and not yet reaches judgment.

Additional details on legal disputes are presented in Notes to Financial Statements; 5.36.2 Litigation. The management of the TISCO Group believes that neither the Company and its subsidiary companies will not suffer material loss as a result of the abovementioned lawsuits. In addition, there is no claim against the Company by the directors, managements or any related persons of the Company or its subsidiary companies.

7. Capital Structure

7.1 Securities Information

7.1.1 Common Shares and Preferred Shares

Total registered and paid-up capital as of January 1, 2012

Total registered capital	:	11,002,000,000 baht
Total paid-up capital	:	7,279,120,860 baht comprised of 727,878,228 common shares and 33,858 preferred shares, both with par value of 10.00 baht per share.

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

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

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

None

Non-Voting Depository Receipts (NVDRs)

As of December 30, 2011 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 95,275,875 units, or 13.09% of paid-up capital, consisting of 95,253,575 common shares and 22,300 preferred shares. Although all financial benefits received by NVDR investors are similar to the benefits from the Company's shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of the Company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

7.1.3 Debentures

The Company

-None-

Subsidiary Company

As of January 1, 2012, the details of outstanding debentures of TISCO Bank Public Company Limited are as follows:

1. TISCO Bank Public Company Limited 1/2007 Tranche 2 debenture with maturity date in 2012

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	1,000,000 units
Outstanding	:	1,000,000 units
Tenor	:	5 years
Issuing Date	:	May 24, 2007
Maturity Date	:	May 24, 2012
Security	:	None
Coupon Rate	:	Fixed rate 4.04% per annum
Payment Date	:	Every 24 th of May and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	:	A from TRIS Rating Company Limited on May 13, 2011
Debenture holder	:	
Representative	:	CIMB Thai Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	February 17, 2009
Maturity Date	:	February 17, 2019
Security	:	None
Coupon Rate	:	(1) 5.5% per annum for Year1 st - Year3 rd , started from issuance date (2) 6.0% per annum for Year4 th - Year7 th , started from issuance date (3) 6.5% per annum for Year8 th - Year10 th , started from issuance date
Payment Date	:	Every 17 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of BOT after the redemption; or (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Rating	:	A- from TRIS Rating Company Limited on May 13, 2011
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	May 25, 2009
Maturity Date	:	May 25, 2019
Security	:	None
Coupon Rate	:	(1) 5.0% per annum for Year1 st - Year3 rd , started from issuance date (2) 5.5% per annum for Year4 th - Year7 th , started from issuance date (3) 6.0% per annum for Year8 th - Year10 th , started from issuance date
Payment Date	:	Every 25 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

- Call Option : With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:
- (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or
 - (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or
 - (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
 - (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of BoT after the redemption; or
 - (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
- Issue Rating : A- from TRIS Rating Company Limited on May 13, 2011
- Debenture holder Representative : TMB Bank Public Company Limited
- Debenture Registrar : TMB Bank Public Company Limited

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

- Type of Offering : Public Offering
- Face Value : 1,000 baht
- Offering Price : 1,000 baht
- Issue size : 1,000,000 units
- Outstanding : 1,000,000 units
- Tenor : 10 years
- Issuing Date : May 17, 2010
- Maturity Date : May 17, 2020
- Security : None
- Coupon Rate : 5.0% per annum for Year1st - Year10th, started from issuance date
- Payment Date : Every 17th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Call Option : With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:
- (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or
 - (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or
 - (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
 - (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of BoT after the redemption; or

	(e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	: A- from TRIS Rating Company Limited on May 13, 2011
Debenture holder	
Representative	: TMB Bank Public Company Limited
Debenture Registrar	: TMB Bank Public Company Limited

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

Type of Offering	: Public Offering
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 1,000,000 units
Outstanding	: 1,000,000 units
Tenor	: 10 years
Issuing Date	: December 13, 2010
Maturity Date	: December 13, 2020
Security	: None
Coupon Rate	: 4.8% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	: Every 13 th of March, June, September and December of each year during the term of the debenture. The first payment will be on March 13, 2011. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	: With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of BoT after the redemption; or (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	: A- from TRIS Rating Company Limited on May 13, 2011
Debenture holder	
Representative	: TMB Bank Public Company Limited
Debenture Registrar	: TMB Bank Public Company Limited

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

Type of Offering	: Offering to Individual Investors and Institutional Investors
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 76,000 units
Outstanding	: 76,000 units
Tenor	: Up to 270 days from the issue date
Issuing Date	: December 29, 2011
Maturity Date	: July 5, 2012

Security	:	None
Coupon Rate	:	3.4% per annum started from issuance date
Payment Date	:	Repayment full amount of the principal on the maturity date.
Issuer Rating	:	A from TRIS Rating Company Limited on May 13, 2011 with positive rating outlook
Debenture holder		
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

7.1.4 Bills of Exchange

The Company

The Company was granted approval by the Securities and Exchange Commission on July 8, 2011 to offer short-term bills of exchange to the public as detailed below :

Type of Offering	:	Public Offering
Type of securities	:	Short-Term Bills of Exchange <ol style="list-style-type: none"> 1. Type I : Non-Interest-Bearing Bill of Exchange 2. Type II : Fixed-Interest-Bearing Bill of Exchange, interest payment on maturity
Tenor	:	Up to 270 days from the issue date
Issue size	:	up to 10,000,000,000 baht
Face Value	:	Not less than 1,000,000 baht
Issuing Period	:	From July 8, 2011 to March 31, 2012
Offering price per unit	:	<ol style="list-style-type: none"> 1. For Bill of Exchange Type I : Face Value deducts the discount portion 2. For Bill of Exchange Type II: Face Value
Coupon Rate	:	<ol style="list-style-type: none"> 1. For Bill of Exchange Type I : No Coupon 2. For Bill of Exchange Type II: Fixed Coupon depending on the market condition
Coupon Payment Date	:	For Bill of Exchange Type I : No coupon payment For Bill of Exchange Type II : Payment on maturity date
Issuer Rating	:	A- from TRIS Rating Co., Ltd on May 13, 2011.

As of December 31, 2011, TISCO had outstanding short-term bills in forms of Fixed-Interest-Bearing Bill of Exchange worth 1,808.83 million baht with coupon rate ranging from 3.75% - 4.25% and average of 99 days to maturity.

Subsidiary Companies

As of December 31, 2011, TISCO Bank had outstanding bill of exchange, all in forms of bill of exchange, worth 136,710.77 million baht with coupon rate ranging from 1.75% - 4.50% and average of 68 days to maturity for short-term bill of exchange and 732 days to maturity for long-term bill of exchange.

As of December 31, 2011, Hi-Way Co., Ltd. had outstanding short-term bill of exchange, all in forms of Callable Bill of Exchange, worth 839.00 million baht with 4.42% coupon rate.

As of December 31, 2011, TISCO Leasing Co., Ltd. had outstanding short-term bill of exchange, all in forms of Callable Bill of Exchange, worth 105.00 million baht with 4.42% coupon rate.

7.1.5 Major shareholder agreements regarding share issuance or the Company management

None

7.2 Shareholders

The top 10 major shareholder groups whose names appeared in the share registration book on April 29, 2011, (the latest book closing for the right to receive dividend), were as follows:

No	Shareholder Name	Total Shareholding			
		Common Shares	Preferred Shares	Total	Percent
1	Thai NVDR Company Limited	101,066,932	22,300	101,089,232	13.89%
2	CDIB & Partners Investment Holding Pte. Ltd. ^{/1}	72,791,200	-	72,791,200	10.00%
3	State Street Bank Europe Limited	42,370,100	-	42,370,100	5.82%
4	Chase Nominees Limited 42	37,767,056	-	37,767,056	5.19%
5	Sathinee Company Limited	35,893,425	-	35,893,425	4.93%
6	HSBC (Singapore) Nominees Pte Ltd	35,713,846	-	35,713,846	4.91%
7	Social Security Fund (2 Cases)	17,875,800	-	17,875,800	2.46%
8	BNP Paribas Securities Services Luxembourg	15,621,000	-	15,621,000	2.15%
9	J.P. Morgan Bank Luxembourg S.A.20	13,155,400	-	13,155,400	1.81%
10	J.P. Morgan Ireland (Nominees) Limited 574	10,440,400	-	10,440,400	1.43%
Total Shareholdings of 10 Major Shareholders		382,695,159	22,300	382,717,459	52.58%
Other Minority Shareholders		345,183,069	11,558	345,194,627	47.42%
TOTAL		727,878,228	33,858	727,912,086	100.00%

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

7.3 Dividend Policy

The Company

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

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

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

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

Subsidiary Companies

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

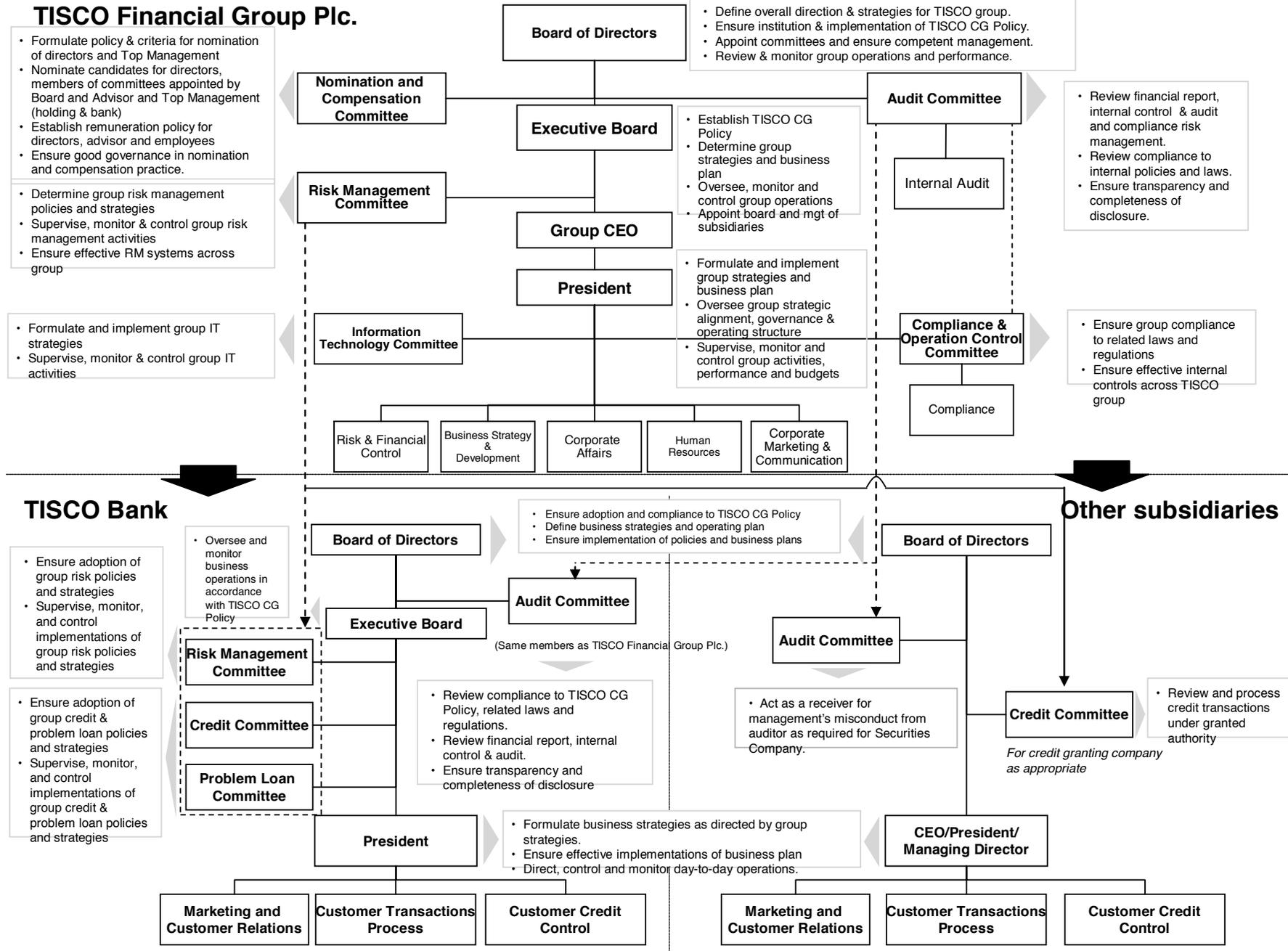
The Board of Directors of each subsidiary and affiliate company may from time to time pay interim dividends when it has sufficient profit.

8. Management

8.1 Management Structure

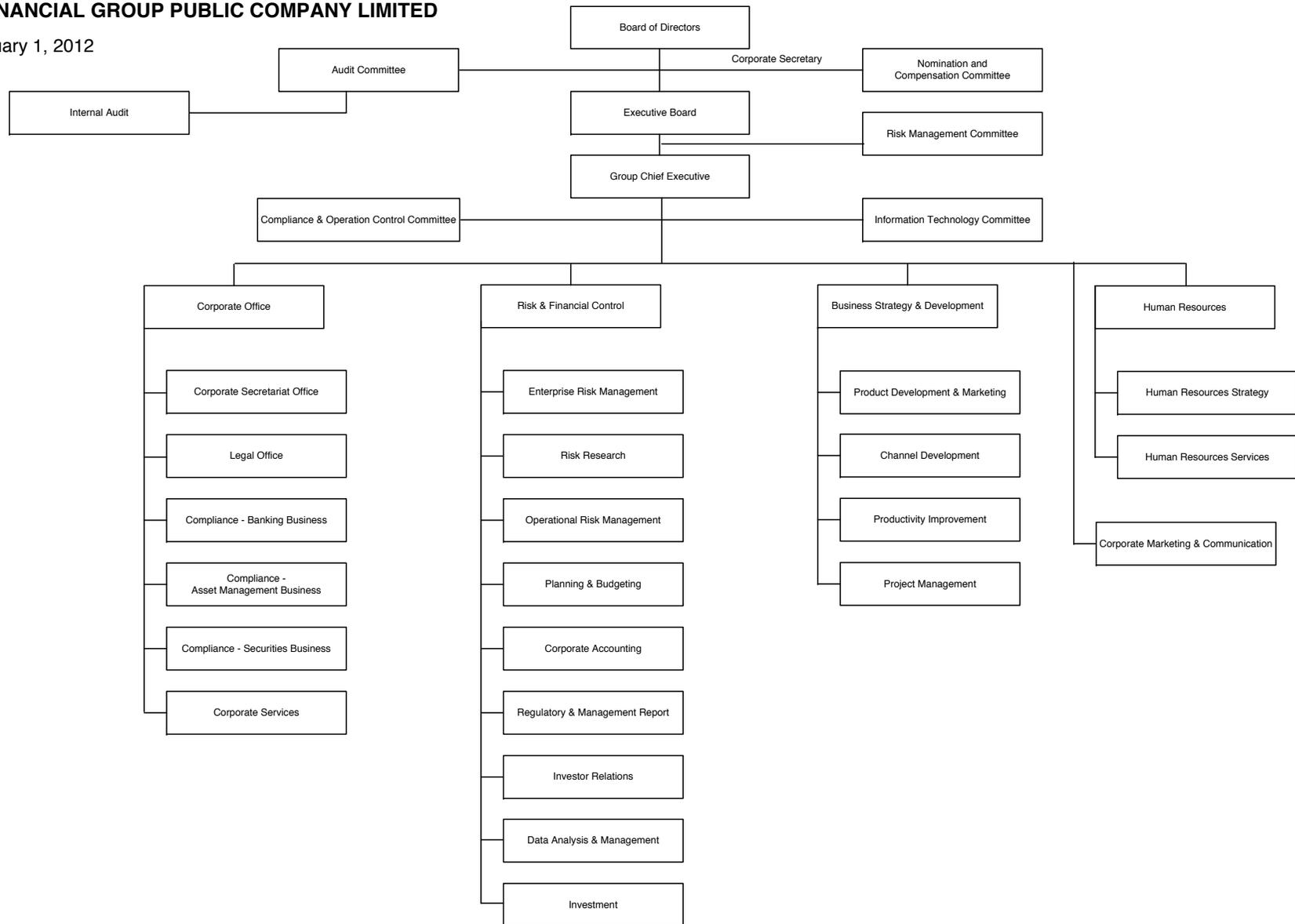
The Company, the parent company of TISCO Group, oversees, monitors and controls business operations of all subsidiary companies to ensure that all companies in TISCO Group operate under the same standard to maximize shareholders' benefit. The corporate governance, risk management, business development,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

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



TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED

As of January 1, 2012



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

8.1.1 Board of Directors

As of January 1, 2012, the Board of Directors consisted of 12 directors as follows:

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	Vice Chairman, Member of the Executive Board and Member of the Nomination and Compensation Committee
3. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
4. Ms. Krisna Theravuthi	Independent Director and Chairperson of the Nomination and Compensation Committee
5. Ms. Panada Kanokwat ^{/1}	Independent Director and Chairperson of the Audit Committee
6. Prof. Dr. Pranee Tinakorn	Independent Director and Member of the Audit Committee
7. Ms. Patareeya Benjapholchai ^{/1}	Independent Director and Member of the Audit Committee
8. Assoc. Prof. Dr. Angkarat Priebjrivat ^{/1}	Independent Director and Advisor to the Audit Committee
9. Mr. Chainoi Puankosoom ^{/2}	Independent Director
10. Mr. Hirohiko Nomura	Director, Member of the Executive Board and Member of the Nomination and Compensation Committee
11. Mr. Chi-Hao Sun (Mr. Howard Sun) ^{/3}	Director
12. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board

^{/1} To be in compliant with good Corporate Governance and the Charter of the Audit Committee, at the Board of Directors' Meeting No. 2/2011 convened on April 22, 2011 Ms. Panada Kanokwat was appointed to be the Chairperson of the Audit Committee and Ms. Patareeya Benjapholchai was also appointed to be member of the Audit Committee in replacement of Assoc. Prof. Dr. Angkarat Priebjrivat whose term in Audit Committee expired in 2011. In addition with the request from the Audit Committee considering her indispensable and prominent experiences in accounting and financial matters, the Board of Directors also appointed Assoc. Prof. Dr. Angkarat Priebjrivat to be the Advisor to the Audit Committee.

^{/2} At the Board of Directors' Meeting No. 2/2011 convened on April 22, 2011, the Meeting resolved to appoint Mr. Chainoi Puankosoom to be Independent Director in replacement of Dr. Nitus Patrayotin who resigned from his Independent Director position, and which effective from June 7, 2011 after the approval obtained from the Bank of Thailand. The Company processed for his registration to be director with the Ministry of Commerce on June 8, 2011.

^{/3} At the Board of Directors' Meeting No. 3/2011 convened on June 28, 2011, the Meeting appointed Mr. Chi-Hao Sun (Mr. Howard Sun) to be Director in replacement of Mr. Danny Suen Kam Yim. who resigned from his Director position. The Company processed for his registration to be director with the Ministry of Commerce on June 29, 2011.

Authorized Signatory

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

Authority and Responsibilities of the Board of Directors:

1. Define overall direction and strategies of TISCO Group and ensure institution of TISCO Corporate Governance Policy for application across all companies in TISCO group. Under consolidated supervision framework, TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, corporate affairs, and public and client communications. The Board shall ensure that all companies in TISCO group adopt and implements the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.

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

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

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

Details of the Board of Directors of TISCO Bank Public Company Limited, the core company of TISCO Group, is shown in Attachment 3.

Corporate Secretary

The Board of Directors' Meeting No. 3/2011 convened on June 28, 2011 resolved to appoint Mr. Ekkapol Apinun as the Corporate Secretary effective from July 1, 2011 in replacement of Ms. Teerin Suvarnatemiya, who resigned. The Corporate Secretary is responsible for preparing and maintaining director profile, notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting, maintaining directors and management's report on conflict of interest, and performing other duties as required by the Capital Market Supervisory Board.

8.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors. As of January 1, 2012, the Executive Board comprised the following directors:

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

Authority and responsibilities of Executive Board:

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

8.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of January 1, 2012, the Audit Committee comprised the following independent directors:

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

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

Authority and responsibilities of Audit Committee:

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

8.1.4 Nomination and Compensation Committee

The Nomination and Compensation Committee members were appointed by the Board of Directors. As January 1, 2012 the Nomination and Compensation Committee comprised the following directors;

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

Authority and Responsibilities of Nomination and Compensation Committee:

1. Formulate policy, criteria, and method for nominating candidates for directors and Top Management of the Company and its subsidiaries in TISCO Group to the Board for consideration and submit the policy to regulatory parties upon request.
2. Select and nominate names of qualified candidates to the Board of Directors of the 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
 - Advisor(s) to the Board of Directors and/or committees whose functions, responsibilities and authorities are directly given by the Board of Directors
3. Ensure that size and composition of the Board of Directors of the companies in TISCO Group is appropriate for the organization and the business environment. The Board should comprise members who have diversified expertise and experience.
4. Review and establish clear and transparent remuneration and benefit policy and criteria for the directors, advisors and TISCO Group's employees as proposed by the management.
5. Ensure that the Board remuneration is commensurate with their duties and responsibilities. Board members who handle the extra assignments should be compensated accordingly.
6. Devise performance assessment criteria for board members and TISCO Group's employees for annual remuneration review, taking into account their responsibilities and risks as well as enhancement of long-term shareholder value.
7. Ensure that the meeting(s) between the Board and management in absence of the Top Management is arranged at least once a year prior to his/her annual performance assessment.
8. 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.
9. Disclose the nomination policy and process in the Annual Report.
10. 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.
11. Report activities to the Board of Directors on a regular basis.
12. Conduct the businesses as assigned by the Board of Directors in agreement of the Nomination and Compensation Committee.

Details of meeting attendance of TISCO Financial Group Public Company Limited's directors in 2011 are as follows:

Name-Surname	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee
<i>No. of total meetings (times)</i>	6	12	13	10
1. Mr. Pliu Mangkornkanok	6	-	-	-
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	6	10 ⁵	-	9 ⁵
3. Ms. Oranuch Apisaksirikul	6	12	-	-
4. Ms. Krisna Theravuthi	6	-	-	10
5. Ms. Panada Kanokwat ¹	6	-	13	
6. Prof. Dr. Pranee Tinakorn	6	-	12	-
7. Ms. Patareeya Benjapholchai ¹	6	-	7 (out of 8 times)	-
8. Assoc. Prof. Dr. Angkarat Priebjrivat ¹	6	-	12 ⁴	-
9. Mr. Chainoi Puankosoom ²	4 (out of 4 time)	-	-	-
10. Dr. Nitus Patrayotin	2	-		-
11. Mr. Hirohiko Nomura	6	11	-	10
12. Mr. Chi-Hao Sun ³ (Mr. Howard Sun)	3 (out of 3 time)	-		-
13. Mr. Danny Suen Kam Yim ³	1	-	-	-
14. Mr. Suthas Ruangmanamongkol	6	12	-	-

¹ To be in compliant with good Corporate Governance and the Charter of the Audit Committee, at the Board of Directors' Meeting No. 2/2011 convened on April 22, 2011 Ms. Panada Kanokwat was appointed to be the Chairperson of the Audit Committee and Ms. Patareeya Benjapholchai was also appointed to be member of the Audit Committee in replacement of Assoc. Prof. Dr. Angkarat Priebjrivat whose term in Audit Committee expired in 2011. In addition with the request from the Audit Committee considering her indispensable and prominent experiences in accounting and financial matters, the Board of Directors also appointed Assoc. Prof. Dr. Angkarat Priebjrivat to be the Advisor to the Audit Committee.

² At the Board of Directors' Meeting No. 2/2011 convened on April 22, 2011, the Meeting resolved to appoint Mr. Chainoi Puankosoom to be Independent Director in replacement of Dr. Nitus Patrayotin who resigned from his Independent Director position, and which effective from June 7, 2011 after the approval obtained from the Bank of Thailand. The Company processed for his registration to be director with the Ministry of Commerce on June 8, 2011.

³ At the Board of Directors' Meeting No. 3/2011 convened on June 28, 2011, the Meeting resolved to appoint Mr. Chi-Hao Sun (Mr. Howard Sun) to be Director in replacement of Mr. Danny Suen Kam Yim. who resigned from his Director position. The Company processed for his registration to be director with the Ministry of Commerce on June 29, 2011.

⁴ Attended 7 Audit Committee meetings as the Advisor to the Audit Committee

⁵ Mr. Hon Kit Shing (Mr. Alexander H. Shing) did not attend two Executive Board's meetings and one Nomination and Compensation Committee's Meeting in person but participated via conference calls.

8.1.5 Management

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

Management Committee of the TISCO Group as of January 1, 2012 comprise of the following members:

Name	Position in the Company	Position assigned in subsidiary company
1. Ms. Oranuch Apisaksirikul ^{/1}	Group Chief Executive, TISCO Group	-
2. Mr. Suthas Ruangmanamongkol ^{/1}	President	President, TISCO Bank Public Company Limited
3. Mr. Sakchai Peechapat ^{/1}	Senior Executive Vice President	Senior Executive Vice President - Retail Banking, TISCO Bank Public Company Limited
4. Mr. Pitada Vatcharasiritham ^{/1}	First Executive Vice President	Senior Executive Vice President - Corporate Banking TISCO Bank Public Company Limited
5. Mr. Metha Pingsuthiwong ^{/1}	First Executive Vice President	First Executive Vice President - Wealth Management and Banking Services, TISCO Bank Public Company Limited
6. Ms. Araya Thirakomen ^{/1}	First Executive Vice President	President, TISCO Asset Management Company Limited
7. Mr. Paiboon Nalinthrangkurn ^{/1}	First Executive Vice President	Chief Executive Officer, TISCO Securities Company Limited
8. Ms. Yutiga Sonthayanavin	Executive Vice President	Managing Director, TISCO Information Technology Company Limited
9. Mr. Chalit Silpsrikul	Executive Vice President	Executive Vice President – Retail Banking - Front, TISCO Bank Public Company Limited
10. Mr. Chatri Chandrangam ^{/1}	Executive Vice President – Risk & Financial Control	-

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

Authority and Responsibilities of Management Committee:

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

Authority and Responsibilities of the Group Chief Executive:

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

In addition to the Management Committee of TISCO Group as of January 1, 2012, the Company's management comprised the following 26 persons¹;

Name-Surname	Position
1. Mr. Chatri Chandrangam ^{1/2}	Executive Vice President – Risk & Financial Control Acting Head of Investment
2. Mr. Tharatporn Techakitkachorn	Head of Business Strategy & Development and Acting Head of Product Development & Marketing
3. Mr. Watsakorn Thepthim	Head of Human Resources
4. Mr. Ekkapol Apinun	Head Of Corporate Office
5. Ms. Dulyarat Taveebhol	Assistant Head Of Corporate Office
6. Mr. Pongsapat Supasirisin	Assistant Head of Business Strategy & Development
7. Mr. Kontee Sunthornpradit	Head of Enterprise Risk Management
8. Mr. Kittipong Tiyaboonchai	Head of Regulatory & Management Report
9. Mr. Kullachart Ekvoratham	Head of Productivity Improvement
10. Ms. Chutintorn Vigasi ²	Head of Corporate Accounting
11. Ms. Nudtinee Suwanpanitch	Head of Legal Office
12. Mr. Noppawat Tangburanakij	Head of Channel Development
13. Ms. Narisara Tanarugsachock	Head of Data Analysis & Management
14. Ms. Nanchalee Kecharananta	Head of Corporate Secretariat Office
15. Ms. Nartrudee Siwabut	Head of Corporate Marketing & Communication
16. Mr. Nipon Wongchotiwat	Head of Planning & Budgeting
17. Mr. Prayuk Charoencharaskul	Head of Operational Risk Management
18. Mr. Pitak Lausangngam	Head of Project Management
19. Mr. Pairat Srivilairit	Head of Internal Audit
20. Ms. Pattarinee Ratananakin	Head of Investor Relations
21. Mr. Puvarin Kullaphatkanon	Head of Risk Research
22. Ms. Maneerat Wattanajak	Head of Compliance - Asset Management Business
23. Ms. Sakornrat Manuwong	Head of Compliance – Banking Business
24. Mr. Somchat Lapapong	Head of Corporate Services
25. Ms. Suthipirom Areesakulsuk	Head of Human Resources Services
26. Ms. Supaporn Aramtiantamrong	Head of Compliance – Securities Business
27. Ms. Amporn Panyadilok	Head of Human Resources Strategy

¹ Mr. Chatri Chandrangam is the member of the Management Committee of TISCO Group

² Management as defined by the Securities and Exchange Commission

8.2 Directors, Independent Directors and Management Selection Guidelines

8.2.1 Director and Independent Director Nomination

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

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

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors, which shall not be less than 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 election 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 elects another person in his place, the person so elected shall hold office only for the remainder of the term of the director so removed.
5. A general meeting of shareholders may resolve to remove a director before expiration of office with the votes of not less than three-fourths the number of shareholders who attend the meeting and have right to vote. Such a motion must also represent an agreed number of shares equal to or not less than half the total shares held by the shareholders who attend the meeting and have right to vote.

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

8.2.2 Management Selection

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

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

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

8.3 Qualifications of Independent Director

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

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

8.4 Director and Management Remuneration

8.4.1 Director and Management Remuneration Policy

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

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

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

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

Apart from the remuneration payable to directors of TISCO Financial Group Public Company Limited, TISCO Group only pays remuneration to subsidiary companies' directors who are non-executive director(s), that do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO Group of companies, in the same form and amount of TISCO Financial Group Public Company Limited director.

8.4.2 Financial Remuneration

The Company's shareholders approved at the Shareholders Ordinary General Meeting for the year 2011 the annual directors' remuneration in the form of reward, monthly fee, meeting fee and bonus at the amount of not greater than 2,400,000 baht for the Chairman of the Board, and not greater than 500,000 baht for each Board member, to be valid until amended. The Board of Directors, under the authority delegated by the shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors. Following the Board of Directors' Meeting No. 2/2011 on April 22,2011 approved new directors' remuneration to be allocated as follows:

	<i>Monthly Fee (Baht / Month)</i>	<i>Meeting Fee (Baht / meeting)</i>
<u>Board of Directors</u>		
Chairman	200,000*	-
Member	40,000	-
<u>Executive Board</u>		
Chairperson	-	40,000
Member	-	35,000
<u>Audit Committee</u>		
Chairperson	-	50,000
Member	-	40,000
Advisor	-	35,000
<u>Nomination and Compensation Committee</u>		
Chairperson	-	50,000
Member	-	40,000

Remark: *Baht 200,000 is recommended to be paid from June 2011 and thereafter whereby at the period prior to the end of his one year term of chairmanship, the monthly remuneration fee of Baht 150,000 was paid.

The details of Board of Director remuneration during January 1 to December 31, 2011 are as follows:

Name of the Directors	Remuneration (Baht)				Total
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee	
	Monthly Fee	Meeting Fee	Meeting Fee	Meeting Fee	
1. Mr. Pliu Mangkornkanok	2,096,000	-	-	-	2,096,000
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	480,000	350,000	-	360,000	1,190,000
3. Ms. Oranuch Apisaksirikul	480,000	480,000	-	-	960,000
4. Ms. Krisna Theravuthi	480,000	-	-	500,000	980,000
5. Ms. Panada Kanokwat ^{/1}	480,000	-	600,000	-	1,080,000
6. Prof. Dr. Pranee Tinakorn	480,000	-	480,000	-	960,000
7. Ms. Patareeya Benjapholchai ^{/1}	480,000	-	280,000	-	760,000
8. Assoc. Prof. Dr. Angkarat Priebjrivat ^{/1}	480,000	-	495,000	-	975,000
9. Mr. Chainoi Puankosoom ^{/2}	280,000	-	-	-	280,000
10. Dr. Nitus Patrayotin ^{/2}	160,000	-	-	-	160,000
11. Mr. Hirohiko Nomura	480,000	420,000	-	400,000	1,300,000
12. Mr. Danny Suen Kam Yim ^{/3}	240,000	-	-	-	240,000
13. Mr. Chi-Hao Sun ^{/3}	240,000	-	-	-	240,000
14. Mr. Suthas Ruangmanamongkol	480,000	420,000	-	-	900,000
Total	7,336,000	1,670,000	1,855,000	1,260,000	12,121,000

Remarks: ^{/1} To be in compliant with good Corporate Governance and the Charter of the Audit Committee, at the Board of Directors' Meeting No. 2/2011 convened on April 22, 2011 Ms. Panada Kanokwat was appointed to be the Chairperson of the Audit Committee and Ms. Patareeya Benjapholchai was also appointed to be member of the Audit Committee in replacement of Assoc. Prof. Dr. Angkarat Priebjrivat whose term in Audit Committee expired in 2011. In addition with the request from the Audit Committee considering her indispensable and prominent experiences in accounting and financial matters, the Board of Directors also appointed Assoc. Prof. Dr. Angkarat Priebjrivat to be the Advisor to the Audit Committee.

^{/2} At the Board of Directors' Meeting No. 2/2011 convened on April 22, 2011, the Meeting resolved to appoint Mr. Chainoi Puankosoom to be Independent Director in replacement of Dr. Nitus Patrayotin who resigned from his Independent Director position, and which effective from June 7, 2011 after the approval obtained from the Bank of Thailand. The Company processed for his registration to be director with the Ministry of Commerce on June 8, 2011.

^{/3} At the Board of Directors' Meeting No. 3/2011 convened on June 28, 2011, the Meeting resolved to appoint Mr. Chi-Hao Sun (Mr. Howard Sun) to be Director in replacement of Mr. Danny Suen Kam Yim. who resigned from his Director position. The Company processed for his registration to be director with the Ministry of Commerce on June 29, 2011.

In 2011, total remuneration for the Board of Directors, the Executive Board, and the Audit Committee (14 members), and Management Committee and the Management (total of 36 persons) was 218,088,589 baht. This was paid in the form of monthly compensation, meeting fees, provident fund, and bonuses, which varied according to TISCO Group's performance.

Remuneration for subsidiary companies' directors

In 2011, TISCO Bank paid remuneration to one director namely Mr. Pichai Chanvirachart in the amount of 480,000 baht. Total remunerations for one TISCO Bank director and TISCO Bank management total of 32 persons, excluded 5 persons which are the Parent Company's management and seconded to manage TISCO Bank, was 116,334,785 baht. This was paid in form of monthly compensation, salaries, provident funds, and bonuses which varied according to TISCO Bank performance.

Besides TISCO Bank, there was remuneration paid to the other subsidiary companies' director in the amount of 480,000 baht.

8.4.3 Other Remuneration

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

8.5 Corporate Governance

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

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

Corporate Governance Code of Conduct is set up to provide guiding principles of good corporate governance to the directors, management, and employees of TISCO Group in order to ensure that the Group complies with all relevant laws and regulations and carries out duties with maximum accountability, transparency, and equitable treatment to all stakeholders so as to promote managerial integrity, effectiveness, and efficiency across the group. The Corporate Governance Principle covers 5 main areas, namely, the Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Responsibilities of the Board (details of Corporate Governance Code of Conduct are presented on www.tisco.co.th). 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. Completion of the test is required by all employees as one of their Compulsory Key Performance Indicator. All new staff employed during the year is required to complete the test in addition to attending the orientation. The result of the test will be considered as part of their evaluation.

TISCO Group strictly and consistently applies good corporate governance at all levels within the organization. This commitment has yielded TISCO much recognition and honors from many institutes. The Board of Directors was recognized as **"Board of the Year for Distinctive Practices 2010/2011"** as well as **"Audit Committee of the Year"**. Both recognitions, which jointly awarded by 7 institutes: the Thai Institute of Directors Association, The Stock Exchange of Thailand, Board of Trade of Thailand, The Federation of Thai Industries, The Thai Bankers' Association, Thai Listed Companies Association, and the Federation of Thai Capital Market Organizations, indicate the commitment and dedication of the Board to uphold their duties in a transparent way, to the best of their ability, with adherence to business ethics and the best interest of shareholders, while taking into account all stakeholders: namely shareholders, customers, business partners, competitors, employees, as well as society and the environment.

Moreover, TISCO's Shareholder Ordinary General Meeting for the year 2011 has received an **"Excellent"** score from the **Ordinary General Meeting Assessment Program** conducted by the Securities and Exchange Commission in cooperation with the Thai Listed Companies Association, and the Thai Investors Association. TISCO was also among 243 listed companies, out of 416 in the program, to score 90 points or above. In addition, TISCO has honored for the third time the **SET Awards 2011 in Top Governance Report Awards Category**. The award, organized by the Stock Exchange of Thailand in corporation with the Money and Banking magazine, is given to the listed company presented with distinctive governance report appraising from the information disclosed in Annual Registration Statement (Form 56-1), the Annual Report, the Company's website, and Notice and Minutes of Shareholder Ordinary General Meeting. Besides the above mentioned recognition given, Thai Institute of Directors (IOD) also awarded TISCO as the listed company with **"Excellent"** corporate governance recognition level by assessing from information disclosed through the Stock Exchange of Thailand's information dissemination channel and other Company's public documents. The Company will report the assessment result to the Audit Committee, which will further report to the Board of Directors to review IOD's recommendations to continuously develop and improve corporate governance of TISCO Group.

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

1) Rights of Shareholders

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

With regard to shareholder meetings, in addition to the annual general meeting which must be convened within 4 months of the date ending the accounting period, the Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number of paid-up shares may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholders numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of paid-up shares, may also request an extra-ordinary meeting. In such cases, the Board of Directors must set the date, time and place of the meeting within 1 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 shareholder either one shareholder or combined shareholders, who is holding minimum shares of 100,000 shares or equivalent to less than one percent of total issued and paid-up capital of the Company, to propose agenda items that they deem worthy of being placed on the annual general meeting agenda, and to propose qualified director candidates. The shareholders can submit their proposals in advance of the meeting according to the criteria set by the Company. Regarding agenda items, the Board of Directors shall add items that are considered appropriate for the agenda and make sure that the items are included in the Notice of the annual general meeting. For nominations of qualified candidates for director positions, the Nomination and Compensation Committee shall review and propose candidates for the Board of Directors' consideration for further recommendation to the shareholders at the annual general meeting. In cases wherein proposals are disapproved by the Board and/or the Nomination and Compensation Committee, the Company shall state the reason for refusal to the shareholders in the shareholders' meeting, on the Company's website or any other appropriate information dissemination channels.

For the 2011 Annual General Meeting, TISCO invited shareholders to propose agenda and qualified candidates for director positions for the period of 1 month, from November 15, 2010 to December 16, 2010. Before mailing out the Notice, the Company posted on the Company's website to inform shareholders their rights to propose additional agenda in the annual general meeting together with related procedures, deadline for the proposal of agenda so that the Board of Directors shall consider include or not include the agenda in the Notice, and methods of proposing qualified candidates for director position to the Nomination and Compensation Committee for further recommend to the Board of Directors and propose to the shareholders at the annual general meeting. In this regard, upon the posting of information, the Company also disclosed through the Stock Exchange of Thailand's information dissemination channel.

- Notification of Meeting Details and Materials

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

For the 2011 Annual General Meeting, TISCO disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since February 28, 2011 and disclosed Notice of the shareholder meeting in both Thai and English languages through the Stock Exchange of Thailand's information dissemination channel and its website since March 29, 2011. The Company mailed notice and materials to shareholders since March 29, 2011.

- Meeting attendance

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

For the 2011 Annual General Meeting, the Company proposed two independent directors, Chairperson of the Audit Committee and Chairperson of the Nomination and Compensation Committee, including their profiles for shareholders to appoint as proxy. Proxy Form B which allows shareholders to indicate their voting directions was also enclosed in the Notice. In addition, shareholders can download other Proxy Forms from the Company's website.

- Shareholders' opportunity for query and comment

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

For the 2011 Annual General Meeting, 10 out of 12 directors, all of TISCO Management Committee members, and the auditors attended the meeting. In addition, representatives from the Bank of Thailand were also observed the meeting.

- Conduct of the meeting and voting

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

For the 2011 Annual General Meeting, the meeting was conducted according to the Company's Articles of Association with no additional agenda, no changes to the agenda order, or no changes in important information without prior notification to shareholders. In addition, the Company assigned Ernst & Young Office Limited to ensure that the meeting was conducted with clear and transparency and in accordance with laws and the Company's Articles of Association. There were representatives of Ernst & Young Office Limited to observe in the registration and vote counting throughout the meeting.

2) Equitable Treatment of Shareholders

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

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

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

For the 2011 Annual General Meeting held on April 21, 2011, the Company notified the shareholders' meeting resolutions through the SET's information dissemination channel within the same day of the meeting and disclosed the minutes of the meetings on May 3, 2011, in compliance with the above mentioned timeframe.

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

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

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

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

3) Role of Stakeholders

Aside from all stakeholders to conveniently deliver their suggestions, complaints, or any other important concerns directly to Independent Director or the Audit Committee. In addition, TISCO Group provides variety of channels, for instance, Customer Service Center, service counters, TISCO Group website, and TISCO dedicated functions. For example, Investor Relations Function is responsible for feedbacks from shareholders and investors community while Human Resources Function is responsible for those from employees. Moreover, Compliance Function has been assigned to receive suggestions, complaints or any other concerns related to TISCO business operation and regulatory matters. Significant issues shall be reported to the Compliance Committee for consideration. The Compliance Committee will preliminary screen the issue before reporting to the Audit Committee in case of critical corporate issues. The Audit Committee will further review, advise and report the issues and/or outcome to the Board of Directors.

4) Disclosure and Transparency

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

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

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

The Company assigned its Corporate Secretariat Office and Investor Relations Function to represent the Company in communications with shareholders, investors, analysts, credit rating agencies and related regulatory bodies. The Company's information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the SET, the SEC, and the Company's website under the topic of "Investor Relations". Furthermore, TISCO has set up numerous activities to portray or update the Company's information as well as to provide responses to inquiries from investors such as

Quarterly Analyst Meetings, Press Conferences, One-on-One meetings and Meetings with investors, both local and international. The mentioned activities are also participated by senior management. In this respect, the activities arranged in 2010 were as follows;

1. 4 Quarterly Analyst Meetings and 4 general meetings with approximately 35-40 persons attended each meeting
2. 7 Press Conferences with approximately 25-30 media representatives attended each conference
3. 1 SET Opportunity Day, arranged by the Stock Exchange of Thailand, with approximately 60-65 analysts and investors attended the meeting
4. 74 One-on-One Meetings and 11 conference calls with investors and equity analysts, both local and foreign
5. Meetings with investors, both local and foreign in America, Europe and Asia including the United States, United Kingdom, Japan, Hong Kong, and Singapore. The details are as follows:
 - 5.1 15 Investor Conferences; comprising 6 local conferences and 9 international conferences, covering 104 meetings with 122 investors attended.

For more information, please contact Investor Relations at:

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

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

5) Responsibilities of the Board

5.1 Board Structure

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

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

The Chairman of the Board of Directors shall be non-executive, and the Chairman of the Board of Directors and the Chairperson of the Audit Committee shall not be a member in any other committees. Moreover, the Board also clearly separates its roles and responsibilities from those of management to ensure a balance of power and authority, and to avoid a situation where a single individual has unfettered power in decision-making. For example, the Chairman of the Board of Directors and the top management shall not be the same person, and their roles and responsibilities must be clearly separated. To achieve high standards of performance, the Board delegates other committees to take on tasks that require in-depth consideration, such as the Executive Board, the Audit Committee, 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 of the governing authorities.

5.2 Roles and Responsibilities of the Board

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

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

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

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

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

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

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

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

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

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

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

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

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

5.3 Other Committees

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

The Board of Directors is accountable for clearly defining and separating the roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination and Compensation Committee, and the Executive Board as detailed below. Detail of Management Structure is described under Section 8.1.

Audit Committee

The Audit Committee acts on behalf of the Board of Directors and oversees all material aspects of the reporting, control and audit functions of the Company and its subsidiary companies. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on the Company's process for compliance with significant applicable legal, ethical and regulatory requirements. The role also includes coordination with other board committees and maintenance of the strong, positive working relationships with management, and external and internal auditors.

The Audit Committee has its roles and responsibilities in assessing the effectiveness of the internal control system, internal audit function, and compliance risk management; overseeing the Company's operations for compliance with relevant laws and regulations; assessing the independence of internal audit department and external auditors; and ensuring that the management takes remedial actions on a timely manner towards deficiencies or activities that are not in compliance with laws, regulations, and notifications, or other issues identified by external auditors. The Audit Committee has an explicit authority to investigate any matters within its duties and is able to obtain outside professional advice in matters that the Committee may deem appropriate. Additionally, the Audit Committee is responsible for reviewing the reliability of financial statements and information disclosures, and providing recommendation to the Board of Directors for the appointment of external auditors and the determination of audit fees.

Nomination and Compensation Committee

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

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. Detail of sub-committees, Risk Management Committee, Compliance Committee and Information Technology Committee, whose roles and responsibilities are described under Section 9.1.

5.4 Board of Directors' Meeting

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

During meetings, the Chairman of the Board promotes transparent consideration of each issue and allocates adequate time for the management to present issues, with adequate time set aside for directors to thoroughly discuss important matters. The Board encourages the management to attend the Board of Directors' Meeting to present additional information relevant to their responsibilities. The Company also encourages non-executive directors to hold meetings as necessary to discuss issues without executive attendance. In 2011, there were several meetings among non-executive directors, without formal minutes taking. After the meeting, the Corporate Secretary is responsible for preparing minutes of the meeting in which all issues, contents, and opinions are properly recorded and kept for inspection.

5.5 Board Self-assessment

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

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

In 2011, the Nomination and Compensation Committee revised the self-assessment form to be in compliance with the Thai Director Association (IOD) and to be more accurate and suitable for the Company's business. The assessment divided into 6 areas: 1) Board Policy, 2) Board Performance, 3) Board Structure, 4) Board Style, 5) Board Meetings, and 6) Board Members.

5.6 Remuneration

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

5.7 Board and Management Training

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

Details of the Board of Directors and Top Management attending training programs organized by Thai Institute of Directors as of January 1, 2012 are as follows:

Name	IOD Training Program
Mr. Pliu Mangkornkanok	<ul style="list-style-type: none"> ● Chairman 2000 Program ● Directors Certification Program
Ms. Oranuch Apisaksirikul	<ul style="list-style-type: none"> ● Directors Certification Program
Ms. Krisna Theravuthi	<ul style="list-style-type: none"> ● Role of Chairman Program ● Monitoring the System of Internal Control and Risk Management ● Role of Compensation Committee ● Audit Committee Program ● Directors Certification Program ● Directors Accreditation Program ● Effective Audit Committee and Best Practices Program
Ms. Panada Kanokwat	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Financial Institutions Governance Program
Prof. Dr. Pranee Tinakorn	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Audit Committee Program ● Monitoring the Internal Audit Function ● Monitoring the System of Internal Control and Risk Management ● Monitoring Fraud Risk Management ● Monitoring the Quality of Financial Reporting ● Financial Institutions Governance Program
Ms. Patareeya Benjapholchai	<ul style="list-style-type: none"> ● Directors Certification Program ● Financial Institutions Governance Program
Assoc. Prof. Dr. Angkarat Priebjivat	<ul style="list-style-type: none"> ● Role of Chairman Program ● Monitoring the Internal Audit Function ● Audit Committee Program ● Directors Certification Program ● Directors Accreditation Program ● Monitoring the System of Internal Control and Risk Management ● Monitoring Fraud Risk Management
Mr. Chainoi Puankosoom	<ul style="list-style-type: none"> ● Directors Accreditation Program ● Financial Institutions Governance Program
Mr. Suthas Ruangmanamongkol	<ul style="list-style-type: none"> ● Directors Certification Program
Mr. Sakchai Peechapat	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program
Mr. Metha Pingsuthiwong	<ul style="list-style-type: none"> ● Directors Certification Program
Ms. Araya Thirakomen	<ul style="list-style-type: none"> ● Directors Certification Program
Mr. Paiboon Nalinthrangkurn	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Audit Committee Program
Ms. Yutiga Sonthayanavin	<ul style="list-style-type: none"> ● Directors Certification Program
Mr. Chatri Chandrangam	<ul style="list-style-type: none"> ● Directors Certification Program

5.8 Chief Executive Officer Performance Assessment

The Board of Directors assigns the Nomination and Compensation Committee to prepare and recommend the Chief Executive Officer Performance Assessment Guidelines for the Board's approval. The Nomination and Compensation Committee shall arrange the meeting(s) between the Board and Management in absence of the Top Management at least once a year prior to his/her annual performance Assessment. The Nomination and Compensation Committee then reports the assessment result to the Board Meeting. The assessment shall be divided into 2 main parts: Financial KPI and Non-Financial KPI.

5.9 Succession Planning

To ensure stability and continuity of TISCO Group business operations, successor of all key positions has been determined. The Board of Directors assigns the Nomination and Compensation Committee to oversee the preparation of Top Management's succession plan. Said plan shall be regularly reviewed as appropriate. For other senior management positions, Top Management and Human Resources Function shall review and evaluate the successors for the Executive Board's approval.

8.6 Business Ethics

TISCO Group has introduced a code of business ethics into the compliance manual and has established an Employee Code of Conduct to assist employees in performing their duties with integrity and fairness. The Good Corporate Governance Guidelines are displayed on the intranet system, "mytisco" for the management and employees at all level to follow. Additionally, in order to ensure honest and fair performance of the management and employees with regard to TISCO Bank, stakeholders and the public, TISCO 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 TISCO Bank's code of business ethics is as follows:

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

8.7 Control of Internal Information

TISCO Group's compliance manual acts as a set of guidelines to help employees perform their duties fairly and honestly, comply with applicable laws and regulations, avoid conflicts of interest, and not seek to benefit from insider information. Business guidelines, regulations, and the code of conduct have all been compiled to create the Company's compliance manual. With respect to TISCO Group's regulations governing employee securities trading, the Group requires management and employees to open trading accounts with TISCO Securities, its subsidiary. In this regard, he or she must, however the case may be, report their transaction to the Compliance function. Furthermore, the Group also prohibits senior management and insiders from trading the

Company's shares within 7 working days before last day of the month until 2 days after the Company's monthly financial statements or concise assets and liabilities statement (C.B 1.1) are published. Penalties shall be imposed for any breaches.

8.8 Human Resources

As of December 31, 2011, the total number of employees at TISCO Group was 3,324 (excluding senior management) of which 3,080 were permanent employees and 244 contract staff.

Major Function	As of	
	December 31, 2010	December 31, 2011
1. Retail Banking	1,892	2,092
2. Corporate Banking	154	184
3. Wealth & Asset Management	431	476
4. Corporate Affairs & CSR	564	572
Total	3,041	3,324

At the end of 2011, the number of employees of TISCO Group was increased by 283 additional staffs (9.3% YoY). Meanwhile, TISCO Group's total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 1,619,640,632 baht.

8.8.1 TISCO Group Registered Provident Fund

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

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

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

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

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

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.

After launched employee's choice for TISCO Group Provident Fund's members since 2010, to broaden choices of employees for more suit their risk appetite and needs, TISCO Group Provident Fund has been transformed from 2 single funds with 2 investment policies to a master fund with 3 investment policies (sub funds) and 10 predefined investment choices. The choices consist of fixed income, mixed, equity and another 7 choices mixed between fixed income and equity with different portion. Presently, the TISCO Group Master Fund Committee allows members to switch their investment policies once year in the month of July.

8.8.2 General Human Resources Policies

To strengthen the group's corporate identity and brand personality, TISCO Group had established one Human Resources Policy that applies to all TISCO entities. Human Resources system and tools are developed to ensure the most effective human resource management and development. Human Resources operations are centralized for work efficiency and consistency.

Meanwhile, decentralized authority and empowerment is embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry. The policy is shown as follows:

1. Principles of Dealing with People at TISCO Group

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

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

2. Hiring

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

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

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

3. Employment at TISCO Group

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

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

4. Assessment and Development

4.1 Assessment

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

4.2 Development

To sustain organizational growth, TISCO has prioritized human resources development as a primary policy. Learning culture is established by providing development solutions that satisfy both organizational requirements and individual

development. A policy that encourages continuous self-improvement through learning leads to sustainable growth and, finally, a High Performance Organization.

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

5. Career Management

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

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

6. Performance Management

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

7. Employee Compensation and Benefits

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

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

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

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

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

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

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

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

7.2 Pay for performance

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

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

8. Human Resources Administration

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

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

9. Succession Planning

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

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

8.8.3 Organizational Development & the Learning process

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

1. The Teller academy and Relationship Managers Development program

As a next step of Branded Customer Service Project, a unique Teller Academy Program has been designed to equip TISCO Bank tellers with all the necessary bank teller skills plus the awareness of risk management as well as customer services. Regular refresh courses are also administrated to ensure that desired level of expertise can be maintained.

Along with the improvement of tellers as customer service team, a dedicate and expertise team of relationship managers has been developed for all segments of customers. In addition to the widely acknowledged relationship managers for wealth clients in terms of their expertise and customer priority, an all-in-one relationship manager for retail clients is the other focus. This is to ensure that the objective of increasing share of depositors can be achieved.

2. Branded Customer Service Project

To sustain excellent service levels to clients and being a critical element to transform to fully customer centric organization, the Branded Customer Service Project was continued for the year. It includes an assortment of activities such as the Customer Service Research and Survey in order to assess the needs, expectations, and satisfaction of our customers as well as service staff. The research results are taken into consideration as the groundwork of this project to identify the standard of customer service attitudes and behaviors of all frontlines staff at all TISCO Bank branches. Customer experiences were constantly

monitored to ensure that the service model designed was correctly implemented and yielded desired results.

As a part of this development plan, Performance and Competency Development Project has been implemented. Under the philosophy of Customer Centric, training and development activities aimed to enhance quality, effectiveness and risk protection. Working guidelines and procedures had developed to ensure the delivery of standard service. The target group were all employees in particular to Relationship Manager, Sales, Customer Service and Tellers.

3. Managerial Training

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

4. TISCO Executive Trainee Development Program

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

5. TISCO Culture and Value enhancement

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

9. Internal Control

9.1 Internal Control Overview

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

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

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

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

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

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

Specific-Area Committee of TISCO Bank and other subsidiaries

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

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

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

9.1.1 Audit Committee Report

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

- **Financial Statements:** Meeting with the external auditor on a quarterly basis to review quarterly and annual financial statements with consideration for the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors. Assessing the appropriateness of the Company's adoption of new accounting standards, the impacts from the reduction of corporate income tax rate towards the Company's deferred tax positions, and the disclosure of financial impact from flood situation in Thailand in notes to the financial statements.
- **Internal Control and Audit:** Reviewing internal control system and internal audit works and considering all issues raised by the external auditor and internal audit department. Assessing the independence of internal audit department and approving annual audit plan, strategy, key performance indicators and the Charter of Internal Audit.
- **Regulatory Compliance:** Meeting with management to acknowledge annual compliance plan and reports, compliance activities and status of legal cases and litigations.
- **External Auditor:** Assessing the independence of the external auditor and acknowledging the audit partner rotation policy. Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. The Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the auditor of the Company and its subsidiaries for the Year 2011. The Committee viewed that Ernst & Young Office Limited is a qualified audit firm with good credentials and proven track records together with a reasonable audit fee.
- **Transactions with Related Parties and Conflicts of Interests:** Meeting with management and the external auditor to review and acknowledge related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee viewed that those transactions were either conducted in a normal course of business operation or justified for the best interests of the Company. In addition, related disclosures were in compliance with the corporate governance and related party transaction policy.
- **Risk Management:** Reviewing and assessing the management's presentation on the effectiveness of risk management system, capital adequacy, operational risk management, and fraud risk management.
- **Others:** Acknowledging the results of external assessment and examination by the Bank of Thailand and assessing the Company's corrective actions.

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

The Audit Committee has agreed with the external auditor that the Company's financial statements and the disclosure of relevant information are adequate and fairly presented in accordance with generally accepted accounting principles. The Audit Committee also opines that the Company's internal control system is appropriate and efficient and the Company properly follows all necessary rules and regulations imposed by regulatory authorities. See the Report of the Audit Committee in Attachment 4.

9.2 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2012 on February 17, 2012, where all Audit Committee members and independent directors were present, the Board assessed the Company's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Company's internal control system is adequate based upon the assessment of five aspects: Organizational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, including sufficient internal control system for transaction with major shareholders, management and related persons, with details provided in Attachment 6.

9.3 Independent Auditor's Comment on Internal Control System

In year 2011, Ernst & Young Office Limited as independent auditor of the Company had no comments on the internal control system.

10. Related Party Transactions

In 2011, the Company had related party transactions only with its subsidiary companies. These transactions were the supporting transaction for normal business operation of TISCO Group, according to the consolidated supervision principle by the Bank of Thailand. The transactions did not incur any conflict of interests, and disclosed in the notes to financial statement item 5.33.

10.1 Measures or procedures for approval of related party transactions

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

10.2 Future related transaction policy

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

11. Financial Status and Performance

11.1 Financial Statements

11.1.1 Auditor's Report

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

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2009 was Mr. Supachai Phanyawattano, Certified Public Accountant (Thailand) No. 3930 and in 2010 was Ms. Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516, of Ernst & Young Office Limited. The conclusion of his report can be summarized as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2009 and 2010, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

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

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

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

Table Depicting the Consolidated Financial Statements of the Company and its Subsidiaries
TISCO Financial Group Public Company Limited and its subsidiaries
Balance Sheets
As of

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Assets			
Cash	826,526	903,306	903,450
Interbank and money market items - net	12,708,244	12,545,403	30,722,345
Derivatives assets	1,144	12,800	45,374
Investments - net	9,437,947	6,481,004	3,706,257
Loans to customers and accrued interest receivables - net		-	
Loans to customers	126,713,680	164,980,877	203,429,925
Accrued interest receivable	116,857	133,879	258,374
Total loans to customers and accrued interest receivables	126,830,537	165,114,756	203,688,299
Less: Deferred revenue	(13,480,703)	(15,248,648)	(18,416,303)
Less: Allowance for doubtful accounts	(2,423,833)	(4,162,022)	(4,420,351)
Less: Allowance for loss on debt restructuring	(18)	(3)	(3)
Loans to customers and accrued interest receivables - net	110,925,982	145,704,083	180,851,642
Property foreclosed - net	49,171	21,397	257,869
Investment property	116,135	72,004	952
Premises and equipment - net	1,442,536	1,394,870	1,450,901
Intangible assets - net	249,103	243,719	182,317
Deferred tax assets	696,617	1,242,503	355,401
Securities and derivative business receivable - net	1,014,907	1,292,529	724,650
Other assets	1,336,043	1,493,932	1,516,412
Total assets	138,804,355	171,407,549	220,717,570
Liabilities and shareholders' equity			
Liabilities			
Deposits	56,808,483	48,535,599	37,978,994
Interbank and money market items - net	6,380,216	10,842,765	14,478,653
Liability payable on demand	345,170	532,448	448,049
Derivatives liabilities	31,320	9,363	276,056
Debts issued and borrowings	59,128,689	90,773,847	145,396,598
Provision for long-term employee benefits	-	-	205,141
Deferred tax liabilities	15,724	156,347	61,339
Securities and derivative business payables	958,532	1,610,686	469,540
Accrued interest payable	263,482	462,130	1,396,455
Income tax payable	704,302	942,103	137,821
Other liabilities	1,649,722	2,685,034	3,557,332
Total liabilities	126,285,639	156,550,322	204,405,978
Shareholders' equity			
Share capital			
Registered	11,002,000	11,002,000	11,002,000
Issued and fully paid-up			
33,858 preference shares of Baht 10 each ¹	6,986	354	339
727,878,228 ordinary shares of Baht 10 each ²	7,261,744	7,278,767	7,278,782
	7,268,730	7,279,121	7,279,121
Share premium			
Share premium of preference shares	-	-	-
Share premium of ordinary shares	-	-	-
Other components of shareholders' equity	699,019	1,049,546	999,037
Retained earnings			
Appropriated-statutory reserve	119,800	212,600	297,900
Unappropriated	4,342,447	6,235,417	7,634,389
Equity attributable to owners of the Company	12,429,996	14,776,684	16,210,447
Non-controlling interest of the subsidiaries	88,720	80,543	101,145
Total shareholders' equity	12,518,717	14,857,227	16,311,592
Total liabilities and shareholders' equity	138,804,355	171,407,549	220,717,570

¹(31 December 2010: 35,358 preference shares of Baht 10 each)

²(31 December 2010: 727,876,728 ordinary of Baht 10 each)

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of Earnings

For the years ended

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Total Interest income	8,395,064	9,433,028	12,368,668
Interest expenses	(2,720,508)	(2,571,639)	(5,461,341)
Net interest income	5,674,556	6,861,389	6,907,327
Fees and service income	2,077,797	2,923,104	3,066,989
Fees and service expenses	(201,477)	(214,968)	(212,818)
Net fees and service income	1,876,320	2,708,136	2,854,171
Gains on tradings and foreign exchange transactions	23,139	20,729	42,905
Gains (losses) on investments	2,080	200,963	34,266
Dividend income	77,593	86,909	83,257
Penalty fee income from loans	194,126	201,722	220,532
Income from business promotion relating to the business	160,145	212,214	538,092
Reversal allowance for impairment of property foreclosed	-	-	248,232
Intercompany supporting fee income	-	-	-
Other operating incomes	422,249	331,687	143,759
Total operating income	8,430,207	10,623,749	11,072,541
Operating expenses	-	-	-
Employee's expenses	2,054,827	2,760,453	2,722,316
Directors' remuneration	7,985	9,380	13,231
Premises and equipment expenses	698,960	701,339	685,086
Taxes and duties	117,551	154,304	224,067
Expenses to business promotion relating to the business	120,030	296,385	598,701
Others	1,031,307	596,320	691,158
Total operating expense	4,030,660	4,518,181	4,934,559
Bad debt and doubtful accounts and impairment loss of debt securities	(1,554,358)	(1,946,933)	(1,283,075)
Profit (loss) from operating before tax	2,845,190	4,158,635	4,854,907
Income tax expense	(840,441)	(1,256,163)	(1,561,908)
Profit (loss) for the period	2,004,749	2,902,472	3,292,999
Non-controlling interests of the subsidiaries	(16,356)	(14,225)	(26,244)
Profit (loss) attributable to the equity holders of the Company	1,988,393	2,888,247	3,266,755
Basic earning per share	2.62	3.97	4.49

TISCO Financial Group Public Company Limited and its subsidiaries
Cash flow statements
For the years ended

Unit: Thousand Baht

	December 31, 2009	December 31, 2010	December 31, 2011
Cash flows from operating activities			
Profit from operating before income tax expenses	2,845,190	4,158,635	4,854,907
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities			
Depreciation and amortisation	316,762	349,873	303,525
Bad debts and doubtful accounts	2,083,500	2,585,631	1,975,565
Allowance for impairment of investments (reversal)	6,265	14,430	44,636
Allowance for impairment of property foreclosed (reversal)	494,780	257	(248,232)
Gain on disposal of investments	(334)	(201,863)	(84,101)
Unrealised (gain) loss on trading and foreign exchange transactions	(9,198)	1,847	(40,219)
Gain on disposal of equipment	(11,425)	(39,511)	(7,844)
Loss from written-off of equipment	7,736	124	-
Unrealised loss from trading securities	-	(12,996)	7,504
Gain on disposal of property foreclosed	(15,650)	(205,902)	(69,087)
Provision for long-term employee benefits	(179,207)	-	24,448
Decrease (increase) in other accrued income	(35,651)	(17,764)	(10,570)
Increase in accrued expenses	254,937	688,487	482,498
Net interest income	(5,980,901)	(6,861,389)	(6,907,327)
Dividend income	-	(86,909)	(83,257)
Interest received	8,839,188	9,109,947	12,007,185
Interest paid	(3,450,105)	(2,116,523)	(3,530,306)
Dividend received	77,593	86,909	83,257
Income tax paid	(574,730)	(1,556,866)	(1,458,144)
Profit from operating activities before changes in operating assets and liabilities	4,668,753	5,896,417	7,344,438
Operating assets (increase) decrease			
Interbank and money market items	1,896,214	162,836	(17,886,400)
Investment in trading securities	17699.396	-	-
Loans to customers	(12,598,373)	(38,554,492)	(37,944,184)
Receivable from clearing house	(348,966)	(277,622)	569,311
Property foreclosed	2,443,710	1,822,782	1,135,453
Intangible assets	(105,460)	(89,186)	(49,893)
Other assets	(128,765)	(206,288)	(1,790)
Operating liabilities increase (decrease)			
Deposits	(2,014,135)	(8,272,884)	(10,554,229)
Interbank and money market items	659,457	4,463,971	3,637,009
Liability payable on demand	(151,570)	187,278	(84,399)
Short-term borrowing	-	-	-
Payable to clearing house	(146,326)	-	-
Securities and derivative business payables	666,341	652,155	(1,141,146)
Other liabilities	(192,582)	74,378	(399,859)
Net cash flows from (used in) operating activities	(5,334,005)	(34,140,655)	(55,372,109)
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(6,530,728)	(5,343,869)	(1,046,880)
Cash received from sale of investment in securities held for investment	8,249,824	8,944,430	3,607,966
Cash paid for purchase of equipment	(179,768)	(196,027)	(183,356)
Cash received from disposal of equipment	31,190	77,297	9,456
Cash paid for acquisition of a subsidiary	(890,321)	(1)	-
Cash received from share capital reduction of a subsidiary	7,186	-	-
Cash paid for acquisition of the remaining shares in accordance with the Group shareholding restructuring plan	(1,768)	-	-
Net cash flows from (used in) investing activities	685,614	3,481,830	2,387,186
Cash flows from financing activities			
Borrowings	2,581,171	32,643,690	54,544,376
Cash received from issuance of long-term debentures	4,000,000	2,000,000	76,000
Cash paid for the redemption of long-term debentures	(331,000)	(3,000,000)	-
Dividend paid	(1,367,827)	(902,479)	(1,637,736)
Net cash flows from (used in) financing activities	4,882,344	30,741,211	52,982,640
Translation adjustment	(2,997)	(5,606)	2,427
Net increase (decrease) in cash	230,956	76,780	144
Cash at beginning of the year	595,570	826,526	903,306
Cash at the end of the year	826,526	903,306	903,450

11.1.2 Important Financial Ratios

		2009	2010	2011
Profitability Ratio				
Gross Profit Margin	(%)	73.2	78.0	63.6
Net Profit Margin	(%)	29.9	34.4	36.7
Return on Average Shareholders' Equity	(%)	16.7	21.2	21.1
Interest Income Ratio	(%)	6.5	6.2	6.3
Interest Expense Ratio	(%)	2.3	1.9	3.1
Interest Spread	(%)	4.2	4.3	3.2
Return on Investment	(%)	7.9	8.3	5.9
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.3	4.4	3.5
Return on Average Assets	(%)	1.5	1.9	1.7
Total Asset Turnover	(times)	0.1	0.1	0.1
Financial Ratio				
Debt to Equity Ratio	(times)	10.1	10.5	12.5
Total Loans to Total Borrowing and Deposits	(%)	97.4	107.1	100.6
Total Loans to Public Borrowing	(%)	199.3	308.5	487.1
Public Borrowing to Total Liabilities	(%)	45.0	31.0	18.6
Dividend Payout Ratio	(%)	68.2	56.7	52.4
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	2.1	2.8	2.4
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	1.4	1.1	0.6
Non-accrued loans ¹ to Total Loans	(%)	4.0	2.6	1.7
Loan loss provision to Non-performing loans	(%)	86.4	156.8	169.2
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.1
Other Ratios				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.0	0.0	0.0
Capital Funds to Risk Weighted Asset (BIS)	(%)	16.96	15.23	14.91
Net Capital Rule (TISCO Securities)	(%)	104.39	49.75	102.50

¹according to the Bank of Thailand's definition

11.2 Explanation and Analysis of Financial Position and Operating Performance

The Management Discussion and Analysis compares operating performance and financial position of TISCO Group for the year 2011, in which TISCO Financial Group Public Company Limited is the parent company, with those of the year 2010

Movement of Money Market and Capital Market

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

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

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

Impacts from flood crisis

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

For the impact on loan business, the majorities of affected customers are the customer of auto hire-purchase and loan against auto license businesses whereby their income were temporary impaired resulting in deterioration in repayment ability. Meanwhile, the customer's damaged assets due to the flood crisis (e.g. car, motorcycle) were relatively small, accounted for 5% – 10% of total affected customers. Furthermore, more than 50.0% of damaged assets were covered by insurance company. In addition, the customers who agreeing on debt moratorium were accounted for 2% – 3% compared to total loan portfolio.

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

11.2.1 Operating Performance for the Year 2011

TISCO Financial Group Public Company Limited had net profit from operations on a stand alone basis totaling 1,705.56 million baht mainly contributed by service fee and dividend income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other companies 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.

For the year 2011, TISCO Group had the net profit after minority interest at 3,266.76 million baht, increased by 13.1% (YoY) compared with pervious year, contributed by an increase in total operating income of 4.2% (YoY). Meanwhile, interest income increased by 31.1% (YoY) following strong expansion in all loan segments. However, loan spread declined from 4.8% in 2010 to 3.7% in 2011 mainly due to higher cost of funds from rising interest rate cycle. Non-interest income from core business reported at 4,378.03 million baht, increased by 10.1% YoY. The increase was mainly contributed by growth in banking fee of 36.4% (YoY) following the increase in loan and bancassurance businesses. Furthermore, the basic fee income from asset management business increased by 8.2% (YoY), which was mainly contributed by the issuance of various funds that match with clients' needs. Nevertheless, the brokerage fee income declined by 4.0% (YoY) compared to 2010 following uncertainties in capital market sentiment.

In 2011, TISCO Group also made full impairment to net deferred tax asset in an amount of 127.36 million baht following new corporate tax rates to be effective in 2012, which has been realized into profit and loss statement. If excluding the effect from deferred tax asset write-down, the net profit for year 2011 would be around 3,390 million baht, representing 17.4% growth from the previous year.

Basic earnings per share for the year 2011 was 4.49 baht compared with 3.97 baht in 2010. Meanwhile, the return on average equity (ROAE) in 2011 was at 21.1% compared with 21.2% in 2010.

(1) Consolidated Revenue Structure

The Company and its subsidiaries' consolidated revenue structure in 2010 and 2011 are illustrated in Table1.

Table 1: Consolidated Revenue Structure

Type of Revenue	2010		2011		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest income					
Interest on loans	1,632.44	15.4	3,221.33	29.1	97.3
Interest on interbank and money market items	199.48	1.9	627.80	5.7	214.7
Hire purchase and financial lease income	7,163.02	67.4	8,294.57	74.9	15.8
Investments	438.09	4.1	224.97	2.0	(48.6)
Total interest income	9,433.03	88.8	12,368.67	111.7	31.1
Interest expenses	(2,571.64)	(24.2)	(5,461.34)	(49.3)	112.4
Net interest income	6,861.39	64.6	6,907.33	62.4	0.7
Fee Income	2,923.10	27.5	3,066.99	27.7	4.9
Fee Expenses	(214.97)	(2.0)	(212.82)	(1.9)	(1.0)
Net Fee Income	2,708.14	25.5	2,854.17	25.8	5.4
Gain on investment and foreign exchange transaction	221.69	2.1	77.17	0.7	(65.2)
Other Income	832.53	7.8	1,233.87	11.1	48.2
Net Operating Income	10,623.75	100.0	11,072.54	100.0	4.2
Non-interest expenses	(4,518.18)		(4,934.56)		
Bad debt and doubtful account and impairment loss of debt securities	(1,946.93)		(1,283.07)		
Profit before income tax and minority interest	4,158.63		4,854.91		
Corporate income tax	(1,256.16)		(1,561.91)		
Profit before minority interest	2,902.47		3,293.00		
Minority interest in net earnings in subsidiary company	(14.23)		(26.24)		
Net Profit	2,888.25		3,266.76		

(2) Net Interest

In 2011, interest income was 12,368.67 million baht, increased by 2,935.64 million baht (31.1% YoY) due to continual growth in loan portfolio. Meanwhile, net interest income was 6,907.33 million baht, which was at the same level in 2010. Interest expense increased by 2,889.70 million baht (112.4% YoY) to 5,461.34 million baht, following the upward interest rate environment.

Furthermore, yield on loan improved from 6.7% in 2010 to 6.9% amid upward interest rate cycle. Meanwhile, TISCO Group's cost of fund increased from 1.9% in 2010 to 3.1% driven by upward interest rate cycle and intensifying deposit competition. As a result, loan spread declined from 4.8% to 3.7% in 2011.

Loan spread of TISCO Group has been continually decreasing from 4.5% in the fourth quarter of 2010 to 2.7% in the fourth quarter of 2011 amid intensifying loan and deposit competition, together with the deferred portion of interest income from flood affected clients during the fourth quarter of 2011. Nonetheless, TISCO Group anticipated that loan spread will continue to improve in the following quarters from stabilizing interest rate environment.

TISCO Group reported net interest income after impairment loss of loans and debt securities for the year 2011 of 5,624.25 million baht, increased by 709.80 million baht (14.4% YoY). Impairment loss of loans and debt securities was 1,283.07 million baht, compared to 1,946.93 million baht in 2010.

Table 2: Interest spread year 2010 - 2011

	2010	2011
Yield on loans	6.7	6.9
Cost of fund	1.9	3.1
Loan spread	4.8	3.7

(3) Non-interest Income

Non-interest income of TISCO Group's core businesses was recorded at 4,300.86 million baht increased by 545.23 million baht (14.5% YoY) mainly from an increase in banking fee of 760.00 million baht (36.4% YoY) to 2,845.43 million baht following the growth of hire purchase loan and bancassurance businesses. Furthermore, the basic fee income from asset management business was at 644.13 million baht, increased by 8.2% (YoY). Meanwhile, brokerage income was at 678.18 million baht decreased 4.0% (YoY), amid volatilities in capital market during the previous year. In addition, total non-interest income was at 4,378.03 million baht, increased by 400.70 million baht (10.1% YoY) mainly from increase in revenue from loan and bancassurance businesses.

(4) Non-interest Expenses

Non-interest expenses for the year 2011 were 4,934.56 million baht, increased by 416.38 million baht (9.2% YoY). The increase was due to higher variable expenses associated with higher business volume and revenue. Meanwhile, the cost to income ratio was 44.6% in 2011, comparing to 42.5% in 2010.

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

In 2011, the asset quality significantly improved with NPL ratio decreased to 1.4%, compared to 1.8% at the end of 2010. Consequently, TISCO Group recorded decrease in bad debt and doubtful accounts and impairment loss of debt securities of 1,283.07 million baht, decreased by 34.1% comparing to 1,946.93 million baht in 2010 following an improvement in asset quality.

(6) Corporate Income Tax

The corporate income tax in 2011 was 1,561.91 million baht, equivalent to the effective tax rate of 32.2%, compared to 30.2% in 2010. For the year 2011, TISCO Group has made full impairment to net deferred tax asset in the amount of 127.36 million baht in respond to the decrease in corporate income tax rates to 23.0% and 20.0% in 2012 and 2013 respectively. Therefore, all deferred tax items of TISCO Group has been reduced accordingly to 20% tax rate.

11.2.2 Financial Position

(1) Assets

TISCO Group's total assets as of December 31, 2011 were 220,717.57 million baht increased by 49,311.46 million baht (28.8% YoY) mainly contributed by 23.6% (YoY) increase in loan portfolio from 149,730.80 million baht to 185,013.62 million baht, following strong growth in all loan business.

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

Assets	December 31, 2010		December 31, 2011		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	903.31	0.5	903.45	0.4	0.0
Interbank and Money Market Items	12,545.40	7.3	30,722.35	13.9	144.9
Derivatives assets	12.80	0.0	45.37	0.0	0.0
Fixed income	2,800.06	1.6	1,695.69	0.8	(39.4)
Equity	3,680.94	2.1	2,010.57	0.9	(45.4)
Corporate Loans	22,431.58	13.1	32,348.73	14.7	44.2
Commercial Loans	9,425.41	6.8	13,628.40	78.1	44.6
Retail Loans	112,837.95	62.7	133,822.50	6.2	18.6
Other Loans	5,037.29	6.1	5,214.00	2.4	3.5
Allowance for doubtful accounts and for loss on debt restructuring	(4,162.02)	(2.4)	(4,420.35)	(2.0)	6.2
Other Assets	5,893.40	3.4	4,746.88	2.2	(19.5)
Total – The Company and Subsidiaries	171,406.12	100.0	220,717.57	100.0	28.8

(a) Investments

At the end of 2011, the investment was 3,706.26 million baht decreased by 2,774.74 million baht (42.8% YoY) due to a decrease in equity investment and hire purchase portfolio from Primus Leasing Company Limited and GMAC (Thailand) Limited.

(b) Loans and Receivables Breakdown

At the end of 2011, total consolidated loans and receivables were 185,013.62 million baht, up by 35,281.39 million baht (23.6% YoY), following growth in all loan businesses. The composition of loan portfolio was 72.3 % of retail loans, 17.5% of corporate loans, 7.4% of commercial loans and 2.8% of other loans. In addition, loans and receivables breakdown are shown in the following table

Table 4: Loans and Receivables Breakdown as of December 31, 2010 and 2011

Type of Business	December 31, 2010		December 31, 2011		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	10,996.33	7.3	16,368.35	8.8	48.9
Real estate and construction	6,374.43	4.3	8,789.92	4.8	37.9
Public utilities and services	4,905.58	3.3	6,862.20	3.7	39.9
Agriculture and mining	155.24	0.1	328.26	0.2	111.5
Corporate Loans	22,431.58	15.0	32,348.73	17.5	44.2
Commercial Loans	9,425.41	6.3	13,628.40	7.4	44.6
Hire purchase	106,047.24	70.8	124,915.88	67.5	17.8
Housing	1,422.29	0.9	1,366.69	0.7	(3.9)
Consumer	5,369.86	3.59	7,539.93	4.08	40.45
Retail Loans	112,837.95	75.4	133,822.50	72.3	18.6
Others	5,035.86	3.4	5,214.00	2.8	3.5
Total – The Company and Subsidiaries	149,730.80	100.0	185,013.62	100.0	23.6

(c) Non-performing Loans

TISCO Group has prudently managed non-performing loans (NPLs) with effective risk management tools and stringent practice of loan collection, debt restructuring and write-off process. NPL ratio was reported at 1.4% as of December 31, 2011, significantly decreased from 1.8% as of December 31, 2010. Additionally, NPL ratio of retail loan was at 1.5%, NPL ratio of corporate loan was at 1.2% and NPL of commercial loans was at 0.8%. In addition, the total NPLs was 2,611.73 million baht which decreased by 1.6% YoY or 42.35 million baht during the year. (NPLs of the Bank were 2,215.13 million baht and there was NPLs of 396.60 million baht from other subsidiaries).

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

Type of Business	December 31, 2010			December 31, 2011			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	0.9	99.65	3.8	0.4	71.50	2.7	(28.3)
Real estate and construction	5.5	352.90	13.3	3.3	288.63	11.1	(18.2)
Public utilities and services	1.6	76.76	2.9	0.5	30.99	1.2	(59.6)
Agriculture and mining	4.0	6.24	0.2	0.7	2.34	0.1	(62.5)
Total NPL - Corporate Loans	2.4	535.55	20.2	1.2	393.46	15.1	(26.5)
NPL- Commercial Loans	0.8	76.64	2.9	0.8	114.13	4.4	48.9
Hire purchase	1.4	1,496.09	56.4	1.5	1,886.41	72.2	26.1
Housing	8.7	123.98	4.7	7.6	103.87	4.0	(16.2)
Total NPL - Retail Loans	1.4	1,620.07	61.0	1.5	1,990.28	76.2	22.9
Others	6.7	421.82	15.9	1.7	113.87	4.4	(73.0)
Total NPL – The Company and Subsidiaries	1.8	2,654.08	100.0	1.4	2,611.73	100.0	(1.6)

Allowance for Doubtful Accounts and Losses on Debt Restructuring

TISCO Group has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel II framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based on historical loss data incorporating with adjustment for the recent market situation. However in 2011, TISCO Group has utilized portion of general reserve to compensate for the effects of flooding and potential losses in the future. Meanwhile, as of December 31, 2011, loan loss reserve of TISCO Group was 4,420.35 million baht or 169.2% of NPLs. Furthermore, total loan loss reserve of the Bank was 4,098.96 million baht. In addition, as of December 31, 2011, TISCO Bank has provision in excess of BoT's minimum requirement totaling 2,057 million baht. In this regard, TISCO Bank has assigned these excess provisions totaling 2,053 million baht to specific provision for an individual debtor. The total provision according to BoT requirement after including the minimum provision of 2,042 million baht required by BoT are then be 4,095 million baht. These provision set up are in compliance with the BoT's guideline.

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

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

(2) Liabilities

As of December 31, 2011, total liabilities were 204,405.98 million baht, increased by 47,869.41 million baht (30.6% YoY) from 156,550.32 million baht as of December 31, 2010, primarily contributed by an increase in short-borrowing amounted to 58,333.26 million baht (77.5% YoY) to support expansion in loan business. The liabilities mix comprised of 84.0% total deposit including or short term borrowing, 7.1% interbank and money market items, 5.7% long-term borrowings, and 3.2% other liabilities.

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

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

Type of Borrowings	December 31, 2010		December 31, 2011		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Total deposits ¹	123,849.04	79.1	171,625.69	84.0	38.6
Interbank and money market items	10,842.76	6.9	14,478.65	7.1	33.5
Long-term borrowings	15,460.40	9.9	11,749.90	5.7	(24.0)
Others	6,398.11	4.1	6,551.73	3.2	2.4
Total – The Company and Subsidiaries	156,550.32	100.0	204,405.98	100.0	30.6

(3) Shareholders' Equity

Shareholder's equity as of December 31, 2011 was 16,311.59 million baht, increased by 1,454.36 million baht (9.6% YoY) following continual increase in profit. The book value per share (BVPS) as of December 31, 2011 was 22.38 baht per share, increased from 20.41 baht per share in 2010. As of December 31, 2011, the Company had paid-up shares amounting to 727.91 million shares, comprising of 727.88 million common shares and 0.04 million preference shares.

11.2.3 Business Segment Performances**(1) Banking Business****Loans**

Total consolidated loans and receivables at the end of December 31, 2011 were 185,013.62 million baht, up by 35,281.39 million baht (23.6% YoY) from the end of 2010, following growth in all loan business. The composition of loan portfolio was 72.3% of retail loans, 17.5% of corporate loans, 7.4% of commercial loans and 2.8% of other loans.

Corporate lending portfolio totaled 32,348.73 million baht, increased by 9,917.15 million baht (44.2% YoY) from the end of year 2010 due to strong increase in manufacturing and commerce sectors and real estate and construction sectors.

Retail lending portfolio totaled 133,822.50 million baht, consisted of 93.3% car, motorcycle, and other hire purchase loans, 5.7% consumer loan and 1.0% mortgage loans. The outstanding hire purchase loans totaled 124,915.88 million baht, up by 18,868.64 million baht (17.8% YoY) from the same period of previous year mainly due to the success of hire purchase business expansion into captive brands of Ford, Mazda, and Chevrolet. Car hire purchase new business volume amounted 62,888.66 million baht, increased by 5,787.23 million baht (10.1% YoY), while the domestic car sales in 2011 reported at 794,081 units, decreased by 0.8% (YoY) from the same period last year at 800,357 units. The car penetration rate for 2011 was reported at 11.0%, this was at the same level of average penetration rate of 11.2% in 2010. In addition, consumer loan stood at 7,539.93 million baht, increased by 2,171.51 million baht (40.4% YoY) compared to 2010 which was mainly contributed by increase in loan against auto license (TISCO Auto Cash) business.

Commercial lending portfolio totaled 13,628.40 million baht, up by 4,202.99 million baht (44.6% YoY) from 2010, mainly due to an increase in loan to car dealer.

Other loan portfolio totaled 5,214.00 million baht, increased by 178.14 million baht (3.5% YoY) from 5,035.86 million baht at the end of previous year.

Deposit

Total deposits totaled 171,625.69 million baht, increased by 47,776.65 million baht (38.6% YoY) from 2010. The increase was higher than those of assets to accommodate for expansion in customer and deposit bases and to increase liquidity of TISCO Group. At the end of year 2011, TISCO Group had excess liquidity amounting to approximately 14,372 million baht, combining with the BoT required liquidity of 11,090 million baht (including bill of exchange) to arrive at total liquidity of 13.8% which was well over the required liquidity by BoT of 6.0%. Meanwhile, the portion of saving accounts and current accounts of total deposits was at 12.0% in 2011. In addition, the portion of retail deposit with deposit amount less than 20 million baht to total funding in terms of clients was at 23.4% at the end of the year 2011.

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

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

Type of Deposits	December 31, 2010		December 31, 2011		% Change
	Amount		Amount		
	(Bt. million)	%	(Bt. million)	%	
Current accounts	4,859.99	3.9	3,423.09	2.0	(29.6)
Saving accounts	25,671.55	20.7	17,082.94	10.0	(33.5)
Fixed accounts	1,169.53	0.9	2,049.15	1.2	75.2
Negotiate certificate deposit	16,832.16	13.6	15,423.82	9.0	(8.4)
Short-term borrowings	75,313.44	60.8	133,646.70	77.9	77.5
Total deposits	123,849.04	100.0	171,625.69	100.0	38.6

(2) Securities Business

For the year 2011, the SET index slightly decreased from previous year due to the investors concern over uncertainty of European and US. economies. Average daily turnover of TISCO Securities Co., Ltd. was 1,361.82 million baht decreased by 4.4% (YoY) compared to same period last year. Furthermore, TISCO Securities' average market share was declined from 2.38% in 2010 to 2.25% in 2011, mainly due to the decrease in market share of local and foreign institutional. Brokerage fee was 678.18 million baht, declined by 4.0% (YoY) from 706.28 million baht in same period of 2010. Meanwhile, brokerage volume in 2011 comprised of 27.5% of local institutions, 23.0% of foreign institutions, and 49.5% of retail customers. In addition, fee income from investment banking business during 2011 was 34.40 million baht, comparing to 144.30 million baht in same period of 2010 due mainly to investment banking business recorded fee from advisory service to the Financial Institution Developments Fund (FIDF) for the sales of stake in Siam City Bank Plc.

(3) Asset Management Business

As of December 31, 2011, asset under management of asset management industry was 2,848,664 million baht, increased by 4.7% (YoY). TISCO's assets under management as of December 31, 2011 were 135,953.16 million baht, slightly decreased by 1,062.08 million baht (0.8% YoY). Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2011 was 4.8%, ranking 7th in the market. The market share of provident fund was 13.8%, ranking 3rd while the market share of private fund was 11.6%, and ranking 2nd in the market. For mutual fund, the market share was 0.7%, ranking 15th in the market.

For the year 2011, basic fee income from asset management totaled 644.13 million baht, increased by 48.72 million baht (8.2% YoY). Meanwhile, total fee income decreased by 5.5% (YoY) due to the decrease in incentive and performance fee amid declining capital market. The composition of total asset under management was 62.5 % of provident fund, 27.1 % of private fund, and 10.4% of mutual fund.

Table 9: Assets under Management Breakdown by Type of Fund as of December 31, 2010 and 2011

Type of Fund	December 31, 2010		December 31, 2011		% Change
	Amount		Amount		
	(Bt. million)	%	(Bt. million)	%	
Provident Fund	77,265.69	56.4	85,028.35	62.5	10.0
Private Fund	42,027.46	30.7	36,814.50	27.1	(12.4)
Mutual Fund	17,722.10	12.9	14,110.31	10.4	(20.4)
Total	137,015.24	100.0	135,953.16	100.0	(0.8)

11.2.4 Liquidity

As of December 31, 2011, TISCO Group's cash was 903.45 million baht, which was at the same level as the previous year. This was mainly comprised of 55,372.11 million baht in net cash flows used in operating activities, mainly contributed by an increase in loans and receivables. Meanwhile, the net cash flows from financing activities amounting 52,982.64 million baht, mainly contributed from an issuance of debt instruments. Meanwhile, net cash flow from investing activities was 2,387.19 million baht mainly contributed by the disposal of investment in securities held for investment.

11.2.5 Sources and Uses of Funds

As of December 31, 2011, the funding structure as shown in the consolidated financial statement comprised of 204,405.98 million baht in liabilities and 16,311.59 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 12.5 times. The major source of funds on liabilities side was deposits, which accounted for 77.8% of total source of funds. Other sources of funds included interbank and money market items accounted for 6.6% of total source of funds, 8.3% of long term borrowing and others liability, and 7.4% of shareholders' equity, respectively.

As of December 31, 2011, TISCO Group's major use of funds was loans, amounting 185,013.62 million baht, resulting in a loan-to-deposit ratio¹ of 120.9%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

11.2.6 Capital Requirements

As of December 31, 2011, TISCO Group's internal capital stood at 13,064.80 million baht comprising of Tier-I and available reserve adjustment. The integrated risk capital increased by 2,516.89 million baht from the end of 2010 to 10,275.73 million baht resulting from continuous business expansion and the impact of flooding situation in the last quarter of 2011. In addition, the capital surplus remained strong at 2,789.06 million baht or 21.35%.

Comparing to the end of 2010, the credit risk capital rose by 2,130.98 million baht to 7,329.15 million baht following the expansion of overall portfolio as well as the flooding crisis. As the result, the NPL ratio of retail loans increased from 1.4% to 1.5%. Meanwhile, the market risk capital increase by 159.94 million baht from 1,436.38 million baht to 1,596.32 million baht, resulting from an increase in listed equity risk capital and the value of foreclosed assets.

The overall interest rate risk in banking book increased following the portfolio expansion. As the assets duration decreased from 1.57 years to 1.53 years resulting from increasing in corporate lending and liquid assets in which the duration is shorter than that of the hire purchase loan, while the liabilities duration excluding saving and current accounts which are less sensitive to the interest rate movement declines from 0.86 year to 0.65 year. Therefore, the duration gap of assets and liabilities increased, but was still in a manageable level in the range of 11 months.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions are still in strong and sufficient levels to cushion for the expansion of asset in the future. At the end of 2011, the regulatory capital adequacy ratio based on IRB approach (BIS ratio) after an adjustment of capital floor stood at 14.91% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 9.88% and 5.02%, respectively, Tier-I capital adequacy ratio also remained higher than the minimum requirement at 4.25%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 102.5%, higher than the minimum required ratio by the SEC of 7.0%.

Table 10: Capital Adequacy Ratio as of December 31, 2010 and 2011

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

Table 11: Average Duration Mismatch of Assets and Liabilities and Its Impact

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase (Bt. million)	
	2010	2011	2010	2011
Assets	1.57	1.53	531.41	800.90
Liabilities	0.86	0.65	(761.94)	(1,136.04)
Net Gap	0.71	0.88	230.53	(335.14)

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

11.2.7 Auditor's Fee**(1) Audit Fee**

The Company and its subsidiaries paid the audit fee for the year 2011 of 6,612,410 baht to Ernst & Young Office Limited. During the year, TISCO Group paid additional audit fee for TISCO Investment Advisory Co., Ltd., which was incorporated on March 18, 2011, amounted 80,000 baht.

(2) Non-audit Fee

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

11.2.8 Credit Rating

In 2011, the Company offered short-term bill of exchange with tenor up to 270 days. The Company got credit rating 'A-' and rating outlook "Positive" as at May 13, 2011. The ratings reflect the Company's strong asset quality, capital base, profitability. The details of credit ratings by TRIS Rating Co., Ltd. are shown as follows;

Credit Rating (Unsolicited Rating)	May 13, 2011
Company Rating	A-
Rating Outlook	Positive

12. Other related information

12.1 Corporate Social Responsibility

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

TISCO places great importance on its corporate commitment to social responsibility as one of the group's core values. Not only are the group's Corporate Social Responsibility ("CSR") projects and activities focused on the sustainable development of the nation's people, culture and environment, they are supported by the active participation of TISCO employees. Working groups for specific projects have been set up to maintain continuity in the activities with the recommendations given by the board of directors and to evaluate whether the project's desired outcome has been attained. The activities are followed up by the board of directors and reported at the board's meeting annually. The board also encourages TISCO's local branches to participate in community development activities, all of which are undertaken as long-term projects and closely monitored from year to year.

Since 2010, TISCO Group set up a Corporate Social Responsibility unit (CSR) to emphasize the group's intention in being responsible for society. The unit oversees all social activities including youth development, quality of life improvement, environmental preservation, etc. which lead to sustainable development of society and the nation. The activities will be performed in accordance with TISCO Group's core values.

12.2 General Policy on Social Responsibility

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

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

1. Good Corporate Governance

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

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

2. Ethical Business Operation

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

3. Responsibility on Consumers

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

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

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

4. Community and Social Development

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

For community development, TISCO voluntary group initiated "Rak Rian Ru Su Chumchon" project to provide better opportunity for the community by arranging a renovation of school libraries in Bangkok and upcountry so that youths and local people can use the library as a learning center for knowledge sharing.

5. Respect on Human Rights and Labor Justice

TISCO Group always places great importance on employee rights. TISCO employees are equally treated and given opportunities to develop themselves for professional advancement. We use a fair compensation and merits system to measure employees' performance. In addition, TISCO encourages employees to participate in a recreational activities.

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

The group's policies and objectives are delivered through continuous training and development programs including specific knowledge and skills training, basic training courses, and strategic policy training.

In 2011, the Human Resource & Organization Development department has continually arranged several training programs for TISCO employees throughout the year. TISCO held 147 in-house courses with 2,935.3 training hours, and 219 outside training programs of 3,246.1 training hours. In total the company provided 366 training programs using 6,181.4 training hours.

Since 2010, TISCO Group set up TISCO Learning Center to train employees, develop courses for basic and specific knowledge and skill training including, and instill corporate values. In other words, TISCO Learning Center plays an important role in helping to increase organization competency. (see more details in Section 9.8 Personnel Development, Part 9 Management)

6. Environmental Conservation

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

TISCO Group signed the agreement to support and be a part of United Nations' environmental services in 1992. Since 1991, TISCO started its first reforestation project and continued to do so as an annual activity for almost 20 years with management and staffs joining the activity.

7. Innovation from Social Works

TISCO Foundation for Charity is a non-profit organization established by TISCO to work on a full-time basis for social development works. The foundation has been registered under the Ministry of Finance as such receipts from the donation can be applied for tax deduction. In addition, TISCO has established Productivity Improvement Department to monitor the process of resources utilization to their fullest potential under effective control system. We develop electronic banking services which help facilitate financial transactions for customers and at the same time reduce the paper usage. TISCO Bank also initiated the e-Money ATM machine, also called e-TM machine, a new financial innovation for complete electronic transactions including deposits, withdrawals, money transfers, and payments to increase convenience for customers. TISCO e-TM customers can use card to pay for goods and service instead of cash. As the Bank foresees that electronic channel will play more important role in performing financial transactions, the e-TM innovation thus is a new financial innovation that the Bank developed to respond more to customers' needs.

Another innovation to combat the global warming was the establishment of a new unit in TISCO, the "Clean Development Mechanism (CDM) Division" to provide a Certified Emission Reductions (CERs) brokerage service to work with project owners in identifying the most suitable buyers of CDM credits, such as buyers with strong credit ratings and those which are well recognized internationally.

8. Report on Social and Environmental Activities

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

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

12.3 Corporate Social Responsibility Highlights in 2011

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

1. Social Supports

1.1 TISCO Foundation for Charity

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

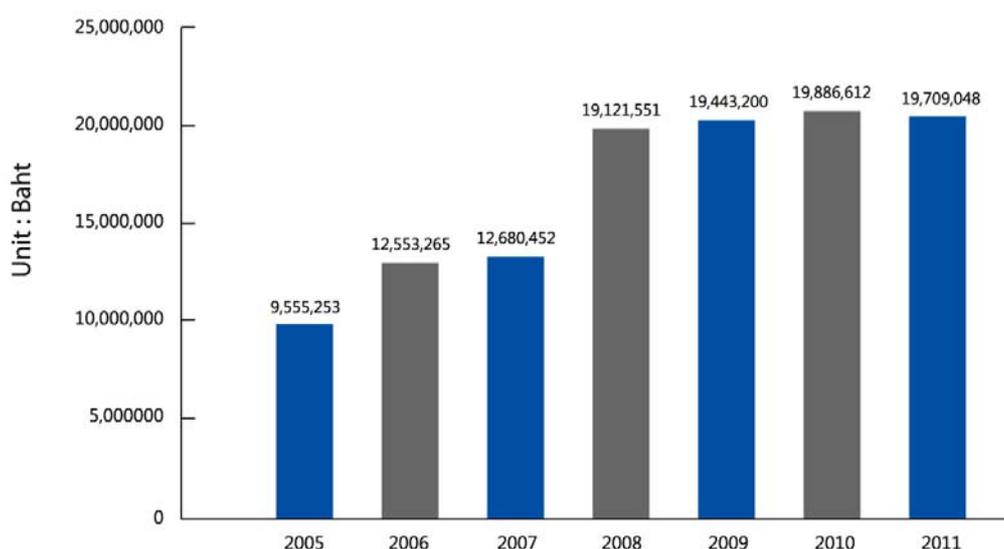
- 1) Providing nationwide educational scholarships for needy students,
- 2) Providing medical funding for destitute patients including donation of artificial organs and prosthesis
- 3) Providing business start-up funds for underprivileged people to promote self- reliance
- 4) Providing support for social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

Apart from the interest generated by the foundation's capital fund, the foundation has received regular support from TISCO Group, TISCO employees and the general public. The interest income from such funds has been donated to many charitable projects in accordance with the foundation's objectives. In 2011, TISCO mainly contributed to the TISCO Foundation at the total amount of 19,709,048 baht.

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

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

TISCO Foundation's Education Support



In 2011, TISCO Foundation provided 6,021 scholarships at the total amount of 19,621,200 baht to needy students at every level throughout the country i.e., 502 scholarships to primary school students, 4,619 scholarships to secondary school students, 439 scholarships to vocational school students, 385 scholarships to university students and 76 scholarships to other levels. Among these scholarships, 3,113 scholarships have been continuously granted, and 2,908 to the new recipients.

Moreover, TISCO Foundation has provided medical support and start-up fund for the underprivileged both in Bangkok and local areas. During the year contributions were 43,350 baht for medical support and 79,698 baht for start-up funds.

Follow-up Progress

TISCO Foundation has regularly followed-up and made outcome evaluations of the scholarships to maximize its benefits in the future. TISCO Foundation's committee members, staff and voluntary working group usually made follow-up progress in every November by visiting schools and homes of the granted students and also the prospective ones. As for the start-up fund support, the Foundation's staffs usually visit the fund recipients to see their progress 2 times, once after the funds have been granted for 2 months, and once after 1 year.

In 2011, as the massive flood occurred in several areas in Thailand, TISCO Foundation's staff went on field trips to follow up scholarships performance of only 7 schools in Bangkok and its vicinity in August.

1.2 Special Continuous Project

Rak Rian Ru Su Chumchon

The project was initiated in 2009 aiming to provide learning opportunities for children and people living in rural areas by building/renovating school libraries and donating books to 40 villages near TISCO's branches around the country. In 2011, 8 libraries were renovated from the total of 61 libraries since 2009. In following years, libraries to be renovated will be selected as appropriate to continue encourage learning in communities.

Blood Donation

TISCO Group and The Thai Red Cross Society have organized blood donation for over 26 years to give an opportunity for employees, customers, and the public to participate in the activity every quarter at Head Office, North Sathorn. The activity has also been held at our branches across the nation. In 2011, the donation was held 11 times and we received 2,743 units of blood or 1,049,650 cc.

1.3 Other Social Support Activities

A part from continuous social support activities through TISCO Foundation, TISCO Group also supports other social and community development activities including supporting reusable bottle of water to students in order to encourage hygienic behavior, visiting soldiers injured while on duty in three southern border provinces, supporting the activity of Faculty of Medicine, Chulalongkorn University to make "Anantha Mahidol brooch 2011" to help poor patients, supporting the activity of Princess Galyani Vadhana Institute of Music, Silpakorn University to develop the musical career path and also the quality of life, participating in the annual activity of the Center for the Promotion of National Strength on Moral Ethics and Values (Moral Center) to exhibit CSR performance to the event attendees, supporting Thai Woman Day to make more concern on a role of woman, supporting Nation Associate Anti-Corruption Network to make a consideration to a public on macro fraudulence in order to against corruption in Thailand, supporting charitable activities of Thai Airways International Public Company Limited in the construction of the Sayamindradhiraj Medical Institute of Siriraj hospital to offer exceptional facilities for medical and nursing students, and public health professionals, supporting "Thailand Iron Man Mini Marathon 2011" in cooperation with Bangkok Post newspaper to provide scholarships for needy students, and providing a marching band music instruments to Ban Dong Ku school in Sri Satchanalai District, Sukhothai.

2. Environmental Conservation

Reforestation Project

In 2011, TISCO Group organized the project of "Brackishwater Mangrove Reforestation", a part of "The Luk Phra Dabos", a project under royal patronage in Samut Prakarn. The project has been developed to be an agricultural learning center for communities and also to increase the value of agricultural products by supporting plant 1,500 saplings on the site such as Khee Lek, Sa Dao, etc.

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. the project of "Paper separation...give opportunity to needy students" - the income from selling recycling paper contributed to needy students, power saving, travel planning, using environmental-friendly office supplies and waste reduction.

3. Support for the Arts and Cultures

Thai Contemporary Art Support

TISCO Group has been a pioneer and continuous supporter of the Thai contemporary art since 1970, realizing that a vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, TISCO consistently supported a number of initiatives and collected more than 300 Thai contemporary and modern arts. The TISCO Art Collection has been recognized as one of the best in the country boasting great diversity that unfolds the maturity and long history of nation's contemporary art. The collection covers many early works of prominent artists at present which are rare to find nowadays. It is also considered a reflection of the journey of Thai contemporary art in four decades. In addition, TISCO Group has continuously supported many activities of The Rama IX Art Museum.

In 2011, TISCO group supported the art of "Wealth of Life" - the latest art by Pichai Nirand, national artist (2003) in the field of visual art. The art was created by using a lotus in imagination to reflect Buddhist philosophy of Buddha comparing the type of human beings. In addition, the lotus is the symbol of prosperous intelligence. TISCO group also supported other 2 Thai contemporary arts from Thai artists.

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 2011, TISCO Group hosted the Kathin ceremony at Wat Nong Ngu Leum in Chonburi province.

4. Special activities to relieve flood victims

In 2011, the severe floods in many areas across the nation have caused damages to many people. Apart from helping employees and customers, TISCO also supported the public including partners and communities from the beginning of crisis to recovering after.

For employees, TISCO group announced its commitment to relieve flood affected employees including emergency fund, accommodation fund, exceptional leave policy for those employees who was not able to commute to work, employee loan for repairing damaged accommodation and also setting up "friends help friends" project by opening an account to gather the money from employees and getting the volunteers to restore the damages of the affected employees' houses to turn it to the normal as soon as possible.

To remedy for flood affected customer, TISCO group has been carrying out various measures to help ease debt repayment burden of customers, such as 3 month principal and interest moratorium, waving or canceling of transaction fees, and other loan restructuring arrangement.

Apart from helping all stakeholders, TISCO group gave the opportunities to its employees to participate in the public activities helping the flood victims. TISCO Bank had opened an account for TISCO employees and public to donate their money. TISCO Group itself also donated money to other foundations and organizations such as The Thai Red Cross Society, The Thai Bankers' Association, The Chaipattana Foundation, The Rajaprajanugroh Foundation, "Capital Market Unities to Help Flood Victims" fund by Thai Listed Companies Association and the project of "Bank Ruam Jai Peu Poo Prasob Pai" by Money Channel. In addition, The group joined the public relief activities such as renovating educational institutions affected from the crisis as well as Big cleaning day on Rojana Road in Ayutthaya province to recover public places, ancient remains and industrial areas hit by flood.

As for other disaster relief projects in 2011, TISCO also opened an account named "Help Earthquake and Tsunami Victims in Japan" for public to donate their money to help Tsunami victims in Japan.

Summary of Corporate Social Responsibility Donations and Supports in 2010

1. Social support

TISCO Foundation for Charity

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2011	Educational Support	To provide nationwide educational scholarships for needy students	19,586,000
All Year 2011	Medical Support	To provide medical funding for destitute patients	43,350
All Year 2011	Start-Up Fund	To provide business start-up funds for underprivileged people to promote self-reliance	79,698
	Total		19,709,048

1.2 TISCO's special continuous activities

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2011	Rak Rian Ru Su Chumchon	To provide opportunities for children and people living in underprivileged areas through renovating/improving community libraries to be a better place for learning	32,000
All Year 2011	Blood Donation for the Thai Red Cross Society	To save life by expands this activity to branch network around the country	37,500
	Total		69,500

1.3 Other CSR activities

Date/Month	Activities	Objectives	Amount (Baht)
Feb 11	Supported reusable bottle of water to students	To encourage hygienic behavior	20,000
Mar 11	Visiting soldiers injured from Duty in three southern border provinces	To encourage social responsibility awareness on society	45,723.50
May 11	Supporting the activity of Faculty of Medicine, Chulalongkorn University to make "Anantha Mahidol brooch 2011"	To help poor patients in Chulalongkorn hospital	500,000
May 11	Supporting on Activities of Princess Galyani Vadhana Institute of Music, Silpakorn University	To develop the musical skill and others for better quality of life,	30,000
Aug 11	Supporting "Thailand Iron Man Mini Marathon 2011"	To provide scholarships for needy students in Bangkok Post Suksa school	30,000
Sep 11	Supporting Marching : Nation Associate Anti-Corruption Network (NACN)	To make a consideration to a public on macro fraudulence in order to against corruption from Thailand	125,750
Oct 11	Providing a marching band music instruments to Ban Dong Ku school in Sri Satchanalai District, Sukhothai.	To support useful activities in developing musical skill on children in order to decrease the problem of drug addiction	270,000
Dec 11	Supporting charitable activities of Thai Airways International Public Company Limited	To support the construction of the Sayamindradhiraj Medical Institute of Siriraj hospital and offer exceptional facilities for medical and nursing students, and public health professionals	200,000
	Total		1,221,473.5

2. Environmental Conservation

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2011	The project of "paper separation...give opportunity to needy students"	To encourage employees' participation to efficiently utilize resources	363,087
Sep 11	Planted saplings under the project of "Brackishwater Mangrove Reforestation"	To support reforestation projects of government and private sectors	240,000
	Total		603,087

3. Support for the Arts and Cultures

Date/Month	Activities	Objectives	Amount (Baht)
All Year 2011	Supported TISCO Art Collection	To support Thai artists by collecting contemporary artworks	530,000
Mar 11	Initiated special artwork creation project to offer to HM the king	To commemorate HM the King's 7 cycle on 5 December 2011	1,000,000
Oct 11	Hosted the kathin ceremony at Wat Nong Ngu Leum in Cholburi	To support the construction of ubosot for commemorating HM the King's 84 th birthday anniversary	365,899
	Total		1,886,899

4. Relief Projects and Disaster Recovery

Date/Month	Activities	Objectives	Amount (Baht)
Jan 11	Restored the damaged building at Baan Krua School (Cement Thai Song Kroh)	To recover flood affected school after the crisis	216,970
Feb 11	Restored the damaged building at Wat Ku Dee Lai school	To recover flood affected school after the crisis	87,960
Apr 11	Opened an account named "Help Earthquake and Tsunami Victims in Japan" for public to donate their money.	To help relieve the Tsunami victims in Japan	1,824,000
Apr – May 11	Donated money to flood victims in southern areas <ul style="list-style-type: none"> - Provided the employee fund - Donated money to flood victims with MCOT - Donated money to flood victims via The Rajaprajanugroh Foundation - Restored the damaged building at Baan Hua Mark Lang school, Suratthani 	To help relieve the flood victims	88,000 112,564.52 1,002,000 350,000
Sep – Dec 11	Donated a large amount of money to help flood victims in several areas <ul style="list-style-type: none"> - Opened an account named "Ruam jai chuay pai pi bat" - Donated money to the victims through the fund of The Prime Minister's Office - Contributed the donation from "Ruam jai chuay pai pi bat" account to The Chaipattana Foundation - Donated money to help flood victims with The Thai Bankers' Association via Prime Minister 	To help relieve the flood victims	9,509,190

Date/Month	Activities	Objectives	Amount (Baht)
	<ul style="list-style-type: none"> - Supported "Capital Market Unities to Help Flood Victims" fund - Donated money to Thai Red Cross with Mizuho Bank - Supported the project of "Bank Ruam Jai Peu Poo Prasob Pai" via Money Channel - Big Cleaning Day on Rojana Road at Ayuttaya. - Setting up the project of "Friends help friends" after the flood crisis 		
Sep – Dec 11	Donated money to flood affected employees	To help relief and recovering employees' life and houses	11,085,000
	Total		24,187,684.55
Total			47,677,692.05

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

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

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

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

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

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

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

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

12.5 Honors & Awards in 2011

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 2011, the awards received include:

Top Corporate Governance Report Awards 2011

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

Best Securities Company Awards 2011

TISCO Securities Company Limited received The Best Securities Company Awards 2011 from the SET Awards 2011, organized by the Stock Exchange of Thailand and Money and Banking Magazine. The Award was presented to listed companies that have excellent performance. There were two areas of consideration: the outstanding ability and good service to operate as a broker and performance of securities analysis and qualified portfolio that has covered a wide range of securities based on quantitative and qualitative data on the key areas. The survey of clients and good practiced policy and guidelines by its staff are the areas of consideration.

A certificate of "Jit Arsa Tam Dee Mee Khon Hen"

TISCO Foundation for Charity received a certificate of "Jit Arsa Tam Dee Mee Khon Hen" as the organization who volunteered for the public and had inspired on Thai society as a social practice of volunteering to the public. The project was hosted by the Board of Public Affairs to celebrate His Majesty the King's Seventh Cycle Birthday on 5 Dec 2011.

Attachment 1

Details of Directors, Management and Controlling Persons

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
3. Ms. Oranuch Apisaksirikul Director Chairman of the Executive Board (Authorized Signatory) Group Chief Executive	53	Common Preferred	100,000 -	-	Master of Business Administration (Finance) Bachelor of Law Bachelor of Accountancy (Accounting & Commerce) - Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - Anti Corruption Training Program for Corporate Directors and Executives Thai Institute of Directors Association	2010-Present	TISCO Group Chairperson of the Executive Board Group Chief Executive	TISCO Financial Group Public Company Limited	Holding Company
						2009-2010	Member of the Executive Board President		
						2008-Present	Director	TISCO Bank Public Company Limited	Bank
						2010-Present	Chairperson of the Executive Board		
						2008-2009	Member of the Executive Board		
						2005-Present	Director		
						2005-2008	Senior Executive Vice President		
						Sep2011-Present	Director	TISCO Foundation	Foundation
						Feb2011-Present	Director	TISCO Learning Center Company Limited	Services
						2010-Jan2011	Chairperson of the Board	TISCO Securities Company Limited	Securities
						2009-Jan2011	Director		
							Member of the Audit Committee		
						2010-Jan2011	Chairperson of the Board	TISCO Asset Management Company Limited	Asset Management
						2009-Jan2011	Director		
							Member of the Audit Committee Chairperson of the Board	TISCO Information Technology Company Limited	Information Technology
						2010-Mar2011	Director		
						2009-Mar2011	Director		
2000-2007	Director	TISCO Global Securities Limited	Securities						
2000-2007	Director	TISCO Securities Hong Kong Limited	Securities						
2005	Director	TISCO Finance Public Company Limited	Finance						
2002-2005	Chief Financial Officer, Planning and Risk Management								
Jan2012-Present	Member of Risk Management Subcommittee	Government Pension Fund	Asset Management						
2010-2011	Advisor to the Risk Management Subcommittee								
2006-2010	Advisor and Member of Risk Management Committee	Small Industry Credit Guarantee Corporation	Specialized Financial Institution						
2001-2008	Member of Risk Management Subcommittee	The Stock Exchange of Thailand	The Stock Exchange of Thailand						
4. Ms. Krisna Theravuthi Independent Director Chairperson of the Nomination and Compensation Committee	61	Common Preferred	12 -	-	Master of Business Administration (Marketing) University of Wisconsin-Madison, USA Bachelor of Accountancy (Accounting) Chulalongkorn University - Directors Certification Program - Directors Accreditation Program - Effective Audit Committee and Best Practice Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management - Role of Compensation Committee - Role of Chairman Program Thai Institute of Directors Association	2008-Present	TISCO Group Independent Director	TISCO Financial Group Public Company Limited	Holding Company
						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		
						2005-2007	Chairperson of the Audit Committee		
						2002-2005	Independent Director	TISCO Finance Public Company Limited	Finance
							Member of the Audit Committee		
						1998-2002	Director		
							Member of Audit Committee		
						1996-1998	Director	TISCO Finance and Securities Public Company Limited	Finance and Securities
						2010-Present	Vice President	Business and Professional Women's Association of Thailand - Udonthani	Association
2004-2010	Secretary								
2010-Present	Advisor	Committee on Labour and Welfare	Government Office						
2008-2010	Advisor								
2004-Present	Vice Chairman	Northeast Community Center for Mental Retardation	Charity Organization						
1986-Present	Member of the Executive Board	Thavorn Udon Company Limited	Hotel						

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Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
5. Ms. Panada Kanokwat Independent Director Chairperson of the Audit Committee	62	Common Preferred - -	-	Master of Business Administration (Banking & Finance) North Texas State University, USA Bachelor of Business Administration (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate of Executive Program in International Stanford-National University of Singapore - Certificate of Building, Leading & Sustaining Sloan School of Management, Massachusetts Institute of Technology, USA - Directors Certification Program - Directors Accreditation Program - Financial Institutions Governance Program Thai Institute of Directors Association	Apr2011-Present	Chairperson of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2008-Present	Independent Director		
					2008-Apr2011	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					Apr2011-Present	Chairperson of the Audit Committee		
					2008-Present	Independent Director		
					2008-Apr2011	Member of the Audit Committee		
					Jun2010-Present	Committee, The Bachelor's Degree in Business Administration (International Program)	Faculty of Commerce and Accountancy, Thammasat University Thai Fatty Alcohols Company Limited PTT Chemical International (Asia Pacific ROH) Limited Thai Oleochemicals Company Limited PTT Chemical International (Singapore) Pte. Ltd TOC Glycol Company Limited Thai Choline Chloride Company Limited Thai Ethanolamines Company Limited PTT Polyethylene Company Limited PTT Chemical Public Company Limited	Academic Institute
					2009	Director		
					2008-2009	Director		
					2008-2009	Director		
					2008-2009	Director		
					2008-2009	Director		
					2008-2009	Director		
					2008-2009	Director		
					2005-2009	Senior Executive Vice President, Chief Corporate Finance & Accounting		
					2004-2009	Executive Vice President		
2008	Director							
2006	Director							
2004-2005	Director	PTT Public Company Limited Bangkok Polyethylene Public Company Limited Star Petroleum Refining Company Limited Rayong Refinery Public Company Limited	Oil and Gas Petrochemical and Chemical Refinery Refinery					
2008-Present	Independent Director			TISCO Financial Group Public Company Limited	Holding Company			
2009-Present	Member of the Audit Committee							
2009-Present	Independent Director			TISCO Bank Public Company Limited	Bank			
2009-Present	Member of the Audit Committee							
Jun2011-Present	Subcommittee on Improvement of Financial and Budget System under Public Sector Development Committee			The Office of the Public Sector Development Commission	Government Office			
2009-Present	University Council Director							
2008-Present	Executive Director of TDRI			Kirk University	Academic Institute			
2005-Present	Member of TDRI Council of Trustees							
1979-Present	Professor of Economics			Thammasat University	Academic Institute			
2005-2007	Subcommittee of the Thammasat University Council on Assets and Fiscal Affairs							
2005-2006	University Committee on Grievance and Appeal			National Reform Committee Ministry of Finance	Independent State Agency Government Office			
2004-2005	University Council Director							
2003-2006	Dean, Faculty of Economics							
2010-2011	Director							
2008-2010	Member of the Committee on Budget Subsidy for Public Services							
2007-2008	Advisor to the Minister of Finance							
2004-2005	Member of the Committee on Adjustment of the State Enterprise Capital Act B.E. 2542	National Council of Legislation	Government Office					
2007-2008	Subcommittee on Budget Law under the Committee on Fiscal, Banking and Financial Institutions							
2007-2008	Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Company Limited and True Move Company Limited and Digital Phone Company	CAT Telecom Public Company Limited	Communication					
2007-2008	Member of Executive Committee							
2003-2006	Member	Triam-Udomsuksa Alumni Association Puey Ungphakorn Institute Committee	Alumni Association Institute					
2003-2006	Member of the Research Committee							

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

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years								
					Period	Position	Company / Organization	Type of Business					
7. Ms. Patareeya Benjapolchai Independent Director Member of the Audit Committee	57	Common -	-	Master of Business Administration			<i>TISCO Group</i>	TISCO Financial Group Public Company Limited	Holding Company				
		Preferred -		Thammasat University						Apr2011-Present	Member of the Audit Committee		
				Bachelor of Accountancy (Accounting)						2010-Present	Independent Director	TISCO Bank Public Company Limited	Bank
				Chulalongkorn University						Apr2011-Present	Independent Director		
				- Certificate of Capital Market Academy Leadership Program							Member of the Audit Committee		
				Capital Market Academy							<i>Others</i>		
				- Certificate, The Executive Program							Ethics Committee	Federation of Accounting Professions Under the Patronage of His Majesty the King	Private Sector
				University of Michigan, USA						Jul2011-Present		Thai Institute of Directors Association	Association
				- Certificate, Advanced Accounting and Auditing						Jul2011-Present	Director, Award Committee, Board of the Year Award	Thai Listed Companies Association	Association
				Chulalongkorn University						Jul2010-Present	Advisor	Office of the Permanent Secretary for Defence, Ministry of Defence	Government Office
				- Directors Certification Program						2010-Present	Audit Committee	The Central Intellectual Property and International Trade Court	Court
				- Financial Institutions Governance Program							Associate Judge	The Securities and Exchange Commission	Independent State Agency
				Thai Institute of Directors Association						2010-Present	Directors' Responsibilities Steering Committee	Baan Ruam Tang Fhun Company Limited	Property Development
										2010-Present	Director	Department of Business Development, Ministry of Commerce	Government Office
										2008-Present	Directors on Foreign Business Committee	The Institute of Internal Auditors of Thailand	Associate
										2007-Present	Honorary Advisor	Krabi Petra Company Limited	Property Development
										2002-Present	Director	The Stock Exchange of Thailand	Stock Exchange
										2009-May 2010	President and Executive Committee	Thailand Securities Depository Company Limited	Private Sector
										2006-May2010	Chairman	Family Know-How Company Limited	Private Sector
										2006-May2010	Chairman and Executive Chairman	Settrade.com Company Limited	Private Sector
										2009-May2010	Chairman	Thai Institute of Directors Association	Association
										2006-May2009	Vice Chairman	State Enterprise Policy Office, Ministry of Finance	Government Office
										2009-May2010	Chairman	Thailand Futures Exchange Public Company Limited	Private Sector
		2009-2010	Director, Award Committee, Board of the Year Award	Thai NVDR Company Limited	Private Sector								
		2005-2008	Director	Thai Trust Fund Management Company Limited	Private Sector								
		2008-2010	Director, Award Committee, State-owned Enterprise Award 2008-2010	Siam DR Company Limited	Private Sector								
		2006-May2010	Vice Chairman and Executive Chairman	Thailand Clearing House Company Limited	Private Sector								
		2006-May2010	Chairman	Federation of Thai Capital Market Organizations	Private Sector								
		2006-May2010	Chairman	The Prime Minister's Office	Government Office								
		2006-May2010	Chairman										
		2006-May2010	Chairman										
		2006-May2010	Director and Secretary										
		2002-May2010	Director, Subcommittee on Investors Education and Public Relations and on Corporate Governance in Thailand	Thailand Management Association	Association								
		2005-2010	Councillor	The National Legislative Assembly, Thailand	Government Office								
		Oct2006-Feb2008	Member of The National Legislative Assembly Committee on Finance, Banking and Financial Institutions										

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

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Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
8. Assoc. Prof. Dr. Angkarat Priebjivat Independent Director Advisor to the Audit Committee	57	Common - Preferred -	-	Doctor of Philosophy (Accounting) New York University, USA Master of Science (Accounting) Bachelor of Business Administration (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate in International Financial Reporting Standard (IFRS) The Institute of Chartered Accountants in England and Wales (ICAEW) - Directors Certification Program - Directors Accreditation Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management - Monitoring the Internal Audit Function - Monitoring Fraud Risk Management - Role of the Chairman Program Thai Institute of Directors Association	Apr2011-Present 2008-Present 2008-April2011 2007-Apr2011 2005-April2011 2005-2007 2011-Present 2009-Present 2008-Present 2006-Present 2004-Present 2002-Present 2002-2009 2002-Present 1997-Present 1992-Present 2004-2009	<u>TISCO Group</u> Advisor to the Audit Committee Independent Director Chairperson of the Audit Committee Chairperson of the Audit Committee Independent Director Member of the Audit Committee <u>Others</u> Advisor to the Audit Committee Member, Accounting and Corporate Governance Steering Group Independent Director Chairperson of the Audit Committee Chairman, Supervisory Committee Independent Director (Accounting Specialist) Government Accounting Standards Committee Advisor Advisor to the Audit Committee Associate Professor Advisor to the Listing and Disclosure Department Member of the Consultative Subcommittee on Cost Accounting Development Project	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited State Railway of Thailand Securities and Exchange Commission Office Mate Public Company Limited The ABF Thailand Bond Index Fund Association of Investment Management Companies The Comptroller General's Department, Ministry of Finance TOT Corporation Public Company Limited National Institute of Development Administration (NIDA) The Stock Exchange of Thailand Office of the Higher Education Commission	Holding Company Bank Government Office Independent State Agency Supplier of full line office products Fund Association Government Office Communication Educational Institute Stock Exchange Commission on Higher Education
9. Mr. Chainoi Puankosoom Independent Director	61	Common - Preferred -	-	Master of Management Sasin Graduate Institute of Business Administration of Chulalongkorn University Bachelor Degree in Higher Accounting California College of Commerce, USA - Diploma, Politics and Governance in Democratic Systems for Executives Course, Class 6 King Prajadhipok's Institute - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Accreditation Program - Financial Institutions Governance Program Thai Institute of Directors Association	Jun2011-Present Apr2011-Present Nov2010-Present Oct2010-Present 2005-2010 Jun2011-Oct2011 Apr2011-Oct2011 1984-2005 Apr2011-Oct2011 2007-2010 2005-2007 2000-2005 1974-1984	<u>TISCO Group</u> Independent Director <u>Others</u> Director Director Advisor Senior Executive Vice President, Downstream Petroleum Business Group Member of Audit Committee Director Vice President Director Chief Executive Officer and President President President Country Financial Manager	TISCO Financial Group Public Company Limited HMC Polymers Company Limited National Power Supply Company Limited PTT Public Company Limited Thai Oil Public Company Limited PTT Chemical Public Company Limited PTT Aromatics and Refining Public Company Limited Rayong Refinery Public Company Limited Independent Power (Thailand) Company Limited Chase Manhattan BaNK (Thailand), N.A.	Holding Company Oil and Gas Oil and Gas Oil and Gas Oil and Gas Oil and Gas Petrochemical and Chemical Oil and Gas Refinery Oil and Gas Bank
10. Mr. Hirohiko Nomura Director Member of the Executive Board Member of the Nomination and Compensation Committee (Authorized Signatory)	47	Common - Preferred -	-	Bachelor of Economics The University of Tokyo, Japan	2009-Present 2008-Present 2008-Present 2008 2008-Present 2002-2008	<u>TISCO Group</u> Director Member of the Executive Board Member of the Nomination and Compensation Committee Director Member of the Executive Board Member of the Nomination and Compensation Committee <u>Others</u> Managing Director Senior Manager, International Credit Division	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited MHC Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited: Head Office	Holding Company Bank Bank Consultant Bank
11. Mr. Chi-Hao Sun Director	34	Common - Preferred -	-	Master of Science (Finance) Bentley University, USA Master of Business Administration Boston University, USA Bachelor of Arts (Economics) Taipei University, Taiwan	Jun2011-Present 2010-Present 2006-2010	<u>TISCO Group</u> Director <u>Others</u> Senior Manager Senior Consultant	TISCO Financial Group Public Company Limited CDIB & Partners Investment Holding Corporation KPMG Corporate Finance (Taiwan)	Holding Company Investment Financial Services Consulting

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

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Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
12. Mr. Suthas Ruangmanamongkol Director Member of the Executive Board (Authorized Signatory) President	50	Common 3,000,000 Preferred -	-	Master of Science (Business) University of Wisconsin-Madison, USA Master of Business Administration (Finance) Western Illinois University, USA Bachelor of Engineering (Computer Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present	TISCO Group President	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Information Technology Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited TISCO Securities Company Limited The Thai Bankers' Association Phelps Dodge International (Thailand) Company Limited PDTL Trading Company Limited	Holding Company Bank Information Technology Asset Management Finance Securities Association Manufacture of wire and cable products Distributor of electric wires and cable
					2009-Present	Member of the Executive Board		
					2008-Present	Director		
					2009-Present	Director Member of the Executive Board President		
					2009-Mar2011	Director		
					2005-Mar2011	Director		
					2005-2008	Managing Director		
					2002-2005	Head of Commercial Finance Treasury and Funding		
					2000-2001	Director		
					1998-2001	Assistant Managing Director - Securities Investment and Trading <i>Others</i> Director Director		
2010-Present	Director							
13. Mr. Sakchai Peechapat Senior Executive Vice President	44	Common 60,000 Preferred -	-	Master of Business Administration (International Business) University of Hawaii at Manoa, USA Bachelor of Engineering (Civil Engineering) (Honour) Kasetsart University Japan-focused Management Program Japan-America Institute of Management Science, USA Executive Management Program Faculty of Commerce and Accountancy, Thammasat University - Directors Certification Program - Directors Accreditation Program Thai Institute of Directors Association	2010-Present	TISCO Group Senior Executive Vice President	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Hi-Way Company Limited TISCO Tokyo Leasing Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited AXA Insurance Public Company Limited	Holding Company Bank Hire Purchase Leasing Securities Asset Management Finance Insurance
					Dec2010-Present	Senior Executive Vice President - Retail Banking		
					2010	Senior Executive Vice President - Marketing & Customer Relations		
					2009	Executive Vice President - Marketing & Customer Relations		
					2006-2008	Executive Vice President - Retail Banking		
					2005-2006	Acting Human Resources and Organization Development Executive Vice President - Human Resources and Organization Development		
					2010-Present	Chairman of the Board		
					2009-Present	Director		
					2009-2011	Chairman of the Board		
					2009-2011	Director		
2004-2005	Head of Human Resources and Organization Development							
2002-2004	Deputy Head of Retail Finance Acting Head of Special Channel Distribution and Retail Finance <i>Others</i> Director							
2006-Present	Director							
14. Mr. Pitada Vatcharasiritham First Executive Vice President	47	Common - Preferred -	-	Master of Business Administration Indiana University of Pennsylvania, USA Bachelor of Economics Thammasat University	2010-Present	TISCO Group First Executive Vice President	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Finansa Public Company Limited Finansa Securities Company Limited Finansa Capital Company Limited	Holding Company Bank Finance Securities General Management Business
					2010-Present	Senior Executive Vice President - Corporate Banking <i>Others</i> Director		
					2010	Executive Director		
					2009-2010	President		
					2006-2010	Executive Director		
					2000-2010	Director		
					2006-2009	President - Investment Banking		
					2002-2010	Director		
					2002-2010	Executive Director		

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
15. Mr. Metha Pingsuthiwong First Executive Vice President	45	Common 178,000 Preferred -	-	Master of Business Administration (Finance) University of Wisconsin-Milwaukee, USA Bachelor of Engineering (Electrical Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present 2010-Present 2009 2005-2008 2011-Present 2009-Mar2011 2002-2005 2005 1999-Present	<u>TISCO Group</u> First Executive Vice President First Executive Vice President - Wealth Management & Banking Services ² Executive Vice President - Treasury and Banking Operation Executive Vice President - Treasury and Private Banking Director Director Head of Securities Investment and Trading Executive Vice President - Treasury and Funding <u>Others</u> Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Investment Advisory Company Limited TISCO Securities Company Limited TISCO Finance Public Company Limited K-Line (Thailand) Company Limited	Holding Company Bank Securities Securities Finance Transportation
16. Ms. Araya Thirakomen First Executive Vice President	49	Common 193,000 Preferred -	-	Master of Business Administration (Finance) University of New Haven, USA Bachelor of Accountancy (Finance) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program Thai Institute of Directors Association	2010-Present 2009-Present 2005-Present 2005-2008 2003-2005 1999-2003 2006-Present 2002-Present 2004-Present 2002-Present 2002-2004	<u>TISCO Group</u> First Executive Vice President President Director Deputy Managing Director Head of Provident Fund Business Head of Provident Fund-Marketing <u>Others</u> Member of National Pension Subcommittee Member of Subcommittee on Pension and Provident Fund Deputy Chairman, Chairperson of Provident Fund Business Group, and Chairperson of Subcommittee-Provident Fund Member of Subcommittee on Consideration of draft Notifications on Supervision of Security Business Member of Subcommittee on Consideration of the Amendment to Provident Fund Act	TISCO Financial Group Public Company Limited TISCO Asset Management Company Limited Fiscal Policy Office, Ministry of Finance Association of Investment Management Company ("AIMC") The Securities and Exchange Commission	Holding Company Asset Management Government Agency Association Independent State Agency
17. Mr. Paiboon Nalinthrangkurn First Executive Vice President	45	Common 260,000 Preferred -	-	Master of Business Administration (Finance) Indiana University at Bloomington, USA Bachelor of Arts (Computer Science) University of California at Santa Cruz, USA Certified Financial Analyst CFA Institute, USA - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - Directors Accreditation Program - Audit Committee Program Thai Institute of Directors Association	2010-Present 2006-Present 2005-Present 2005-2006 2001-2005 2011-Present 2010-Present 2010-Present 2009-Present 2009-Present 2009-Present 2008-Present 2007-Present	<u>TISCO Group</u> First Executive Vice President Chief Executive Officer Director Deputy Managing Director Head of Brokerage Equity Director Head of Equity Head of Research (Acting) Director <u>Others</u> Chairman Director Chairman Executive Director Governor Director Director	TISCO Financial Group Public Company Limited TISCO Securities Company Limited TISCO Investment Advisory Company Limited Federation of Thai Capital Market Organizations Joint Public and Private Sector Consultative Committee (JPPCC) Securities Analysts Association Association of Securities Companies The Stock Exchange of Thailand Capital Market Development Committee Futures Industry Club	Holding Company Securities Securities Organization Committee Association Association Stock Exchange Committee Club
18. Ms. Yutiga Sonthayanavin Executive Vice President	53	Common 55,524 Preferred -	-	Master of Business Administration Bachelor of Science (Statistics) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present 2004-Present 2005-2008 2006-2007	<u>TISCO Group</u> Executive Vice President Managing Director <u>Others</u> Vice Chairperson and Director - Information Technology Club Member - Technology Development Committee	TISCO Financial Group Public Company Limited TISCO Information Technology Company Limited Association of Securities Companies The Stock Exchange of Thailand	Holding Company Information Technology Association Stock Exchange

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
19. Mr. Chalit Silpsrikul Executive Vice President	50	Common Preferred	72 -	-	Master of Business Administration Bachelor of Accountancy (Accounting) Thammasat University Crestcom Bullet Proof Manager (Management Skill Development Course) Ra Khang Associates Limited Financial Executive Development Program (FINEX 14) The Thai Institute of Banking and Finance Association	2010-Present 2010-Present 2010-Feb2011 2009 2005-2008 2011-Present	<u>TISCO Group</u> Executive Vice President Executive Vice President - Retail Banking - Front ² Acting Head of Provincial Channel Head of Retail Banking Deputy Head of Retail Banking Director <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Hi-Way Company Limited	Holding Company Bank Hire Purchase
20. Mr. Chatri Chandrangam Executive Vice President Risk and Financial Control	41	Common Preferred	20,000 -	-	Master of Finance (Distinction) Imperial College, University of London, UK Master of Business Administration (International Business) Schiller International University, UK Bachelor of Business Administration (Banking & Finance) Chulalongkorn University Certified Financial Analyst CFA Institute, USA - Directors Certification Program Thai Institute of Directors Association	Jan2012-Present 2010-Present 2009 2005-2008 2011-Present 2011-Present 2011-Present 2011-Present 2009-Present 2009-Present 2009-Present 2007-Present 2000-2005	<u>TISCO Group</u> Acting Head of Investment Executive Vice President - Risk and Financial Control Financial Controller and Risk Management Financial Controller and Risk Management Director Director Director Director Director Director and Member of Audit Committee Director and Member of Audit Committee Head of Risk Management <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Leasing Company Limited TISCO Information Technology Company Limited TISCO Investment Advisory Company Limited TISCO Learning Center Company Limited Hi-Way Company Limited TISCO Tokyo Leasing Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited	Holding Company Bank Leasing Information Technology Securities Services Hire Purchase Leasing Securities Asset Management Finance
21. Mr. Tharatporn Techakitkachorn Head of Business Strategy & Development	43	Common Preferred	- -	-	Master of Business Administration (Finance) Virginia Technology, USA Bachelor of Engineering Chulalongkorn University	Jan2012-Present 2010-2011 2011-Present 2011-Present 2007-2010	<u>TISCO Group</u> Head of Business Strategy and Development Deputy Head of Business Strategy and Development Director Director Head of Business Development <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Information Technology Company Limited TISCO Leasing Company Limited TISCO Securities Company Limited	Holding Company Information Technology Leasing Securities
22. Mr. Watsakorn Thepthim Head of Human Resources	39	Common Preferred	- -	-	Master of Information System University of Manchester Master of Business Administration (Management) Assumption University Bachelor of Business Administration (Finance) Assumption University	Jan2012-Present 2009-2010 2005-2008 Jan2012-Present 2011-Present 2010-2011	<u>TISCO Group</u> Head of Human Resources Assistant Head of Business Strategy & Development Acting Head of Product Development & Market Research Head of Product & Service Development Acting Head of TISCO Learning Center Director Head of TISCO Learning Center	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Learning Center Company Limited	Holding Company Bank Learning Center
23. Mr. Ekkapol Apinun Corporate Secretary ⁴ Head of Corporate Office	41	Common Preferred	- -	-	Master of Laws Southern Methodist University, USA Master of Laws The American University, USA Bachelor of Laws Thammasat University - Company Secretary Program - Company Reporting Program Thai Institute of Directors Association	Jul2011-Present Jan2012-Present 2010-2011 2009-2010 2007-2008 2011-Present 2011-Present 2011-Present 2006-2007 1997-2007	<u>TISCO Group</u> Corporate Secretary Head of Corporate Office Assistant Head of Corporate Office Head of Legal Office Head of Legal Office Director Director Director <u>Others</u> Senior Legal Manager Associate	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Hi-Way Company Limited TISCO Information Technology Company Limited TISCO Leasing Company Limited Yum Restaurant International (Thailand) Company Limited Deacons Company Limited	Holding Company Bank Hire Purchase Information Technology Leasing Restaurant Law Firm

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
24. Ms. Dulyarat Taveebhol Assistant Head of Corporate Office	54	Common	-	-	Bachelor of Accountancy (Accounting) Thammasat University	2010-Present 2009-2010 2008-2009 2005-2008 2009-Present 2009-Present 1997-2005	<u>TISCO Group</u> Assistant Head of Corporate Office Head of Compliance & Internal Control Head of Compliance & Internal Control Head of Internal Control Director and Member of the Audit Committee Director and Member of the Audit Committee Head of Internal Control <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Asset Management Company Limited TISCO Securities Company Limited TISCO Finance Public Company Limited	Holding Company Bank Asset Management Securities Finance
25. Mr. Pongsapat Supasirisin Assistant Head of Business Strategy & Development	37	Common	3,000	-	Master of Science in Engineering Business Management University of Warwick, UK Bachelor of Engineering Chulalongkorn University	2009-Present 2007-2008	<u>TISCO Group</u> Assistant Head of Business Strategy and Development Head of Productivity Improvement <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
26. Mr. Kotee Sunthornpradit Head of Enterprise Risk Management	35	Common	12,000	-	Master of Management (Operation Research) Case Western Reserve University, USA Master of Business Administration Bachelor of Economics Chulalongkorn University	2009-Present 2006-2008 2005-2006 2005 2005	<u>TISCO Group</u> Head of Enterprise 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 Finance Public Company Limited	Holding Company Bank Finance
27. Mr. Kittipong Tiyafoonchai Head of Regulatory & Management Report	39	Common	8,000	-	Master of Information Systems University of Memphis Master of Business Administration Bachelor of Business Administration (Banking & Finance) Chulalongkorn University	2009-Present 2007-2008 2006-2007 2005-2006	<u>TISCO Group</u> Head of Regulatory & Management Report Head of Corporate Information Management Head of Cashiering & Bulk Processing Financial Officer <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
28. Mr. Kullachart Ekvoratham Head of Productivity Improvement	33	Common	-	-	Master of Business Administration Bachelor of Engineering Chulalongkorn University	Jan2012-Present 2010-Dec2011 2009-2010 2009 2007-2008 2006-2007	<u>TISCO Group</u> Head of Productivity Improvement Head of Productivity Improvement - Retail & Corporate Banking Head of Productivity Improvement - Corporate Banking and Core Operation Productivity Improvement Officer Processing Officer <u>Others</u> Project Manager	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited ADA Trade Company Limited	Holding Company Bank Plastic Trading Business
29. Ms. Chutintorn Vigasi Head of Corporate Accounting	48	Common	10,324	-	Master of Business Administration (Accounting) Thammasat University Bachelor of Accountancy (Accounting Theory) Chulalongkorn University	2009-Present 2005-2008 2002-2005	<u>TISCO Group</u> Head of Corporate Accounting Head of Corporate Accounting Head of Corporate Accounting <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
30. Ms. Nudtinee Suwanpanitch Head of Legal Office	38	Common	-	-	Master of Business Administration Ramkhamhaeng University Bachelor of Laws Thammasat University	2010-Present 2009-2010 2007-2008	<u>TISCO Group</u> Head of Legal Office Head of Legal Counselor Senior Counselor <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
31. Mr. Noppawat Tangburanakij Head of Channel Development	34	Common	-	-	Master of Science in Information Technology Arizona State University, USA Bachelor of Business Administration (Management) Chulalongkorn University	2010-Present 2009 2007-2008 2005-2007 2005	<u>TISCO Group</u> Head of Channel Development Head of Product & Channel Development Head of Cash Management & Bulk Processing Head of Cash Management Services Cash Management Officer <u>Others</u> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years					
		Common	Preferred			Period	Position	Company / Organization	Type of Business		
32. Ms. Narisara Tanarugsachock Head of Data Analysis & Management ⁵	35	Common	-	-	Master of Science (Statistics) Chulalongkorn University Bachelor of Science (Mathematics) Mahidol University	2009-Present	<u>TISCO Group</u> Head of Customer Data Analysis	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			2006-2009	<u>Others</u> Manager - Data Mining Department			Total Access Communication Public Company Limited	Communication Company
						2004-2006	Assistant Manager - Privilege Banking			Bank Thai Public Company Limited	Bank
33. Ms. Nanchalee Kecharananta Head of Corporate Secretariat Office	45	Common	-	-	Master of Development Administration Western Michigan University, USA Bachelor of Laws, Chulalongkorn University - Directors Accreditation Program - Company Secretary Program - Effective Minutes Taking Program Thai Institute of Directors Association	Aug2011-Present	<u>TISCO Group</u> Head of Corporate Secretariat Office	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			Jan2009-Aug2011	Senior Corporate Secretariat Officer			TISCO Bank Public Company Limited	Bank
						Oct2008-Dec2008	Senior Corporate Secretariat Officer				
						1997-Sep2008	<u>Others</u> Corporate Secretary			Thai Wah Food Products Public Company Limited	Manufacturer of food made from green bean
						1997-Sep2008	Corporate Secretary			Laguna Resorts & Hotels Public Company Limited	Resorts & Hotels
						2000-Sep2008	Senior Corporate Affairs Manager			Thai Wah Public Company Limited	Manufacturer and exporter of tapioca flour and products
						1997-2003	Corporate Secretary			United Finance Public Company Limited	Finance
		1997-1999	Corporate Affairs Manager	Saha-Union Public Company Limited	Distributor of textile, shoes, electronic parts, and tires						
		1994-1996	Assistant Vice President, Executive Office								
		1990-1993	Head (International Section)								
34. Ms. Nartrudee Siwabut Head of Corporate Marketing & Communication	51	Common	135,000	-	Master of Business Administration (Finance) Thammasat University Bachelor of Arts (English) Chulalongkorn University	2009-Present	<u>TISCO Group</u> Head of Corporate Marketing & Communication	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			2004-2008	Head of Corporate Marketing & Communication			TISCO Bank Public Company Limited	Bank
35. Mr. Nipon Wongchotiwat Head of Planning & Budgeting	34	Common	-	-	Master of Science (Finance) Thammasat University Bachelor of Commerce (Finance & Economics) University of Wollongong, Australia	2009-Present	<u>TISCO Group</u> Head of Planning & Budgeting	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			2007-2008	Head of Planning & Budgeting				
						2005-2007	Acting Head of Budgeting & Cost Management	TISCO Bank Public Company Limited	Bank		
						2005	Risk Management Officer	TISCO Finance Public Company Limited	Finance		
						2005	Risk Management Officer				
			<u>Others</u> -								
36. Mr. Prayuk Charoencharaskul Head of Operational Risk Management	32	Common	-	-	Master of Business Administration University of North Carolina at Chapel Hill, USA Bachelor of Business Administration (Management) Chulalongkorn University	2009-Present	<u>TISCO Group</u> Head of Operational Risk Management	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			2006-2008	Productivity Improvement Officer			TISCO Bank Public Company Limited	Bank
37. Mr. Pitak Lausanggam Head of Project Management	29	Common	2,000	-	Master of Science in Engineering Business Management University of Warwick, UK Bachelor of Engineering Kasetsart University	Jan2012-Present	<u>TISCO Group</u> Head of Project Management	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			2009-2011	Head of Productivity Improvement - Wealth & Asset Management				
						2009	Operational Risk Management Officer			TISCO Bank Public Company Limited	Bank
						2008	Productivity Improvement Officer				
			<u>Others</u> Manager of Printing and Packing Department	Plastech Industrial Company Limited	Plastic Packaging						
38. Mr. Pairat Srivilairit Head of Internal Audit	46	Common	-	-	Master of Business Administration Thammasat University Bachelor of Engineering Chulalongkorn University - Company Secretary Program - Audit Committee Program - Monitoring the Internal Audit Function - Monitoring Fraud Risk Management Thai Institute of Directors Association	2009-Present	<u>TISCO Group</u> Head of Internal Audit	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			2004-2008	Head of Internal Audit			TISCO Bank Public Company Limited	Bank
						2003-2004	Head of Executive Office				
							<u>Others</u> -			TISCO Securities Company Limited	Securities
39. Ms. Pattarinee Ratananakin Head of Investor Relations	31	Common	-	-	Master of Business Administration (Finance) University of Wisconsin-Madison, USA Bachelor of Business Administration (Finance and Banking) Chulalongkorn University	2009-Present	<u>TISCO Group</u> Head of Investor Relations	TISCO Financial Group Public Company Limited	Holding Company		
		Preferred	-			2008	Senior Investor Relations			TISCO Bank Public Company Limited	Bank
						2005-2008	<u>Others</u> Associate Director, Investment Banking			Kasikorn Securities Public Company Limited	Securities

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

Attachment 1

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
		Common	Preferred			Period	Position	Company / Organization	Type of Business
40. Mr. Puvarin Kullaphatkanon Head of Risk Research	31	Common Preferred	- -	-	Master of Arts in Economics New York University, USA Bachelor of Economics Chulalongkorn University Financial Risk Manager (FRM) Global Association of Risk Professionals, USA	2010-Present 2009-2010 2005-2009 2004-2005	<i>TISCO Group</i> Head of Risk Research Head of Risk Research & Advisory Senior Risk Officer Risk Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
41. Ms. Maneerat Wattanajak Head of Compliance - Asset Management Business	42	Common Preferred	- -	-	Master of Financial Accounting Chulalongkorn University Bachelor of Accountancy Thammasat University	2010-Present 2009-2010 2008 2000-2008	<i>TISCO Group</i> Head of Compliance - Asset Management Business 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 Company Limited	Holding Company Asset Management
42. Ms. Sakornrat Manuwong Head of Compliance - Banking Business	41	Common Preferred	- -	-	Bachelor of Accountancy (Accounting) Thammasat University	2010-Present 2010 2009 2008	<i>TISCO Group</i> Head of Compliance - Banking Business Head of Compliance & Internal Control - Bank Senior Compliance and Internal Control Officer Senior Compliance and Internal Control Officer <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
43. Mr. Somchat Lapapong Head of Corporate Services	49	Common Preferred	- -	-	Bachelor of Business Administration (Marketing) Ratchamangkala University	2010-Present 2009-2010 2005-2008	<i>TISCO Group</i> Head of Corporate Services Deputy Head of Corporate Services Head of Branch Development <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
44. Ms. Suthiprom Areesakulsuk Head of Human Resources Services	55	Common Preferred	38,452 -	-	Bachelor of Arts (Management) Bangkok University	Present 2005-2011 2005 2003-2004 2002-2003 2000-2001 1999-2000 1996-1999	<i>TISCO Group</i> Head of Human Resources Services Head of Compensation & Benefit Head of Human Resources Services Head of Employee Services Deputy Head of Human Resources Head of Human Resources Services Head of Processing Services Head of Personal Data & Compensation / Human Resources	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Thai Information Technology Company Limited TISCO Finance Public Company Limited	Holding Company Bank Information Technology Finance
45. Ms. Supaporn Aramtiantamrong Head of Compliance - Securities Business	55	Common Preferred	61,248 -	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	2010-Present 2009-2010 2008 2003-2008	<i>TISCO Group</i> Head of Compliance - Securities Business 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 Company Limited TISCO Asset Management Company Limited	Holding Company Securities Asset Management
46. Ms. Amporn Panyadilok Head of Human Resources	38	Common Preferred	- -	-	Master of Business Administration Assumption University Bachelor of Business in International Trade Victoria University of Technology, Australia	2010-Present 2008-2010	<i>TISCO Group</i> Head of Human Resources <i>Others</i> Head of Recruitment / Vice President	TISCO Financial Group Public Company Limited Bank of Ayudhya Public Company Limited	Holding Company Bank

Remark: ¹ Including spouse and minor children

² Renamed from Banking Service

³ Renamed from Retail Banking

⁴ Board of Directors' Meeting No.3/2011 convened on June 28, 2011 resolved to appoint Mr. Ekkapol Apinun as the Corporate Secretary effective from July 1, 2011 in replacement of Ms. Teerin Suvarnatemiya, who resigned.

⁵ Renamed from Customer Data Analysis

1.2 Details of Management and Controlling Persons of the Company in Subsidiaries as of January 1, 2012

Name	TISCO	TISCO BANK	Subsidiaries							
			TISCO SEC	TISCO ASSET	HI-WAY	TISCO IT	TTL	TISCO LEASE	TLC	TISCO ADVISORY ^{/2}
1 Mr. Pliu Mangkornkanok	C,D	C,D	-	-	-	-	-	-	-	-
2 Mr. Hon Kit Shing (Mr. Alexander H. Shing)	VC,D,E,NCC	VC,D,E	-	-	-	-	-	-	-	-
3 Ms. Oranuch Apisaksirikul	D,CE,GCE	D,CE	-	-	-	-	-	-	D	-
4 Mrs. Krisna Theravuthi	I,CNCC	-	-	-	-	-	-	-	-	-
5 Assoc.Prof.Dr.Angkarat Priebjrivat	I,AVAC	-	-	-	-	-	-	-	-	-
6 Ms. Panada Kanokwat	I,CA	I,CA	-	-	-	-	-	-	-	-
7 Prof. Dr. Pranee Tinakorn	I,A	I,A	-	-	-	-	-	-	-	-
8 Ms. Patareeya Benjapolchai	I,A	I,A	-	-	-	-	-	-	-	-
9 Mr. Chainoi Puankosoom	I	-	-	-	-	-	-	-	-	-
10 Mr. Hirohiko Nomura	D,E,NCC	D,E	-	-	-	-	-	-	-	-
11 Mr. Chi-Hao Sun	D	-	-	-	-	-	-	-	-	-
12 Mr. Suthas Ruangmanamongkol	D,E	D,E,P ^{/1}	-	-	-	-	-	-	-	-
13 Mr. Sakchai Peechapat	SEVP ^{/1}	SEVP ^{/1}	-	-	C,D	-	C,D	-	-	-
14 Mr. Pitada Vatcharasiritham	FEVP ^{/1}	SEVP ^{/1}	D	-	-	-	-	-	-	-
15 Mr. Metha Pingsuthiwong	FEVP ^{/1}	FEVP ^{/1}	-	-	-	-	-	-	-	D
16 Ms. Araya Thirakomen	FEVP ^{/1}	-	-	D,Pr ^{/1}	-	-	-	-	-	-
17 Mr. Paiboon Nalinthrangkurn	FEVP ^{/1}	-	D,CEO ^{/1}	-	-	-	-	-	-	D
18 Ms. Yutiga Sonthayanavin	EVP ^{/1}	-	-	-	-	D,MD ^{/1}	-	-	-	-
19 Mr. Chalit Silpsirikul	EVP ^{/1}	EVP ^{/1}	-	-	D	-	-	-	-	-
20 Mr. Chatri Chandrangam	EVP, CFO	-	D,A	D,A	D	D	D	D	D	D
21 Mr. Ekkapol Apinun	DH	-	-	-	D	D	-	D	-	-
22 Mr. Tharatporn Techakitkachorn	DH	-	-	-	-	D	-	D	-	-
23 Mr. Watsakorn Thepthim	DH	-	-	-	-	-	-	-	D	-
24 Ms. Dulyarat Taveebhol	ADH	-	D,A	D,A	-	-	-	-	-	-
25 Mr. Pongsupat Supasirisin	ADH	-	-	-	-	-	-	-	-	-
26 Mr. Kontee Sunthornpradit	FH	-	-	-	-	-	-	-	-	-
27 Mr. Kittipong Tiyaboonchai	FH	-	-	-	-	-	-	-	-	-
28 Mr. Kullachart Ekvoratham	FH	-	-	-	-	-	-	-	-	-
29 Ms. Chutintorn Vigasi	FH	-	-	-	-	-	-	-	-	-
30 Ms. Nudtinee Suwanpanitch	FH	-	-	-	-	-	-	-	-	-
31 Mr. Noppawat Tangburanakij	FH	-	-	-	-	-	-	-	-	-
32 Ms. Narisara Tanarugsachock	FH	-	-	-	-	-	-	-	-	-
33 Ms. Nanchalee Kecharananta	FH	-	-	-	-	-	-	-	-	-
34 Ms. Nartrudee Siwabut	FH	-	-	-	-	-	-	-	-	-
35 Mr. Nipon Wongchotiwat	FH	-	-	-	-	-	-	-	-	-
36 Mr. Prayuk Charoencharaskul	FH	-	-	-	-	-	-	-	-	-
37 Mr. Pitak Lausangngam	FH	-	-	-	-	-	-	-	-	-
38 Mr. Pairat Srivilairit	FH	-	-	-	-	-	-	-	-	-
39 Ms. Pattarinee Ratananakin	FH	-	-	-	-	-	-	-	-	-
40 Mr. Puvarin Kullaphatkanon	FH	-	-	-	-	-	-	-	-	-
41 Ms. Maneerat Wattanajak	FH	-	-	-	-	-	-	-	-	-
42 Ms. Sakornrat Manuwong	FH	-	-	-	-	-	-	-	-	-
43 Mr. Somchat Lapapong	FH	-	-	-	-	-	-	-	-	-
44 Ms. Suthiprom Areesakulsuk	FH	-	-	-	-	-	-	-	-	-
45 Ms. Suporn Aramtiantamrong	FH	-	-	-	-	-	-	-	-	-
46 Ms. Amporn Panyadilok	FH	-	-	-	-	-	-	-	-	-

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

/2 TISCO Investment Advisory Co., Ltd. is a subsidiary of TISCO Securities Co., Ltd.

Abbreviations :

C = Chairman
I = Independent Director
D = Director
CE = Chairperson of The Executive Board
E = Executive Board Member
CNCC = Chairperson of The Nomination and Compensation Committee
NCC = Nomination and Compensation Committee
CA = Chairperson of The Audit Committee
A = Audit Committee
AVAC = Advisor to the Audit Committee

GCE = Group Chief Executive
P = President of parent company & core company
SEVP = Senior Executive Vice President
FEVP = First Executive Vice President
EVP = Executive Vice President
CEO = Chief Executive Officer
Pr = President of other subsidiary company
MD = Managing Director
CFO = Chief Financial Officer
DH = Division Head

ADH = Assistant Division Head
FH = Function Head
- = None

Remarks :

TISCO = TISCO Financial Group Public Co., Ltd.
TISCO ASSET = TISCO Asset Management Co., Ltd.
TTL = TISCO Tokyo Leasing Co., Ltd.

TISCO BANK = TISCO Bank Public Co., Ltd.
HI-WAY = Hi-Way Co., Ltd.
TISCO LEASE = TISCO Leasing Co., Ltd.

TISCO SEC = TISCO Securities Co., Ltd.
TISCO IT = TISCO Information Technology Co., Ltd.
TLC = TISCO Learning Center Co., Ltd.
TISCO ADVISORY = TISCO Investment Advisory Co., Ltd.

Attachment 2

Changes in TISCO Shareholdings by Directors and Management

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

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of January 1, 2012	Increase (Decrease) During the Year	As of January 1, 2012
1	Mr. Pliu Mangkomkanok	0	2,019,100	0	0
2	Mr. Hon Kit Shing (Mr. Alexander H. Shing)	0	0	0	0
3	Ms. Oranuch Apisaksirikul	0	100,000	0	0
4	Ms. Krisna Theravuthi	0	12	0	0
5	Ms. Panada Kanokwat	0	0	0	0
6	Prof. Dr. Pranee Tinakorn	0	0	0	0
7	Ms.Patareeya Benjapolchai	0	0	0	0
8	Assoc.Prof.Dr.Angkarat Priebjivat	0	0	0	0
9	Mr. Chainoi Puankosoom	0	0	0	0
10	Mr. Hirohiko Nomura	0	0	0	0
11	Mr. Chi-Hao Sun	0	0	0	0
12	Mr. Suthas Ruangmanamongkol	0	3,000,000	0	0
13	Mr. Sakchai Peechapat	0	60,000	0	0
14	Mr. Pitada Vatcharasiritham	0	0	0	0
15	Mr. Metha Pingsuthiwong	0	178,000	0	0
16	Ms. Araya Thirakomen	15,000	193,000	0	0
17	Mr. Paiboon Nalinthrangkurn	0	260,000	0	0
18	Ms. Yutiga Sonthayanavin	0	55,524	0	0
19	Mr. Chalit Silpsrikul	0	72	0	0
20	Mr. Chatri Chandrangam	0	20,000	0	0
21	Mr. Tharatporn Techakitkachorn	0	0	0	0
22	Mr. Watsakorn Thepthim	0	0	0	0
23	Mr. Ekkapol Apinun	0	0	0	0
24	Ms. Dulyarat Taveebhol	0	0	0	0
25	Mr. Pongsapat Supasirisin	0	3,000	0	0
26	Mr. Kontee Sunthornpradit	0	12,000	0	0
27	Mr. Kittipong Tiyaboonchai	0	8,000	0	0
28	Mr. Kullachart Ekvoratham	0	0	0	0
29	Ms. Chutiorn Vigasi	0	10,324	0	0
30	Ms. Nudtinee Suwanpanitch	0	0	0	0
31	Mr. Noppawat Tangburanakij	0	0	0	0
32	Ms. Narisara Tanarugsachock	0	0	0	0
33	Ms. Nanchalee Kecharananta	0	0	0	0
34	Ms. Nartrudee Siwabut	0	135,000	0	0
35	Mr. Nipon Wongchotiwat	0	0	0	0
36	Mr. Prayuk Charoencharaskul	0	0	0	0
37	Mr. Pitak Lausangngam	2,000	2,000	0	0
38	Mr. Pairat Srivilairit	0	0	0	0
39	Ms. Pattarinee Ratananakin	0	0	0	0
40	Mr. Puvarin Kullaphatkanon	0	0	0	0
41	Ms. Maneerat Wattanajak	0	0	0	0
42	Ms. Sakornrat Manuwong	0	0	0	0
43	Mr. Somchat Lapapong	0	0	0	0
44	Mr. Suthiprom Areesakulsuk	0	38,452	0	0
45	Ms. Supaporn Aramtiantamrong	0	61,248	0	0
46	Ms. Amporn Panyadilok	0	0	0	0

Remark: ^{/1} Including spouse and minor children

Attachment 3

Details of Directors in Subsidiary Companies

Name	Subsidiary Companies								
	TISCO BANK	TISCO SEC	TISCO ASSET	HI-WAY	TISCO IT	TTL	TISCO LEASE	TLC	TISCO ADVISORY ^{/2}
1 Mr. Pliu Mangkornkanok	C,D	-	-	-	-	-	-	-	-
2 Mr. Hon Kit Shing (Mr. Alexander H. Shing)	VC,D,E	-	-	-	-	-	-	-	-
3 Ms. Oranuch Apisaksirikul	D,CE	-	-	-	-	-	-	D	-
4 Ms. Panada Kanokwat	I,CA	-	-	-	-	-	-	-	-
5 Prof. Dr. Pranee Tinakorn	I,A	-	-	-	-	-	-	-	-
6 Ms. Patareeya Benjapolchai	I,A	-	-	-	-	-	-	-	-
7 Mr. Hirohiko Nomura	D,E	-	-	-	-	-	-	-	-
8 Mr. Suthas Ruangmanamongkol	D,E,P ^{/1}	-	-	-	-	-	-	-	-
9 Mr. Pichai Chanvirachart	D	-	-	-	-	-	-	-	-
10 Mr. Sathit Aungmanee	-	C,D,A	C,D,A	-	-	-	-	-	-
11 Mr. Sakchai Peechapat	-	-	-	C,D	-	C,D	-	-	-
12 Mr. Pitada Vatcharasiritham	-	D	-	-	-	-	-	-	-
13 Mr. Metha Pingsuthiwong	-	-	-	-	-	-	-	-	D
14 Ms. Araya Thirakomen	-	-	D,Pr ^{/1}	-	-	-	-	-	-
15 Mr. Paiboon Nalinthangkurn	-	D,CEO ^{/1}	-	-	-	-	-	-	D
16 Ms. Yutiga Sonthayanavin	-	-	-	-	D,MD ^{/1}	-	-	-	-
17 Mr. Chalit Silpsrikul	-	-	-	D	-	-	-	-	-
18 Mr. Chatri Chandrangam	-	D,A	D,A	D	D	D	D	D	D
19 Mr. Ekkapol Apinun	-	-	-	D	D	-	D	-	-
20 Ms. Dulyarat Taveebhol	-	D,A	D,A	-	-	-	-	-	-
21 Mr. Theerarat Rujimethapass	-	-	D,MD	-	-	-	-	-	-
22 Ms. Duangrat Kittivitayakul	-	-	D,MD	-	-	-	-	-	-
23 Mr. Supachai Boonsiri	-	-	-	D,MD	-	-	D,MD	-	-
24 Mr. Worapan Luanguthai	-	-	-	D	-	-	-	-	-
25 Ms. Wanthana chotchaisathit	-	-	-	-	D	-	-	-	-
26 Ms. Penjit Taepaisitpong	-	-	-	-	D	-	-	-	-
27 Mr. Dejphinun Suthadsanasoung	-	-	-	-	-	D	-	-	-
28 Mr. Kuniaki Tanaka	-	-	-	-	-	D,MD	-	-	-
29 Mr. Osamu Oike	-	-	-	-	-	D	-	-	-
30 Mr. Theerayuth Praserttanadecho	-	-	-	-	-	-	D	-	-
31 Mr. Wittaya Mettaviharee	-	-	-	-	-	-	D	-	-
31 Mr. Viwat Techapoonpol	-	D	-	-	-	-	-	-	-
32 Ms. Aunchana Grisa-ard	-	D	-	-	-	-	-	-	-
33 Mr. Tharatporn Techakitkachorn	-	-	-	-	D	-	D	-	-
34 Mr. Watsakorn Thepthim	-	-	-	-	-	-	-	D	-

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

/2 TISCO Investment Advisory Co., Ltd. is a subsidiary of TISCO Securities Co., Ltd.

Abbreviations :

C = Chairman
 VC = Vice Chairman
 I = Independent Director
 D = Director
 CE = Chairperson of The Executive Board
 E = Executive Board Member
 CA = Chairperson of The Audit Committee
 A = Audit Committee
 P = President of Core Company
 Pr = President of Subsidiary Company
 CEO = Chief Executive Officer
 - = None

Remarks :

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Attachment 4

Report of the Audit Committee

Report of the Audit Committee

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

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

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

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

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

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

- **Financial Statements:** Meeting with the external auditor on a quarterly basis to review quarterly and annual financial statements with consideration for the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before recommending to the Board of Directors. Assessing the appropriateness of the Company's adoption of new accounting standards, the impacts from the reduction of corporate income tax rate towards the Company's deferred tax positions, and the disclosure of financial impact from flood situation in Thailand in notes to the financial statements.
- **Internal Control and Audit:** Reviewing internal control system and internal audit works and considering all issues raised by the external auditor and internal audit department. Assessing the independence of internal audit department and approving annual audit plan, strategy, key performance indicators and the Charter of Internal Audit.
- **Regulatory Compliance:** Meeting with management to acknowledge annual compliance plan and reports, compliance activities and status of legal cases and litigations.
- **External Auditor:** Assessing the independence of the external auditor and acknowledging the audit partner rotation policy. Selecting and nominating the external auditor to the Board of Directors for further recommendation to the shareholders for approval. The Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the auditor of the Company and its subsidiaries for the Year 2011. The Committee viewed that Ernst & Young Office Limited is a qualified audit firm with good credentials and proven track records together with a reasonable audit fee.
- **Transactions with Related Parties and Conflicts of Interests:** Meeting with management and the external auditor to review and acknowledge related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee viewed that those transactions were either conducted in a normal course of business operation or justified for the best interests of the Company. In addition, related disclosures were in compliance with the corporate governance and related party transaction policy.
- **Risk Management:** Reviewing and assessing the management's presentation on the effectiveness of risk management system, capital adequacy, operational risk management, and fraud risk management.
- **Others:** Acknowledging the results of external assessment and examination by the Bank of Thailand and assessing the Company's corrective actions.

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

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

Panada Kanokwat

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

Attachment 5

Report of the Nomination and Compensation Committee

Report of the Nomination and Compensation Committee

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, Advisor(s) 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 and to enhance the good corporate governance of TISCO Group.

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. Hon Kit Shing Member of the Nomination and Compensation Committee
3. Mr. Hirohiko Nomura Member of the Nomination and Compensation Committee

In 2011, the Nomination and Compensation Committee of TISCO convened 10 meetings with all members attended in person and via conference call to carry out the following activities:

1. Acknowledging and proposing the results of the Board Performance Self-assessment for the year 2010 to the Board of Directors for ratification and recommending the Board the corrective action to be implemented to enhance board performance;
2. Adopting the Board Performance Self-Assessment Guideline and Questionnaires for the year 2011 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. Evaluating and proposing the results of the Chief Executive Officer Performance for the year 2010 to the Board of Directors for acknowledgement and adopting the Chief Executive Officer Performance Assessment Questionnaires for the year 2011;
4. Review and recommending the existing Guideline for Board Composition and Selection Criteria for TISCO Group to the Board of Directors for approval;
5. Recommending number of directors and nominating qualified candidates for director position of TISCO and TISCO Bank for the Board of Directors to recommend the Shareholder Ordinary General Meeting for approval;
6. Reviewing and ensuring the directors' remuneration to be commensurable with their performance and benchmarking with the industry and recommending to the Board of Directors to further recommend the Shareholders Ordinary General Meeting for approval;
7. Recommending the appointment of Chairman and Vice Chairman of the Board of Directors and other committees namely Executive Board, Audit Committee, Nomination and Compensation Committee including Advisor to the Audit Committee and the appointment of new directors for replacements of TISCO and/or TISCO Bank to the Board of Directors for approval;
8. Recommending the revisions to the Charter of Nomination and Compensation Committee to the Board of Directors for approval;
9. Approving the allotment of TISCO Synthetic Stock Option ("TSSO") under TISCO Employee Ownership Program for the year 2011 with the principle to maintain and attract the employees of TISCO for long term services and goals;
10. Appointing of the Nomination and Compensation Committee Representative to review the holistic picture of TISCO's employee compensation and carry out a survey benchmarking and ensuring that TISCO's employee compensation commensurate with industry peers;
11. Reviewing and discussing on some certain strategic issues those are under the roles and responsibilities of the Nomination and Compensation Committee as stipulated in its Charter in order to enhance the good corporate governance of TISCO Group; and
12. Approving the incentive pay and bonus appropriation for the year 2011.

Krisna Theravuthi

(Ms. Krisna Theravuthi)
Chairperson
The Nomination and Compensation Committee
December 19, 2011

Attachment 6

Evaluation of the Sufficiency of Internal Control System

Internal Control System Assessment Questionnaire

TISCO Financial Group Public Company Limited

January 20, 2012

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

Part 1 Organizational Control and Environment Measure

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

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

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

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

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

Yes No

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

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

Yes No

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

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

Yes No

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

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

Yes No

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

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

Yes No

The Company has in place the written policies and guidelines for business units. The Operational Risk Management function proposes operational risk management policies to the Risk Management Committee for approval and enforce across business functions in the Group. Meanwhile, each business function will be responsible for its own operational guidelines. For the new business, the operational guideline of new business must be concurred by working team, comprised of Operational Risk Management and Productivity Improvement functions who will ensure the appropriateness in operational efficiency and internal control. Meanwhile, Compliance function will ensure that the business procedure has complied with related rules and regulations.

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

Yes No

The 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 laws and ensures that product and service information has been adequately provided to customers through well-trained staff. In monitoring process, the Company will set up incident and complaint management system, so that the Company can resolve any complaints in timely manners. These complaints will be submitted to the Compliance & Operation Control Committee for determining the root cause of the problems. Moreover, preventive measures will be developed to reduce any further complaints.

Part 2 Risk Management Measures

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

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

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

- Yes No

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

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

- Yes No

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

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

- Yes No

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

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

- Yes No

The Company has documented policies specifying risk management methodologies and strategies 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 to provide written scope of authority and approval limits for employees to act on behalf of the Company.

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

- Yes No

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

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

- Yes No No such cases

As the 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. 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 sale agreement, loan and guarantee)?

- Yes No No such cases

3.7 Do the procedures for transactions mentioned in 3.3 cover cases whereby major shareholders, directors, management or related persons might have used opportunities or benefits of the Company for themselves?

- Yes No No such cases

- 3.8 In the case where the Company has investments in subsidiaries and related companies, does the Company monitor the operation of subsidiaries and related companies regularly as well as set policy directions for persons nominated by the Company to be directors or management of such companies?

Yes No No such cases

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

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

Yes No

Compliance function ensures that the Company fully complies with related laws and regulations, with emphasis on communication with business and operation units together with ongoing review of business operations. The Company has appointed the Compliance & Operation Control Committee to advise on compliance issues, complaint management, and operating procedures. Any compliant incidents, which are considered as part of operational risk, are well managed through risk assessment of new business operations, and regular risk review. Moreover, the reporting system of incidents and complaints has been set up to handle and prevent error properly, as well as enable the Company to better understand its ongoing business operations.

- 3.10 Does the Company have preventive and corrective measures to ensure the non-recurrence of activities that were not in compliance with law, in case the Company used to have such activities?

Yes No No such cases

In case of violation of laws, the Company will preliminarily investigate the cause of violation while also reviewing the operations and compliance processes in order to prevent such violations from recurring in the future. Consequently, the Compliance function will monitor the corrective actions and report the result to the Compliance & Operation Control Committee and the Audit Committee, respectively. If the Company or the management does 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 regulated authorities, for instance, the Bank of Thailand, the Securities and Exchange Commission, etc.

Part 4 Information and Communication Measures

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

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

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

Yes No

The Company has clear procedures that the Executive Board, authorized by the Board of Directors, will monitor business operations of the Group. The Executive Board will then assign the management to perform part of the Executive Board's responsibilities. The 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 the Board members for consideration no 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 the government agencies which the Company receives very close to the meeting date.

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

Yes No

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

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

Yes No

The auditors have never reported any deficiency in accounting records.

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

Yes No

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

5.3 Have periodic evaluations of internal control systems been conducted?

Yes No

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

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

Yes No No such cases

Internal Audit department, an independent function, performs audit activities and reports audit results directly to the Audit Committee. The Audit Committee will then consider the matters and recommend on corrective action to the 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 regularly and systematically. The Audit Committee, in turn, will regularly present report summaries to the Board.

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

Yes No No such cases

The management will report cases of fraud or suspected fraud, lawsuit filed, and other related concerns to the business operation to the Compliance & Operation Control Committee for immediate corrections, with support from Operational Risk Management, Compliance, Legal, and Internal Audit functions. The case shall also be reported to the Employee Disciplinary Committee for proper staff penalty. The case and course of actions shall also be reported to the Board.

Regarding fraud prevention, the assessment is periodically conducted by Operational Risk Management function and business functions for continuous improvement. In addition, the Company has established Fraud Audit unit to assist in detection and investigation for potential fraud incidents.

Attachment 7

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

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, 2011.

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

Oranuch Apisaksirikul
(Ms. Oranuch Apisaksirikul)
Group Chief Executive

**FINANCIAL STATEMENTS
TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
YEAR ENDED 31 DECEMBER 2011 and 2010**

Report of Independent Auditor

To the Shareholders of TISCO Financial Group Public Company Limited

I have audited the accompanying consolidated statement of financial position of TISCO Financial Group Public Company Limited and its subsidiaries as at 31 December 2011, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and have also audited the separate financial statements of TISCO Financial Group Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries and the separate financial statements of TISCO Financial Group Public Company Limited as at 31 December 2010 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under her report dated 4 February 2011, expressed an unqualified audit opinion on those statements.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2011, and the results of their operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 1.3 to the financial statements. During the current year, the Company adopted a number of revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of its financial statements.

A handwritten signature in black ink, appearing to read 'R. Jala'.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 6 February 2012

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Assets					
Cash		903,450	903,306	50	50
Interbank and money market items - net	5.2	30,722,345	12,545,403	169,447	393,554
Derivatives assets	5.3	45,374	12,800	-	-
Investments - net	5.4, 5.8	3,706,257	6,481,004	-	-
Investments in subsidiaries - net	5.5	-	-	15,021,902	14,879,285
Loans to customers and accrued interest receivables - net	5.6, 5.8				
Loans to customers		203,429,925	164,980,877	944,000	1,281,000
Accrued interest receivable		258,374	133,879	-	-
Total loans to customers and accrued interest receivables		203,688,299	165,114,756	944,000	1,281,000
Less: Deferred revenue		(18,416,303)	(15,248,648)	-	-
Less: Allowance for doubtful accounts	5.7	(4,420,351)	(4,162,022)	-	-
Less: Allowance for loss on debt restructuring		(3)	(3)	-	-
Loans to customers and accrued interest receivables - net		180,851,642	145,704,083	944,000	1,281,000
Property foreclosed - net	5.8, 5.9	257,869	21,397	-	-
Investment property	5.11	952	72,004	376,439	357,401
Premises and equipment - net	5.10	1,450,901	1,394,870	395,255	348,654
Intangible assets - net	5.12	182,317	243,719	62,427	100,354
Deferred tax assets	5.29	355,401	1,242,503	154,406	167,865
Securities and derivatives business receivables - net		724,650	1,292,529	-	-
Dividend receivable	5.33	-	-	735,317	1,589,242
Other assets	5.13	1,516,412	1,493,931	39,256	118,377
Total assets		220,717,570	171,407,549	17,898,499	19,235,782

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Liabilities and shareholders' equity					
Liabilities					
Deposits	5.14	37,978,994	48,533,223	-	-
Interbank and money market items - net	5.15	14,478,653	10,842,765	-	-
Liability payable on demand		448,049	532,448	-	-
Derivatives liabilities	5.3	276,056	9,363	-	-
Debts issued and borrowings	5.16	145,396,598	90,776,223	1,808,832	3,345,075
Provision for long-term employee benefits	5.17	205,141	-	49,069	-
Deferred tax liabilities	5.29	61,339	156,347	-	-
Securities and derivatives business payables		469,540	1,610,686	-	-
Accrued interest payable		1,396,455	462,130	8,465	8,654
Income tax payable		137,821	942,103	50,348	108,574
Other liabilities	5.18	3,557,332	2,685,034	676,258	499,716
Total liabilities		204,405,978	156,550,322	2,592,972	3,962,019

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Shareholders' equity					
Share capital					
Registered	6.1				
372,287,914 preference shares of Baht 10 each (31 December 2010: 555,548,180 preference shares of Baht 10 each)		3,722,879	5,555,482	3,722,879	5,555,482
727,912,086 ordinary shares of Baht 10 each (31 December 2010: 544,651,820 ordinary shares of Baht 10 each)		7,279,121	5,446,518	7,279,121	5,446,518
		<u>11,002,000</u>	<u>11,002,000</u>	<u>11,002,000</u>	<u>11,002,000</u>
Issued and fully paid-up					
33,858 preference shares of Baht 10 each (31 December 2010: 35,358 preference shares of Baht 10 each)		339	354	339	354
727,878,228 ordinary shares of Baht 10 each (31 December 2010: 727,876,728 shares of Baht 10 each)		7,278,782	7,278,767	7,278,782	7,278,767
		7,279,121	7,279,121	7,279,121	7,279,121
Share premium					
Share premium on preference shares		-	-	298	311
Share premium on ordinary shares		-	-	6,012,817	6,012,804
		-	-	6,013,115	6,013,115
Other components of shareholders' equity		999,037	1,049,546	-	-
Retained earnings					
Appropriated-statutory reserve		297,900	212,600	297,900	212,600
Unappropriated		7,634,389	6,235,417	1,715,391	1,768,927
Equity attributable to owners of the Company		<u>16,210,447</u>	<u>14,776,684</u>	<u>15,305,527</u>	<u>15,273,763</u>
Non-controlling interest of the subsidiaries		101,145	80,543	-	-
Total shareholders' equity		<u>16,311,592</u>	<u>14,857,227</u>	<u>15,305,527</u>	<u>15,273,763</u>
Total liabilities and shareholders' equity		<u>220,717,570</u>	<u>171,407,549</u>	<u>17,898,499</u>	<u>19,235,782</u>

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

Mrs. Oranuch Apisaksirikul
(Group Chief Executive, TISCO Group)

บริษัท ทีเอสซีไฟแนนเชียลกรุ๊ป จำกัด (มหาชน)
TISCO Financial Group Public Company Limited

Mr. Suthas Ruangmanamongkol
(Director)

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

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

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Interest incomes	5.21	12,368,668	9,433,028	54,642	39,984
Interest expenses	5.22	(5,461,341)	(2,571,639)	(86,867)	(59,997)
Net interest incomes		6,907,327	6,861,389	(32,225)	(20,013)
Fees and service incomes		3,066,989	2,923,104	-	-
Fees and service expenses		(212,818)	(214,968)	(9,203)	(11,536)
Net fees and service incomes	5.23	2,854,171	2,708,136	(9,203)	(11,536)
Gains on tradings and foreign exchange transactions	5.24	42,905	20,729	-	-
Gains (losses) on investments	5.25	34,266	200,963	962	(5,370)
Dividend income		83,257	86,909	1,407,312	1,590,712
Penalty fee income from loans		220,532	201,722	-	-
Income from business promotion relating to the business		538,092	212,214	-	-
Reversal allowance for impairment of property foreclosed		248,232	-	-	-
Intercompany supporting fee income	5.33	-	-	1,286,324	1,348,979
Other operating incomes	5.27, 5.33	143,759	331,687	81,440	94,778
Total operating incomes		11,072,541	10,623,749	2,734,610	2,997,550
Other operating expenses					
Employee's expenses		2,722,316	2,760,453	497,627	681,852
Directors' remuneration		13,231	9,380	12,271	9,380
Premises and equipment expenses		685,086	701,339	265,732	223,280
Taxes and duties		224,067	154,304	1,447	3,370
Expenses to business promotion relating to the business		598,701	296,385	-	-
Others	5.28	691,158	596,320	100,488	96,979
Total other operating expenses		4,934,559	4,518,181	877,565	1,014,861
Bad debt and doubtful accounts and impairment loss of debt securities	5.26	1,283,075	1,946,933	-	-
Profit from operating before income tax expense		4,854,907	4,158,635	1,857,045	1,982,689
Income tax expense	5.29	1,561,908	1,256,163	151,484	127,228
Profit for the year		3,292,999	2,902,472	1,705,561	1,855,461

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

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

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Other comprehensive income	5.30				
Gains (losses) arising from translating the financial statements of a foreign operation		2,427	(5,606)	-	-
Investment in available-for-sale securities		(251,804)	456,257	-	-
Actuarial gains or losses arising from post-employment benefits		(23,558)	-	(5,405)	-
Cash flow hedges		124,252	21,957	-	-
Income tax (charge)/credit relating to components of other comprehensive income	5.29, 5.31	77,213	(132,396)	1,080	-
Other comprehensive income for the year		<u>(71,470)</u>	<u>340,212</u>	<u>(4,325)</u>	<u>-</u>
Total comprehensive income for the year		<u>3,221,529</u>	<u>3,242,684</u>	<u>1,701,236</u>	<u>1,855,461</u>
Profit attributable to:					
Equity holders of the Company	5.32	3,266,755	2,888,247	1,705,561	1,855,461
Non-controlling interests of the subsidiaries		26,244	14,225		
		<u>3,292,999</u>	<u>2,902,472</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		3,197,405	3,220,620	1,701,236	1,855,461
Non-controlling interests of the subsidiaries		24,124	22,064		
		<u>3,221,529</u>	<u>3,242,684</u>		
Earnings per share of equity holders of the Company	5.32				
Basic earnings per share		<u>4.49</u>	<u>3.97</u>	<u>2.34</u>	<u>2.55</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statements

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit from operating before income tax expense	4,854,907	4,158,635	1,857,045	1,982,689
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities				
Depreciation and amortisation	303,525	349,873	77,243	108,814
Bad debts and doubtful accounts	1,975,565	2,585,631	-	-
Allowance for impairment of investments (reversal)	44,636	14,430	(962)	5,370
Allowance for impairment of property foreclosed (reversal)	(248,232)	257	-	-
Gain on disposal of investments	(84,101)	(201,863)	-	-
Unrealised (gain) loss on trading and foreign exchange transactions	(40,219)	1,847	-	-
Gain on disposal of equipment	(7,844)	(39,511)	(23)	(26,686)
Loss on written-off of equipment	-	124	-	-
Unrealised (gain) loss from trading securities	7,504	(12,996)	-	-
Gain on disposal of property foreclosed	(69,087)	(205,902)	-	-
Provision for long-term employee benefits	24,448	-	4,013	-
Decrease (increase) in other accrued income	(10,570)	(17,764)	74,043	(74,558)
Increase in accrued expenses	482,498	688,487	126,053	300,897
Net interest income	(6,907,327)	(6,861,389)	32,225	20,013
Dividend income	(83,257)	(86,909)	(1,407,312)	(1,590,712)
Interest received	12,007,185	9,109,947	54,702	39,912
Interest paid	(3,530,306)	(2,116,523)	(87,056)	(60,406)
Dividend received	83,257	86,909	2,261,237	625,165
Income tax paid	(1,458,144)	(1,556,866)	(187,256)	(169,055)
Profit from operating activities before changes in operating assets and liabilities	7,344,438	5,896,417	2,803,952	1,161,443
Operating assets (increase) decrease				
Interbank and money market items	(17,886,400)	162,836	224,107	32,851
Loans to customers	(37,944,184)	(38,554,492)	-	194,000
Securities and derivative business receivables	569,311	(277,622)	337,000	-
Property foreclosed	1,135,453	1,822,782	-	-
Intangible assets	(49,893)	(89,186)	(17,378)	(57,760)
Other assets	1,790	(206,288)	5,051	(28,974)
Operating liabilities increase (decrease)				
Deposits	(10,554,229)	(8,272,884)	-	-
Interbank and money market items	3,637,009	4,463,971	-	(210,000)
Liability payable on demand	(84,399)	187,278	-	-
Securities and derivative business payables	(1,141,146)	652,155	-	-
Other liabilities	(399,859)	74,378	50,489	(29,107)
Net cash flows from (used in) operating activities	(55,372,109)	(34,140,655)	3,403,221	1,062,453

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Cash flows from investing activities					
Cash paid for purchase of investment in securities held for investment		(1,046,880)	(5,343,869)	-	-
Cash received from disposal of investment in securities held for investment		3,607,966	8,944,430	-	-
Cash paid for purchase of equipment		(183,356)	(196,027)	(87,738)	(75,597)
Cash received from disposal of equipment		9,456	77,297	150	59,941
Cash paid for acquisition of a subsidiaries		-	(1)	(141,655)	(1)
Cash received from share capital reduction of a subsidiaries		-	-	-	500,000
Net cash flows from (used in) investing activities		2,387,186	3,481,830	(229,243)	484,343
Cash flows from financing activities					
Borrowings		54,544,376	32,643,690	(1,536,243)	(644,317)
Cash received from issuance of long-term debentures		76,000	2,000,000	-	-
Cash paid for the redemption of long-term debentures		-	(3,000,000)	-	-
Dividend paid		(1,637,736)	(902,479)	(1,637,735)	(902,479)
Net cash flows from (used in) financing activities		52,982,640	30,741,211	(3,173,978)	(1,546,796)
Translation adjustment		2,427	(5,606)	-	-
Net increase (decrease) in cash		144	76,780	-	-
Cash at beginning of year		903,306	826,526	50	50
Cash at end of year		903,450	903,306	50	50
Supplemental cash flows information					
Non-cash transactions					
Conversion of preference shares to ordinary shares		28	12,324	28	12,323
Issuance securities for swap ordinary shares of TISCO Bank under holding restructuring under common control		-	14,008	-	14,008
Transfer of properties foreclosed form receivables for debt settlement		3,382	-	-	-
Transfer investment property to premises and equipment	5.11	84,841	-	-	-

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements													
Equity attributable to owner of the Company													
Other components of shareholders equity													
	Issued and fully paid-up share capital		Other comprehensive income			Adjustment from business combination		Total other components of shareholders' equity	Retained earnings		Total equity attributable to owner of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total
	Preference shares	Ordinary shares	investments	Cash flow hedges	in foreign currency	restructuring plan	Surplus (deficit) on change in value of available-for-sale		Exchange differences on translation of financial statements	of entities under common control under holding			
Balance as at 31 December 2009	6,986	7,261,744	(37,793)	(10,743)	86,443	672,295	710,202	119,800	4,342,449	12,441,181	77,539	12,518,720	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	-	(902,479)	(902,479)	-	(902,479)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	92,800	(92,800)	-	-	-	
Total comprehensive income for the year	-	-	330,449	7,532	(5,608)	-	332,373	-	2,888,247	3,220,620	22,064	3,242,684	
Preference shares converted to ordinary shares	(6,632)	6,632	-	-	-	-	-	-	-	-	-	-	
Adjustment from business combination of entities under common control under holding restructuring plan	-	10,391	-	-	-	6,971	6,971	-	-	17,362	(17,362)	-	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,698)	(1,698)	
Balance as at 31 December 2010	354	7,278,767	292,656	(3,211)	80,835	679,266	1,049,546	212,600	6,235,417	14,776,684	80,543	14,857,227	
Cumulative effect of the change in accounting policy for employee benefit (Note 2)	-	-	-	-	-	-	-	-	(125,890)	(125,890)	(1,053)	(126,943)	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	-	(1,637,752)	(1,637,752)	-	(1,637,752)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	-	85,300	(85,300)	-	-	-	
Total comprehensive income for the year	-	-	(153,521)	100,585	2,427	-	(50,509)	-	3,247,914	3,197,405	24,124	3,221,529	
Preference shares converted to ordinary shares	(15)	15	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,469)	(2,469)	
Balance as at 31 December 2011	339	7,278,782	139,135	97,374	83,262	679,266	999,037	297,900	7,634,389	16,210,447	101,145	16,311,592	

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Separate financial statements									
	Issued and fully		Issued and fully paid-up share capital				Retained earnings			Total
	paid-up share capital - registered		awaiting for registered		Share premium		Appropriated	Unappropriated		
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares				
Balance as at 31 December 2009	6,986	7,261,652	-	92	6,147	6,002,126	119,800	908,745	14,305,548	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	(902,479)	(902,479)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	92,800	(92,800)	-	
Total comprehensive income for the year	-	-	-	-	-	-	-	1,855,461	1,855,461	
Preference shares converted to ordinary shares	(6,632)	6,632	-	-	(5,836)	5,836	-	-	-	
Issuance of ordinary shares to the shareholders under common control under holding restructuring plan	-	10,391	-	-	-	4,842	-	-	15,233	
Registered the issuance of ordinary shares to the shareholders under common control under holding restructuring plan	-	92	-	(92)	-	-	-	-	-	
Balance as at 31 December 2010	354	7,278,767	-	-	311	6,012,804	212,600	1,768,927	15,273,763	
Cumulative effect of the change in accounting policy for employee benefit (Note 2)	-	-	-	-	-	-	-	(31,720)	(31,720)	
Dividend paid (Note 6.5)	-	-	-	-	-	-	-	(1,637,752)	(1,637,752)	
Transfer unappropriated retain earnings to statutory reserve	-	-	-	-	-	-	85,300	(85,300)	-	
Total comprehensive income for the year	-	-	-	-	-	-	-	1,701,236	1,701,236	
Preference shares converted to ordinary shares	(15)	15	-	-	(13)	13	-	-	-	
Balance as at 31 December 2011	339	7,278,782	-	-	298	6,012,817	297,900	1,715,391	15,305,527	

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

TISCO Financial Group Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2011 and 2010

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

1.1 Basis of preparation of financial statements

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

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

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

1.2 Basis of Consolidation of financial statements

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 5.1 to the financial statements.
- b) 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.
- c) 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.

- d) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent significant accounting policies.
- e) The assets and liabilities in the financial statements of overseas subsidiary company are translated into Baht using the exchange rate prevailing on the end of reporting period and the revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

During the year, there were the following changes in the composition of the subsidiaries:

- a) In February 2011, the Company invested in 49,997 ordinary shares of TISCO Learning Center Co., Ltd. at a price of Baht 100 per share, for a total of Baht 5 million. The Company holds 99.99 percent of shares. Such company registered its incorporations with the Ministry of Commerce on 1 February 2011.
- b) In March 2011, TISCO Securities Company Limited, the Company's subsidiary, invested in 9,997 ordinary shares of TISCO Investment Advisory Co., Ltd. at a price of Baht 100 per share, for a total of Baht 1 million. The Company's investment represents 99.97 percent of the registered capital of such company, which registered its incorporation with the Ministry of Commerce on 18 March 2011.
- c) On June 2011, the Company acquired TISCO Leasing Company Limited from TISCO Bank Public Company Limited, as approved by the year 2011 Annual General Meeting of shareholders of the Company on 21 April 2011. Therefore, the Company's investment represents 99.99 percent of the registered capital of such company, invested in 999,965 ordinary shares at a price of Baht 136.66 per share, for a total of Baht 137 million.

1.3 Application of new accounting standards during the year

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

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 12	Corporate Income Tax
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

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

Financial Reporting Standard Interpretations:

1.5 Significant accounting policies

1.5.1 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.

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

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

1.5.3 Investments

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

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

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

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

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

- f) The 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) Losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are recognised in profit or loss.
- 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 profit or loss or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

1.5.4 Investments in receivable purchased or transferred in

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

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

1.5.5 Securities purchased under resale agreements according to private repurchase transactions

The subsidiary company operating banking business has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the statement of financial position and the securities purchased are used as collateral.

Under securities purchase under resale agreements according to private repurchase transactions, the subsidiary company obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest method, and are presented as interest income.

1.5.6 Investment property

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

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

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

1.5.7 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.

1.5.8 Loans to customers

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

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

1.5.9 Securities and derivative business receivables

Securities and derivative business receivables are the net balance after deducting allowance for doubtful accounts. Securities business receivable includes customer cash accounts, customers' securities borrowing and lending accounts, and other receivables such as securities receivable that are being enforced by courts, and are being compromised or settled in installments.

1.5.10 Allowance for doubtful accounts and losses from troubled debt restructuring

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

For all loans and receivables classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, the subsidiary company records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivable, respectively.

For non-performing loans to customers 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 mentioned 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 to customers in accordance with the BOT's guidelines issued on 3 August 2008.

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors' ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collaterals are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.
- c) For the subsidiary companies operating hire purchase business, allowance for doubtful accounts is made using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

- d) For the subsidiary company operating leasing business, allowance for doubtful receivables is estimated based on a review of all outstanding amounts at the end of the period. The amount of the allowance is the difference between the carrying amount of the leasing agreement receivable and the recoverable amount. Bad debts written off during the year are recorded as expenses when the write off occurs.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to bad debt and doubtful accounts in the period of recovery.

1.5.11 Troubled debt restructuring

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

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the subsidiary will use the interest rates specified in the term of modifications as the discount rates. The subsidiary recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.5.12 Recognition and derecognition of customer deposits

Cash which customers have placed with a subsidiary company for securities trading through cash accounts and derivative trading is recorded as assets of the subsidiary company for the customers' position for internal control purposes. At the financial statement date, the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.5.13 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 statement of financial position. At the end of the year, the balances of Securities borrowing payables and Securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange 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.

1.5.14 Property foreclosed

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

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

1.5.15 Premises and equipment/Depreciation

Land is stated at cost. Buildings and equipments 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	

Depreciation is included in determining income.

No depreciation is provided on land.

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

1.5.16 Intangible assets

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

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

Intangible assets with finite lives is software license fees are deferred and amortised over the following estimated useful lives:

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

1.5.17 Income tax

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

Current tax

The Company and its subsidiaries calculate corporate income tax at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

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

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 end of reporting period.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

At the end of reporting period, the 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.

1.5.18 Impairment of assets

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

Impairment losses are recognised in profit or loss.

1.5.19 Derecognition of financial assets and financial liabilities

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

1.5.20 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 and commitments are translated into Baht at the exchange rates ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

1.5.21 Employee benefits

Short-term employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Post-employment benefits

Defined contribution plans

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

Defined post-employment benefit plans

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

The obligation under the defined benefit plan is determined by the Company and its subsidiaries based on actuarial techniques.

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

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

1.5.22 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.

1.5.23 Derivatives and hedge accounting

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

- a) A subsidiary operating banking business has recorded derivatives held for trading in fair value method. The subsidiary records gains (losses) from changes in the fair value of derivatives which is stated in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.
- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.
- c) Subsidiaries have recorded derivatives for cash flow hedged by using hedge accounting, as follow:

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

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

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

1.5.24 Financial instruments

a) Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, securities and derivatives business receivable, receivable from clearing house, loans to customers and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities, debts issued and borrowings, securities and derivative business payables and payable to clearing house. The financial risks associated with these financial instruments and how they are managed is described in Note 5.37 to the financial statements.

b) Fair value of financial instruments

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

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using rates at which financial instruments with similar features and maturities could be issued as the end of reporting period.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivative business payables and payable to clearing house, the carrying amounts in the financial statement approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- Loans to customers and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivables and other retail loans to customers are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

1.5.25 Offsetting financial assets and financial liabilities

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

1.5.26 Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quote market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments

The Company and its subsidiaries treats available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

Premise and equipment/Depreciation

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

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

Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

Post-employment benefits under defined benefit plans

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

Leases

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

Litigation

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

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.

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

During the current year, the Company and its subsidiaries have changed significant accounting policies described in Note 1.3 to the financial statements, as a result of the adoption of the following new accounting standards.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expenses in the period in which service is performed by the employee. In particular, an entity has to evaluate and make provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

The Company and its subsidiaries have changed this accounting policy since the beginning of the current year and have recognised the liability in the transitional period through an adjustment to the beginning balance of retained earnings in the current year. This resulted in the decreases in the balances of retained earnings brought forward as at 1 January 2011 in the consolidated and separate financial statements by Baht 127 million (long-term employee benefit obligations of Baht 159 million net of related deferred tax of Baht 32 million) and Baht 32 million (long-term employee benefit obligations of Baht 40 million net of related deferred tax of Baht 8 million), respectively. The cumulative effect of such change in accounting policy has already been presented as "Cumulative effect of the change in accounting policy for employee benefits" in the statements of changes in shareholders' equity.

In addition, the change in such accounting policy has the effect of decreasing the profit of the Company and its subsidiaries for the year 2011 by Baht 24 million or 0.034 Baht per share, (Separate financial statements: decreasing profit by Baht 4 million or 0.006 Baht per share).

TAS 40 Investment property

The Company and its subsidiaries record initial value of investment properties at cost, including transaction cost. The amounts of adjustments affecting the statement of financial position as at 31 December 2010 are summarised below:

(Unit: Thousand Baht)

	31 December 2010	
	Consolidated financial statements	Separate financial statements
Statements of financial position		
Increase in investment properties	76,999	357,401
Decrease in premises and equipment	(76,999)	(357,401)

3. Effect of the change in accounting estimate

During the current year, the Company and its subsidiaries changed the accounting estimate related to the useful lives of office condominium.

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

(Unit: Thousand Baht)

	31 December 2011	
	Consolidated financial statements	Separate financial statements
Statements of financial position		
Increase in investment properties	43,790	48,426
Increase in premises and equipment	27,226	25,927
Statements of comprehensive income		
Decrease in depreciation	71,016	74,353
Increase profit attributable to equity holders of the Company	71,016	74,353
Increase in basic earnings per share (Baht)	0.10	0.10

4. General information

4.1 The Company's information

TISCO Financial Group Public Company Limited ("the Company") was incorporated as a holding company. Upon completion of the holding company restructuring plan on 9 January 2009, the Company became the parent company of TISCO Group in place of TISCO Bank Public Company Limited ("TISCO Bank"). On 15 January 2009, the securities of the Company were listed on the Stock Exchange of Thailand in place of those of TISCO Bank.

Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

4.2 Share capital

The Company has a registered capital of Baht 11,002 million which consists of 727,912,086 ordinary shares and 372,287,914 preference shares both with a par value of Baht 10 each. The preference shares can be converted to ordinary shares in accordance with the Memorandum and Articles of Association.

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

4.3 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.

4.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Company and its subsidiaries'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.

4.5 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 5.33 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.

5. Supplemental information

5.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2011 and 2010 is provided below.

(Unit: Percent)				
Company's name	Nature of Business	Country of incorporation	Percentage of shares held by the Company as at	
			31 December	
			<u>2011</u>	<u>2010</u>
<u>Subsidiaries directly held by the Company</u>				
TISCO Bank Public Company Limited	Banking	Thailand	99.98	99.98
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co.,Ltd.	Asset Management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Tokyo Leasing Co., Ltd.	Leasing	Thailand	49.00	49.00
TISCO Leasing Co., Ltd.	Leasing	Thailand	99.99	-
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	-
<u>Subsidiaries indirectly held by the Company</u>				
TISCO Leasing Co., Ltd.	Leasing	Thailand	-	99.99
TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	99.97	-
TISCO Securities Hong Kong Limited Co., Ltd. (in the process of liquidation)	Securities business	China- Hongkong	100.00	100.00

5.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions Development Fund	426,279	-	426,279	871,361	8,310,000	9,181,361
Commercial banks	289,501	21,847,059	22,136,560	183,108	1,056,660	1,239,768
Specialised financial institutions	854	4,054,363	4,055,217	332	2,065,000	2,065,332
Total	716,634	25,901,422	26,618,056	1,054,801	11,431,660	12,486,461
Add: Accrued interest	4,426	7,013	11,439	634	1,216	1,850
Total domestic	721,060	25,908,435	26,629,495	1,055,435	11,432,876	12,488,311
<u>Foreign</u>						
Hong Kong dollar	15,700	-	15,700	18,566	-	18,566
US dollar	40,592	-	40,592	38,526	-	38,526
Yuan	-	4,026,121	4,026,121	-	-	-
Total	56,292	4,026,121	4,082,413	57,092	-	57,092
Add: Accrued interest	-	11,968	11,968	-	-	-
Less: Deferred revenue	-	(1,531)	(1,531)	-	-	-
Total foreign	56,292	4,036,558	4,092,850	57,092	-	57,092
Total domestic and foreign	777,352	29,944,993	30,722,345	1,112,527	11,432,876	12,545,403

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2011			2010		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	169,413	-	169,413	393,461	-	393,461
Total	169,413	-	169,413	393,461	-	393,461
Add: Accrued interest	34	-	34	93	-	93
Total domestic	169,447	-	169,447	393,554	-	393,554

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2011	2010	
	Cash at banks of local subsidiary	10	

The subsidiary company operating banking business entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are as collateral. Details of transactions are as follows:

(Unit: Million Baht)

Securities purchase under resale agreements
according to private repurchase transactions
as at 31 December

	2011	2010
Commercial bank	24,350	3,060

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

As at 31 December

	2011	2010
Fair value of securities received as collateral	24,600	3,093

5.3 Derivatives

5.3.1 Trading derivative

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

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

All counter parties of these derivative transactions are financial institutions.

5.3.2 Hedging derivatives

(Unit: Thousand Baht)

Type of risk	Consolidated financial statements as at 31 December					
	2011			2010		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	22,924	133,119	4,982,220	-	-	-
Interest rate	543	594	372,500	-	9,363	326,491
Total	23,467	133,713	5,354,720	-	9,363	326,491

All counter parties of these derivative transactions are financial institutions.

5.4 Investments

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2011	2010
Trading securities - fair value		
Domestic marketable equity securities	3,752	3,752
Add: Allowance for changes in value	21,691	29,195
Total trading securities	25,443	32,947
Available-for-sales securities - fair value		
Government and state enterprise securities	605,918	1,419,765
Debt securities of private sector	837,593	841,460
Foreign debt securities	-	196,430
Domestic marketable equity securities	809,401	872,709
Other securities - unit trusts	30,281	40,133
Add: Allowance for changes in value	239,738	476,545
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sales securities	2,521,471	3,845,582
Held-to-maturity debt securities - cost/amortised cost		
Government and state enterprise securities	-	87,975
Debt securities of private sector	-	2
Investment in receivables	686,519	1,906,753
Less: Allowance for impairment	(18,057)	(23,256)
Total held-to-maturity debt securities	668,462	1,971,474
Other investments - cost		
Domestic non-marketable equity securities	608,263	698,548
Less: Allowance for impairment	(117,382)	(67,547)
Total other investments	490,881	631,001
Investments - net	3,706,257	6,481,004

5.4.1 Investments subject to restriction

(Unit: Million Baht)

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

5.4.2 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business

(Unit: Thousand Baht)

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

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

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2010		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

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

5.4.3 Investments where a subsidiary company operating banking business hold not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

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

5.5 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Type of shares as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2011	2010	2011	2010	2011	2010	2011	2010
Subsidiaries directly held by the Company				%	%				
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.98	99.98	13,294	13,294	1,070	1,020
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	150	250
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	185	220
Hi-Way Co., Ltd.	Hire purchase	Preference shares	Preference shares	99.99	99.99	3	3	-	1
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	-	99
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	-	-
TISCO Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	99.99	-	137	-	-	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	49.00	49.00	73	73	2	1
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	-	5	-	-	-
						15,131	14,989	1,407	1,591
Less: Allowance for impairment						(109)	(110)		
Investment in subsidiaries - net						15,022	14,879		

On 27 June 2011, the Company acquired TISCO Leasing Co., Ltd. from TISCO Bank Public Co., Ltd. as mentioned in Note 6.2 to financial statements.

5.6 Loans to customers and accrued interest receivable

5.6.1 Classified by loan type

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2011	2010
Loans to customers		
Loans	45,069,972	32,788,168
Hire purchase receivables	154,533,482	129,188,567
Financial lease receivables	4,046,616	3,112,688
Less: Deferred revenue	(18,416,303)	(15,248,648)
Advances received from financial lease receivables	(220,145)	(108,546)
Total loans to customers	185,013,622	149,732,229
Add: Accrued interest receivable	258,374	133,879
Less: Allowance for doubtful accounts	(4,420,351)	(4,162,022)
Allowance for loss on debt restructuring	(3)	(3)
Loans to customers and accrued interest receivable - net	<u>180,851,642</u>	<u>145,704,083</u>

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2011	2010
Loans to customers		
Loans	944,000	1,281,000
Add: Accrued interest receivable	-	-
Loans to customers and accrued interest receivable - net	<u>944,000</u>	<u>1,281,000</u>

5.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	181,844,502	-	181,844,502	149,732,229	-	149,732,229
US Dollars	-	3,169,120	3,169,120	-	-	-
Total loans to customers net of deferred revenue	<u>181,844,502</u>	<u>3,169,120</u>	<u>185,013,622</u>	<u>149,732,229</u>	<u>-</u>	<u>149,732,229</u>

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	944,000	-	944,000	1,281,000	-	1,281,000
Total loans to customers net of deferred revenue	<u>944,000</u>	<u>-</u>	<u>944,000</u>	<u>1,281,000</u>	<u>-</u>	<u>1,281,000</u>

5.6.3 Classified by type of business

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December 2011							Other subsidiaries	Total
	Subsidiary company operating banking business						Total		
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful of loss				
						Total			
Agricultural and mining	1,043,450	13,364	2,337	-	-	1,059,151	-	1,059,151	
Manufacturing and commerce	23,678,288	275,749	56,110	16,694	24,511	24,051,352	-	24,051,352	
Real estate and construction	8,534,120	116,859	23,082	2,266	279,067	8,955,394	-	8,955,394	
Public utilities and services	10,811,983	225,134	60,053	21,232	22,119	11,140,521	-	11,140,521	
Personal consumption									
Hire purchase	108,791,545	9,509,852	1,294,267	185,914	11,059	119,792,637	5,188,906	124,981,543	
Auto cash loan	6,967,179	487,376	51,142	1,101	724	7,507,522	210,075	7,717,597	
Housing loans	1,193,416	69,397	6,174	19,743	77,957	1,366,687	-	1,366,687	
Securities	-	-	-	-	-	-	1,432	1,432	
Others	5,497,934	182,430	24,034	7,531	28,016	5,739,945	-	5,739,945	
Total loans to customer	<u>166,517,915</u>	<u>10,880,161</u>	<u>1,517,199</u>	<u>254,481</u>	<u>443,453</u>	<u>179,613,209</u>	<u>5,400,413</u>	<u>185,013,622</u>	
Add: Accrued interest receivable	<u>88,148</u>	<u>134,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,666</u>	<u>35,708</u>	<u>258,374</u>	
Total loans to customers and accrued interest receivable	<u>166,606,063</u>	<u>11,014,679</u>	<u>1,517,199</u>	<u>254,481</u>	<u>443,453</u>	<u>179,835,875</u>	<u>5,436,121</u>	<u>185,271,996</u>	

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2010

	Subsidiary company operating banking business						Other	Total
	Pass	Special- mentioned	Sub-standard	Doubtful	Doubtful		subsidiaries	
					of loss	Total		
Agricultural and mining	159,152	2,519	4,405	513	1,323	167,912	-	167,912
Manufacturing and commerce	17,441,497	141,008	25,055	28,871	61,962	17,698,393	-	17,698,393
Real estate and construction	5,955,550	87,192	4,521	5,438	362,968	6,415,669	-	6,415,669
Public utilities and services	6,911,822	152,127	28,133	26,981	62,021	7,181,084	-	7,181,084
Personal consumption								
Hire purchase	94,354,795	5,968,776	687,177	183,337	331,931	101,526,016	4,642,252	106,168,268
Auto cash loan	5,160,852	177,132	16,465	2,995	5,941	5,363,385	-	5,363,385
Housing loans	1,243,598	54,709	19,930	12,588	91,461	1,422,286	-	1,422,286
Securities	-	-	-	-	-	-	1,432	1,432
Others	4,891,666	27,148	2,306	6,557	386,123	5,313,800	-	5,313,800
Total loans to customer	136,118,932	6,610,611	787,992	267,280	1,303,730	145,088,545	4,643,684	149,732,229
Add: Accrued interest receivable	33,535	82,032	-	-	-	115,567	18,312	133,879
Total loans to customers and accrued interest receivable	136,152,467	6,692,643	787,992	267,280	1,303,730	145,204,112	4,661,996	149,866,108

5.6.4 Classified by loan classification of a subsidiary company operating banking business

(Unit: Million Baht)

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

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

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

Percentage of allowance for doubtful accounts set up

	Hire purchase receivables		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2011 ⁽¹⁾	2010	2011	2010
Pass	1.42	0.60	1	1
Special mention	1.42	0.60	2	2
Sub-standard	20.88	20.31	100	100
Doubtful	20.88	20.31	100	100
Doubtful of loss	20.88	20.31	100	100

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

⁽²⁾ These percentages are the rates used to set aside up allowance for doubtful accounts in accordance with the BOT's minimum requirement.

5.6.5 Hire purchase and financial lease receivables

As at 31 December 2011, net receivables of the subsidiaries under hire purchase and financial lease agreements amount to Baht 140,132 million (2010: Baht 117,133 million) and mostly comprise hire purchase agreements for cars, machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011					
Amounts of installments due under the long-term lease agreements					
	Less than			Non performing	Total
	1 year	1 - 5 years	Over 5 years	loans	
Gross investment in the agreements	49,809	101,960	3,386	3,425	158,580
Less: Deferred revenue*	(7,375)	(9,416)	(106)	(1,331)	(18,228)
Advances received from financial lease receivables	(17)	(197)	(6)	-	(220)
Present value of minimum lease pay from agreements	42,417	92,347	3,274	2,094	140,132
Allowance for doubtful accounts					(2,564)
Net hire purchase and financial lease receivables					137,568

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010					
Amounts of installments due under the long-term lease agreements					
	Less than			Non performing	Total
	1 year	1 - 5 years	Over 5 years	loans	
Gross investment in the agreements	42,534	84,437	2,318	3,012	132,301
Less: Deferred revenue*	(6,293)	(7,453)	(56)	(1,258)	(15,060)
Advances received from financial lease receivables	(5)	(103)	-	-	(108)
Present value of minimum lease pay from agreements	36,236	76,881	2,262	1,754	117,133
Allowance for doubtful accounts					(1,253)
Net hire purchase and financial lease receivables					115,880

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

5.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has ceased

(Unit: Million Baht)

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

⁽¹⁾ These amounts are calculated on an account by account basis.⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2011	2010
Hire purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	397	294

5.6.7 Deferred revenue which is presented as a deduction against loans to customers of subsidiaries

(Unit: Million Baht)

Consolidated financial statements
as at 31 December

	2011	2010
Deferred revenue ⁽¹⁾	18,416	15,248

⁽¹⁾These amounts included deferred revenue of hire purchase and finance lease contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

5.6.8 Troubled debt restructuring of a subsidiary company operating banking business

For the years ended 31 December

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

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

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

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

As at 31 December 2011 and 2010, a subsidiary company operating banking business have the outstanding balance with troubled debt restructuring debtors, as follows:

(Unit: Million Baht)

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

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

5.7.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011

	Pass	Special mentioned	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	934,963	92,619	237,767	88,718	457,130	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	2,461,032	162,942	655,523	699,660	346,657	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	13,287	13,287
Bad debt written-off	(2,426)	(18,245)	(423,607)	(692,424)	(583,821)	-	(1,720,523)
Balance - end of year	<u>3,393,569</u>	<u>237,316</u>	<u>469,683</u>	<u>95,954</u>	<u>219,966</u>	<u>3,863</u>	<u>4,420,351</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2010

	Pass	Special mentioned	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	732,736	97,122	229,552	113,804	524,204	727,847	2,425,265
Increase (decrease) in allowance for doubtful accounts during the year	203,127	13,790	334,714	497,205	125,883	1,411,876	2,586,595
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	211,125	211,125
Bad debt written-off	(900)	(18,293)	(326,499)	(522,291)	(192,957)	(23)	(1,060,963)
Balance - end of year	<u>934,963</u>	<u>92,619</u>	<u>237,767</u>	<u>88,718</u>	<u>457,130</u>	<u>2,350,825</u>	<u>4,162,022</u>

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

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2011				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	565,586	1,245,611	2,350,825	4,162,022
Increase (decrease) in allowance for doubtful accounts during the year	1,418,943	2,906,871	(2,360,249)	1,965,565
Transfer from allowance for declining in value of property foreclosed	-	-	13,287	13,287
Bad debt written-off	(110,378)	(1,610,145)	-	(1,720,523)
Balance - end of year	1,874,151	2,542,337	3,863	4,420,351

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2010				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	520,672	1,176,746	727,847	2,425,265
Increase (decrease) in allowance for doubtful accounts during the year	84,717	1,090,002	1,411,876	2,586,595
Transfer from allowance for declining in value of property foreclosed	-	-	211,125	211,125
Bad debt written-off	(39,803)	(1,021,137)	(23)	(1,060,963)
Balance - end of year	565,586	1,245,611	2,350,825	4,162,022

5.7.3 Non-performing loans to customers of a subsidiary company operating banking business

(Unit: Million Baht)

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

5.8 Classification of assets

5.8.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

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

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

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

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

5.8.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business.

As at 31 December 2011 and 2010, the quality of the Bank's assets is classified in accordance with the Bank of Thailand's guidelines, including the BOT's Notification No. PhorNorSor. (23) Wor. 1564/2544 regarding "Clarification of measures to help debtors who have been affected by flooding" are as follows:

(Unit: Million Baht)

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

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

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

⁽¹⁾ The Subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance for calculation allowance for doubtful accounts for hire purchase receivables.

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

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

5.8.4 Loans to customers includes debts due from companies with weak financial position and operating results of a subsidiary company operating banking business

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

5.8.5 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 31 December		Allowance for doubtful accounts as required by SEC as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2011	2010	2011	2010	2011	2010
	Doubtful	1	1	1	1	1

5.8.6 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 31 December		Allowance for doubtful account as at 31 December		Debt balance - net as at 31 December	
	2011	2010	2011	2010	2011	2010
	Current	4,202	3,740	85	113	4,117
Overdue						
1 month	298	274	29	27	269	247
2 - 3 months	504	334	49	33	455	301
4 - 6 months	241	146	91	60	150	86
7 - 12 months	111	92	42	38	69	54
Over 12 months	25	37	10	15	15	22
Debtors under litigation	18	19	14	14	4	5
Total	5,399	4,642	320	300	5,079	4,342

5.9 Property foreclosed

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2011	2010
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external valuer</u>		
Balance - beginning of year	268,015	479,140
Additions	-	-
Disposals	(28,315)	(211,125)
Balance - end of year	239,700	268,015
<u>Appraisal by an internal valuer</u>		
Balance - beginning of year	33,860	33,860
Additions	3,691	-
Disposals	-	-
Balance - end of year	37,551	33,860
Total property foreclosed - Immovable assets	277,251	301,875
Movable assets		
Balance - beginning of year	45,930	73,447
Additions	1,558,065	1,856,919
Disposals	(1,573,516)	(1,884,436)
Balance - end of year	30,479	45,930
Total property foreclosed	307,730	347,805
Less: Allowance for impairment		
Balance - beginning of year	32,013	31,684
Increase	28,677	329
Decrease	(28,315)	-
Balance - end of year	32,375	32,013
Property foreclosed - net	275,355	315,792
Less: Reserve for declining in value of property foreclosed in accordance with the notification of the Bank of Thailand and the management's estimates	(17,486)	(294,395)
Property foreclosed - net, after reserve for declining in value in accordance with the notification of the Bank of Thailand and the management's estimates	257,869	21,397

5.10 Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Operating assets				Assets for operating lease agreements			
	Land	Building, office condominium and building improvements	Furniture fixtures computer and equipment	Motor vehicles	Assets held for future lease and for sale	Computer and equipment	Motor vehicles	Total
Cost:								
1 January 2010	17,509	2,103,427	754,228	110,265	5,171	34,764	10,663	3,036,027
Additions/transfers in	-	37,880	74,813	60,238	1,608,822	23,095	-	1,804,848
Disposals/written-off/transfers out	-	(7,300)	(52,842)	(35,547)	(1,605,770)	(13,013)	(7,359)	(1,721,831)
31 December 2010	17,509	2,134,007	776,199	134,956	8,223	44,846	3,304	3,119,044
Additions/transfers in	-	209,504	98,642	23,035	2,246,269	12,116	3,222	2,592,788
Disposals/written-off/transfers out	-	(85,955)	(21,173)	(20,233)	(2,252,846)	(1,206)	(2,244)	(2,383,657)
31 December 2011	17,509	2,257,556	853,668	137,758	1,646	55,756	4,282	3,328,175
Accumulated depreciation:								
1 January 2010	-	873,119	601,974	90,715	-	14,618	6,179	1,586,605
Depreciation for the year	-	132,419	88,190	15,473	-	13,414	1,476	250,972
Depreciation on disposals/written-off	-	(7,300)	(52,210)	(34,993)	-	(13,013)	(5,887)	(113,403)
31 December 2010	-	998,238	637,954	71,195	-	15,019	1,768	1,724,174
Depreciation for the year	-	62,550	97,130	19,756	-	17,204	820	197,460
Depreciation on disposals/written-off	-	(995)	(20,468)	(20,232)	-	(1,206)	(1,459)	(44,360)
31 December 2011	-	1,059,793	714,616	70,719	-	31,017	1,129	1,877,274
Net book value:								
31 December 2010	17,509	1,135,769	138,245	63,761	8,223	29,827	1,536	1,394,870
31 December 2011	17,509	1,197,763	139,052	67,039	1,646	24,739	3,153	1,450,901
Depreciation for years:								
2010								250,972
2011								197,460

(Unit: Thousand Baht)

	Separate financial statements			
	Building, office condominium and building improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:				
1 January 2010	320,427	11,542	2,690	334,659
Additions/transfers in	2,954	38,581	34,062	75,597
Disposals/written-off/transfers out	-	-	(400)	(400)
31 December 2010	323,381	50,123	36,352	409,856
Additions/transfers in	12,076	55,272	20,390	87,738
Disposals/written-off/transfers out	(2)	(358)	-	(360)
31 December 2011	335,455	105,037	56,742	497,234
Accumulated depreciation:				
1 January 2010	23,292	3,854	137	27,283
Depreciation for the year	23,018	7,692	3,269	33,979
Depreciation on disposals	-	-	(60)	(60)
31 December 2010	46,310	11,546	3,346	61,202
Depreciation for the year	21,808	35,586	9,509	66,903
Effect of the change estimates accounting	(25,927)	-	-	(25,927)
Depreciation on disposals	(2)	(197)	-	(199)
31 December 2011	42,189	46,935	12,855	101,979
Net book value:				
31 December 2010	277,071	38,577	33,006	348,654
31 December 2011	293,266	58,102	43,887	395,255
Depreciation for years:				
2010				33,979
2011				40,976

5.11 Investment properties

The book value of investment properties as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	Building and office condominium	Building and office condominium
31 December 2011:		
Cost	12,857	416,177
Less: Accumulated depreciation	(11,905)	(39,738)
Net book value	<u>952</u>	<u>376,439</u>
31 December 2010:		
Cost	89,139	416,177
Less: Accumulated depreciation	(17,135)	(58,776)
Net book value	<u>72,004</u>	<u>357,401</u>

A reconciliation of book value of investment properties as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Book value - beginning of years	72,004	105,832	357,401	420,555
Asset disposals - book value	-	(29,498)	-	(32,915)
Transfers to premises and equipment	(69,641)	-	(1,190)	-
Depreciation	(1,411)	(4,330)	(28,198)	(30,239)
Effect of the change estimates accounting	-	-	48,426	-
Book value - ending of years	<u>952</u>	<u>72,004</u>	<u>376,439</u>	<u>357,401</u>

The fair value of investment properties as at 31 December 2011 are presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Building and office condominium	15,989	550,240

The fair value of investment properties was calculated by the asset appraisal method based on the market approach and the income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalization rate, discount rate and other relevant factors. These asset appraisal approach also made reference to a data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of TISCO Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

5.12 Intangible assets

The book value of intangible assets as at 31 December 2011 and 2010 are presented as follows:

	Consolidated financial statements	Separate financial statements
	Computer Software	Computer Software
31 December 2011:		
Cost	653,885	169,775
Less: Accumulated depreciation	(471,568)	(107,348)
Net book value	<u>182,317</u>	<u>62,427</u>
31 December 2010:		
Cost	604,022	152,427
Less: Accumulated depreciation	(360,303)	(52,073)
Net book value	<u>243,719</u>	<u>100,354</u>

A reconciliation of book value of intangible assets as at 31 December 2011 and 2010 are presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Net book value at beginning of years	243,719	249,103	100,354	87,188
Acquisitions of computer software	53,233	91,131	17,987	59,006
Disposals of computer software	(3,370)	(1,945)	(639)	(1,245)
Amortisation	(111,265)	(94,570)	(55,275)	(44,595)
Book value at ending of years	<u>182,317</u>	<u>243,719</u>	<u>62,427</u>	<u>100,354</u>

5.13 Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2011	2010	2011	2010
Receivable from clearing house	30,682	342,549	-	-
Value added tax - net	250,723	353,181	5,867	1,410
Accrued interest receivable	12,147	18,370	-	-
Fee and charges receivable	181,829	171,259	790	74,834
Prepaid income tax	360,300	34,690	-	-
Deposits	38,324	34,978	4,080	4,075
Other receivables	294,965	228,758	54	8
Other assets	347,442	310,146	28,465	38,050
Total other assets	<u>1,516,412</u>	<u>1,493,931</u>	<u>39,256</u>	<u>118,377</u>

5.14 Deposits

5.14.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2011	2010
Deposits		
Current accounts	3,423,090	4,859,992
Saving accounts	17,082,939	25,671,550
Fixed accounts		
- not over 6 months	1,265,389	778,329
- over 6 months and less than 1 year	588,126	142,761
- over 1 year	195,633	248,436
Certificates of deposit/negotiable certificates of deposit	15,423,817	16,832,155
Total	<u>37,978,994</u>	<u>48,533,223</u>

5.14.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2011	2010
Not over 1 year*	37,452,777	48,226,471
Over 1 year	526,217	306,752
Total deposits	37,978,994	48,533,223

*Including fully-mature deposit contract

5.15 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2011			2010		
	At call	Term	Total	At call	Term	Total
Commercial banks	126,287	3,625,088	3,751,375	166,320	86,696	253,016
Specialised financial institutions	-	-	-	-	2,500,000	2,500,000
Other banks and financial institutions	276,506	10,450,772	10,727,278	151,369	7,938,380	8,089,749
Total	402,793	14,075,860	14,478,653	317,689	10,525,076	10,842,765

The subsidiary company operating banking business has entered into an interest rate swap agreement to swap the floating interest rate on baht 300 million of bill of exchange with a local financial institution for a fixed interest rate, as mentioned in Note 5.37.5 to the financial statements.

The subsidiary company operating leasing business has entered into interest rate swap agreements to pay interest at a fixed rate amounting to Baht 73 million of borrowings, as mentioned in Note 5.37.5 the financial statements.

5.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2011	2010	2011	2010
<u>Domestic borrowings</u>				
Subordinated unsecured debentures	6,000,000	6,000,000	-	-
Unsubordinated unsecured debentures	1,076,000	1,000,000	-	-
Bills of exchange	138,319,564	83,773,847	1,808,832	3,345,075
Promissory notes	1,034	2,376	-	-
Total	145,396,598	90,776,223	1,808,832	3,345,075

5.16.1 Subordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December (Million Baht)		Maturity in the year	Interest rate
			2011	2010		2011	2010		
			2009	TISCO Bank		Subordinated and unsecured long-term debentures	2 million		
2009	TISCO Bank	Subordinated and unsecured long-term debentures	2 million	2 million	1,000	2,000	2,000	2019	5.0 percent per annum in the first to third years, 5.5 percent per annum in the forth to seventh years and 6.0 percent per annum in the eighth to tenth years.
2010	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	5.0 percent per annum in the first to tenth years.
2010	TISCO Bank	Subordinated and unsecured long-term debentures	1 million	1 million	1,000	1,000	1,000	2020	4.8 percent per annum in the first to tenth years.
Total						6,000	6,000		

5.16.2 Unsubordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December (Million Baht)		Maturity in the year	Interest rate	
			2011	2010		2011	2010			
			2007	TISCO Bank		Unsubordinated and unsecured long-term debentures	1 million			1 million
2011	TISCO Bank	Unsubordinated and unsecured long-term debentures	76,000 units	-	1,000	76	-	2012	3.40 percent per annum.	
Total							<u>1,076</u>	<u>1,000</u>		

5.16.3 Bills of exchange

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

5.17 Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensations on employee's retirement, was as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December 2011	Separate financial statements as at 31 December 2011
Cummulative effect of change in accounting policy for employee benefits adjusted against beginning balance to retained earnings (Note 2)	158,580	39,651
Current service cost	17,600	2,334
Interest cost	6,848	1,679
Benefits paid during the year	(1,445)	-
Actuarial (gains) / losses	23,558	5,405
Balance - end of year	<u>205,141</u>	<u>49,069</u>

Long-term employee benefits expenses included in profit or losses for the year ended 31 December 2011 totaling Baht 24 million (separate financial statement: Baht 4 million).

Principal actuarial assumptions at the valuation date were as follow:

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

5.18 Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December		Separate financial statements as at 31 December	
	2011	2010	2011	2010
Payable to clearing housing	284,430	18,615	-	-
Withholding income tax and other tax payable	349,513	165,152	44,278	47,571
Accrued insurance premium	400,555	373,622	-	-
Deferred income	497,524	235,537	-	-
Accrued expenses	1,446,100	1,148,128	566,113	436,766
Other liabilities	579,210	743,980	65,867	15,379
Total other liabilities	<u>3,557,332</u>	<u>2,685,034</u>	<u>676,258</u>	<u>499,716</u>

5.19 Capital funds

5.19.1 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, cash liquidity and other in accordance with the regulations of Bank of Thailand or relevant regulatory agencies.

5.19.2 TISCO Bank maintains capital adequacy ratio in comply with Basel II principles which is implementing capital requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, equity exposure and other assets.

Regarding to Capital fund as of 31 December 2011 and 2010 under Basel II framework, TISCO Bank has allocated the additional reserve from classification as part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of TISCO Bank are as follows:

(Unit: Thousand Baht)

As at 31 December

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

As at 31 December

Capital ratios	2011		2010	
	TISCO Bank	Requirement	TISCO Bank	Requirement
Tier I capital to risk assets	9.88% ⁽¹⁾	4.25%	11.29% ⁽¹⁾	4.25%
Total capital to risk assets	14.91% ⁽²⁾	8.50%	15.23% ⁽²⁾	8.50%

⁽¹⁾ Before Capital Floor

⁽²⁾ After Capital Floor

5.19.3 To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 6/2553 regarding "Consolidated Supervision" dated 18 June 2010, the Company has disclosed capital maintenance information of financial business group as at 30 June 2011 on its website on 31 October 2011.

5.20 Surplus on changes in the value of investments

(Unit: Thousand Baht)

Consolidated financial statements		
as at 31 December		
	2011	2010
Balance - beginning of year	439,655	(16,602)
Increase (decrease) from changes in the value of securities during the year	(251,804)	456,257
	187,851	439,655
Less: The effect of deferred tax assets / liabilities	(48,716)	(146,999)
Balance - end of year	139,135	292,656

5.21 Interest incomes

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

(Unit: Thousand Baht)

Consolidated financial statements		
For the years ended 31 December		
	2011	2010
Interbank and money market items	627,799	199,482
Investments in debt securities	224,971	438,090
Loans to customers	3,221,331	1,632,436
Hire purchase and financial lease	8,294,567	7,163,020
Total interest income	12,368,668	9,433,028

(Unit: Thousand Baht)

Separate financial statements		
For the years ended 31 December		
	2011	2010
Interbank and money market items	14,929	3,878
Loans to customers	39,713	36,106
Total interest income	54,642	39,984

5.22 Interest expenses

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

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Deposits	866,599	811,561
Interbank and money market items	353,952	205,731
Contribution fee to the Deposit Protection Agency	163,043	255,952
Issued debt instruments		
- Subordinated debentures	308,000	244,005
- Unsubordinated debentures	40,400	85,812
Borrowings	3,729,347	968,578
Total interest expenses	5,461,341	2,571,639

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Interbank and money market items	-	189
Borrowings	86,867	59,808
Total interest expenses	86,867	59,997

5.23 Fees and services income - net

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

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Fees and service incomes		
- Acceptance, aval and guarantees	30,604	10,428
- Insurance service	1,130,000	820,611
- Brokerage fees	681,849	706,283
- Fund management	560,366	608,934
- Financial advisory fees	29,566	164,582
- Others	634,604	612,266
Total fees and service incomes	3,066,989	2,923,104
Fees and service expenses		
- Information service expense	(66,908)	(63,171)
- Others	(145,910)	(151,797)
Total fees and service expense	(212,818)	(214,968)
Fees and service income - net	2,854,171	2,708,136

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Fees and service incomes	-	-
Fees and service expenses	(9,203)	(11,536)
Fees and service income - net	(9,203)	(11,536)

5.24 Gains on trading and foreign exchange transactions

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	32,445	(2,267)
- Derivatives on interest rates	7,774	420
- Debt securities	10,237	9,595
- Equity securities	(7,504)	12,996
- Others	(47)	(15)
Total	<u>42,905</u>	<u>20,729</u>

5.25 Gains (losses) on investments

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Gains (loss) on disposal		
- Available-for-sale securities	70,496	155,439
- Held-to-maturity securities	189	(385)
- General investments	13,416	46,809
Total	<u>84,101</u>	<u>201,863</u>
Loss on impairment		
- General investments	(49,835)	(900)
Total	<u>(49,835)</u>	<u>(900)</u>
Gain (loss) on investments - net	<u>34,266</u>	<u>200,963</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Reversal (losses) on impairment		
- Investments in subsidiaries	962	(5,370)
Gain (loss) on investments - net	<u>962</u>	<u>(5,370)</u>

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

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

(Unit: Thousand Baht)

Consolidated financial statements		
For the years ended 31 December		
	2011	2010
Interbank and money market items	10,000	-
Held-to-maturity debt securities	(5,199)	13,530
Loans to customers	1,278,274	1,933,403
Total	1,283,075	1,946,933

5.27 Other operating incomes

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

(Unit: Thousand Baht)

Consolidated financial statements		
For the years ended 31 December		
	2011	2010
Gains on disposal of property foreclosed	69,087	205,902
Rental income	22,915	32,364
Others	51,757	93,421
Total	143,759	331,687

(Unit: Thousand Baht)

Separate financial statements		
For the years ended 31 December		
	2011	2010
Rental income	60,106	67,402
Others	21,334	27,376
Total	81,440	94,778

5.28 Other operating expenses

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

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Mailing expenses	47,013	43,100
Software amortisation expenses	111,295	94,570
Legal expenses	126,362	130,561
Transportation expenses	90,805	81,536
Others	315,683	246,553
Total	<u>691,158</u>	<u>596,320</u>

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2011	2010
Mailing expenses	316	215
Software amortisation expenses	55,305	44,595
Transportation expenses	7,135	6,284
Others	37,732	45,885
Total	<u>100,488</u>	<u>96,979</u>

5.29 Income tax expense

Income tax expense of the Company and its subsidiaries for the years ended 31 December 2011 and 2010 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Current income tax:				
Income tax expenses for the years	659,083	1,795,518	128,905	208,873
Adjustment in respect of current income tax of previous year	1,813	(1,696)	108	84
Deferred tax:				
Deferred tax on temporary differences and reversal of temporary differences	769,608	(537,659)	(14,494)	(81,729)
Effect of changes in the applicable tax rates	131,404	-	36,965	-
Income tax expense reported in statements of comprehensive income	<u>1,561,908</u>	<u>1,256,163</u>	<u>151,484</u>	<u>127,228</u>

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011		2010	
	2011	2010	2011	2010
Decrease (increase) in surplus on change in value of investments	73,925	(125,808)	-	-
Cash flow hedges	(37,276)	(6,588)	-	-
Actuarial gains or losses arising from post- employment benefits	7,076	-	1,080	-
Effect of changes in the applicable tax rates	33,488	-	-	-
Deferred taxes are recorded directly to other comprehensive income	<u>77,213</u>	<u>(132,396)</u>	<u>1,080</u>	<u>-</u>

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Accounting profit before tax	4,854,907	4,158,635	1,857,045	1,982,689
Applicable tax rate	25%, 30%	25%, 30%	25%	25%
Accounting profit before tax multiplied by applicable tax rate	1,810,079	1,632,441	464,261	495,672
Adjustment in respect of current income tax of previous year	1,813	(1,696)	108	84
Effect of changes in the applicable tax rates	131,404	-	36,965	-
Effect of:				
Tax effect of net tax-exempt income and net disallowed expenses	(382,806)	(369,894)	(352,144)	(367,015)
Utilisation of loss carry forwards	-	(3,175)	-	-
Effect of tax rate used for deferred tax	1,418	(1,513)	2,294	(1,513)
Total	(381,388)	(374,582)	(349,850)	(368,528)
Income tax expenses reported in the statements of comprehensive income	1,561,908	1,256,163	151,484	127,228

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

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2011	2010	2011	2010
Allowance for doubtful accounts	60,264	790,476	(730,212)	474,898
Allowance for impairment of investments	62,820	74,806	(11,986)	8,053
Allowance for impairment of property foreclosed	9,972	97,923	(87,951)	(63,260)
Non-accrual of interest income	39,097	194,903	(155,806)	(7,742)
Depreciation of assets	12,842	39,194	(26,352)	7,980
Financial leases	8,468	13,910	(5,442)	(5,648)
Revaluation surplus on investments	(947)	(6,133)	-	-
Unrealised gain or loss on derivatives	(1,652)	(147)	(1,505)	(125)
Cash flow hedges	(25,655)	-	-	-
Deferred commissions and direct expenses of incurred				
at the initiation of hire purchase	(243,254)	(306,473)	63,219	(61,071)
Loss on disposal of property foreclosed	9,778	17,202	(7,424)	(5,628)
Deferred income	82,735	67,017	15,718	24,873
Reduction of subsidiaries' share capital	21,435	26,794	(5,359)	-
Accrued expenses	225,113	223,465	1,648	166,847
Employee benefits	36,361	-	4,136	-
Others	58,024	9,566	48,458	9,445
Deferred tax assets	355,401	1,242,503	(898,858)	548,622

(Unit: Thousand Baht)

Consolidated financial statements

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2011	2010	2011	2010
	Financial leases	76,356	97,211	(20,855)
Allowance for doubtful accounts	(247)	(457)	210	55
Loss carried forwards	(57,427)	(74,220)	16,793	(39,372)
Allowance for revaluation of other assets	(180)	(270)	90	-
Non-accrual of interest income	(4)	(7)	3	-
Depreciation of assets	(588)	(1,593)	1,005	695
Revaluation surplus on investments	47,769	140,866	-	-
Cash flow hedges	(2,677)	(2,809)	-	-
Gain from revaluation of investments in trading securities	3,886	8,081	(4,195)	3,899
Accrued expenses	(6,033)	(8,618)	2,585	(4,495)
Employee benefits	(4,735)	-	(538)	-
Other	5,219	(1,837)	7,056	128
Deferred tax liabilities	61,339	156,347	2,154	10,963

(Unit: Thousand Baht)

Separate financial statements

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2011	2010	2011	2010
	Allowance for impairment of investments	21,740	27,416	(5,676)
Depreciation of assets	1,153	16,591	(15,438)	8,096
Reduction of subsidiaries' share capital	21,435	26,794	(5,359)	-
Accrued expenses	99,164	96,195	2,969	71,312
Employee benefits	9,813	-	801	-
Other	1,101	869	232	978
Deferred tax assets	154,406	167,865	(22,471)	81,729

5.30 Components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Other comprehensive income				
Gain (loss) on translation adjustment in foreign operations	2,427	(5,606)	-	-
Available-for-sale securities:				
Gain (loss) arising during the years	(181,308)	611,696	-	-
Less: Reclassification adjustments for gain included in profit or loss	(70,496)	(155,439)	-	-
	(251,804)	456,257	-	-
Actuarial gains or losses arising from post - employment benefits	(23,558)	-	(5,405)	-
Cash flow hedges:				
Gain (loss) arising during the years	108,207	(6,459)	-	-
Add: Reclassification adjustments for loss included in profit or loss	16,045	28,416	-	-
	124,252	21,957	-	-
Other comprehensive income	(148,683)	472,608	(5,405)	-
Income tax relating to components of other comprehensive income	77,213	(132,396)	1,080	-
Other comprehensive income for the years - net	(71,470)	340,212	(4,325)	-

5.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2011			2010		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Increase (decrease) in surplus on change in value of investments	(251,804)	98,283	(153,521)	456,257	(125,808)	330,449
Actuarial gains or losses arising from post - employment benefits	(23,558)	4,717	(18,841)	-	-	-
Cash flow hedges	124,252	(25,787)	98,465	21,957	(6,588)	15,369
	<u>(151,110)</u>	<u>77,213</u>	<u>(73,897)</u>	<u>478,214</u>	<u>(132,396)</u>	<u>345,818</u>

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2011			2010		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Actuarial gains or losses arising from post - employment benefits	(5,405)	1,080	(4,325)	-	-	-
	<u>(5,405)</u>	<u>1,080</u>	<u>(4,325)</u>	<u>-</u>	<u>-</u>	<u>-</u>

5.32 Earnings per share

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

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Profit for the years attributable to equity holders of the Company (Thousand Baht)	3,266,755	2,888,247	1,705,561	1,855,461
Weighted average number of shares (Thousand shares)	727,912	727,519	727,912	727,519
Earnings per share for the years (Baht/share)	4.49	3.97	2.34	2.55

5.33 Related party transactions

(Unit: Thousand Baht)

	As at 31 December 2010	Increase	Decrease	As at 31 December 2011
<u>Outstanding balance</u>				
(Eliminated in consolidated financial statements)				
Subsidiary companies				
Interbank and money market items (assets):				
TISCO Bank Public Company Limited	393,554	1,117,734	(1,341,842)	169,446
Loans:				
Hi-Way Co., Ltd.	1,281,000	143,000	(585,000)	839,000
TISCO Leasing Co., Ltd.	-	105,000	-	105,000
Dividend receivable:				
TISCO Bank Public Company Limited	1,019,246	1,070,318	(1,689,146)	400,418
TISCO Securities Co., Ltd.	250,000	150,000	(250,000)	150,000
TISCO Asset Management Co., Ltd.	219,998	184,899	(219,998)	184,899
Hi-Way Co., Ltd.	99,998	-	(99,998)	-
TISCO Tokyo Leasing Co., Ltd.	-	2,205	(2,205)	-
Other assets:				
TISCO Bank Public Company Limited	74,588	22,302	(96,890)	-
TISCO Learning Center Co., Ltd.	-	7,902	(7,131)	771
Borrowings:				
TISCO Leasing Co., Ltd.	118,000	-	(118,000)	-
Interest payable:				
TISCO Leasing Co., Ltd.	16	121	(137)	-
Other liabilities:				
TISCO Bank Public Company Limited	2,344	53,428	(817)	54,955
TISCO Securities Co., Ltd.	7,036	-	-	7,036
TISCO Information Technology Co., Ltd.	3,823	20,000	-	23,823
TISCO Learning Center Co., Ltd.	-	188	(10)	178

	Separate financial statements		(Unit: Thousand Baht)
			Terms and pricing policy
	2011	2010	(For the year 2011)
<u>Transactions occurred during the years ended 31 December</u>			
(Eliminated in consolidated financial statements)			
Subsidiary companies			
Risk and financial management fee income, human resources management fee income and office administration fee income	1,286,324	1,348,979	Determined on the basis of market price and/or in compliance with the criteria specified by the Bank of Thailand
Interest income	54,467	39,880	With reference to the terms and prices as offered to other customers
Rental income	57,465	52,607	With reference to the terms and prices as offered to other customers
Computer system advisory services expenses	157,000	134,000	Determined on the basis of market price and/or in compliance with the criteria specified by the Bank of Thailand
Interest expenses	5,191	195	With reference to the terms and prices as offered to other customers
Training expenses	2,146	-	With reference to the prices as offered from other service providers

Loans to management-level employees (departmental manager upward)

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2011	2010
Loans	111	196

Liabilities payable to directors and management

	(Unit: Thousand Baht)
	Consolidated financial statements as at 31 December 2011
Deposits	115,178
Debt issued and borrowings	66,930

Besides the above transactions, the Company has additional related party transaction with its subsidiary, which is presented in Note 6.2 to the financial statements.

Directors and management's remuneration

During the year ended 31 December 2011 and 2010, the Company and its subsidiaries paid benefit remuneration to their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Short-term benefit	335	339	218	237
Post-employment benefit	4	-	3	-
Total	339	339	221	237

5.34 Financial information by segment

5.34.1 Financial position and results of operations classified by domestic and foreign operations, are as follow:

	(Unit: Million Baht)			
	Consolidated financial statements			
	As at 31 December 2011			
	Domestic operations	Foreign operations	Elimination	Total
Total assets	237,814	57	(17,153)	220,718
Interbank and money market items (assets)	30,957	56	(291)	30,722
Investments - net	3,706	-	-	3,706
Loans to customers and accrued interest receivables - net	181,796	-	(944)	180,852
Deposits	38,060	-	(81)	37,979
Interbank and money market items (liabilities)	14,490	-	(11)	14,479
Debt issued and borrowings	146,540	-	(1,143)	145,397

(Unit: Million Baht)

Consolidated financial statements				
As at 31 December 2010				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Total assets	190,630	58	(19,280)	171,408
Interbank and money market items (assets)	13,559	56	(1,070)	12,545
Investments - net	6,484	-	(3)	6,481
Loans to customers and accrued interest				
receivables - net	147,203	-	(1,499)	145,704
Deposits	48,606	-	(73)	48,533
Interbank and money market items (liabilities)	11,513	-	(670)	10,843
Debt issued and borrowings	92,602	-	(1,826)	90,776

(Unit: Million Baht)

Consolidated financial statements				
For the years ended 31 December 2011				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Interest income	12,436	-	(67)	12,369
Interest expenses	(5,528)	-	67	(5,461)
Interest income - net	6,908	-	-	6,908
Net fee and service income	3,258	-	(404)	2,854
Other operating income	4,149	-	(2,838)	1,311
Total operating income	14,315	-	(3,242)	11,073
Other operating expenses	(6,697)	(5)	1,767	(4,935)
Bad debt, doubtful accounts and impairment				
loss of debt securities	(1,284)	-	1	(1,283)
Income tax expense	(1,562)	-	-	(1,562)
Non-controlling interest	-	-	(26)	(26)
Profit for the year - equity holders				
of the Company	4,772	(5)	(1,500)	3,267

(Unit: Million Baht)

Consolidated financial statements				
For the years ended 31 December 2010				
	Domestic operations	Foreign operations	Elimination	Total
Interest income	9,474	-	(41)	9,433
Interest expenses	(2,616)	-	44	(2,572)
Interest income - net	6,858	-	3	6,861
Net fee and service income	3,053	-	(345)	2,708
Other operating income	4,071	-	(3,017)	1,054
Total operating income	13,982	-	(3,359)	10,623
Other operating expenses	(6,275)	(5)	1,762	(4,518)
Bad debt, doubtful accounts and impairment loss of debt securities	(1,944)	-	(3)	(1,947)
Income tax expense	(1,256)	-	-	(1,256)
Non-controlling interest	-	-	(14)	(14)
Profit for the year - equity holders of the Company	4,507	(5)	(1,614)	2,888

5.34.2 Financial positions and results of operation classified by business type

(Unit: Million Baht)

As at 31 December										
	Bank business/financial									
	service business		Securities business		Other business		Elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Total assets	216,947	167,177	2,900	4,187	18,024	19,324	(17,153)	(19,280)	220,718	171,408
Interbank and money market items (assets)	30,080	12,478	705	706	228	431	(291)	(1,070)	30,722	12,545
Investment - net	2,596	4,972	1,109	1,512	1	-	-	(3)	3,706	6,481
Loans to customers and accrued interest receivable - net	180,852	145,922	-	-	944	1,281	(944)	(1,499)	180,852	145,704
Deposits	38,060	48,606	-	-	-	-	(81)	(73)	37,979	48,533
Interbank and money market items (liabilities)	14,490	11,513	-	-	-	-	(11)	(670)	14,479	10,843
Debt issued and borrowings	144,731	89,257	-	-	1,809	3,345	(1,143)	(1,826)	145,397	90,776

(Unit: Million Baht)

For the years ended 31 December

	Bank business/financial									
	service business		Securities business		Other business		Elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest income	12,320	9,410	59	23	57	41	(67)	(41)	12,369	9,433
Interest expenses	(5,416)	(2,546)	(25)	(10)	(87)	(60)	67	44	(5,461)	(2,572)
Interest income - net	6,904	6,864	34	13	(30)	(19)	-	3	6,908	6,861
Net fee and service expense	1,592	1,239	1,272	1,480	394	334	(404)	(345)	2,854	2,708
Other operating income	1,294	934	79	108	2,776	3,029	(2,838)	(3,017)	1,311	1,054
Total operating income	9,790	9,037	1,385	1,601	3,140	3,344	(3,242)	(3,359)	11,073	10,623
Other operating expenses	(4,531)	(4,070)	(911)	(881)	(1,260)	(1,329)	1,767	1,762	(4,935)	(4,518)
Bad debt, doubtful accounts and impairment loss of debt securities	(1,284)	(1,944)	-	-	-	-	1	(3)	(1,283)	(1,947)
Income tax expense	(1,259)	(906)	(145)	(216)	(158)	(134)	-	-	(1,562)	(1,256)
Non-controlling interest	-	-	-	-	-	-	(26)	(14)	(26)	(14)
Profit for the year - equity holders of the Company	2,716	2,117	329	504	1,722	1,881	(1,500)	(1,614)	3,267	2,888

5.35 Provident fund

The Company, its seven subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The provident funds of the Company and its six subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. In 2011 and 2010, the Company and its subsidiaries paid provident fund contributions totaling Baht 99 million and Baht 90 million, respectively (Separate financial statements: Baht 17 million and Baht 15 million, respectively).

5.36 Commitments and contingent liabilities

5.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2011	2010
Avals	5,280	194,136
Other guarantees	4,447,136	888,386
Undrawn client overdraft facilities	30,976	33,273
Interest rate swap agreements (Note 5.37.5)	6,054,500	626,491
Cross currency swap agreements (Note 5.37.5)	8,151,340	180,908
	<u>18,689,232</u>	<u>1,923,194</u>

5.36.2 Litigation

As at 31 December 2011, the subsidiary has been sued for compensation totaling approximately Baht 136 million. Final judgments have not yet been reached in respect of these cases.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million (equivalent to Baht 190 million as at 31 December 2011). During the current year, this case is currently under consideration of the court.

The management of the Company and its subsidiaries believe that no material losses to the consolidated financial statements will be incurred as a result of the above mentioned lawsuits and damage claims.

5.36.3 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 2011, 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	88
1 to 5 years	115

5.37 Financial instruments

5.37.1 Credit risk

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

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

The risk of hire purchase credit that is not overdue of the subsidiary operating banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

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

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

5.37.2 Market risk

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

5.37.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position at the financial statements date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of TISCO potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at 31 December	
	2011	2010
Marketable financial assets		
Equity securities	734	443
Debts securities	10	24
Derivatives	31	-
Foreign currencies	11	7

5.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2011	2010
Change in interest rate		
Increase 1 percent	(335.13)	(268.42)
Decrease 1 percent	335.13	268.42

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

5.37.2.3 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 2011				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating</u>	<u>Fixed</u>	<u>Without</u>	<u>Total</u>
	<u>Interest rate</u>	<u>Interest rate</u>	<u>Interest</u>	
<u>Financial assets</u>				
Cash	-	-	903	903
Interbank and money market items	96	30,014	612	30,722
Derivatives assets	-	-	45	45
Investment - net	-	2,115	1,591	3,706
Loans to customers ⁽¹⁾	9,120	174,334	1,818	185,272
Securities and derivative business receivables	-	-	725	725
Receivable from clearing house	-	-	31	31
	<u>9,216</u>	<u>206,463</u>	<u>5,725</u>	<u>221,404</u>
<u>Financial liabilities</u>				
Deposits	20,352	17,431	196	37,979
Interbank and money market items	1,878	12,593	7	14,478
Liabilities payable on demand	-	-	448	448
Derivatives liabilities	-	-	276	276
Debts issued and borrowings	-	145,397	-	145,397
Securities and derivative business payables	-	-	470	470
Payable to clearing house	-	-	284	284
	<u>22,230</u>	<u>175,421</u>	<u>1,681</u>	<u>199,332</u>

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

(Unit: Million Baht)

Consolidated financial statements
as at 31 December 2010

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Cash	-	-	903	903
Interbank and money market items	103	11,442	1,000	12,545
Derivatives assets	-	-	13	13
Investment - net	-	4,431	2,050	6,481
Loans to customers ⁽¹⁾	8,524	139,896	2,739	151,159
Securities and derivative business payables	-	-	1,293	1,293
Receivable from clearing house	-	-	343	343
	<u>8,627</u>	<u>155,769</u>	<u>8,341</u>	<u>172,737</u>
<u>Financial liabilities</u>				
Deposits	30,313	18,001	219	48,533
Interbank and money market items	1,298	9,545	-	10,843
Liabilities payable on demand	-	-	532	532
Derivatives liabilities	-	-	9	9
Debts issued and borrowings	-	90,776	-	90,776
Securities and derivative business payables	3	-	1,608	1,611
Payable to clearing house	-	-	19	19
	<u>31,614</u>	<u>118,322</u>	<u>2,387</u>	<u>152,323</u>

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

(Unit: Million Baht)

Separate financial statements
as at 31 December 2011

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
<u>Financial assets</u>				
Interbank and money market items	25	144	-	169
Investment - net	-	-	15,022	15,022
Loans to customers	-	944	-	944
	<u>25</u>	<u>1,088</u>	<u>15,022</u>	<u>16,135</u>
<u>Financial liabilities</u>				
Debts issued and borrowings	-	1,809	-	1,809
	<u>-</u>	<u>1,809</u>	<u>-</u>	<u>1,809</u>

(Unit: Million Baht)

Separate financial statements

as at 31 December 2010

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating Interest rate	Fixed Interest rate	Without Interest	Total
Financial assets				
Interbank and money market items	6	388	-	394
Investment - net	-	-	14,879	14,879
Loans to customers	-	1,281	-	1,281
	<u>6</u>	<u>1,669</u>	<u>14,879</u>	<u>16,554</u>
Financial liabilities				
Debts issued and borrowings	-	3,345	-	3,345
	<u>-</u>	<u>3,345</u>	<u>-</u>	<u>3,345</u>

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011

<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	65	25,924	4,025	-	-	30,014	2.8016
Investment - net	18	52	1,218	827	-	2,115	4.4823
Loans to customers	11,353	18,574	36,179	104,654	3,574	174,334	7.0373
	<u>11,436</u>	<u>44,550</u>	<u>41,422</u>	<u>105,481</u>	<u>3,574</u>	<u>206,463</u>	
Financial liabilities							
Deposits	669	10,318	5,918	526	-	17,431	3.6429
Interbank and money market items	1,025	2,632	7,029	1,907	-	12,593	3.8297
Debts issued and borrowings							
	<u>1,462</u>	<u>59,705</u>	<u>72,481</u>	<u>5,749</u>	<u>6,000</u>	<u>145,397</u>	3.8438
	<u>3,156</u>	<u>72,655</u>	<u>85,428</u>	<u>8,182</u>	<u>6,000</u>	<u>175,421</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	10	11,432	-	-	-	11,442	1.6186
Investment - net	41	1,570	480	2,335	5	4,431	5.2436
Loans to customers	6,218	13,444	32,003	85,659	2,572	139,896	6.9089
	<u>6,269</u>	<u>26,446</u>	<u>32,483</u>	<u>87,994</u>	<u>2,577</u>	<u>155,769</u>	
Financial liabilities							
Deposits	1,606	12,245	3,844	309	-	18,004	1.7824
Interbank and money market items	230	5,057	187	4,071	-	9,545	2.6351
Debts issued and borrowings	1,496	55,346	18,474	9,460	6,000	90,776	2.2478
	<u>3,332</u>	<u>72,648</u>	<u>22,505</u>	<u>13,840</u>	<u>6,000</u>	<u>118,325</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2011

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	144	-	-	-	-	144	2.5000
Loans to customers	944	-	-	-	-	944	4.4200
	<u>1,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088</u>	
Financial liabilities							
Debts issued and borrowings	-	641	1,168	-	-	1,809	4.1355
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>1,809</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2010

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	388	-	-	-	-	388	1.0000
Loans to customers	1,281	-	-	-	-	1,281	2.5000
	<u>1,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,669</u>	
Financial liabilities							
Debts issued and borrowings	-	3,279	66	-	-	3,345	1.9949
	<u>-</u>	<u>3,279</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>3,345</u>	

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

5.37.3 Liquidity risk

Liquidity risk is uncertainty that the subsidiary operating banking business is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserves and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the subsidiary operating banking business's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserves. The procurement and concentration of funding sources will be well-planned to optimize risk/return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the subsidiary operating banking business set the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios are cover the Bank's specific scenario and Industry based scenario which cause unusual cash outflow from the subsidiary operating banking business.

The main sources of fund came from deposits and bills of exchange. In the past, there is high rollover rate for both matured deposit and bill of exchange. Besides, the subsidiary also issued subordinated debentures as another source of fund. On the use of fund, the majority of funds are used in lending business while a proportion of fund is maintained as liquidity reserve assets as cushion against liquidity risk. Moreover, the subsidiary provide credit line to other companies under TISCO Financial Group to support liquidity position if require.

5.37.3.1 Remaining contractual maturity of liabilities.

(Unit: Million Baht)

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

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

5.37.3.2 Volume and composition of highly liquid assets, and internal ratio.

(Unit: Million Baht)

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

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

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As of 31 December 2010, the subsidiary operating banking business has highly liquid assets at Baht 32,334 million, which higher than internal liquid asset requirement of Baht 2,289 million. In addition of liquid assets, the subsidiary operating banking business has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

5.37.3.3 Counting from the balance sheet date, as at 31 December 2011, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2011

<u>Transactions</u>	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans*	
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	773	25,924	4,025	-	-	-	-	30,722
Derivatives assets	-	-	-	44	1	-	-	45
Investments - net	18	52	1,218	827	-	1,591	-	3,706
Loans to customers	14,246	18,647	38,058	105,918	5,058	-	3,345	185,272
Securities and derivatives business								
receivables	-	725	-	-	-	-	-	725
Receivable from clearing house	-	31	-	-	-	-	-	31
	<u>15,940</u>	<u>45,379</u>	<u>43,301</u>	<u>106,789</u>	<u>5,059</u>	<u>1,591</u>	<u>3,345</u>	<u>221,404</u>
Financial liabilities								
Deposits	21,176	10,359	5,918	526	-	-	-	37,979
Interbank and money market items	1,299	2,869	7,522	2,788	-	-	-	14,478
Liabilities payable on demand	448	-	-	-	-	-	-	448
Derivatives liabilities	-	128	129	1	18	-	-	276
Debts issued and borrowings	1,462	59,705	72,480	5,750	6,000	-	-	145,397
Securities and derivative business								
payables	-	470	-	-	-	-	-	470
Payable to clearing house	-	284	-	-	-	-	-	284
	<u>24,385</u>	<u>73,815</u>	<u>86,049</u>	<u>9,065</u>	<u>6,018</u>	<u>-</u>	<u>-</u>	<u>199,332</u>
Contingent liability								
Aval to bills and guarantees of loans	5	-	-	-	-	-	-	5
Other commitments	149	3,514	4,124	4,868	1,750	4,279	-	18,684

* Non performing loan according to the BOT's guidelines

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2010

Transactions	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing * Loans	
Financial assets								
Cash	903	-	-	-	-	-	-	903
Interbank and money market items	1,113	11,432	-	-	-	-	-	12,545
Derivatives assets	-	-	-	13	-	-	-	13
Investments - net	41	1,570	480	2,335	5	2,050	-	6,481
Loans to customers	8,342	13,548	32,560	88,675	4,121	-	3,913	151,159
Securities and derivatives business receivables	-	1,293	-	-	-	-	-	1,293
Receivable from clearing house	-	343	-	-	-	-	-	343
	<u>10,399</u>	<u>28,186</u>	<u>33,040</u>	<u>91,023</u>	<u>4,126</u>	<u>2,050</u>	<u>3,913</u>	<u>172,737</u>
Financial liabilities								
Deposits	32,135	12,245	3,844	309	-	-	-	48,533
Interbank and money market items	318	5,194	606	4,725	-	-	-	10,843
Derivatives liabilities	-	-	-	9	-	-	-	9
Liabilities payable on demand	532	-	-	-	-	-	-	532
Debts issued and borrowings	1,496	55,346	18,474	9,460	6,000	-	-	90,776
Securities and derivative business payables	3	1,608	-	-	-	-	-	1,611
Payable to clearing house	-	19	-	-	-	-	-	19
	<u>34,484</u>	<u>74,412</u>	<u>22,924</u>	<u>14,503</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>152,323</u>
Contingent liability								
Aval to bills and guarantees of loans	-	182	12	-	-	-	-	194
Other commitments	33	61	437	573	-	624	-	1,728

* Non performing loan according to the BOT's guidelines

(Unit: Million Baht)

Separate financial statements as at 31 December 2011

Transactions	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non	Total
							performing Loans	
Financial assets								
Interbank and money market items	169	-	-	-	-	-	-	169
Investments - net	-	-	-	-	-	15,022	-	15,022
Loans to customers	944	-	-	-	-	-	-	944
	<u>1,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,022</u>	<u>-</u>	<u>16,135</u>
Financial liabilities								
Debts issued and borrowings	-	641	1,168	-	-	-	-	1,809
	<u>-</u>	<u>641</u>	<u>1,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,809</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2010

<u>Transactions</u>	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non	Total
		Months	months	years	years		performing	
Financial assets							Loans	
Interbank and money market items	394	-	-	-	-	-	-	394
Investments - net	-	-	-	-	-	14,879	-	14,879
Loans to customers	1,281	-	-	-	-	-	-	1,281
	<u>1,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,879</u>	<u>-</u>	<u>16,554</u>
Financial liabilities								
Debts issued and borrowings	-	3,279	66	-	-	-	-	3,345
	<u>-</u>	<u>3,279</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,345</u>

5.37.4 Foreign exchange risk

The status of the subsidiaries foreign currency balance as at 31 December 2011 are as follows:

TISCO Bank Public Company Limited

- a) Investment in a subsidiary company indirectly owned by the Company amounting to HKD 20 million (under the cost method net of allowance for impairment equivalent to Baht 47 million).
- b) Loans in foreign currency amounting to USD 100 million (equivalent to Baht 3,169 million as at 31 December 2011), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 5.37.5 to the financial statements.
- c) Foreign certificates of deposit in foreign currency amounting to CNY 800 million (equivalent to Baht 4,026 million as at 31 December 2011), of which entered to cross currency swap agreement to hedge risk on whole amount, as mentioned in Note 5.37.5 to the financial statements.

TISCO Tokyo Leasing Company Limited

- d) Borrowing in foreign country amounting to USD 31 million (amortised cost amounting to Baht 936 million), of which entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 5.37.5 to the financial statements.

5.37.5 Derivatives

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

As at 31 December 2011, the subsidiaries have the following financial derivative instruments.

a) Financial derivative instruments classified as derivatives held for trading

a.1) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets, as follow:

(Unit: Million Baht)

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

a.2) Cross currency swap agreement

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

(Unit: Million Baht)

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

b) Financial derivative instruments classified as cash flow hedge derivatives

b.1) Cross currency swap agreement

The subsidiary operating banking business entered into cross currency swap agreements to manage risk associated with foreign currency certificates of deposit investment in foreign debt securities, as follows:

(Unit: Million Baht)

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

The subsidiary operating leasing business entered into cross currency swap agreements to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)			
Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	537	16
2015	1	84	3
2016	2	215	2
2018	1	100	(3)

b.2) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreement to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)		
Maturity	Notional amount	Fair value gain (loss)
2012	300	1

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)
2012	73	(1)

The hedged cash flows are expected to occur and when they are expected to affect income statements are in the periods as follows:

(Unit: Million Baht)		
	Less than 1 year	1 - 4 years
Interest expenses	1	-

The net loss on cash flow hedges transferred from shareholders' equity to the income statement for the year ended 31 December 2011, and arose from interest payment under interest rate swap contracts used to hedge cash flows as follows:

	(Unit: Million Baht)
	For the year ended
	31 December 2011
Interest expenses	7

5.37.6 Fair value of financial instruments

The fair values of significant financial instruments of the Company and its subsidiaries, as presented below.

	(Unit: Million Baht)			
	As at 31 December			
	2011		2010	
<u>Transactions</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial assets</u>				
Cash	903	903	903	903
Interbank and money market items - net	30,722	30,722	12,545	12,545
Investments - net	3,706	3,706	6,481	6,481
Loan to customers and accrued interest receivables - net	180,852	185,273	145,704	150,881
Securities and derivatives business receivables	745	745	1,293	1,293
Receivable from clearing house	31	31	343	343
<u>Financial liabilities</u>				
Deposits	37,979	37,979	48,536	48,536
Interbank and money market items - net	14,479	14,479	10,843	10,843
Liabilities payable on demand	448	448	532	532
Debt issued and borrowings	145,397	145,397	90,774	90,861
Securities and derivatives business payables	470	470	1,611	1,611
Payable to clearing house	284	284	19	19

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

6. Significant events during the year

6.1 Registration of the establishment of a subsidiary company

A resolution passed by the Executive Board of TISCO Financial Group Public Company Limited No.10/2010, on 18 November 2010, approved the incorporation of TISCO Learning Center Company Limited, with a registered share capital of Baht 5 million (50,000 ordinary shares of Baht 100 each) and the Company to hold 100% of shares. On 1 February 2011, the Company registered the establishment of this company with the Ministry of Commerce.

A resolution passed by the Board of TISCO Securities Company Limited No.2/2011, on 28 February 2011, approved the incorporation of TISCO Investment Advisory Company Limited, with a registered share capital of Baht 1 million (10,000 ordinary shares of Baht 100 each) and the Company to hold 99.97% of shares. On 18 March 2011, the Company registered the establishment of this company with the Ministry of Commerce.

6.2 Holding restructuring of the subsidiary

On 21 April 2011, the 2011 Annual General Meeting of Shareholders of the Company passed approved the acquisition of TISCO Leasing Company Limited from TISCO Bank Public Company Limited at a price equal to the book value as at 31 December 2010, net of the dividend payments made from the retained earnings of TISCO Leasing Company Limited up to the end of the year 2010. In this regard, the Company purchased investment in those company form TISCO Bank Public Company Limited and already paid amounting of Baht 137 million on 27 June 2011.

6.3 Effect of changes in the applicable tax rates

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

6.4 Change in the Company's registered capital

On 21 April 2011, the 2011 Annual General Meeting of Shareholders of the Company passed approved an amendment item No.4 "registered capital" in the Company's memorandum of association, to accord with the Company's fully paid-up registered capital. The Company's issued and fully paid-up registered capital is Baht 11,002 million, which consists of 727,912,086 ordinary shares of Baht 10 each and 372,287,914 preference shares of Baht 10 each. On 26 April 2011, the Company registered the amendment with the Ministry of Commerce.

6.5 Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend
		Preference	Ordinary	dividend paid	payment period
		share	share	(Million Baht)	
Final dividends for 2009	The 2010 Annual General Meeting of the Shareholders on 29 April 2010	1.24	1.24	902	May 2010
Total dividend payment in year 2010				<u>902</u>	
Annual dividends for 2010	The 2011 Annual General Meeting of the Shareholders on 21 April 2011	2.25	2.25	1,638	May 2011
Total dividend payment in year 2011				<u>1,638</u>	

7. Reclassification

The Company has reclassified certain amounts in the financial statements for the year ended 31 December 2010 to conform to the current period's classifications, which are in accordance with the format stipulated by the BOT under its Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", which is effective for fiscal years beginning on or after 1 January 2011, and comply with new accounting standards, as mentioned in Note 1.3 to the financial statements.

8. Approval of interim financial statements

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

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