

TISCO
ธนาคารทีเอสโก้

TISCO Bank Public Company Limited

Annual Report 2013

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Report from the Board of Directors

In year 2013, Thai economy marked a year of volatility and ended with a slowdown growth of only 2.6%, despite strong economic momentum carried over from previous year. The economy was impacted by rising household debt, imbalance of key economic sectors following stimulus programs, and finally unexpected political upheaval. Towards year-end, domestic consumption saw further declines along with a fall in consumer confidence and delays in investment in both the public and private sectors. In addition, the baht/US dollar exchange rate has been volatile amid pressure from fund outflows following QE tapering by the US Federal Reserve. The Thai currency ended the year depreciating by more than 10% against the US dollar.

In this year, TISCO Bank Public Company Limited ("TISCO Bank") business activities also started strong on all fronts in the earlier half of the year, producing extra-ordinary growth. Car sales were still running at high pace, given the backlog order delivery following first car buyer tax incentive, which benefitted auto loan business. However, as the effect of stimulus programs started to fade and systemic imbalances kicked in, coupled with the rising political tension accompanying by mass demonstrations in Bangkok in the last quarter, the business activities experienced a sharp slowdown towards the end of the year. Despite the economic and business volatility, the Bank net profit rose 4% to Baht 2,877 Million, with loan growth of more than 17%. The growth was also supported by strong capital base and ample liquidity surplus. During the year, the Bank successfully increased capital. The result was a strong capital position of more than 13% BIS Ratio.

The group strategy continues to focus on expanding comprehensive financial services to clients in three business groups – Retail Banking, Corporate Banking, and Wealth Management, with the principle of good governance and integrity.

Over the past years, Retail Banking business has grown at extra-ordinary high pace both in the core hire purchase business, and other new business areas including bancassurance and consumer finance. The Bank was also able to expand geographical coverage to provide services nationwide. With economic outlook turning towards slowdown and higher uncertainty, the Retail Banking business will be refocused on more quality growth and client satisfaction, as well as assuring sound asset quality. The Corporate Banking business continued to grow with loan portfolio expansion of more than 23% with focus on project financing, financial advisory services, and asset financing for SMEs. Proactive client solutions approach have continued to yield good stream of deal flows in Corporate Banking business, which should support potential growth even in more difficult economic and operating climate. Wealth Management continued to provide full-service to our high net worth wealth clients with emphasis on high quality investment advice and services.

TISCO Bank consistently adheres to the highest standard of TISCO Group's corporate governance at all levels within the organization. TISCO as a group participates in anti-corruption certifying program organized by Private Sector Collective Action Coalition Against Corruption. It then received "NACC Integrity Awards 2012" from the National Anti-Corruption Commission (NACC) which reflects the top leading organization from both the public and private sectors, in terms of transparency and good governance practices. TISCO also received "Top Corporate Governance Report Awards" from SET Awards 2013 for the third consecutive year.

On sustainability development, TISCO Group launched its new branding program in 2013 to update the company's image to attract wider target clients, increase awareness and relevancy to people. The new communication of brand vision was created under a simplified concept of "Opportunity". TISCO has redefined its positioning as an organization with expertise in creating opportunities and guidance for a better life for all stakeholders. A new logo designed under such concept, an easy-to-recall 'ring of opportunity' has been introduced as TISCO's new identity. With realized opportunities the brand promises and delivered, TISCO aims to be a symbol of the opportunities in the Thai society in the future.

Another major organizational issue involves development of a happy organization from human resource perspective. As human capital is considered the most valuable asset to the firm, it is our core belief to promote the best relationship with employees regardless of positions or backgrounds, together with strong culture that aligns individual talents and teamwork altogether.

Employee relation has been promoted to increase sense of belonging to organization and create happy organization. Competency development programs have been consistently implemented across all level of staff. With all of our efforts, the employee engagement to TISCO has been very high, and as a reward to our accomplishment, TISCO received “Best Employer in Thailand 2013” by AON Hewitt.

On social contribution activities, TISCO has established its CSR programs in providing opportunities for society, emphasizes education development and social financial literacy. In 2013 education supports were continually made through long-term scholarships for needy students, teachers' development, as well as schools building and equipment support. On social financial literacy, the company first held a five-day 'TISCO Fun-nancial Champion' camp recruited 80 high school students nationwide to teach them financial knowledge and encouraged them to create their own activities to promote financial sustainability in their communities. The teaching sessions were held by TISCO trained volunteers to promote volunteer spirits within the organization. Social responsibility concerns have also been built into business processes throughout TISCO, ranging from business integrity, environmental support, social betterment, etc.

The year ahead will be a challenging year of high uncertainty. While growth outlook became less favorable, the economy and business environment have also become more prone to uncertain outcome of the present political development. On the other hand, Thailand’s strong economic fundamental with solid banking sector should provide resiliency to any potential shocks or prolonged situation. With these challenges, our business policy would be altered more towards caution and quality, while more efforts will be internally focused to create stronger foundations for future growth.

The board would like to extend our thanks to all our clients, business partners and shareholders for their long-term support that has helped TISCO steering through all the challenges. Also, sincere appreciation is given to all the staff and management team for their valuable service, dedication, and commitments that nourish prosperity of TISCO.

Board of Directors

Part 1

1. Overview of TISCO Bank Business

1.1 History and major developments

TISCO Bank was upgraded from TISCO Finance Public Company Limited (“the Company”), which in turn was co-founded in 1969 by three firms: (1) Banker Trust New York Corporation, with a holding of 60%; (2) Bancom Development Corporation, 20%; and (3) Kasikornbank, 20%. In 1969 the Company’s finance and securities operations provided the first investment banking service in Thailand. Major shareholders changed in 1972, when Dai Ichi Kangyo Bank Ltd, (later called Mizuho Corporate Bank Ltd) bought out Bancom Development Corporation. In 1974, the Company established a subsidiary called Thai Securities Company Limited (TSC) to provide securities brokerage services. The Company was listed on the SET in 1983. In 1996, TSC was merged with the Company, putting securities operations under the management of a single company. The new company was named TISCO Finance and Securities Public Company Limited. In 1998, responding to new rules issued by the BoT, the two businesses and licenses were separated to create two companies: TISCO Finance Public Company Limited, which operates financial services, and TISCO Securities Company Limited which handles securities.

In 1999, the Ministry of Finance approved participation of the Company in the Tier 1 Capital Program, for which 600 million preferred shares of the Company worth a total of 6,000 million baht were issued at 10 baht each. Of the total, 300 million preferred shares worth a total of 3,000 million baht were sold to the Ministry of Finance, and the remaining 300 million shares worth another 3,000 million baht were sold to investors. This operation reduced the proportion of Banker’s Trust shareholding from 52% to 7.44%, while raising the Finance Ministry’s shareholding to 42.84%. Meanwhile, the Ministry of Finance issued 3-year warrants to investors, with an option to purchase its preferred shares. Upon maturity of these warrants on May 31, 2002, a warrant exercise reduced the Ministry of Finance’s holding to 319,000 shares or 0.05%.

In 2005, after the Financial Sector Master Plan undertaken by the Bank of Thailand was implemented with the aim of reforming the finance and banking industry in October 2004, the company was the first financial institution granted approval from the Ministry of Finance for upgrading to a full service bank. The company changed its name to TISCO Bank Public Company Limited (“TISCO Bank” or “the Bank”) and TISCO Bank commenced its banking business operation on July 1, 2005 onward.

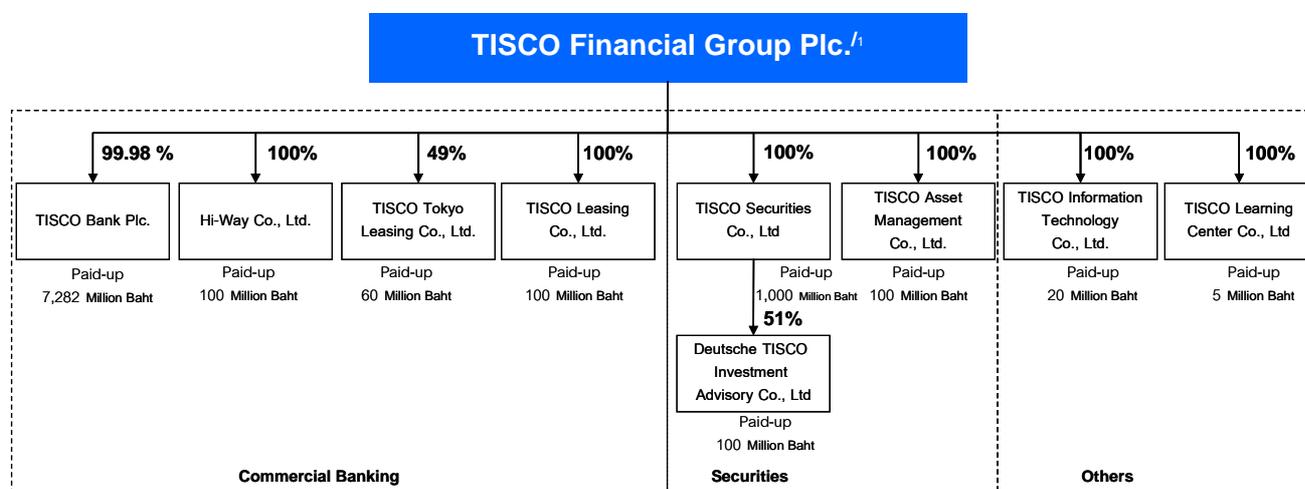
In 2007, TISCO Bank established TISCO Financial Group under the Consolidated Supervision regulation undertaken by the Bank of Thailand with TISCO Bank as the parent company on August 9, 2007. Furthermore, the establishment of TISCO Financial Group Plc. would enhance risk diversification and capital efficiency. The dividend policy, business strategies and operations would be in harmony with the Bank’s policy as planned.

After the enactment of Financial Institution Business Act B.E. 2551 on August 3, 2008, TISCO Bank submitted application to establish the Financial Group to the Bank of Thailand by set up a new company, TISCO Financial Group Plc., a non-bank public company limited to be a holding company and parent company of the Group in place of TISCO Bank on August 22, 2008 as approved by the Bank of Thailand. Under the Holding Company Restructuring Plan, TISCO Bank sold all shares in subsidiary companies and Tokyo Leasing (Thailand) Co., Ltd. to TISCO Financial Group Plc. and TISCO Bank would operate only banking business and hold no shares in any subsidiary companies in TISCO Financial Group.

In 2009, the Holding Company Restructuring Plan with TISCO Financial Group Plc. as the parent company of TISCO Group was completed. TISCO Financial Group Plc. acquired 99.51 % of securities of TISCO Bank and listing in the Stock Exchange of Thailand in place of TISCO Bank on January 15, 2009. Simultaneously, TISCO Bank had delisted its common share and preferred share from listed securities in the Stock Exchange of Thailand. In November 2009, TISCO financial Group Plc. has been granted approval from the Securities and Exchange Commission to offer the newly issued common shares of the Company to TISCO Bank’s shareholders. The offering of newly issued common shares of the Company has been carried out in order to achieve the objective of the Holding Company Restructuring plan of TISCO Group in which the Company acquires 100% stake in TISCO Bank as well as protecting the benefit of the shareholders who did not swap securities into the Company’s securities. The offering period totaled 12 months from November 25, 2009 to November 19, 2010. As of January 5, 2011, the Company held 99.98% of TISCO Bank’s total issued securities. In 2013, TISCO Bank issued and offered the right offering to existing shareholders. Consequently, the capital increased shares has fully allocated resulting in total registered capital of the Bank increased to 8,192 million baht. At present, the Company held 99.99% of TISCO Bank’s total issued securities.

1.2 Businesses of the Bank and subsidiaries

After the completion of shareholding restructuring, TISCO Bank has become a subsidiary company of TISCO Group with TISCO Financial Group Plc. as the parent company of the Group. The investment structure of TISCO Group as of December 31, 2012 is as follows:



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

1.3 Revenue structure

The revenue structure of the Bank is as follows.

(Unit: Million baht)

	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
Total Interest	11,557	127.4	14,206	133.4	17,919	144.3
Total Expenses on Borrowings	(5,261)	(58.0)	(7,872)	(73.9)	(9,885)	(79.6)
Net Interest	6,296	69.4	6,334	59.5	8,034	64.7
Fee and Service Income	1,614	17.8	2,495	23.4	3,294	26.5
Fees and Service Expenses	(61)	(0.7)	(73)	(0.7)	(77)	(0.6)
Net Fees and Service Income	1,553	17.1	2,422	22.8	3,217	25.9
Other Operating Income	1,224	13.5	1,890	17.8	1,165	9.4
Total Operating Income	9,073	100.0	10,646	100.0	12,416	100.0

1.4 TISCO Group Business Strategy

To align the Bank's strategy and business plan in the same direction of TISCO Group, the Bank will adopt strategic and business planning process as directed by TISCO Financial Group Plc., the parent company of TISCO Group.

Vision, Mission and Values for business operations

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

Our Vision is "Mastery in Wealth of Possibilities".

Our Mission is "TISCO is a quality growth organization with strong customer priority, committed to deliver value financial services with mastery and professionalism. Our promise is to provide financial services that address customer needs in all geographies, with focus on creativity of new financial solutions, and providing of guidance and advice to create financial opportunities for our customers at different stages of their lives. Continuous human capital development and leading-edge

technological investments are key to our efficiency and reliability of service. TISCO also adheres to the cultures of integrity, fairness, and transparency, that create sustainable value to our customers, shareholders, people, and society”.

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

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

Strategic Plan and Strategy Map

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

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

Strategic action for the organization

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

1. Deliver the best solutions for clients in order to satisfy their needs by transforming the organization to become Customer Centric, which were previously structured as Product Centric.
2. Enhance distribution channels and the marketing team as well as continually identify new business opportunities in niche markets in order to maximize customer reach. In addition, the Bank offers services and products totally based on clients' needs, with an aim to maximize customers' satisfaction.
3. Emphasize on quality product development to deliver the best solutions for clients, including enhance banking infrastructure and automate working process to support growth in business volume and service channels.
4. Build corporate branding and preserve corporate image in order to widely promote TISCO Bank's product and services as well as business synergy among companies in TISCO Group. Customer Relationship Management is also employed for business opportunity expansion as well as maintaining good relationship with clients.
5. Focus on improving information technology, business decision support system and personnel development in order to shift efficiency in business operations and fully utilize the banking platform.

2. Business Operations by Area

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

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

2.1 Area of Services

After the completion of shareholding restructuring, TISCO Bank operated only banking business which divided into six business areas namely (1) Retail Banking, (2) Private Banking, (3) Corporate Banking, (4) Commercial Banking, (5) Cash Management Services and (6) Corporate Investment. Details for each service operations are as follows:

1. Retail Banking

Retail Banking provides 3 service types as follows:

1.1 Retail Loans

Retail Loans are conducted by offering loan services to retail customers who have specific loan purposes for either personal consumption or business operations. This segment can be classified by loan purpose as follows:

• Hire-Purchase Financing

Hire-purchase financing allows borrowers to buy assets under hire-purchase terms. The buyer makes a down payment at the predetermined proportion of asset value and pays equal installment amounts over the contract period. The ownership of assets is then transferred to the buyer after all installments are paid. Contract periods run from one to seven years. A fixed interest rate is charged in line with the market rate on the contract date.

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

Hire-purchase, one of the Bank’s major businesses, has experienced continuous growth for years. It recorded 15.3% growth as of December 31, 2013, with 177,565.16 million baht in loans in the hire-purchase portfolio, up from 154,049.32 million baht at the end of 2012.

Table shows details of car hire purchase loans

Hire Purchase	December 31, 2011 (Million baht)	December 31, 2012 (Million baht)	December 31, 2013 (Million baht)	Growth rate (%)
Car	119,516.90	154,049.32	177,565.16	15.3

In 2013, TISCO Bank provided car hire purchase loan, ranked by car brands which are Ford 24.7%, Mazda 16.6%, Isuzu 17.0%, Toyota 9.6%, and other brands 32.1% of total car hire purchase loan. The proportion of hire purchase loan between new car and used car were at 80% and 20% in 2013. 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 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, 2013, mortgage loans were 1,428.19 million baht, decreased by 1.9% from 1,455.60 million baht in 2012, partly due to an economic slowdown.

Consumption Loans provide multipurpose lending for individuals such as personal loans, loans against car and motorcycle registration, and loans for provident fund members. The repayment periods vary from 6 - 60 months depending on cash flow and client's earning ability. The flagship consumption loans product of the Bank is loan against car registration, namely "TISCO Auto Cash", is considered a multipurpose loan for car owner who needs financing. The strengths of TISCO Auto Cash loan are convenient, speedy, and competitive interest rate when compared with general consumer loan. TISCO Bank has developed new distribution channel via www.tiscoautocash.com to help the customer access the services easier and more convenience.

Consumption loans as of December 31, 2013 were 16,118.86 million baht, increased by 12.0% from 14,387.17 million baht in 2012 as illustrated in the following table:

Table shows details of retail loans

Retail Finance	December 31, 2011		December 31, 2012		December 31, 2013		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	119,516.90	89.4	154,049.32	90.7	177,565.16	91.0	15.3
Mortgage loans	1,366.69	1.1	1,455.60	0.9	1,428.19	0.7	(1.9)
Consumption loans	12,752.49	9.5	14,387.17	8.5	16,118.86	8.3	12.0
Total	133,636.08	100.0	169,892.09	100.0	195,112.21	100.0	14.8

Customer and Distribution Channels

For retail banking business, the Bank service's channels operate through the Bank's headquarters and branch network. The Bank possesses solid customer base through strong relationship with dealers. Target customers of the hire-purchase business are individuals with annuity income or salary and good repayment record

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

1.2 Retail Deposit

TISCO Bank has provided variety of deposit products such as current, savings and fixed deposits along with related financial product for instance cashier cheques, personal cheques, cheques clearing and money transfers at headquarter and branches channel. In 2013, TISCO focused on deposit products and all-round investment by offering a savings account with high return and high liquidity, namely Diamond Savings for customers who has deposit more than 1 million baht, and offering accounting privilege and Super Savings for customers who has deposit less than 1 million baht. Moreover, TISCO Bank promote short and medium term fixed deposit by launching deposit campaign namely "TISCO Fixed Deposits 8-Month 3.4%" during year end period. In addition, TISCO launched 3 new branches in prime areas namely The Mall Ngamwongwan, Pattaya, and Ratsada Phuket. These new branches have covered all type of financial & investment products of TISCO Group.

1.3 Bancassurance

The Bank has been granted Insurance Broker License since 2005 from the Department of Insurance, under the Ministry of Commerce. The Bank provides insurance brokerage services for both life and non-life insurances covering various types of insurances. Over 8 years of service, the Bank aims to select and develop both life and non-life insurance products that match with risk of each customer segment. For non-life insurance, the service includes motor insurance, fire insurance, accidental insurance, critical illness insurance, and miscellaneous insurance. For life insurance, the service includes group-life insurance, health insurance. At present, the Bank has partnered with strong financial stability and well-known insurance companies.

In 2013, the Bank focused on Health Insurance Plan (HIP) which offered to customers especially hire purchase customers. HIP offers health protection for both cases of in-patients and out-patients, as well as compensation for daily medical treatment fees whereby match customer needs. For car insurance, the Bank focused on Auto Care Insurance (ACI) which provided 3 types of protection coverage which are comprised of income compensation up to 7 persons for each car accident, personal belonging insurance, and compensation for any car accidents regardless of whoever is at fault. These 3 types of protections are combined into one product for the first time in Thailand. In addition, the Bank has officially acted as insurance broker for partnered car companies, which offers car protection to all customers, along with special protection against in-car personal belongings up to 20,000 baht. Both HIP and ACI has received a pleasant feedback from the Bank's customers.

2. Private Banking

Private Banking is responsible for high net-worth clients having deposits and investment portfolio more than of 20 million baht. The private banking services include bank deposits, cash management services, professional financial and investment advisory for the goal of becoming "Top Advisory House". In 2013, TISCO Bank continued to provide in depth investment advisory covering all investment types and asset classes through branch under advisory branch concept. The first advisory branch is at Gateway Ekkamai. The branch has also provided "Wealth Clinic", an advisory service providing investment solution that suited with individuals' needs, by TISCO experienced wealth manager team. In the future, TISCO plans to expand Wealth Clinic service in new branch in order to increase coverage area of investment advisory service. In addition, Economic Strategy Unit has issued the "Global Economic Review" and "Global Wealth Strategy", an in depth analysis on the global economy and recommendation on global asset allocation strategies to serve customers' foreign investment needs. Moreover, an analysis report covering hot issue of economic and investment topics namely "Special Issues" have been issued to keep TISCO Wealth customers apprised of their changing investment climate as well as potential opportunities available. Customers are able to follow TISCO's research publications at www.tiscowealth.com.

3. Corporate Banking

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

- **Working Capital Loans**

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

- **Project and Term Loans**

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

- **Other Commercial Loans**

Other than the two above-mentioned types, the Bank also provides credit for other commercial purposes such as loans against deposits or liquid assets with short or medium terms using liquidity assets as collateral. This segment includes loans for investment, which are medium or long-term funds which investors use to buy assets, such as

property, which they then use as collateral, with the terms and conditions of the loan set according to asset earning ability.

- **Guarantee and Aval Services**

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

- **Loan Consultancy and Related Services**

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

- **Custodian Service**

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

4. Commercial Lending

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

As of December 31, 2013, the Bank had a commercial lending portfolio of 53,679.77 million baht, which accounted for 19.1 % of total loans, increased by 24.9 % from 42,993.75 million baht in 2012. While Commercial loans was 32,034.44 million baht, increased by 24.3 % from 25,780.61 million baht in 2012 due to an increase in loans for car-dealers and logistics segment. The details loan portfolio is shown as follows:

Type of Business	December 31, 2011		December 31, 2012		December 31, 2013		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	16,368.35	9.1	17,226.31	7.2	19,375.50	6.9	12.5
Real estate and construction	8,789.92	4.9	10,203.97	4.3	11,598.82	4.1	13.7
Public utilities and services	6,862.20	3.8	14,888.26	6.2	21,921.31	7.8	47.2
Agriculture and mining	328.26	0.2	675.20	0.3	784.14	0.3	16.1
Corporate Loans	32,348.73	18.0	42,993.75	18.0	53,679.77	19.1	24.9
Commercial Loans	13,628.40	7.6	25,780.61	10.8	32,034.44	11.4	24.3
Retail Loans and other Loans	133,636.08	74.4	169,892.09	71.2	195,112.21	69.5	14.8
Total Bank Loan	179,613.21	100.0	238,666.45	100.0	280,826.43	100.0	17.7

Customer and Distribution Channels

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

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

5. Cash Management Services

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

6. Corporate Investment

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

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

The investment portfolio of debt and equity instruments as of December 31, 2012, was 4,956.79 million baht, increased by 87.6% from 2,642.86 million baht in 2011.

2.2 Market and Competition

• Market

As of December 31, 2013, there were 30 banks, composed of 16 Thai commercial banks and 14 branches of foreign banks. The conditions of deposits and loans market are detailed as follows;

Deposits

As of December 31, 2013, deposits in Thai commercial bank industry¹ were at 10,114,865 million baht, up by 9.5% (YoY) following continuous deposit raising competition to support growth in loan expansion. At the end of 2013, average 3-month deposit interest rate of the top four large banks was at 1.76%, decreased from 1.84% at the end of year 2012 as the Bank of Thailand cut the policy rate to cushion the economy against rising downside risks from global economic volatility as well as accommodative the domestic economic recovery whereby the economy was affected by various risk factors including high level of household debt and political unrest. In 2013, the Bank's deposit² was 265,694.12 million baht, up by 16.5% (YoY), comprised of 265,547.50 million baht of deposits and 146.62 million baht of short-term borrowings.

Table showing movement of average interest rates of Thai commercial banks

	(Unit: % per year)		
	2011	2012	2013
Minimum Lending Rate (MLR) ¹	7.25	7.00	6.84
3-month fixed deposit rate ¹	2.08	1.84	1.76

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

Loans

As of December 31, 2013, total outstanding loans of Thai commercial bank industry were 9,493,028 million baht, up by 10.5% (YoY) following loan demand expansion along with domestic economic growth. At the end of 2013, the average MLR at the top four large banks was at 6.84% per year, decreased from 7.00% per year at the end of year 2012. The Bank's loan was 280,834.43 million baht, up by 17.7% (YoY).

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, 2013

(Unit: Million baht)

Commercial Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Loans	Market Share (%)
1. Bangkok Bank Plc.	2,502,750	17.7	1,871,061	18.3	1,615,612	17.0
2. Krung Thai Bank Plc.	2,502,231	17.7	1,884,262	18.4	1,654,527	17.4
3. Siam Commercial Bank Plc.	2,383,608	16.9	1,820,728	17.8	1,669,018	17.6
4. Kasikorn Bank Plc.	2,092,060	14.8	1,532,588	15.0	1,380,089	14.5
5. Bank of Ayudhya Plc.	1,074,348	7.6	768,390	7.5	801,552	8.4
6. Thanachart Bank Plc.	992,290	7.0	722,262	7.1	728,985	7.7
7. Thai Military Bank Plc.	765,345	5.4	529,663	5.2	467,357	4.9
8. UOB Bank Plc.	408,027	2.9	234,868	2.3	248,001	2.6
9. TISCO Bank Plc.	342,030	2.4	265,547	2.6	275,052	2.9
10. Standard Charter Bank(Thai) Plc.	278,362	2.0	152,273	1.5	163,751	1.7
11. Kiatnakin Bank Plc.	254,833	1.8	103,361	1.0	99,420	1.0
12. CIMB Thai Bank Plc.	234,295	1.7	146,125	1.4	184,720	1.9
13. Land & House Bank Plc.	148,719	1.1	109,948	1.1	102,216	1.1
14. ICBC (Thai) Plc.	148,128	1.0	83,735	0.8	102,730	1.1
Total	14,127,026	100.0	10,224,813	100.0	9,493,028	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, generally expanded in line with automobile industry growth. For year 2013, industry-wide new car sales were 1,330,668 cars, down by 7.4% (YoY) resulting from the end of government's excise tax rebate scheme for first-time car buyers. The proportion of new passenger car sales to commercial car sales in 2013 was 47.4% to 52.6%. As of December 31, 2013, the car penetration rate of TISCO was 8.5%.

Table showing car sales in Thailand during 2009-2013

Unit : cars	2009	2010	2011	2012	2013
Passenger cars	235,169	346,644	360,711	669,954	631,221
Commercial cars	313,703	453,713	433,370	766,381	699,447
Total	548,872	800,357	794,081	1,436,335	1,330,668

Source: Automobile Institute

• Competition

In 2013, commercial banking industry showed continual growth with stability despite domestic economy was slowdown following the contracted consumption together with high level of household debt and rising cost of living, resulting in worsened asset quality of loan portfolio, particularly retail loan business. Meanwhile, the Bank of Thailand (BOT) cut the policy rate 2 times from 2.75% at the end of 2012 to 2.50% in the second quarter of 2013. Subsequently, the policy rate was reduced to 2.25% in the fourth quarter of 2013 to stimulate consumption as well as support the domestic economic recovery. The competition in deposit market remained intense, mostly to retain customer base and banks' liquidity. Therefore, TISCO Bank continued to focus on expanding retail deposit customer base by offering savings products that earn appropriate yield, along with services improvement to facilitate our customers.

For corporate banking business, the Bank has focused on loan quality, control asset quality as well as preparing to cope with economic uncertainty. Thus, the Bank aim to compete on quality rather than quantity and has expanded its customer base on account of its over 45 years of business experience with efficient operations, management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships.

For auto hire purchase business, the competitors in auto hire purchase business can be divided into two major groups: 1) commercial bank and leasing company, a subsidiary of commercial bank and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). In 2013, the competition in auto hire purchase market remained intense despite the total new car sales declined from the previous year to 1.33 million baht following the softened consumption as well as contracted demand of new car following the effect of advance spending from the government's tax rebate scheme for first-time car buyers in 2012 in coupled with adverse impact from economic and political situation. Furthermore, the large financial institutions that have funding cost advantage and aiming to be the market leader continued to adopt pricing strategy. As the result, the auto hire purchase loan providers including TISCO Bank Plc. has shifted focus to expand loan against car registration which provides higher average portfolio yield. TISCO Bank focuses on providing efficient and high standards of service, and maintaining long-term relationships

with car dealers. Although the used car price in 2013 was substantially declined, along with the launch of new campaigns to support new car sales, resulting in a declining in used car sales. However, TISCO Group has gained the competitive advantage in new car business after becoming the key strategic partner with car manufacturers and car dealers of Ford, Mazda, Volvo, and Chevrolet. As well, TISCO Group is able to sustain the long term competitive position given long-term experience in hire purchase business, good relationship with car dealers, effective cost and risk management together with extensive customer database.

As of December 31, 2013, the Bank was ranked by asset size at 9th place compared with the industry. The market share of assets, deposits and loans were 2.4%, 2.6% and 2.9% respectively.

2.3 Resources

1) Source of Funds

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

(Unit: Million baht)

Source of Funds	2011	2012	2013
Deposit and Short-term Borrowings	38,059.89	228,017.43	265,694.11
Interbank and Money Market Items	10,857.98	9,943.23	12,283.39
Debentures	132,036.87	14,071.20	36,809.00
Long-term Borrowings	11,749.90	110.70	-
Other Liabilities	5,009.08	7,777.71	7,670.84
Total Source of Funds from Liabilities	197,713.71	259,920.26	322,457.35
Capital	13,804.07	15,203.68	19,572.36
Total Source of Funds	211,517.77	275,123.94	342,029.71

As of December 31, 2013, 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	1,130	-	-	-	-	-	-	1,130
Interbank and money market items	3,361	48,922	495	-	-	-	-	52,778
Derivative Asset	-	-	-	28	-	-	-	28
Investment – net	2	4,145	1,332	4,112	-	438	-	10,029
Loans and receivable	30,096	27,564	56,114	153,775	8,327	-	5,444	281,320
	34,589	80,631	57,941	157,915	8,327	438	5,444	345,285
Financial liabilities								
Deposits	50,055	161,925	53,079	488	-	-	-	265,547
Interbank and money market items	2,517	7,251	2,489	26	-	-	-	12,283
Liabilities payable on demand	345	-	-	-	-	-	-	345
Derivative Liability	-	311	-	-	-	-	-	311
Borrowings	37	11,921	16,755	-	8,243	-	-	36,956
	52,954	181,408	72,323	514	8,243	-	-	315,442
Off-balance sheet items								
Aval to bills and guarantees of loans	5	19	12	7	-	-	-	43
Other commitments	14	3,478	38	2,282	13	573	-	6,398

*Following Bank of Thailand's rule

A detail of risk of duration mismatch is described in Part 1 Section 3: Risk Factor.

2) Lending

- **Credit granting policy**

Commercial loans

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

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

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

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

Retail loans

The hire-purchase business covers a large portion of the retail credit portfolio. TISCO Group has a policy to aggressively expand its hire-purchase business in this market with justified risk-adjusted returns. TISCO Group has established a standard approval process for the hire-purchase portfolio and other retail loan portfolios by systematically implementing a credit-scoring system which has been developed from an internal database to effectively control and shorten the loan approval process.

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

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

- **Credit Approval Limits and Authorities**

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

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

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

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

- **Credit Risk Management**

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

and follow up on problem loans and set up appropriate provisions for potential loan losses. Moreover, Risk Management Committee will report risk management activities to the Risk Management Committee of TISCO Financial Group Public Company Limited, the parent company, on a regular basis in compliance with Consolidated Supervision principle of the Bank of Thailand.

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

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

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

- **Credit Collection**

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

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

- **Debt restructuring**

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

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

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

3) Capital Adequacy

The 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 6.00% of risk assets.

The year-end Capital Adequacy Ratio for 2011 to 2013 has been maintained above the regulatory requirements with details as follows:

(Unit: Percentage)

Capital Adequacy Ratio	December 31, 2011 ¹	December 31, 2012 ¹	December 31, 2013 ¹	Regulatory Requirement
Tier-I Capital to Risk Assets	9.88	8.51	9.15	6.00
Total Capital to Risk Assets	14.91	12.79	13.37	8.50

¹ Applied IRB approach

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

4) Liquidity Management Policy

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

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

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

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

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

5) Asset Classification, Provisions and Write-offs

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

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

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

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

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

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

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

The Bank has a conservative provisioning policy. As of December 31, 2012, the Bank's reserves were 4,687.64 million baht, or 169.2% of those required by the BoT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Section 4 : Operating Assets item: 4.2

3. Risk Factors

Overview of Risk Management

Risk management of TISCO Group is centralized by consolidating all risk exposure to TISCO Financial Group Plc. as a parent company. All risk exposures are controlled and managed under the consolidated supervision principle. By maximizing the effectiveness of risk management, overall risk exposures of TISCO Bank are managed within the policy and guideline adopted from the parent company.

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

Risk Management Policy

Overall risk management policy of TISCO Bank, based on the risk management policy of TISCO Group, encompasses the following structures:

1. Consolidated and centralized risk management

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

2. Business line accountability, independent risk oversight

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

3. Comprehensive risk assessment

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

4. Capital management based on standardized risk tools

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

5. Risk Tolerance Level and Capital Allocation

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

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

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

7. Portfolio management, diversification and hedging

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

8. Strong Risk Awareness Culture

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

9. Effective Risk Modeling and Validation

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

10. Regulatory best practice

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

11. New Business or Product

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

12. Related Party Transaction

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

13. Stress Testing

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

Risk Management Framework

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

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

- Board of Directors

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

- Risk Management Committee

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

- Specific-Area Risk Authorities

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

Risk Types

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

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

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

3.1 Credit Risk

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

3.1.1 Default Risk

Default risk occurs from lower credit quality. As of December 31, 2013, NPL ratio of TISCO Bank increased from 1.2% from the end of 2012 to 1.5% at the end of 2013 resulting from an increase in non-performing loan of hire purchase portfolio. Moreover, in order to prevent rising credit risk, an increase in expected loss was also absorbed by the provision expense set up during the year, with prudently managed non-performing loans (NPLs) including advanced risk management tools and stringent practice of loan collection, debt restructuring and write-off process. Additionally, NPL ratio of retail loan was 2.0%, increased from 1.4% in the end of 2012. Where NPL ratio of corporate loan fell to 0.6% in the end of 2013, compared to 0.9% in the end of 2012. Total NPL at the end of 2013 was 4,258.36 million baht, which increased by 53.5% or 1,484.29 million baht due to substantial loan growth during the period.

TISCO Bank has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel III framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based historical loss data incorporating with adjustment for the recent market situation. Furthermore, total loan loss reserve of the Bank was 5,774.79 million baht or 135.6% of NPLs, with specific reserve for classified loan of 3,437.52 million baht. In addition, as of December 31, 2013, TISCO Bank has total provision according to BoT's requirement after including minimum provision

of 3,432.76 million baht, with provision in excess of 2,345.27 million baht in compliance with provision policy for managing future risk.

3.1.2 Concentration Risk

Concentration risk is the risk from borrower concentration. As of December 31, 2013, TISCO Bank had total loans of 280,826.43 million baht. Hire purchase and commercial loans represented 63.2% and 19.1% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 177,565.16 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 138.98 million baht or 0.07% 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, 19,375.50 million baht; real estate and construction, 11,598.82 million baht; public utilities and services, 21,921.31 million baht; and agricultural and mining, 784.14 million baht. The proportion to the above industrial sectors was 36.1%, 21.6%, 40.8% and 1.5% of the total commercial loan portfolio, and 6.9%, 4.1%, 7.8%, and 0.3% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 27,988.95 million baht or accounted for 10.0% of the total credit portfolio, there is slight concentration in public utilities and services as well as manufacturing and commercial sector which has been managed under risk management procedure. However, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Additionally, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

3.1.3 Collateral Risk

Collateral risk occurs from borrower defaults and the value after selling collaterals in the debt collection process cannot cover the original debt amount. As of December 31, 2013, 78% of the total lending portfolio in TISCO Bank was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by TISCO Bank. In case the borrowers of hire purchase loans cannot meet the terms and conditions, TISCO Bank can follow up and seize the underlying assets immediately. After repossession, the process of asset liquidation can be completed within one month.

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

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

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to BoT rules and regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 70.7% of the total outstanding NPLs of commercial and mortgage loans.

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

3.1.4 Property Risk from Foreclosed Assets

Property risk from foreclosed assets is the impairment of assets transferred from loans, hire purchase receivable on which debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of repossessed assets is stated at the lower of cost and net realizable value. Outstanding assets in the process of liquidation held by TISCO Bank as of December 31, 2013 were 114.32 million baht, or 0.03% of total assets. Allowances for impairment stood at 13.7% of total foreclosed assets, which increased from 6.4% as of December 31, 2012.

▪ Credit Risk Management Framework

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

Specific-Area credit risk authorities include the Credit Committee and Problem Loan Committee which are established to oversee credit risk management and control at in-depth transaction level. The Credit Committee is responsible for reviewing and granting credit approvals to any single client proposed by lending officers. The Credit Committee may delegate its authority to designated persons for authorizing lower-risk transactions. The Problem Loan Committee was set up to monitor and follow up overdue payment of problem loan accounts and foreclosed assets on a regular basis.

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

Concentration risks are also essential in credit portfolio risk management. Appropriate guidelines on concentration risks are set up considering appropriate business practice and company risk capital capacity. Moreover, TISCO Bank uses credit risk management guidelines and limits that are comprehensively applied to all credit-related functions both at the portfolio and transactional levels, as well as monitoring and managing problem loan and foreclosed assets.

3.2 Liquidity Risk

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

As of December 31, 2013, the value of liquid assets was 60,282.24 million baht, comprised of cash at 1,130.16 million baht compared to 1,045.65 million baht as of December 31, 2012, net transactions with interbank and money market at 52,777.95 million baht compared to 31,370.14 million baht as of December 31, 2012 and net current investment at 6,374.16 million baht compared to 4,310.65 million baht as of December 31, 2012.

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 31,903.71 million baht. In addition, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur.

In order to provide more alternatives in investments for the public and the Bank's depositors as well as to enhance flexibility and variety of funding structure management, as of December 31, 2013, the Bank reported deposit of 265,547.49 million baht, the outstanding long-term debentures (both subordinated and unsubordinated) of 8,243.00 million baht and short-term debentures of 28,566.00 million baht, and bill of exchange amounted of 146.62 million baht.

▪ Liquidity Risk Management Framework

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

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

3.3 Market Risk

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

3.3.1 Equity Price Volatility

As of December 31, 2013, the equity portfolio stood at 438.04 million baht which totally was non-listed equity in book value.

(1) Listed Equity Risk

For listed equity investment portfolio, the volatile price of stock market would impact the TISCO Bank's equity risk. As of December 31, 2013, TISCO Bank had no listed equity investment, however, TISCO Group calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at 438.04 million baht, which increased from 436.13 million baht in December 31, 2012.

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

3.3.2 Interest Rate Risk

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

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

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

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO Bank's interest-bearing assets and liabilities structure, as of December 31, 2013, 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	97,609.48	89,658.45	55,316.77	95,431.32	338,016.03
Liabilities	(126,840.58)	(180,019.11)	(496.72)	(8,252.23)	(315,608.64)
Net Gap	(29,231.10)	(90,360.66)	54,820.06	87,179.08	22,407.39

Under the change of interest rate within 1 year, TISCO Bank had liabilities over assets within 1 month cause the net gap to stand at 29,231.10 million baht and gap for liabilities over assets within 2-12 month stand at 90,360.66 million baht. The negative gap shown was mainly from the portion of short-term deposit specifically saving and current account which are less sensitive to the interest rate movements. And for 2-12 month negative gap shown was mainly from term deposit and debenture which not highly sensitive to interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Bank was exposed to an interest rate rise under acceptable risk.

(2) Fixed-Income Risk

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

TISCO Bank's fixed-income portfolio as of December 31, 2013 stood at 9,575.17 million baht, increased by 5,264.52 million baht compared to the end of 2012. Average duration of the bond portfolio in TISCO Bank was 1.66 year, increasing from 0.27 year at the end of 2012 mainly due to extend maturity investment portfolio in the year. Meanwhile, average duration of the debenture portfolio was 3.92 years, increasing from 0.61 years at the end of 2012. However, Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

▪ **Market Risk Management Framework**

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

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

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

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

3.4 Operational Risk

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

3.4.1 Operational Risk from business execution

Considering likelihood and impact of risk, TISCO Bank's operational risks mostly incur in low to moderate impact area (financial loss is less than 0.05% of annual net profit, and does not impact the business in the long term). These operational risks generally impact reputation than financial status; however, impact can be contained. Regarding to the operations in 2013, error rate was less than 0.1% of total number of transaction. Most loss events are erroneous data entry, late transaction execution and system unavailability. Also, TISCO Bank has some fairly high to high operational risks including fraud, critical business disruption and high value customer dissatisfaction, which are exclusively controlled in order to terminate or transfer out.

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

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

- **Operational Risk Management Framework**

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

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

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

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

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

3.5 Strategic Risk

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

3.5.1 Risk from Economic Conditions and Business Competition

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

3.5.2 Risk from Capital Adequacy

As of December 31, 2013, as the bank's capital requirement based on Basel III Internal Rating Based Approach (IRB), where the IRB capital requirement is more appropriate in reflecting the inherited risk profiles of assets than the capital requirement based on Standardized Approach (SA), the regulatory capital adequacy ratio (BIS ratio) stood at 13.37% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II adequacy ratio stood at 9.15% and 4.22%, respectively, in which Tier-I adequacy ratio also remained higher than the minimum requirement at 6%. In addition to regulatory capital requirement, TISCO Bank also adopts IRB Basel III approach in risk management and capital requirements. According to the internal risk measurement of capital adequacy, the risk-based capital requirement stood at 10,710.55 million baht, accounting for 41.6% of the total capital base under Basel III - IRB of 25,746.33 million baht.

- **Strategic Risk Management Framework**

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

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

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

4. Operating Assets

4.1 Major Fixed Assets

Land, premises, and equipment – Net

Land, premises, and equipment to TISCO Bank as of December 31, 2011-2013 are as follows: These assets are free from any obligations.

(Unit: Million baht)

Type of Assets	2011	2012	2013
Land and buildings_(net)			
Office of TISCO Financial Group Plc. at TISCO Tower	317	235	568
Office furniture and improvements (net)	115	94	90
Total office furniture (net)	67	51	59
Others	19	13	25
Total (net)	518	393	742

Long-term contract

1. Contract

The Bank has entered into several lease agreements in respect of the lease office building and branch office in which terms of the agreements are approximately 3 years. The details are shown in notes to financial statement item 3.37.3

4.2 Loans

Classification of assets under BoT guidelines

Asset classification in TISCO Bank consists of loans and receivables, investments in securities and property foreclosed. Asset classification policies are in compliance with those set by the BoT and the SEC. The details of asset classification as of December 31, 2013, are shown below:

(Unit: Million baht)

	Loans and receivables	Investments	Property foreclosed	Others	Total	%
Pass	307,922	-	-	-	307,922	93.4
Special mention	17,246	-	-	-	17,246	5.2
Substandard	3,086	-	-	-	3,086	0.9
Doubtful	996	-	-	-	996	0.3
Bad debts	176	47	18	18	259	0.2
Total	329,426	47	18	18	329,509	100.0

Provision for Loan Loss Policy

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

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

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

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

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

Provision of Asset Impairment Policy

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

Policy of revenue recognition

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

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

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

4.3 Investment in Securities

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

Risk Management of Investment Portfolio

The Bank diversifies its investments in order to avoid high concentrations in single securities. Appropriate investment opportunities are emphasized to ensure a proper risk-return trade-off. In addition, the Bank has set up an integrated risk management system to aggregate all investment risks, where the issues of capital adequacy and the prospect of risk-return from each investment are incorporated to enable timely portfolio adjustment if required. Details of risk management are listed in Part1, Section 2: Risk Factors.

Allowance for Impairment of Securities

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

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

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

¹ Source: Announcement of the Bank of Thailand SorNorSor 67/2551, Category 5: Revenue recognition from loan and hire purchase loan: Financial will recognize income according to the amount of payment, in which interest payment are overdue less than 3 month.

5. Legal Disputes

As of December 31, 2013, the Bank had 23 unresolved cases from its regular business operations that the Bank being sued, all of them were civil cases, involving an estimated total amount of 352.15 million baht, which was less than five percent (5%) of its shareholders' equity. Of all civil cases, there were 16 cases involving total amount of 293.14 million baht which were in the tribunal process and not yet reach judgment. 1 case is under execution by the Bank. Furthermore, there were 8 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 59.01 million baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiff still appealed to the Appeal Court or Supreme (Dika) Court. Apart from the said case, there was 1 case which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd., amounting 40.24 million baht in which the Bank had an indemnification for any damages suffered (if any).

Additional details on legal disputes are presented in Notes to Financial Statements; 3.37.2 Litigation. The management of the Bank believes that the Bank will not suffer material loss as a result of the abovementioned lawsuits. In addition, there is no claim against the Bank by the directors, managements or any related persons of the Bank.

6. General Information

Company Name	:	TISCO Bank Public Company Limited (hereafter "TISCO Bank" or "the Bank")
Type of Business	:	Banking Business
Address	:	Fl.1, TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	:	0107539000171
Total registered capital	:	8,191,712,820 baht
Paid-up Capital	:	8,191,712,820 Baht comprised of 819,171,178 common shares and 104 preferred shares, both with par value of 10 baht per share.
Home Page	:	www.tisco.co.th
Telephone	:	(66) 2633 6000
Fax	:	(66) 2633 6800
Reference:		
Share Registrar	:	TISCO Bank Public Company Limited Fl.1, TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Debenture Holder Representative	:	TMB Bank Public Company Limited 3000 Phaholyothin Road 5 th Floor A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270
Debenture Registrar	:	TMB Bank Public Company Limited 3000 Phaholyothin Road Fl.1 A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270
Subordinated Bond Representative	:	TMB Bank Public Company Limited 3000 Phaholyothin Road Fl.1 A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270
Subordinated Bond Registrar	:	TMB Bank Public Company Limited 3000 Phaholyothin Road Fl.1 A, Chompon, Chatu Chak, Bangkok 10900 Tel. 0 2299 1321 Fax. 0 2242 3270
Auditor	:	Ms. Ratana Jala Certified Public Accountant (Thailand) Registration No.3734 Ernst & Young Office Limited 33 rd Floor, Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90

As of December 31, 2013, TISCO Bank held more than 10% of issued shares in 1 company namely, TISCO Securities Hong Kong Limited. Currently, TISCO Securities Hong Kong Limited is in process of liquidation. In addition, TISCO Bank Plc. held 10% of issued shares in other companies, all of them are non-listed companies. The investment in such companies is classified as general investment. Details of shareholding in such companies are shown in notes to financial statement item 3.3.5

Part 2**7. Securities and Shareholders Information****7.1 Registered and Paid-up capital****(1) Registered and paid-up capital as of December 31, 2013, comprising of :**

Registered capital	:	8,191,712,820 Baht
Paid-up capital	:	8,191,712,820 Baht comprised of 819,171,178 common shares and 104 preferred shares, at par value of 10.00 Baht per share.

(2) Other Securities**Preferred Shares**

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

7.2 Shareholders**(1) The Company's Major Shareholder**

The top 10 major shareholder whose names appeared in the share registration book on January 2, 2014, were as follow.

No.	Shareholder Name	Total Shareholding			
		Common Shares	Preferred Shares	Total	Percent
1	TISCO Financial Group Public Company Limited	819,059,441	-	819,059,441	99.99
2	Mr. Kittichai Kraikorkit	26,887	-	26,887	0.00
3	Ms. Pornsuk Pomprapa	8,100	-	8,100	0.00
4	Ms. Supavadee Piyamongkolvong	6,000	-	6,000	0.00
5	Ms. Rachit Kowattanakul	6,000	-	6,000	0.00
6	Mr. Suchart Tangkvivij	5,000	-	5,000	0.00
7	BANK JULIUS BAER & CO., LTD.	4,800	-	4,800	0.00
8	Mr. Pracha Leelaprachakul	3,624	-	3,624	0.00
9	Mr. Songrit Kongpipatchaisiri	3,000	-	3,000	0.00
10	Mr. Prapat Srinuwattiwong	3,000	-	3,000	0.00
Total shareholdings of top 10 Major Shareholder		819,125,852	-	819,125,852	99.99
Other Minority Shareholders		45,326	104	45,430	0.01
TOTAL		819,171,178	104	819,171,282	100.00

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

(2) Major Shareholders of Subsidiary operated as core business of the group

- None -

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

- None -

7.3 Other Securities

7.3.1 Debentures issuance

As of December 31, 2013, the outstanding debentures of the Bank are as follow:

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	February 17, 2009
Maturity Date	:	February 17, 2019
Security	:	None
Coupon Rate	:	(1) 5.5% per annum for Year1 st - Year3 rd , started from issuance date (2) 6.0% per annum for Year4 th – Year7 th , started from issuance date (3) 6.5% per annum for Year8 th – Year10 th , started from issuance date
Payment Date	:	Every 17 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Rating	:	A- from TRIS Rating Company Limited on June 6, 2013
Debenture holder	:	
Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	May 25, 2009
Maturity Date	:	May 25, 2019
Security	:	None
Coupon Rate	:	(1) 5.0% per annum for Year1 st - Year3 rd , started from issuance date (2) 5.5% per annum for Year4 th – Year7 th , started from issuance date (3) 6.0% per annum for Year8 th – Year10 th , started from issuance date

Payment Date	:	Every 25 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	:	A- from TRIS Rating Company Limited on June 6, 2013
Debenture holder Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	1,000,000 units
Outstanding	:	1,000,000 units
Tenor	:	10 years
Issuing Date	:	May 17, 2010
Maturity Date	:	May 17, 2020
Security	:	None
Coupon Rate	:	5.0% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	:	Every 17 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or

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

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

Issue Rating : A- from TRIS Rating Company Limited on June 6, 2013
 Debenture holder
 Representative : TMB Bank Public Company Limited
 Debenture Registrar : TMB Bank Public Company Limited

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

Type of Offering : Public Offering
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 1,000,000 units
 Outstanding : 1,000,000 units
 Tenor : 10 years
 Issuing Date : December 13, 2010
 Maturity Date : December 13, 2020
 Security : None
 Coupon Rate : 4.8% per annum for Year1st - Year10th, started from issuance date
 Payment Date : Every 13th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

(a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or

(b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or

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

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

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

Issue Rating : A- from TRIS Rating Company Limited on June 6, 2013
 Debenture holder
 Representative : TMB Bank Public Company Limited
 Debenture Registrar : TMB Bank Public Company Limited

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

Type of Offering : Public Offering
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 1,000,000 units
 Outstanding : 1,000,000 units
 Tenor : 10 years
 Issuing Date : March 9, 2012
 Maturity Date : March 9, 2022
 Security : None

Coupon Rate	:	4.85% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	:	Every 9 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option ¹	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) On the 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance. <ul style="list-style-type: none"> i If the issuer can provide funding equivalent or better than the amount of debenture. ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand. (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (c) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	:	A- from TRIS Rating Company Limited on June 6, 2013
Debenture holder Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	1,243,000 units
Outstanding	:	1,243,000 units
Tenor	:	10 years
Issuing Date	:	December 19, 2012
Maturity Date	:	December 19, 2022
Security	:	None
Coupon Rate	:	4.60% per annum started from issuance date
Payment Date	:	Every 19 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) On the 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance. <ul style="list-style-type: none"> i If the issuer can provide funding equivalent or better than the amount of debenture. ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand. (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (c) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	:	A- from TRIS Rating Company Limited on June 6, 2013
Debenture holder Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

¹ Terms and Conditions amendments were notified to the debentureholders on October 22, 2012

7. TISCO Bank Public Company Limited 1/2013 Tranche 1 debenture with maturity date in 2014

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 3,000,000 units
Outstanding	: 3,000,000 units
Tenor	: 1 Year
Issuing Date	: April 2, 2013
Maturity Date	: April 2, 2014
Security	: None
Coupon Rate	: 3.15% per annum started from issuance date
Payment Date	: On the 2 nd of April and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	: None
Issue Rating	: A from TRIS Rating Company Limited on May 14, 2012
Debenture holder	
Representative	: None
Debenture Registrar	: TMB Bank Public Company Limited

8. TISCO Bank Public Company Limited 2/2013 Tranche 1 debenture with maturity date in 2014

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 3,500,000 units
Outstanding	: 3,500,000 units
Tenor	: 1 year
Issuing Date	: April 26, 2013
Maturity Date	: April 26, 2014
Security	: None
Coupon Rate	: 3.15% per annum started from issuance date
Payment Date	: On the 26 th of April and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	: None
Issue Rating	: A from TRIS Rating Company Limited on May 14, 2012
Debenture holder	
Representative	: None
Debenture Registrar	: TMB Bank Public Company Limited

9. TISCO Bank Public Company Limited 3/2013 Tranche 1 debenture with maturity date in 2014

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 3,000,000 units
Outstanding	: 3,000,000 units
Tenor	: 1 year
Issuing Date	: May 16, 2013
Maturity Date	: May 16, 2014
Security	: None
Coupon Rate	: 3.10% per annum started from issuance date
Payment Date	: On the 16 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.
Call Option	: None
Issue Rating	: A from TRIS Rating Company Limited on April 30, 2013
Debenture holder	
Representative	: None
Debenture Registrar	: TMB Bank Public Company Limited

10. TISCO Bank Public Company Limited 4/2013 Tranche 1 debenture with maturity date in 2014

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 2,600,000 units
Outstanding	: 2,600,000 units
Tenor	: 1 year
Issuing Date	: June 18, 2013
Maturity Date	: June 18, 2014
Security	: None
Coupon Rate	: 3.05% per annum started from issuance date
Payment Date	: On the 18 th of June and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	: None
Issue Rating	: A from TRIS Rating Company Limited on June 6, 2013
Debenture holder	
Representative	: None
Debenture Registrar	: TMB Bank Public Company Limited

11. TISCO Bank Public Company Limited 5/2013 Tranche 1 debenture with maturity date in 2014

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 300,000 units
Outstanding	: 300,000 units
Tenor	: 1 year
Issuing Date	: September 12, 2013
Maturity Date	: September 12, 2014
Security	: None
Coupon Rate	: 3.10% per annum started from issuance date
Payment Date	: On the 12 th of March and September of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	: None
Issue Rating	: A from TRIS Rating Company Limited on June 6, 2013
Debenture holder	
Representative	: None
Debenture Registrar	: TMB Bank Public Company Limited

As of December 31, 2013 TISCO Bank has outstanding subordinated and unsubordinated debentures issued and offered worth 20,643 million baht

12. TISCO Bank Public Company Limited Short-term Debenture No. 1/2013

Type of Offering	: Private Placement – Institutional Investor
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: up to 30,000,000 units
Outstanding	: 16,166,000 units
Tenor	: As specified in the supplement of terms & conditions of each series. The tenor of short-term debenture will be within 270 days from issuance date
Issuing Date	: As specified in the supplement of terms & conditions of each series. The issuance date will be during August 9, 2013 to March 31, 2014
Maturity Date	: As specified in the supplement of terms & conditions of each series. The tenor of short-term debenture will be within 270 days from issuance date

Security	:	-
Coupon Rate	:	As specified in the supplement of terms & conditions of each series whereby interest rate of each series will be varied.
Payment Date	:	Payment at maturity date
Company Credit Rating	:	A from TRIS Rating Company Limited on June 30, 2013
Debenture holder	:	-
Representative	:	-
Debenture Registrar	:	TISCO Bank Public Company Limited

As of December 31, 2013 TISCO Bank has outstanding short-term debenture of 16,166 million baht.

7.3.2 Bills of Exchange

As of December 31, 2013, TISCO Bank had outstanding short-term bill of exchange, worth 146.62 million baht with coupon rate ranging from 2.50% - 4.00% and average of 208 days to maturity.

7.4 Dividend Policy

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

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

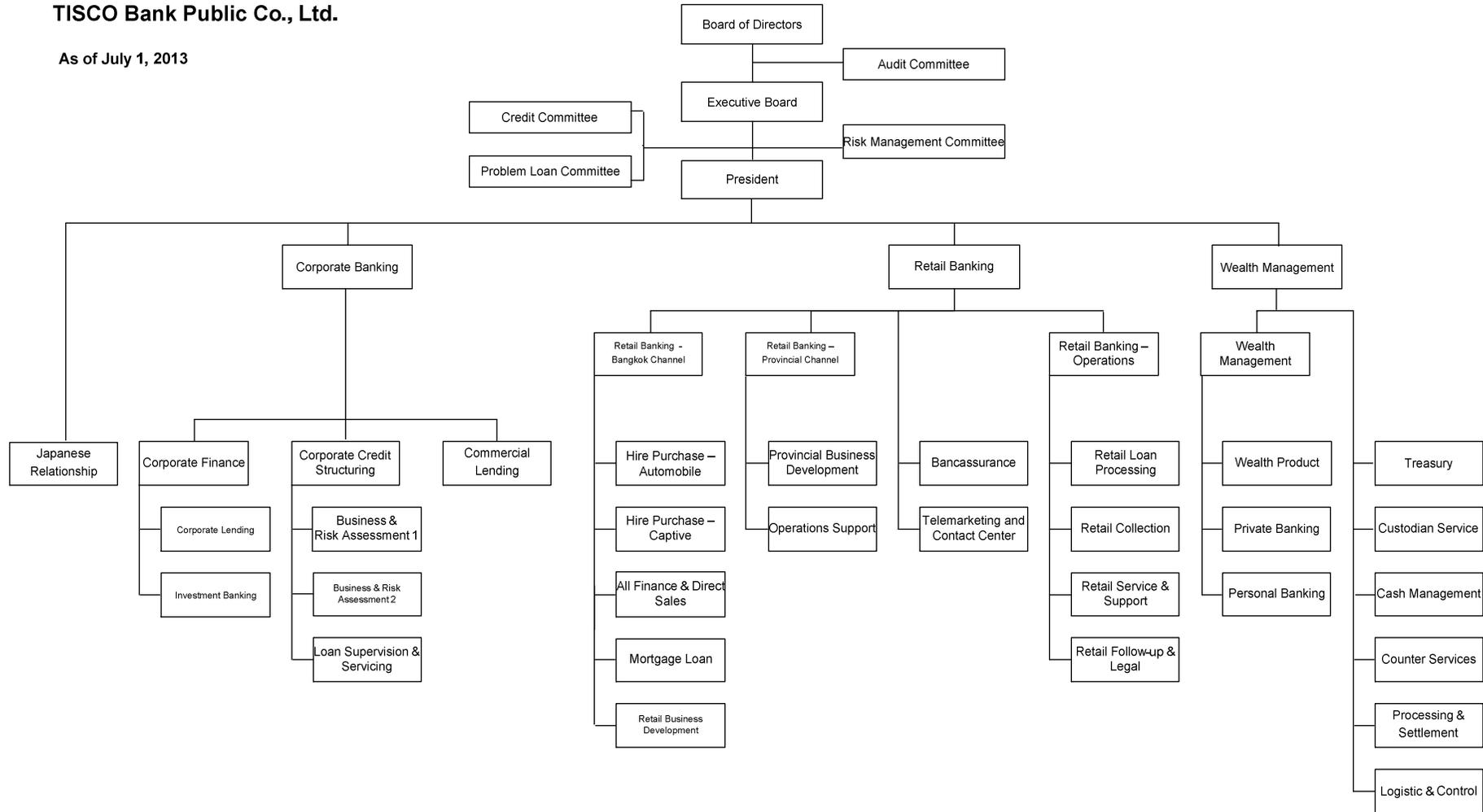
8. Management

8.1 Management Structure

As of December 31, 2013, the Board Structure is comprised of 3 boards/committees: (1) Board of Directors (2) Executive Board and (3) Audit Committee. The Nomination and Compensation Committee is centralized at TISCO Financial Group Public Company Limited, the Parent Company.

TISCO Bank Public Co., Ltd.

As of July 1, 2013



8.1.1 TISCO Bank's Board of Directors

As of December 31, 2013, TISCO Bank's Board of Directors consisted of 9 directors as follows;

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman and Independent Director
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	Vice Chairman
3. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
4. Assoc. Prof. Dr. Angkarat Priebjrivat	Independent Director and Chairperson of the Audit Committee
5. Ms. Panada Kanokwat	Independent Director and Member of the Audit Committee
6. Ms. Patareeya Benjapolchai	Independent Director and Member of the Audit Committee
7. Mr. Pichai Chanvirachart	Independent Director
8. Mr. Hirohiko Nomura ¹	Director and Member of the Executive Board
9. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board

¹ The Board of Directors' Meeting No. 7/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013, and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The approval has been obtained on January 21, 2014.

Authorized Signatory²

Number and names of directors who can sign on behalf of the Company are Ms. Oranuch Apisaksirikul, Chairperson of the Executive Board, singly sign with the seal of the company affixed or any two of the following directors sign jointly with the seal of the company affixed namely Mr. Hon Kit Shing or Mr. Hirohiko Nomura or Mr. Suthas Ruangmanamongkol

² Due to the resignation of Mr. Hirohiko Nomura, the Board of Directors' Meeting No. 7/2013 has resolved the change of the Directors who are authorized to sign on behalf of the Company as follows: "Ms. Oranuch Apisaksirikul, Chairperson of the Executive Board, singly sign with the seal of the company affixed or any two of the following directors sign jointly with the seal of the company affixed namely Mr. Hon Kit Shing or Mr. Yasuro Yoshikoshi or Mr. Suthas Ruangmanamongkol"

Chairman of Board and Other Committees

1. Responsible for the performance of the Board/Committee.
2. Chair the Board/Committee meetings in a manner which results in a consensus and commitment to the Board/Committee decisions.
3. Represent the view of the Board/Committee to management.
4. Advise and counsel Board/Committee members.

Vice Chairman of Board and Other Committees

1. Preside over the meetings in the absence of the Chairman or when the Chairman is unable to perform his/her duty, i.e. due to conflict of interest.
2. Monitor and ensure that the management has taken appropriate action and/or proper following up on the recommendations and resolutions made by the Board/Committee

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

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

1. Approve business & operating plan of the Bank, as directed by TISCO group's corporate strategies and business plan.
2. Ensure the institution of internal business codes and ethics, codes of conduct for directors, management and employees.
3. Continuously review the Bank's operations to ensure that its directors, management, and employees conduct the Bank's businesses in compliance with TISCO Corporate Governance Policy as well as related laws and regulations.
4. Ensure competent management of the Bank including appointing senior management.
5. Ensure the institution of effective systems for internal control and audit.
6. Ensure that the Bank's management refers significant issues to the Board.
7. Ensure that the Bank's management has in place risk management policies, processes and controls of all risk types. The Board shall be responsible for approval of adoption and ongoing implementation of such risk management policies and guidelines.
8. Appoint other committees according to the needs and suitability to carry out specific tasks to ensure that the operations are in compliance with established Corporate Governance Policy.
9. Ensure that the Bank has policies, guidelines and controls procedures for granting credit and investment transactions with related parties.
10. Ensure that there is a process for prompt submission of management letters from the external auditor and management to the Board.
11. Ensure that there exists appropriate check and balance in the management and/or major shareholders of the Bank, in particular, the proportion or the number of independent directors on the Board.
12. Ensure that the Board and the parent company receive sufficient information to effectively discharge its authorities, duties, and responsibilities.
13. Report business activities and financial performance to the shareholders.
14. Report business activities and financial performance to the parent company's Executive Board on a regular basis, in compliance with the Consolidated Supervision Principle of the Bank of Thailand.

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

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

8.1.2 Executive Board

The Bank's Executive Board members were appointed by the Bank's Board of Directors with the approval from the parent company, TISCO Financial Group Public Company Limited. As of December 31, 2013, the Executive Board comprised the following directors:

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

¹ The Board of Directors' Meeting No. 7/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013, and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The Bank of Thailand approved the appointment on January 21, 2014.

Authority and responsibilities of Executive Board:

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

1. Oversee the Bank's operation in accordance with TISCO Corporate Governance Policy as well as related laws and regulations.
2. Approve transactions involving high risk, or exceeding authority of the Bank's management.
3. Handle urgent matters, which call for an immediate action by Executive Board, though in ordinary circumstances such matters would require the Board of Directors' review. Such urgent matter should be reported to the Board of Directors for acknowledgement in the next Board meeting.
4. Report business activities and financial performance to the Board of Directors on a regular basis.

8.1.3 Audit Committee

The Bank's Audit Committee members were appointed the Bank's Board of Directors with the approval from the parent company, TISCO Financial Group Public Company Limited. As of December 31, 2013, the Audit Committee comprised the following independent directors:

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

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

Authority and responsibilities of Audit Committee:

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

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

Details of meeting attendance of TISCO Bank Public Company Limited's directors in 2013 are as follows:

Name-Surname	Time of Attendance		
	Board of Directors	Executive Board	Audit Committee
<i>No. of total meetings (times)</i>	7	12	13
1. Mr. Pliu Mangkornkanok	7	-	-
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	6	-	-
3. Ms. Oranuch Apisaksirikul	7	12	-
4. Assoc. Prof. Dr. Angkarat Priebjivat	7	-	13 ¹
5. Ms. Panada Kanokwat	7	-	13
6. Ms. Patareeya Benjapolchai	7	-	13
7. Mr. Pichai Chanvirachart	7	-	-
8. Mr. Chi-Hao Sun (Mr. Howard Sun)	-	11 ²	-
9. Mr. Hirohiko Nomura	7	12	-
10. Mr. Suthas Ruangmanamongkol	7	12	-

¹ Participated the meeting as the Advisor to Audit Committee 4 times.

² Mr. Chi-Hao Sun (Mr. Howard Sun) did not attend one Executive Board's Meeting in person, but participated via teleconference.

8.1.4 Management

As of December 31, 2013, the Management of TISCO Bank comprised of the following members:

Name-Surname	Position
Mr. Suthas Ruangmanamongkol ^{1, 2}	President
Mr. Sakchai Peechapat ^{1, 2}	Senior Executive Vice President - Retail Banking Business
Mr. Pitada Vatcharasiritham ^{1, 2}	Senior Executive Vice President - Corporate Banking Business
Mr. Metha Pingsuthiwong	First Executive Vice President - Retail Banking Business
Mr. Chalit Silpsrikul ^{1, 2}	First Executive Vice President - Wealth Management Business
Mr. Dejphinun Suthadsanasoung	Assistant Executive Vice President - Retail Banking - Operations
Ms. Nipa Mekara	Assistant Executive Vice President - Head of Corporate Lending
Mr. Picha Ratanatam	Assistant Executive Vice President - Head of Wealth Management
Mr. Yutpong Sriwongjanya	Assistant Executive Vice President - Head of Retail Banking - Provincial Channel
Mr. Rungroj Jarasvijitkul	Assistant Executive Vice President - Head of Retail Banking - Bangkok Channel
Ms. Karantar Vongsa	Head of Treasury
Mr. Kittichai Tonnajarn	Head of Counter Services
Mr. Nattanan Ananpreeyavit	Head of Corporate Contact Center
Mr. Thanom Chairoondeekul	Deputy Head of Wealth Management
Mr. Songsak Niltian	Head of Retail Follow-up & Legal
Mr. Teerayuth Prasertrattanadacho	Head Of Retail Business Development
Mr. Teerawut Luewongsupakit	Head of Business & Risk Assessment 2
Ms. Prapatsorn Arthachinta	Head of Business & Risk Assessment
Mr. Prakrit Shoonhasriwong	Head of Mortgage Loan

Name-Surname	Position
Ms. Preeyarat Poomdontri	Head of Processing & Settlement
Mr. Pornpiboon Sukaviriya	Head Of Hire Purchase Captive
Ms. Penthip Laobooncharoen	Head of Retail Loan Processing
Ms. Mallee Peravanichkul	Head of Private Banking
Mr. Manop Petdamrongsakul	Head of Corporate Finance Acting Head of Corporate Lending Acting Head of Investment Banking
Ms. Rapeeporn Ounchalanon	Head Of Loan Supervision & Servicing
Ms. Ladda Kulchatchai	Head of Custodian Service
Mr. Worapoth Tirakaroon	Head of Retail Collection
ML. Waraporn Worawarn	Head of Wealth Product
Ms. Wantana Kitchpanich	Head Of Operations Support - Provincial Channel
Mr. Wittaya Mettaviharee	Assistant Head of Retail Banking - Provincial Channel Acting Head of Provincial BusinessDevelopment
Ms. Wipa Mettaviharee	Head of All Finance & Direct
Ms. Saranya Weeramahawong	Head of Personal Banking
Mr. Somsak Wongwachirawanich	Head of Hire Purchase - Used Car
Mr. Sommai Ung	Head of Commercial Lending
Ms. Saranya Ket-Udom	Head of Logistic & Control
Mr. Sukit Sakulwongyai	Head of Retail Service & Support
Mr. Suthep Trivannakij	Head of Hire Purchase - New Car
Ms. Sunee Tongsombutpanich	Head of Business & Risk Assessment 1
Ms. Suwandeekhaolaorr	Head of Cash Management
Mr. Sathian Leowarin	Head of Bancassurance
Mr. Nobutaka Ide	Head of Japanese Relationship

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

^{/2} Management of TISCO Financial Group Public Company Limited, the Parent Company of TISCO Group, seconded to manage the Bank

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

Authority and Responsibilities of President:

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

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

8.2 Director and Management Remuneration

8.2.1 Director and Management Remuneration Policy

TISCO Group shall pay remuneration to all TISCO Financial Group Public Company Limited directors and directors of subsidiary companies, including TISCO Bank, who are non-executive director(s), that do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO group of companies, in the same form and amount as members of the Board of Directors of TISCO Financial Group Public Company Limited.

8.2.2 Financial Remuneration

In 2013, Total remunerations for one director and the Bank management total of 36 persons, excluded 5 persons which are the Parent Company's management and seconded to manage the Bank, was 147,146,019.22 baht. This was paid in form of monthly compensation, salaries, provident funds, and bonuses which varied according to the Bank performance.

The Company's shareholders, at the Shareholders Ordinary General Meeting for the year 2013, approved the annual directors' remuneration to be paid only to non-executive director(s) who do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO group of companies, in the form of reward, meeting fee, monthly fee and bonus at the amount of not greater than 500,000 baht each, to be valid until amended. The Board of Directors, under the authority delegated by the shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors. Thereafter, the Board of Directors, at the Board Meeting No. 2/2012 on April 26, 2013 determined the remuneration for a director, who do not hold any directorship in TISCO Financial Group Public Company Limited and/or management position in TISCO group of companies, in the form of monthly fee at 40,000 baht per month per director. During January – April 2013, TISCO Bank pay remuneration to one director namely Mr. Pichai Chanvirachart in the amount of 160,000 baht.

8.3 Human Resources

As of December 31, 2013, the total number of employees at TISCO Bank was 2,573 (excluding senior management) of which 2,343 were permanent employees and 230 contract staff.

Unit: employees	December 31, 2012	December 31, 2013
TISCO Bank	2,327	2,573

After the completion of group restructuring plan, TISCO Bank transferred the employees under governance and corporate support functions to centralize at TISCO Financial Group Plc. As the result, TISCO Bank has only employees under marketing & customer relationship and transaction processing & credit control functions. In addition, TISCO Bank total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 1,207,916,429.10 baht.

8.3.1 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. To broaden choices of employees for more suit their risk appetite and needs, TISCO Group Provident Fund employs a master fund with 4 investment policies (sub funds) which are Fixed Income, Mixed, Equity and Foreign investments. There are 15 predefined investment allocation choices for members to choose from. Presently, the TISCO Group Master Fund Committee allows members to switch their investment policies twice a year, in April and October.

8.3.2 General Human Resources Policies

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

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

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

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

2. **Hiring**

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

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

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

3. Employment at TISCO Group

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

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

4. Assessment and Development

4.1 Assessment

Employees are assessed in all steps of employee movements from selection of new candidates to promotion, career development and succession planning. Assessments and evaluations are carried out in many aspects, including knowledge, skills, competencies, performance, and leadership, as well as alignment with corporate values. This ensures that quality of people be fit with TISCO Group's strategy, culture, technology and environment, which in turn ensure maximum human resources value. The Human Resources function will provide assessment tools at the corporate level, whereas business units will have the freedom to customize assessment tools under corporate HR consultation to suit each business environment while maintaining corporate standards of people quality.

4.2 Development

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

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

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

5. Career Management

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

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

6. Performance Management

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

7. Employee Compensation and Benefits

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

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

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

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

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

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

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

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

7.2 Pay for performance

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

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

8. Human Resources Administration

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

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

9. Succession Planning

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

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

8.5.3 Organizational Development & the Learning process

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

1. Development programs to support business & marketing plans

1.1 The Teller academy

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

1.2 Wealth Relationship Managers Development program

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

1.3 Hire Purchase Marketing Development Program

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

1.4 Micro Finance Staff Development Program

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

1.5 Delivery Service and Support team Development Program

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

1.6 Mortgage Loan Staff Development Program

To support expansion of mortgage loan businesses, retail finance marketing staffs are presented with mortgage loan product knowledge and related operations, including related insurance policies and coverage.

2. TISCO Leadership Development Program

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

3. Competencies Development Program

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

4. TISCO Culture and Value enhancement

TISCO Group emphasizes on organizational culture and corporate values, namely, Mastery, Integrity, Reliability, and Customer Priority, including the two behaviors, Creativity and Guidance so that TISCO employee could open up new opportunities

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

9. Corporate Governance

9.1 Corporate Governance Policy

9.1.1 Corporate Governance

As a subsidiary company in TISCO Group, the Bank's Articles of Association clearly states that the Bank shall strictly follow corporate governance policy of TISCO Group formulated and overseen by TISCO Financial Group Public Company Limited. Thus, this topic will briefly summarize TISCO Group corporate governance.

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

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

Corporate Governance Code of Conduct is set up to provide guiding principles of good corporate governance to the directors, management, and employees of TISCO Group in order to ensure that the Group complies with all relevant laws and regulations and carries out duties with maximum accountability, transparency, and equitable treatment to all stakeholders so as to promote managerial integrity, effectiveness, and efficiency across the group. The Corporate Governance Principle covers 5 main areas, namely, the Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Responsibilities of the Board (details of Corporate Governance Code of Conduct are presented on www.tisco.co.th).

TISCO Group Corporate Governance Principles formulated by TISCO Financial Group Public Company Limited and being used across companies in TISCO Group is outlined as follows:

1. Rights of Shareholders

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

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

- Notification of Meeting Details and Meeting Materials

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

- Meeting attendance

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

- Shareholders' opportunity for query and comment

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

- Conduct of the meeting and voting

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

2. Equitable Treatment of Shareholders

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

The Company shall prepare the minutes of the meeting in which all relevant information, including all clarifications, queries, opinions, and resolutions are recorded and categorized into "For", "Against", and "Abstain" votes. TISCO shall disseminate the above minutes on its website and keep the original at the office.

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

day of the month until 2 days after the financial statements or the summary statements of assets and liabilities of TISCO are published.

Each director, Top Management, or top 4 management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth management, including those holding management level in accounting or finance at the level of the department manager or higher, or equivalent must report their securities holdings in TISCO, as well as the securities holding of their spouse and any minor children, to the SEC. This report on securities holding must be filed within 30 days from the date of appointment and within 3 working days from the date of the change. Directors must also notify the Board via the Audit Committee of their shareholdings at the end of each quarter. The Audit Committee reviews director's shareholding and report to the Board for acknowledgement every quarter under Audit Committee's activities.

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

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

3. Role of Stakeholders

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

Complaint Channels

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

Anti-Corruption Policy

In 2011, Board of Directors approved to set up "TISCO Group Anti-Corruption Policy", with an aim to enhance ethically and integrity business operation within TISCO group. Besides, the set up policy which is held as business conduct guidance, the company has, over the year, consistently supported and participated in numerous anti-corruption activities. On October 8, 2013, TISCO was among the CAC member companies, certified as allies of the Thailand's Private Sector Collective Action Coalition Against Corruption. For many years, the company has continuously support the activities held by the coalition e.g. participating in the anti-corruption walk rally on "Anti-Corruption Day 2013" on September 6, 2013 at Siam Paragon, and participating in the activity "Walk Run Fun Bike Anti-Corruption 2013" on December 15, 2013 at Sanam Luang, Bangkok. Furthermore, TISCO enters into integrity pacts with other business when dealing with procedures related to the bidding and procurement of supplies, materials, equipment and construction.

For several times, TISCO Management has been invited to be key speakers in notable talks as well as taking part in numerous corporate governance supporting activities such as being a member of Financial and Social Responsibility Club (FSR), co-exhibiting the displays at the 4th and the 5th National Moral Marketplace and Assembly, attending the academic activities, and participating in the declaration of intention to promote business moral and integrity arranged by other business entities.

4. Disclosure and Transparency

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

TISCO prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and accessibility. The Board of Directors shall provide a report indicating the performance of the company and important business activities over the course of the year to shareholders. Moreover, the Board of Directors is accountable for assessing the company's internal control system, which is primarily assessed by the Executive Board and reviewed by the Audit Committee. The Board of Directors is also responsible to certify the accuracy of information in financial statements, the Board assigns the Audit Committee to review the financial statements of the Company and its subsidiary companies to ensure that they are presented in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner to allow investors to make informed investment decisions. The Board provides the Statement of the Board of Directors' Responsibility for Financial Statements, while the Audit Committee provides reports on audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report are included in the Annual Registration Statement (Form 56-1) and Annual Report.

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

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

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

5. Responsibilities of the Board

5.1 Board Structure

The Board members are selected on the basis of, among other things, knowledge, experience, skill, diversity of expertise, integrity, ability to make independent analytical inquiries, and their understanding of TISCO Group's business environment. In addition, the term of office of TISCO's directors is 1 year as specified in the Articles of Association, whereby the whole Board of Directors shall be simultaneously elected. However, the former Board of Directors shall remain in office to conduct the business of the company as necessary until the new Board of Directors take office.

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

To achieve high standards of performance, the Board may delegate other committees to take on tasks that require in-depth consideration, such as the Executive Board and the Audit Committee. TISCO assigns the Corporate Secretary to take care of the Board's activities, monitoring compliance to the Board's resolution, handling Board Meeting and shareholders' meeting on matters concerning notice, minutes, including other duties as required by related laws and regulations.

5.2 Roles and Responsibilities of the Board

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

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

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

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

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

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

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

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

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

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

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

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

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

5.3 Other Committees

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

The Board of Directors is accountable for clearly defining and separating the roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination and Compensation Committee, and the Executive Board as detailed in Topic 8.1.

5.4 Board of Directors' Meeting

Board meetings are regularly scheduled in advance so that each member of the Board can manage their time to attend the meetings. Furthermore, in case of special agenda, additional meetings may be scheduled as necessary. In determining the agendas to be proposed in each meeting, the Chairman of the Board and Top Management shall jointly determine the authority, level of importance and subjects to be proposed as the meeting agendas. The Board of Directors also assigns the Corporate Secretary to send out notice of the meeting together with documents relating to the meeting agenda, stating clearly which matters are to be acknowledged, approved, or considered, to every director at least 7 days prior to the date set for the meeting.

During meetings, the Chairman of the Board promotes transparent consideration of each issue and allocates adequate time for the management to present issues, with adequate time set aside for directors to thoroughly discuss important matters. The Board encourages the executives to attend the Board of Directors Meeting to present additional information relevant to their responsibilities. After the meeting, the Corporate Secretary is responsible for preparing minutes of the meeting in which all issues, contents, and opinions are properly recorded and kept for inspection.

5.5 Board and Management Training

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

Details of the Board of Directors and Top Management attending training programs organized by Thai Institute of Directors as of December 31, 2013 are as follows:

Name	IOD Training Program
Mr. Pliu Mangkornkanok	<ul style="list-style-type: none"> ● Role of the Chairman Program ● Directors Certification Program
Ms. Oranuch Apisaksirikul	<ul style="list-style-type: none"> ● Directors Certification Program ● IOD Anti Corruption Training Program for Corporate and Executives
Assoc.Prof.Dr. Angkarat Priebjrivat	<ul style="list-style-type: none"> ● Role of the 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 ● Anti-Corruption for Executive Program
Ms. Panada Kanokwat	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Financial Institutions Governance Program ● Anti-Corruption for Executive Program
Ms. Patareeya Benjapolchai	<ul style="list-style-type: none"> ● Directors Certification Program ● Financial Institutions Governance Program
Mr. Pichai Chanvirachart	<ul style="list-style-type: none"> ● Directors Certification 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
Mr. Chalit Silpsrikul	<ul style="list-style-type: none"> ● Directors Certification Program

In 2013, three Directors and the Executive, named Assoc.Prof.Dr. Angkarat Priebjrivat, Ms. Panada Kanokwat and Ms. Oranuch Apisaksirikul participated in Anti-Corruption for Executive Program, arranged by the Thai Director Association (IOD)

5.6 Succession Planning

To ensure stability and continuity of TISCO Group in future circumstances, successor of all key positions has been determined. The Nomination and Compensation Committee of the Parent Company was assigned to oversee the preparation of Top Management's succession plan. Said plan shall be regularly reviewed as appropriate. For other management positions, senior management and Human Resources function shall consider and evaluate the successors for further propose to the Nomination and Compensation Committee of the Parent Company for consideration.

9.2 Other Committees

To optimize the efficiency of its corporate governance and achieve high standards of performance, the Board of Directors delegates committees to take on tasks that require detailed review or in-depth consideration. Such committees as the Executive Board, the Audit Committee, 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, 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; reviewing Corporate Governance Policy and Code of Conduct; 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.

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

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.

The Executive Board is appointed by the Board of Directors. Currently, the Executive Board, consisting of three Director's Executives¹, are Ms. Oranuch Apisaksirikul (Chairperson of the Executive Board), Mr. Suthas Ruangmanamongkol and Mr. Yasuro Yoshikoshi replacing Mr. Hirohiko Nomura, who resigned on January 16, 2014) and one non-management director, Mr. Chi-Hao Sun (Mr. Howard Sun).

Specific-Area Committee of TISCO Bank

- 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 Enterprise risk management and risk research functions support the committee in assessing and monitoring bank risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, and performs risks analyses of new businesses.
- The Credit Committee of TISCO Bank and the Problem Loan Committee of TISCO Bank are responsible for setting up credit granting criteria and controlling loan approval procedures at the transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Control business line supports the committees in assessing and controlling the credit approval process of each transaction. In addition, the Internal audit function regularly reviews compliance to the credit approval guidelines and procedures.

9.3 Directors, Independent Directors and Management Selection Guidelines

9.3.1 Director and Independent Director Nomination

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

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors, which shall not be less than five, provided that not less than one half of the directors must domicile in Thailand. In addition, the number of directors who are persons of Thai Nationality shall be in compliance with related law.
2. The general meeting of shareholders shall elect directors on the following criteria and procedures:

¹ As defined by Notification of Capital Market Supervisory Board Re: Application for and Approval of Offer for Sale of Newly Issued Shares

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

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

9.3.2 Management Selection

The Nomination and Compensation Committee of the parent company shall identify and propose qualified nominees with necessary expertise to be appointed as Group Chief Executive 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 of the parent company shall recommend qualified candidates to the Board of Directors for approval.

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

9.3.3 Qualifications of Independent Director

The following are the qualifications of an Independent Director set up in accordance with TISCO 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 0.50 per cent of the total number of voting rights of the Company, its parent company, subsidiary companies, associated companies or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director.
2. Neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary companies, associated companies, or juristic person who may have conflicts of interest unless the foregoing status has ended not less than 2 years.
3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and son/daughter, including spouse of the son/daughter, management, major shareholders, controlling persons, or persons to be nominated as management or controlling persons of the Company or its subsidiary companies.
4. Not having any business relationship, as defined by the Capital Market Supervisory Board, with the Company, its parent company, subsidiary companies, associated companies or any juristic persons who may have a conflict of

interest that could be barrier to independent judgment; or not being existing or previous major shareholder, director other than independent director or management of the stakeholders of the Company, subsidiary companies, associated companies or any juristic persons who may have a conflict of interest unless the foregoing relationship has ended not less than 2 years.

5. Neither being nor having been an auditor of the Company, its parent company, subsidiary companies, associated companies or juristic persons who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary companies, associated companies or juristic person who may have conflicts of interest unless the foregoing status has ended not less than 2 years.
6. Neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million baht from the Company, its parent company, subsidiary companies, associated companies or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing status has ended not less than 2 years.
7. Not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder.
8. Not undertaking any business in the same nature and in competition to the business of the Company or its subsidiary companies or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding one per cent of the total number of shares with voting rights of other company which undertakes business in the same nature and in competition to the business of the Company or its subsidiary companies.
9. Not having any characteristics which make him/her incapable of expressing independent opinions with regard to the Company's business affairs.

9.3.4 Direct or indirect business relationship or being provider of any professional service by Independent director over the past accounting period²

- None -

9.4 Corporate Governance of Subsidiary Companies and Joint Companies

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. Details on management structure are as shown on page 8-2.

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

To ensure coherent adoption of Corporate Governance across all subsidiary companies in TISCO Group³, roles and responsibility of the Directors and the Management who the parent company seconded to manage the subsidiary companies has been clearly set. There are follow-ups procedures set to subsidiaries to ensure their promptly disclosure of any important information in accordance with relevant laws and regulations and to ensure that the subsidiaries are sufficient and appropriate internal control system, including monitoring Directors and the Managements to fulfill their duties and responsibilities according to the governed law and regulations. As stated, the Board of Directors has delegated its monitoring and supervising roles to certain Management and sub-committees. Details on scope of authorities, duties and responsibilities of Sub-Committees are as shown in subtopic 8.1 and 9.2. For subsidiary companies' related party transaction with related parties, significant acquisitions or dispositions of assets, or other significant transactions of subsidiary companies, i.e. termination of subsidiary companies, capital share increase or reduction must be approved by the Board of Directors or in the Shareholders' Meetings prior to conducting the transactions. Over the period, the Company has strictly followed Regulations of Stock Exchange of Thailand, Notification of the Securities and

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

³ According to the Notification of Capital Market Supervisory Board Re: Application for and Approval of Offer for Sale of Newly Issued Shares

Exchange Commission, and relevant Notification of Capital Market Supervisory Board regarding any related party transactions and any transaction that may cause conflicts of interest.

9.5 Control of Internal Information

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

9.6 Auditor's Fee

(1) Audit Fee

The Bank paid the audit fee for the year 2013 of 3,630,000 baht to Ernst & Young Office Limited.

(2) Non-audit Fee

The Bank paid non-audit fees in 2013 amounted to 240,000 baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand.

9.7 Compliance with related corporate governance practices

9.7.1 Business Ethics

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

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

	TISCO Group and clients. Employees are not allowed to receive any benefits such as cash or gifts related to their involvement in situations or activities that lead or may lead to a conflict of interest between employees and TISCO Group or clients.
7. Political support	According to the rules laid down by TISCO Group, donations to political parties or political candidates including payments to government officials, is prohibited.

10. Corporate Social Responsibility

10.1 Overview

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

TISCO Group places great importance on its corporate commitment to social responsibility as one of the group's core values. For more than 45 years, TISCO Group 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 as follow:

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

TISCO Group's projects have been largely driven by the "Volunteer Spirits" of the company. Corporate Social Responsibility unit (CSR), serving as the CSR project center, plans the CSR directions, sets up the budgets as well as organizes CSR projects and activities. Their duties also include following up the project performances, reporting the progressions to the board of directors and serving itself as the communication center with the external organizations. All will be performed in accordance with TISCO Group's core values: to create sustainable development in the society.

10.2 Framework and Approach to Reporting

10.2.1 Approach to Reporting

TISCO Group reports the Corporate Social Responsibility (CSR) activities in the company's Annual Report. The CSR report is available both in print and online version: <http://www.tisco.co.th> in Thai and English language.

The 2013 Annual Report includes the activities collected from 1 January 2013 – 31 January 2013 from all involved parties. In order to comply with sustainable reporting, TISCO Group followed the Global Reporting Initiative (GRI) G 3.4 guideline and content index. The company's GRI index is disclosed in all aspects in the company's website: <http://www.tisco.co.th/en/aboutus/social.html>

However, some indicators may be omitted since the company is still under the process of developing and improving its reporting systems for a full and complete sustainability report in the future.

10.2.2 Framework

1. Ethical Business Operation

TISCO Group includes Code of Corporate Ethics in its employee manual. The codes cover ethical and moral values that employees must be abided to ensure no behaviors leading to corruptions, prejudices, violation of rules, and leakage of customers' private information. Employees must pass annual test of their knowledge and understanding of corporate ethics and compliance. In addition, Know Your Customer (KYC) and Customer Due Diligence (CDD) practices are implemented to make sure that our services will not be unlawful or cause any negative effects to the society and environment. Operating Risk Management department was set up to monitor and ensure effective risk control of the company. (see more details in Section 9.7.1 Corporate Governance, Part 2 Section 9 Management)

2. Anti-corruption

TISCO Group emphasizes on Corporate Governance policy and has followed this path with high standard for more than 45 years. Therefore, we are ready to bring our knowledge and idea into practice. In 2010, TISCO Group signed a mutual

agreement with the Private Sector Collective Action Coalition Against Corruption in “Private Sector Collective Action Coalition Against Corruption Seminar” hosted by Thai Institute of Directors Association (IOD), Thai Chamber of Commerce (TCC), Joint Foreign Chambers of Commerce (JFCCT), the Listed Companies Association, Thai Bankers’ Association, Federation of the Thai Capital Market Organizations and Federation of Thai Industries to create awareness against corruption in Private Sector. This national project was well-supported by Office of the National Anti-Corruption Commission and Center for International Private Enterprise (CIPE). TISCO was certified as allies of the Thailand’s Private Sector Collective Action Coalition Against Corruption on October 8, 2013.

In 2011, TISCO Group has launched the additional plan in the company’s “Anti-corruption policy” to guide our group of companies to practice with honesty, efficiency and effectiveness and ready to support Private Sector’s anti-corruption activities every year. (see more details in Section 10.5 Anti-corruption Guideline).

3. Respect on Human Rights

TISCO Group operates its business by strictly respect to human rights principles, placing in mind that a successful business must operate with ethics and humanity. TISCO Group believes that everyone is entitled in full equality. Hence, the company respects the rights and benefits of its employee and all group of involved party equally.

TISCO Group treats all shareholders fairly and equally. All shareholders received important and accurate information at the same time. TISCO Group has introduced a Cumulative Voting process, which all minority shareholders take part in nominating and appointing Independent Directors to ensure transparency and equitable treatment.

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

4. Labor Justice

TISCO Group views is human resources as the beginning of value-creation and plays a large part in helping the company to remain competitive, as well as helping to build lasting growth. Therefore, 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.

TISCO Group promotes employee engagement by implementing company intranet network within the company. Moreover, TISCO Group is a host of other benefits including the following: medical expense, reimbursement, life insurance, tuition reimbursement for employee’s children, provident funds, supporting fees for professional development course, giving appropriate salaries and remuneration, overtime fees, hire purchase fee, hire purchase loan services, mortgage loan services, emergency loan services, and other various monetary bonuses. In addition, TISCO Group also sponsors in employee’s sports activities and new year activities.

The group’s policies and objectives are delivered through “continuous training” and development programs including specific knowledge and skills training, basic training courses, and strategic policy training to enable our employees to easily adapt themselves to the company’s ethics.

TISCO Group also established TISCO Learning Center to train employees, develop courses for basic and specific knowledge and skill training including, and instill corporate values. In other words, TISCO Learning Center plays an important role in increasing organization competency. (see more details in Section 8.5 Personnel Development, Part 8 Management)

In 2013, the Human Resource & Organization Development department has continually arranged several training programs for TISCO employees throughout the year. TISCO held 123 in-house courses with 45,743 training hours, and 158 outside training programs of 8,075 training hours. In total, the company provided 281 training programs using 53,818 training hours.

5. Responsibility on Consumers

TISCO Group aims to operate its business with the highest ethical standards and exert effort to respond to all financial needs to create wealth and sustainable value for consumers, shareholders, employees, and society. For the past 45 years, TISCO has focused on providing financial service in every business with professional expertise. We place great importance on customer centricity to respond to customers’ needs with a wide range of products. To maximize client value, 4 pillars of focused business areas serving key clients and all stakeholders have been identified, comprising of Retail Banking, Corporate Banking, Wealth & Asset Management, and Corporate Affairs & CSR.

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

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

6. Environmental Conservation

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

TISCO Group signed the agreement to support and to be a part of United Nations' environmental services in 1992 since we realized the strong connection between community and environment, business profit and sustainable development. In addition, in 1991, TISCO started its first reforestation project and has continued to do so as an annual activity for almost 20 years with management and staffs joining the activities for public benefit. (see more 10.4 CSR After Process)

7. Community and Social Development

More than 45 years, TISCO Group has been committed to sustainable development of the society by providing long-term support on charitable projects. TISCO voluntary groups work as a team in both long-term projects, which are tree-planting project, nationwide blood donation, Thai Contemporary art support project. In 2013, TISCO followed its Financial Literacy to Society project aspiration by initiating "TISCO Fun-nancial Champion" program. TISCO Groups also initiated several ongoing projects such as "Promoting Self-Sustainability in the Community" project and "TISCO for Teaching Enhancements project. Moreover, TISCO Group continuously supports special charity projects such as flood relief activities by granting business start-up fund for flood victims, school supplies and construction funds. In 2013, TISCO also donated start-up fund to the flood victims also supported a construction of a "TISCO RuamJai" building at Cholapratan Anukroh School in Ayutthaya, replacing the flood-effected building in 2011.

TISCO Group's community and social support has continuous and systematic plan to create sustainable development. 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. (see more 10.4 after process).

8. Innovation from Social Works

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

10.3 Social and Environment Affect Business

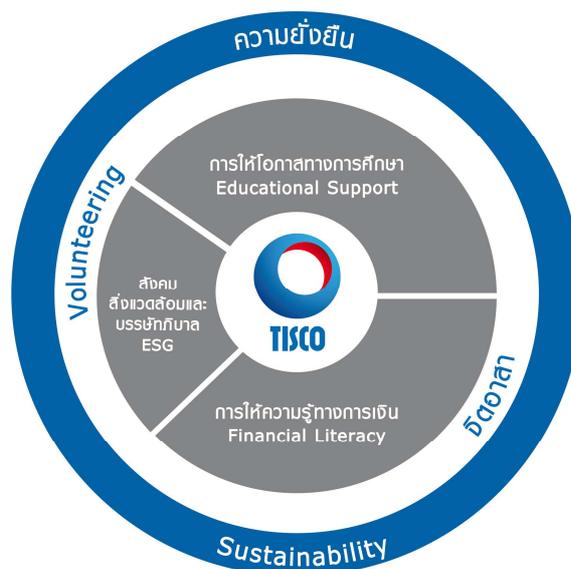
TISCO Group has placed high standard on responsibility to the customers. The company's lease purchases contracts as well as other transactional contracts are widely accepted and meet the standards of the Office of the Consumer Protection Board to ensure fairness and maximum benefit to customers.

Corporate Compliance department has been set up to monitor and handle customers' complaints issues with highest standard to make sure that customers would receive fair treatments. Therefore, TISCO Group's business has never been accused of doing business with negative effects on the company's CSR framework.

10.4 Corporate Social Responsibility for Society and Environment (After Process)

TISCO Group always emphasizes to a long-term project to achieve sustainable development. From 2013 onward, TISCO Group has implemented a new CSR Roadmap consisting of 3 main cores as follow:

TISCO Group's Social Responsibility Roadmap



1. Educational Support: TISCO Group has continuously been giving educational support to needy students nationwide since education is a tool to elevate people's quality of life. TISCO Group has been granting scholarships to need students, providing fund to enhance teacher's teaching skill as well as supporting teaching tools and construction of school building to underprivileged schools nationwide.

2. Social Financial Literacy: As a financial institute, TISCO Group dedicates to use its financial expertise to reduce personal finance illiteracy in the society. A research from Bank of Thailand (BOT) showed that financial knowledge among Thai people is still under average especially personal finance knowledge. Therefore, TISCO Group aims to fill this gap by developing its own financial literacy programs for Thai youths and community. The programs were supported by TISCO Group voluntary staff.

3. Environment, Social and Governance – ESG: TISCO Group promotes ESG activities in order to create "Volunteer Spirits" among employees i.e., environmental activities, cultural activities, social activities and especially anti-corruption activities. TISCO Group's CSR projects have been driven by the "Volunteer Sprits" of the employee with supervisions given by the company's board of directors. TISCO Group also regularly joins local community activities together with its network and alliances and supports CSR activities by TISCO Bank branches nationwide to create sustainable development.

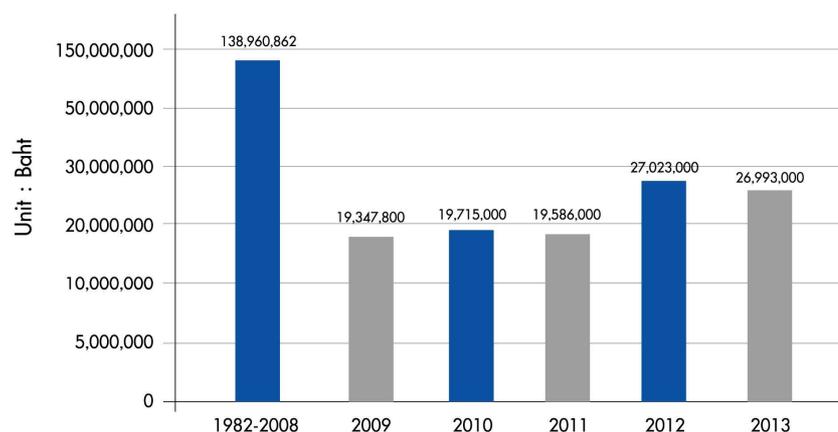
CSR Highlight in 2013

1. Educational Support

1.1 Educational Scholarship

For more than 30 years, TISCO Group has been granting educational scholarship to needy students nationwide through TISCO Foundation for Charity that was established in 1982 to work towards the long-term goal of improving society and the nation. 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.

TISCO Foundation's Education Support



In 2013, TISCO Foundation provided 7,068 scholarships at the total amount of 26,993,000 baht to needy students at every level throughout the country. Among these scholarships, 3,922 scholarships have been continuously granted, and 3,146 to the new recipients as follow:

- Primary school students	458	scholarships
- Secondary school students	5,716	scholarships
- Vocational school students	397	scholarships
- University students	408	scholarships
- Other levels	89	scholarships

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 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 2013, TISCO Foundation's staff went on field trips to follow up scholarships Performance nationwide as follow:

- Central Region: Lam Sonthi Kindergarten School, Ban Sap Hin Khwang School, Ban Tha Manao School, Ban Sap Champa School, Ban Huai Lam School, Thawaranukul School, Wang Klai Kang Won School, Bannongkam School, Kuiburi Wittaya School, Phra Chom Klao College Of Nursing

- North Eastern Region: Ban Nong Saphang School, Nakhawitthaya School, Si Suk Phitthayakhom School, Sarakhampittayakhom School, Ban Na Lao School, Changhan Thittawiriya Prachasan School, Chang Phueak Witthayakhom School, Ban Nong Laeng School, Bunluawittayanusorn School, Kritsana Wittaya School

- Northern Region: Thetsaban Wat Si Suphan School, Anusansunthorn School for the deaf, Thammarat Suksa - Wat Pra Singhaworavihan School, Mae Rim Witthayakhom School, Chiangmai College of Dramatic Arts Model, Mahamakut Buddhist University – Lanna Campus, Samakhi Witthayakhom 2 School, Sahasat Sueksa School, Ban Du School (Saharat Phatthanakhan), Bahn Pa Bong School, Doi Ngam Subdistrict Administration Organization School (San Chang Tai), Phan Phiset Phitthaya School, Sueksa Songkhro Mae Chan School

1.2 "Teaching Enhancement Project"

"Teaching Enhancement Project" was initiated after receiving the direct and indirect messages about the shortage of Thai teachers in Mathematics, Technology and English fields in schools in both qualitative and quantitative aspect. Even though the public sector is trying hard to fill the gap, it still needs cooperation from every section in the society. TISCO Group would like to take part in solving this problem and help enhancing teaching ability and elevating Thai education standards.

In 2012, TISCO and the Institute of the Promotion of Teaching Science and Technology (IPST) launched "Enhancing of Mathematics Teaching program". TISCO Group firstly provided a 3-year training course for Mathematics teachers in primary schools. Participating teachers would spend 3-4 days each semester to creating systematic teaching plan for each school semester which has plan as below:

Year	2012	2013	2014	2015
Schedule	October (2 nd Semester)	April (1 st Semester)	October (2 nd Semester)	April (1 st Semester)
Level	Prathom 1 and 4, 1/2 time	Prathom 1 and 4, 2/2 time	Prathom 2 and 5, 1/2 time	Prathom 3 and 6, 2/2 time

As of 2013, there were 69 teachers from Prathom 1 – 5 from 28 schools nationwide participating in this program. 33 teachers from Prathom 1 and 4 from 19 schools received the Certification of Accomplishment of the program. Moreover, more Prathom 2 and 5 teachers gained their interest in joining the program, increasing to 47 teachers from 26 schools.

The follow up evaluation found that Prathom 1 and 4 teachers have applied the program's teaching plans to their teaching. Even though, the test results from the students have not yet showed the clear improvement they received from the new teaching plans, the teachers agreed that students gained more interest in Mathematics class. Teachers found that teaching tools and teaching plans helped captivating students' attention. Furthermore, the teaching technique helped teachers who did not have teaching experience or did not graduate in Mathematics gain more confident in teaching.

Not only the the teaching plans were useful for participating teachers, but the participants also shared knowledge to other teachers. Participating teachers from Ban Mai Sang Nam School in Mae Hong Son Province informed that they have promoted the teaching plans and techniques to other 11 neighbor schools. Teachers from Srisuphan School, Chiangmai informed that they and the school's teacher-externs use the knowledge to develop their own teaching plans.

Name of the schools that enrolled in the program;

1. Mae Hong Son Province: Ban Thung Kong Mu School, Ban Nam Rin School, Ban Mae Ki, Baan Sop Soi School, Ban Mai Sang Nam School, Ban Nong Haeng School, Baan Huai Sing School
2. Chiang Mai Province: Srisuphan School
3. Phayao Province: Ban Pua Si Phrom School
4. Nan Province: Ban Hat Khet School, Ban Rim Fang Nan Wittaya School
5. Phichit Province: Wat Wangwa School
6. Nakhorn Sawan Province: Tessaban 3 (Wat Sangtham Sutharam) School
7. Lopburi Province: Ban Sub Jumpa School, Banwangphai School, Thadindam School
8. Ayutthaya Province: Cholpratan Anukroh School, Wat Thang Yao School
9. Pathum Thani Province: Wat Suwan Jin Daram School
10. Nakhon Pathom Province: Ban Kratum Lom School
10. Chonburi Province: Ban Soet Samran School
11. Amnart Charoen Province: Ban Khok Sawas Nong Song Hong Don Dang School, Ban Kham Kha School
11. Nakhorn Sri Thammarat Province: Wat Suwan Khosit School, Ban Kum Pre School
12. Trang Province: Wat Tha Klong School, Ban Nong Wa School

1.3 School Reconstruction and Renovation Projects

In 2013, TISCO Group supported 4 school reconstruction and renovation projects as well as supported teaching tools and educational equipments as follow:

1. Support in the construction of a new school building, futsal field and school restroom at Cholapraton Anukroh School, Ayutthaya Province

TISCO Group has been supporting in the reconstruction and renovation of the flood-affected schools since 2011. The main project was the construction of "TISCO Ruam Jai" building, a 3-storey school building, with 6 standard classrooms and 1 multi-purpose room. The ground floor of the new building serves as a hall to prevent damages from the floods. The objective of

this project was to encourage students and teachers and to improve their education standard to enable them to develop their communities. TISCO Group being the main sponsor, received supports from TPI Polene Public Company Limited., Siam Art Ceramic Co., Ltd., Lighting and Equipment Public Company Limited, Bangkok Cable Co., Ltd. The construction was completed in August 2013.

Moreover, TISCO Group supported the construction of the futsal field in front of the school building to promote anti-drug and sport activities in the community and supported renovation of the schools' bathroom.

2. Support in the construction of kindergarten building at Ban Tha Manao School, Lopburi Province

TISCO Group supported for the construction of 1-story kindergarten building at Bann Than Manao School. The old school building was affected from the flood in 2011 and did not pass the standard of the National Education Standards and Quality Assessment (ONESQA). The funding was from TISCO Group and from the donated money via "TISCO to support Thai education" charity account. The construction would be completed in the first semester of 2014 Academic Year. Moreover, TISCO Group also supported educational tools and the construction of roofed walkway from school building to restroom building.

3. Support the construction of restroom building at Ban Sang School, Ayutthaya Province

TISCO Group supported the construction of 4 toilet rooms situated next to the school building at Ban Sang School in Ayutthaya since the old restroom building was not in hygienic condition and situated far from the school building

4. Support the renovation of Mae Fah Luang Highlander Community Education Center, Chaing Mai Province

TISCO Group supported the renovation of Mae Fah Luang Highlander Community Education Center under the Office of Non-formal and Informal Education since the construction of the old 1-classroom building was in damaged condition and had safety concern. This new building served as a teaching center for Highlanders to help elevating their quality of life. The construction also received support from the community.

1.4 Support education with alliances and network

To welcome the upcoming ASEAN Economic Community (AEC) and to promote foreign languages learning among Thai students, TISCO Group supported the construction of International Education Building at Thammasat University, Rangsit Campus. TISCO Group also supported the English language books donations with Book for Thailand Foundation, and also supported Sem Pringpuangkeo Foundation for AIDs orphans in foster care. TISCO also supported the printing of the alumni year book for Faculty of Medicine, Mahidol University.

2. Social Financial Literacy

TISCO Group realized that Thai people were still lacking of personal finance knowledge. As a financial institute, TISCO Group aimed to use its financial expertise to solve the problem and to serve as the communities' financial advisor. This idea paved TISCO Group's Corporate Social Responsibility direction in 2013. During the year, TISCO's volunteer staff have initiated financial planning programs, focusing on Thai youths which were:

2.1 "TISCO Fun-nancial Champion" Project

"TISCO Fun-nancial Champion", an activity-based personal financial learning program for High school students, to build awareness in financial planning in daily life among youths program, was adapted from the Stock Exchange of Thailand (SET) and the Bureau of Academic Affairs and Educational Standards' financial planning program in 2004. The adapted program was the mixture of useful financial planning, financial knowledge as well as activity-based learning i.e. spending, debt and saving techniques, which were taught by TISCO voluntary staff who had strong financial knowledge background.

The first part of the program was the 5 days 4 nights learning camp at TISCO Tower in Bangkok where 80 students (40 teams / 2 students 1 team) from nationwide learned about financial knowledge through both outdoor and indoor activities. The students had opportunity to explore the real financial world and real working life. The second part of the program was the after-camp idea contest. The students had to submit their initiated financial idea reports on how they promoted the financial knowledge to their schools and communities after finishing the camp for 3 months. The final 5 teams who pass the preliminary round would receive scholarships and trophies.

There were 362 teams (2 students/ team) from 200 schools nationwide who applied to the program, including those from the 3 Southern Border Provinces. The selected 40 teams who passed to the camp were chosen from their interests in financial knowledge and their plans to promote the knowledge they gained from the camp to their real life.

After the camp, 22 teams from 40 teams (approximately 50%) submitted the idea contest reports. The overall reports were satisfying. For one thing, the camp helped students to have better understanding about financial planning, for another thing some students could promote their knowledge to friends and communities and help them to realize the importance of financial planning. After a careful selection, the final 5 teams were selected to the preliminary round: Loei Phitthayakhom School (Loei Province), Kumphawapi school (Udon Thani Province), Phon Thong Phatthana Witthaya School (Roi Et Province), Debsirin Chiang Mai School (Chiang Mai Province), Yupparaj Wittayalai School (Chiang Mai Province)

The 5 final teams gathered to present their initiated financial ideas to the judges at TISCO Tower, Bangkok. The judges were TISCO Group Board of Directors, Management Level and voluntary working group. The students' presentations showed that each team had similar yet distinctive financial ideas. i.e. Debsirin Chiang Mai School where there were approximately 300 students in total could set up a school saving club and made 80% of their students to join the club. They also created Facebook's fanpage to share their saving ideas. Some promoted the ideas to their neighbors and communities. Some applied the knowledge to other subjects i.e. in Thai subject, P.E. subject, English subject. Debsirin Chiang Mai School was winner of the 2013 TISCO Fun-nancial Champion project. The second place went to Loei Phitthayakhom School (Loei Province) from their saving memos and the 3rd place went to Yupparaj Wittayalai School (Chiang Mai Province) from their road show.

2.2 "TISCO Young Financial Planner" Project

TISCO Group has initiated TISCO Young Financial Planner program, a financial learning program for university undergraduate students. The objective was to create readiness for the students for the real working world. The program was developed from TISCO Fun-nancial Champion program but offered broader and more advanced financial knowledge. The project provided useful financial investment knowledge and self-preparation for the working world. The program was taught by TISCO voluntary staff who had strong background of financial knowledge and financial advice. The program was divided into 2 parts: **1. 5 days 4 nights learning camp:** at TISCO Bank Headquarter, and **2. Idea Contest:** The students had to initiate a new ideas to promote financial knowledge to community and submit the reports to TISCO Group. The winner would receive scholarship and trophy. The financial ideas would later be used by TISCO Group to promote financial literacy to community in the future.

This project was planned and scheduled in 2013, however since there were ongoing political demonstration in Bangkok, the program was postponed and scheduled to launch in 2014.

3. Environment, Social and Governance – ESG

Social

3.1 Blood Donation

TISCO Group and the Thai Red Cross Society have organized blood donation for over 29 years to give opportunities for employees, customers, and the public to participate in the activity every quarter at its Head Office, North Sathorn. The activity has also been held at our branches across the nation. In 2013, the blood donation events were held 13 times and we received 4,674 units of blood or 1,739,100 cc., which is the highest record of blood donation since we launched the activity. The donations helped more than 16,000 of critical patients.

Blood Donation Record from 2009 – 2013				
Year	No. of Time(s)	Amount of Blood		
		Units	cc.	
2009	17	3,231	1,243,100	
2010	12	2,840	1,136,200	
2011	11	2,743	942,050	
2012	16	4,429	1,726,650	
2013	13	4,674	1,739,100	

3.2 Promoting Self-Sustainability in the Community Projects

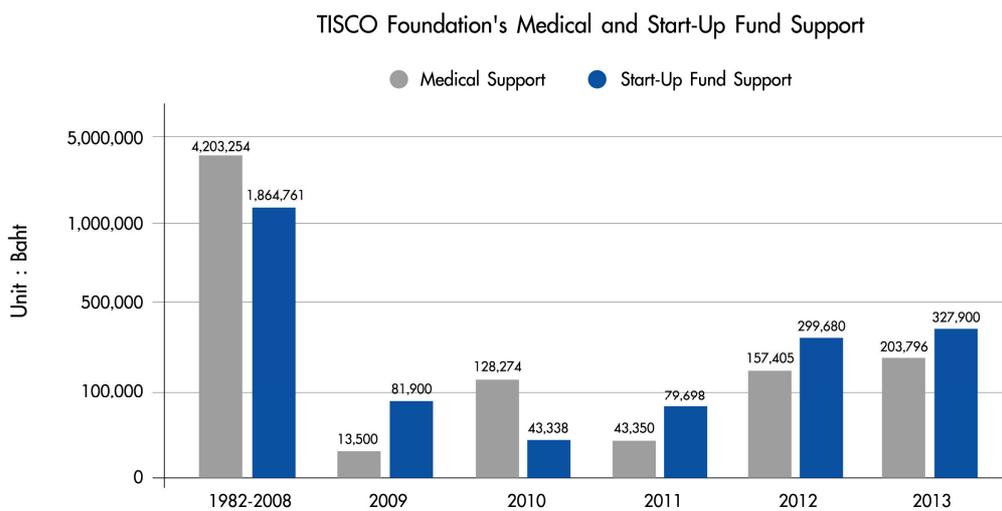
This project was initiated by following His Majesty the King's Self-Sufficiency economy philosophy and TISCO Group Corporate Social Responsibility commitments. This project was created to support developing local products that meet market need in the communities and to teach marketing and management knowledge to them. In 2013, TISCO Group selected projects according to the local resources and community's interest in consumer goods and commodity goods.

Reed Mat Production as a souvenir, Amphur Ranuon, Konkean Province: TISCO Group and Faculty of Decorative Arts, Silpakorn University launched a research on reed mat product development. Participants of this project brainstormed and exchanged ideas and mat weaving technique and shared various ways to develop product with local community. This project was

also a demonstrative training for the Decorative Arts students in designing modern patterns for the reed mat. Moreover, they developed the mat dying technique by using Nano Zinc Oxide technology that reduces mat mold from Collage of Nanotechnology, King Mongkut’s Institute of Technology Ladkrabang for business innovation.

3.3 Medical Fund and Start-up Fund

TISCO Group has established TISCO Foundation for Charity in 1982 to work towards the long-term goal of improving society and the nation. Apart from granting scholarships to needy students, TISCO Foundation also grants medical fund such as providing artificial organs and prostatic products to destitute patients. Furthermore, TISCO also provided business start-up fund for underprivileged people to promote self-reliance. During the year contribution for medical fund were 203,796 baht and 317,900 baht for business start-up fund.



TISCO Foundation for Charity is a non-profit organization established by TISCO Group to work on a full-time basis for social development works. The foundation has been registered as foundation no. 379 under the Ministry of Finance as such receipts from the donation can be applied for tax deduction.

3.4 Support Social Activities with network

In 2013, TISCO Group supported Social Activities with its Network which were; supported the breast cancer research to the Queen Sirikit Center for Breast Cancer, King Chulalongkorn Memorial Hospital, Thai Red Cross Society. Supported Anti-Drug activities to Tung Mahamek Police Station, Supported the Foundation for the Blind in the 'Chasing Your Greatest Dreams' to Honor Her Majesty the Queen project, Chulalongkorn University. Supported participants from Poom Palung Pandin 2 program and supported Pranangkla Foundation. Supported Post Publishing Co., Ltd, for the Chaipattana Foundation, supported Tan Hoon newspaper for the Thai Air Force Welfare Funding. Supported Phee Phua Nong by group of insurance reporters and supported Special Olympic Thai, Thai Amateur Weightlifting Association and Bangkok International Trade and Exhibition Centre’s marathon.

3.5 Art, Religious and Cultural Support

1. Thai Contemporary Art Support

TISCO Group has been a pioneer and continuous supporter of Thai contemporary art since 1970. The company realizes that a vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, Thai contemporary and modern arts, TISCO Group consistently support a number of initiatives and collected more than 400 Thai contemporary and modern art works. 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.

Additionally, TISCO Group has established a website: www.tiscoart.com to function as online electronic art gallery to display contemporary Thai art works to the public.

2. Religious Support

TISCO Group continues to support important religious traditions. In 2013, TISCO Group hosted the Kathin ceremony of presenting yellow robes to the Buddhist monks at the end of the Buddhist Lent at 5 temples nationwide which were: Wat Nong Ngu Luam in Chonburi Province, Wat PaThummasuk in Chantaburi Province, Wat Kriang Krai Klang in Nakorn Sawan Province, Wat Sa Prasan Suk in Ubon Ratchathani Province, Wat Tharuea in Phuket Province.

3. Other Art, Religious and Culture Support with network

TISCO Group supported the construction of Collage of Music, Mahidol University's "Prem Dontri Hall" project. The project symbolized the Southern provinces' civilization. TISCO Group also supported Bangkok Symphony Orchestra for classical music and team work.

Environmental Conservation

3.6 Reforestation Project

TISCO Group has continuously organized annual reforestation and forest preservation activities since 1991 to promote awareness and encourage its employees to take their parts in the environmental activities.

- Launched "**Brackish water Mangrove Reforestation**" project with "Look Phra Dabos Samut Prakarn under the Royal Initiative of His Majesty the King". Around 120 of TISCO employees from Bangkok and its vicinity planted 1,500 plants such as Lumpin tree, Taboonkhao tree, Samor Talay tree, Po Talay tree, Prong Dang tree, Fad Dok Dang tree covering 2 rai in Chalerm Phakiat Public Park, Samut Prakarn. TISCO Group also organized integrated farming activities following the Royal initiative on sufficiency economy and the sufficiency economy study for Dabos students, as well as supported woodworking class in Phra Dabos School. Moreover, the project also helped promoting agricultural technology, promoting agritourism and was a training site for students, farmers and the public.

- "**Seedling Learning Project**" with Nakhorn Ratchasima Culture Plant Center of Royal Forest Department, the biggest culture plant center in Thailand. TISCO Group supported 5,000 seedlings to the department

Reforestation Project	Amount (tree)	Area (Rai)
From 1991 to 2011	346,500	1,098
2013	1,500	2
Total	348,500	1,100

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

Corporate Governance

3.7 Support Corporate Governance

TISCO Group respects the rights of shareholders. The company is committed to ensure equitable treatment to all stakeholders so that they can fully exercise their rights. Corporate Governance Code of Conduct is set up to provide guiding principles of good corporate governance in order to ensure that the company complies with all relevant laws and regulations and carries out duties with maximum accountability, transparency and equitable treatment to all stakeholders. (see more: Section 2 Part 9.1)

In 2010, TISCO signed mutual agreement with the Private Sector Collective Action Coalition against Corruption in Private Sector Collective Action Coalition Against Corruption seminar hosted by Thai Institute of Directors Association (IOD). Moreover, in 2011, TISCO Group has launched the additional plan in the company's "Anti-Corruption policy" to guide the group of companies to practice with honesty and efficiency. In 2013, TISCO was certified as allies of the Thailand's Private Sector Collective Action Coalition Against Corruption. Moreover, TISCO Group had exhibited the company's anti-corruption and corporate governance policy at the National Anti-Corruption Commission seminar and the Thai Institute of Directors Association (IOD) seminar. TISCO also

participated in the anti-corruption activities annually i.e. "ACT Now Rally" at Siam Paragon Department Store and "Walk-Fun-Run-Bike Anti Corruption 2013" by Anti Corruption of Thailand (ACT).

Summary of Corporate Social Responsibility Donations and Supports in 2013

Objective	Activities	2010	2011	2012	2013
1. Educational Support	Educational Scholarship*	19,715,000	19,586,000	27,023,000	26,993,000
	TISCO for Teaching Enhancement			312,505	767,310
	School Reconstruction				1,950,581
	Special Activities	560,000	382,000	36,065	
2. Financial Literary	TISCO Fun-nancial Champion			384,811	3,786,995
3. ESG Activities Support	Blood Donation	75,000	37,500	334,794	229,600
	Self-reliance in the community			787,720	302,279
	Medical Support and Start-up Fund *	171,612	123,048	457,085	531,696
	Cultural Support	6,193,999	1,886,899	2,192,799	1,460,999
	Reforestation	1,985,000	603,087	1,160,437	329,803
	Corporate Governance				389,309
	Activities with Network	1,400,000	1,221,473	1,144,131	3,445,000
	Flood Relief Activity	2,852,000	12,752,684	6,759,840	286,242**
	TOTAL		32,952,611	36,592,691	40,593,187

Remarks

* TISCO Group donated 7.5 million baht through TISCO Foundation for Charity in 2013.

**Flood Relief Activity was 2011-2012's budget. The projects were completed in 2013.

The Committee's Planning and Implementation for Corporate Social Responsibility

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.

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

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

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.

10.5 Anti-Corruption Guideline

TISCO Group emphasizes on Corporate Governance policy and has followed this path with high standard for more than 45 years. In 2011, TISCO Group has launched the additional plan in the company's "Anti-Corruption Policy" to guide the group of companies to practice with honesty, efficiency and effectiveness and ready to support Private Sector's Anti-Corruption activities every year.

In 2010, TISCO signed mutual agreement with the Private Sector Collective Action Coalition Against Corruption in Private Sector Collective Action Coalition Against Corruption seminar hosted by Thai Institute of Directors Association (IOD), Thai Chamber of commerce (TCC), Joint Foreign Chambers of Commerce (JFCCT), the Listed Companies Association, Thai Bankers' Association, Federation of the Thai Capital Market Organizations and Federation of Thai Industries to create awareness against corruption in Private Sector. This national project was well-supported by Office of the National Anti-Corruption Commission and Center for International Private Enterprise (CIPE)

TISCO will assess risk related to corruption, implement compliance program and provide business conduct guidance to directors, senior managements and all level of employees to fight against corruption, with details as follows:

1. Place "Integrity" as the company's core values. All of TISCO Group's employee conduct themselves with honesty and follow the code of ethics of the highest standards
2. Evaluate the company's annual Corruption Risk Evaluation during the company's annual Risk Assessment Evaluation
3. Adjust the level of the company's Anti-Corruption policy to the result of the annual Risk Assessment Evaluation and implement the company's bribery policy
4. Provide Anti-Corruption training programs to employee to promote integrity, honesty, and accountability in the exercise of their duties and responsibilities and add "Anti-Corruption Policy" into Competency KPI report
5. Provide appropriate channels of communication to the employee and other stakeholders to report suspicious circumstances in confidence without risk of reprisal, and a designed officer will be tasked with investigating all report received.
6. TISCO Group's top executives take part in promoting Anti-Corruption activities with other organizations. For example. Collective Action Coalition and "Walk-Fun-Run-Bike Anti Corruption 2013" on Dec 15, 2013 at Sanam Luang

For further Anti-Corruption policy was disclosed on TISCO's website at <http://www.tisco.co.th/en/aboutus/governance.html>

In 2013, TISCO Group received 2 awards, representing the company's integrity and successful anti-corruption policy which were:

- **NACC Integrity Awards 2012:** TISCO Financial Group received NACC Integrity Awards for the year 2013 by the office of the National Anti-Corruption Commission. The National Anti-Corruption Commission (NACC) organized the Integrity Award to honor and support those with ethics and integrity and transparency.
- **Certificate of Membership by CAC Council:** TISCO Group received the certificate of membership by Collective Action Coalition Against Corruption. TISCO Group has met the commitments to the CAC declaration on anti-corruption by putting in place good business principles and control against bribery and now a full member of CAC

10.6 Honors & Awards in 2013

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

NACC Integrity Awards 2012

TISCO Financial Group received NACC Integrity Awards for the year 2012 by the office of the National Anti-Corruption Commission. The National Anti-Corruption Commission (NACC) organized the Integrity Award to honor and support those with ethics and integrity and transparency. The ceremony was held in August 2013.

Aon Hewitt Best Employers in Thailand 2013

TISCO Financial Group received "AON Hewitt Best Employers in Thailand 2013" award from Aon Hewitt (Thailand), the global leader in human resource consulting, in collaboration with Sasin Graduate Institute of Business Administration of Chulalongkorn University. The award ceremony was held at the Westin Grande Sukhumvit Hotel.

Board of The Year 2013

TISCO Financial Group received 2 prestigious awards from "Board of the Year Awards 2013" ceremony, Board of the Year for Distinctive Practices and Audit Committee of the Year from the Thai Institute of Directors Association (IOD), in collaboration with the Stock Exchange of Thailand (SET), The Thai Chamber of Commerce, The Federation of Thai Industries, the Thai Bankers Association and the Listed Companies Association. The award ceremony was held to honor the top performing boards of the SET listed companies and helped promote good corporate governance practice.

Top Corporate Governance Report Awards 2013

TISCO Financial Group received SET Award of Honor in Top Corporate Governance Report Awards category 2013 from the SET Awards 2013, organized by the Stock Exchange of Thailand and Money and Banking Magazine. The Award was presented to listed companies with outstanding corporate governance reports for more than 3 consecutive years considering information disclosed in the Annual Report, Annual Registration Statement (Form 56-1), AGM Notice to shareholders and AGM minutes.

Outstanding Investor Relations Awards 2013

TISCO Financial Group received Outstanding Investor Relations Awards 2013 from the SET Awards 2013, organized by the Stock Exchange of Thailand and Money and Banking Magazine. The Award was presented to listed companies that have excellent performance in investor relations

Outstanding Securities Company Awards 2013 - Retail Investors

TISCO Securities received Outstanding Securities Company Awards 2013 - Retail Investors from the SET Awards 2013, 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.

Outstanding Securities Company Awards 2013 – Institutional Investors

TISCO Securities received Outstanding Securities Company Awards 2013 – Institutional Investors from the SET Awards 2013, 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.

11. Internal Control and Risk Management

11.1 Overview of Internal Control

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.

Overview of Internal Control System and Risk Management

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 Bank, 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 Bank 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.
2. The Audit Committee of TISCO Financial Group independently reviews the assessment of the adequacy of the TISCO Bank'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.

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

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

- 1) *Control Environment*
TISCO Bank has developed appropriate control environment to ensure the sound internal control system. The Board of Directors and Senior Management set tone at the top and incorporate integrity into corporate core values and code of conduct for the Board and staff. The Board is independent from the Management and is accountable for an oversight of the development and performance of internal control. The Management establishes structures, reporting lines, authorities, and responsibilities to drive the pursuit of business objectives under supervision of the Board. On human resource management practice, TISCO Bank demonstrates a commitment to attract, develop, and retain competent individuals in alignment with the objectives.
- 2) *Risk Assessment*
TISCO Bank places great importance on effective risk management and controls. The Risk Management Committee is delegated to be responsible for establishing effective risk management policies, prudent risk management guidelines and limits. The Risk Management Committee assesses and measures risks, particularly in the areas of credit, market, funding, operational and fraud risks. With effective risk management framework and system in measuring and monitoring risks, risk reports are routinely provided to the senior management and relevant business units. Compliance to the risk management guidelines and limits is regularly monitored by risk management function while overall risk management process is also examined by independent internal auditors on regular basis.
- 3) *Control Activities*
To manage potential risk to be at the optimum level, TISCO Bank selects and develops the appropriate mix of control activities for each environment and operations including development of clear role and responsibilities, segregation of duties through policies and procedures, as well as control activities over technology. In regard of related transaction, the transaction is on arm's length basis in accordance with the principles of good corporate governance and the Bank's related party transaction policy. The Company also regularly monitors the operation of subsidiaries.

4) *Information and Communication*

In order to support the achievement of objectives, TISCO Bank selects and develops communication processes to provide quality and sufficient information to both internal and external parties. TISCO Bank also establishes the whistle-blowing communication channel to receive information regarding matters affecting the functioning of other components of internal control.

5) *Monitoring Activities*

TISCO Bank has established ongoing and separate evaluations of internal control process to ascertain whether the components of internal control are present and functioning. The internal control deficiencies shall be reported and communicated in a timely manner to the responsible person for taking corrective action, including senior management and the board of directors, as appropriate.

11.1 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 2/2014 on February 7, 2014 where the 7 members of independent directors and 3 members of Audit Committee 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 7.

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

Audit Committee has agreed with Board of Directors' report on Internal Control System and had no comments on the internal control system. The details are provided in Attachment 5 Report of Audit Committee. Moreover, in year 2013, Ernst & Young Office Limited as independent auditor of the Company had no comments on the internal control system.

11.3 Head of Internal Audit Unit and Head of Compliance Unit

In accordance with TISCO Group's Corporate Governance Policy, TISCO Bank has outsourced all governance and support function from the parent company whereby the parent company appoints Heads of Function as follows;

(1) Head of Internal Audit

In the Audit Committee Meeting No. 12/2012 on December 3, 2012, Miss Jiraporn Sawsukpaiboon was appointed as a Head of Internal Audit, effective on February 1, 2013, considering that Ms. Jiraporn is well experienced in TISCO internal auditing work and in assisting all the matters about the Audit Committee meeting. Regarding the Audit Committee Charter, the Audit Committee is responsible for appointment, dismissal and transfer a Head of Internal Audit. Qualification of the current Head of Internal Audit is provided in the Attachment 3.

(2) Head of Compliance

TISCO Bank appointed Mrs. Sakornrat Manuwong to be a Head of Compliance – Banking Business to support the Compliance and Operation Control Committee to ensure TISCO Bank compliance to related laws and regulations. Compliance Function is under supervision of Governance Office which is headed by Mr. Pairat Srivilairit. Qualification of the current Heads is provided in the Attachment 3.

12. Related Party Transactions

In 2013, the Bank had business transactions only with the companies in TISCO Group. These transactions were the supporting transaction for normal business operation of TISCO Group, according to the consolidated supervision principle by the Bank of Thailand. The transactions did not incur any conflict of interests, and disclosed in the notes to financial statement item 3.34.

12.1 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.

12.2 Future related transaction policy

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

Part 3

13. Key Financial Information

13.1 Financial Statements

Summary of Auditor's Report

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

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2011 and December 31, 2012 was Ms. Ratana Jala, Certified Public Accountant (Thailand) No. 3734, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2011 and 2012, the results of the operations, and cash flows in accordance with Thai Financial Reporting Standards.

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2012 and 2013

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, 2012 and December 31, 2013 was Ms. Ratana Jala, Certified Public Accountant (Thailand) No. 3734, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

Based on the independent auditor's audit, the financial statements presented fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2012 and 2013, the results of the operations, and cash flows in accordance with Thai Financial Reporting Standards.

Table Depicting the Financial Statements of the Bank

TISCO Bank Public Company Limited

Statement of Financial Position

As of

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Assets			
Cash	903,069	1,045,647	1,130,135
Interbank and money market items - net	29,983,895	31,370,138	52,777,951
Derivatives assets	22,450	41,863	28,220
Investments - net	2,595,951	4,912,832	10,029,363
Investments in subsidiaries - net	46,911	43,956	-
Loans to customers and accrued interest receivables - net			
Loans to customers	196,934,575	261,696,683	307,220,484
Accrued interest receivable	222,666	322,266	493,055
Total loans to customers and accrued interest receivables	197,157,241	262,018,949	307,713,539
Less: Deferred revenue	(17,321,366)	(23,030,237)	(26,394,058)
Less: Allowance for doubtful accounts	(4,098,963)	(4,687,644)	(5,774,792)
Less: Allowance for loss on debt restructuring	(3)	(3)	-
Loans to customers and accrued interest receivables - net	175,736,909	234,301,065	275,544,689
Property foreclosed - net	257,736	266,241	114,923
Investment properties	-	63,139	16,067
Premises and equipment - net	518,331	392,541	742,371
Intangible assets - net	100,304	64,638	39,821
Deferred tax assets	103,387	-	-
Other assets	1,248,831	2,621,881	1,606,168
Total assets	211,517,774	275,123,941	342,029,708

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

	As of		
	Unit: Thousand Baht		
	December 31, 2011	December 31, 2012	December 31, 2013
Liabilities and shareholders' equity			
Liabilities			
Deposits	38,059,886	220,633,709	265,547,495
Interbank and money market items - net	10,857,981	9,943,228	12,283,394
Liability payable on demand	448,049	652,310	344,864
Derivatives liabilities	270,360	-	310,945
Debts issued and borrowings	143,786,767	21,565,619	36,955,619
Provision for long-term employee benefits	83,767	131,686	144,553
Deferred tax liabilities	-	45,690	119,720
Accrued interest payable	1,380,677	1,726,436	1,627,704
Income tax payable	-	257,464	302,283
Dividend payable	400,484	1,237,859	655,337
Other liabilities	2,425,738	3,726,262	4,165,434
Total liabilities	197,713,709	259,920,263	322,457,348
Shareholders' equity			
Share capital			
Registered	11,002,000	11,002,000	8,191,713
Issued and fully paid-up			
104 preference shares of Baht 10 each	1	1	1
819,171,178 ordinary shares of Baht 10 each	7,281,521	7,281,521	8,191,712
	7,281,522	7,281,522	8,191,713
Share premium of ordinary shares	130,451	130,451	1,120,738
Other components of shareholders' equity	106,410	3,383	244,503
Retained earnings			
Appropriated-statutory reserve	846,100	984,000	984,000
Unappropriated	5,439,582	6,804,322	9,031,406
Total shareholders' equity	13,804,065	15,203,678	19,572,360
Total liabilities and shareholders' equity	211,517,774	275,123,941	342,029,708

TISCO Bank Public Company Limited

Statement of Earnings

For the years ended

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Interest income	11,556,819	14,205,581	17,919,291
Interest expenses	(5,260,491)	(7,871,743)	(9,884,932)
Net interest income	6,296,328	6,333,838	8,034,359
Fees and service income	1,614,351	2,495,539	3,294,413
Fees and service expenses	(61,577)	(73,367)	(77,481)
Net fees and service income	1,552,774	2,422,172	3,216,932
Net gains (losses) on trading & foreign exchange transactions	58,599	146,047	16,963
Net gains (losses) on investments	24,637	117,933	38,592
Penalty fee income from loans	192,900	233,855	263,861
Income from business promotion relating to the hire purchase business	538,092	1,259,511	736,858
Other operating income	409,383	132,653	108,578
Total operating income	9,072,713	10,646,009	12,416,143
Expenses to business promotion relating to the hire purchase business	598,701	1,422,668	900,370
Total net operating income	8,474,012	9,223,341	11,515,773
Other operating expenses			
Employee's expenses	1,472,728	1,710,317	1,684,416
Directors' remuneration	480	480	160
Premises and equipment expenses	660,357	719,937	764,242
Taxes and duties	217,382	161,287	205,117
Supporting service expenses	802,810	1,029,720	1,102,927
Other operating expenses	448,172	491,518	523,190
Total operating expenses	3,601,929	4,113,259	4,280,052
Bad debt, doubtful accounts and impairment losses of debt securities	1,065,609	1,564,282	3,641,626
Profit (losses) from operating before tax	3,806,474	3,545,800	3,594,095
Income tax expenses	1,176,565	788,777	716,894
Profit (losses) for the year	2,629,909	2,757,023	2,877,201
Other comprehensive income			
Surplus (deficit) on change in value of available-for-sale investments	(15,708)	(507)	2,937
Gain on revaluation of assets	-	-	298,463
Actuarial gains (losses)	11,124	(20,655)	6,526
Cash flow hedges	128,277	(128,277)	-
Income tax effect	(18,245)	29,888	(61,585)
Other comprehensive income for the year	83,200	(119,551)	246,341
Total comprehensive income of the year	2,713,109	2,637,472	3,123,542
Earning per share			
Basic earnings per share	3.61	3.79	3.68

TISCO Bank public company limited

Cash flow statements

For the years ended

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Cash flows from operating activities			
Profit before income tax	3,806,474	3,545,800	3,594,095
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities			
Depreciation and amortisation	168,093	160,042	138,040
Bad debts and doubtful accounts	1,729,230	2,364,545	4,477,408
Allowance for impairment of investment (reversal)	(56,897)	(63,835)	(5,467)
Allowance for impairment of property foreclosed (reversal)	(248,232)	(315)	(17)
Gain (loss) on sale of investments	(76,876)	(51,248)	(36,200)
Unrealised (gain) loss on tradings and foreign exchange transactions	(48,362)	(29,340)	-
Loss (gain) on disposal of equipment	(6,518)	(4,786)	(2,227)
Gain on changes in value of investment properties	-	-	(7,445)
Gain on disposal of property foreclosed	(63,074)	(48,353)	(4,789)
Profit from hedging	-	(100,761)	-
Provision for long-term employee benefits	10,727	29,024	32,833
Decrease (increase) in accrued income	(5,729)	(25,456)	12,269
Increase in accrued expenses	678,701	557,526	69,786
Net interest income	(6,296,328)	(6,333,838)	(8,034,359)
Dividend income	(75,135)	(54,832)	(74,956)
Interest received	11,220,356	14,041,695	17,779,727
Interest paid	(4,162,767)	(6,807,295)	(8,729,185)
Dividend received	75,135	54,832	74,956
Income tax paid	(1,365,190)	(351,195)	(312,640)
Profit from operating activities before changes in operating assets and liabilities	5,283,608	6,882,210	8,978,082

TISCO Bank public company limited

Cash flow statements (Continued)

For the years ended

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Operating assets (increase) decrease			
Interbank and money market items	(17,332,883)	(1,546,724)	(21,404,812)
Loans to customers	(36,675,652)	(62,633,996)	(48,094,018)
Property foreclosed	862,018	1,560,219	2,590,686
Other assets	80,443	(888,506)	866,855
Operating liabilities increase (decrease)			
Deposits	(10,546,492)	182,573,823	44,913,786
Interbank and money market items	1,991,803	(914,753)	2,340,166
Liability payable on demand	(84,399)	204,261	(307,446)
Short-term borrowings	58,447,499	(118,824,948)	15,500,700
Provision for long term employee benefits	-	(1,760)	(13,440)
Other liabilities	201,180	(211,094)	(700,664)
Net cash flows from (used in) operating activities	2,227,125	6,198,732	4,669,895
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(2,058,398)	(6,127,403)	(17,255,481)
Cash received from disposal of investment in securities held for investment	4,505,733	3,927,604	12,186,955
Cash paid for purchase of equipment	(61,012)	(57,581)	(106,343)
Cash paid for purchase of intangible asset	(29,595)	(8,249)	(5,091)
Cash received from disposal of equipment	6,418	6,159	2,235
Cash received from share capital reduction of a subsidiaries	-	-	40,400
Cash received from disposal of investment in subsidiaries	136,655	-	-
Net cash flows from (used in) investing activities	2,499,801	(2,259,470)	(5,137,325)
Cash flows from financing activities			
Long-term debts issued and borrowings	(2,712,879)	(3,639,200)	-
Cash received from issuance of long-term debentures	76,000	1,243,000	1,243,000
Cash paid for redemption of long-term debentures	-	(1,000,000)	(1,353,700)
Dividend paid	(2,089,793)	(400,484)	(1,237,859)
Cash received from increase in share capital	-	-	1,900,477
Net cash flows from (used in) financing activities	(4,726,672)	(3,796,684)	551,918
Net increase in cash	254	142,578	84,488
Cash at beginning of the year	902,816	903,069	1,045,647
Cash at end of the period	903,070	1,045,647	1,130,135

Supplemental cash flow information

Non-cash transaction

Revaluation adjustment of assets	-	-	298,463
Transfer of property foreclosed from receivables for debt settlement	3,382	-	-

13.2 Important Financial Ratios

		2011	2012	2013
Profitability Ratio				
Gross Profit Margin	(%)	60.8	52.8	53.3
Net Profit Margin	(%)	32.6	30.1	32.5
Return on Average Shareholders' Equity	(%)	20.2	19.0	16.5
Interest Income Ratio	(%)	6.1	5.8	5.8
Interest Expense Ratio	(%)	3.1	3.5	3.5
Interest Spread	(%)	3.0	2.3	2.3
Return on Investment	(%)	2.2	7.0	0.7
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	3.4	2.6	2.6
Return on Average Assets	(%)	1.4	1.1	0.9
Total Asset Turnover	(times)	0.0	0.0	0.0
Financial Ratio				
Debt to Equity Ratio	(times)	14.3	17.1	16.5
Total Loans to Total Borrowing and Deposits	(%)	98.5	98.3	92.7
Total Loans to Public Borrowing	(%)	471.9	108.2	105.8
Public Borrowing to Total Liabilities	(%)	19.2	84.9	82.4
Dividend Payout Ratio	(%)	40.7	44.9	22.8
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	2.3	2.0	2.1
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	0.8	0.7	1.2
Non-accrued loans ¹ to Total Loans	(%)	1.8	1.4	1.9
Loan loss provision to Non-performing loans	(%)	185.0	169.0	135.6
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.2
Other Ratios				
Capital Funds to Risk Weighted Asset (BIS)	(%)	14.91	12.79	13.37

¹according to the Bank of Thailand's definition

14. Management Discussion and Analysis

Explanation and Analysis of Financial Position and Performance

The Management Discussion and Analysis compares operating performance and financial position of TISCO Bank Public Company Limited for the year 2013 and year 2012

Movement of Money Market and Capital Market

In 2013, domestic economy expanded at 2.6% (YoY) which decelerated, comparing with 6.5% in 2012. The sluggish economic growth was led by a slowdown in private consumption resulting from the effect from accelerated consumption in the previous year together with high level of household debt and rising cost of living. Meanwhile, the private investment was softened, the export sectors subdued along with fragile recovery of global demand while government's investment projects delayed from target. Additionally, domestic economy was also affected by political instability.

On financial stability, the headline inflation rate was at 2.30% amidst softened economic environment. The Bank of Thailand (BOT) adjusted the policy rate 2 times from 2.75% at the end of 2012 to 2.50% in the second quarter of 2013. Subsequently, the policy rate was reduced to 2.25% in the fourth quarter of 2013 to stimulate consumption as well as support the domestic economic recovery. Furthermore, average 3-month fixed deposit rates of Top 4 commercial banks decreased from 1.84% at the end of 2012 to 1.76% at the end of 2013, while the average minimum lending rate of Top 4 commercial banks decreased from 7.00% at the end of 2012 to 6.84% at the end of 2013.

In 2013, the capital market was highly volatile due to the concern over weak economic condition and political uncertainty. Accordingly, US Federal Reserve's QE tapering has caused sell-off in risky assets in regional markets by foreign investors. As a result, the index decreased from 1,391.93 at the end of 2012 to 1,298.71 at the end of 2013. The average daily turnover improved from 31,084 million baht in 2012 to 48,267 million baht at the end of 2013.

Major Events

According to capital management plan of TISCO Group, TISCO Bank Plc. ("The Bank") carried out the capital increase in order to support future business expansion. The Bank issued and offered the capital increase share to the existing shareholders at the offering ratio of 8 existing shares for 1 unit of newly issued share at the price of 20.88 baht per share which accounted for new capital of 1,900.00 million baht. As a result, the paid-up capital increased to 8,191,712,820 baht comprised of 819,171,178 common shares and 104 preferred shares, both with par value of 10 baht per share

14.1 Operating Results

TISCO Bank Public Company Limited had net profit from operations 2,877.20 million baht, increased by 120.18 million baht (4.4% YoY), contributed by an increase in total interest income of 26.1% (YOY), following strong growth in all businesses of 17.7% (YoY). Meanwhile, the loan spread remained stable at 3.0% (YoY). Furthermore, non-interest income from core business¹ was 3,503.34 million baht, increased by 804.45 million baht (29.8% YoY) contributed following the expansion of loan and bancassurance businesses.

Basic earnings per share for the year 2013 were 3.68 baht compared with those in 2012 of 3.79 baht. The average return on equity (ROAE) for the year 2013 was at 16.5% compared with 19.0% in 2012.

¹ Non-interest income from core business was net of promotion expenses relating to the hire purchase business

(1) The Bank's Revenue Structure

The Bank's revenue structure in 2012 and 2013 is illustrated in Table 1.

Table 1: Revenue Structure

Type of Revenue	2012		2013		Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	% YoY
Interest income					
Interest on loans	4,404.48	47.8	5,797.99	50.3	31.6
Interest on interbank and money market items	662.08	7.2	910.45	7.9	37.5
Hire purchase and financial lease income	8,964.48	97.2	10,995.50	95.5	22.7
Investments	174.55	1.9	215.36	1.9	23.4
Total interest income	14,205.58	154.0	17,919.29	155.6	26.1
Interest expenses	(7,871.74)	(85.3)	(9,884.93)	(85.8)	25.6
Net interest income	6,333.84	68.7	8,034.36	69.8	26.8
Fee Income	2,495.54	27.1	3,294.41	28.6	32.0
Fee Expenses	(73.37)	(0.8)	(77.48)	(0.7)	5.6
Net Fee Income	2,422.17	26.3	3,216.93	27.9	32.8
Gain on investment and foreign exchange transaction	263.98	2.9	55.55	0.5	(79.0)
Other Income	1,626.02	17.6	1,109.30	9.6	(31.8)
Total Operating Income	10,646.01	115.4	12,416.14	107.8	16.6
Expenses to business promotion relating to the hire purchase business	(1,422.67)	(15.4)	(900.37)	(7.8)	(36.7)
Total Net operating income	9,223.34	100.0	11,515.77	100.0	24.9
Non-interest expenses	(4,113.26)		(4,280.05)		
Bad debt and doubtful account and impairment loss of debt securities	(1,564.28)		(3,641.63)		
Profit before income tax	3,545.80		3,594.09		1.4
Corporate income tax	(788.78)		(716.89)		
Net Profit	2,757.02		2,877.20		4.4

(2) Net Interest Income

In 2013, net interest income was 8,034.36 million baht, increased by 1,700.52 million baht (26.8% YoY) while total interest income was 17,919.29 million baht, increased by 3,713.71 million baht (26.1% YoY), following a continuous expansion of loan portfolio. Meanwhile, interest expense increased by 2,013.19 million baht (25.6% YoY) to 9,884.93 million baht, resulting from an expansion of funding base as well as higher funding cost products from client base expansion.

Yield on loan was at 6.5% slightly decreased from 6.6% (YoY) contributed partly by higher competition and the declining of market interest rate. Meanwhile, cost fund also declined from 3.6% to 3.5% (YoY) following market interest rate trend, coupled with effective cost management. As the result, loan spread remained stable at 3.0%. In addition, Net interest margin was at 2.6% slightly decreased from 2.7% in 2012.

TISCO Bank reported net interest income after impairment loss of loans and debt securities totaled 4,392.73 million baht, decreased by 376.82 million baht (7.9% YoY). Impairment loss of loans and debt securities totaled 3,641.63 million baht, compared with 1,564.28 million baht (YoY), following loan portfolio expansion as well as rising NPL during the year mainly from used car portfolio due to pressure from price decline in the used car market.

Table 2: Interest spread 2012-2013

%	2012	2013
Yield on Loans	6.6	6.5
Cost of fund	3.6	3.5
Loan spread	3.0	3.0

(3) Non-interest Income

Non-interest income of TISCO Bank's core businesses was recorded at 3,503.34 million baht increased by 804.45 million baht (29.8% YoY) following strong growth in loan and bancassurance businesses. Fee income increased by 798.87 million baht (32.0% YoY) to 3,294.41 million baht. However, net profit from investment, trading and foreign exchange increased by 180.74 million baht.

(4) Operating Expenses

Operating expenses were 4,280.05 million baht, increased by 166.79 million baht (4.1% YoY) mainly driven by variable expenses associated with revenue growth. In addition, the cost to income ratio was decreased to 37.2% compared with 44.6% in the 2012 following the strong revenue growth coupled with effective operating cost control.

(5) Corporate Income Tax

The corporate income tax in 2012 was 716.89 million baht, equivalent to the effective tax rate of 19.9%, compared to 22.2% (YoY) in 2012 following the adjusted corporate tax from 23% to 20% according to the government policy.

14.2 Financial Position

(1) Assets

TISCO Bank's total assets as of December 31, 2013 were 342,029.71 million baht, increased by 66,905.77 million baht (24.3% YoY) following strong growth in loan portfolio from 238,666.45 million baht to 280,826.43 million baht (17.7% YoY), together with an increase in interbank and money market items from 31,370.14 million baht to 52,777.95 million baht (68.2% YoY).

Table 3: Assets Breakdown as of December 31, 2012 and 2013

Assets	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	1,045.65	0.4	1,130.14	0.3	8.1
Interbank and Money Market Items	31,370.14	11.4	52,777.95	15.4	68.2
Derivative Asset	41.86	0.0	28.22	0.0	(32.6)
Fixed income	4,576.69	1.7	9,691.31	2.8	111.8
Equity	336.14	0.1	338.06	0.1	0.6
Subsidiaries	43.96	0.0	0.00	0.0	(100.0)
Corporate Loans	42,993.75	15.6	53,679.77	15.7	24.9
Commercial Loans	165,382.89	60.1	192,865.78	56.4	16.6
Retail Loans	25,780.61	9.4	32,034.44	9.4	24.3
Other Loans	4,509.19	1.6	2,246.43	0.7	(50.2)
Allowance for doubtful accounts and for loss on debt restructuring	(4,687.65)	(1.7)	(5,774.79)	(1.7)	23.2
Other Assets	3,730.71	1.4	3,012.41	0.9	(19.3)
Total	275,123.94	100.0	342,029.71	100.0	24.3

(a) Investments

As of December 31, 2013, total investment was 10,029.37 million baht, increased by 5,072.58 million baht (102.3%YoY) due to an increase in fixed income investment.

(b) Loans and Receivables Breakdown

Total loans and receivables were 280,826.43 million baht, up by 42,159.98 million baht (17.7% YoY), following growth in all businesses. The composition of loan portfolio was 68.7% of retail loans, 19.1% of corporate loans, 11.4% of commercial loans and 0.8% of other loans. In addition, loans and receivables breakdown is displayed in the following table.

Table 4: Loans and Receivables Breakdown as of December 31, 2012 and 2013

Type of Business	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	17,226.31	7.2	19,375.50	6.9	12.5
Real estate and construction	10,203.97	4.3	11,598.82	4.1	13.7
Public utilities and services	14,888.26	6.2	21,921.31	7.8	47.2
Agriculture and mining	675.20	0.3	784.14	0.3	16.1
Corporate Loans	42,993.75	18.0	53,679.77	19.1	24.9
Commercial Loans	25,780.61	10.8	32,034.44	11.4	24.3
Hire purchase	154,049.32	64.5	177,565.16	63.2	15.3
Housing	1,455.60	0.6	1,428.19	0.5	(1.9)
Consumption	9,877.98	4.1	13,872.43	4.9	40.4
Retail Loans	165,382.89	69.3	192,865.78	68.7	16.6
Others	4,509.19	1.9	2,246.43	0.8	(50.2)
Total	238,666.45	100.0	280,826.43	100.0	17.7

(c) Non-performing Loans

In 2013, TISCO Bank's NPL ratio increased to 1.52% from 1.16% (YoY). NPL ratio of retail loan, corporate loan, and commercial loan were 1.95%, 0.56%, and 0.47% respectively. Total NPLs reported at 4,258.36 million baht, increased by 1,484.29 million baht (53.5% YoY). NPLs increased along with loan portfolio growth as well as rising NPL from used car hire purchase business as a result of substantial decline in market price of used cars during the period. In addition, the NPL of retail portfolio has been affected from domestic economic slowdown as well as political instability.

Table 5: NPLs Breakdown by Area as of December 31, 2012 and 2013

Type of Business	December 31, 2012			December 31, 2013			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	0.45	77.85	2.8	0.81	157.05	3.7	101.7
Real estate and construction	2.69	274.27	9.9	0.42	48.29	1.1	(82.4)
Public utilities and services	0.21	30.87	1.1	0.34	75.31	1.8	144.0
Agriculture and mining	0.88	5.95	0.2	2.22	17.41	0.4	192.6
Total NPL - Corporate Loans	0.90	388.94	14.0	0.56	298.07	7.0	(23.4)
NPL-Commercial Loans	0.19	48.56	1.8	0.47	151.64	3.6	212.3
Hire purchase	1.36	2,088.41	75.3	1.96	3,476.13	81.6	66.4
Housing	7.26	105.65	3.8	4.85	69.23	1.6	(34.5)
Consumption	0.88	87.38	3.1	1.56	216.70	5.1	148.0
Total NPL - Retail Loans	1.38	2,281.44	82.2	1.95	3,762.06	88.3	64.9
Others	1.22	55.12	2.0	2.07	46.59	1.1	(15.5)
Total NPL	1.16	2,774.06	100.0	1.52	4,258.36	100.0	53.5

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

TISCO Bank set up provision for impairment loss of loans and debt securities totaling 3,641.63 million baht, compared to 1,564.28 million baht (YoY), which accounted for 1.40% of average loan portfolio. As of December 31, 2013, total loan loss reserve of the Bank was 5,774.79 million baht which was higher than the minimum loan loss reserve required by the Bank of Thailand at 3,432.69 million baht accounted 168.23% of minimum loan loss reserve requirement, reflecting the prudent provisioning policy to mitigate potential risk. To counter the effect of economic cyclical, TISCO Group set up additional excess reserve of 328.8 million baht in 2013.

Table 6: Allowance for doubtful accounts – classified by the receivables classification as of December 31, 2012 and 2013

Type of receivables classification	December 31, 2012 ¹ (Bt. million)	%	December 31, 2013 ¹ (Bt. million)	%	% Change
Pass	2,752	58.7	3,259	56.4	18.4
Special mentioned	1,024	21.8	1,121	19.4	9.5
Substandard	556	11.9	944	16.3	69.8
Doubtful	136	2.9	279	4.8	105.1
Doubtful of loss	216	4.6	63	1.1	(70.8)
Excess Provision	4	0.1	109	1.9	2,625.0
Total	4,688	100.0	5,775	100.0	23.2

(2) Liabilities

Total liabilities as of December 31, 2013 were 322,453.35 million baht, increased by 62,533.08 million baht (24.1% YoY). The liabilities mix comprised of 82.4% total deposit including short-term borrowing, 3.8% interbank and money market items, 11.4% debentures, and 2.4% other liabilities.

Table 7: Liabilities Breakdown by Area as of December 31, 2012 and 2013

Type of Borrowings	December 31, 2012		December 31, 2013		% Change)
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Total Deposits ²	228,017.43	87.7	265,694.11	82.4	16.5
Interbank and money market items	9,943.23	3.8	12,283.39	3.8	23.5
Debentures	14,071.20	5.4	36,809.00	11.4	161.6
Long-term borrowings	110.70	0.0	0.00	0.0	(100.0)
Others	7,777.71	3.0	7,670.84	2.4	(1.4)
Total	259,920.26	100.0	322,457.35	100.0	24.1

(3) Shareholders' Equity

Shareholder's equity as of December 31, 2013 was 19,572.36 million baht, increased by 4,368.68 million baht (28.7% YoY). TISCO Bank's book value was at 23.89 baht per share increased from 20.88 baht per share as of December 31, 2012. As at December 31, 2013, TISCO Bank had paid-up shares amounting 819.17 million shares, comprising 819 million common shares and 104 preference shares.

14.3 Liquidity

As of December 31, 2013, TISCO Bank's cash was 1,130.14 million baht, increased by 8.1% (YoY). This was mainly comprised of 4,669.90 million baht in net cash flows from operating activities, mainly contributed by an increase in deposits and short-term borrowings. Meanwhile, the net cash flows from financing activities was 551.92 million baht, contributed by an issuance of capital increase share and long-term debt instruments. Moreover, net cash flow used in investing activities was 5,137.33 million baht, mainly contributed by the investment in securities held for investment.

14.4 Sources and Uses of Funds

As of December 31, 2013, the funding structure comprised of 322,457.35 million baht in liabilities and 19,572.36 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 16.5 times. The major source of funds on liabilities side was deposits, which accounted for 77.7% of total source of funds. Other sources of funds included interbank and money market items

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

² Deposit includes short-term borrowings

accounted for 3.6% of total source of funds and 13.0% of borrowing of others liability, respectively. TISCO Bank's major use of funds was loans and receivables, amounting 280,826.43 million baht.

14.5 Business Segment Performances

Loans

As of December 31, 2013, total loans and receivables were 280,826.43 million baht, increased by 42,159.98 million baht (17.7% YoY), following growth in loan businesses. The composition of loan portfolio was 68.7% of retail loans, 24.9% of corporate loans, 11.4% of commercial loans, and 0.8% of other loans.

Corporate Lending

As of December 31, 2013, corporate loan portfolio of the Bank totaled 53,679.77 million baht, increased by 10,686.02 million baht (24.9% YoY), due to an increase in loan to public utilities and services business.

Commercial Lending

As of December 31, 2013, commercial loan portfolio of the Bank totaled 32,034.44 million baht, increased by 6,253.84 million baht (24.3% YoY), mainly due to the increase in demand for car inventory financing.

Retail Lending

As of December 31, 2013, retail loan portfolio amounted 192,865.78 million baht, consisted of 92.1% car, 0.7% housing, and 7.2% consumption loan. The outstanding hire purchase loans totaled 177,565.16 million baht, rose by 23,515.84 million baht (15.3% YoY). The domestic car sales in 2013 reported at 1,330,670 units decreased by 7.4% (YoY) from 1,436,310 units following the end of government's excise tax rebate scheme for first-time car buyer. The car penetration rate for the year 2013 was at 8.5%, rose from the penetration rate of 8.4% in 2012. In addition, consumption loan amounted 13,872.43 million baht, increased by 3,994.45 million baht (40.4% YoY), which was mainly contributed by increase in loan against auto license (TISCO Auto Cash) business.

Other Loans

As of December 31, 2013, other loan portfolio totaled 2,246.43 million baht, declined by 2,262.76 million baht (50.2% YoY).

Deposits

As of December 31, 2013, total deposits¹ amounted 265,694.11 million baht, increased by 37,676.69 million baht (16.5% YoY). At the end of year 2013, TISCO Bank had excess liquidity amounting to approximately 44,639.91 million baht, combining with the BoT required liquidity of 16,600.35 million baht (including bill of exchange) to arrive at total liquidity of 14.3% 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 15.6% in 2013.

Table 8: Deposits Structure as of December 31, 2012 and 2013

Type of Deposits	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	3,572.74	1.6	2,716.64	1.0	(24.0)
Saving accounts	28,140.15	12.3	40,751.44	15.3	44.8
Fixed accounts	15,385.04	6.7	34,056.54	12.8	121.4
Negotiate certificate deposit	173,535.78	76.1	188,022.86	70.8	8.3
Short-term borrowings	7,383.72	3.2	146.62	0.1	(98.0)
Total deposits	228,017.43	100.0	265,694.11	100.0	16.5

14.6 Capital Requirements

As of December 31, 2013, TISCO Bank's internal capital stood at 19,898.38 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital at the end of 2013 was 10,710.55 million baht, which increased by

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

1,217.33 million baht from the end of 2012 owing to an increase in credit and operational risk capital, while capital surplus remained strong at 9,187.33 million baht or 46.2% of total internal capital.

Comparing to the end of 2012, the credit risk capital increased by 1,037.43 million baht, or 12.8%, to 9,139.61 million baht following the portfolio expansion in overall lending segment by 17.7% during the period, as well as rising in credit risk according to sensitivity in used car market and the overall economy. The non-performing loan of the bank rose from 1.2% at the end of 2012 to 1.5% at the end of 2013 resulting from an increase in non-performing loan of hire purchase portfolio. Moreover, in order to prevent rising credit risk, an increase in expected loss was also absorbed by the provision expense set up during the year.

Meanwhile, the market risk capital decreased by 7.59 million baht from 155.82 million baht to 148.24 million baht, resulting from a decline in possession of market risk assets. Meanwhile, the overall duration gap rose to 1.16 year, which was still in a manageable level. The assets duration increased from 1.48 year to 1.53 year resulting from increasing in lending portfolio with longer duration, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement decreased to 0.37 year.

In term of regulatory capital requirement of the Bank, the regulatory capital adequacy ratio (BIS ratio) based on Basel III by IRB approach stood at 13.37%, remaining higher than 8.50% required by the Bank of Thailand. As Tier-I and Tier-II capital adequacy ratio stood at 9.15% and 4.22%, respectively, in which Tier-I capital adequacy ratio remained higher than the minimum requirement at 6%.

Table 9: Capital Adequacy Ratio as of December 31, 2012 and 2013

	December 31, 2012 ¹ (%)	December 31, 2013 ¹ (%)
Tier-I Capital	8.51	9.15
Total Capital	12.79	13.37

¹According to Basel IRB

Table 10: Average Duration Mismatch of Assets and Liabilities and Its Impact

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase (MB)	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
Assets	1.48	1.53	971.96	1,455.27
Liabilities*	0.54	0.37	(1,676.57)	(2,112.83)
Net Gap	0.94	1.16	(704.60)	(657.56)

Note: * Exclude saving and current account

14.7 Credit Rating

On May 14, 2012, TRIS Rating Co., Ltd. has affirmed TISCO Bank's Long-term National ratings at 'A' with a 'Positive' Outlook. The rating reflect TISCO's strong asset quality, capital and profitability, as well as, its conservative management track record. Details of Credit Rating are shown in the following table.

Credit Rating (Unsolicited Rating)	Credit Rating Announcement Date		
	May 13, 2011 ¹	May 14, 2012 ¹	April 30, 2013 ¹
Long – Term National Rating	A	A	A
Short – Term National Rating	-	-	-
Rating Outlook	Positive	Positive	Stable

¹ Rating by TRIS Rating Co., Ltd.

In addition, TRIS Rating Co., Ltd. (TRIS) has affirmed the ratings of TISCO Bank's short-term senior debentures due 2014 amounting up to 20,000.00 million baht with issue rating of 'A' with stable rating outlook. Details of Credit Rating are shown in the following table.

Credit Rating	Credit Rating Announcement Date		
	May13, 2011	May 14, 2012	April 30,2013
Rating by (Unsecured Debenture)	TRIS Rating Co., Ltd.	TRIS Rating Co., Ltd.	TRIS Rating Co., Ltd.
TISCO192A: Bt 2,000 million subordinated debenture due 2019 ¹ The issuer may set the call option to redeem the debentures before maturity.	A-	A-	A-
TISCO195A: Bt 2,000 million subordinated debenture due 2019 ¹ The issuer may set the call option to redeem the debentures before maturity.	A-	A-	A-
TISCO205A: Bt 1,000 million subordinated debentures due 2020 ² The issuer may set the call option to redeem the debentures before maturity.	A-	A-	A-
TISCO20DA: Bt 1,000 million subordinated debentures due 2020 ² The issuer may set the call option to redeem the debentures before maturity.	A-	A-	A-
TISCO223A: Bt 1,000 million subordinated debentures no.1/2012, due 2022 ³ The issuer may set the call option to redeem the debentures before maturity	-	A-	A-
TISCO22DA: Bt 1,243 million subordinated debentures no. 2/2012, due 2022 ³ The issuer may set the call option to redeem the debentures before maturity	-	A-	A-
Up to 20,000 million Baht senior debenture due within 2014 ⁴	-	-	A

¹ Issued in 2009

² Issued in 2010

³ Issued in 2012

⁴ Issued in 2013

14.8 Forward Looking

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

Domestic economic outlook in 2014 is expected to grow at moderate level surrounded with various risk factors including economic and political situation. The key economic growth drivers are expected to prominently soften. The consumption will continue to sluggish from the previous year resulting from the high level of household debt as well as declining farm income which those are deteriorated consumers' purchasing power. Likewise, the private investment trends to slow down as corporates will likely to postpone new investment projects and waiting for improvement sign of domestic economic and political situation. Meanwhile, the export sectors will be gradually improved on back of reviving global economy.

On market interest rate, TISCO Bank expects the Bank of Thailand will continue accommodative monetary policy by maintaining the policy rate at 2.00%. Furthermore, the Bank of Thailand will probably reduce the policy rate in case that domestic economy expands less than the projected target. The outlook of domestic car sales, a leading indicator that contribute to hire purchase business, is expected to somewhat slowdown from 2013 as it has been impacted by softened car demand as well as unfolded political situation.

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

Attachment 1

Details of Directors, Management and Controlling Persons

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

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
1. Mr. Pliu Mangkornkanok Chairman of the Board of Directors Independent Director	65	Common - Preferred -	-	Master of Business Administration (Finance) University of California at Los Angeles, USA Master of Science (Industrial Engineering) Stanford University, USA Bachelor of Engineering (Industrial Engineering) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - Role of the Chairman Program - Audit Committee Program Thai Institute of Directors Association	2012-Present 2010-Present 2009-2010 2008-2010 2012-Present 2009-Present 2005-2008 2005-2006 2011-Present 1990-2012 2002-2005 2013-Present 2012-Present 2011-Present 2011-Present 2010-Present 2007-Present 2004-Present 1973-2012 2010-2011 2006-2010 1994-2010 1994-2010 2008-2010 2003-2006 2002-2005 2002-2005	<u>TISCO Group</u> Independent Director Chairman of the Board of Directors Chairman of the Executive Board Group Chief Executive Officer Director Independent Director Chairman of the Board of Directors Director Chairman of the Executive Board Chief Executive Officer Secretary to the Nomination Committee Vice President Director Director Chairman of the Executive Board Member of the Nomination Committee Chief Executive Officer <u>Others:</u> Honorary Director Independent Director Chairman of the Audit Committee Chairman of the Nomination and Remuneration Committee Director Director Director Vice Chairman Councillor Director Director Director Director Director Director Chairman Chairman Chairman of the Compensation Committee Member of the Audit Committee Chairman of the Nomination Committee	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Foundation TISCO Finance Public Company Limited International School of Engineering, Faculty of Engineering, Chulalongkorn University Star Petroleum Refining Company Limited Chuchawal-Royal Haskoning Limited Sem Pringpuangkeo Foundation Design 103 International Limited Thai Institute of Directors Association Thailand Management Association Rama Textile Industry Company Limited Solido Company Limited Amata Spring Development Company Limited Phelps Dodge International (Thailand) Company Limited PDTL Trading Company Limited The Thai Bankers' Association Thai Agro Exchange Company Limited Association of Finance Companies SINGER Thailand Company Limited	Holding Company Bank Foundation Finance Academic Institute Refinery Engineering Consultant Foundation Architect Consultant Association Association Manufacturer of Yarn Restaurant Golf Course Manufacture of wire and cable products Distributor of electric wires and cable Association Fruits & Vegetables Wholesale Association Manufacturer of Consumer Electronics
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) Vice Chairman of the Board of Directors (Authorized Signatory)	36	Common - Preferred -	-	Bachelor of Science (Economics) Massachusetts Institute of Technology, USA	2010-Present 2008-Present 2010-2012 2009-2010 2008-2010 2010-Present 2010-2012 2009-2010 2007-2010 2007-2008 2012-Present 2008-Present 2005-2008 2005-2011 2005-2008 2004-2005	<u>TISCO Group</u> Vice Chairman of the Board of Directors Member of the Nomination and Compensation Committee Member of the Executive Board Vice Chairman of the Executive Board Director Vice Chairman of the Board of Directors Member of the Executive Board Chairman of the Executive Board Director Member of the Executive Board Member of the Nomination and Compensation Committee <u>Others:</u> Managing Director Senior Advisor Senior Vice President Managing Director Director Vice President / Advisor	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Capcelona Advisors, LLC. CDIB & Partners Investment Holding Corporation Quintus Capital Group Limited CDIB & Partners Asset Management Holding Limited China Development Industrial Bank Inc.	Holding Company Bank Consultant Service Investment Investment Asset Management Bank

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 Chairperson of the Executive Board (Authorized Signatory)	55	Common - Preferred -	-	Master of Business Administration (Finance) Bachelor of Laws Bachelor of Accountancy (Accounting & Commerce) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - IOD Anti Corruption Training Program for Corporate and Executives Thai Institute of Directors Association	2010-Present 2008-Present 2009-2010 2010-Present 2005-Present 2008-2009 2005-2008 2011-Present 2011-Present 2010-2011 2009-2011 2010-2011 2009-2011 2010-2011 2009-2011 2010-2011 2009-2011 2000-2007 2000-2007 2005 2002-2005 2012-2013 2010-2011 2006-2010 2001-2008	<i>TISCO Group</i> Chairperson of the Executive Board Group Chief Executive Director Member of the Executive Board President Chairperson of the Executive Board Director Member of the Executive Board Senior Executive Vice President Director Director Chairperson of the Board Director Member of the Audit Committee Chairperson of the Board Director Member of the Audit Committee Chairperson of the Board Director Director Director Director Chief Financial Officer, Planning and Risk Management <i>Others</i> Member of Risk Management Subcommittee Advisor, Member of Risk Management Sub-Committee Advisor and Member of Risk Management Committee Member of Risk Management Subcommittee	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Foundation TISCO Learning Center Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Information Technology Company Limited TISCO Global Securities Limited TISCO Securities Hong Kong Limited TISCO Finance Public Company Limited Government Pension Fund Small Industry Credit Guarantee Corporation The Stock Exchange of Thailand	Holding Company Bank Foundation Services Securities Asset Management Information Technology Securities Securities Finance Asset Management Specialized Financial Institution The Stock Exchange of Thailand
4. Assoc. Prof. Dr. Angkarat Priebrivat Independent Director Chairperson of the Audit Committee	58	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 Program - Monitoring the Internal Audit Function Program - Monitoring Fraud Risk Management Program - Role of the Chairman Program - Anti Corruption for Executive Program Thai Institute of Directors Association	Apr 2013-Present 2008-Present 2011-Apr 2013 2008-2011 Apr 2013-Present 2007-2011 2005-2011 2005-2007 2012-Present 2012-Present 2012-Present 2009-Present 2008-Present 2006-Present 2002-Present 2002-2009 1997-Present 1992-Present 2011-2012 2004-2012 2002-2012 2004-2009	<i>TISCO Group</i> Chairperson of the Audit Committee Independent Director Advisor to the Audit Committee Chairperson of the Audit Committee Chairperson of the Audit Committee Independent Director Member of the Audit Committee <i>Others</i> Subcommittee on Finance, Budget, and Investment Advisor to the Audit Committee Member of the Audit Committee Member, Accounting and Corporate Governance Steering Group Independent Director Chairperson of the Audit Committee Chairman, Supervisory Committee Government Accounting Standards Committee Advisor Associate Professor Advisor to the Listing and Disclosure Department Advisor to the Audit Committee Independent Director (Accounting Specialist) Advisor to the Audit Committee Member of the Consultative Subcommittee on Cost Accounting Development Project	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Mass Rapid Transit Authority of Thailand Government Pension Fund Thai Public Broadcasting Service (Thai PBS) Securities and Exchange Commission Office Mate Public Company Limited The ABF Thailand Bond Index Fund The Comptroller General's Department, Ministry of Finance National Institute of Development Administration (NIDA) The Stock Exchange of Thailand State Railway of Thailand Association of Investment Management Companies TOT Corporation Public Company Limited Office of the Higher Education Commission	Holding Company Bank Transportation & Logistics Asset Management Government Office Independent State Agency Supplier of full line office products Fund Government Office Educational Institute Stock Exchange Government Office Association Communication Commission on Higher Education

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	64	Common Preferred		Master of Business Administration (Banking & Finance) North Texas State University, USA Bachelor of Business Administration (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate of Executive Program in International Management Stanford-National University of Singapore - Certificate of Building, Leading & Sustaining Innovation Organization Sloan School of Management, Massachusetts Institute of Technology, USA - Directors Certification Program - Directors Accreditation Program - Financial Institutions Governance Program - Anti Corruption for Executive Program Thai Institute of Directors Association	Apr 2013-Present	<i>TISCO Group</i> Member of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2008-Present	Independent Director		
					2011-Apr 2013	Chairperson of the Audit Committee		
					2008-2011	Member of the Audit Committee		
					Apr 2013-Present	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2008-Present	Independent Director		
					2011-Apr 2013	Chairperson of the Audit Committee		
					2008-2011	Member of the Audit Committee		
					2010-Present	<i>Others</i> Committee, The Bachelor's Degree in Business Administration (International Program)	Faculty of Commerce and Accountancy, Thammasat University	Academic Institute
					2009	Director	Thai Fatty Alcohols Company Limited	Petrochemical and Chemical
					2008-2009	Director	PTT Chemical International (Asia Pacific ROH) Limited	Petrochemical and Chemical
					2008-2009	Director	Thai Oleochemicals Company Limited	Petrochemical and Chemical
					2008-2009	Director	PTT Chemical International (Singapore) Pte. Ltd.	Petrochemical and Chemical
2008-2009	Director	TOC Glycol Company Limited	Petrochemical and Chemical					
2008-2009	Director	Thai Choline Chloride Company Limited	Petrochemical and Chemical					
2008-2009	Director	Thai Ethanolamines Company Limited	Petrochemical and Chemical					
2008-2009	Director	PTT Polyethylene Company Limited	Petrochemical and Chemical					
2005-2009	Senior Executive Vice President, Chief Corporate Finance & Accounting Executive Vice President	PTT Chemical Public Company Limited	Petrochemical and Chemical					
2005-2009	Director	PTT Public Company Limited Bangkok Polyethylene Public Company Limited	Oil and Gas Petrochemical and Chemical					
2008	Director							
6. Ms. Patareeya Benjapolchai Independent Director Member of the Audit Committee	59	Common Preferred		Master of Business Administration Thammasat University Bachelor of Accountancy (Accounting) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate, The Executive Program University of Michigan, USA - Certificate, Advanced Accounting and Auditing Chulalongkorn University - Directors Certification Program - Financial Institutions Governance Program Thai Institute of Directors Association	Aug 2013-Present	<i>TISCO Group</i> Chairperson of the Corporate Governance Committee	TISCO Financial Group Public Company Limited	Holding Company
					2011-Present	Member of the Audit Committee		
					2010-Present	Independent Director		
					2011-Present	Independent Director	TISCO Bank Public Company Limited	Bank
					2011-Present	Member of the Audit Committee		
					2013-Present	<i>Others</i> Corporate Governance Committee	Corporate Governance Center, The Stock Exchange of Thailand	Stock Exchange
					2011-Present	Ethics Committee	Federation of Accounting Professions Under the Patronage of His Majesty the King Thai Institute of Directors Association	Private Sector
					2011-Present	Director, Award Committee, Board of the Year Award		Association
					2005-2008	Director		
					2011-Present	Chairperson of the Audit Committee	The Office of the Agricultural Futures Trading Commission	Ministry of Commerce
					2010-Present	Advisor	Thai Listed Companies Association	Association
					2010-Present	Audit Committee	Office of the Permanent Secretary for Defence, Ministry of Defence	Government Office
					2010-Present	Associate Judge	The Central Intellectual Property and International Trade Court	Court
					2010-Present	Directors' Responsibilities Steering Committee	The Securities and Exchange Commission	Independent State Agency
					2010-Present	Director	Baan Ruam Tang Fhun Company Limited	Property Development
					2007-Present	Honorary Advisor	The Institute of Internal Auditors of Thailand	Associate
					2002-Present	Director	Krabi Petra Company Limited	Property Development
					2008-2012	Directors on Foreign Business Committee	Department of Business Development, Ministry of Commerce	Government Office
					2006-2010	President and Executive Committee	The Stock Exchange of Thailand	Stock Exchange
					2009-2010	Chairman	Thailand Securities Depository Company Limited	Private Sector
					2006-2010	Chairman and Executive Chairman		
					2009-2010	Chairman	Family Know-How Company Limited	Private Sector
					2006-2009	Vice Chairman		
					2009-2010	Chairman	Settrade.com Company Limited	Private Sector
					2008-2010	Director, Award Committee, State-owned Enterprise Award 2008-2010	State Enterprise Policy Office, Ministry of Finance	Government Office
					2007-2010	Chairman of the Subcommittee of Member Recruitment	Thailand Futures Exchange Public Company Limited	Private Sector
					2006-2010	Vice Chairman and Executive Chairman		
2006-2010	Chairman	Thai NVDR Company Limited	Private Sector					
2006-2010	Chairman	Thai Trust Fund Management Company Limited	Private Sector					
2006-2010	Chairman	Siam DR Company Limited	Private Sector					
2006-2010	Chairman	Thailand Clearing House Company Limited	Private Sector					
2006-2010	Director and Secretary	Federation of Thai Capital Market Organizations	Private Sector					
2002-2010	Director, Subcommittee on Investors Education and Public Relations and on Corporate Governance in Thailand	The Prime Minister's Office	Government Office					
2005-2010	Councillor	Thailand Management Association	Association					
2006-2008	Member of The National Legislative Assembly Committee on Finance, Banking and Financial Institutions	The National Legislative Assembly, Thailand	Government Office					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
7. Mr. Pichai Chanvirachart Director	63	Common Preferred	- -	Bachelor of Business Administration (Finance) Marshall University, USA - Directors Certification Program Thai Institute of Directors Association	Aug2013-Present Apr2013-Present 2009-2010 2005-Present 2005-2008 2009-2011 2009-2010 2001-2005 1995-1998 1993-2008 2003-2007 1998-2000	<i>TISCO Group</i> Member of the Corporate Governance Committee Independent Director Advisor Director Member of the Executive Board President Director Advisor Director Member of the Executive Board President Executive Vice President <i>Others</i> Director Director Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Information Technology Company Limited TISCO Financial Group Public Company Limited TISCO Finance Public Company Limited Thailand Investment and Securities Public Company Limited Mizuho Corporate Leasing (Thailand) Company Limited AXA Insurance Public Company Limited American Appraisal (Thailand) Limited	Holding Company Bank Information Technology Holding Company Finance Investment and Securities Leasing Insurance Valuation Service
8. Mr. Hirohiko Nomura ¹³ Director Member of the Executive Board (Authorized Signatory)	49	Common Preferred	- -	Bachelor of Economics The University of Tokyo, Japan	2009-Present 2008-Present 2008-Present 2008 2008-Present 2002-2008	<i>TISCO Group</i> 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 <i>Others</i> Managing Director Senior Manager, International Credit Division	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Bank MHCBC Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited: Head Office	Holding Company Bank Bank Consultant Bank
9. Mr. Yasuro Yoshikoshi ¹³ Director Member of the Executive Board (Authorized Signatory)	51	Common Preferred	- -	Bachelor of Law Nihon University, Japan	Jan2014-Present Jan2014-Present Dec2013-Present 2008-Dec2013 2006-2008	<i>TISCO Group</i> Director Member of the Executive Board Member of the Nomination and Compensation Committee Director Member of the Executive Board <i>Others</i> Managing Director Senior Vice President, International Corporate Advisory Division General Manager, Financial Institute Division	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited MHCBC Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited: Head Office Intellectual Property Bank	Holding Company Bank Consultant Bank Bank
10. Mr. Chi-Hao Sun Member of the Executive Board	36	Common Preferred	- -	Master of Science (Finance) Bentley University, USA Master of Business Administration Boston University, USA Bachelor of Arts (Economics) Taipei University, Taiwan	2012-Present 2011-Present 2012-Present 2012-Present 2010-2012 2006-2010	<i>TISCO Group</i> Member of the Executive Board Director Member of the Executive Board <i>Others</i> Assistant Vice President Senior Manager Senior Consultant	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited CDIB & Partners Investment Holding Corporation KPMG Corporate Finance (Taiwan)	Holding Company Bank Investment Financial Services Consulting
11. Mr. Suthas Ruangmanamongkol Director Member of the Executive Board (Authorized Signatory) President	52	Common Preferred	- -	Master of Science (Business) University of Wisconsin-Madison, USA Master of Business Administration (Finance) Western Illinois University, USA Bachelor of Engineering (Computer Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present 2009-Present 2008-Present 2009-Present 2009-2011 2005-2011 2005-2008 2002-2005 2000-2001 1998-2001 2010-Present 2010-Present 2010-Present	<i>TISCO Group</i> President Member of the Executive Board Director Director Member of the Executive Board President Director Director Managing Director Head of Commercial Finance Treasury and Funding Director Assistant Managing Director - Securities Investment and Trading <i>Others</i> Director Director Director	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

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. Sakchai Peechapat Senior Executive Vice President - Retail Banking	46	Common 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 2010-Present 2010 2009 2006-2008 2005-2006 2010-Present 2009-Present 2009-Present 2009-2011 2009-2011 2004-2005 2002-2004 2006-Present	<i>TISCO Group</i> Senior Executive Vice President Senior Executive Vice President - Retail Banking Senior Executive Vice President - Marketing & Customer Relations Executive Vice President - Marketing & Customer Relations Executive Vice President - Retail Banking Acting Human Resources and Organization Development Executive Vice President - Human Resources and Organization Development Chairman of the Board Director Chairman of the Board Director Director Head of Human Resources and Organization Development Deputy Head of Retail Finance Acting Head of Special Channel Distribution and Retail Finance <i>Others</i> Director	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
13. Mr. Pitada Vatcharasiritham Senior Executive Vice President - Corporate Banking	49	Common Preferred	- -	Master of Business Administration Indiana University of Pennsylvania, USA Bachelor of Economics Thammasat University	Jan2013-Present 2010-2012 2010-Present 2012-Jan2013 2011-Present 2010 2010 2009-2010 2006-2010 2000-2010 2006-2009 2002-2010 2002-2010	<i>TISCO Group</i> Senior Executive Vice President First Executive Vice President Senior Executive Vice President - Corporate Banking Acting Head of Investment Banking Director <i>Others</i> Director Executive Director President Executive Director Director President - Investment Banking Director Executive Director	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Securities Company Limited Finansa Public Company Limited Finansa Securities Company Limited Finansa Capital Company Limited	Holding Company Bank Securities Finance Securities General Management Business
14. Mr. Metha Pingsuthiwong First Executive Vice President - Retail Banking	47	Common Preferred	- -	Master of Business Administration (Finance) University of Wisconsin-Milwaukee, USA Bachelor of Engineering (Electrical Engineering) Chulalongkorn University - Directors Certification Program Thai Institute of Directors Association	2010-Present Feb2013-Present 2010-Jan2013 2009 2005-2008 2011-2012 2009-2011 2002-2005 2005 1999-Present	<i>TISCO Group</i> First Executive Vice President First Executive Vice President - Retail Banking ² First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Treasury and Banking Operation Executive Vice President - Treasury and Private Banking Director Director Head of Securities Investment and Trading Executive Vice President - Treasury and Funding <i>Others</i> 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 Investment Advisory Securities Finance Transportation
15. Mr. Chalit Silpsrikul Executive Vice President - Wealth Management	52	Common Preferred	- -	Master of Business Administration Bachelor of Accountancy (Accounting) Thammasat University Financial Executive Development Program (FINEX 14) The Thai Institute of Banking and Finance Association Crestcom Bullet Proof Manager (Management Skill Development Course) - Directors Certification Program Thai Institute of Directors Association	Jul2013-Present 2010-2012 Jul2013-Present Feb2013-Jun2013 2010-Jan2013 2010-2011 2009 2005-2008 2011-Sep2013	<i>TISCO Group</i> First Executive Vice President Executive Vice President First Executive Vice President - Wealth Management First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Retail Banking - Front Acting Head of Provincial Channel Head of Retail Banking Deputy Head of Retail Banking Director <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Hi-Way Company Limited	Holding Company Bank Hire Purchase
16. Mr. Dejphinun Suthadsanasoung Assistant Executive Vice President - Retail Banking - Operations	44	Common Preferred	- -	Master of Business Administration Eastern Michigan University, USA Bachelor of Business Administration (Finance) Assumption University	Jul2013-Present 2010-Jun2013 2010-2012 2009-2010 2005-2008 2004-2005	<i>TISCO Group</i> Assistant Executive Vice President - Retail Banking - Operations First Senior Vice President - Retail Banking - Operations Head of Retail Banking - Operation Deputy Head of Credit Control Deputy Head of Retail Banking Head of Corporate Lending <i>Others</i> -	TISCO Bank Public Company Limited	Bank
17. Ms. Nipa Mekara Assistant Executive Vice President Head of Corporate Banking	53	Common Preferred	- -	Master of Business Administration (Management) Thammasat University Bachelor of Accountancy Assumption University	Jul2013-Present Feb2013-Jun2013 2012-2013 2008-2011 2006-2008	<i>TISCO Group</i> Assistant Executive Vice President - Head of Corporate Banking Head of Corporate Lending, Acting Head of Business Risk Assessment 1 Head of Corporate Lending Head of Commercial Banking Head of Commercial Banking, Acting Head of Commercial Lending <i>Others</i> -	TISCO Bank Public Company Limited	Bank

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
18. Mr. Picha Ratanatam Assistant Executive Vice President Head of Wealth Management	42	Common - Preferred -	-	Master of Business Administration (Finance) California State University at San Diego, USA Bachelor of Business Administration (Statistics) Chulalongkorn University	Jul2013-Present 2010-Jun2013 2009 2006-2008 2003-2006 2009-2010	<i>TISCO Group</i> Assistant Executive Vice President - Head of Wealth Management Head of Wealth Management Deputy Head of Mutual Fund and Private Fund Business Head of Asset Management Head of Asset Management - Private Fund <i>Others</i> Head of Private Banking	TISCO Bank Public Company Limited TISCO Asset Management Company Limited The Siam Commercial Bank Public Company Limited	Bank Asset Management Bank
19. Mr. Yutpong Sriwongjanya Assistant Executive Vice President Head of Retail Banking - Provincial Channel	47	Common - Preferred -	-	Master of Business Administration The University of Mississippi, USA	Jul2013-Present 2011-Jun2013 2009-2010 2004-2008	<i>TISCO Group</i> Assistant Executive Vice President - Head of Retail Banking - Provincial Channel First Senior Vice President - Deputy Head of Retail Banking - Front Acting Head of Provincial Channel Deputy Head of Retail Banking Head of Provincial Channel Managing Director <i>Others</i> -	TISCO Bank Public Company Limited Hi-Way Company Limited	Bank Leasing
20. Mr. Rungroj Jarasvijitkul Assistant Executive Vice President Head of Retail Banking - Provincial Channel	47	Common - Preferred -	-	Master of Business Administration Bachelor of Business Administration (Finance) Chulalongkorn University	Jul2013-Present 2009-Jun2013 2009-2013 2005-2008	<i>TISCO Group</i> Assistant Executive Vice President, Head of Retail Banking - Bangkok Channel First Senior Vice President, Deputy Head of Retail Banking - Front Head of Bangkok Channel Acting Head of Hire Purchase - Special Project Head of Bangkok Channel Acting Head of Hire Purchase - Commercial Product <i>Others</i> -	TISCO Bank Public Company Limited	Bank
21. Ms. Karantarat Vongsa Head of Treasury	52	Common - Preferred -	-	Master of Business Administration Texas A&M University, USA Bachelor of Accountancy Chulalongkorn University	1993-Present	<i>TISCO Group</i> Head of Treasury <i>Other</i> -	TISCO Bank Public Company Limited	Bank
22. Mr. Kittichai Tonnajarn Head of Counter Services	44	Common - Preferred -	-	Master of Business Administration (General Business) University of Central Arkansas, USA Bachelor of Accountancy Chulalongkorn University	2010-Present 2009-2010 2006-2007 2004-2006	<i>TISCO Group</i> Head of Counter Services Head of Logistic & Control Head of Branch System & Control Head of Electronic Banking <i>Others</i> -	TISCO Bank Public Company Limited	Bank
23. Mr. Nattanan Ananpreeyavit Head of Telemarketing & Contact Center	44	Common - Preferred -	-	Master of Business Administration (Corporate Finance) University of Dallas, USA Bachelor of Economics Thammasat University	2008-Present 2007-2008 2005-2006	<i>TISCO Group</i> Head of Telemarketing & Contact Center Head of E-Channel Head of Internet Trading <i>Others</i> -	TISCO Bank Public Company Limited TISCO Securities Company Limited	Bank Securities
24. Mr. Thanom Chairoondeekul Deputy Head of Wealth Management	55	Common - Preferred -	-	Bachelor of Business Administration (Finance and Banking) University of the Thai Chamber of Commerce	2010-Present 2007-2010 1994-2006	<i>TISCO Group</i> Deputy Head of Wealth Management Head of Private Banking Deputy Head of Funding <i>Others</i> -	TISCO Bank Public Company Limited	Bank
25. Mr. Songsak Nitiean Head of Retail Follow-up & Legal	57	Common - Preferred -	-	Bachelor of Laws Ramkhamhaeng University	2004-Present	<i>TISCO Group</i> Head of Retail Follow Up & Legal <i>Others</i> -	TISCO Bank Public Company Limited	Bank
26. Mr. Teerayuth Praserttananadacho Head of Retail Business Development	40	Common - Preferred -	-	Master of Business Administration (Finance) The University of New South Wales Bachelor of Business Administration (Finance) Assumption University	2013-Present 2012-2013	<i>TISCO Group</i> Head of Retail Business Development Head of Business Development / Bangkok Channel <i>Others</i> -	TISCO Bank Public Company Limited	Bank
27. Mr. Teerawut Luewongsupakit Head of Business & Risk Assessment 2	40	Common - Preferred -	-	Master of Business Administration The University of Alabama at Birmingham Bachelor of Business Administration (Finance) Assumption University	Jul2013-Present Feb2013-Jun2013 2011-Jun2013	<i>TISCO Group</i> Head of Business & Risk Assessment 2 Assistant Head of Business & Risk Assessment 2 Assistant Head of Retail & SME Credit <i>Others</i> -	TISCO Bank Public Company Limited	Bank
28. Ms. Prapatsorn Arthachinta Head of Business & Risk Assessment	50	Common - Preferred -	-	Master of Business Administration Oklahoma City University, USA Bachelor of Accountancy Chulalongkorn University	2005-Present 2003-2004	<i>TISCO Group</i> Head of Business & Risk Assessment Acting Head of Commercial Credit <i>Others</i> -	TISCO Bank Public Company Limited	Bank

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
29. Mr. Prakrit Shoonhasriwong Head of Mortgage Loan	40	Common - Preferred -	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	2009-Present 2003-2008	<i>TISCO Group</i> Head of Mortgage Loan Head of Marketing <i>Others</i> -	TISCO Bank Public Company Limited	Bank
30. Ms. Preeyarat Poomdontri Head of Processing & Settlement	58	Common - Preferred -	-	Master Degree of Public and Private Management National Institute of Development Administration Master of Business Administration Sripratum University Bachelor of Science Ramkhamhaeng University	2009-Present 2004-2008	<i>TISCO Group</i> Head of Processing & Settlement Head of Banking & Operation <i>Others</i> -	TISCO Bank Public Company Limited	Bank
31. Mr. Pornpiboon Sukaviriya Head of Hire Purchase - Captive	55	Common - Preferred -	-	Master of Business Administration (Management) Southeastern University, Washington DC Bachelor of Art (Finance) Bangkok University	2013-Present 2012-2013	<i>TISCO Group</i> Head of Hire Purchase - Captive Head of Sales / Hire Purchase Special Project <i>Others</i> -	TISCO Bank Public Company Limited	Bank
32. Ms. Penthip Laobooncharoen Head of Retail Loan Processing	47	Common - Preferred -	-	Master of Business Administration (Finance) Thammasat University Bachelor of Business Administration (Finance) Assumption University	2012-Present 2010-Present 2002-2010	<i>TISCO Group</i> Head of Retail Loan Processing Head of Retail & SME Credit Head of Retail Credit Processing <i>Others</i> -	TISCO Bank Public Company Limited	Bank
33. Ms. Mallee Peravanichkul Head of Private Banking	59	Common - Preferred -	-	High Vocational Diploma Kitti Business Administration College	2010-Present 2007-2010 2003-2006	<i>TISCO Group</i> Head of Private Banking Deputy Head of Private Banking Co-Head of Marketing <i>Others</i> -	TISCO Bank Public Company Limited	Bank
34. Mr. Manop Pektamrongsakul Head of Corporate Finance Acting Head of Corporate Lending Acting Head of Investment Banking	34	Common - Preferred -	-	Master of Business Administration (Finance) Chulalongkorn University Bachelor of Business Administration (Finance and General Management) Assumption University	2013-Present 2012-2013 2011-2012 2008-2010	<i>TISCO Group</i> Head of Corporate Finance Acting Head of Corporate Lending Acting Head of Investment Banking Deputy Head of Investment Banking Senior Vice President, Investment Banking <i>Others</i> Senior Vice President, Investment Banking	TISCO Bank Public Company Limited Finansa Securities Limited	Bank Securities
35. Ms. Rapeeporn Ounchalanon Head of Loan Supervision & Servicing	48	Common - Preferred -	-	Master of Law (Law) Chulalongkorn University Bachelor of Arts (Management) Assumption University	2012-Present	<i>TISCO Group</i> Head of Loan Supervision & Servicing <i>Others</i> -	TISCO Bank Public Company Limited	Bank
36. Ms. Ladda Kulchatchai Head of Custodian Service	57	Common - Preferred -	-	Bachelor of Laws Thammasat University	2003-Present	<i>TISCO Group</i> Head of Custodian Service <i>Others</i> -	TISCO Bank Public Company Limited	Bank
37. Mr. Worapoth Tirakaroen Head of Retail Collection	46	Common - Preferred -	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) University of the Thai Chamber of Commerce	2005-Present 2001-2004	<i>TISCO Group</i> Head of Retail Collection Head of Collection Services <i>Others</i> -	TISCO Bank Public Company Limited	Bank
38. ML. Waraporn Worawarn Head of Wealth Product	53	Common - Preferred -	-	Master of Economics Dhurakij Pundit University Bachelor of Business Administration (Marketing) Bangkok University	2010-Present 2007-2009 2005-2007	<i>TISCO Group</i> Head of Wealth Product Head of Investment Consultant <i>Others</i> Deputy Head of Savings/Fund	TISCO Bank Public Company Limited TISCO Asset Management Company Limited Standard Chartered Bank (Thai) Public Company Limited	Bank Asset Management Bank
39. Ms. Wantana Kitchpanich Head of Operations Support	45	Common - Preferred -	-	Bachelor of Arts (Accounting) Bangkok University	Jul2013-Present 2009-Jun2013	<i>TISCO Group</i> Head of Operations Support Head of System & Support <i>Others</i> -	TISCO Bank Public Company Limited	Bank
40. Mr. Wittaya Mettaviharee Assistant Head of Retail Banking - Provincial Channel Acting Head of Provincial Business Development	41	Common - Preferred -	-	Master of Business Administration (Finance) Thammasat University Bachelor of Engineering (Mechanical Engineer) Chulalongkorn University	Jul2013-Present 2010-Jun2013	<i>TISCO Group</i> Assistant Head of Retail Banking - Provincial Channel Acting Head of Provincial Business Development Assistant Head of Provincial Channel <i>Others</i> -	TISCO Bank Public Company Limited	Bank
41. Ms. Wipa Mettaviharee Head of All Finance & Direct	43	Common - Preferred -	-	Bachelor of Business Administration (Accounting) Rajamangala Institute of Technology	2002-Present	<i>TISCO Group</i> Head of All Finance & Direct <i>Others</i> -	TISCO Bank Public Company Limited	Bank
42. Ms. Saranya Weeramahawong Head of Personal Banking	40	Common - Preferred -	-	Master of Business Administration (Management) Srinakharinwirot University (Prasarnmitr Campus) Bachelor of Arts (French Language and Literature) Srinakharinwirot University (Prasarnmitr Campus)	2011-Present 2010-2011 2008-2010 2006-2007 2005-2006	<i>TISCO Group</i> Head of Personal Banking Acting Head of Personal Banking Personal Banking Manager <i>Others</i> Customer Relationship Manager Sales Training Manager	TISCO Bank Public Company Limited Standard Chartered Bank (Thai) Public Company Limited Citibank N.A.	Bank Bank Bank

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
43. Mr. Somsak Wongwachirawanich Head of Hire Purchase - Used Car	52	Common Preferred - -	-	Bachelor of Business Administration (Finance and Banking) Ramkhamhaeng University	2002-Present	<i>TISCO Group</i> Head of Hire Purchase - Used Car <i>Others</i> -	TISCO Bank Public Company Limited	Bank
44. Mr. Sommai Ung Head of Commercial Lending	43	Common Preferred - -	-	Master of Business Administration Bachelor of Business Administration University of the Thai Chamber of Commerce	2010-Present 2007-2010 2006-2007 2002-2005	<i>TISCO Group</i> Head of Commercial Lending Head of SME Banking Head of Marketing - 1 Head of Special Asset Management - Asset Sale <i>Others</i> -	TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Bank Finance
45. Ms. Saranya Ket-Udom Head of Logistic & Control	53	Common Preferred - -	-	Master of Business Administration (Finance) National Institute of Development Administration Bachelor of Accountancy Thammasat University	2010-Present 2010 2009-2010 2007-2008 2004-2006	<i>TISCO Group</i> Head of Logistic & Control Head of Counter Services Head of Banking Services Head of Branch System & Control Deputy Head of Banking & Operation <i>Others</i> -	TISCO Bank Public Company Limited	Bank
46. Mr. Sukit Sakulwongyai Head of Retail Service & Support	44	Common Preferred - -	-	Master of Business Administration Thammasat University Bachelor of Business Administration (Management) Assumption University	2006-Present 2002-2004	<i>TISCO Group</i> Head of Retail Service & Support Head of Special Asset Management - Asset Enforcement <i>Others</i> -	TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Bank Finance
47. Mr. Suthep Trivannakij Head of Hire Purchase - New Car	51	Common Preferred - -	-	Bachelor of Arts (Human Resource Management) Bansomdejchaopraya Rajabhat University	2005-Present 2003-2004	<i>TISCO Group</i> Head of Hire Purchase - New Car Head of Marketing & Business Development <i>Others</i> -	TISCO Bank Public Company Limited	Bank
48. Ms. Sunee Tongsumbutpanich Head Of Business & Risk Assessment 1	47	Common Preferred - -	-	Master Of Business Administration (Management) James Cook University Bachelor of Science (Nursing Science) Kuakaron College of Nursing, Srinakharinwirot University	Jul2013-Present Feb2013-Jun2013	<i>TISCO Group</i> Head of Business & Risk Assessment 1 Deputy Head of Business & Risk Assessment 1 <i>Others</i> -	TISCO Bank Public Company Limited	Bank
49. Ms. Suwandeekhaolaor Head of Cash Management	48	Common Preferred - -	-	Master of Business Administration (Management) Thammasat University Bachelor of Business Administration (Statistics) Chulalongkorn University	2010-Present 2002-2009	<i>TISCO Group</i> Head of Cash Management Head of Payroll Processing <i>Others</i> -	TISCO Bank Public Company Limited TISCO Securities Company Limited	Bank Securities
50. Mr. Sathian Leowarin Head of Bancassurance	49	Common Preferred - -	-	Master of Business Administration Prince of Songkhla University Bachelor of Business Administration (Marketing) Ramkhamhaeng University	2006-Present 2005-2006 2004-2005	<i>TISCO Group</i> Head of Bancassurance - Life Head of Retail Marketing Support Head of Marketing <i>Others</i> -	TISCO Bank Public Company Limited	Bank
51. Mr. Nobutaka Ide Head of Japanese Relationship	36	Common Preferred - -	-	Bachelor of Engineering University of Tokyo, Japan	2012-Present 2010-2012	<i>TISCO Group</i> Head of Japan Relationship <i>Others</i> Investment Banking Manager	TISCO Bank Public Company Limited Mizuho Securities Company Limited	Bank Securities

Remark: ¹ Including spouse and minor childrenRemark: ² Renamed to "Retail Banking"Remark: ³ The Board of Directors' Meeting No. 7/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013,Remark: ⁴ and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The Bank of Thailand approved the appointment on January 21, 2014.

Attachment 2

Changes in TISCO Bank Shareholdings by Directors and Management

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

		Common Shares		Preferred Shared	
		Increase (Decrease) During the Year	As of February 1, 2013	Increase (Decrease) During the Year	As of February 1, 2013
1	Mr. Pliu Mangkornkanok	0	0	0	0
2	Mr. Hon Kit Shing (Mr. Alexander H. Shing)	0	0	0	0
3	Ms. Oranuch Apisaksirikul	0	0	0	0
4	Ms. Panada Kanokwat	0	0	0	0
5	Prof. Dr. Pranee Tinakorn	0	0	0	0
6	Ms. Patareeya Benjapolchai	0	0	0	0
7	Mr. Pichai Charvirachart	0	0	0	0
8	Mr. Hirohiko Nomura	0	0	0	0
9	Mr. Suthas Ruangmanamongkol	0	0	0	0
10	Mr. Sakchai Peechapat	0	0	0	0
11	Mr. Pitada Vatcharasiritham	0	0	0	0
12	Mr. Metha Pingsuthiwong	0	0	0	0
13	Mr. Chalit Silpsrikul	0	0	0	0

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

Attachment 3

Detail of Head of Internal Audit and Head of Compliance

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)		Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
1. Mr. Pairat Srivilairit Corporate Secretary First Senior Vice President Head of Governance Office	48	Common	-	-	Master of Business Administration Thammasat University Bachelor of Engineering Chulalongkorn University - Certified Internal Audit (CIA) - Certificate in Control Self-Assessment (CCSA) - Certified Financial Service Auditor (CFSA) - The Institute of Internal Auditors (IIA), USA - Certified Information System Auditor (CISA) Information Systems Audit and Control Association (ISACA), USA - Certified Information Systems Security Professional (CISSP) Int'l Information Systems Security Certification Consortium (ISC)2, USA - Certified Fraud Examiner (CFE) Association of Certified Fraud Examiners (ACFE), USA - Company Reporting Program - Company Secretary Program - Audit Committee Program - Monitoring the Internal Audit Function - Monitoring Fraud Risk Management Thai Institute of Directors Association	Oct2013-Present Sep2013-Present Feb2013-Sep2013 2009-Jan2013 2004-2008 Sep2013-Present Sep2013-Present Sep2013-Present Sep2013-Present 2003-2004	<i>TISCO Group</i> Head of Governance Office Corporate Secretary Head of Operational Risk Management Head of Internal Audit Head of Internal Audit Director Director Director Director Head of Executive Office <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Leasing Company Limited TISCO Information Technology Company Limited Hi-Way Company Limited TISCO Securities Company Limited	Holding Company Bank Leasing Information Technology Hire Purchase Securities
2. Ms. Dulyarat Taveebhol Head of Corporate Compliance	56	Common	-	-	Bachelor of Accountancy (Accounting) Thammasat University	Jul2013-Present 2010-Jun2013 2009-2010 2008-2009 2005-2008 Sep2013-Present 2009-Present 2009-Present 1997-2005	<i>TISCO Group</i> Head of Corporate Compliance Assistant Head of Corporate Office Head of Compliance & Internal Control Head of Compliance & Internal Control Head of Internal Control Director Director and Member of the Audit Committee Director and Member of the Audit Committee Head of Internal Control <i>Others</i> -	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Deutsche TISCO Investment Advisory Company TISCO Asset Management Company Limited TISCO Securities Company Limited TISCO Finance Public Company Limited	Holding Company Bank Investment Advisory Asset Management Securities Finance
3. Ms. Jiraporn Sawsukpaiboon Head of Internal Audit	44	Common	16,544	-	Master of Business Administration Thammasat University Bachelor of Science (Accounting) Kasetsart University - Certified Internal Audit (CIA) - The Institute of Internal Auditors (IIA) - Certified Information System Auditor (CISA) Information Systems Audit and Control Association (ISACA)	Feb2013-Present 2006-Jan2013	<i>TISCO Group</i> Head of Internal Audit Deputy Head of Internal Audit <i>Others</i> -	TISCO Financial Group Public Company Limited	Holding Company

Remark: ¹ Including spouse and minor children

Attachment 4

Report of the Audit Committee

Report of the Audit Committee

Appointed by the Board of Directors on April 26, 2013, the Audit Committee of TISCO Bank Public Company Limited comprises the following three independent directors:

1.	Assoc. Prof. Dr. Angkarat Priebjrivat	Chairperson
2.	Ms. Panada Kanokwat	Member
3.	Ms. Patareeya Benjapholchai	Member

During the period from January 1 to April 25, 2013, the Audit Committee of TISCO Bank comprises:

1.	Ms. Panada Kanokwat	Chairperson
2.	Prof. Dr. Pranee Tinakorn	Member
3.	Ms. Patareeya Benjapholchai	Member

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 2013, all with full committee member's attendance. Major activities performed during the year were as follows:

- **Financial Statements:** Reviewed quarterly and annual financial statements on the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before the dissemination. The Committee agreed with the external auditor that the Company's financial statements and the disclosure of relevant information were adequate and fairly presented in accordance with generally accepted accounting principles.
- **Internal Control and Audit:** Reviewed and assessed internal control system and internal audit works and considered all issues raised by the external auditor and internal audit department. Assessed the independence of internal audit department and approved annual audit plan, strategy, key performance indicators and the Charter of Internal Audit. The Committee opined that the Company's internal control system and internal audit function were appropriate and effective.
- **Regulatory Compliance:** Reviewed and assessed annual compliance plan and reports, compliance activities and status of legal cases and litigations. Acknowledged the results of external examinations by the Bank of Thailand and the Securities and Exchange Commission of Thailand and assessed the Company's corrective actions. The Committee opined that the Company properly followed all necessary rules and regulations as imposed by regulatory authorities.
- **External Auditor:** Reviewed and assessed the independence of the external auditor as well as the overall scope and the focus of the annual and interim audit. Selected and nominated the external auditor to the Board of Directors for further recommendation to the shareholders for approval. Considered the independence, professional proficiency, performance, and appropriateness of the audit fee, the Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the Auditor of the Company for the Year 2013.
- **Transactions with Related Parties and Conflicts of Interests:** Reviewed and assessed related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee agreed with the external auditor that the transactions were either conducted in a normal course of business operation or justified for the best interests of the Company. In addition, related disclosures were in compliance with the corporate governance and related party transaction policy.
- **Risk Management:** Reviewed and assessed the management's presentation on the effectiveness of risk management system, capital adequacy, operational risk management and fraud risk management. The Committee was satisfied with the Company's risk management system.
- **Corporate Governance Policy:** Reviewed and assessed the appropriateness of the Company's corporate governance policy, the code of conduct, and anti-corruption policy. The Committee opined that the Company possessed good corporate governance system and structure and the Company's corporate governance policy, code of conduct, and anti-corruption policy were appropriate and in accordance with legal requirements and ethical practices.

In addition, the Audit Committee reviewed the Self-Evaluation Tool for Countering Bribery of the Company. After the results of assessment review by the Committee was proposed to the Thailand's Private Sector Collective Action Coalition against Corruption (CAC), the Company has received the Certificate as a member of CAC since October 2013.

- **Audit Committee Self Assessment:** Performed self assessment by comparing the Committee's activities to the Charter of Audit Committee, relevant laws and regulations, and leading practices. The results revealed that the Committee have carried out duties and responsibilities adequately and effectively according to the Charter of Audit Committee, relevant laws and regulations, and as delegated by the Board of Directors.

Angkarat Priebjrivat

(Assoc. Prof. Dr. Angkarat Priebjrivat)
Chairperson of the Audit Committee
February 13, 2014

Attachment 5

Evaluation of the Sufficiency of Internal Control System

Internal Control System Assessment Questionnaire
TISCO Bank Public Company Limited
February 28, 2014

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

Internal Control Assessment Questionnaire

Background and Objectives

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

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

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

Use of Questionnaire

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

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

Control Environment

1. The organization demonstrates a commitment to integrity and ethical value.

Question	Yes	No
1.1 Board of Directors and senior management articulate and demonstrate the importance of integrity and ethical values across the organization. The various forms and mechanisms may include: 1.1.1 Day-to-day actions and decision making at all levels of the organization that are consistent with the expected standards of conduct. 1.1.2 Interactions with suppliers, customers, and other external parties.	/	
1.2 Practice of integrity and ethics is in place which may include: 1.2.1 Appropriate code of conduct for all employees 1.2.2 Prohibition of conflict of interest and corruption 1.2.3 Penalty when employee action deviates from the standard code of conduct 1.2.4 Communicate the standard code of conducts and penalty when its violated to all level of employees and external parties for adherence.	/	
1.3 A process of ongoing and separate evaluation of Code of Conduct is in place including; 1.3.1 Ongoing and separated evaluation by Internal Audit Unit or Compliance Unit 1.3.2 Employees self-evaluation 1.3.3 Separate evaluation by independent and external experts	/	
1.4 Deviations of the expected standard code of conduct are identified and remedied in a timely and consistent manner. 1.4.1 Having a process to investigate deviations of the expected standard code of conduct. 1.4.2 Having a process to penalize and conduct an appropriate action taken in timely basis. 1.4.3 The corrective action should be taken in consistent and timely basis.	/	

2. The Board of Directors is independent from the management and is accountable for an oversight of the development and performance of internal control.

Question	Yes	No
2.1 The board of directors demonstrate independence from management by their roles and responsibilities. The board must therefore retain objectivity in relation to management.	/	
2.2 The board of directors oversee the business objectives to ensure that they are clearly defined and measurable to be a guidance for management and other employees.	/	
2.3 The board of directors oversee the clear line of roles and responsibilities of the board committees and senior management and compliance with law and regulations. This includes the roles and responsibilities of audit committee, external auditors, internal auditors and the person with responsibility for financial reporting.	/	
2.4 The director is competent and has expertise in business or ability to request for the experts when needed.	/	
2.5 The board of directors consists of sufficient number of independent directors who are knowledgeable and independent.	/	
2.6 The board of directors oversee the development and execution of internal control system including control environment, risk assessment, control activities, information and communication, and monitoring activities.	/	

3. With the board oversight, Management establishes structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Question	Yes	No
3.1 Management establish organization structure which support the organization's goal, which taking into account business, regulation, and effective internal control system e.g. segregation of duties.	/	
3.2 Senior management define reporting line which considered appropriate accountabilities, responsibilities and communication channel.	/	

Question	Yes	No
3.3 Clear and appropriate authority delegation of authority among the board of directors, senior management, management and staff is in place.	/	

4. The organization demonstrates a commitment to attract, develop, and retain competent individuals.

Question	Yes	No
4.1 Policies and practice to attract, develop, and retain competent individuals is in place and is reviewed regularly.	/	
4.2 The organization has processes of performance evaluation, incentive, reward and penalty. The processes are communicated to all level of management and employees.	/	
4.3 The organization has a procedure to handle insufficiency of competent staff properly.	/	
4.4 The organization has a human resource management process of recruiting, development, mentoring, coaching, retaining for all level of management and employees.	/	
4.5 The organization has the appropriate succession plan.	/	

5. The organization assigns roles and responsibility of internal control in the pursuit of objectives.

Question	Yes	No
5.1 The board of directors and management establish the mechanisms to communicate and enforce accountability for performance of internal control responsibilities across organization and implement corrective action as necessary.	/	
5.2 The board of directors and management establish proper performance evaluation, incentives, and rewarding system taking into account code of conduct, short-term and long-term business objectives.	/	
5.3 The board of directors and management align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives.	/	
5.4 The board of directors and management evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities.	/	

Risk Assessment

6. Organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

Question	Yes	No
6.1 The organization complies with the Generally Accepted Accounting Principles (GAAP) that are appropriate for its business and ensures the existence, completeness, rights and obligation, and valuation.	/	
6.2 The organization defines financial materiality by assessing factors such as stakeholders, transaction size, and business trends.	/	
6.3 The organization's financial statements reflect actual operational activities.	/	
6.4 The board of directors or the Risk Management Committee approves and communicates risk management policies to management and employees as part of the organization culture.	/	

7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as basis for determining how the risks should be managed.

Question	Yes	No
7.1 The organization identifies comprehensive risk that may affect the operational activities at corporate level, entity level, unit level, and functional level.	/	

Question	Yes	No
7.2 The organization assess comprehensive risk that may result from internal and external factors, including strategic risk, operational risk, reporting risk, compliance risk, and IT risk.	/	
7.3 Management of all level participates in risk management.	/	
7.4 The organization prioritize risk through frequency and impact assessment.	/	
7.5 The organization has measures and plans to manage risk through risk acceptance, risk reduction, risk avoidance, or risk sharing.	/	

8. The organization considers the potential for fraud in assessment risks to the achievement of objectives.

Question	Yes	No
8.1 The organization assess fraud risk resulting from falsify reporting, financial loss, corruption, management override of internal controls, misrepresentation of material reports, or embezzlement.	/	
8.2 The organization reviews its performance measurements through achievement likelihood assessment and reviews incentive program to ensures that it does not encourage misconduct such as unrealistic target to encourage misrepresentation.	/	
8.3 Audit Committee reviews and inquires management regarding fraud likelihood and fraud preventive and corrective measures.	/	
8.4 The organization communicates to its employees to ensure that they understand and comply with policies and guidelines.	/	

9. The organization identifies and assesses changes that could significantly impact the system of internal control.

Question	Yes	No
9.1 The organization assess external changes that may affect its operation, internal control, and financial reporting; and defines sufficient measures to respond to those changes.	/	
9.2 The organization assess changes in business operation that may affect its operation, internal control, and financial reporting; and defines sufficient measures to respond to those changes.	/	
9.3 The organization assess changes in organization leaders that may affect its operation, internal control, and financial reporting; and defines sufficient measures to respond to those changes.	/	

Control Activities

10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Question	Yes	No
10.1 The organization's control measures are appropriate with its organization specific risks such as environmental, operational complexity, functional, operational boundary, and other specifics.	/	
10.2 The organization has written internal control measures that appropriately covers its activities, which includes roles and responsibilities, and clearly indicate level of authority to prevent fraud.		
10.2.1 Collect and regularly update information on major shareholders, Directors, Management, and their related parties to assist in monitoring and reviewing related party transactions or conflict of interest transactions.	/	
10.2.2 In case the organization approves or enters into long-term contract with related party, the organization monitors to ensure compliance throughout the contract duration.	/	
10.3 Control activities include a range and variety of controls and may include a balance of approaches to mitigate risk, considering both manual and automated controls, and preventive and detective controls.	/	
10.4 Management considers control activities at various levels in the entity.	/	

Question	Yes	No
10.5 The organization segregates the following duties: (1) approval (2) data entry (3) custodial	/	

11. The organization selects and develops general control activities over technology to support the achievement of objectives.

Question	Yes	No
11.1 The organization should determines the dependency and linkage between business processes and technology general controls.	/	
11.2 The organization should have a proper control on IT infrastructure.	/	
11.3 The organization should have a proper IT security system.	/	
11.4 The organization should have a proper control on acquisition, development and maintenance of IT system.	/	

12. The organization deploys control activities through policies that establish what is expected and in procedure that put policies into action.

Question	Yes	No
12.1 The organization has a policy that prevents major shareholders, directors, management from trading based on inside information by using approval process guided by regulators.	/	
12.2 The organization has a policy indicated that transaction approval process has to be executed by an independent without conflict of interest.	/	
12.3 The organization has a policy indicated that transaction approval processes are based on arm's length principle.	/	
12.4 The organization has a process to monitor performance and provide directions to its subsidiaries.	/	
12.5 The organization defines roles and responsibilities for its management and employees to carryout policies and processes.	/	
12.6 The organization reviews the appropriateness of its policies and processes regularly.	/	

Information & Communication

13. The organization obtains or generates and users relevant, quality information to support the functioning of other components of internal control.

Question	Yes	No
13.1 A process is in place to identify quality and relevance internal and external information required to achieve the objectives.	/	
13.2 Information usage costs and benefits are considered. The consideration should include quantity and correctness of information.	/	
13.3 The board of directors has material information sufficiently to make decision. The information may include detail of the agenda, reason, impact to the organization and optional solution.	/	
13.4 The organization has processes to schedule the board meeting and provide necessary and sufficient supporting information before a specific time as the requirement by laws or regulation.	/	
13.5 The organization should document sufficient information in the board of directors' minute of meeting to ensure appropriateness of directors duties, for examples, memo probing the question to	/	

Question	Yes	No
management, comments and reason of disagreement		
13.6 The organization has proper		
13.6.1 Document retention process to ensure completeness and filing of all important document.	/	
13.6.2 Control deficiencies and corrective action report from both external and internal auditors.	/	

14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of other components internal control.

Question	Yes	No
14.1 The organization effectively communicates relevant and timely information regarding internal control to external parties and provides appropriate communications channels.	/	
14.2 The organization reports material information to the board of directors consistently. Otherwise, the board of directors is enabled to access necessary information regards of their duties or reviews transaction i.e. the directors allows to request information from assigned a contact person, external auditors, internal auditors and they can request for the board meeting and other meeting between directors and senior managements.	/	
14.3 The organization provides separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication from internal parties.	/	

15. The organization communicates with external parties regarding matters affecting the functioning of other components of internal control.

Question	Yes	No
15.1 The organization effectively communicates relevant and timely information regarding internal control to external parties and provides appropriate communications channels i.e. investor relation and customer complain hotline.	/	
15.2 The organization provides separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication from external parties.	/	

Monitoring Activities

16. The organization selects, develops, and performs ongoing and/ or separate evaluations to ascertain whether the components of internal control are present and functioning.

Question	Yes	No
16.1 The organization develop the code of ethics and establish conflict of interests ongoing evaluation process i.e. employees perform self-evaluation and report to their supervisor and the internal auditors performs auditing and report to audit committee.	/	
16.2 Has internal evaluation this may perform by employees' self-evaluation or using internal audit to conduct separate evaluation.	/	
16.3 Management varies frequency of evaluation depending on changing condition.	/	
16.4 Evaluators who perform ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated.	/	
16.5 Internal audit department has direct reported line to audit committee.	/	
16.6 The organization supports the internal audit activities to comply with International Standards for the Professional Practice of Internal Auditing, IIA.	/	

17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Question	Yes	No
17.1 The organization evaluates and communicates material internal control deficiencies in a timely manner to those parties responsible for taking corrective action	/	
17.2 The organization develop policies for reporting the control deficiency including: 17.2.1 Management report the facts and circumstances of significant fraudulent act, illegal acts and the other circumstance that impact over reputation and financial reporting to Board of Directors in a timely basis. 17.2.2 Report significant control deficiency and propose its corrective action to the board of directors/ audit committee. 17.2.3 Report status of remediation plan or corrective action to board of directors/ audit committee.	/	

Attachment 6

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

Statement of TISCO Bank's Board of Directors' Responsibility for Financial Statements

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

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

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

The Board of Directors views that TISCO Bank's internal control systems are satisfactory and provide reasonable assurance as to the reliability of TISCO Bank's financial statements as of December 31, 2013.

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

Suthas Ruangmanamongkol
(Mr. Suthas Ruangmanamongkol)
President

TISCO Bank Public Company Limited
Report and financial statements
31 December 2013



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Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying financial statements of TISCO Bank Public Company Limited, which comprise the statements of financial position as at 31 December 2013, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2013, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 1.4 to the financial statements regarding the change in accounting policies on the measurement of premises and equipment, from cost model to revaluation model. My opinion is not qualified in respect of this matter.

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

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited

Bangkok: 13 February 2014

TISCO Bank Public Company Limited

Statement of financial position

As at 31 December 2013

(Unit: Thousand Baht)

	Note	2013	2012
Assets			
Cash		1,130,135	1,045,647
Interbank and money market items - net	3.1	52,777,951	31,370,138
Derivatives assets	3.2	28,220	41,863
Investments - net	3.3, 3.7	10,029,363	4,912,832
Investments in subsidiaries - net	3.4	-	43,956
Loans to customers and accrued interest receivables	3.5, 3.7		
Loans to customers		307,220,484	261,696,683
Accrued interest receivables		493,055	322,266
Total loans to customers and accrued interest receivables		307,713,539	262,018,949
Less: Deferred revenue		(26,394,058)	(23,030,237)
Less: Allowance for doubtful accounts	3.6	(5,774,792)	(4,687,644)
Less: Allowance for loss on debt restructuring		-	(3)
Loans to customers and accrued interest receivables - net		275,544,689	234,301,065
Property foreclosed - net	3.7, 3.8	114,923	266,241
Investment properties	1.3, 3.9	16,067	63,139
Premises and equipment - net	1.4, 3.10	742,371	392,541
Intangible assets - net	3.11	39,821	64,638
Other assets	3.12	1,606,168	2,621,881
Total assets		342,029,708	275,123,941

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2013

(Unit: Thousand Baht)

	Note	2013	2012
Liabilities and shareholders' equity			
Liabilities			
Deposits	3.13	265,547,495	220,633,709
Interbank and money market items - net	3.14	12,283,394	9,943,228
Liability payable on demand		344,864	652,310
Derivatives liabilities	3.2	310,945	-
Debts issued and borrowings	3.15	36,955,619	21,565,619
Provision for long-term employee benefits	3.16	144,553	131,686
Deferred tax liabilities		119,720	45,690
Accrued interest payable		1,627,704	1,726,436
Income tax payable		302,283	257,464
Dividend payable		655,337	1,237,859
Other liabilities	3.17	4,165,434	3,726,262
Total liabilities		322,457,348	259,920,263

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2013

(Unit: Thousand Baht)

	Note	2013	2012
Shareholders' equity			
Share capital			
Registered			
	5.1		
104 preference shares of Baht 10 each (31 December 2012: 372,047,854 shares of Baht 10 each)		1	3,720,479
819,171,178 ordinary shares of Baht 10 each (31 December 2012: 728,152,146 shares of Baht 10 each)		8,191,712	7,281,521
		<u>8,191,713</u>	<u>11,002,000</u>
Issued and paid-up			
104 preference shares of Baht 10 each (31 December 2012: 104 shares of Baht 10 each)		1	1
819,171,178 ordinary shares of Baht 10 each (31 December 2012: 728,152,146 shares of Baht 10 each)		8,191,712	7,281,521
		<u>8,191,713</u>	<u>7,281,522</u>
Share premium on ordinary shares		1,120,738	130,451
Other components of shareholders' equity		244,503	3,383
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		9,031,406	6,804,322
		<u>19,572,360</u>	<u>15,203,678</u>
Total shareholders' equity		<u>342,029,708</u>	<u>275,123,941</u>
Total liabilities and shareholders' equity		<u>342,029,708</u>	<u>275,123,941</u>

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



Mrs. Oranuch Apisaksirikul
 (Chairperson of the Executive Board)

TISCO Bank Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2013

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

	Note	2013	2012
Interest income	3.22	17,919,291	14,205,581
Interest expenses	3.23	(9,884,932)	(7,871,743)
Net interest income		8,034,359	6,333,838
Fee and service income		3,294,413	2,495,539
Fee and service expenses		(77,481)	(73,367)
Net fee and service income	3.24	3,216,932	2,422,172
Net gains on trading and foreign exchange transactions	3.25	16,963	146,047
Net gains on investments	3.26	38,592	117,933
Penalty fee income from loans		263,861	233,855
Income from business promotion relating to the hire purchase business		736,858	1,259,511
Other operating income	3.28	108,578	132,653
Total operating income		12,416,143	10,646,009
Expenses from business promotion relating to the hire purchase business		900,370	1,422,668
Total net operating income		11,515,773	9,223,341
Other operating expenses			
Employee's expenses		1,684,416	1,710,317
Directors' remuneration		160	480
Premises and equipment expenses		764,242	719,937
Taxes and duties		205,117	161,287
Supporting service expenses	3.33	1,102,927	1,029,720
Other operating expenses	3.29	523,190	491,518
Total other operating expenses		4,280,052	4,113,259
Bad debt, doubtful accounts and impairment losses	3.27	3,641,626	1,564,282
Profit from operation before income tax expenses		3,594,095	3,545,800
Income tax expenses	3.30	716,894	788,777
Profit for the year		2,877,201	2,757,023

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

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the year ended 31 December 2013

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

	Note	2013	2012
Other comprehensive income	<i>3.31</i>		
Surplus (deficit) on change in value of available-for-sale investments		2,937	(507)
Gain on revaluation of assets	<i>1.4</i>	298,463	-
Actuarial gains (losses)		6,526	(20,655)
Cash flow hedges		-	(128,277)
Income tax effect	<i>3.30, 3.32</i>	(61,585)	29,888
Other comprehensive income for the year		246,341	(119,551)
Total comprehensive income for the year		3,123,542	2,637,472
Earnings per share			
Basic earnings per share	<i>3.33</i>	3.68	3.79

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

TISCO Bank Public Company Limited

Cash flow statement

For the year ended 31 December 2013

(Unit: Thousand Baht)

	2013	2012
Cash flows from operating activities		
Profit before income tax	3,594,095	3,545,800
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	138,040	160,042
Bad debt and doubtful accounts	4,477,408	2,364,545
Allowance for impairment of investments (reversal)	(5,467)	(63,835)
Allowance for impairment of property foreclosed (reversal)	(17)	(315)
Gain on disposal of investments in securities	(36,200)	(51,248)
Unrealised (gain) loss on trading derivatives and foreign exchange transactions	6,253	(29,340)
Gain on disposal of equipment	(2,227)	(4,786)
Gain on changes in value of investment properties	(7,445)	-
Gain on disposal of property foreclosed	(4,789)	(48,353)
Gain on cash flow hedges	-	(100,761)
Long-term employee benefit expenses	32,833	29,024
Increase (decrease) in accrued income	12,269	(25,456)
Increase in accrued expenses	69,786	557,526
Net interest income	(8,034,359)	(6,333,838)
Dividend income	(74,956)	(54,832)
Cash received on interest income	17,779,727	14,041,695
Cash paid on interest expenses	(8,729,185)	(6,807,295)
Cash received on dividend income	74,956	54,832
Cash paid on income tax expenses	(312,640)	(351,195)
Profit from operating activities before changes in operating assets and liabilities	8,978,082	6,882,210
Operating assets (increase) decrease		
Interbank and money market items	(21,404,812)	(1,546,724)
Loans to customers	(48,094,018)	(62,633,996)
Properties foreclosed	2,590,686	1,560,219
Other assets	866,855	(888,506)
Operating liabilities increase (decrease)		
Deposits	44,913,786	182,573,823
Interbank and money market items	2,340,166	(914,753)
Liability payable on demand	(307,446)	204,261
Short-term debts issued and borrowings	15,500,700	(118,824,948)
Provision for long-term employee benefits	(13,440)	(1,760)
Other liabilities	(700,664)	(211,094)
Net cash flows from operating activities	4,669,895	6,198,732

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

TISCO Bank Public Company Limited
Cash flows statement (continued)
For the year ended 31 December 2013

(Unit: Thousand Baht)

	2013	2012
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(17,255,481)	(6,127,403)
Cash received from disposal of investment in securities held for investment	12,186,955	3,927,604
Cash paid for purchase of equipment	(106,343)	(57,581)
Cash paid for purchase of intangible assets	(5,091)	(8,249)
Cash received from disposal of equipment	2,235	6,159
Cash received from return of capital of a subsidiary	40,400	-
Net cash flows used in investing activities	<u>(5,137,325)</u>	<u>(2,259,470)</u>
Cash flows from financing activities		
Long-term debts issued and borrowings	-	(3,639,200)
Cash received from issuance of long-term debentures	1,243,000	1,243,000
Cash paid for the redemption of long-term debentures	(1,353,700)	(1,000,000)
Dividend paid	(1,237,859)	(400,484)
Cash received from increase in share capital	1,900,477	-
Net cash flows from (used in) financing activities	<u>551,918</u>	<u>(3,796,684)</u>
Net increase (decrease) in cash	84,488	142,578
Cash at beginning of the year	1,045,647	903,069
Cash at end of the year	<u><u>1,130,135</u></u>	<u><u>1,045,647</u></u>
	-	
Supplemental cash flows information		
Non-cash transaction		
Revaluation adjustment of assets	298,463	-

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

TISCO Bank Public Company Limited

Statement of changes in shareholders' equity

For the year ended 31 December 2013

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of shareholders' equity			Total other components of shareholders' equity	Retained earnings		Total		
	Preference shares	Ordinary shares		Surplus (deficit) on change in value of available-for-sale investments	Surplus on revaluation of assets	Cash flow hedges		Appropriated	Unappropriated			
											Total	
Balance as at 1 January 2012	1	7,281,521	130,451	3,789	-	102,621	106,410	846,100	5,439,582	13,804,065		
Dividend paid (Note 4)	-	-	-	-	-	-	-	-	(1,237,859)	(1,237,859)		
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	137,900	(137,900)	-		
Total comprehensive income for the year	-	-	-	(406)	-	(102,621)	(103,027)	-	2,740,499	2,637,472		
Balance as at 31 December 2012	1	7,281,521	130,451	3,383	-	-	3,383	984,000	6,804,322	15,203,678		
Balance as at 1 January 2013	1	7,281,521	130,451	3,383	-	-	3,383	984,000	6,804,322	15,203,678		
Dividend paid (Note 4)	-	-	-	-	-	-	-	-	(655,338)	(655,338)		
Increase ordinary share capital	-	910,191	990,287	-	-	-	-	-	-	1,900,478		
Total comprehensive income for the year	-	-	-	2,350	238,770	-	241,120	-	2,882,422	3,123,542		
Balance as at 31 December 2013	1	8,191,712	1,120,738	5,733	238,770	-	244,503	984,000	9,031,406	19,572,360		

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

TISCO Bank Public Company Limited
Notes to financial statements
For the year ended 31 December 2013

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation 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.

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

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

No consolidated financial statements of the Bank and its subsidiary (TISCO Securities Hong Kong Limited) have been prepared since TISCO Financial Group Public Company Limited, a parent company with registered office located at 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok, has already presented the consolidated financial statements. Therefore, the Bank presented only the separate financial statements.

1.2 New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Accounting standards that became effective in the current accounting year

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except TAS 20 (revised 2009) and SIC 10 which are not relevant to the business of the Bank. The Bank already early adopted Thai Accounting Standard No.12 regarding Income Tax before the effective date.

(b) Accounting standards that will become effective in the future

		<u>Effective date</u>
Accounting standard:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014

		<u>Effective date</u>
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The management of the Bank has assessed the effect of the above accounting standard, financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that they will not have any significant impact on the financial statements for the year when they are initially applied, except TFRS 4, TSIC 29, TFRIC 1, TFRIC 5, TFRIC 7, TFRIC 12, TFRIC 17 and TFRIC 18, which are not relevant to the business of the Bank.

1.3 Change in accounting policy on recording of investment properties from cost model to fair value model

During the current year, the Bank changed its accounting policy regarding measurement of investment properties to accord with Thai Accounting Standard No. 40, switching from the cost model to the fair value model in order to reflect the fair value of the assets.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

	(Unit: Thousand Baht) As at 31 December 2013
Statements of financial position	
Increase in investment properties	7,445
Decrease in deferred tax assets	1,489
Increase in unappropriated retained earnings	5,956

	(Unit: Thousand Baht) For the year ended 31 December 2013
Statements of comprehensive income	
Profit or loss:	
Gain on changes in value of investment properties	7,445
Increase in income tax expenses	1,489
Increase in profit for the year	5,956
Increase in basic earnings per share (Baht)	0.01

The effect of the changes in accounting policy on the financial statements for the year 2012 and past years was immaterial. Therefore, the Bank did not retrospectively adjust the financial statements and does not present financial statements as at 1 January 2012 for the purpose of comparison.

1.4 Change in accounting policy on recording of premises and equipment from cost model to revaluation model

As at 31 December 2013, the Bank reassessed and changed its accounting policy regarding measurement of office condominiums classified as premises and equipment, switching from the previously applied cost model to the revaluation model, which presents the fair value of the assets at the appraisal date.

In changing this accounting policy, the Bank followed Thai Accounting Standard No. 8, which does not require the retrospective application of the new policy to the previous period's financial statements. Therefore, the prospective method is used.

The effects of the change on the statement of financial position as at 31 December 2013 and the statement of comprehensive income for the year then ended are as follows:

(Unit: Thousand Baht)
As at 31 December 2013

Statement of financial position

Increase in premises and equipment - net	298,463
Decrease in deferred tax assets	59,693
Increase in other components of shareholders' equity	238,770

(Unit: Thousand Baht)
For the year ended
31 December 2013

Statement of comprehensive income

Other comprehensive income:

Gain on revaluation of assets - net from income tax expense	238,770
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However, the change would not have a material impact on net profit for the year had the new policy been adopted since the beginning of the year.

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, financial lease and auto cash income are recognised over the installment period, using the effective interest rate.

The Bank has policies for corporate loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank to cease accruing income. For other loan accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and after that interest will be recognised as income on a cash basis.

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

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

b) Interest and dividends on investment in securities

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

c) Gains (losses) on trading in securities

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

d) Fee and service income

Fee 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 Bank recorded the initial commissions and direct expenses arising in respect of hire purchase contracts originated from 1 January 2007, by the effective interest rate method, and deducted them from deferred revenue over the installment period to reflect the effective rate of return of hire purchase agreements, and recorded them 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 Securities purchased under resale agreements according to private repurchase transactions

The Bank has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the statements of financial position and the securities purchased are used as collateral.

Under securities purchase under resale agreements according to private repurchase transactions, the Bank obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest method, and are presented as interest income.

1.5.4 Investments

- a) Investments in trading securities are state at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).
- f) The Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.
- g) The fair value of marketable securities is based on the latest bid price of the last working day of year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities are determined by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- h) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and other investments are recognised in profit or loss.

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

1.5.5 Investments in receivable purchased or transferred in

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

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customer and presented at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of the receivable as at the transfer date or the date of restructuring. Allowance for doubtful debt is based on the same Bank of Thailand's guideline as allowance for loans to customer.

1.5.6 Loans to customers

Loans to customers are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred revenue/discounts on loans to customers are deducted from loans to customers.

Hire purchase and financial lease receivables are stated at outstanding balance, net of deferred revenue. Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of hire purchase contract and advances received from financial lease receivable.

1.5.7 Allowance for doubtful accounts and losses from troubled debt restructuring

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

For all loans to customers classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, the Bank records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivable, respectively.

For non-performing loans to customers which are classified as substandard, doubtful and doubtful of loss, except for non-performing hire purchase receivables, the Bank records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the period of collateral disposal being set with reference to BOT's Notifications.

For hire purchase receivables that are classified as pass, special mentioned and non-performing hire purchase receivables, the Bank uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

The Bank has already set provision for all loans to customers in accordance with the BOT's Notifications issued on 3 August 2008.

- b) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to bad debt and doubtful accounts in the period of recovery.

1.5.8 Troubled debt restructuring

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

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.5.9 Property foreclosed

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

The Bank will recognise loss on impairment in profit or loss. And gains or losses from disposal of property foreclosed are recognised upon disposal.

1.5.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

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

1.5.11 Premises and equipment/Depreciation

Land is stated at cost. Office condominiums and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Office condominiums are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Bank's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Surplus on revaluation of assets". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Bank's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Surplus on revaluation of assets" in respect of the same asset.

The surplus on revaluation of assets is amortised to retained earnings on a straight-line basis over the remaining life of the related assets. The revaluation surplus which is transferred to retained earnings is the difference between the depreciation calculated on book value of the revalued assets and the depreciation calculated on original cost of the assets. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

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

Buildings and office condominiums	-	20 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipments	-	3, 5 years
Motor vehicles	-	5 years

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is included in determining income.

No depreciation is provided on land and assets under installation.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

1.5.12 Intangible assets

The Bank initially recognised intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Bank amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The Bank reviewed the amortisation period and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

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

The license agreements specified 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

1.5.13 Income tax

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

Current tax

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

Deferred tax

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

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

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

The Bank records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

At the end of reporting period, the Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

1.5.14 Impairment of assets

The Bank assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

1.5.15 Derecognition of financial assets and financial liabilities

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

1.5.16 Foreign currencies

The financial statement is presented in Baht, which is also the Bank's functional currency.

Transactions in foreign currencies are translated into Baht at exchange rates ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of reporting period.

Gain and losses on exchange are included in determining income.

1.5.17 Employee benefits

Short-term employee benefits

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

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

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

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

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

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

1.5.18 Provisions

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

1.5.19 Derivatives and hedge accounting

The recording of derivatives and hedge accounting are based on the principles for recording derivatives and hedge accounting under IAS 39 “Financial Instruments: Recognition and Measurement”.

The Bank has recorded derivatives held for trading in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

The Bank has recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in shareholders’ equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss.

1.5.20 Financial instruments

a) Financial risk management

The Bank's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities and debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.38 to the financial statements.

b) Fair value of financial instruments

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

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

The methods and assumptions used by the Bank in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the financial statements approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

- Loans to customers and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

1.5.21 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5.22 Significant accounting judgments and estimates

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

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quote market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments

The Bank treats available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment of the management.

Investment properties

The Bank presents investment properties at the fair value estimated by an independent appraiser, and recognises changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 3.9.

Premises and equipment/Depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of the premises and equipment and to review estimated useful lives and residual values when there are any changes.

At the end of 2013, the Bank measures office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the income approach for buildings. The valuation involves certain assumptions and estimates.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

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

The obligation under the defined benefit plan and other long-term employee benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, and staff turnover rate.

Leases

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

Litigation

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

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2013, the Bank has 55 branches in Thailand.

2.2 Share capital

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

2.3 Statutory reserve

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

2.4 Directors' remuneration

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

2.5 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank, whether directly or indirectly, or which are under common control with the Bank. They also include associated companies and individuals which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors and officers with authority in the planning and direction of the Bank's operations.

The Bank has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Bank and those related parties, which are reference to the terms and price as charged to other customers.

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2013			2012		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	3,120,483	800,000	3,920,483	3,394,365	230,000	3,624,365
Commercial banks	239,303	44,400,000	44,639,303	240,987	25,000,000	25,240,987
Specialised financial institutions	761	3,700,000	3,700,761	997	2,000,000	2,000,997
Other financial institutions	-	500,000	500,000	-	500,000	500,000
Total	3,360,547	49,400,000	52,760,547	3,636,349	27,730,000	31,366,349
Add: Accrued interest	-	25,397	25,397	-	8,789	8,789
Less: Allowance for doubtful						
accounts	-	(8,000)	(8,000)	-	(5,000)	(5,000)
Total domestic	3,360,547	49,417,397	52,777,944	3,636,349	27,733,789	31,370,138
<u>Foreign</u>						
US Dollar	7	-	7	-	-	-
Total	7	-	7	-	-	-
Add: Accrued interest	-	-	-	-	-	-
Total foreign	7	-	7	-	-	-
Total domestic and foreign	3,360,554	49,417,397	52,777,951	3,636,349	27,733,789	31,370,138

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

(Unit: Million Baht)

	Securities purchase under resale agreements according to private repurchase transactions as at 31 December	
	2013	2012
	Commercial banks	47,800
Specialised financial institutions	-	2,000

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral as at 31 December	
	2013	2012
	Commercial banks	47,873
Specialised financial institutions	-	1,973

3.2 Derivatives

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

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2013			2012		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	-	310,945	3,315,434	14,882	-	3,063,160
Interest rate	28,220	-	2,274,303	26,981	-	3,032,000
Total	28,220	310,945	5,589,737	41,863	-	6,095,160

All counterparties of these derivative transactions are financial institutions.

3.3 Investments

3.3.1 Classified by type of investment

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Available-for-sale investments - fair value		
Government and state enterprise securities	5,637,810	4,139,976
Private sector debt securities	938,819	172,137
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	6,575,169	4,310,653
Held-to-maturity debt securities - cost/amortised cost		
Government and state enterprise securities	3,000,000	-
Investment in receivables	33,872	186,843
Less: Allowance for impairment	(17,722)	(20,797)
Total held-to-maturity debt securities	3,016,150	166,046
General investments - cost		
Domestic non-marketable equity securities	483,874	483,874
Less: Allowance for impairment	(45,829)	(47,741)
Total other investments	438,045	436,133
Investments - net	10,029,364	4,912,832

3.3.2 Classified by remaining period to maturity of the debt securities

(Unit: Million Baht)

	As at 31 December							
	2013				2012			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	5,435	203	-	5,638	4,136	3	-	4,139
Private sector debt securities	31	907	-	938	143	30	-	173
Total	5,466	1,110	-	6,576	4,279	33	-	4,312
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	5,465	1,110	-	6,575	4,278	33	-	4,311
Held-to-maturity debt securities								
Government and state enterprise securities	-	3,000	-	3,000	-	-	-	-
Investment in receivables	32	2	-	34	129	58	-	187
Less: Allowance for impairment	(18)	-	-	(18)	(16)	(5)	-	(21)
Total	14	3,002	-	3,016	113	53	-	166
Total debt securities	5,479	4,112	-	9,591	4,391	86	-	4,477

3.3.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at 31 December		Type of restriction
	2013	2012	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	1,758	-	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	As at 31 December 2013		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
	Companies having problems with debt repayment or in default	7,060	-

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

(Unit: Thousand Baht)

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

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

3.3.5 Investments in which the Bank holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	As at 31 December					
	2013			2012		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid Amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	5,707	-	10	5,377	-	10
PDTL Trading Co., Ltd.	6,925	-	10	8,316	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	4,647	-	10	5,697	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,083	-	10	16,940	-	10

3.4 Investments in subsidiaries

Company's name	Nature of Business	Type of share		Percentage of holding		Investment value		Dividend received for	
		as at 31 December		as at 31 December		- cost method		the year ended	
		2013	2012	2013	2012	2013	2012	2013	2012
				(%)	(%)				
Subsidiaries directly held by the Bank:									
TISCO Securities Hong Kong Securities Limited (In the process of business liquidation)	-	Ordinary shares	-	100	-	66	-	-	-
Less: Allowance for impairment						(22)			
Investments in subsidiaries - net						44			

In October 2013, the Bank received the return of capital amounting to Baht 40 million as a result of the dissolution of TISCO Securities Hong Kong Limited.

3.5 Loans to customers and accrued interest receivables

3.5.1 Classified by loans to customers type

	(Unit: Thousand Baht)	
	As at 31 December	
	2013	2012
Loans to customers		
Loans	80,126,779	65,762,530
Hire purchase receivables	226,283,511	195,394,831
Financial lease receivables	1,033,508	667,368
Less: Deferred revenue	(26,394,058)	(23,030,237)
Advances received from financial lease receivables	(223,314)	(128,046)
Total loans to customers	280,826,426	238,666,446
Add: Accrued interest receivable	493,055	322,266
Less: Allowance for doubtful accounts	(5,774,792)	(4,687,644)
Less: Allowance for loss on debt restructuring	-	(3)
Loans to customers and accrued interest receivables - net	275,544,689	234,301,065

3.5.2 Classified by currency and residency of debtors

	(Unit: Thousand Baht)					
	As at 31 December					
	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	277,545,066	-	277,545,066	235,603,286	-	235,603,286
US Dollars	-	3,281,360	3,281,360	-	3,063,160	3,063,160
Total loans to customers net of deferred revenue	277,545,066	3,281,360	280,826,426	235,603,286	3,063,160	238,666,446

3.5.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 31 December 2013					Total
	Pass	Special	Sub-standard	Doubtful	Doubtful	
		mention			of loss	
Agricultural and mining	1,441,228	71,195	23,157	2,795	-	1,538,375
Manufacturing and commerce	38,468,365	538,751	140,002	39,767	16,035	39,202,920
Real estate and construction	11,749,451	152,775	25,901	10,997	11,912	11,951,036
Public utilities and services	31,235,584	630,004	97,881	78,089	1,777	32,043,335
Personal consumption						
Hire purchase	160,187,190	14,723,922	2,584,821	824,665	66,641	178,387,239
Auto cash loan	12,707,215	948,514	188,453	27,427	822	13,872,431
Housing loans	1,302,535	56,425	2,355	9,294	57,583	1,428,192
Others	2,230,065	124,769	23,695	2,860	21,509	2,402,898
Total loans to customers	259,321,633	17,246,355	3,086,265	995,894	176,279	280,826,426
Add: Accrued interest receivable	272,962	220,093	-	-	-	493,055
Total loans to customers and accrued interest receivable	259,594,595	17,466,448	3,086,265	995,894	176,279	281,319,481

(Unit: Thousand Baht)

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

3.5.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2013			2012		
	Net amount			Net amount		
	Loans to customers and accrued interest receivables	used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	259,595	235,950	3,259	224,020	203,954	2,752
- Special mention	17,466	17,189	1,121	12,195	11,873	1,024
- Sub-standard	3,086	3,083	944	1,861	1,845	556
- Doubtful	996	988	279	488	477	136
- Doubtful of loss	176	107	63	425	193	216
Allowance established in excess	-	-	109	-	-	4
Total	281,319	257,317	5,775	238,989	218,342	4,688

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

⁽²⁾ As at 31 December 2013, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,345 million (As at 31 December 2012: total of Baht 2,045 million). TISCO Bank allocated Baht 2,236 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2012: total of Baht 2,041 million) and so combined with the minimum provision requirement of Baht 3,430 million (As at 31 December 2012: total of Baht 2,643 million), the total provision set aside in accordance with BOT requirements is Baht 5,666 million (As at 31 December 2012: total of Baht 4,684 million).

	Percentage of allowance for doubtful account set up			
	Hire purchase receivable ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
Pass	0.58	0.77	1	1
Special mention	4.67	6.56	2	2
Sub-standard	22.95	24.24	100	100
Doubtful	23.13	24.65	100	100
Doubtful of loss	22.75	21.90	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽²⁾ These percentages are the rates used to set aside allowance for doubtful accounts in accordance with the BOT's minimum requirement.

3.5.5 Hire purchase and financial lease receivables

As at 31 December 2013, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 200,883 million (31 December 2012: Baht 173,087 million) and mostly comprise hire purchase agreements for cars, and financial lease agreements for machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 December 2013				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	66,868	147,878	7,197	5,375	227,317
Less: Deferred revenue*	(9,956)	(14,426)	(225)	(1,604)	(26,211)
Advances received from financial lease receivables	(42)	(181)	-	(1)	(223)
Present value of minimum lease pay from agreements	56,870	133,270	6,972	3,770	200,883
Allowance for doubtful accounts**					(2,658)
Net hire purchase and financial lease receivables					198,225

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

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

(Unit: Million Baht)

	As at 31 December 2012				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	57,781	128,361	6,419	3,501	196,062
Less: Deferred revenue*	(8,851)	(12,813)	118	(1,301)	(22,847)
Advances received from financial lease receivables	(2)	(123)	(2)	(1)	(128)
Present value of minimum lease pay from agreements	48,928	115,425	6,535	2,199	173,087
Allowance for doubtful accounts**					(2,502)
Net hire purchase and financial lease receivables					170,585

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

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

3.5.6 Loans to customers for which the recognition of interest income has ceased

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under the Bank's policy as at 31 December	
	2013	2012	2013	2012
	Loans to customers for which the recognition of interest income has ceased ⁽¹⁾	5,328	3,441	5,328

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

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

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

(Unit: Million Baht)

	As at 31 December	
	2013	2012
Deferred revenue ⁽¹⁾	26,394	23,030

⁽¹⁾ These amounts included deferred revenue of hire purchase and financial lease contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.5.8 Troubled debt restructuring

For the years ended 31 December

	For the years ended 31 December	
	2013	2012
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	388	159
Loan balances before restructuring (Million Baht)	376	120
Loan balances after restructuring (Million Baht)	376	120
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	2	3
Corporate loan receivables	-	2

Supplemental information for the years ended 31 December 2013 and 2012 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2013	2012
Interest income on restructured receivables	38	53
Receipt of principal and interest	266	487

As at 31 December 2013 and 2012, the Bank has the outstanding balances with troubled restructured debtors as follows:

(Unit: Million Baht)

	As at 31 December			
	2013		2012	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	1,099	665	1,135	735

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

3.6.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

	As at 31 December 2013						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	2,751,870	1,024,157	555,487	136,361	216,329	3,440	4,687,644
Increase in allowance for doubtful accounts during the year	507,879	97,320	1,018,024	2,597,723	147,951	105,511	4,474,408
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	-	-
Bad debt written-off	(216)	(336)	(629,593)	(2,455,467)	(301,648)	-	(3,387,260)
Balance - end of year	<u>3,259,533</u>	<u>1,121,141</u>	<u>943,918</u>	<u>278,617</u>	<u>62,632</u>	<u>108,951</u>	<u>5,774,792</u>

(Unit: Thousand Baht)

As at 31 December 2012

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

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

(Unit: Thousand Baht)

As at 31 December 2013

	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,206,070	2,478,133	3,440	4,687,643
Increase in allowance for doubtful accounts during the year	1,286,302	3,082,595	105,511	4,474,408
Bad debt written-off	(473,859)	(2,913,400)	-	(3,387,259)
Balance - end of year	3,018,513	2,647,328	108,951	5,774,792

(Unit: Thousand Baht)

As at 31 December 2012

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

3.6.3 Non-performing loans to customers

(Unit: Million Baht)

	As at 31 December	
	2013	2012
	Non-performing loans to customers	4,258
Allowance for doubtful accounts	1,285	908

3.7 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at 31 December		as at 31 December		as at 31 December	
	2013	2012	2013	2012	2013	2012
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

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

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

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

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

As at 31 December 2013 and 2012, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

	Loans to customer ⁽¹⁾		Investments in securities		Investments in receivables		Property foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Pass	307,922	251,348	-	-	-	-	-	-	307,922	251,348
Special mention	17,246	12,045	-	-	-	-	-	-	17,246	12,045
Sub-standard	3,086	1,861	-	-	-	-	-	-	3,086	1,861
Doubtful	996	488	-	-	-	-	-	-	996	488
Doubtful of loss	176	425	47	72	18	21	18	18	259	536
Total	329,426	266,167	47	72	18	21	18	18	329,509	266,278

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

3.7.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which the Bank sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Net amount used for		Percentage of allowance		Allowance for	
	as at 31 December		setting the allowance		for doubtful		doubtful accounts ⁽³⁾	
	2013	2012	2013	2012	2013	2012	2013	2012
					(%)	(%)		
Pass	180,736	159,472	180,736	159,472	0.58	0.77	1,049	1,227
Special mention	15,660	10,939	15,660	10,939	4.67	6.56	732	717
Sub-standard	2,777	1,707	2,777	1,707	22.95	24.24	637	414
Doubtful	922	452	922	452	23.13	21.65	213	111
Doubtful of loss	69	38	69	38	22.75	21.90	16	9
Total	200,164	172,608	200,164	172,608			2,647	2,478

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

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

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

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

	Number of debtors		Debt balance		Collateral value		Allowance for	
	as at 31 December		as at 31 December		as at 31 December		provided in the accounts	
	2013	2012	2013	2012	2013	2012	2013	2012
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies								
vulnerable to delisting								
from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies								
with similar operating								
results and financial								
positions to listed								
companies vulnerable								
to delisting from the								
SET	-	2	-	250	-	142	-	132
3. Listed companies								
under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which								
have loan settlement								
problems or have								
defaulted on payment								
of debts	-	-	-	-	-	-	-	-
5. Companies whose								
auditor's report cited								
going concern issues	-	-	-	-	-	-	-	-
Total	-	2	-	250	-	142	-	132

3.8 Property foreclosed

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external appraiser</u>		
Balance - beginning of year	239,700	239,700
Disposals	(236,296)	-
Balance - end of year	3,404	239,700
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	25,453	37,551
Additions	48,272	-
Disposals	-	(12,098)
Balance - end of year	73,725	25,453
Total property foreclosed - Immovable assets	77,129	265,153
Movable assets		
Balance - beginning of year	19,274	30,335
Additions	4,056,464	2,646,264
Disposals	(4,019,775)	(2,657,324)
Balance - end of year	55,963	19,275
Total property foreclosed	133,092	284,428
Less: Allowance for impairment		
Balance - beginning of year	18,187	49,850
Increase	918	1,268
Decrease	(936)	(32,931)
Balance - end of year	18,169	18,187
Property foreclosed - net	114,923	266,241

3.9 Investment properties

The book value of investment properties as at 31 December 2013 and 2012 is as follows:

	(Unit: Thousand Baht)	
	2013	2012
Book value - beginning of year	63,139	-
Transfer type of asset	(49,655)	67,215
Gain from fair value adjustment	7,445	-
Others	(4,862)	(4,076)
Book value - end of year	16,067	63,139

The investment property is an office condominium for rent and stated at fair value. The fair value of the investment properties was determined based on the valuation performed by an independent appraiser at the end of the year 2013 using the discounted cash flow method under the income approach. The main assumptions applied in the valuation included the utilisation rate of property, the capitalisation rate, the discount rate, long-term growth in real rental rates and other related items.

3.10 Premises and equipment

(Unit: Thousand Baht)

	Revaluation	Cost basis				Total
	basis	Building, office condominium and building improvements	Land	Building, office condominium and building improvements	Furniture, fixtures computer and equipment	
Cost						
As at 1 January 2012	-	17,509	1,035,384	548,776	55,574	1,657,243
Additions/transfers in	-	-	31,763	25,913	-	57,676
Disposals/written-off/ transfers out	-	-	(150,117)	(8,955)	(4,346)	(163,418)
As at 31 December 2012	-	17,509	917,030	565,734	51,228	1,551,501
Additions/transfers in	482,355	-	42,770	43,641	19,931	588,697
Transfer accumulated depreciation to deduct cost	(223,598)	-	-	-	-	(223,598)
Surplus on revaluation	298,463	-	-	-	-	298,463
Disposals/written-off/ transfers out	-	-	(516,651)	(1,709)	(7,468)	(525,828)
As at 31 December 2013	557,220	17,509	443,149	607,666	63,691	1,689,235
Accumulated depreciation:						
As at 1 January 2012	-	-	571,400	482,016	35,841	1,089,257
Depreciation for the year	-	-	64,379	41,324	6,443	112,146
Depreciation on disposals/ written-off/transfers out	-	-	(79,398)	(8,354)	(4,346)	(92,098)
As at 31 December 2012	-	-	556,381	514,986	37,938	1,109,305
Depreciation for the year	-	-	59,667	35,594	8,009	103,270
Depreciation on transferred in	223,598	-	-	-	-	223,598
Transfer accumulated depreciation to deduct cost	(223,598)	-	-	-	-	(223,598)
Depreciation on disposals/ written-off/transfers out	-	-	(256,551)	(1,692)	(7,468)	(265,711)
As at 31 December 2013	-	-	359,497	548,888	38,479	946,864
Net book value:						
As at 31 December 2012	-	17,509	360,649	50,748	13,290	442,196
As at 31 December 2013	557,220	17,509	83,652	58,778	25,212	742,371
Depreciation for the years ended 31 December:						
2012						112,146
2013						103,270

As at 31 December 2013, the Bank reassessed and changed its accounting policy regarding measurement of premises and equipment as it relates to office condominiums, switching from the previously applied cost model to the revaluation model, which presents the fair value of the assets at the appraisal date. The Bank arranged for an independent professional appraiser to appraise the value of the office condominium on 11 November 2013, using the income approach. The change in the accounting policy on the measurement of office condominiums was adopted on a prospective basis. Therefore, depreciation of the office condominium for the year 2013 is calculated based on the cost model. Depreciation will be calculated based on the revalued amounts as from the beginning of the year 2014. However, the change in accounting policy would not have had a material impact on net profit for the year had the new policy been adopted since the beginning of the year.

Had the office condominiums been carried in the financial statements based on cost model cost, its net book value as at 31 December 2013 would have been as follows:

	(Unit: Thousand Baht)
Office condominiums - net of accumulated depreciation	258,757

3.11 Intangible assets

The book value of intangible assets as at 31 December 2013 and 2012 is presented as follows:

	(Unit: Thousand Baht)
	<u>Computer software</u>
As at 31 December 2013:	
Cost	382,876
Less: Accumulated amortisation	<u>(343,055)</u>
Net book value	<u><u>39,821</u></u>
As at 31 December 2012:	
Cost	377,785
Less: Accumulated amortisation	<u>(313,147)</u>
Net book value	<u><u>64,638</u></u>

A reconciliation of the net book value of intangible assets for the years ended 31 December 2013 and 2012 is presented as follows:

	(Unit: Thousand Baht)	
	<u>For the years ended 31 December</u>	
	<u>2013</u>	<u>2012</u>
Net book value at beginning of year	64,638	100,304
Acquisitions of computer software	5,091	8,154
Amortisation	<u>(29,908)</u>	<u>(43,820)</u>
Net book value at end of year	<u><u>39,821</u></u>	<u><u>64,638</u></u>

3.12 Other assets

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Value added tax - net	413,971	1,415,594
Accrued interest receivables	53,518	31,867
Fee and charge receivables	50,310	62,580
Refundable income tax	-	346,990
Deposits	36,120	32,210
Other receivables	587,580	588,435
Other assets	464,669	144,205
Total other assets	1,606,168	2,621,881

3.13 Deposits

3.13.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Deposits		
Current accounts	2,716,643	3,572,743
Savings accounts	40,751,442	28,140,151
Fixed accounts		
- not over 6 months	12,917,074	14,063,664
- over 6 months but not over 1 year	20,938,222	1,153,580
- over 1 year	201,249	167,791
Certificates of deposit/negotiable certificates of deposit	188,022,865	173,535,780
Total	265,547,495	220,633,709

3.13.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Not over 1 year*	265,059,553	220,402,114
Over 1 year	487,942	231,595
Total deposits	265,547,495	220,633,709

*Including fully-mature deposit contract

3.13.3 As at 31 December 2013 and 2012, all outstanding deposits are deposits from domestic depositors and in Baht.

3.14 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2013			2012		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	26,118	26,118	-	28,857	28,857
Commercial banks	98,795	-	98,795	210,504	-	210,504
Specialised financial institutions	-	532,520	532,520	-	1,915,131	1,915,131
Other financial institutions	3,012,474	8,613,487	11,625,961	964,380	6,824,356	7,788,736
Total	<u>3,111,269</u>	<u>9,172,125</u>	<u>12,283,394</u>	<u>1,174,884</u>	<u>8,768,344</u>	<u>9,943,228</u>

3.15 Debt issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	8,243,000	8,243,000
Unsubordinated unsecured debentures	28,566,000	5,828,200
Bills of exchange	145,822	7,493,622
Promissory notes	797	797
Total	<u>36,955,619</u>	<u>21,565,619</u>

3.15.1 Subordinated unsecured debentures

As at 31 December 2013 and 2012, the Bank had long-term subordinated unsecured debentures as follows:

Year	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
	2013	2012		2013	2012		
	(Units)	(Units)		(Million Baht)	(Million Baht)		
2009	2 million	2 million	1,000	2,000	2,000	2019	5.50 percent per annum in the first to third year, 6.00 percent per annum in the fourth to seventh year and 6.50 percent per annum in the eighth to tenth year.
2009	2 million	2 million	1,000	2,000	2,000	2019	5.00 percent per annum in the first to third year, 5.50 percent per annum in the fourth to seventh year and 6.00 percent per annum in the eighth to tenth year.
2010	1 million	1 million	1,000	1,000	1,000	2020	5.00 percent per annum.
2010	1 million	1 million	1,000	1,000	1,000	2020	4.80 percent per annum.
2012	1 million	1 million	1,000	1,000	1,000	2022	4.85 percent per annum.
2012	1,243,000	1,243,000	1,000	1,243	1,243	2022	4.60 percent per annum.
Total				8,243	8,243		

3.15.2 Unsubordinated unsecured debentures

As at 31 December 2013 and 2012, the Bank had short-term unsubordinated unsecured debenture as follows:

Year	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
	2013	2012		2013	2012		
	(Units)	(Units)		(Million Baht)	(Million Baht)		
2012	-	4,324,300	1,000	-	4,324	2013	3.50 percent per annum
2012	-	1 million	1,000	-	1,000	2013	3.50 percent per annum
2012	-	503,900	1,000	-	504	2013	3.50 percent per annum
2013	16,166,000	-	1,000	16,166	-	2014	2.80 - 3.15 percent per annum
2013	3,000,000	-	1,000	3,000	-	2014	3.15 percent per annum
2013	3,500,000	-	1,000	3,500	-	2014	3.15 percent per annum
2013	3,000,000	-	1,000	3,000	-	2014	3.10 percent per annum
2013	2,600,000	-	1,000	2,600	-	2014	3.05 percent per annum
2013	300,000	-	1,000	300	-	2014	3.10 percent per annum
Total				28,566	5,828		

3.15.3 Bills of exchange

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

3.16 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 31 December 2013 and 2012, was as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2013	2012
Defined post employment benefit obligation at beginning of year	98,534	83,767
Current service cost	8,467	10,114
Interest cost	3,465	3,506
Benefits paid during the year	(3,055)	(1,760)
Actuarial (gains) losses	(6,526)	2,907
Defined post employment benefit obligation at end of year	100,885	98,534
Other long-term benefits	43,668	33,152
Total provision for long-term employee benefits at end of year	<u>144,553</u>	<u>131,686</u>

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2013 and 2012 were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2013	2012
Current service cost	13,821	25,081
Interest cost	4,390	3,943
Actuarial losses	14,622	-
Total employee benefits expenses	<u>32,833</u>	<u>29,024</u>

The cumulative amount of actuarial gains or losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 31 December 2013 and 2012 amounted to Baht 20 million and Baht 25 million, respectively.

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: Percent per annum)	
	2013	2012
Discount rate	2.36 - 4.64	3.09 - 4.20
Average salary increase rate	3.80	4.39
Average inflation rate	2.92	3.50

3.17 Other liabilities

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Withholding income tax and other tax payable	204,714	228,263
Accrued insurance premium	809,500	864,254
Deferred income	967,917	532,813
Accrued expenses	1,406,311	1,336,525
Suspense creditors	583,942	567,035
Other liabilities	193,050	197,372
Total other liabilities	4,165,434	3,726,262

The above accrued expenses include accrued bonus expenses which are remuneration paid to the management and employees based on annual performances. These accrued bonus expenses include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily share price of the parent company's shares over the period of five years from grant date to settlement date. As of 31 December 2013 and 2012, the Bank has issued under this scheme amounting to Baht 122 million and Baht 103 million, respectively.

3.18 Preference shares converted to ordinary shares

Up to 31 December 2013 and 2012, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 31 December 2013 and 2012, there are preference shares which are convertible to ordinary shares totaling 104 shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.19 Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain capital adequacy ratio in accordance with the regulations of Bank of Thailand.

The Bank maintains capital adequacy ratio in compliance with Basel III principles which is implementing capital to risk assets 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 2013 and 2012 under Basel III framework, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of the Bank (under Basel III principle) are as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012 ⁽¹⁾
<u>Common Equity Tier I capital</u>		
Issued and fully paid up share capital	8,191,712	7,281,522
Premium on share capital	1,120,738	130,451
Statutory reserve	984,000	846,100
Net profits after appropriation	7,943,322	6,089,582
Less : Deficit provision according to IRB	(620,222)	(279,825)
Total Common Equity Tier I capital	17,619,550	14,067,830
<u>Financial Instrument Tier I capital</u>		
Issued and paid up share capital-non cumulative preferred shares	-	-
Total Tier I capital	17,619,550	14,067,830
<u>Tier II Capital</u>		
Subordinated long-term debentures	7,518,700	6,858,434
Reserve for loans classified as pass	608,075	490,337
Less: Deficit provision according to IRB	-	(279,825)
Total Tier II capital	8,126,775	7,068,946
Total capital fund	25,746,325	21,136,776

⁽¹⁾ Capital funds as at 31 December 2012 were calculated under Basel III principle.

(Unit: Percent)

Capital fund ratios	As at 31 December			
	2013		2012 ⁽¹⁾	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	9.15	4.50	-	-
Tier I capital to risk assets	9.15	6.00	8.51	4.25
Total capital to risk assets	13.37	8.50	12.79	8.50

⁽¹⁾ Capital fund ratios as at 31 December 2012 were calculated under Basel II principle.

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 25/2552 regarding "Public Disclosure of Capital Maintenance for Commercial Banks", the Bank has disclosed capital maintenance information as at 30 June 2013 on its website on 29 October 2013.

3.20 Surplus on change in value of investments

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Balance - beginning of year	4,229	4,736
Increase (decrease) from change in value of investments during the year	2,937	(507)
	7,166	4,229
Less: The effect of deferred tax assets / liabilities	(1,433)	(846)
Balance - end of year	<u>5,733</u>	<u>3,383</u>

3.21 Surplus on revaluation of assets

This represents surplus arising from revaluation of office condominiums. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

(Unit: Thousand Baht)

	As at 31 December 2013
Balance - beginning of year	-
Add: Revaluation	298,463
	298,463
Less: The effect of deferred tax assets/liabilities	(59,693)
Balance - end of year	<u>238,770</u>

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

3.22 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Interbank and money market items	910,446	662,079
Investments in debt securities	215,356	174,548
Loans to customers	5,797,993	4,404,475
Hire purchase and financial lease	10,995,496	8,964,479
Total interest income	<u>17,919,291</u>	<u>14,205,581</u>

3.23 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Deposits	7,362,433	3,403,625
Interbank and money market items	299,789	368,816
Contribution fee to the Deposit Protection Agency and Bank of Thailand	1,254,479	718,198
Issued debt instruments		
- Subordinated debentures	433,678	365,272
- Unsubordinated debentures	354,475	182,529
Borrowings	180,078	2,833,303
Total interest expenses	9,884,932	7,871,743

3.24 Net fee and service income

Net fee and service income in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Fee and service income		
- Acceptance, aval and guarantees	10,498	13,288
- Insurance service	2,605,753	1,918,332
- Fund management	25,133	-
- Financial advisory fees	3,000	3,500
- Others	650,029	560,419
Total fee and service income	3,294,413	2,495,539
Fee and service expenses	(77,481)	(73,367)
Net fee and service income	3,216,932	2,422,172

3.25 Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(7,492)	(10,449)
- Derivatives on interest rates	11,039	39,789
- Debt securities	13,416	15,946
Gains on cash flow hedges	-	100,761
Total	<u>16,963</u>	<u>146,047</u>

3.26 Net gains on investments

Net gains on investments in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Gains on disposal		
- Available-for-sale securities	512	1,512
- Held-to-maturity securities	155	449
- General investments	39,570	49,287
Total	<u>40,237</u>	<u>51,248</u>
Reversal of losses (losses) on impairment		
- General investments	1,912	69,640
- Investments in subsidiaries	480	(2,955)
Total	<u>2,392</u>	<u>66,685</u>
Loss from return of capital from a subsidiary company	<u>(4,037)</u>	-
Net gains on investments	<u>38,592</u>	<u>117,933</u>

3.27 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Interbank and money market items	3,000	5,000
Investment in receivables	(3,075)	2,850
Loans to customers	3,641,701	1,556,432
Total	<u>3,641,626</u>	<u>1,564,282</u>

3.28 Other operating income

Other operating income in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Gains on disposal of property foreclosed	4,789	48,353
Dividend income	74,956	54,832
Others	28,833	29,153
Total	<u>108,578</u>	<u>132,338</u>

3.29 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Mailing expenses	44,293	40,653
Software amortisation expenses	29,908	43,820
Legal expenses	175,484	142,846
Transportation expenses	78,740	68,743
Others	194,765	195,456
Total	<u>523,190</u>	<u>491,518</u>

3.30 Income tax expenses

Income tax expenses of the Bank for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2013	2012
Current income tax:		
Income tax expenses for the year	703,516	608,653
Adjustment in respect of current income tax of previous year	933	1,159
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	12,445	178,965
Income tax expenses reported in statements of comprehensive income	716,894	788,777

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2013	2012
Decrease (increase) in surplus on change in value of investments	(587)	101
Surplus on revaluation of assets	(59,693)	-
Cash flow hedges	-	25,656
Actuarial gains (losses)	(1,305)	4,131
Income tax expenses recorded directly to other comprehensive income	(61,585)	29,888

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012 is as follows:

	(Unit: Thousand Baht)	
	For the years ended	
	31 December	
	2013	2012
Accounting profit before tax	3,594,095	3,545,800
Applicable tax rate	20%	23%
Accounting profit before tax multiplied by applicable tax rate	718,819	815,534
Adjustment in respect of current income tax of previous year	933	1,159
Tax effect of net tax-exempt income and net disallowed expenses	(2,858)	(183)
Effects of tax rate used for deferred tax	-	(27,733)
Income tax expenses reported in the statement of comprehensive income	716,894	788,777

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)			
	Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the			
	As at 31 December		years ended 31 December	
	2013	2012	2013	2012
Allowance for doubtful accounts	21,796	688	21,108	688
Allowance for impairment of investments	26,928	28,313	(1,385)	(12,767)
Allowance for impairment of property foreclosed	3,634	3,637	(3)	(6,333)
Non-accrual of interest income	25,773	17,536	8,237	(7,228)
Depreciation of assets	6,812	9,309	(2,497)	(1,779)
Financial leases	25,479	15,034	10,445	6,566
Gain on changes in value of investment properties	(1,489)	-	(1,489)	-
Surplus on revaluation of assets	(59,693)	-	-	-
Surplus on changes in value of investments	(1,433)	(845)	-	-
Unrealised gain or loss on derivatives	(5,858)	(5,610)	(248)	(3,958)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(522,672)	(403,876)	(118,796)	(165,620)
Unearned interest income on hire purchase	134,183	60,671	73,512	(22,064)
Accrued expenses	114,657	138,587	(23,930)	18,762
Employee benefits	28,910	26,337	3,877	5,322
Others	83,253	64,529	18,724	9,446
Deferred tax assets (liabilities)	(119,720)	(45,690)	(12,445)	(178,965)

3.31 Components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2013	2012
Other comprehensive income		
Investment in available-for-sale securities:		
Gains during the year	3,448	1,005
Less: Reclassification adjustments for gains included in profit or loss	(511)	(1,512)
	2,937	(507)
Surplus on revaluation of assets	298,463	-
Actuarial gains (losses)	6,526	(20,655)
Cash flow hedges:		
Losses during the year	-	(36,288)
Add: Reclassification adjustments for gains included in profit or loss	-	(91,989)
	-	(128,277)
Total other comprehensive income	307,926	(149,439)
Income tax effect	(61,585)	29,888
Net other comprehensive income for the year	246,341	(119,551)

3.32 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December					
	2013			2012		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gain (losses) on valuation in available-for-sale securities	2,937	(587)	2,350	(507)	101	(406)
Surplus on revaluation of assets	298,463	(59,693)	238,770	-	-	-
Actuarial gains (losses)	6,526	(1,305)	5,221	(20,655)	4,131	(16,524)
Cash flow hedges	-	-	-	(128,277)	25,656	(102,621)
	307,926	(61,585)	246,341	(149,439)	29,888	(119,551)

3.33 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Bank (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the years ended 31 December	
	2013	2012
Profit attributable to equity holders of the Bank (Thousand Baht)	2,877,201	2,757,023
Weighted average number of shares (Thousand shares)	782,514	728,152
Basic earnings per share (Baht/share)	3.68	3.79

3.34 Related party transactions

(Unit: Thousand Baht)

	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
<u>Outstanding balance</u>				
Parent company:				
TISCO Financial Group Plc.				
Deposits	565,745	1,939,254	(1,995,216)	509,783
Accrued interest payable	239	801	(751)	289
Dividend payable	1,237,656	655,248	(1,237,656)	655,248
Other liabilities	87,293	73,003	(86,611)	73,685
Related companies (related by common shareholder)				
Interbank and money market items (Assets):				
TISCO Securities Co., Ltd.	495,000	1,000	(1,000)	495,000
Other Assets:				
TISCO Securities Co., Ltd.	189	629	(224)	594
TISCO Leasing Co., Ltd.	15,407	13,184	(18,862)	9,729
Hi-Way Co., Ltd.	60	-	(60)	-
TISCO Information Technology Co., Ltd.	-	30,000	-	30,000
Deposits:				
Hi-Way Co., Ltd.	13,504	13,748	(7,294)	19,958
TISCO Information Technology Co., Ltd.	76,008	102,141	(48,844)	129,305
Primus Leasing Co., Ltd.	32,841	-	-	32,841
TISCO Tokyo Leasing Co., Ltd.	964	1,169	(709)	1,424
TISCO Learning Center Co., Ltd.	13,544	24,612	-	38,156
Deutsche TISCO Investment Advisory Co., Ltd.	99,806	144,885	(74,040)	170,651
TISCO Leasing Co., Ltd.	7,959	1,080	(4,994)	4,045
All-Ways Co., Ltd.	-	1,377	(797)	580
Interbank and money market items (Liabilities):				
TISCO Securities Co., Ltd.	858,423	639,497	(653,773)	844,147
TISCO Asset Management Co., Ltd.	31,717	43,829	(9,025)	66,521
Accrued interest payable:				
TISCO Securities Co., Ltd.	476	415	(246)	645
TISCO Asset Management Co., Ltd.	13	318	(275)	56
TISCO Information Technology Co., Ltd.	112	599	(565)	146
TISCO Leasing Co., Ltd.	-	24	(24)	-
Hi-Way Co., Ltd.	-	72	(72)	-
TISCO Learning Center Co., Ltd.	23	181	(32)	172
Other liabilities:				
Hi-Way Co., Ltd.	4,305	36,855	(4,320)	36,840
TISCO Securities Co., Ltd.	-	134	(134)	-
TISCO Learning Center Co., Ltd.	3,031	2,409	(3,480)	1,960
All-Ways Co., Ltd.	-	1,171	(423)	748

(Unit Thousand Baht)

	2013	2012	Terms and pricing policy
Transactions occurred during the years ended 31 December			
Parent company			
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	1,042,666	1,025,415	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	23,700	17,313	With reference to the terms and prices as offered to other customers
Others expenses	9,263	8,737	With reference to the terms and prices as offered to other customers
Related companies			
Interest income	19,799	3,759	With reference to the terms and prices as offered to other customers
Service income involving loan	10,320	6,588	With reference to the terms and prices as offered to other customers
Other income	4,455	2,990	With reference to the terms and prices as offered to other customers
Expenses involving loan	59,960	4,305	Determined on the basis on actual cost
Computer system advisory service expenses	250,000	230,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	44,071	29,093	With reference to the prices as offered from other service providers
Interest expenses	22,930	7,364	With reference to the terms and prices as offered to other customers
Other expenses	10,373	7,625	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Loans ⁽¹⁾	7,568	9,082

⁽¹⁾ Including employee welfare loan and normal loan

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Deposits	84,899	79,348

Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Bank had short-term benefit expenses paid to their directors and key management during the year and other employee benefit expenses payable to their directors and management as below:

(Unit: Million Baht)

	For the years ended 31 December	
	2013	2012
Short-term benefits	147	127
Post-employment benefits	2	2
Other long-term benefits	16	15
Total	<u>165</u>	<u>144</u>

3.35 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Chairperson of the Executive Board.

For management purposes, the Bank is organised into business units based on its products and services and has the following three reportable segments:

1. Retail banking business: Provision of credit facilities to retail customers, who are mostly individuals, principally comprised of consumer credit.
2. Corporate banking business: Provision of financial services, in the form of loans and related services, to medium and large corporate clients for commercial purposes and related services.
3. Treasury investment and other businesses: Responsible for asset and liability management activities of the Bank and other businesses.

No operating segments have been aggregated from the above reportable operating segment.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss in which operating expenses are allocated on a basis of loans and operating income of each segment. However, the Bank's income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit and total assets information regarding the Bank's operating segments for the year ended 31 December 2013 and 2012, respectively.

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments	Adjustments and elimination	Total
For the year ended 31 December 2013						
Revenue						
External customers	9,683	2,017	716	12,416	-	12,416
Inter-segment	-	-	1,433	1,433	(1,433)	-
Total revenue	9,683	2,017	2,149	13,849	(1,433)	12,416
Operating results:						
Net interest income	5,539	1,875	620	8,034	-	8,034
Net fee and service income	3,080	145	(8)	3,217	-	3,217
Other operating income	1,064	(3)	1,537	2,598	(1,433)	1,165
Total operating income	9,683	2,017	2,149	13,849	(1,433)	12,416
Depreciation and amortisation	(260)	(33)	(501)	(794)	-	(794)
Other operating expenses	(4,205)	(652)	(962)	(5,819)	1,433	(4,386)
Bad debt, doubtful accounts and impairment losses	(3,246)	(861)	465	(3,642)	-	(3,642)
Total operating expenses	(7,711)	(1,546)	(998)	(10,255)	1,433	(8,822)
Segment profit	1,972	471	1,151	3,594	-	3,594
Income tax expenses						(717)
Profit for the year						2,877

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments
As at 31 December 2013				
Segment total assets				
Premises and equipment - net	20	3	719	742

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments	Adjustments and elimination	Total
For the year ended 31 December 2012						
Revenue						
External customers	8,526	1,658	462	10,646	-	10,646
Inter-segment	-	-	1,603	1,603	(1,603)	-
Total revenue	8,526	1,658	2,065	12,249	(1,603)	10,646
Operating results:						
Net interest income	4,599	1,544	191	6,334	-	6,334
Net fee and service income	2,334	99	(11)	2,422	-	2,422
Other operating income	1,593	15	1,885	3,493	(1,603)	1,890
Total operating income	8,526	1,658	2,065	12,249	(1,603)	10,646
Depreciation and amortisation	(234)	(27)	(503)	(764)	-	(764)
Other operating expenses	(4,622)	(624)	(1,129)	(6,375)	1,603	(4,772)
Bad debt, doubtful accounts and impairment losses	(1,504)	(230)	170	(1,564)	-	(1,564)
Total operating expenses	(6,360)	(881)	(1,462)	(8,703)	1,603	(7,100)
Segment profit	2,166	777	603	3,546	-	3,546
Income tax expenses						(789)
Profit for the year						2,757

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments
As at 31 December 2012				
Segment total assets				
Premises and equipment - net	61	3	329	393

3.36 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the year 2013 and 2012, The Bank paid provident fund contributions totaling Baht 63 million and Baht 55 million, respectively.

3.37 Commitments and contingent liabilities

3.37.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2013	2012
Avals	42,552	155,388
Other guarantees	753,815	722,348
Undrawn client overdraft facilities	54,041	47,905
Interest rate swap agreements (Note 3.38.5)	2,274,303	3,032,000
Cross currency swap agreements (Note 3.38.5)	3,315,434	3,063,160
	<u>6,440,145</u>	<u>7,020,801</u>

3.37.2 Litigation

As at 31 December 2013 and 2012, the Bank has been sued for compensation totaling approximately Baht 356 million and Baht 165 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

3.37.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally 3-12 years.

As at 31 December 2013 and 2012, the Bank has future minimum lease payments required under these non-cancellable operating leases contracts as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2013	2012
Payable within		
Not over 1 year	103	97
Over 1 to 5 years	61	102
Over 5 years	5	-

3.38 Financial instruments

3.38.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Bank on the due date or to intentionally fail to make payments to the Bank in accordance with the agreement.

The Bank is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

The Bank has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Bank manages credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Bank has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. The Bank also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Bank therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank is not exposed to concentrations of credit risk because it has a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the financial statement.

Quality of risk from provision of hire purchase receivables of the Bank, which comprises the largest portion of credit granted by the Bank, is as detailed below.

The risk of hire purchase credit that is not overdue of the Bank can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2013	2012
Neither past due nor impaired		
Very high grade	110,130	93,334
High grade	60,983	56,496
Medium grade	9,623	9,642
Subtotal	180,736	159,472
Hire purchase receivables - overdue 31-90 days	15,660	10,939
Hire purchase receivables - overdue more than 90 days	3,768	2,197
Total	200,164	172,608

3.38.2 Market risk

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

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

3.38.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at 31 December	
	2013	2012
Marketable financial assets		
Debt securities	38	4
Foreign currencies	-	3

3.38.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Bank at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2013	2012
Change in interest rate		
Increase 1 percent	(657.56)	(704.60)
Decrease 1 percent	657.56	704.60

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

3.38.2.3 Interest rate risk

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

(Unit: Million Baht)

Transactions	As at 31 December 2013			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
Cash	-	-	1,130	1,130
Interbank and money market items	50	49,417	3,311	52,778
Derivatives assets	-	-	28	28
Investments - net	-	5,878	4,151	10,029
Loans to customers ⁽¹⁾	15,994	261,015	4,311	281,320
	<u>16,044</u>	<u>316,310</u>	<u>12,931</u>	<u>345,285</u>
Financial liabilities				
Deposits	43,282	222,079	186	265,547
Interbank and money market items	461	11,673	149	12,283
Liabilities payable on demand	-	-	345	345
Derivatives liabilities	-	-	311	311
Debts issued and borrowings	-	36,956	-	36,956
	<u>43,743</u>	<u>270,708</u>	<u>991</u>	<u>315,442</u>

⁽¹⁾ Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.

(Unit: Million Baht)

As at 31 December 2012

Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial assets				
Cash	-	-	1,045	1,045
Interbank and money market items	50	27,734	3,586	31,370
Derivatives assets	-	-	42	42
Investments - net	-	4,477	436	4,913
Investments in subsidiaries - net	-	-	44	44
Loans to customers ⁽¹⁾	11,556	226,209	1,224	238,989
	<u>11,606</u>	<u>258,420</u>	<u>6,377</u>	<u>276,403</u>
Financial liabilities				
Deposits	31,496	188,921	217	220,634
Interbank and money market items	464	9,366	113	9,943
Liabilities payable on demand	-	-	652	652
Derivatives liabilities	-	-	-	-
Debts issued and borrowings	-	21,566	-	21,566
	<u>31,960</u>	<u>219,853</u>	<u>982</u>	<u>252,795</u>

⁽¹⁾ Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.

Financial instruments which bear interest rate at fixed rates are classified below by the period from the financial statements date to the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

As at 31 December 2013

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	-	48,922	495	-	-	49,417	2.2549
Investments - net	2	432	1,332	4,112	-	5,878	3.9485
Loans to customers	23,289	25,663	55,527	149,020	7,516	261,015	6.9686
	<u>23,291</u>	<u>75,017</u>	<u>57,354</u>	<u>153,132</u>	<u>7,516</u>	<u>316,310</u>	
Financial liabilities							
Deposits	6,587	161,925	53,079	488	-	222,079	3.0432
Interbank and money market items	1,907	7,251	2,489	26	-	11,673	2.8367
Debts issued and borrowings	37	11,921	16,755	-	8,243	36,956	3.5493
	<u>8,531</u>	<u>181,097</u>	<u>72,323</u>	<u>514</u>	<u>8,243</u>	<u>270,708</u>	

(Unit: Million Baht)

As at 31 December 2012							
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	-	27,239	-	495	-	27,734	2.7622
Investments - net	10	2,689	1,692	86	-	4,477	3.1959
Loans to customers	15,485	24,151	43,081	136,551	6,941	226,209	6.8708
	<u>15,495</u>	<u>54,079</u>	<u>44,773</u>	<u>137,132</u>	<u>6,941</u>	<u>258,420</u>	
Financial liabilities							
Deposits	7,257	135,578	45,855	231	-	188,921	3.1821
Interbank and money market items	603	5,854	1,880	1,027	2	9,366	3.0944
Debts issued and borrowings	58	5,967	7,187	111	8,243	21,566	4.0594
	<u>7,918</u>	<u>147,399</u>	<u>54,922</u>	<u>1,369</u>	<u>8,245</u>	<u>219,853</u>	

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

3.38.3 Liquidity risk

Liquidity risk is uncertainty that the Bank is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the Bank's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserve assets. The procurement and concentration of funding sources will be well-planned to optimise risk/return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the Bank sets the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the Bank has set stress testing scenarios for liquidity risk where the scenarios cover the Bank's specific scenarios and industry-based scenarios, which cause unusual cash outflow from the Bank.

The main sources of fund came from deposits. In the past, there was high rollover rate for matured deposits. Besides, the Bank also issued subordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets to cushion against liquidity risk. Moreover, the Bank provides credit line to other companies under TISCO Financial Group to support liquidity position if required.

3.38.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

	As at 31 December 2013			
	Remaining contractual maturity			
	Less than	More than		Total
	3 months	3 - 12 months	1 year	
Liabilities	241,377	72,323	8,757	322,457

(Unit: Million Baht)

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

The matured liabilities, are generally rolled-over 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 in terms of cash outflow.

3.38.3.2 Volume and composition of highly liquid assets and internal ratio

	(Unit: Million Baht)	
	As at 31 December	
	2013	2012
Composition of highly liquid assets		
Cash	1,130	1,046
Interbank and money market - net	52,778	31,370
Current investments - net	6,575	4,311
Total liquid assets ⁽¹⁾	<u>60,483</u>	<u>36,727</u>
Liquid asset requirement ⁽¹⁾	16,600	14,202

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

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 31 December 2013 and 2012, the Bank has highly liquid assets, which are daily calculated, at Baht 60,483 million and Baht 36,727 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 16,600 million and Baht 14,202 million, respectively. In addition, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.38.3.3 Counting from the financial statement date, as at 31 December 2013 and 2012, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

		As at 31 December 2013						
<u>Transactions</u>	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans*	Total
Financial assets								
Cash	1,130	-	-	-	-	-	-	1,130
Interbank and money market items	3,361	48,922	495	-	-	-	-	52,778
Derivatives assets	-	-	-	28	-	-	-	28
Investments - net	2	4,145	1,332	4,112	-	438	-	10,029
Loans to customers	30,096	27,564	56,114	153,775	8,327	-	5,444	281,320
	<u>34,589</u>	<u>80,631</u>	<u>57,941</u>	<u>157,915</u>	<u>8,327</u>	<u>438</u>	<u>5,444</u>	<u>345,285</u>
Financial liabilities								
Deposits	50,055	161,925	53,079	488	-	-	-	265,547
Interbank and money market items	2,517	7,251	2,489	26	-	-	-	12,283
Liabilities payable on demand	345	-	-	-	-	-	-	345
Derivatives liabilities	-	311	-	-	-	-	-	311
Debts issued and borrowings	37	11,921	16,755	-	8,243	-	-	36,956
	<u>52,954</u>	<u>181,408</u>	<u>72,323</u>	<u>514</u>	<u>8,243</u>	<u>-</u>	<u>-</u>	<u>315,442</u>
Commitment and contingent liability								
Aval to bills and guarantees of loans	5	19	12	7	-	-	-	43
Other commitments	14	3,478	38	2,282	13	573	-	6,398

* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

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

* Non performing loans according to the BOT's guidelines

3.38.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 31 December 2013 and 2012 is as follows:

- a) As at 31 December 2012, the Bank has investment in a subsidiary company amounting to HKD 20 million (under the cost method net of allowance for impairment equivalent to Baht 44 million).
- b) Loans in foreign currency amounting to USD 100 million (31 December 2012: USD 100 million) (equivalent to Baht 3,281 million and Baht 3,063 million as at 31 December 2013 and 2012, respectively), of which the Bank entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.38.5 to the financial statements.

3.38.5 Derivatives

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

As at 31 December 2013 and 2012, the Bank has the following financial derivative instruments.

- a) Interest rate swap agreement

The Bank entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets as follows:

(Unit: Million Baht)

As at 31 December 2013		
Maturity	Notional amount	Fair value gain (loss)
2016	2,274	28

(Unit: Million Baht)

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

b) Cross currency swap agreement/foreign exchange contract

The Bank entered into cross currency swap agreements/foreign exchange contracts to manage risk associated with financial assets as follows:

(Unit: Million Baht)

As at 31 December 2013		
Maturity	Notional amount	Fair value gain (loss)
2014	3,315	(311)

(Unit: Million Baht)

As at 31 December 2012		
Maturity	Notional amount	Fair value gain (loss)
2013	3,063	15

3.38.6 Fair value of financial instruments

The fair value of significant financial instruments of the Bank is as follows:

(Unit: Million Baht)

Transactions	As at 31 December			
	2013		2012	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Cash	1,130	1,130	1,046	1,046
Interbank and money market items - net	52,778	52,778	31,370	31,370
Investments - net	10,029	10,029	4,913	4,913
Investments in subsidiaries - net	-	-	44	44
Loans to customers and accrued interest receivables - net	275,545	280,401	234,301	240,664
Financial liabilities				
Deposits	265,547	265,547	220,634	220,634
Interbank and money market items - net	12,283	12,283	9,943	9,943
Liabilities payable on demand	345	345	652	652
Debt issued and borrowings	36,956	37,082	21,566	21,478

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

4. Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	payment period
		(Baht per share)	(Baht per share)	(Million Baht)	
Interim dividend for 2012	The Board of Directors' Meeting of TISCO Bank No.12/2012 on 21 December 2012	1.70	1.70	1,238	January 2013
Total dividend payment in year 2012				<u>1,238</u>	
Interim dividend for 2013	The Board of Directors' Meeting of TISCO Bank No. 7/2013 on 20 December 2013	0.80	0.80	655	January 2014
Total dividend payment in year 2013				<u>655</u>	

5. Significant events during the period

5.1 Share Capital

The Annual General Meeting of the Bank's shareholders for the year 2013, convened on 25 April 2013 passed the following resolutions:

- a) To approve the allocation of up to 91,019,032 new common shares of the Bank with a par value of Baht 10 per share to the existing shareholders of the Bank pro rata to their shareholding at an offering ratio of 1 new share for every 8 existing shares (both common and preferred shares) with an offer price of Baht 20.88 per share. The offer price was calculated based on the book value of shareholders' equity as of 31 December 2012. The new common shares (the "Right offering") issued to the existing shareholders of the Bank named in the share register as of 7 May 2013. In addition, the meeting approved the delegation of authority to determine other details in connection with the allocation of the new common shares issued, whether in single or sequential allocation, to the existing shareholders of the Bank to the Board of Directors or the President of the Bank, including without limitation, the offering period, offering price, payment period, and other terms and conditions relating to the allocation of the new common shares.

Following the exercise of the right offering by the existing shareholders of the Bank, there were 91,019,032 capital increased shares allocated. The Bank has completed the registration of the change of its paid-up capital with the Ministry of Commerce on 28 May 2013. As a result, the Bank's paid-up capital will be of Baht 8,191,712,820, comprising of 819,171,178 common shares and 104 preferred shares, both with par value of Baht 10 per share.

- b) To approve the reduction of the Bank's registered capital from Baht 11,002,000,000 to Baht 7,281,522,500, by cancelling 372,047,750 unissued preferred shares with a par value of Baht 10 per share. In order to reflect the reduction of the registered capital, the meeting also approved the amendment of Clause 4 of the Bank's Memorandum of Association, to state that the registered capital is Baht 7,281,522,500, consisting of 104 preference shares and 728,152,146 ordinary shares of Baht 10 each.
- c) To approve the increase of the Bank's registered capital in the amount of Baht 910,190,320 from Baht 7,281,522,500 to Baht 8,191,712,820, in order to accommodate the allocation of the new common shares issued. In addition, to reflect the increase of the Bank's registered capital, the meeting approved the amendment to the Bank's Memorandum of Association Clause 4, to state that the registered capital is Baht 8,191,712,820, consisting of 104 preference shares and 819,171,178 ordinary shares of Baht 10 each. On 28 May 2013, the Bank registered the amendment in its registered capital and the amendment of its memorandum of association with the Ministry of Commerce.

5.2 Return of capital from a subsidiary company

In October 2013, the Bank received the return of capital amounting to Baht 40 million as a result of the dissolution of TISCO Securities Hong Kong Limited.

6. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 13 February 2014.