



**Annual Report 2008**

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## **Part 1**

### **Report from the Board of Directors**

The year 2008 marked a key development in the completion of the holding company restructuring process for TISCO Group. Effective from January 2009, TISCO Financial Group Public Company Limited ("the Company") has become the new parent company of TISCO Group in place of TISCO Bank Public Company Limited ("the Bank"), which has become the subsidiary company. The tender offer process for share swaps which took place during December 2008 – January 2009 resulted in 99.51% of shares swapped in the restructuring process. After the completion of the share swaps, the Company has become the listed company on the Stock Exchange of Thailand in place of the Bank, and simultaneously, the Bank's shares were delisted from the Stock Exchange of Thailand on January 15, 2009.

Under the new structure, the Bank, the former parent company, has become the subsidiary company of TISCO Group, whereby TISCO Financial Group Public Company Limited, the new parent holding company, operates as the governance body, overseeing group governance, strategy & business direction, risk management and control, finance, accounting, and human resource management for the group. Under the new operating structure, maximum flexibility will be wielded in terms of business management while also ensuring optimal management and control of resources as well as good standards of governance.

In 2008, despite economic fallout from global financial crisis, which was exacerbated by domestic political uncertainty, the Bank still exhibited solid financial performance with net revenue from core businesses recording continued growth and strong profitability over the year. Good asset quality was maintained as evidenced in the decrease of NPLs from 3.9% at the end of 2007 to 2.5% at the end of 2008. In addition, TISCO's capital position remained strong with the capital adequacy ratio (BIS Ratio) under the Basel II framework as high as 11.71%. With Tier-II subordinated debt totaled 2 billion baht which issued in the first quarter of 2009, it is expected that the BIS ratio of TISCO will be 13% or higher throughout 2009.

The Bank maintained a strong operating performance in 2008, reporting a net income of 1,204 million Baht or 1.40 Baht per share. The loan portfolio expanded by 23.3 % driven by continued strong growth in hire purchase, corporate and SME loans, despite shrinking demand in the slowing economy. With cost of funds well managed and asset yields sustained, net interest income increased by almost 44% over the year. Meanwhile, fee-based business has surged, with a rise in banking fee income as high as 31%, driven by great success in the bancassurance business.

In 2008, the Bank continued to receive numerous prestigious awards, reflecting group business excellence. The Bank received the "Top Corporate Governance Report Award" at the SET Awards 2008, an event organized by the Stock Exchange of Thailand to honor outstanding listed companies, securities companies and asset management companies which performed best in their category. The Bank was also voted "Best Managed Company" (Mid-Cap category) for Thailand in the Asia's Best Managed Companies Poll 2008 by Finance Asia Magazine, reflecting the opinions of investors, financial analysts and investment professionals in the region. The Bank also ranked first in the Asset Currency Bond Benchmark Survey for Thai Baht Corporate Bonds as the "Best Bank in Thai Baht Corporate Bonds 2008", the result of a survey of more than 300 institutional investors across nine markets in Asia reflecting their opinions regarding dealer services in the region.

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

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

**Board of Directors**

## **Part 2**

### **The Company**

<b>Company Name</b>	:	TISCO Bank Public Company Limited (hereafter "TISCO Bank" or "the Bank")
<b>Type of Business</b>	:	Banking Business
<b>Address</b>	:	Fl.1, TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500
<b>Registration Number</b>	:	0107539000171
<b>Home Page</b>	:	<a href="http://www.tisco.co.th">www.tisco.co.th</a>
<b>Telephone</b>	:	(66) 2633 6000
<b>Fax</b>	:	(66) 2633 6800
<b>Reference:</b>		
<b>Share Registrar</b>	:	<b>Thailand Securities Depository Co., Ltd.</b> Capital Market Academy Building, 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road Tung Song Hong, Laksi, Bangkok 10210 Tel. 0 2596 9000 Fax. 0 2832 4994-6
<b>Debenture Holder Representative</b>	:	<b>Bank Thai Public Company Limited</b> 44 Sathorn Building, North Sathorn Road Silom, Bangrak, Bangkok 10500 Tel. 0 2633 9000-3 Fax. 0 2633-9026
<b>Debenture Registrar</b>	:	<b>TMB Bank Public Company Limited</b> 3000 Phaholyothin Road Latyao, Chatu Chak, Bangkok 10900 Tel. 0 2299 1111 Fax. 0 2273 7121
<b>Subordinated Bond Representative</b>	:	<b>TMB Bank Public Company Limited</b> 3000 Phaholyothin Road Latyao, Chatu Chak, Bangkok 10900 Tel. 0 2299 1111 Fax. 0 2273 7121

**Subordinated Bond Registrar** : **TMB Bank Public Company Limited**  
3000 Phaholyothin Road  
Latyao, Chatu Chak, Bangkok 10900  
Tel. 0 2299 1111 Fax. 0 2273 7121

**Auditor** : **Mr. Narong Puntawong**  
Certified Public Accountant (Thailand) Registration No.3315  
Ernst & Young Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Office Complex,  
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Tel. 0 2264 0777 Fax. 0 2264 0789-90

## 1. Risk Factors

### Overview of Risk Management

TISCO Bank places great importance on effective systematic 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, effective resource allocation based on maximized returns at an acceptable risk tolerance resulted in successful and competitiveness of the Bank. Meanwhile, the TISCO Bank aims to maximize sustainable risk-adjusted returns over the long run.

### Risk Management Policy

Overall risk management policy of TISCO Bank is based on the enterprise-wide risk management policy encompassing the following structures:

1. Consolidated and centralized risk management

Risk management infrastructure of the Bank is centralized by consolidating risk exposure from all subsidiaries under TISCO Financial Group Plc. ("the Company"), as a parent company, through gathering risk position on each business line of the Bank in order to conduct risk assessment and 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 Bank 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 which may affect financial performance of the Bank.

4. Capital management based on standardized risk tools

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

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

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

6. Portfolio management, diversification and hedging

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

7. Strong Risk Awareness Culture

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

#### 8. Regulatory best practice

The Bank has adopted risk management policies and guidelines that comply with all regulations and best practice standards of the Bank of Thailand (BoT) and other regulatory bodies.

#### 9. New Business or Product

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

#### 10. Related Party Transaction

All business transactions among the Bank 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 business transaction of the Bank shall be controlled under regulatory guideline.

#### 11. Stress Testing

Stress Testing is a procedure to assess the impact on the Bank'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, overall risk management and internal control of the Bank have been monitored and controlled by the Board of Directors of TISCO Financial Group Plc., the parent company, and the Board of Directors of TISCO Bank. The Board of Directors of the Bank with the delegation to the Executive Board of Directors of the Bank are responsible for monitoring and managing strategic risk, all firm-wide risk exposures at both the portfolio and transaction levels. Senior Management and relevant business advisory committees oversee the entire risk management framework and strategy for all business areas supported by planning and budgeting function. Risk Management Committee of the Bank, same members as Risk Management Committee of the Company, and supported by risk management and operational risk management functions, is set up to oversee that enterprise-wide risk management of the group is undertaken according to the same standard. Specific-area risk authorities are then established to manage in-depth, transaction-level risks in each particular area, such as the Credit Committee, Problem Loan Committee, and Head of Credit Control. These mechanisms are in turn supported by the Office of the Credit Committee and functions governing internal controls, compliance, and legal issues. Business lines are fully accountable for managing their own risks within the policy guidelines established by the Risk Management Committee and specific-area risk authorities. All the business operations are under the risk limit approved by the Risk Management Committee including new business analysis in each business line. Additionally, risk limits triggered as well as new businesses shall be reported monthly to the Executive Board of Directors for acknowledgement. However, to enhance the overall risk management system, the risk management system shall be audited by the Audit Committee which directly reports to the Board of Directors of the Company.

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

- Board of Directors

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

- 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. Risk management and operational risk management functions support the Risk Management Committee in setting

up and monitoring risk management policies and guidelines and performing enterprise-wide risk management activities through a risk research and reporting process. Under consolidated supervision principle of the Bank of Thailand, Risk Management Committee of TISCO Bank directly reports to the Risk Management Committee of the Company.

- **Specific-Area Risk Authorities**

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

## **Risk Types**

### **1.1 Credit Risk**

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

- **Credit Risk Management Framework**

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

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

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

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

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

#### **1.1.1 Default Risk**

Non-performing loans of TISCO Bank are effectively managed by applying advanced risk management tools through prudent collection and follow-up, loan restructuring, and write off process resulting in a lower NPLs to decrease from 3.7% at the end of 2007 to 2.5 % of total loans and receivables. In addition, the NPLs of 2.0% and 3.1% were from retail loans and commercial loans respectively. The non-performing loans held by TISCO Bank decreased by 665.44 million Baht or 20.6% to 2,566.08 million Baht.

TISCO Bank set up reserve allowance against potential loan loss for hire purchase portfolio following Basel II rules and regulations as well as Collective Approach. Reserve allowance is set equivalent to the estimation of expected loss using historical loss of loan portfolio with an update on regular basis. TISCO Bank set aside a total reserve allowance for covering doubtful accounts and losses on debt restructuring of 1,604.48 million Baht which accounted for 62.5% of NPLs. Out of TISCO Bank's reserve 1,604.48 million



Baht, 1,337.89 million Baht represented specific reserves for loan class assets and 266.59 million Baht represented general reserves. Given a conservative provisioning policy, TISCO Bank's total reserve were higher than BOT requirements at 1,270.58 million Baht.

### **1.1.2 Concentration Risk**

As of December 31, 2008, hire purchase and commercial loans represented 72.0% and 19.2% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 73,109.2 million Baht outstanding. Top-10 borrower exposure stood at 134.85 million Baht or 0.18% of the total hire purchase portfolio, or equal to 0.13% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into three different sectors: manufacturing and commerce, 7,342.21 million Baht; real estate and construction, 8,807.72 million Baht; and public utilities and services, 3,212.80 million Baht. Lending to the above industrial sectors represented 37.7%, 45.20%, and 16.5% of the total commercial loan portfolio, and 7.1%, 8.5%, and 3.1% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 11,168.74 million baht or accounted for 10.8% of the total credit portfolio, there is slight concentration in real estate and energy sector which has been managed under risk management procedure. However, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Additionally, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

### **1.1.3 Collateral Risk**

As of December 31, 2008, about 96,056.71 million Baht or 94.6% of the total lending portfolio in TISCO Bank was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by TISCO 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 and tax regulations.

However, judging by past records, the recovery rate for asset liquidation in the secondary market was somewhat high at 70-90% of the remaining net financing amount, which helped in absorbing losses from defaulted loans. TISCO 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 International Accounting Standard No. 39 from BoT rules and regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 26.8% of the total outstanding NPLs.

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

### **1.1.4 Property Risk from Foreclosed Assets**

Property risk from foreclosed assets is the impairment of assets transferred from loans, hire purchase receivable on which debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of repossessed assets is stated at the lower of cost and net realizable value. Outstanding assets in the process of liquidation held by TISCO Bank as of December 31, 2008 were worth 1,003.25 million Baht, or 0.8% of total assets. Allowances for impairment stood at 4.2% of total foreclosed assets.

## **1.2 Market Risk**

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

#### ▪ **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. Important market risk factors are provided as follows:

##### **1.2.1 Equity Price Volatility**

As of December 31, 2008, the equity portfolio stood at 1,741.64 million Baht which totally was non-listed equity in book value. Also, the investment in subsidiaries represented 96.06 million Baht. In 2008, loss from equity investment of the Bank is 1,157.53 million Baht due to transferring almost all equity investment portfolio of TISCO Bank to TISCO Securities' investment portfolio. As a result, loss from investment was realized.

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

For listed equity investment portfolio, the volatiled price of stock market would impact the TISCO Bank's equity risk. However, after transfer almost of total equity investment portfolio to TISCO Securities' investment portfolio together with the portfolio liquidation during the year, as of December 31, 2008, TISCO Bank had no listed equity investment.

In addition, TISCO Bank 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 1,741.64 million Baht, increased from 1,279.57 million Baht in December 31, 2007. The increased value was mainly due to the purchase of receivables from TISCO Leasing Company Limited, of which 189.88 million Baht has been impaired, as investment portfolio. In case of excluding the purchase of receivables from TISCO Leasing Company Limited as an investment, the outstanding value was 638.94 million Baht, decreasing from 671.60 million Baht from the end of 2007. Additionally, the investment in subsidiaries was accounted for 96.06 million Baht decreasing from 2,966.66 million Baht at the end of 2007. After share holder restructuring, all of the risks from investment in subsidiaries has been transferred to the Company which is a parent company.

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.

##### **1.2.2 Interest Rate Risk**

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

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

Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. A movement in the level of interest rates may lead to higher borrowing costs when compared to earnings, resulting in lower interest rate income, which in turn influences TISCO Bank's profit 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, 2008, is provided in the following table.

(unit: million Baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 months	Changed within 1-2 years	Changed after 2 years	Total
Assets	29,341.07	32,344.41	24,695.54	36,019.37	122,400.38
Liabilities	(39,927.27)	(58,648.14)	(6,180.97)	(1,804.92)	(106,561.29)
Net Gap	(10,586.20)	(26,303.73)	18,514.57	34,214.45	15,839.09

Under the change of interest rate within 1 month, TISCO Bank had liabilities over assets cause the net gap to stand at 10,586.20 million Baht. The negative gap shown was mainly from an increase of the portion of short-term deposit specifically saving and current account which are less sensitive to the interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Bank was exposed to a small interest rate rise. However, under the current circumstances, it is only expected that minimal market interest rate will rise.

## (2) Fixed-Income Risk

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

TISCO Bank's fixed-income portfolio as of December 31, 2008 stood at 2,620.99 million Baht, an increase of 1,325.02 million Baht compared to the end of 2007. Average duration of the bond portfolio and debenture portfolio in TISCO Bank were 0.26 years and 0.11 years, respectively. Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves according to the BoT requirements.

**1.3 Liquidity Risk**

Liquidity risk is the possibility that TISCO 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.

- **Liquidity Risk Management Framework**

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

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

As of December 31, 2008, the value of liquid assets was 16,264.55 million Baht; comprised of cash at 595.12 million Baht compared to 439.19 million Baht in December 31, 2007, net transactions with banks and money market at 13,148.34 million Baht compared to 650.91 million Baht as of December 31, 2007 and net current investment at 2,521.09 million Baht compared to 924.59 million Baht in December 31, 2007.

Currently, liquidity risk from the maturity mismatch is moderate, once adjustments for the historical behavior of creditors and debtors such as loan defaults or rollovers are taken into account. According to maturity mismatch profile within 1 year, the cumulative gap has shown the matured assets over the matured liabilities accounted for 1,572.25 million Baht. However, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur. An important liquidity ratio which is a loan to deposit ratio stood at 102.7%, a decrease from last year at 125.3%.

In order to provide more alternatives in investments for the public and the Bank's depositors as well as to enhance flexibility and variety of funding structure management, in December 31, 2008, the Bank reported the outstanding debentures of 4,000 million Baht with a maturity between 2-4 years, including bill of exchange amounted of 40,028.19 million Baht.

#### **1.4 Operational Risk**

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

##### **▪ Operational Risk Management Framework**

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

The Risk Management Committee, supported by Operational Risk Management Department, oversees and periodically assesses a firm-wide framework for operational risk management. At each business level, the Head of Compliance and internal control of the parent company is accountable for managing the operational risks of each business line, within an established risk policies and guidelines. All internal control processes are examined by the Audit Committee, which directly reports to the Board of Directors.

Additionally, Operational Risk Management function at the parent company has been established in order to assess and identify the incurred risks as a key part of enhancing monitor and control systems. Along with the Basel II requirement and the BoT regulation, TISCO Bank has started in collecting necessary data of operational losses in transaction level together with the annual operational risk self assessment in each function covering all areas of the group for further risk assessment as well as important data in developing operational risk framework, in accordance with the best practice guidelines of the BoT and the Basel Committee on Banking Supervision.

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

TISCO Bank operate under various regulators e.g. the Bank of Thailand. Therefore, the change in laws, rules and regulations as external factor shall affect TISCO Bank's operation including Basel II accord, International Accounting Standard No. 39 (IAS39), Consolidated Supervision as well as Deposit Protection Agency Act. The adoptions of those laws and regulations may affect directly to provision allowance, capital requirement, and financial performance of TISCO Bank. For the Basel II capital requirement, as assessed, the Bank has strong capital to support the new requirement. However, to mitigate the risks, Legal department, Compliance and Internal Control department, Risk Management department as well as Operational Risk Management department at the parent company are responsible for studying the impacts and fine-tuning the operating procedures following those rules and regulations. Those departments also provide consulting services, offer recommendations, and coordinate with related business units to ensure TISCO Bank's full compliance.

#### **1.5 Strategic Risk**

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

▪ **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.

**1.5.1 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.

While the equity investment of TISCO Bank portfolio decreased, the economic outlook, capital market performance and investor sentiment is still crucial to TISCO Bank's financial performance. In a bullish economy, equity prices tend to increase significantly, resulting in improved the Bank profit and capital. Conversely, unexpected events, such as terrorist attacks and natural disasters may cause a substantial drop in equity values, adversely affecting TISCO Bank's financial performance.

**1.5.2 Risk from Capital Adequacy**

As of December 31, 2008, under the Basel II-Standardised Approach, the Bank's capital adequacy ratio stood at 11.71%, well above the BoT requirement of 8.5%. Additionally, the Bank maintained provisions against potential loan losses 25.5% higher than BoT requirements. As a result, risk from capital adequacy of the Bank is low. However, during the first quarter of 2009, TISCO Bank planned to issue subordinated debenture with amount of 2,000 million Baht to increase Tier II capital and will improve capital adequacy ratio more than 2%.

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

## 2. Overview of TISCO Business

### 2.1 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) Bancor 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 Bancor 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 Plc. 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. will enhance risk diversification and capital efficiency. The dividend policy, business strategies and operations will 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 granted by the Bank of Thailand. Under the Holding Company Restructuring Plan, TISCO Bank will sell all shares in subsidiary companies<sup>1</sup> and Tokyo Leasing (Thailand) Co., Ltd.<sup>2</sup> to TISCO Financial Group Plc. and TISCO Bank will operate only banking business and hold no shares in any subsidiary companies in TISCO Financial Group.

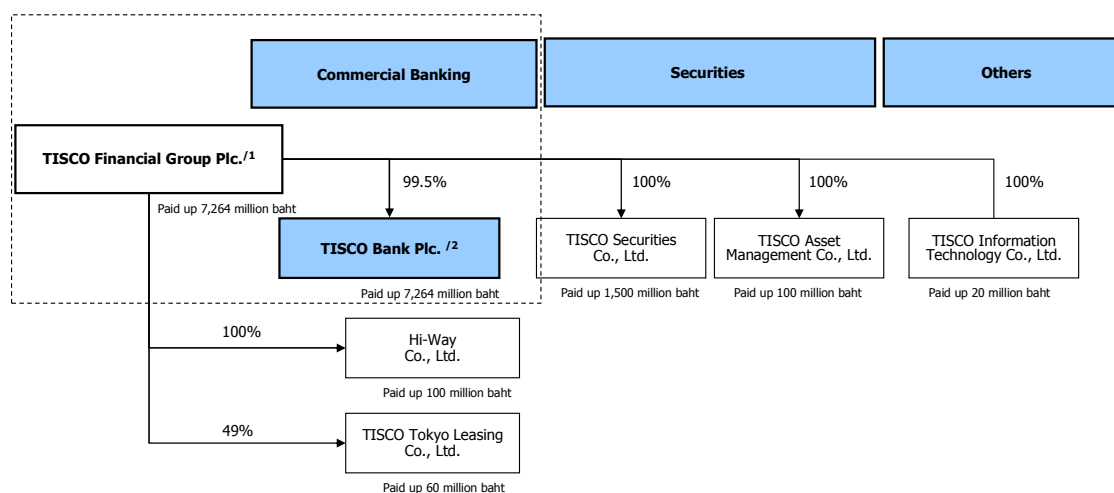
At the present, the Holding Company Restructuring Plan with TISCO Financial Group Plc. is the parent company of TISCO Group has completed. TISCO Financial Group Plc. acquired 99.5 % of securities of TISCO Bank and listing in the Stock Exchange of Thailand in place of TISCO Bank on January 15, 2009. Simultaneously, TISCO Bank had delisted its ordinary share and preferred share from listed securities in the Stock Exchange of Thailand

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

<sup>2</sup> Formerly named Mizuho Corporate Leasing (Thailand) Co., Ltd.

## 2.2 Businesses of the Bank and subsidiaries

After the completion of shareholding restructuring, TISCO Bank will be a subsidiary company of TISCO Group with TISCO Financial Group Plc. as the parent company of the Group. TISCO Bank operates only banking business and holds no shares in any subsidiary companies.



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

## 2.3 Revenue structure

The revenue structure of the Bank is as follows.

(unit: million Baht)

	2006		2007		2007	
	Amount	%	Amount	%	Amount	%
<b>Total Interest and Dividend Income</b>	4,618	135.4	6,255	172.1	7,588	210.3
Total Expenses on Borrowings	2,720	79.7	3,296	90.7	3,324	92.1
<b>Net Interest and Dividend Income</b>	<b>1,898</b>	<b>55.6</b>	<b>2,959</b>	<b>81.4</b>	<b>4,264</b>	<b>118.2</b>
Bad debts and doubtful accounts (Reversal)	280	11.6	(337)	(9.3)	707	19.6
<b>Net interest and dividend income after bad debt and doubtful accounts</b>	<b>2,178</b>	<b>63.9</b>	<b>2,622</b>	<b>72.1</b>	<b>3,557</b>	<b>98.6</b>
<b>Total Non-interest Income</b>	<b>1,233</b>	<b>36.1</b>	<b>1,013</b>	<b>27.9</b>	<b>51</b>	<b>1.4</b>
<b>Total interest and dividend income after bad debt and doubtful accounts and Non-interest income</b>	<b>3,411</b>	<b>100.0</b>	<b>3,635</b>	<b>100.0</b>	<b>3,608</b>	<b>100.0</b>

## 2.4 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, Mission and Values. Vision encompasses the ultimate goal of TISCO group, whereas Mission outlines instructions and procedures to be strictly followed in the course of all business operations. Values are intrinsic attributes that management and staff apply in achieving goals and objectives.

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

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

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

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

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

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

To implement strategic planning successfully, the 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.



### 3. 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 Bank’s headquarters, its subsidiaries, as of December 31, 2008, the Bank has 33 branches in every regions of Thailand. In Bangkok, the Bank branches are Rattana Thibet, Srinakarin, Rangsit, sub-branch at New Phetchburi Road, sub-branch Central World, sub-branch Fashion Island, sub-branch the Old Siam, sub-branch Asoke, sub-branch University of the Thai Chamber of Commerce, sub-branch Pakin Building and sub-branch Central Chaeng Watthana. In the North, the Bank branches are in Chiang Mai, Phitsanuloke, and Nakhon Sawan. Covering the Northeast are branches in Nakorn Ratchasima, Khon Kaen, Udon Thani and Ubon Ratchathani and Surin. In the East, they are located in Chonburi, sub-branch Si Racha, Rayong and Chantaburi. The Central region is served by the Bank’s branches in Ratchaburi, Saraburi, Ayutthaya, Nakorn Pathom and Samutsakhon while the South is host to the Bank’s branches in Phuket, Songkhla, Surathani, Trang and Krabi.

#### 3.1 Area of Services

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

##### 1. Retail and SME Banking

Retail and SME Banking provides three service types as follows:

###### 1.1 Retail and SME Loans

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

- **Hire-Purchase Financing**

Hire-purchase financing 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 six years. A fixed interest rate is charged in line with the market rate on the contract date.

The Bank provide 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 is also offered on loans for buying machinery and equipment for commercial purposes such as printing machines, computers and film-developing equipments.

Hire-purchase, as one of the Bank’s major businesses, has experienced continuous growth for years. It recorded 20.7% growth as of December 31, 2008, with 73,109.19 million Baht in loans in the hire-purchase portfolio, up from 60,586.71 million Baht at the end of 2007.

Hire Purchase	December 31, 2007 (million Baht)	December 31, 2008 (million Baht)	Growth rate (%)
Car	60,586.71	73,109.19	20.7
<b>Total</b>	<b>60,586.71</b>	<b>73,109.19</b>	<b>20.7</b>

The Bank’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**

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

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

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

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

Consumption loans as of December 31, 2008 was 7,227.64 million Baht, increased by 70.8% from 4,230.71 million Baht in 2007 as illustrated in the following table:

**Table shows details of retail loans**

Retail Finance	December 31, 2007		December 31, 2008		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	
Hire purchase loans	60,586.71	90.8	73,109.19	89.1	20.7
Mortgage loans	1,887.89	2.8	1,706.03	2.1	(9.6)
Consumption loans	4,230.71	6.3	7,227.64	3.8	70.8
<b>Total</b>	<b>66,705.31</b>	<b>100.0</b>	<b>82,042.86</b>	<b>100.0</b>	<b>23.0</b>

**Customer and Distribution Channels**

The Bank possesses solid customer base through strong relationship with dealers. Targeted customers of the hire-purchase business are individuals with annuity income or salary and good repayment records. The service channels operate from the headquarters of the Bank, 24 full branches, and 9 sub branches in all regions.

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

**1.2 Retail Deposit**

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

**1.3 Bancassurance**

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

## **2. Private Banking**

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

## **3. Corporate and Investment 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.

As of December 31, 2008, the Bank had a commercial lending portfolio of 19,488.08 million Baht, which accounted for 19.2% of total loans. This indicated a 24.8% increase from 2007's year-end figure of 15,616.55 million Baht.

Type of Business	December 31, 2007		December 31, 2008		Change (%)
	Amount (million Baht)	%	Amount (million Baht)	%	
Manufacturing and commerce	7,821.51	9.6	7,342.21	7.2	(6.1)
Real estate and construction	5,041.33	6.1	8,807.72	8.7	74.7
Public utilities and services	2,648.16	3.2	3,212.80	3.2	21.3
Agriculture and mining	105.55	0.1	125.35	0.1	18.8
<b>Commercial Lending</b>	<b>15,616.55</b>	<b>19.0</b>	<b>19,488.08</b>	<b>19.2</b>	<b>24.8</b>
Hire purchase	60,586.71	73.6	73,109.19	72.0	20.7
Housing	1,887.89	2.3	1,706.03	1.7	(9.6)
<b>Retail Lending</b>	<b>62,474.60</b>	<b>75.9</b>	<b>74,815.21</b>	<b>73.7</b>	<b>19.8</b>
<b>Others</b>	<b>4,230.71</b>	<b>5.1</b>	<b>7,227.64</b>	<b>7.1</b>	<b>70.8</b>
<b>Total - The Bank</b>	<b>82,321.85</b>	<b>100.0</b>	<b>101,530.93</b>	<b>100.0</b>	<b>23.3</b>

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

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

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

#### **4. 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.

#### **5. Corporate Investment**

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

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

The investment portfolio of debt and equity instruments as of December 31, 2008, was 4,362.63 million Baht, down 5.2% from 4,600.69 million Baht in 2007.

## 3.2 Market and Competition

### 1) Market

#### Deposits

In 2008, deposit in Thai commercial bank industry<sup>1</sup> increased by 9.86% from the previous year. This was mainly the result of commercial banks had been rallied in funding both short-term and long-term deposit base in order to support the Deposit Protection Act. Also, in the third quarter, commercial banks emphasized on long-term fixed deposit product with an aim to alleviate high inflation situation. At the end of 2008, average 3-month deposit interest rate at the top five large banks declined from 2.15 % to 1.58% at the end of year 2007.

As of December 31, 2008, deposit in Thai commercial bank industry was 6,485,616.41 million Baht, up by 9.86% YoY. The Bank's deposit<sup>2</sup> was 98,903.97 million Baht, up by 50.6% YoY.

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

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

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

#### Loans

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

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

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

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

Source : Automobile Institute

### 2) Competition

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

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

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

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

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

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

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

### 3.3 Resources

#### 3.3.1 Banking Business

##### 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	2006	2007	2008
Total Deposits <sup>1</sup>	63,823.19	65,683.20	98,903.97
Long-term Borrowing	361.70	8,005.05	4,899.30
Interbank and Money Market Items	2,566.08	6,402.43	3,951.72
Other Liabilities	1,916.87	2,436.06	2,463.04
<b>Total Source of Funds from Liabilities</b>	<b>68,667.85</b>	<b>82,526.74</b>	<b>110,218.03</b>
Capital	11,820.26	11,637.50	11,334.12
<b>Total Source of Funds</b>	<b>80,923.87</b>	<b>94,164.24</b>	<b>121,552.15</b>

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

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

(Unit : Million Baht)

<u>Transaction</u>								Total
	At call	0 – 3 months	3- 12 months	1-5 years	Over 5 years	Unspecified	Non performing loans	
<b>Financial assets</b>								
Cash	595	-	-	-	-	-	-	595
Interbank and money market items	35	13,113	-	-	-	-	-	13,148
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Investment – net	678	2,115	827	735	1	103	-	4,459
Receivable from clearing house	-	-	-	-	-	-	-	-
Loans and receivable	2,762	9,433	21,644	61,432	3,130	-	3,241	101,642
	<u>4,070</u>	<u>24,661</u>	<u>22,471</u>	<u>62,167</u>	<u>3,131</u>	<u>103</u>	<u>3,241</u>	<u>119,844</u>
<b>Financial liabilities</b>								
Deposits	14,039	30,060	12,820	1,825	78	-	-	58,876
Interbank and money market items	855	1,071	716	1,310	-	-	-	3,952
Liabilities payable on demand	497	-	-	-	-	-	-	497
Borrowings	3,383	30,401	6,168	4,974	1	-	-	44,927
Payable to clearing house	-	-	-	-	-	-	-	-
Securities and derivative business payables	-	-	-	-	-	-	-	-
	<u>18,828</u>	<u>61,532</u>	<u>19,704</u>	<u>8,109</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>108,252</u>
<b>Off-balance sheet items</b>								
Aval to bills and guarantees of loans	-	13	46	12	-	419	-	71
Other commitments	28	4,587	511	680	-	-	-	6,225

Details of risk of duration mismatch is described in Part 2, Section 1: 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 company'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. The Bank has a policy to aggressively expand its hire-purchase business in this market with justified risk-adjusted returns. In 2008, the growth of automobile hire-purchase was impressive. Although there were effects from high oil prices and aggressive newcomers, the Bank has a policy to competitively expand while still maintaining good loan quality and market share.

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

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

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

- **Credit Approval Limits and Authorities**

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

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

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

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

- **Credit Risk Management**

The Risk Management Committee, 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. In addition, Risk Management Committee will report risk management activities to the Risk Management Committee of TISCO Financial Group Company Limited, the parent company, on a regular basis in compliance with Consolidated Supervision principle of the Bank of Thailand.

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

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

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

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

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

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

### 4) Liquidity Management Policy

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

Meanwhile, the Treasury function is responsible for daily liquidity management and preparation for securing sources and the use of funds as required. The Treasury function is also responsible for managing the Bank's liquidity position to comply with internal

guidelines and the regulatory requirements of the BOT under the notification on prescription and maintenance of liquid assets by commercial banking as follows:

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

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

The 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, 2008, the Bank's reserves were 1,604.48 million Baht, or 126.28% of those required by the BOT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Section 5 : Operating Assets in 5.2.

## 4. Research and Development

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

### • Products and Services

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

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

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

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

### • Operations

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

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

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

- TISCO Bank consolidated all customer service via telephones in many business units into one unit namely TISCO Contact Center in order to make a one stop service under the one contact number. The services now include banking service, car loans, home loans, loan against car loans, insurances, and mutual funds. The operating hours of TISCO Contact Center have expanded to 24 x 7 from normal bank's operating hours in order to increase convenience for customer with enable them to use all services of the bank and subsidiary companies under speed and match to their needs.
- The Bank has implemented Enterprise Content Management System to support the paperless office concept. The first area to utilize this system is Banking Operation function to keep the customer's signature. The bank teller can verify

the customer signature on-line real time so that Bank's customers can do any transactions at any branches. The other areas to implement are Hire Purchase operation and accounting in order to increase efficiency in searching documents and also reduce expenditures.

- Video Conference & Instant Messaging System are implemented to improve the communication channel between Head office and Branches. These systems will be the effective channels to announce the company's policy , the tele-conference meeting, Training , etc.

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

## 5. Operating Assets

### 5.1 Major Fixed Assets

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

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

Type of Assets	(unit: million Baht)		
	2006 <sup>1</sup>	2007 <sup>1</sup>	2008
<b>Land and buildings</b>			
1. Office of TISCO Financial Group Plc. at TISCO Tower	885	839	368
2. Office for subsidiaries at TISCO Tower	377	421	-
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai	4	4	-
4. Brokerage branch – Nakhon Pathom	8	8	-
<b>Total land and buildings (net)</b>	1,274	1,272	368
Office furniture and improvements (net)	95	135	157
Total office furniture (net)	158	94	158
Others	76	62	18
<b>Total (net)</b>	1,603	1,563	701

<sup>1</sup> Before the restructuring plan, TISCO Bank is the parent company of TISCO Group which had 6 subsidiary companies in the group.

#### Long-term contract

##### 1. Contract

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

	2008	2009 <sup>1</sup>
<b>Domestic offices and branches</b>	17,776,923 baht	30,288,192 baht

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

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

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

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

<sup>1</sup> Before the restructuring plan, TISCO Bank is the parent company of TISCO Group which had 6 subsidiary companies in the group.

## 5.2 Loans

### Classification of assets under BoT guidelines

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

(unit: million Baht)

	Loans and receivables	Investments	Property foreclosed	Others	Total	%
Pass	105,512	-	-	-	105,512	91.8
Special mention	6,563	-	-	-	6,563	5.7
Substandard	978	-	-	-	978	0.8
Doubtful	378	-	-	-	378	0.3
Bad debts	1,210	306	43	-	1,559	1.4
<b>Total</b>	<b>114,641</b>	<b>306</b>	<b>43</b>	<b>-</b>	<b>114,990</b>	<b>100.0</b>

### 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 Sub-Standard, Doubtful, and Doubtful to loss to set a minimum provision in accordance with a 100% of the different between asset's carrying amount and present value of estimated future cash flow or the present value of estimated future cash flow from collaterals. Meanwhile, the loan portfolio with similar credit risk profile can be set on a portfolio basis following collective approach.

TISCO 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 BoT. 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.

### **5.3 Investment in Securities**

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

#### **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 Part2, Section 1: 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.

## **6. Future Projects**

### **6.1 Business Channel Expansion**

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

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



## **7. Legal Disputes**

As of December 31, 2008, the Bank had 13 unresolved cases from its regular business operations, all of them are civil cases, involving an estimated total amount of 147.21 million Baht, which is less than five percent of its shareholders' equity. No cases were incurred from irregular business operations. Of all cases, there are seven cases involving total amount of 6.31 million Baht which are in the tribunal process and not yet reach judgment. Furthermore, there are four cases, with an estimated total value of 83.5 million Baht, that already dismissed by the Court of First Instance and/or the Appeal Court. However, the plaintiff still appealed to the Appeal Court or Dika Court. Apart from the said case, there are two cases which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd. in which the Bank has an indemnification for any damages suffered by it (if any). Additional details on legal disputes are presented in Notes to Financial Statements; 3.30.2 Litigation. The management of the Bank believes that the Bank will not suffer material loss as a result of the abovementioned lawsuits and request for damages.

## 8. Capital Structure

### 8.1 Securities Information

#### 8.1.1 Common Shares and Preferred Shares

Total registered and paid-up capital as of December 31, 2008

Total registered capital : 11,002,000,000 Baht  
 Total paid-up capital : 7,281,522,500 Baht comprised of 544,651,820 common shares and 183,500,430 preferred shares, both with par value of 10 Baht per share.

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

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

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

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

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

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

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

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

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

#### 8.1.2 Debentures

As of December 31, 2008, the details of outstanding debentures of the Bank are as follows:

1. TISCO Bank Public Company Limited unsubordinated and unsecured debentures with maturity date in 2009.

Type of Offering	:	For offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	:	1,000,000 Baht
Offering Price	:	1,000,000 Baht
Issue Size	:	161 units
Outstanding	:	161 units
Tenor	:	10 years
Issuing Date	:	February 11, 1999
Maturity Date	:	February 11, 2009
Coupon Rate	:	Fixed rate 6% per annum

- Payment Date : February 11 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.
2. TISCO Bank Public Company Limited 2<sup>nd</sup> unsubordinated and unsecured debentures with maturity date in 2009
- Type of Offering : For offer to the Ministry of Finance under the Tier II capital support scheme  
 Face Value : 1,000,000 Baht  
 Offering Price : 1,000,000 Baht  
 Issue size : 170 units  
 Outstanding : 170 units  
 Tenor : 10 years  
 Issuing Date : May 28, 1999  
 Maturity Date : May 28, 2009  
 Coupon Rate : Fixed rate 5% per annum  
 Payment Date : May 28 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.
3. TISCO Bank Public Company Limited 1/2007 Tranche 1 debenture with maturity date in 2010
- Type of Offering : For offer to the Public  
 Face Value : 1,000 Baht  
 Offering Price : 1,000 Baht  
 Issue size : 3,000,000 units  
 Outstanding : 3,000,000 units  
 Tenor : 3 years  
 Issuing Date : May 24, 2007  
 Maturity Date : May 24, 2010  
 Security : None  
 Coupon Rate : Fixed rate 3.75% per annum  
 Payment Date : May 24 and November 24 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Rating : A(th) from Fitch Ratings (Thailand) Limited on October 22, 2008  
 Debenture Representative : Bank Thai Public Company Limited  
 Debenture Registrar : TMB Bank Public Company Limited
4. TISCO Bank Public Company Limited 1/2007 Tranche 2 debenture with maturity date in 2012
- Type of Offering : For offer to the Public  
 Face Value : 1,000 Baht  
 Offering Price : 1,000 Baht  
 Issue size : 1,000,000 units  
 Outstanding : 1,000,000 units  
 Tenor : 5 years  
 Issuing Date : May 24, 2007  
 Maturity Date : May 24, 2012  
 Security : None  
 Coupon Rate : Fixed rate 4.04% per annum  
 Payment Date : May 24 and November 24 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
- Rating : A(th) from Fitch Ratings (Thailand) Limited on October 22, 2008  
 Debenture Representative : Bank Thai Public Company Limited  
 Debenture Registrar : TMB Bank Public Company Limited

### 8.1.3 Bills of Exchange

As of December 31, 2008, the Bank had short-term bills of exchange outstanding worth 39,697.19 million Baht, comprised of 37.60 million Baht in the form of a promissory note and 39,659.59 million Baht in a bill of exchange.

### 8.1.4 Major shareholder agreements regarding share issuance or Bank management

None

## 8.2 Shareholders

The list of the top 10 major shareholder groups whose names appeared in the share registration book on January 14, 2009 is as follows:

Shareholder Name	Total Shareholding			
	Common Shares	Preferred Shares	Total	%
1. TISCO FINANCIAL GROUP PUBLIC COMPANY LIMITED	541,179,179	183,427,226	724,606,405	99.51
2. NORBAX INC.,13	750,000	-	750,000	0.10
3. THE BANK OF NEW YORK (NOMINEES) LIMITED	667,234	-	667,234	0.09
4. UBS AG SINGAPORE,BRANCH-PB SECURITIES CLIENT CUSTODY	210,000	-	210,000	0.03
5. CLSA SINGAPORE PTE LTD-A/C 15	170,000	-	170,000	0.02
6. MORGAN STANLEY & CO. INTERNATIONAL PLC	100,000	-	100,000	0.01
7. MR. LEARD TIDSAYAKORN	96,100	-	96,100	0.01
8. CREDIT SUISSE SINGAPORE BRANCH	79,000	-	79,000	0.01
9. THE NORTHERN TRUST COMPANY,MELBOURNE BRANCH CLIENTS ACCOUNT	72,400	-	72,400	0.01
10. MR.SUKIT WANGLEE	64,824	-	64,824	0.01
<b>Total shareholding of the first 10 major shareholders</b>	<b>543,388,737</b>	<b>183,427,226</b>	<b>726,815,963</b>	<b>99.81</b>
Others	1,263,083	73,204	1,336,287	0.19
<b>Total</b>	<b>544,651,820</b>	<b>183,500,430</b>	<b>728,152,250</b>	<b>100.00</b>

By virtue of the provisions of Section 18 of the Financial Institutions Business Act B.E. 2551 was imposed that no person shall hold either directly or indirectly more than 10% of the total amount of a financial institution's shares sold except in the case where an exemption was granted by the Bank of Thailand or compliance with criteria prescribed by the Bank of Thailand. Such shareholding must include the shares of related persons to the shares of the aforementioned person. However, this excludes preferred shares which have no voting rights. On November 13, 2008, TISCO Financial Group Public Company Limited was approved by the Bank of Thailand to hold 100% of TISCO Bank's total paid-up shares, and not exceeding 728,152,250 shares.

## 8.3 Dividend Policy

TISCO bank will consider the annual dividend payment to the parent company subject to operating performance which dividend payout ratio at least 50% in order to ensure that the parent company has sufficient income to pay dividend for its shareholders. The dividend payment will be subject to operating performance, business strategy, future investment and suitability, and long-term capital adequacy as well as competitive environment and economic condition.

The Board of Directors of the Bank may from time to time pay interim dividends when it is clear that the Bank has sufficient profit to do so and they shall report in the next shareholders' meeting.

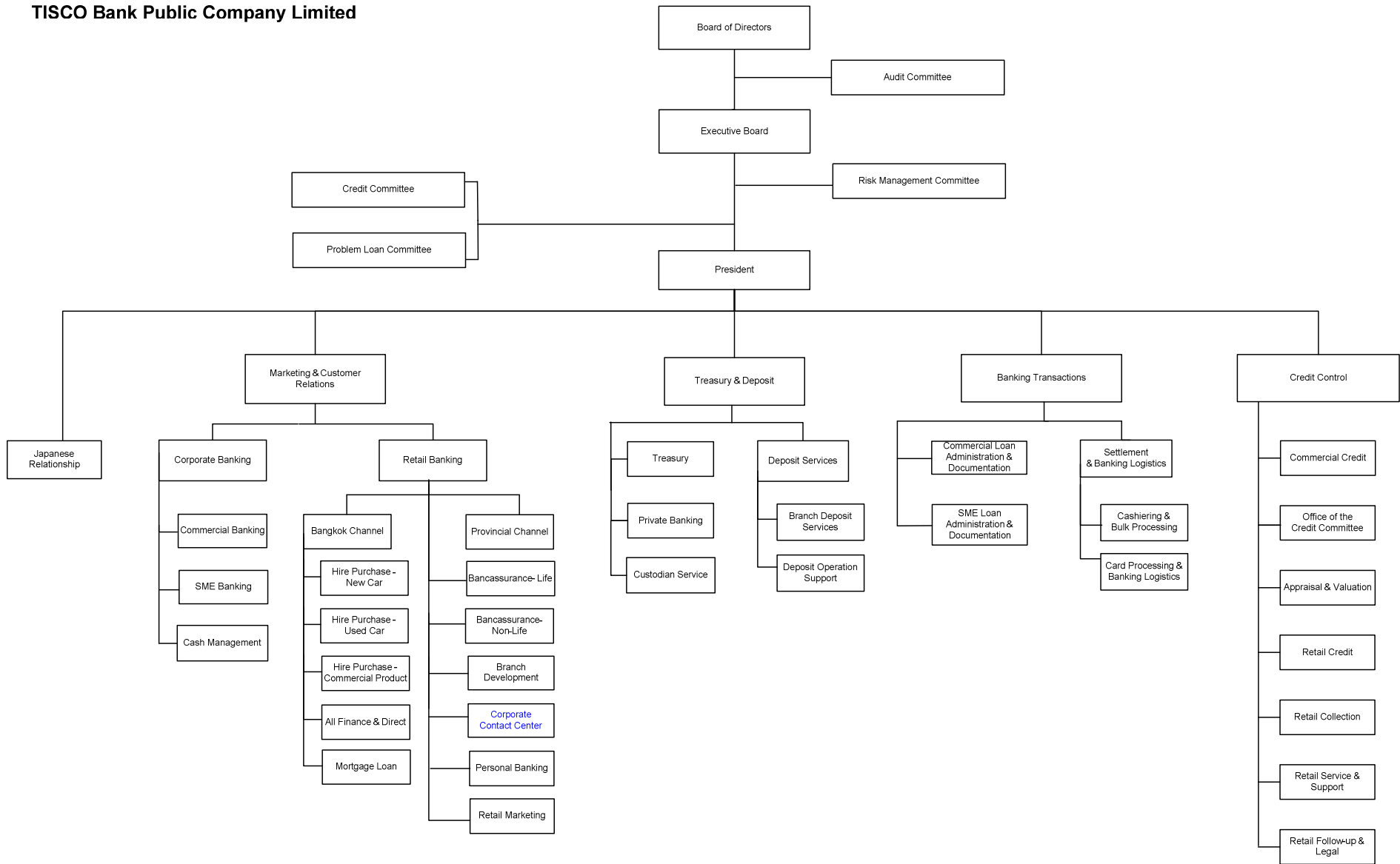
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## **9. Management**

### **9.1 Management Structure**

As of January 13, 2009, 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 Company Limited**



### 9.1.1 Board of Directors

As of January 13, 2009, the Board of Directors consisted of the following 9 directors:

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman
2. Assoc.Prof.Dr. Angkarat Priebjrivat	Independent Director
3. Ms. Panada Kanokwat <sup>1</sup>	Independent Director
4. Prof. Dr. Pranee Tinakorn <sup>2</sup>	Independent Director
5. Mr. Alexander H. Shing (Hon Kit Shing)	Director
6. Mr. Hirohiko Nomura <sup>3</sup>	Director
7. Mr. Pichai Chanvirachart	Director
8. Ms. Oranuch Apisaksirikul	Director
9. Mr. Suthas Ruangmanamongkol	Director

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

<sup>2</sup> Appointed in replacement of Prof. Dr. Praipol Koomsup who resigned on October 6, 2008 and the Bank processed for registration of Prof.Dr. Pranee Tinakorn to be a director with the Ministry of Commerce on January 5, 2009

<sup>3</sup> Appointed in replacement of Mr. Mitsunobu Hasegawa who resigned on July 7, 2008 and the Bank processed for registration of Mr. Hirohiko Nomura to be a director with the Ministry of Commerce on November 25, 2008

**Remark:** - The qualifications of independent director prescribed in section 9.3

#### Authorized Signatory:

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

#### Corporate Secretary:

The Board appointed Ms. Pakaporn Punyashtiti the Corporate Secretary with responsibilities in preparing and keeping register of directors, handling board meeting and shareholder meeting on matters concerning notice, minutes, annual report, preparing annual report, keeping report on interest filed by directors and management and performing other duties as required by the Capital Market Supervisory Board.

#### Authority and Responsibilities of the 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. Define the Bank business strategies, and approve business & operating plan of the Bank, as directed by TISCO group's business strategies and action 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.

Other matters such as increase or decrease the Bank's capital, issuance of debentures, sales or transfers of whole or important parts of Bank business to other persons; the purchase, acceptance, or transfer of business belonging to other companies; amendments to Bank Memorandum and Articles of Association as well as transactions between related parties and sale and purchase of important parts of the business as per regulations stipulated by the SET or other governmental agencies, must obtain resolutions from shareholder meeting.

The Board of Directors may assign other committees or an attorney to conduct the businesses on behalf of the Board of Directors. In this regard, the scope of authority of the committees or the attorney will be clearly stated, provided that such scope of authority or delegation of such authority shall exclude approval for any transactions in which the attorney or the person who may have conflicts of interest (as defined in the Notifications of the Securities and Exchange Commission) has interest or conflicts of interest with TISCO Bank or its subsidiary companies.

In 2008, there were 7 Board of Directors' Meetings, surpassing the requirement in the Bank's Articles of Association that the Board shall meet once every three months.

### 9.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors of the Bank and were endorsed by the Executive Board of TISCO Financial Group Public Company Limited, the parent company. As of January 13, 2009, the Executive Board comprised the following directors:

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

#### 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.

### 9.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors of the Bank and were endorsed by TISCO Financial Group Public Company Limited, the parent company. As of January 13, 2009, the Audit Committee comprises the following independent directors:

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

<sup>1</sup> Appointed to be Member of the Audit Committee in replacement of Ms. Krisna Theravuthi on June 20, 2008

<sup>2</sup> Appointed to be Member of the Audit Committee in replacement of Prof. Dr. Praipol Koomsup on December 26, 2008

**Remark:** - All 3 members of the Audit Committee are equipped with sufficient knowledge and experience in reviewing financial statements.  
 - All 3 members of the Audit Committee are the same persons as members of the Audit Committee of TISCO Financial Group Public Company Limited, the parent company

#### *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.

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.

#### 9.1.4 Nomination and Compensation Committee

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

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

#### Authority and Responsibilities of Nomination and Compensation Committee:

1. Formulate policy, criteria, and method for nominating candidates for directors and Top Management to the Board for consideration.
2. Select and nominate names of qualified candidates to the Board of Directors of the Bank for the following positions;
  - Directors
  - Members of committees whose functions, responsibilities and authorities are directly given by the Board of Directors
  - Top management
3. Ensure that size and composition of the Board of Directors is appropriate for the organization and the business environment. The committee shall review directors' term in office, expertise and experience from time to time.
4. Review and establish clear and transparent remuneration and benefit policy and criteria for the directors and TISCO Group's employees as proposed by the management.
5. Ensure that the Board remuneration is commensurate with their duties and responsibilities. Board members who handle extra assignments shall be compensated accordingly.
6. Devise performance assessment criteria for board members and TISCO Group's employees for annual remuneration review, taking into account their responsibilities, risks involved as well as enhancement of long-term shareholder value.
7. Study and propose criteria, methods, and procedures of directors' performance assessment.
8. Ensure that succession plan for Top Management of the companies in TISCO Group is properly developed to allow smooth and continuity of business operations, and that such plan is reviewed periodically.
9. Disclose the nomination policy and process in the annual report.

After the completion of TISCO Group's Holding Company restructuring, the Nomination and Compensation committee was centralized at TISCO Financial Group Public Company Limited, the parent company of TISCO Group.

The details of meeting attendance of directors in 2008 are as follows:

Name	No. of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee
<i>No. of Meetings (times)</i>	7	12	13	8
1. Dr. Phisit Pakkasem	7			
2. Mr. Pliu Mangkornkanok	7	11		
3. Ms. Krisna Theravuthi	7		6 (out of 6 times)	8
4. Assoc. Prof. Dr. Angkarat Priebjivat	7		13	
5. Prof. Dr. Praipol Koomsup (Resigned on October 6, 2008)	5 (out of 5 times)		9 (out of 9 times)	
6. Mr. Sangiam Santad	3 (out of 3 times)			
7. Ms. Panada Kanokwat <sup>1</sup>	4 (out of 4 times)		7 (out of 7 times)	
8. Dr. Kanit Sangsubhan (Resigned on July 21, 2008)	4 (out of 4 times)			
9. Mr. Mitsunobu Hasegawa	4 (out of 4 times)	6 (out of 6 times)		4 (out of 4 times)
10. Mr. Hirohiko Nomura <sup>2</sup>	- (out of 1 time)	- (out of 1 time)		
11. Mr. Alexander H. Shing (Hon Kit Shing)	6	12		8
12. Mr. Kah-Hua Yeo	3 (out of 4 times)			
13. Mr. Danny Suen Kam Yim <sup>3</sup>	1 (out of 1 time)			
14. Mr. Pichai Chanvirachart	6	11		
15. Ms. Oranuch Apisaksirikul	7			

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

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

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

### 9.1.5 The Management

Management members of the Bank were appointed by endorsement from TISCO Financial Group Public Company Limited, the parent company. As of January 13, 2009, the Management was comprised of the following members:

Name	Position
Mr. Suthas Ruangmanamongkol	President
<ul style="list-style-type: none"> <li>• Mr. Sakchai Peechapat</li> <li>Mr. Sakchai Peechapat</li> <li>Ms. Nipa Mekara</li> <li>Mr. Sommai Ung</li> <li>Mr. Satit Pawahan</li> <li>Mr. Chalit Silpsrikul</li> <li>Mr. Rungroj Jarasvijitkul</li> <li>Mr. Yuttpong Sriwongjanya</li> <li>Mr. Suthep Trivannakij</li> <li>Mr. Somsak Wongwachirawanich</li> <li>Mr. Rungroj Jarasvijitkul</li> <li>Ms. Wipa Mettawiharee</li> <li>Mr. Prakrit Shoonhasriwong</li> <li>Mr. Sathian Leowarin</li> <li>Ms. Charupee Chinapongpaisaln</li> <li>Mr. Somchat Lapapong</li> <li>Mr. Nattanan Ananpreeyavit</li> <li>Ms. Sanikorn Suparp</li> <li>Mr. Chalit Silpsrikul</li> <li>Ms. Phonthat Chittaya</li> </ul>	<ul style="list-style-type: none"> <li>Senior Executive Vice President</li> <li>Marketing &amp; Customer Relations</li> <li>Head of Corporate Banking (Acting)</li> <li>Head of Commercial Banking</li> <li>Head of SME Banking</li> <li>Head of Cash Management</li> <li>Head of Retail Banking</li> <li>Deputy Head of Retail Banking and Head of Bangkok Channel</li> <li>Deputy Head of Retail Banking and Head of Provincial Channel</li> <li>Head of Hire Purchase- New Car</li> <li>Head of Hire Purchase- Used Car</li> <li>Head of Hire Purchase- Commercial Product (Acting)</li> <li>Head of All Finance &amp; Direct Sale</li> <li>Head of Mortgage Loan</li> <li>Head of Bancassurance-Life</li> <li>Head of Bancassurance-Non-Life</li> <li>Head of Branch Development</li> <li>Head of Corporate Contact Center</li> <li>Head of Personnel Banking</li> <li>Head of Retail Marketing (Acting)</li> <li>Deputy Head of Retail Marketing</li> </ul>
<ul style="list-style-type: none"> <li>• Mr. Metha Pingsuthiwong</li> <li>Ms. Karantar Vongsa</li> <li>Ms. Rachada Pruksanubal</li> <li>Mr. Thanom Chaiaroondeekul</li> <li>Ms. Mallee Peravanichkul</li> <li>Ms. Ladda Kulchatchai</li> <li>Ms. Chutima Phochayavanich</li> <li>Ms. Saranya Ket-Udom</li> <li>Mr. Kittichai Tonnajarn</li> <li>Mr. Kittichai Tonnajarn</li> <li>Ms. Saranya Ket-Udom</li> </ul>	<ul style="list-style-type: none"> <li>Executive Vice President Treasury &amp; Deposit</li> <li>Head of Treasury</li> <li>Deputy Head of Treasury</li> <li>Head of Private Banking</li> <li>Deputy Head of Private Banking</li> <li>Head of Custodian Service</li> <li>Deputy Head of Custodian Service</li> <li>Head of Deposit Services</li> <li>Deputy Head of Deposit Services</li> <li>Head of Branch Deposit Services</li> <li>Head of Deposit Operation Support</li> </ul>
<ul style="list-style-type: none"> <li>• Mr. Panya Wotticharoenvong</li> <li>Ms. Rapeeporn Ounchalanon</li> <li>Ms. Orathip Tangjitkaroon</li> <li>Ms. Preeyarat Poomdontri</li> <li>Mr. Worawit Rungsiriopas</li> <li>Mr. Worawit Rungsiriopas</li> <li>Ms. Preeyarat Poomdontri</li> </ul>	<ul style="list-style-type: none"> <li>Executive Vice President Banking Transaction</li> <li>Head of Commercial Loan Administration &amp; Documentation</li> <li>Head of SME Loan Administration &amp; Documentation</li> <li>Head of Settlement &amp; Banking Logistics</li> <li>Deputy Head of Settlement &amp; Banking Logistics</li> <li>Head of Cashier &amp; Bulk Processing</li> <li>Head of Card Processing &amp; Banking Logistics</li> </ul>

Name	Position
<ul style="list-style-type: none"> <li>• Ms. Nattamon Issaradharm</li> <li>Ms. Suthinee Muangman</li> <li>Mr. Dejphinun Suthadsanasoung</li> <li>Ms. Prapatsorn Arthachinta</li> <li>Ms. Sunee Tongsombutpanich</li> <li>Ms. Nalinvadee Nainsomboon</li> <li>Ms. Chantana Srisuwanvilai</li> <li>Ms. Penthip Laobooncharoen</li> <li>Mr. Worapoth Tirakaroon</li> <li>Mr. Sukit Sakulwongyai</li> <li>Ms. Kusumar Prathomsrimek</li> <li>Mr. Songsak Niltiean</li> </ul>	<ul style="list-style-type: none"> <li>Executive Vice President Credit Control</li> <li>Deputy Head of Credit Control</li> <li>Deputy Head of Credit Control</li> <li>Head of Commercial Credit</li> <li>Deputy Head of Commercial Credit</li> <li>Head of Office of Credit Committee</li> <li>Head of Appraisal &amp; Valuation</li> <li>Head of Retail Credit</li> <li>Head of Retail Collection</li> <li>Head of Retail Service &amp; Support</li> <li>Deputy Head of Retail Service &amp; Support</li> <li>Head of Retail Follow-up &amp; Legal</li> </ul>
<ul style="list-style-type: none"> <li>• Mr. Hiroshi Kato</li> </ul>	Head of Japanese Relationship

Remark:- Mr. Chatri Chandrangam is the Head of Risk & Financial Control and Ms. Chutintorn Vigasi is the Head of Corporate Accounting, 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.

1. Formulate business strategies and action plan for the Bank as directed by TISCO group's corporate strategies.
2. Ensure strategic alignment of the Bank to TISCO group's direction and ensure effective implementations of 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.

## **9.2 Directors, Independent Directors and Management Nomination**

### **9.2.1 Directors and Independent Directors Nomination**

Prior to completion of the restructuring plan under the structure of holding company, the Nomination and Compensation Committee of the Bank shall, upon contemplating Company's need and good corporate governance, identify and propose qualified nominees, with knowledge, experiences, sufficient understanding of banking and finance, economics, law or any other fields deemed appropriate. The Nomination and Compensation Committee of the Bank shall consider the recommendation from minority shareholders on the nomination of directors or independent directors. A person to be nominated or appointed as an independent director must meet the requirements of the SEC, SET and the Bank's Corporate Governance Policy and Guideline as summarized in section 9.3.

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

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors, which shall not be less than 9, provided that not less than one half of the directors domicile in Thailand. In addition, the number of directors who are persons of Thai Nationality shall be in compliance with related law.
2. The general meeting of shareholders shall elect directors in accordance with rules and procedures as follows.
  - (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 order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the remaining appointments shall be made by drawing lots.
3. At the general meeting of shareholders of each calendar year, the whole board of directors shall be simultaneously elected. However, the former board of directors shall remain in office to conduct the business of the company for the time being, as necessary, until the new board of directors takes office.
4. A director can be elected or removed only by the shareholders at a general meeting. A Board vacancy occurring for any reason other than rotation or retirement may be filled by the remaining directors, unless the term of the original director was less than two months. For the purpose thereof, the resolution of the Board of Directors shall be passed by a vote of not less than three-fourths the number of remaining Directors, but 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 in his stead, the person so appointed shall hold office only for the remainder of the term of the director so removed.
5. A general meeting of shareholders may resolve to remove a director before expiration of office with the votes of not less than three-fourths the number of shareholders present and eligible to vote. Such a motion must also represent an agreed number of shares equal to or not less than half the total number held by the shareholders present and eligible to vote.

In terms of balance of power, it was determined to be in the Bank's interest to have more non-executive directors than executive directors whereby representative from each shareholder shall be determined based on shareholding structure.

Nevertheless, subsequent to completion of the restructuring plan, the Nomination and Compensation Committee of TISCO Financial Group Public Company Limited is in charge of formulating policy, criteria, and method for nominating candidates for directors and independent directors of the company and its subsidiaries in TISCO Group including the Bank and proposing to the Board and shareholders' meeting for approval.

### **9.2.2 Management Nomination**

Prior to completion of the restructuring plan, the Nomination and Compensation Committee of the Bank shall identify and propose qualified nominees with necessary expertise to be appointed as top management to the Board. The prerequisites in selection should generally include consideration on the candidates' character, technical competence, and employment experience in the financial

services field. The successful candidate should share the board's operating philosophy and vision of the Bank'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.

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

Nevertheless, subsequent to completion of the restructuring plan, the Nomination and Compensation Committee of TISCO Financial Group Public Company Limited is in charge of formulating policy, criteria, and method for nominating candidates for management of the company and its subsidiaries in TISCO Group including the Bank and proposing to the Executive Board of TISCO Financial Group Public Company Limited and subsidiary's Board of Directors or shareholders' meeting for approval.

### **9.3 Qualifications of Independent Director**

The Bank defines the following qualifications of an independent director which is set up in accordance with the Bank's Corporate Governance Policy and Guideline. These qualifications are stricter than those of the SEC and the SET.

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

## 9.4 Director and Management Remuneration

### 9.4.1 Director and Management Remuneration Policy

The remuneration of directors, proposed by the Nomination and Compensation Committee, has been approved by shareholders. The scale and components of remuneration for directors and management have been set in accordance with the principle that such remuneration should be appealing enough to attract and retain qualified directors, but avoid excessive pays. Remuneration for directors should be comparable to the general practice in the industry with regard to work experience and commitment, as well as the benefits each director brings.

Directors who are assigned with extra work (being members of a committee, for example) should be paid appropriately. The remuneration to be paid to such director or directors will be approved by the Board. Remuneration for top executives/management shall be linked to the performance of the Bank, and that of each executive/management. The remuneration should be determined in accordance with the principles and policies approved by the Executive Board with an endorsement from the Board of Directors.

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

Subsequent to completion of the restructuring plan in which TISCO Financial Group Public Company Limited becomes the parent company of the Group in replacement of TISCO Bank Public Company Limited, director remuneration, therefore, is to be paid by TISCO Financial Group Public Company Limited only.

### 9.4.2 Financial Remuneration

Directors' remuneration as determined by the Bank for the year 2008 is as follows:

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

<sup>1</sup> Only the ordinary Board members who are not members in other committees



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

Name of the Directors	Remuneration (Baht)					Total
	Board of Directors		Executive Board	Audit Committee	Nomination and Compensation Committee Meeting Fee	
	Monthly Remuneration	Meeting Fee				
1. Dr. Phisit Pakkasem	720,000	105,000				825,000
2. Mr. Pliu Mangkornkanok	300,000		480,000			780,000
3. Ms. Krisna Theravuthi	300,000			240,000	225,000	765,000
4. Assoc. Prof. Dr. Angkarat Priebjivat	300,000			600,000		900,000
5. Prof. Dr. Praipol Koomsup (Resigned on October 6, 2008)	225,000			360,000		585,000
6. Mr. Sangiam Santad	100,000	45,000				145,000
7. Ms. Panada Kanokwat <sup>1</sup>	200,000			240,000		440,000
8. Dr. Kanit Sangsubhan (Resigned on July 21, 2008)	175,000	60,000				235,000
9. Mr. Mitsunobu Hasegawa	150,000		210,000		60,000	420,000
10. Mr. Hirohiko Nomura <sup>2</sup>	50,000		70,000		15,000	135,000
11. Mr. Alexander H. Shing (Hon Kit Shing)	300,000		420,000		135,000	855,000
12. Mr. Kah-Hua Yeo	175,000	45,000				220,000
13. Mr. Danny Suen Kam Yim <sup>3</sup>	75,000	30,000				105,000
14. Mr. Pichai Chanvirachart	300,000		420,000			720,000
15. Ms. Oranuch Apisaksirikul	300,000	105,000				405,000
<b>Total</b>	<b>3,670,000</b>	<b>390,000</b>	<b>1,600,000</b>	<b>1,440,000</b>	<b>435,000</b>	<b>7,535,000</b>

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

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

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

In 2008, the total remuneration for the Board of Directors, the Executive Board, the Audit Committee, the Nomination and Compensation Committee and the Management (total of 45 persons, details is shown in Topic 9.1.5 The management under Section 9. Management) was 159,958,509 Baht. This was paid in the form of monthly remuneration, meeting fee, salaries, provident fund and bonuses, which varied according to the Bank's performance.

## 9.5 Corporate Governance

Recognizing the significance of good corporate governance to an enterprise, the Bank has formulated a Corporate Governance Policy in full conformity with the principles of good corporate governance, as per international standards and national standards set out by domestic authorities, i.e. the Bank of Thailand, the Securities and Exchange Commission, and the Stock Exchange of Thailand. The policy aims to ensure that the Bank and its subsidiaries carry out their duties with maximum accountability, transparency, and equitable treatment for all stakeholders, while promoting managerial integrity, effectiveness, and efficiency in order to bolster enduring business growth in line with corporate planning and strategy.

"The Corporate Governance Code of Conduct" has been developed to assist the Board of Directors in effectively carrying out their duties in compliance with regulatory policy, the Bank's legal responsibilities, and business ethics. The Corporate Governance Code of Conduct embrace all key issues of the code of best practices for directors, and also include the role and structure of the Board of

Directors, relationships with stakeholders, information disclosure, and applicable laws and regulations related to directors. Since the Corporate Governance Code of Conduct are significant to every level of the Bank; from directors to operations, the Bank has endeavored to ascertain that all employees adhere to the code of conduct, thus conducive to good corporate governance (details of Corporate Governance Policy and Code of Conduct are presented on [www.tisco.co.th](http://www.tisco.co.th)). In addition, the Board of Directors has endorsed a code of conduct and compliance manual to be applied at the managerial and operational level in dealing with such matters as customer complaints, conflicts of interest, control of inside information, confidentiality, and related issues including securities trading by employees.

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

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

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

The Bank's Corporate Governance Policy is outlined as follows:

### **1. Rights of Shareholders**

In recognition of the significance of the rights of shareholders who are the real owners, the Bank is committed to ensuring the equitable treatment of 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 shareholder meetings to elect or remove members of the Board of Directors, appointing the external auditor and determining auditing fees, and making decisions on any transactions that significantly affect the company. The Bank also encourages shareholders to fully and easily exercise their rights by providing them relevant information via its website, setting up a dedicated investor relations function for direct communication with investors, inviting shareholders to propose agenda items and qualified candidates for director positions and facilitating attendance in shareholder meetings.

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

The Bank gives great emphasis to shareholder meetings as important occasions in which where the shareholders have the right to participate in making any decisions that affect the company. The Bank strongly encourages shareholders to fully exercise their rights by facilitating in the following aspects:

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

The Bank allocates a 3 month time frame beginning in October of each year for the shareholders to propose agenda items that they deem worthy of being placed on the annual general meeting agenda, and to propose qualified director candidates. The shareholders can submit their proposals in advance of the meeting according to the criteria set by the Bank. Regarding agenda items, the Board of Directors shall add items that are considered appropriate for the agenda and make sure that the items are included in the notice of the annual general meeting. For nominations of qualified candidates for director positions, the Nomination and Compensation Committee shall review and propose candidates for the Board of Directors' consideration and recommendation to the shareholders at the annual general meeting. In cases wherein proposals are disapproved by the Board and/or the Nomination and Compensation Committee, the Bank shall state the reason for refusal to the shareholders in the shareholder meeting, on the Bank's website or any other appropriate information dissemination channels.

For the 2008 Shareholder Ordinary General Meeting, the Bank invited shareholders to propose agenda items and qualified director candidates for over 3 months, starting from late of September 2007 to January 2008.

- Notification of Meeting Details

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

For the 2008 Shareholder Ordinary General Meeting and the Shareholder Extra-ordinary General Meeting No. 1/2008 on April 25, 2008, the Bank disclosed meeting materials in both Thai and English through the SET's information dissemination channel and the Bank's website on March 24, 2008, 30 days before the date of the meeting. The notice and agenda for the meeting was delivered to the shareholders on April 10, 2008 or 14 days prior to the date of the meeting.

- Meeting attendance

To protect shareholders' rights to attend the meeting and ensure equitable treatment for shareholders, the Bank assigned officers to check shareholders' or proxies' documents according to the requirements stated in the notice. Moreover, any shareholder could register to attend 2 hours in advance of the meeting time. The Bank utilized a computer and barcode system for registration and printing of voting forms for each agenda item to facilitate shareholder participation, and to ensure prompt and accurate registration. In addition, shareholders are also able to register to attend and exercise their voting rights on impending agenda after the meeting's commencement. For shareholders unable to attend the meeting and would like to appoint a proxy, the Bank proposes more than one independent directors by presenting director profiles for the shareholders' selection, in addition to the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer or any other person attending the meeting on their behalf. Such proxy forms shall be sent to shareholders together with registration and voting form which allows shareholders to identify their voting categories. Moreover, the shareholders can download other types of proxy forms from the Bank's website.

- Shareholders' opportunity for query and comment

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

At the 2008 Shareholder Ordinary General Meeting and the Shareholder Extra-ordinary General Meeting No. 1/2008, 11 directors, the Bank's external auditors and senior management namely the Executive Vice President-SME Banking, Executive Vice

President–Chief Governance Officer, Executive Vice President–Retail Banking, Executive Vice President–Treasury and Private Banking, Managing Director of TISCO Securities Co., Ltd., Deputy Managing Director of TISCO Asset Management Co., Ltd., were in attendance.

- 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 meeting resolves to change the order of the agenda with votes of not less than two-thirds of the number of shareholders present. The shareholders holding an aggregate number of shares not less than one-third of the total number of shares sold may request that the meeting consider other matters in addition to those specified in the notice of the meeting. Before the meeting starts considering the agenda, the shareholders will be informed of their voting rights, total votes required for each agenda and the voting process for each agenda. For the purpose of transparency and equitable treatment of the shareholders in the voting process, the Bank utilized voting forms for each agenda. The Bank assigns external auditors to check the transparency and accuracy of the voting. After the vote count is completed, voting results of each agenda will be announced to the meeting, by specifying the vote results as "For", "Against", and "Abstain".

The 2008 Shareholder Ordinary General Meeting and the Shareholder Extra-ordinary General Meeting No. 1/2008 were conducted properly and smoothly as the Bank refrained from distributing meeting material containing additional information, adding or switching meeting agenda, or changing key information without prior notice to shareholders.

## **2. Equitable Treatment of Shareholders**

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

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

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

For the 2008 Shareholder Ordinary General Meeting and the Shareholder Extra-ordinary General Meeting No. 1/2008 which were convened on April 25, 2008, the Bank gave notification of the shareholder meeting resolutions through the SET's information dissemination channel within the same day and disclosed the minutes of the meeting on May 8, 2008 in accordance with the above mentioned timeline.

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

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

Directors and management, including spouses and minor children, are required to inform the Bank of any change in their shareholdings with the Bank and to report such changes to the SEC in accordance to Section 59 of the Securities and Exchange Act B.E.

2535 within 3 business days from the date of the change. Furthermore, directors must notify the Audit Committee of their shareholdings at the end of each quarter.

The Bank has placed great emphasis on managing its business operations effectively under good governance guidelines. The Bank 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 Bank shall consider said transactions with the same conditions as those governing normal business transactions by the Bank and its subsidiaries. Persons with vested interests shall not be entitled to vote for the approval of said transactions.

### **3. Role of Stakeholders**

It is the Bank's policy to ensure that the rights and interests of all stakeholders are fully protected. Since each stakeholder has different objectives and expectations, the Bank carefully considers the differing stakeholders' legal rights, and ensures that those rights are protected and treated with care. Co-operation between the Bank and various groups of stakeholders is promoted in order to ensure business relationships and stability.

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

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

With regard to compensation, to ensure that our people are rewarded fairly for their dedication, a performance management system is in place so that all employees may enjoy the fruits of the Bank's success and be treated fairly and equitably. The Bank ensures that employee welfare is well taken care of, both in health and safety. Annual medical check-ups, life insurance, and travel insurance are provided, as well as recreational clubs, and an annual fire escape practice drill, for instance. Details regarding employee rights and interests are shown in Topic 9.8 of Section 9. Management.

**Customers** : The Bank's Mission and Values (Details are shown in Topic 2.4 under Section 2. Overview of TISCO Business) reflect our Vision: "To be the Customers' First Choice". This means providing professional and practical solutions that fulfill customer needs, elevating the quality of the bank-client relationship by infusing excellence and integrity into all our dealings, and offering the knowledge base and experience of our integrated resources in accordance with the highest standards of professional ethics.

The Bank also realizes that customer feedback is significant. The Bank thus invites customer comment and evaluation of our performance through counter service satisfaction surveys, both at the head office and branches. Customer feedback has enabled the Bank to evaluate the level of satisfaction and use it to improve our products and services. In addition, a dedicated function under the Compliance Committee directly and independently reporting to Management has been assigned to receive complaints. The Bank shall keep customer information confidential.

The Bank's business structure is to facilitate a Client Centric strategy. Our goal is to offer the best services and products in order to fulfill customer needs. All service channels, such as branches and the sales force, have been expanded in order to maximize our reach, while quality improvements in all aspects: products, services, work process, and IT system, have been simultaneously carried out. In addition, the Bank focuses on branding and maintaining a good corporate image, as well as introducing a Customer Relationship Management system to expand business opportunities and maintain good relationships with our customers.

**Business partners and Creditors** : Any conditions within the agreements made with business partners and creditors will be served honorably by the Bank. The Bank refrains from accepting or giving any benefits in bad faith from business partners and creditors. TISCO Bank was recognized as the **Best Dealer Compliance Award**, from the Best Bond Award, which is the award for bond dealers with excellent standard from the Thai Bond Market Association for 2 consecutive years. The Bank also received the "**Best Bank in Thai Baht Corporate Bonds**" award from the Asset Currency Bond Benchmark Survey for Thai Baht Corporate Bonds for 3 consecutive years. The result of a survey of more than 300 institutional investors across nine markets in Asia reflecting their opinions regarding dealer services in the region.

**Competitors** : The Bank executes business with due regard for fair competition and integrity, operates within the framework of applicable competition regulations, and refrains from competitive action that may have a negative impact on the industry.

**Society** : The Bank recognizes its social responsibility and has continually taken a leading role in making society a better place through a broad array of initiatives. Great emphasis is given on education and on creating opportunities for sustainable development in underprivileged communities. Moreover, the Bank also supports cultural and environmental activities.

The Bank established the TISCO Foundation in 1982 to carry out long-term social activities including the provision of educational support for underprivileged students, medical care for disadvantaged and handicapped patients, vocational support for those in need, and cooperation with other charities in performing public and social services.

In addition to ongoing charity services through the TISCO Foundation, in 2008, The Bank also supports other social and community development programs such as;

- Donation of computers and learning equipments
  - Support to the southern border provinces
  - Support poor children through UNICEF
  - Support Autism students
  - Support victims of Cyclone Nargis
- etc.

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

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

The main environmental conservation activities conducted by the Bank on an ongoing basis since 1989 are reforestation and forest preservation. With the cooperation of management and staff, the Bank's annual reforestation project has been successfully undertaken in three provinces, and serves to promote a sense of social and environmental responsibility, among all participants.

In addition, The Bank's environmental conservations also include resource management policy. The Bank places great importance on creating mindset for energy and environmental conservation among TISCO employees, for instance, power saving, using environmental-friendly office supplies and waste reducing. In 2008, TISCO Group established the "Clean Development Mechanism (CDM Division)" to help in the campaign against global warming. The unit also provides Carbon Credit trading service. (Details of socially responsible activities undertaken in 2008 are shown in Topic 13.3 under Section 13. Others)

The Bank has compiled policies regarding the protection of all stakeholders' rights and interests into a compliance manual, which employees can access and study on the Bank's intranet system, or "mytisco".

#### **4. Disclosure and Transparency**

The Bank 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 Bank's website, press releases, analyst meetings, and the information dissemination channels of The Stock Exchange of Thailand and the Securities and Exchange Commission.

The Bank 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 Bank and important business activities over the course of the year to shareholders. Moreover, the Board of Directors is accountable for assessing the Bank's internal control system, which is carried out by the Executive Board and reviewed by the Audit Committee, and for certifying the accuracy of information in financial statements. The Board assigns the Audit Committee to review the financial statements of the Bank and ensure that they are presented in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner to allow investors to make informed investment decisions. The Board provides the above-mentioned reports, while the Audit Committee provides reports on audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report are included in the Annual Registration Statement and Annual Report.

The Bank has set out a written policy of good corporate governance which is disclosed on the Bank's website. A compliance monitoring process is consistently conducted. On the Corporate Governance Survey of Listed Companies 2008 conducted by the Thai Institute of Directors Association in cooperation with the SEC and the SET, the Bank scored "Excellent" and ranked in the top 22 listed companies based on the OECD principles, which comprises 5 categories: Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Board Responsibilities. The Bank has reported the abovementioned evaluation result to the Audit Committee and presented said result to the Board of Directors meeting. The suggestions received have been taken into consideration for improvement and further development of the Bank's corporate governance system.

The Bank has arranged for the disclosure of the names and responsibilities of directors and other committees, the number of meetings, and each director's meeting attendance record for the previous year, as shown in detail in Topic 9.1 Management Structure under Section 9. Management. In addition, the activities of the Audit Committee and the Nomination and Compensation Committee in the previous year are also disclosed, as shown in the Annual Registration Statement and Annual Report attachment. The Bank also discloses the director and management remuneration policy, as well as the remuneration of each director in both financial and non-financial terms, as shown in Topic 9.4 Director and Management Remuneration under Section 9. Management.

The Bank has assigned its Investor Relations to represent the Bank in communications with all shareholders, investors, analysts, credit rating agencies, and regulatory agencies concerned. The Bank's information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the SET, the SEC, and the Bank's website under the topic of "Investor Relations".

Furthermore, the Bank has set up numerous Analyst Meetings and Press Conferences chaired by the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer with the objective of keeping investors, analysts, fund managers and interested parties well informed on the Bank's operating performance and to provide responses to inquires from investors.

In this respect, the activities arranged in 2008 were as follows;

1. 4 Quarterly Analyst Meetings: with approximately 35-50 persons in attendance at each meeting
2. 16 Press Conferences: with approximately 20 media representatives attending each conference
3. 38 One-on-one meetings with investors and equity analysts, both domestic and foreign; comprising 25 in-person interviews and 13 conference calls
4. Meetings with investors, both local and international encompassing many countries in American, European and Asian continents such as the United States, the United Kingdom, Hong Kong, and Singapore. The details are as follows:
  - 4.1. 1 Non-deal Roadshows
  - 4.2. 8 Investor Conferences; comprising 4 domestic conferences and 4 international conferences

For more information, please contact Investor Relations at:

Address	:	TISCO Tower, 7 <sup>th</sup> Floor, North Sathorn Road, Silom, Bangrak, Bangkok, 10500
Telephone	:	0 2633 6899
Fax	:	0 2633 6818
Email	:	IR@tisco.co.th
Website	:	<a href="http://www.tisco.co.th">www.tisco.co.th</a>

## **5. Responsibilities of the Board**

### 5.1 Board Structure

The Board of Directors has approved written Guidelines for Board Composition and Selection Criteria which were recommended by the Nomination and Compensation Committee. The guidelines clearly defines the board's structure in compliance with corporate governance best practices. As such, the Board of Directors shall be comprised of 9-12 directors with not more than three executive directors, while one-third of the Board shall be independent directors who meet the qualifications as stipulated in Topic 9.3 under Section 9. Management. With regard to the board's composition representing major shareholders, the Bank has also issued a code of conduct concerning fair proportion of each group's investment to ensure that no single individual or group has unfettered power. In addition, the term of office of the Bank's directors is specified in the Articles of Association, whereby the whole board of directors shall be simultaneously elected. However, the former board of directors shall remain in office to conduct the business of the company as necessary until the new board of directors takes office.

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

In addition to the policy that the Chairman of the Board of Directors shall be independent and non-executive, and that the Chairman of the Board of Directors and the Chairperson of the Audit Committee shall not be a member in other committees, 2 top executive positions were established to jointly oversee comprehensive managerial tasks and to further promote managerial effectiveness. The Chief Executive Officer (CEO), who is also the Chairman of Executive Board, oversees long-term corporate strategies, policies, and shareholder wealth creation and protection. The Chief Operating Officer (COO), who reports to the CEO and is also a member of the Executive Board, oversees all day-to-day operations and short-term business performance. Moreover, the Chief Executive Officer chairs the Executive Board, but his position is separate from the Chairman of the Board of Directors. This is to ensure a balance of power and authority and to avoid a situation where a single individual has unfettered power in decision-making. Key roles and responsibilities of the Chairman of the Board, the CEO, and the COO are outlined as follows;

#### *Chairman of the board*

- Maintain the balance of power in the board
- Conduct board meetings and ensure effective contributions from all directors – executive and non-executive
- Ensure that all relevant issues are on the agenda and provide adequate information to board members
- Evaluate the performance of the board

#### *The Chief Executive Officer*

- Formulates strategic goals and business directions, and seeks support and approval of the board on long-term vision and mission, policies, strategies, and major action plans of the Bank in a way that develops and protects the wealth of shareholders
- Identifies business opportunities and recommends to the Board long-term strategies to increase shareholder value and profit
- Responsible for selecting and developing senior management leadership capability, as well as defining and evaluating the performance of senior management and contributing to board performance evaluation
- Establish and maintain critical business relationships and alliances and serve as the top representative of the Bank



- Oversee major capital expenditures, acquisitions, divestitures, and changes in financial controls, and report to the shareholders on the overall performance of the company
- Accountable to shareholders for good corporate governance

#### *The Chief Operating Officer*

- Defines and directs specific strategies, plans and actions to implement long-term goals and strategic directions and is responsible for group business performance i.e. overall profitability and growth of TISCO businesses and jointly manages and evaluates the overall performance of TISCO's senior management
- Oversees the stakes of strategic partners, investors, and shareholders, and establishes good governance operating systems.
- Directs investment, loan, interest, and reserve policies to ensure optimum monetary returns in accordance with availability of investment funds, government restrictions, and sound financial practices
- Evaluates financial statements and operating results indicators to recommend strategic policy changes due to changes in economic and fiscal conditions

Subsequent to completion of the restructuring plan, the Nomination and Compensation Committee and the Chief Executive Officer no longer exist in accordance with the restructuring plan.

## 5.2 Roles and Responsibilities of the Board

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

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

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

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

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

All major activities of the Bank 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.

The Board of Directors puts great emphasis on maintaining an effective management system under the good corporate governance framework. It has thus arranged for a written corporate governance policy and a written code of business conduct to be in place as guidelines for ethical business conduct for all directors, executives and employees. Compliance to the code is closely monitored. And although the Bank has no policy to encourage transactions between related parties, should it occur, the Audit Committee shall conduct a careful review and treat such transactions the same as normal business transactions, and shall report them

to the Board of Directors. In addition, persons with vested interests shall not be entitled to vote for the approval of said transactions. Disclosure of such information shall be made in a forthright manner.

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

Although the Board delegates a substantial part of its administrative function including day-to-day operations to a full-time management team of executives, in fulfilling its compliance roles, the Board is responsible for monitoring the Bank'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 Bank.

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

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

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

The Bank 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 the Company 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, the Nomination and Compensation Committee, and others if necessary, are entitled to make decisions on behalf of the Board of Directors or submit recommendations for consideration, depending on the committee's specific charter. The structure of each committee shall be determined by the size of business, the scope of operation, the composition of the committee, the experience and expertise of each director, and in compliance with the Principles of Good Corporate Governance. Details of the composition and responsibilities of other committees is shown in Topic 9.1 Management Structure under Section 9. Management.

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

#### Audit Committee

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

#### Nomination and Compensation Committee

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

#### Executive Board

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

Subsequent to completion of the restructuring plan, the Nomination and Compensation Committee no longer exists in accordance with the restructuring plan.

#### 5.4 Board of Directors' Meeting

Board meetings are regularly scheduled in advance. The Board of Directors sets its meeting schedule in advance and notifies each director of the schedule so that each member of the Board can manage their time to attend the meetings. Normally, a minimum of one meeting every two months is scheduled, surpassing the requirement of at least once every three months stipulated in the Bank's Articles of Association. Furthermore, in case of special agenda, additional meetings may be scheduled as necessary. The Board of Directors also assigns the Corporate Secretary to send out notice of the meeting together with documents relating to the meeting agenda, stating clearly which matters are to be acknowledged, approved, or considered, to every director at least 7 days prior to the date set for the meeting.

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

In addition to the Board of Directors Meeting, the Executive Board meets regularly every month. Meanwhile, the Audit Committee also sets up meetings to communicate with the Bank's auditor with regard to the Bank's financial statements without executive intervention. Such meetings are regularly conducted at least 4 times a year in order to summarize issues arising from the financial statement audit along with suggestions and to evaluate the Bank's cooperation in the auditing process. The Nomination and Compensation Committee meets at least twice a year to consider remuneration for directors and The Bank employees as well as to nominate qualified candidates for director positions. Notice of committee meetings is also sent out at least 7 days prior to the date set for the meeting.

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

### 5.5 Board Self-assessment

In order to improve its performance, the Board of Directors has formulated an annual self-assessment policy. The Board of Directors assigns the Nomination and Compensation Committee to prepare and recommend Board Performance Self-assessment Guidelines for the Board's approval. The Nomination and Compensation Committee then reports the assessment result to the next Board Meeting.

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

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

### 5.6 Remuneration

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

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

Nevertheless, subsequent to completion of the restructuring plan, the Nomination and Compensation Committee of TISCO Financial Group Public Company Limited is in charge of determining director remuneration of the company and its subsidiaries in TISCO Group including the Bank and proposing to the Board and shareholders' meeting of the Bank for approval.

### 5.7 Board and Management Training

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

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

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

Director	Training Program
Mr. Pliu Mangkornkanok	<ul style="list-style-type: none"> <li>• Chairman 2000 Program</li> <li>• Directors Certification Program</li> </ul>
Assoc. Prof. Dr. Angkarat Priebjrivat	<ul style="list-style-type: none"> <li>• Role of Chairman</li> <li>• Monitoring the Internal Audit Function</li> <li>• Audit Committee Program</li> <li>• Director Certification Program</li> <li>• Director Accreditation Program</li> </ul>

Ms. Panada Kanokwat	<ul style="list-style-type: none"> <li>• Director Accreditation Program</li> </ul>
Ms. Oranuch Apisaksirikul	<ul style="list-style-type: none"> <li>• Director Certification Program</li> </ul>
Mr. Suthas Ruangmanamongkol	<ul style="list-style-type: none"> <li>• Director Certification Program</li> </ul>
Mr. Pichai Chanvirachart	<ul style="list-style-type: none"> <li>• Director Certification Program</li> </ul>
Mr. Sakchai Peechapat	<ul style="list-style-type: none"> <li>• Director Certification Program</li> <li>• Director Accreditation Program</li> </ul>
Ms. Nattamon Issaradharm	<ul style="list-style-type: none"> <li>• Director Certification Program</li> </ul>
Mr. Panya Wotticharoenvong	<ul style="list-style-type: none"> <li>• Director Certification Program</li> </ul>
Mr. Metha Pingsuthiwong	<ul style="list-style-type: none"> <li>• Director Certification Program</li> </ul>

To ensure stability and continuity of the company in future circumstances, successor of all key positions has been determined. The Board of Directors assigns the Nomination and Compensation Committee to oversee the preparation of the Chief Executive Officer's succession plan. Said plan shall be regularly reviewed as appropriate. For other senior management positions, the Chief Executive Officer, Chief Operating Officer and Human Resource function shall consider and evaluate the successors for the Executive Board's approval. In addition to management training, the Board also consistently encourages organizational and human resources development. Human Resources and Organizational Development reports its activities to the Board of Directors at every Board Meeting.

## 9.6 Business Ethics

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

- 1. Honest and fair conduct**

Employees shall conduct their duties with honesty and fairness and refrain from exploiting their position for their own benefit or that of any particular group, or committing any dishonest action that may damage the Bank or customers.
- 2. Legal and regulatory compliance**

Employees shall comply with applicable laws and regulations, and refrain from assisting others to violate any laws, regulations, or ethical principles. Employees shall make an effort to learn, understand, and monitor changes to relevant laws and regulations, as well as keep up to date with their professional code of conduct.
- 3. Supervisory responsibility**

Supervisors shall be responsible for preventing their subordinates from violating applicable laws, regulations, and the professional code of conduct, as well as business ethics.
- 4. Record keeping and reporting duties**

The Bank's financial and other record keeping must be accurate and complete. The Bank shall not withhold any information from appointed auditors or other supervisory agencies, and shall disclose information required to evaluate the accuracy of financial statements and the integrity of the Bank's operations.
- 5. Duty of confidentiality towards the Bank and customers**

Confidentiality towards the Bank and customers is fundamental to the Bank's business operations. Financial information pertaining to the bank and customer transactions and activities is deemed confidential and shall not be exploited for any employees' own benefit, nor be disclosed to any other party.

6. Conflict of interest Employees shall concentrate on their responsibilities to the Bank regardless of personal interest. Business decisions shall be made to ensure maximum benefit for the Bank and clients. Employees are not allowed to receive any benefits such as cash or gifts related to their involvement in situations or activities that lead or may lead to a conflict of interest between employees and the Bank or clients.
7. Political support According to the rules laid down by the Bank, donations to political parties or political candidates including payments to government officials, is prohibited.

### 9.7 Control of Internal Information

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

### 9.8 Human Resources

As of December 31, 2008, the total number of employees at TISCO Bank was 1,753 (excluding senior management) of which 1,437 were permanent employees and 316 contract staff.

Major Function	As of December 31	
	2007	2008
TISCO Bank Plc.	2,336	2,651

In 2008 TISCO Group has Holding Company Restructuring Plan with set up of TISCO Financial Group Public Company Limited as the parent company of TISCO Group in place of TISCO Bank. Under the restructuring plan, TISCO Bank has transferred employees of governance and corporate support function to be centralized at TISCO Financial Group Public Company Limited. Consequently, TISCO Bank has only marketing & customer relationship function and transaction processing & credit control function. For the year 2008, TISCO Group's total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 755,377,944.29 Baht.

#### 9.8.1 TISCO Group Registered Provident Fund

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

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

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

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

Years of Service

Employer's Contribution (% of salary)

1	5
2	6
3	7
4	8
5	9
≥ 6	10

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

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

As of December 31, 2008, the total fund size of "TISCO Investment Registered Provident Fund" was 322,870,405.41 Baht with 744 members. The total fund size of "TISCO Savings Registered Provident Fund" was 117,685,947.18 with 412 members.

### 9.8.2 General Human Resources Policies

To strengthen the group's corporate identity and brand personality in 2008, the implementation of people-oriented practices is conducted at a high standard to reflect TISCO Group's philosophy of human resources management. Although all **human resources policies** and some human resources operations are centralized for work efficiency and consistency, for example, payroll systems and employee data recording, decentralized authority and empowerment is embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry.

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

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

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

#### 2. Hiring

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

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

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

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

It is as important to hire the right person as it is to integrate newcomers into the organization so that their skills and behaviors can merge smoothly with TISCO Group culture.

### **3. Employment at TISCO Group**

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

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

### **4. People Assessment and Development**

#### **4.1 Assessment**

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

#### **4.2 Development**

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

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

### **5. Career Management**

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

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

### **6. Performance Management**

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



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

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

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

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

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

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

TISCO Group rewards employees in the following aspects:

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

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

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

### **7.2 Pay for performance**

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

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

## **8. Human Resources Administration**

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

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

## 9. Succession Planning

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

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

### 9.8.3 Organizational Development

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

#### 1. Branded Customer Service Project

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

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

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

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

#### 2. Performance and Competency Development Project

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

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

- 1) **Need Assessment:** discuss with key heads and key persons in charge to gain a better understanding of the current situation, structure, process, expected standard, etc.
- 2) **Searching for Best Practices:** prioritize issues and decide what the action areas (e.g. critical improvement areas or strengths) to employ to get better performance **and** identify who and where the greatest potential of top performers exist.
- 3) **Data Collection:** One-on-one / Focus Group discussion with selected top performers to find best practices.

- 4) **Guidelines Development & Approval:** Develop the best practices guidelines or specific strategies for actions across the units **and** verify all of the best practices to ensure that they can be fully and effectively applied to the present jobs of each individual.
- 5) **Best Practices Model:** conduct the customized training solutions for individual to fulfill the performance gap.
- 6) **Progress Report & Conclusion:** apply a proper methodology to analyze and evaluate changes in performance.

#### **9.8.4 Human Resources Development**

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

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

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

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

##### **2. 2009 Strategic Policy Training**

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

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

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

##### **3. Executive Trainee**

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

## 10. Internal Control

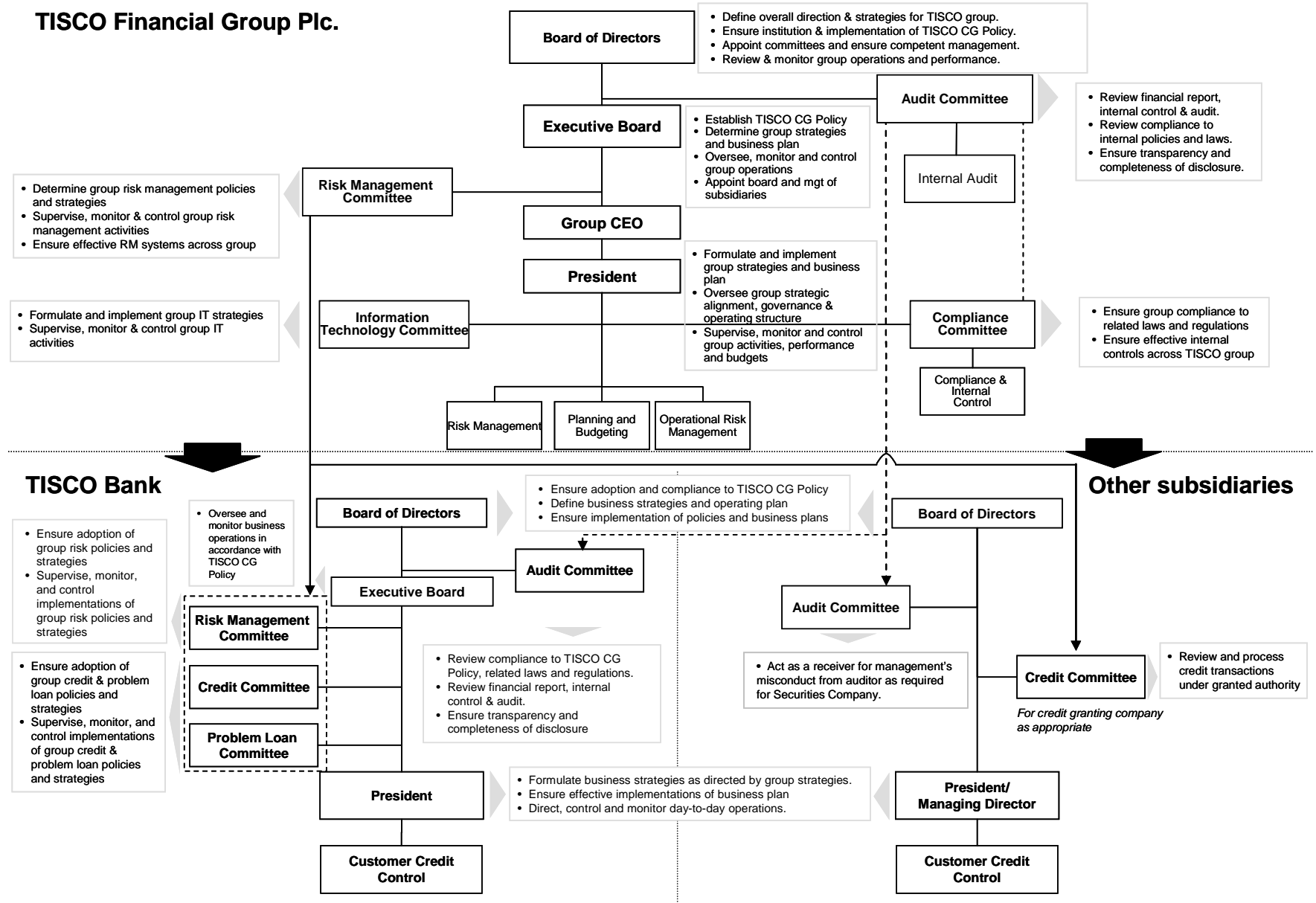
### 10.1 Internal Control Overview

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

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

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

### TISCO Financial Group Plc.



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

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

#### Specific-Area Committee of the Company

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

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

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

2. The Audit Committee of the Company independently reviews the assessment of the adequacy of the TISCO Group's internal control system, as annually prepared by the Executive Board, in relation to the group's risks, and also reviews the policy and guidelines for internal audit as well as for the Compliance Committee and the Audit Committee of other subsidiaries to ensure that financial statement reports are transparent and accurate. The committee also effectively assesses that all business operations have adequate internal controls and are in compliance with laws and regulations, and reports the key issues to the Board of Directors of the Company 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 the Company, whilst internal audit and control process in other companies shall also be reported directly to the Audit Committee of the Company.

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

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

The Audit Committee held 13 meetings in Year 2008. Major activities performed by the Committee were as follows:

1. Reviewing quarterly, semi-annual and annual financial statements audited by the certified public accountant and recommending to the Board of Directors.
2. Reviewing internal control system and internal audit works by considering the management letter issues and the results of assessment by the certified public accountant towards efficiency of the internal audit department, related company transactions and irregularity transactions.
3. Selecting and nominating to the Board of Directors and general shareholders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Narong Puntawong of Ernst & Young Office Limited as the auditor of the Bank and its subsidiaries for the Year 2008.
4. Approving the principle of Corporate Governance Policy and Related Party Transaction Policy, including reviewing that related party transactions or transactions that may lead to conflict of interest were in compliance with relevant laws and regulations.
5. Meeting with Head of Compliance and Head of Legal in acknowledging the status of litigation against the Bank and its subsidiaries, annual compliance reports and non-compliance issues arising during the year.
6. Meeting with management in updating and monitoring on the compliance and risk management issues such as Basel II implementation, Know Your Customer/ Customer Due Diligence procedures, Anti-Money Laundering & Combating the Financing of Terrorism Policy, risk management guidelines and tools, and assessing impact on changes in accounting standards.
7. Giving an opinion regarding the delisting of TISCO Bank shares from the Stock Exchange of Thailand and the Holding Company Restructuring plan to shareholders, general investors and related parties.
8. Acknowledging the results of external assessment and examinations by the Bank of Thailand and the Securities and Exchange Commission, Thailand, and assessing corrective actions on important findings.
9. Endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit, and acknowledging the results of audits.
10. Conducting Audit Committee's self assessment to develop an annual Audit Committee plan and reviewing the charter of Audit Committee before proposing to the Board of Directors for acknowledgement.

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

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

See the Report of the Audit Committee in Attachment 2.

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

At the Board of Directors' Meeting No. 1/2009 on February 20, 2009, where all Audit Committee members and independent directors were present, the Board assessed the Bank's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Bank's internal control system is adequate based upon the assessment of five aspects: Organisational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, including sufficient internal control system for transaction with major shareholders, management and related persons, with details provided in Attachment 4.

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

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



## 11. Related Party Transactions

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

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

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

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

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

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

### 11.2 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 Bank has complied with the Group's Related Party Transaction Policy with stipulated by the parent company, and therefore 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 Bank.

## 12. Financial Status and Performance

### 12.1 Financial Statements

#### 12.1.1 Auditor's Report

##### The Separate Financial Statements of the Bank for the Year Ended December 31, 2006 and 2007

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

Based on the independent auditor's audit, the financial statements for the year ended December 31, 2006 and 2007 presented fairly, in all material respects, the financial position of the Bank, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

##### The Separate Financial Statements of the Bank for the Year Ended December 31, 2007 and 2008

The independent auditor for the Bank's separate financial statements for the year ended December 31, 2007 and 2008 was Mr. Narong Puntawong, Certified Public Accountant (Thailand) No. 3315, of Ernst & Young Office Limited. The conclusion of his report can be described as follows:

Based on the independent auditor's audit, the financial statements for the year ended December 31, 2007 and 2008 presented fairly, in all material respects, the financial position of the Bank, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

Table Depicting the Financial Statements of the Bank

<b>TISCO BANK PUBLIC COMPANY LIMITED</b>			
<b>BALANCE SHEETS</b>			
<b>AS AT DECEMBER 31</b>			
	<b>(Unit : Baht)</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>ASSETS</b>			
CASH	209,087,846	439,197,848	595,120,161
INTERBANK AND MONEY MARKET ITEMS - Domestic			
Interest bearing	-	-	13,113,647,326
Non-interest bearing	480,066,266	555,659,355	34,692,996
INTERBANK AND MONEY MARKET ITEMS - Foreign			
Interest bearing	-	-	-
Non-interest bearing	102,154,800	95,252,768	-
Total Interbank and money market items – net	582,221,066	650,912,123	13,148,340,322
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	1,718,000,000	2,400,000,000	-
INVESTMENT IN SECURITIES			
Current investment – net	723,292,076	924,589,793	2,521,088,917
Long-term investment – net	3,007,622,036	3,676,094,933	1,841,528,286
Investment in Subsidiaries	3,468,644,129	2,966,664,271	96,063,931
Net investments	7,199,558,241	7,567,348,997	4,458,681,134
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	-	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE			
Loans and receivable	68,880,667,472	82,321,854,739	101,530,926,903
Securities business receivable	-	-	-
Total loans and receivable	68,880,667,472	82,321,854,739	101,530,926,903
Accrued interest receivable	98,862,425	110,306,176	110,754,580
Total loans, receivable and accrued interest receivable	68,979,529,897	82,432,160,915	101,641,681,483
Less : Allowance for doubtful accounts	(2,463,410,866)	(2,464,917,060)	(1,604,457,372)
Less : Allowance for loss on debt restructuring	(22,403,970)	(538,175)	(18,258)
Net Loans, receivable and accrued interest receivable	66,493,715,061	79,966,705,680	100,037,205,853
PROPERTY FORECLOSED – net	1,044,940,739	1,032,381,620	1,003,254,030
LAND, PREMISES AND EQUIPMENT – Net	1,080,850,642	1,066,991,797	701,210,952
DEFERRED TAX ASSETS	451,322,921	221,131,399	182,534,215
DIVIDEND RECEIVABLE FROM SUBSIDIARIES	591,022,425	-	-
OTHER ASSETS	1,035,386,753	819,568,922	1,425,798,806
<b>TOTAL ASSETS</b>	<b>80,406,105,694</b>	<b>94,164,238,386</b>	<b>121,552,145,473</b>

## TISCO BANK PUBLIC COMPANY LIMITED

## BALANCE SHEETS (CONTINUED)

AS AT DECEMBER 31

(Unit : Baht)

	2006	2007	2008
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
DEPOSITS IN BAHT	40,668,116,274	35,728,808,527	58,875,780,866
INTERBANK AND MONEY MARKET ITEMS			
Domestic – interest bearing	2,566,078,459	6,402,426,150	3,951,717,928
LIABILITY PAYABLE ON DEMAND	477,515,807	475,067,616	496,740,597
BORROWINGS			
Short-term borrowings	23,155,078,314	29,954,388,462	40,028,191,682
Long-term borrowings	361,700,000	8,005,054,853	4,899,301,740
Total borrowings	23,516,778,314	37,959,443,315	44,927,493,422
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	-	-	-
SECURITIES BUSINESS PAYABLE	-	-	-
ACCRUED INTEREST PAYABLE	452,359,341	782,253,814	868,991,067
OTHER LIABILITIES	986,998,807	1,178,736,950	1,097,305,714
<b>TOTAL LIABILITIES</b>	<b>68,667,847,002</b>	<b>82,526,736,372</b>	<b>110,218,029,594</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
Registered	11,002,000,000	11,002,000,000	11,002,000,000
Issued and paid up			
183,500,430 preferred shares of Baht 10 each (2007: 182,775,380 preferred shares of Baht 10 each)	1,851,276,300	1,827,753,800	1,835,004,300
544,617,120 ordinary shares of Baht 10 each (2007: 544,617,120 ordinary shares of Baht 10 each)	5,412,771,200	5,446,171,200	5,446,518,200
Share premium			
Share premium of preference shares	73,190,950	84,925,420	93,951,250
Share premium of ordinary shares	36,500,000	36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	(181,560,096)	38,216,329	5,575,057
Translation adjustments	-	-	-
Retained earnings			
Appropriated – statutory reserve	422,100,000	486,800,000	547,000,000
Unappropriated	4,123,980,338	3,717,135,265	3,369,567,072
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>11,738,258,692</b>	<b>11,637,502,014</b>	<b>11,334,115,879</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>80,406,105,694</b>	<b>94,164,238,386</b>	<b>121,552,145,473</b>

**TISCO BANK PUBLIC COMPANY LIMITED**  
**STATEMENT OF EARNINGS**  
**FOR THE YEARS ENDED 31 DECEMBER**

	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans	940,730,182	1,046,345,614	1,215,475,030
Interbank and money market items	344,948,957	371,553,848	284,769,504
Hire purchase and financial lease income	2,948,289,622	4,214,182,642	4,982,758,508
Investments	383,815,712	622,928,175	1,104,696,119
Total interest and dividend income	4,617,784,473	6,255,010,279	7,587,699,161
<b>INTEREST EXPENSES</b>			
Deposits	2,342,037,750	2,188,784,978	1,776,545,685
Interbank and money market items	73,022,977	122,132,409	150,864,971
Short-term borrowings	172,905,654	717,812,980	1,201,737,752
Long-term borrowings	131,579,558	267,509,933	194,655,549
Total interest expenses	2,719,545,939	3,296,240,300	3,323,803,957
Net interest and dividend income	1,898,238,534	2,958,769,979	4,263,895,204
<b>REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS</b>			
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	280,460,484	(336,960,679)	(706,730,835)
<b>NON-INTEREST INCOME</b>			
Brokerage fees	-	-	-
Gain on investments	448,614,439	220,421,564	(1,157,527,839)
<b>Fees and service income</b>			
Acceptances, aval and guarantees	6,620,546	10,203,762	10,201,047
Insurance services	388,429,507	511,193,208	673,001,138
Others	158,553,520	119,138,601	154,858,748
Gain (Loss) on exchange	(3,861,229)	(6,900,252)	(9,805,581)
Other income	234,415,126	158,906,128	380,164,026
Total non-interest income	1,232,771,909	1,012,963,011	50,891,539
Total Net Income	3,411,470,927	3,634,772,311	3,608,055,908
<b>NON-INTEREST EXPENSES</b>			
Personnel expenses	671,678,838	882,630,606	952,793,212
Premises and equipment expenses	376,272,768	474,391,112	594,321,967
Taxes and duties	92,621,763	110,236,687	105,991,556
Fees and service expenses	477,292,290	184,298,863	178,385,885
Directors' remuneration	7,455,000	8,050,000	7,550,000
Other expenses	286,436,335	335,299,694	417,801,819
Total non-interest expenses	1,911,756,994	1,994,906,962	2,256,844,439
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST	1,499,713,933	1,639,865,349	1,351,211,469
CORPORATE INCOME TAX	(386,296,372)	(346,961,822)	(147,504,191)
<b>NET EARNINGS FOR THE YEAR</b>	<b>1,113,417,561</b>	<b>1,292,903,527</b>	<b>1,203,707,278</b>
<b>Diluted earnings per share</b>	<b>1.27</b>	<b>1.52</b>	<b>1.40</b>

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

**TISCO BANK PUBLIC COMPANY LIMITED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER**

	<b>Unit: Baht</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Cash flows from operating activities</b>			
Net Income	1,113,417,561		
Profit (Loss) Before Income Tax and Minority Interest		1,639,865,349	1,351,211,469
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:-			
Dividend income from subsidiary companies	(133,513,400)	-	-
Depreciation and amortisation	150,095,963	169,591,939	195,879,588
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts)	(150,029,027)	606,353,067	1,115,338,253
Unrealised loss (gain) on revaluation of investment	(5,797,556)	(13,973,134)	44,329,201
Allowance for impairment of property foreclosed (reversal)	(34,228,347)	13,629,174	14,953,680
Loss (Gain) on disposal of investments	(442,816,883)	(206,448,430)	1,113,198,638
Unrealised loss on exchange rate	3,819,200	6,900,252	9,805,581
Unrealised gain from derivatives	-	-	-
Gain on sales of property, plant and equipment	(6,245,320)	(1,127,986)	(47,952,462)
Loss from written-off equipment	38,105	-	-
Unrealised loss on valuation of securities held for trading	-	-	-
Gain (Loss) on disposal of property foreclosed	(66,448,665)	(4,452,183)	(27,885,032)
Decrease in deferred tax assets	205,839,899	-	-
Decrease (increase) in accrued interest and dividend receivable	(24,958,809)	-	-
Decrease (increase) in other accrued income	30,067,039	(1,077,956)	10,174,609
Increase (decrease) in accrued interest payable	214,257,554	-	-
Increase (decrease) in accrued expenses	4,794,397	33,835,952	1,201,094
Earnings from operating activities before changes in operating assets and liabilities	858,291,711	2,243,096,044	3,780,254,619
Decrease (increase) in operating assets			
Interbank and money market items	(95,906,017)	(75,591,309)	(12,498,004,809)
Securities purchased under resale agreements	282,000,000	(682,000,000)	2,400,000,000
Investment in securities – held for trading	-	-	-
Trading transactions with securities companies	-	-	-
Loans and receivable	(12,107,313,943)	(15,188,163,143)	(22,679,069,458)
Securities business loans and receivable	-	-	-
Property foreclosed	739,202,017	1,015,039,861	1,314,014,974
Other assets	(247,069,424)	(378,464,571)	(257,642,076)

**TISCO BANK PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED 31 DECEMBER**

	<b>(Unit : Baht)</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Increase (decrease) in operating liabilities			
Deposits	6,056,853,312	(4,939,307,747)	23,146,972,339
Interbank and money market items	(3,665,145,511)	3,836,347,691	(2,460,375,435)
Liabilities payable on demand	230,228,615	(2,448,191)	21,672,981
Short-term borrowings	8,374,578,314	11,371,032,418	6,981,022,056
Trading transactions with securities companies	-	-	-
Securities business payable	-	-	-
Other liabilities	(119,808,682)	(32,699,502)	(99,030,992)
	305,910,392	(2,0765,229,307)	(152,123,817)
Net interest and dividend income	-	(2,958,769,979)	(4,263,895,204)
Cash received from interest and dividend	-	5,800,039,533	6,895,895,784
Cash paid for interest	-	(2,966,345,828)	(3,237,932,569)
Cash paid for corporate income tax	-	(158,173,748)	(277,885,230)
<b>Net cash flows from (used in) operating activities</b>	<b>305,910,392</b>	<b>(2,359,479,329)</b>	<b>(1,035,941,036)</b>
<b>Cash flows from investing activities</b>			
Cash paid for purchase of investment in securities held for investment	(1,044,200,466)	(10,963,039,197)	(9,887,024,735)
Cash received from disposal of investment in securities held for investment	2,098,733,338	10,601,207,183	8,762,827,476
Cash received from dividend	388,513,209	1,097,051,124	895,918,439
Cash paid for purchase of equipment	(187,710,952)	(132,603,263)	(249,548,824)
Cash received from disposal of property, plant and equipment	6,489,674	1,302,679	486,921,839
Cash received from capital return from a subsidiary	-	512,461,232	667,370,466
Cash received from disposal of investment in subsidiaries	-	-	1,981,546,810
<b>Net cash flows from (used in) investing activities</b>	<b>1,261,824,803</b>	<b>1,116,379,758</b>	<b>2,665,011,471</b>
<b>Cash flows from financing activities</b>			
Dividend paid	(1,635,404,630)	(1,633,234,980)	(1,489,771,452)
Cash paid for redemption of long-term debenture and debt instrument	-	(4,800,000,000)	-
Cash received from issue of long-term debenture and debt instrument	-	7,884,832,583	-
Cash received from exchange of warrants to purchase preference shares	74,432,320	21,611,970	16,623,330
<b>Net cash flows from (used in) financing activities</b>	<b>(1,560,972,310)</b>	<b>1,473,209,573</b>	<b>(1,473,148,122)</b>
<b>Translation adjustment</b>			
Net increase in cash	6,762,885	230,110,002	155,922,313
Cash and cash equivalents at beginning of the year	202,324,961	209,087,846	439,197,848
<b>Cash and cash equivalents at the end of the year</b>	<b>209,087,846</b>	<b>439,197,848</b>	<b>595,120,161</b>

**12.1.2 Important Financial Ratios**

		2006	2007	2008
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	43.1	51.1	51.8
Net Profit Margin	(%)	32.6	35.6	33.4
Return on Average Shareholders' Equity	(%)	9.1	11.1	10.5
Interest Income Ratio	(%)	6.4	7.2	6.4
Interest Expense Ratio	(%)	4.4	4.5	3.5
Interest Spread	(%)	2.0	2.7	2.9
Return on Investment	(%)	10.7	11.4	(0.9)
<b>Efficiency Ratio</b>				
Net Interest Income to Total Assets	(%)	2.5	3.4	4.0
Return on Average Assets	(%)	1.5	1.5	1.1
Total Asset Turnover	(times)	0.0	0.0	0.0
<b>Financial Ratio</b>				
Debt to Equity Ratio	(times)	5.8	7.1	9.7
Total Loans to Total Borrowing and Deposits	(%)	106.5	111.0	94.2
Total Loans to Public Borrowing	(%)	169.4	230.4	172.4
Public Borrowing to Total Liabilities	(%)	59.2	43.3	53.4
Dividend Payout Ratio	(%)	n.a.	n.a.	54.6
<b>Asset Quality Ratio</b>				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	3.6	3.0	1.6
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	0.7	0.5	1.9
Non-accrued loans <sup>1</sup> to Total Loans	(%)	4.5	4.0	3.4
Loan loss provision to Non-performing loans	(%)	83.6	76.3	62.5
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.1
<b>Other Ratios</b>				
Capital Funds to Risk Weighted Asset (BIS)	(%)	13.4	11.9	11.7

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



## 12.2 Explanation and Analysis of Financial Status and Performance

### TISCO Group Restructuring

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

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

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

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

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

For automobile industry, the domestic car sale for 2008 reported at 614,084 units, down from 631,251 units in 2007 (2.8% YoY) due to a sharp increase of oil price in the second quarter of 2008 together with sluggish domestic economy, which resulting from global financial crisis and unstable political situation in the latter half of the year.

#### 12.2.1 Operating Results for the Year 2008

In 2008, TISCO Bank recorded net income of 1,203.71 million baht, decreased by 89.20 million baht (6.9% YoY) resulting from a decrease by 95.0% (YoY) of non-interest income due to loss from investment amounting 1,157.53 million baht. However, Net interest and dividend income increased by 21.3% (YoY) following strong growth in corporate and retail lending businesses of 23.3% (YoY) together with a higher loan spread<sup>2</sup> at 3.7% compared to 3.5% in the year 2007. Non-interest income of TISCO Bank’s core businesses increased by 52.5% (YoY) as contributed by an increase in income from bancassurance business of 122.71 million baht (31.2% YoY).

Diluted earnings per share for year 2008 were 1.40 baht decreased from 1.52 baht in 2007. The average return on equity (ROAE) for the year 2008 was 10.48% with those in 2007 of 11.06%.

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

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

### (1) The Bank's Revenue Structure

The Bank's revenue structure in 2007 and 2008 is illustrated in Table1.

**Table 1: Revenue Structure**

Type of Revenue	2007		2008		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest and dividend income					
Interest on loans	1,046.35	26.3	1,215.48	28.2	16.2
Interest on interbank and money market items.	371.55	9.4	284.77	6.6	(23.4)
Hire purchase and financial lease income	4,214.18	106.1	4,982.76	115.5	18.2
Investments	622.93	15.7	1,104.70	25.6	77.3
<b>Total interest and dividend income</b>	<b>6,255.01</b>	<b>157.5</b>	<b>7,587.70</b>	<b>175.9</b>	<b>21.3</b>
Interest expenses	(3,296.24)	(83.0)	(3,323.80)	(77.0)	0.8
<b>Net interest and dividend income</b>	<b>2,958.77</b>	<b>74.5</b>	<b>4,263.90</b>	<b>98.8</b>	<b>44.1</b>
Non-interest income					
Brokerage Fees					
Gain on securities	220.42	5.5	(1,157.53)	(26.8)	n.a.
Fees and services income	640.54	16.1	838.06	19.4	30.8
Others	152.01	3.8	370.36	8.6	143.6
<b>Total non-interest income</b>	<b>1,012.96</b>	<b>25.5</b>	<b>50.89</b>	<b>1.2</b>	<b>(95.0)</b>
<b>Total income before bad debts and doubtful accounts</b>	<b>3,971.73</b>	<b>100.0</b>	<b>4,314.79</b>	<b>100.0</b>	<b>8.6</b>
Bad debt and doubtful accounts	(361.15)		(780.73)		
Bad debt written back revenue	24.19		74.00		
<b>Total income – net of bad debts and doubtful accounts</b>	<b>3,634.77</b>		<b>3,608.06</b>		
Non-interest expenses	(1,994.91)		(2,256.84)		
<b>Profit before income tax</b>	<b>1,639.87</b>		<b>1,351.21</b>		
Corporate income tax	(346.96)		(147.50)		
<b>Net Profit</b>	<b>1,292.90</b>		<b>1,203.71</b>		

### (2) Net Interest and Dividend Income

Net interest and dividend income for the year 2008 was 4,263.90 million baht, increased by 1,305.13 million baht (44.1% YoY), interest and dividend income was 7,587.70 million baht, increased by 1,332.69 million baht (21.3% YoY). Meanwhile, interest expense increased by 27.56 million baht (0.8% YoY) to 3,323.80 million baht following strong loan growth.

TISCO Bank was able to increase loan spread to 3.7% from 3.5% in 2007 through its ability to manage asset-liability mix, as TISCO Bank has pursued the strategy to penetrate in high-yield loan segments under prudent risk management. Meanwhile, TISCO Bank captured low-yield cost of fund segment by expanding retail deposit base via variety of saving products that meet customer's needs resulting in growth in deposit<sup>1</sup> of 50.6% (YoY).

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

Table 2: Interest spread

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

**(3) Non-interest Income**

Non-interest income of TISCO Bank's core businesses recorded at 1,208.42 million baht, increased by 415.88 million baht (52.2% YoY) as contributed by an increase in income from bancassurance business of 122.71 million baht (31.2% YoY). Overall, total non-interest income decreased by 962.07 million baht (95.0% YoY) due to loss from investment of 1,157.53 million baht.

**(4) Non-interest Expenses**

Non-interest expenses for 2008 were 2,256.84 million baht, increased by 261.94 million baht (13.1% YoY). The increase was due to higher personnel expenses associated with higher income, and higher premises and equipment expenses from investment in information technology and infrastructure in supporting increased business volume and service coverage.

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

In 2008, TISCO Bank recorded net bad debts and doubtful accounts totaling 706.73 million baht compared to 336.96 million baht in 2007. In addition, TISCO Bank recorded net bad debt written back revenue amounting 74.00 million baht in 2008 compared to 24.19 million baht in 2007.

**(6) Corporate Income Tax**

In 2008, the corporate income tax was 147.50 million baht, equivalent to the effective tax rate of 10.9%, compared to 21.2% in 2007.

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

TISCO Bank's total assets as of December 31, 2008 were 121,552.15 million baht, increased by 27,387.91 million baht (29.1% YoY) following strong loan growth from 82,321.85 million baht to 101,530.93 million baht (23.3% YoY) together with higher short-term liquidity of 12,497.43 million baht following active funding activities to support future loan growth.

Table 3: Assets Breakdown

Assets	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	439.20	0.5	595.12	0.5	35.5
Interbank and Money Market Items	650.91	0.7	13,148.34	10.8	1,920.0
Securities purchased under resale agreements	2,400.00	2.5	0.00	0.0	(100.0)
Fixed income	1,295.97	1.4	2,620.99	2.2	102.2
Equity	3,304.72	3.5	1,741.64	1.4	(47.3)
Investment in Subsidiaries	2,966.66	3.2	96.06	0.1	(96.8)
Corporate Loans	15,616.55	16.6	19,488.07	16.0	24.8
Retail Loans	62,474.60	66.3	74,815.21	61.5	19.8
Other Loans	4,230.71	4.5	7,227.64	5.9	70.8
Allowance for doubtful accounts and for loss on debt restructuring	(2,465.46)	(2.6)	(1,604.48)	(1.3)	(34.9)
Other Assets	<b>3,250.38</b>	<b>3.5</b>	<b>3,423.55</b>	<b>2.8</b>	<b>5.3</b>
<b>Total – The Bank Only</b>	<b>94,164.24</b>	<b>100.0</b>	<b>121,552.16</b>	<b>100.0</b>	<b>29.1</b>

**(a) Investments**

At the end of 2008, total investment totaled 4,458.68 million baht, decreased by 41.1% from the end of 2007 due to a decrease in investment in subsidiary companies by 96.8% to 96.06 million baht. In addition, the decrease was a result of shareholder restructuring in 2008. Moreover, investment in equity decreased by 47.3% to 1,741.64 million baht in order to cope with changing investment environment. The investment in debt instrument also increased by 102.2% to 2,620.99 million baht arising from an increase of investment in short-term debt instruments.

**(b) Loans and Receivables Breakdown**

Total Bank's loans and receivables were 101,530.93 million baht, up by 19,209.07 million baht (23.3% YoY), following growth in corporate and retail loan. The composition of loan portfolio was 73.7% of retail loans, 19.2% of corporate loans, and 7.1% of other loans. In addition, loans and receivables breakdown is displayed in the following table (Loans categorized by contractual maturity periods was mentioned in Note to financial statement 3.6.2)

**Table 4: Loans and Receivables Breakdown**

Type of Business	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	7,821.51	9.5	7,342.21	7.2	(6.1)
Real estate and construction	5,041.33	6.1	8,807.72	8.7	74.7
Public utilities and services	2,648.16	3.2	3,212.80	3.2	21.3
Agriculture and mining	105.55	0.1	125.35	0.1	18.8
<b>Commercial Lending</b>	<b>15,616.55</b>	<b>19.0</b>	<b>19,488.07</b>	<b>19.2</b>	<b>24.8</b>
Hire purchase	60,586.71	73.6	73,109.19	72.0	20.7
Housing	1,887.89	2.3	1,706.03	1.7	(9.6)
<b>Retail Lending</b>	<b>62,474.60</b>	<b>75.9</b>	<b>74,815.21</b>	<b>73.7</b>	<b>19.8</b>
<b>Others</b>	<b>4,230.71</b>	<b>5.1</b>	<b>7,227.64</b>	<b>7.1</b>	<b>70.8</b>
<b>Total – The Bank Only</b>	<b>82,321.85</b>	<b>100.0</b>	<b>101,530.93</b>	<b>100.0</b>	<b>23.3</b>

**(c) Non-performing Loans**

TISCO Bank has prudently managed non-performing loans (NPLs) with effective risk management tools and stringent practice of loan collection, debt restructuring and write-off process. In which, the percentage of total NPLs declined from 3.9% at year-end 2007 to 2.5% as of December 31, 2008. Additionally, the percentage of NPLs of retail loan and corporate loan was 2.0% and 3.1%, respectively with total NPLs of 2,566.08 million baht which declined by 20.6% or 665.44 million baht during the period.

**Table 5: NPLs Breakdown by Area**

Type of Business	December 31, 2007			December 31, 2008			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	5.6	435.13	13.5	1.4	102.22	4.0	(76.5)
Real estate and construction	14.2	717.70	22.2	4.9	435.09	17.0	(39.4)
Public utilities and services	1.2	32.33	1.0	2.1	68.93	2.7	113.2
Agriculture and mining	0.3	0.35	0.0	0.2	0.25	0.0	(30.0)
<b>Commercial Lending</b>	<b>7.6</b>	<b>1,185.51</b>	<b>36.7</b>	<b>3.1</b>	<b>606.49</b>	<b>23.6</b>	<b>(48.8)</b>
Hire purchase	1.5	896.28	27.7	1.8	1,303.81	50.8	45.5
Housing	12.1	229.07	7.1	11.0	187.94	7.3	(18.0)
<b>Retail Lending</b>	<b>1.8</b>	<b>1,125.36</b>	<b>34.8</b>	<b>2.0</b>	<b>1,491.76</b>	<b>58.1</b>	<b>32.6</b>
<b>Others</b>	<b>21.8</b>	<b>920.66</b>	<b>28.5</b>	<b>6.5</b>	<b>467.84</b>	<b>18.2</b>	<b>(49.2)</b>
<b>Total – The Bank Only</b>	<b>3.9</b>	<b>3,231.52</b>	<b>100.0</b>	<b>2.5</b>	<b>2,566.08</b>	<b>100.0</b>	<b>(20.6)</b>

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

TISCO Bank has applied the portfolio provisioning approach to the car hire-purchase portfolio following Basel II and Collective Approach framework. In which, the loan loss reserve will be based on expected loss from historical loss data incorporating with adjustment for the recent market situation. As of December 31, 2008, loan loss reserve of TISCO Group was 1,604.48 million baht or 62.5% of NPLs. In which, specific reserve for classified loan of 1,337.89 million baht and general reserve of 266.59 million baht. Total reserve was higher than the minimum loan loss reserve required by the Bank of Thailand at 1,270.58 million baht, reflecting the prudent provisioning policy to mitigate potential risk.

#### (e) Foreclosed Properties

Net foreclosed property as of December 31, 2008 decreased to 1,003.25 million baht as a result of sale of foreclosed property to TISCO Financial Group Co., Ltd. according to TISCO Group's restructuring plan.

### (2) Liabilities

Total liabilities as of December 31, 2008 were 110,218.03 million baht, increased by 27,691.29 million baht (33.6% YoY) following an increase in deposit of 33,220.78 million baht (50.6% YoY).

**Table 6: Liabilities Breakdown by Area**

Type of Borrowings	December 31, 2007		December 31, 2008		%
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits and short-term borrowings	65,683.20	79.6	98,903.97	89.7	50.6
Interbank and money market items	6,402.43	7.8	3,951.72	3.6	(38.3)
Long-term borrowings	8,005.05	9.7	4,899.30	4.4	(38.8)
Others	2,436.06	3.0	2,463.04	2.2	1.1
<b>Total – The Bank Only</b>	<b>82,526.74</b>	<b>100.0</b>	<b>110,218.03</b>	<b>100.0</b>	<b>33.6</b>

### (3) Shareholders' Equity

Shareholder's equity as of December 31, 2008 was 11,334.12 million baht, and book value per share (BVPS) was 15.57 baht decreased by 0.43 baht (2.7% YoY) due to a decrease in net profit by 6.9% YoY. TISCO Group had paid-up shares amounting 728.15 million shares, comprising 544.65 million common shares and 183.50 million preference shares.

### (4) Commitments and contingent liabilities

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

### 12.2.3 Business Segment Performances

#### Loans

Total Bank's loans and receivables were 101,530.93 million baht, up by 19,209.07 million baht (23.3% YoY), following growth in corporate and retail loan. The composition of loan portfolio was 73.7% of retail loans, 19.2% of corporate loans, and 7.1% of other loans.

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

**Retail lending** portfolio consisted of 97.7% car, other hire purchase and 2.3% mortgage loans. Outstanding hire purchase loans equaled 73,109.19 million baht, rose by 12,522.48 million baht (20.7% YoY). Car hire purchase new business volume amounted 41,448.99 million baht, increased by 4,432.18 million baht (12.0% YoY). The domestic car sales for 2008 reported at 614,084 units decreased from 631,251 units (2.8% YoY), resulting in car penetration rate of 10.2%, compared with average penetration rate of 9.4% in 2007.

## Deposit

Total deposit totaled 98,903.97 million baht, increased by 33,220.78 million baht (50.6% YoY). The portion of saving accounts and current accounts contributed to 11.7% of total deposits, increased from 6.5% (YoY).

**Table 7: Deposits Structure**

Type of Deposits	December 31, 2007		December 31, 2008		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	2,103.97	3.2	6,467.62	6.5	207.4
Saving accounts	2,157.76	3.3	5,140.40	5.2	138.2
Fixed accounts	28,089.72	42.8	4,043.74	4.1	(85.6)
Negotiate certificate deposit	994.30	1.5	43,221.62	43.7	4,246.9
Promissory notes and Bill of exchange	2,383.05	3.6	2.40	0.0	(99.9)
<b>Short-term borrowings</b>	<b>29,954.39</b>	<b>45.6</b>	<b>40,028.19</b>	<b>40.5</b>	<b>33.6</b>
<b>Total</b>	<b>65,683.20</b>	<b>100.0</b>	<b>98,903.97</b>	<b>100.0</b>	<b>50.6</b>

The loans to deposit ratio decreased from 125.3% to 102.7% (YoY) as a result of strong growth in retail deposit base and higher short term excess liquidity.

### 12.2.4 Liquidity

As of December 31, 2008, the Bank's cash was 595.12 million baht, an increase of 155.92 million baht. This was mainly comprised of 2,665.01 million baht in net cash flows from investing activities mainly arose from sale of subsidiary company. On the other hand, there was net cash flows used in financing activities amounting 1,473.15 million baht for dividend payment and operating activities amounting 2,359.48 million baht.

### 12.2.5 Sources and Uses of Funds

As the end of 2008, the funding structure as shown in the Bank's financial statement comprised of 110,218.03 million baht in liabilities and 11,334.12 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 9.7. The major source of funds on liabilities side was deposits, which accounted for 89.7% of total source of funds. Other sources of funds included interbank and money market items and borrowing, accounted for 3.6% and 4.4% of total, respectively.

As of December 31, 2008, the Bank major use of funds was loans, amounting 101,530.93 million baht, resulting in a loan-to-deposit ratio of 102.7%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

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

### 12.2.6 Capital Requirements

In terms of regulatory capital requirement of TISCO Bank following the requirements of the Bank of Thailand, the positions were still in strong levels and sufficient to cushion for the expansion of asset in the future. The regulatory capital adequacy ratio of the bank (BIS ratio) based on Basel II reduced from 12.81% to 11.71% following a continuous expansion in loan position while Tier-I capital adequacy ratio of the bank decreased from 12.41% to 11.23%. Nevertheless, they remained higher than the 8.5% and 4.25% required by the Bank of Thailand.

At the end of 2008, the integrated risk capital, mainly comprising of credit risk capital, increased. Credit risk improving is owing to loan growth, especially in retail portfolio and wholesale portfolio which increase by 20.7% to 73,109.19 million baht and by 24.8% to 19,488.07 million baht, respectively. In the meantime, percentage of non-performing loan of hire purchase portfolio rose from 1.5% to 1.8%.

Compared to the end of 2007, the market risk slightly increased primarily resulted from higher interest rate volatility while equity market value is lower due to liquidation of portfolio along with global financial crisis and internal political issue. Equity market value decreased by 47.3% from 3,304.72 million Baht to 1,741.64 million Baht at the end of 2008.

In the meantime, the interest rate risk increased due to increasing in interest rate volatility. Despite of a widening interest rate gap (BPV) from the last year, the gap still be in the manageable level. The difference in the duration of assets and liabilities remained in range approximately 12 months as a result of increasing portion of current deposit and saving deposit which has lower sensitivity to interest rate change.

**Table 9: Capital Adequacy Ratio**

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

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

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase (Bt.million)	
	2007	2008	2007	2008
Assets	1.43	1.36	292.05	456.67
Liabilities	0.50	0.35	(498.14)	(695.66)
Net Gap	<b>0.93</b>	<b>1.01</b>	<b>(206.09)</b>	<b>(238.99)</b>

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

The Bank paid the audit fee for the year 2008 of 2,990,000 Baht to Ernst & Young Office Limited.

**(2) Non-audit Fee**

The Bank paid non-audit fees in 2007 amounted to 230,000 Baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand and for taxation service.

**12.2.8 Credit Rating**

On October 20, 2008, Fitch Ratings (Thailand) Ltd. has affirmed TISCO Bank National ratings at Long-term 'A(thai)' with a Stable Outlook and National Short-term ratings at 'F1(thai)'.  
 The rating reflect TISCO's strong asset quality, capital and profitability, as well as, its conservative management track record. Details of Credit Rating by Fitch Ratings are shown in the following table.

Credit Rating (Unsolicited Rating)	Credit Rating Announcement Date		
	July 17, 2006	March 20, 2007	October 20, 2008
Long – Term National Rating	A (tha)	A (tha)	A (tha)
Short – Term National Rating	F1 (tha)	F1 (tha)	F1 (tha)
Rating Outlook	Stable	Stable	Stable

In addition, Fitch Ratings (Thailand) Ltd. has affirmed the ratings of TISCO Bank's senior debentures of up to 3 billion Baht due 2010 and senior debentures of up to 1 billion Baht due 2012 National ratings at Long term 'A(thai)' with a stable outlook. Also, Fitch Ratings (Thailand) Ltd. has affirmed a National Long-Term rating of 'A(thai)' (A minus (tha)) to TISCO Bank's subordinated and unsecured debentured of up to 2 billion Baht due 2019

Credit Rating	Credit Rating Announcement Date			
	December 27, 2006	November 9, 2007	October 20, 2008	December 9, 2008
Rating by (Unsecured Debenture)	TRIS Rating Co., Ltd.	TRIS Rating Co., Ltd.	Fitch Ratings (Thailand) Ltd,	Fitch Ratings (Thailand) Ltd,
TSCO077A: Bt 2,000 million senior debenture due 2007 <sup>1</sup>	A	-	-	-
TSCO077B: Bt 1,000 million senior debenture due 2007 <sup>1</sup>	A	-	-	-
TSCO070A: Bt 1,800 million senior debenture due 2007 <sup>1</sup>	A	-	-	-
TSCO105A: Bt 3,000 million senior debenture due 2010 <sup>2</sup>	-	A	A	-
TSCO125A: Bt 1,000 million senior debenture due 2012 <sup>2</sup>	-	A	A	-
TISCO192A: Bt 2,000 million subordinated debenture due 2019 <sup>3</sup> The issuer may set the call option to redeem the debentures before maturity.	-	-	-	A-(tha)

<sup>1</sup> Matured in 2007<sup>2</sup> Issued in 2007<sup>3</sup> Issued in 2009



## 13. Others

### 13.1 Corporate Social Responsibility

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

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

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

### 13.2 General Policy on Social Responsibility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 13.3 Corporate Social Responsibility Highlights in 2008

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

## 1. Social Supports

### 1.1 TISCO Foundation for Charity

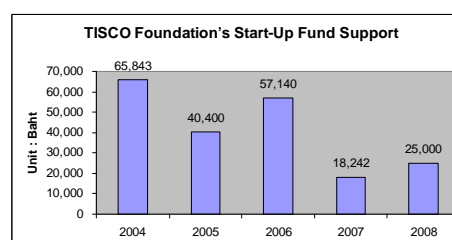
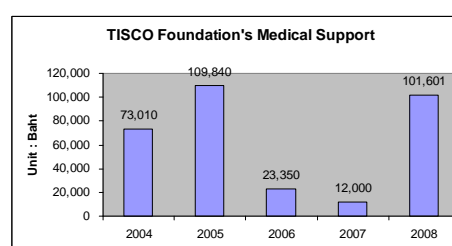
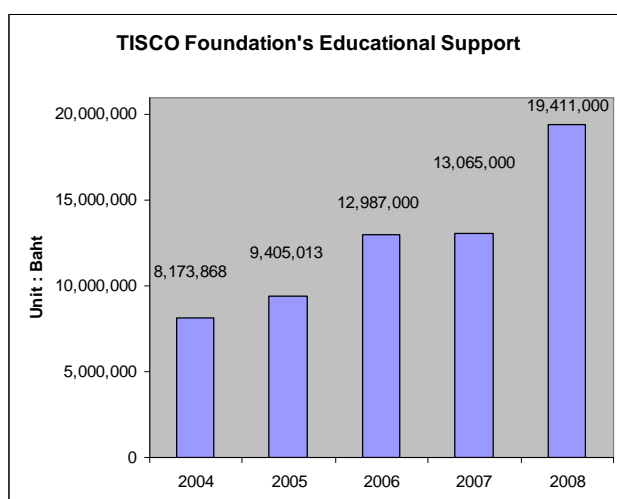
As a demonstration of TISCO Group's long-term commitment to sustainable development, the "TISCO Foundation for Charity" was established in 1982 to work towards the long-term goal of improving society and the nation. Since then, TISCO's major social contributions have been made through the work of TISCO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

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

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

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

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



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

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

### *Follow-up Progress*

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

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

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

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

#### *Computers and Tools for Schools*

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

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

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

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

#### *Support Underprivileged Children through UNICEF*

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

#### *Support Education of Autistic Children*

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

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

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

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

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

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

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

*Support the Sem Pringpuangkeo Foundation*

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

*Blood Donation for the Thai Red Cross Society*

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

## **2. Environmental Conservation**

*Reforestation Project*

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

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

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

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

*Thai Art Support*

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

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

*Religious support*

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

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

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

#### 1. Social support

##### 1.1 TISCO Foundation for Charity

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

##### 1.2 Other Social Support Activities

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

#### 2. Environmental Conservation

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

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

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

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

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

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

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

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

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

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

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

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

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

##### *SET Awards 2008*

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

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

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

##### *Best Managed Company*

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

## **Attachment 1**

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



1.1 Details of Directors, Management and Controlling Persons subsequent to the Restructuring Plan as of January 13, 2009

Attachment 1

Name-Surname	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other director and management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<b>1. Mr. Pliu Mangkornkanok</b> Chairman of the Board	60	Common - Preferred -	-	M.B.A. (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Directors Certification Program Chairman 2000 Program Thai Institute of Directors Association	2008-present	<i>TISCO Group</i> Director	TISCO Financial Group Public Company Limited	Holding Company
					2009-present	Chairman of the Executive Board	TISCO Financial Group Public Company Limited	Holding Company
					2009-Present	TISCO Group Chief Executive Officer		
					2009-Present	Chairman of the Board	TISCO Bank Public Company Limited	Bank
					2005-2008	Director	TISCO Bank Public Company Limited	Bank
					2005-2006	Secretary to the Nomination Committee	TISCO Bank Public Company Limited	Bank
					2002-2005	Director	TISCO Finance Public Company Limited	Finance
						Chairman of the Executive Board		
						Member of the Nomination Committee		
						Chief Executive Officer		
						<i>Others</i>		
					2008-present	Director	Thai Institute of Directors Association	Association
					2007-present	Executive Director	The Thai Bankers' Association	Association
					2006-present	Director	Amata Spring Development Co., Ltd.	Golf Course
					2004-present	Councillor	Thai Management Association	Association
1994-present	Director	Phelps Dodge International (Thailand) Co., Ltd.	Manufacture of wire and cable products					
1990-present	Director	TISCO Foundation	Foundation					
2003-2006	Director	Thai Agro Exchange Co., Ltd.	Fruits & Vegetables Wholesale					
2002-2005	Chairman	Association of Finance Company	Association					
<b>2. Assoc.Prof.Dr. Angkarat Priebjrivat</b> Independent Director and Chairperson of the Audit Committee	54	Common - Preferred -	-	Ph.D (Accounting) New York University, USA M.S. (Accounting) Thammasat University B.B.A. (Accounting) Thammasat University Role of Chairman Program Monitoring the Internal Audit Function Audit Committee Program Director Certification Program Director Accreditation Program Thai Institute of Directors Association	2008-present	<i>TISCO Group</i> Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2007-present	Chairperson of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2005-present	Independent Director	TISCO Bank Public Company Limited	Bank
					2005-2007	Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
						<i>Others</i>		
					2009-present	Member, Accounting and Corporate Governance Site	The Securities and Exchange Commission	Independent State Agency
					2008-present	Independent Director and Chairperson of the Audit Committee	Office Mate Public Company Limited	Supplier of full line office products
					2006-present	Chairman, Supervisory Committee	The ABF Thailand Bond Index Fund	Fund
					2004-present	Member of the Consultative Subcommittee on Cost Accounting Development Project	Commission on Higher Education	Commission on Higher Education
					2004-present	Independent Director	Association of Investment Management Companies	Association
					2002-present	Advisor	The Comptroller General's Department, Ministry of Finance	Government
					2002-present	Advisor to the Audit Committee	TOT Corporation Public Co., Ltd.	Communication
					1997-present	Associate Professor	National Institute of Development Administration (NIDA)	Educational Institute
					1992-present	Advisor to the Listing and Disclosure Department	The Stock Exchange of Thailand	The Stock Exchange of Thailand
					2006-2008	Director and Chairperson of the Audit Committee	National Housing Authority	State Enterprise
2005-2008	Chairperson of the Accounting Standard Setting Committee	Federation Of Accounting Professions	Federation					
2002-2005	Specialist - Financial Institutions Policy Group	The Bank of Thailand	The Bank of Thailand					
2001-2005	Associate Dean of Administrative Affairs and Director of the Executive MBA Program	National Institute of Development Administration (NIDA)	Educational Institute					

Name-Surname	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other director and management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<b>3. Ms. Panada Kanokwat</b> Independent Director and Member of the Audit Committee	60	Common Preferred - -	-	M.B.A. (Banking & Finance) North Texas State University, USA B.B.A. (Accounting) Thammasat University Capital Market Academy Leadership Program Capital Market Academy Executive Program in International Management Stanford-National University of Singapore Building, Leading & Sustaining Innovation Organization Sloan School of Management, Massachusetts Institute of Technology, USA Director Accreditation Program Thai Institute of Directors Association	2008-present	<i>TISCO Group</i> Independent Director Member of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2008-present	Independent Director Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					2008-present	Director	PTT Chemical International (Asia Pacific ROH) Limited)	Petrochemical and Chemical
					2008-present	Director	Thai Oleochemicals Co., Ltd.	Petrochemical and Chemical
					2008-present	Director	PTT Chemical International (Singapore) Pte.Ltd.	Petrochemical and Chemical
					2008-present	Director	TOC Glycol Co.,Ltd.	Petrochemical and Chemical
					2008-present	Director	Thai Choline Chloride Co., Ltd.	Petrochemical and Chemical
					2008-present	Director	Thai Ethanolamines Co., Ltd.	Petrochemical and Chemical
					2005-present	Executive Vice President Petrochemical And Refining Business Unit	PTT Public Co., Ltd.	Oil and Gas
					2005-present	Senior Executive Vice President, Chief Corporate Finance & Accounting	PTT Chemical Public Co., Ltd.	Petrochemical and Chemical
					2008	Director	Bangkok Polyethylene Public Co., Ltd.	Petrochemical and Chemical
					2006	Director	Star Petroleum Refining Co., Ltd.	Refinery
					2004-2005	Director	Rayong Refinery Public Co., Ltd.	Refinery
					2001-2005	Executive Vice President, Corporate Finance	PTT Public Co., Ltd.	Energy
<b>4. Professor Dr. Pranee Tinakorn</b> Independent Director and Member of the Audit Committee	60	Common Preferred - -	-	Ph.D. (Economics) University of Pennsylvania, USA B.A. (Economics) Swarthmore College, USA	2008-present	<i>TISCO Group</i> Independent Director Member of the Audit Committee	TISCO Financial Group Public Company Limited	Holding Company
					2009-present	Independent Director Member of the Audit Committee	TISCO Bank Public Company Limited	Bank
					1979-present	Professor of Economics	Thammasat University	Academic Institute
					2006-present	Member and Executive Committee of TDRI Council	Thailand Development Research Institute Foundation	Foundation
					2008-present	Member of the Committee on Budget Subsidy for Public Services	Ministry of Finance	Government Office
					2007-2008	Subcommittee on Budget Law under the Committee on Fiscal, Banking and Financial Institutions	National Council of Legislation	Government Office
					2007-2008	Advisor to the Minister of Finance	Ministry of Finance	Government Office
					2007-2008	Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Co., Ltd.	CAT Telecom Public Co., Ltd.	Communication
					2007-2008	Member of Executive Committee	Triam-Udomsuksa Alumni Association	Alumni Association
					2005-2007	Subcommittee of the Thammasat University Council on Assets and Fiscal Affairs	Thammasat University	Academic Institute
					2005-2006	University Committee on Grievance and Appeal	Thammasat University	Academic Institute
					2004-2005	Member of the Thammasat University Council	Thammasat University	Academic Institute
					2004-2005	Member of the Committee on Adjustment of the State Enterprise Capital Act B.E. 2542	Ministry of Finance	Government Office
					2003-2006	Dean, Faculty of Economics	Thammasat University	Academic Institute
2003-2006	Member	Puey Ungphakorn Institute Committee	Institute					
2003-2006	Member of the Research Committee	Secretariate of the House of Representatives	Government Office					

Name-Surname	Age (years)	Total Shareholding in the Bank (shares)		Family Relationship with other director and management	Education / Director's Training Course Program	Work Experience within 5 years			
						Period	Position	Company / Organization	Type of Business
<b>5. Mr. Alexander H. Shing</b> Director and Chairman of the Executive Board (Authorized Signatory)	32	Common	-	-	B.Sc. (Economics) Massachusetts Institute of Technology, USA	2009-present 2009-present 2008-present 2009-present 2007-present 2007-2008 2007-2008 2008-present 2005-present 2005-2008 2005-2008 2004-2005	<i>TISCO Group</i> Vice Chairman of the Executive Board Member of the Nomination and Compensation Committee Director Chairman of the Executive Board Director Member of the Executive Board Member of the Nomination and Compensation Committee <i>Others</i> Senior Advisor Managing Director Senior Vice President Director Vice President/Advisor	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited CDIB & Partners Investment Holding Corporation Quintus Capital Group Ltd. CDIB & Partners Investment Holding Corporation CDIB & Partners Asset Management Holding Ltd. China Development Industrial Bank, Taipei	Holding Company Holding Company Holding Company Bank Bank Bank Bank Investment Investment Investment Asset Management Bank
<b>6. Mr. Hirohiko Nomura</b> Director Member of the Executive Board (Authorized Signatory)	45	Common	-	-	B.A. (Economics) The University of Tokyo, Japan	2009-present 2008-present 2008-present 2008-present 2008 2008-present 2002-2008	<i>TISCO Group</i> Member of the Executive Board Director Member of the Nomination and Compensation Committee Director Member of the Executive Board Member of the Nomination and Compensation Committee <i>Others</i> Managing Director Senior Manager, International	TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited MHC Consulting (Thailand) Co., Ltd. Mizuho Corporate Bank, Ltd.. Head Office	Holding Company Holding Company Holding Company Bank Bank Consultant Bank
<b>7. Mr. Pichai Chanvirachart</b> Director	59	Common	-	-	B.B.A. (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association	2009-present 2009-present 2005-present 2001-2005 1993-2008 2000-2006	<i>TISCO Group</i> Advisor Director Director Member of the Executive Board, President and Chief Operating Officer Director, Member of the Executive Board, President and Chief Operating Officer <i>Others</i> Director Director	TISCO Financial Group Public Company Limited TISCO Information Technology Co., Ltd. TISCO Bank Public Company Limited TISCO Finance Public Company Limited Mizuho Corporate Leasing (Thailand) Co., Ltd. AXA Insurance Public Company Limited	Holding Company Information Technology Bank Finance Leasing Insurance

Name-Surname	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other director and management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<b>8. Ms. Oranuch Apisaksirikul</b> Director Member of the Executive Board (Authorized Signatory)	51	Common - Preferred -	-	M.B.A (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association	2009-present	<u>TISCO Group</u> Member of the Executive Board President	TISCO Financial Group Public Company Limited	Holding Company
					2009-present	Member of the Executive Board Director	TISCO Bank Public Company Limited	Bank
					2008-present	Director	TISCO Financial Group Public Company Limited	Holding Company
					2005-present	Director	TISCO Bank Public Company Limited	Bank
					2009-present	Director	TISCO Securities Co., Ltd.	Finance
					2009-present	Director	TISCO Asset Management Co., Ltd.	Asset Management
					2009-present	Director	TISCO Information Technology Co., Ltd.	Information Technology
					2005-2008	Senior Executive Vice President and Chief Financial Officer	TISCO Bank Public Company Limited	Bank
					2000-2007	Director	TISCO Global Securities Ltd.	Securities
					2000-2007	Director	TISCO Securities Hong Kong Ltd.	Securities
					2005	Director	TISCO Finance Public Company Limited	Finance
					2002-2005	Senior Executive Vice President and Chief Financial Officer	TISCO Finance Public Company Limited	Finance
					2004-present	<u>Others</u> Member of Risk Management Committee	Small Industry Credit Guarantee Corporation	Specialized Financial Institution
2001-present	Member of Risk Management Sub-Committee	The Stock Exchange of Thailand	The Stock Exchange of Thailand					
<b>9. Mr. Suthas Ruangmanamongkol</b> Director Member of the Executive Board President (Authorized Signatory)	48	Common - Preferred -	-	M.S. (Finance & Banking) University of Wisconsin-Madison, USA M.B.A. (Finance) Western Illinois University, USA B.Eng. (Computer Engineering) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2009-present	<u>TISCO Group</u> Member of the Executive Board	TISCO Financial Group Public Company Limited	Holding Company
					2008-present	Director	TISCO Financial Group Public Company Limited	Holding Company
					2009-present	Member of the Executive Board President	TISCO Bank Public Company Limited	Bank
					2008-present	Director	TISCO Bank Public Company Limited	Bank
					2005-present	Director	TISCO Asset Management Co., Ltd.	Asset Management
					2009-present	Director	TISCO Information Technology Co., Ltd.	Information Technology
					2005-2008	Managing Director	TISCO Asset Management Co., Ltd.	Asset Management
					2002-2005	Head of Commercial Finance Treasury and Funding	TISCO Finance Public Company Limited	Finance
					-	<u>Others</u> -	-	-
					-	-	-	-
<b>10. Mr. Sakchai Peechapat</b> Senior Executive Vice President Marketing & Customer Relations	42	Common - Preferred -	-	M.B.A. (International Business) University of Hawaii at Manoa, USA B.E. (Civil Engineering) (Honour)  Kasetsart University Director Certification Program Thai Institute of Directors Association Director Accreditation Program Thai Institute of Directors Association Japan-focused Management Program Japan-America Institute of Management Science, USA	2009-present	<u>TISCO Group</u> Senior Executive Vice President Marketing & Customer Relations	TISCO Bank Public Company Limited	Bank
					2006-2008	Executive Vice President-Retail Banking	TISCO Bank Public Company Limited	Bank
					2006-2008	Executive Vice President-Human Resources and Organization Development (Acting)	TISCO Bank Public Company Limited	Bank
					2005-2006	Executive Vice President-Human Resources and Organization Development	TISCO Bank Public Company Limited	Bank
					2009-present	Director	TISCO Securities Co., Ltd.	Securities
					2009-present	Director	TISCO Asset Management Co., Ltd.	Asset Management
					2009-present	Director	Hi-Way Co., Ltd.	Leasing
					2004-2005	Head of Human Resources and Organization Development	TISCO Finance Public Company Limited	Finance
					2002-2004	Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting)	TISCO Finance Public Company Limited	Finance
					2006-present	<u>Others</u> Director	AXA Insurance Public Company Limited	Insurance

Name-Surname	Age (years)	Total Shareholding in the Bank (shares)	Family Relationship with other director and management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
<b>11. Ms. Nattamon Issaradharm</b> Executive Vice President Credit Control	55	Common - Preferred -	-	B.A. (Accounting) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association Certified Public Accountants C.P.A. Thailand	2009-present 2007-present 2005-2008 2002-2005 1998-2006 2002-2005	<u>TISCO Group</u> Executive Vice President Credit Control Director Executive Vice President and Chief Governance Officer Executive Vice President and Chief Governance Officer <u>Others</u> Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC) Representative	TISCO Bank Public Company Limited TISCO Asset Management Co., Ltd. TISCO Bank Public Company Limited TISCO Finance Public Company Limited The Bank of Thailand Association of Finance Companies	Bank Asset Management Bank Finance The Bank of Thailand Association
<b>12. Mr. Panya Wottichareonvong</b> Executive Vice President Banking Transaction	55	Common - Preferred -	-	M.S (Accounting) Thammasat University LL.B. Thammasat University B.A. (Accounting) Thammasat University Graduate Diploma Program in Business Law Thammasat University Directors Certification Program Thai Institute of Directors Association Certified Public Accountants C.P.A. Thailand	2009-present 2006-2008 2005-2006 2009-present 2005 2002-2004	<u>TISCO Group</u> Executive Vice President Banking Transaction Executive Vice President-SME Banking Executive Vice President-Retail Banking Director Executive Vice President-Retail Banking Head of Retail Finance and Head of Special Asset Management <u>Others</u> -	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Information Technology Co., Ltd. TISCO Finance Public Co., Ltd. TISCO Finance Public Co., Ltd.	Bank Bank Bank Information Technology Finance Finance
<b>13. Mr. Metha Pingsuthiwong</b> Executive Vice President Treasury & Deposit	42	Common - Preferred -	-	M.B.A. (Finance) University of Wisconsin-Milwaukee, USA B.Eng. (Electrical Engineering) (Honour) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2009-present 2005-2008 2005 2009-present 2002-2005 1999-present	<u>TISCO Group</u> Executive Vice President Treasury & Deposit Executive Vice President- Treasury and Private Banking Executive Vice President- Treasury and Funding Director Head of Securities Investment and Trading <u>Others</u> Director	TISCO Bank Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited TISCO Securities Co., Ltd. TISCO Securities Co., Ltd. K-Line (Thailand) Co., Ltd.	Bank Bank Finance Securities Securities Transportation

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

**Attachment 2**

**Report of the Audit Committee**

### Report of the Audit Committee

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

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

<sup>/1</sup> since May 27, 2008, in replacement of Mrs. Krisna Theravuthi who had been appointed as the Chairperson of the Nomination and Compensation Committee.

<sup>/2</sup> since January 5, 2009, in replacement of Prof. Dr. Praipol Koomsup who had been appointed as a member of the Monetary Policy Committee of the Bank of Thailand.

The Audit Committee has performed duties and responsibilities according to the charter of Audit Committee and as delegated by the Board of Directors. The Audit Committee has carried out duties independently and without restrictions as to access to information. The Audit Committee supports the Bank'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 held 13 meetings in Year 2008. Major activities performed by the Committee were as follows:

1. Reviewing quarterly, semi-annual and annual financial statements audited by the certified public accountant and recommending to the Board of Directors.
2. Reviewing internal control system and internal audit works by considering the management letter issues and the results of assessment by the certified public accountant towards efficiency of the internal audit department, related company transactions and irregularity transactions.
3. Selecting and nominating to the Board of Directors and general shareholders' meeting for endorsement a certified public accountant and determining their audit fee. The Committee proposed the appointment of Mr. Narong Puntawong of Ernst & Young Office Limited as the auditor of the Bank and its subsidiaries for the Year 2008.
4. Approving the Principle of Corporate Governance Policy and Related Party Transaction Policy, including reviewing that related party transactions or transactions that may lead to conflict of interest were in compliance with relevant laws and regulations.
5. Meeting with Head of Compliance and Head of Legal in acknowledging the status of litigation against the Bank and its subsidiaries, annual compliance reports and non-compliance issues arising during the year.
6. Meeting with management in updating and monitoring on the compliance and risk management issues such as Basel II implementation, Know Your Customer/ Customer Due Diligence procedures, Anti-Money Laundering & Combating the Financing of Terrorism Policy, risk management guidelines and tools, and an impact assessment of changes in accounting standards on Financial Statements.
7. Giving an opinion to shareholders, general investors and related parties regarding the Holding Company Restructuring plan and the delisting of TISCO Bank shares from the Stock Exchange of Thailand.
8. Acknowledging the results of external assessment and examinations by the Bank of Thailand and the Securities and Exchange Commission, Thailand, and assessing corrective actions on important findings.
9. Endorsing annual audit plan, strategy, key performance indicators and the Charter of Internal Audit, and acknowledging the results of audits.
10. Conducting self assessment, developing an annual plan, and reviewing the charter of Audit Committee before proposing to the Board of Directors for acknowledgement.

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

**Attachment 2**

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

*Angkarat Priebjrivat*

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



**Attachment 3**

**Report of the Nomination and Compensation Committee**

## Report of the Nomination and Compensation Committee

Responding to the success of the Holding Company Restructure, the Nomination and Compensation Committee of TISCO Financial Group Public Company Limited ("TISCO") was appointed by the Board of Directors on December 12, 2008 to replace the Nomination and Compensation Committee of TISCO Bank Public Company Limited (the "Bank"). The Committee is charged with the responsibility of formulating the compensation policy, selecting and nominating names of qualified candidates for the positions of directors, members of committees with functions, responsibilities and authorities directly given by the Board of Directors, and top management in TISCO and its subsidiary companies and proposing them to the Board of Directors or shareholder meeting in order to preserve an effective and efficient board and management structure.

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

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

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

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

*Krisna Theravuthi*

(Ms. Krisna Theravuthi)

Chairperson

The Nomination and Compensation Committee

January 23, 2009

**Attachment 4**

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

**Internal Control System Assessment Questionnaire**

**TISCO Bank Public Company Limited**

**January 23, 2009**

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

**Part 1 Organizational Control and Environment Measure**

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

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

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

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

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

Yes

No

The Board defines the Bank business strategies, and approves business & operating plan, as directed by TISCO Group's business strategies and action plan. The business plan also includes key performance indicators and business targets of the Bank where the variation from these targets is regularly measured and analyzed. In addition, business performance analysis is regularly reported to the Management and business managers for update on progress and achievement of targets. The business performance analysis also reported to the Board of the parent company on regular basis.

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

Yes

No

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

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

Yes

No

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

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

Yes  No

The code of conduct is a part of TISCO Group compliance manual which are distributed /communicated to every employees.

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

Yes  No

The Internal Control function of the parent company, regularly review the policies and guidelines as appropriate. Internal Audit Function of the parent company will audit actual operation in accordance with the policies and guidelines to protect fraud and regularly report results to the Audit Committee. In addition, the Audit Committee will report to the Audit Committee of the parent company.

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

Yes  No

The Bank emphasizes in customer and business partner satisfaction in its operation in order to strengthen long-term relationship following the Group's policy of being customer's first choice. In addition, the Bank strictly follows related customer protection law and ensures that product and service information has been adequately provided to customers through well-trained staff. Also, any complaints from customers are handled by function under the Compliance Committee of the parent company who reports directly to the President of the parent company.

**Part 2 Risk Management Measures**

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

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

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

Yes  No

Planning and Budgeting function of the parent company constantly assesses internal and external risk factors from strategic and business stand point while Risk Management function regularly assesses financial risks, particularly in the areas of credit, market, and liquidity risks.

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

Yes  No

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

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

Yes  No

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

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

Yes  No

The Bank has documented policies specifying risk management methodologies and strategies, set forth by the parent company which are distributed to relevant employees for acknowledgement and compliance. Employee awareness to comply with the policies is regularly reinforced with key risk information regularly communicated to relevant employees.

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

Yes  No

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

**Part 3 Management Control Activities**

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

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

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

- Yes  No

The Bank has a clear power of attorney and approval limits for employees to act on behalf of the Bank. For the loan approval authority, the Bank has a clear chart of delegation levels of approval authority.

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

- Yes  No

The duties of approval, accounting records and custody of assets are separately responsible by business function, accounting function of the parent company and cashiering & bulk processing function, respectively. Moreover there are specific committees to control risk in any aspects, e.g. Risk Management Committee, Credit Committee and Problem Loan Committee, in separation of business function.

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

- Yes  No  No such cases

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

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

- Yes  No  No such cases

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

- Yes  No  No such cases



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

Yes  No  No such cases

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

Yes  No  No such cases

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

Yes  No  No such cases

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

Yes  No

The Compliance Function of the parent company will assure the Bank has complied with all regulations. It shall encourage all business and operational functions in the Bank to operate in compliance with all regulations. In order to strengthen the compliance practice within the Group, the compliance function of the parent company is progressively rolling out comprehensive compliance program, including communication, and monitoring of business and operational practices across the group employing industry and regulatory best practices. On top of that the Compliance Committee of the parent company oversee, advise, and settle all compliance issues and customer's complaints of the Bank with assistance from Legal Function and Compliance Function of the parent company.

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

Yes  No  No such cases

As a preventive measure, a standard policy and compliance manual of the group, reviewed by Compliance and Internal Control Function of the parent company, have been developed and implemented to ensure good compliance with relevant laws and regulations. Internal Audit Function of the parent company performs regularly audit all activities and independently report to the Audit Committee. Meanwhile, as a corrective measure, all activities founded not in compliance with relevant laws and regulations shall be brought to the Compliance Committee of the parent company to consider and take necessary action within the time deemed appropriate to ensure the non-recurrence of such activities and immediately reported to the Audit Committee. Infringement of laws and regulations governed by relevant regulators, if the Board of Directors or Bank Management do not take remedial action within the time that the Audit Committee proposed, the Audit Committee shall disclose such infringement in annual report and report to relevant regulators e.g. the Bank of Thailand, the Securities and Exchange Commission, etc.

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**Part 4 Information and Communication Measures**

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

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

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

- Yes  No

The Bank has clear procedures that the Executive Board, authorized by the Board of Directors, will monitor business operations of the Bank. The Executive Board will then assign Management to perform part of the Executive Board's responsibilities. Management will regularly report their activities and provide adequate information required by the Executive Board for decision making on a monthly basis. The Executive Board will propose the matters to the Board of Directors for acknowledgement or approval and also report business activities to the Executive Board of the parent company.

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

- Yes - average 7 days before meeting  No

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

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

- Yes  No

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

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

- Yes  No

The auditors have never reported any deficiency in accounting records.

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

- Yes  No

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

**Part 5 Monitoring**

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

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

Yes  No  No such cases

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

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

Yes  No  No such cases

The Executive Board reviews business performance with Management on a monthly basis. In addition, the group's Performance Dashboard Meeting is organized on a monthly basis among the Management and business line managers. The meeting helps monitor, evaluate and respond to business performance in timely and proactive manners. Any significant deviation of the results from predefined business plans will be identified and discussed so that any corrective actions can be performed promptly.

5.3 Have periodic evaluations of internal control systems been conducted?

Yes  No

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

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

Yes  No  No such cases

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

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

Yes  No  No such cases

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

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

Yes  No

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

**Attachment 4**

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

Yes

No

No such cases

The Bank will report the significant cases of fraud or suspected fraud, lawsuit filed on the Bank and other abnormal activities to the Audit Committee of the instantly so that the Audit Committee can examine the cases as well as providing corrective actions to the Board immediately.

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**Attachment 5**

**Statement of the Board of Directors' Responsibility for Financial Statements**

**Statement of the Board of Directors' Responsibility for Financial Statements**

The Board of Directors of TISCO Bank Public Company Limited is responsible for the 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 the 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 the Bank's internal control systems are satisfactory and provide reasonable assurance as to the reliability of the Bank's financial statements as of December 31, 2008.

*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 2008 AND 2007**

TISCO Bank Public Company Limited  
Report and financial statements  
For the years ended 31 December 2008 and 2007



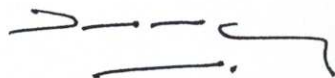
## Report of Independent Auditor

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying balance sheets of TISCO Bank Public Company Limited as at 31 December 2008 and 2007, the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2008 and 2007, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.



Narong Puntawong  
Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited  
Bangkok: 6 February 2009

TISCO Bank Public Company Limited

Balance sheets

As at 31 December 2008 and 2007

		(Unit: Baht)	
	<u>Note</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>			
Cash		595,120,161	439,197,848
Interbank and money market items	3.1		
Domestic			
Interest bearing		13,113,647,326	-
Non-interest bearing		34,692,996	555,659,355
Foreign			
Non-interest bearing		-	95,252,768
Total interbank and money market items - net		13,148,340,322	650,912,123
Securities purchased under resale agreements		-	2,400,000,000
Investments	3.2,3.3,3.6		
Current investment - net		2,521,088,917	924,589,793
Long-term investment - net		1,841,528,286	3,676,094,933
Investment in subsidiaries - net		96,063,931	2,966,664,271
Net investments		4,458,681,134	7,567,348,997
Loans, receivables and accrued interest receivable	3.4,3.6		
Loans and receivables		101,530,926,903	82,321,854,739
Accrued interest receivable		110,754,580	110,306,176
Total loans, receivables and accrued interest receivable		101,641,681,483	82,432,160,915
Less: Allowance for doubtful accounts	3.5.1	(1,604,457,372)	(2,464,917,060)
Less: Allowance for loss on debt restructuring	3.5.3	(18,258)	(538,175)
Net loans, receivables and accrued interest receivable		100,037,205,853	79,966,705,680
Property foreclosed - net	3.7	1,003,254,030	1,032,381,620
Land, premises and equipment - net	3.8	701,210,952	1,066,991,797
Deferred tax assets	3.21	182,534,215	221,131,399
Other assets	3.9	1,425,798,806	819,568,922
<b>Total assets</b>		<u>121,552,145,473</u>	<u>94,164,238,386</u>

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 31 December 2008 and 2007

		(Unit: Baht)	
	<u>Note</u>	<u>2008</u>	<u>2007</u>
<b>Liabilities and shareholders' equity</b>			
Deposits in baht	3.10	58,875,780,866	35,728,808,527
Interbank and money market items			
Domestic - Interest bearing	3.11	3,951,717,928	6,402,426,150
Liability payable on demand		496,740,597	475,067,616
Borrowings	3.12		
Short-term borrowings		40,028,191,682	29,954,388,462
Long-term borrowings		4,899,301,740	8,005,054,853
Total borrowings		44,927,493,422	37,959,443,315
Accrued interest payable		868,991,067	782,253,814
Other liabilities	3.13	1,097,305,714	1,178,736,950
<b>Total liabilities</b>		<u>110,218,029,594</u>	<u>82,526,736,372</u>

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

TISCO Bank Public Company Limited

Balance sheets (continued)

As at 31 December 2008 and 2007

	Note	2008	2007
(Unit: Baht)			
<b>Shareholders' equity</b>			
Share capital			
Registered	2.2	<u>11,002,000,000</u>	<u>11,002,000,000</u>
Issued and fully paid-up			
183,500,430 Preference shares of Baht 10 each (2007: 182,775,380 preference shares of Baht 10 each)		1,835,004,300	1,827,753,800
544,651,820 Ordinary shares of Baht 10 each (2007: 544,617,120 ordinary shares of Baht 10 each)		<u>5,446,518,200</u>	<u>5,446,171,200</u>
		7,281,522,500	7,273,925,000
Share premium			
Share premium of preference shares		93,951,250	84,925,420
Share premium of ordinary shares		36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	3.17	5,575,057	38,216,329
Retained earnings			
Appropriated - statutory reserve	2.3	547,000,000	486,800,000
Unappropriated		<u>3,369,567,072</u>	<u>3,717,135,265</u>
<b>Total shareholders' equity</b>		<u>11,334,115,879</u>	<u>11,637,502,014</u>
<b>Total liabilities and shareholders' equity</b>		<u>121,552,145,473</u>	<u>94,164,238,386</u>
<b>Off-balance sheet items - contingencies</b>	3.27		
Aval to bills and guarantees of loans		70,696,967	51,925,000
Other commitments		6,224,774,821	3,397,849,378

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



Mr. Suthas Ruangmanamongkol  
(President)

**TISCO**  
ธนาคารอิสราห์ จำกัด (มหาชน)  
TISCO Bank Public Company Limited



Mrs. Oranuch Apisaksirikul  
(Director)

TISCO Bank Public Company Limited

Income statements

For the years ended 31 December 2008 and 2007

		(Unit: Baht)	
	Note	2008	2007
<b>Interest and dividend income</b>			
Loans		1,215,475,030	1,046,345,614
Interbank and money market items		284,769,504	371,553,848
Hire purchase income		4,982,758,508	4,214,182,642
Investments		<u>1,104,696,119</u>	<u>622,928,175</u>
<b>Total interest and dividend income</b>		7,587,699,161	6,255,010,279
<b>Interest expenses</b>			
Deposits		1,776,545,685	2,188,784,978
Interbank and money market items		150,864,971	122,132,409
Short-term borrowings		1,201,737,752	717,812,980
Long-term borrowings		<u>194,655,549</u>	<u>267,509,933</u>
<b>Total interest expenses</b>		<u>3,323,803,957</u>	<u>3,296,240,300</u>
<b>Net interest and dividend income</b>		4,263,895,204	2,958,769,979
<b>Bad debts and doubtful accounts</b>		<u>(706,730,835)</u>	<u>(336,960,679)</u>
<b>Net interest and dividend income after bad debt and doubtful accounts</b>		3,557,164,369	2,621,809,300
<b>Non-interest income</b>			
Gain (loss) on investments	3.18	(1,157,527,839)	220,421,564
Fees and service income			
Acceptances, aval and guarantees		10,201,047	10,203,762
Insurance services		673,001,138	511,193,208
Others		154,858,748	119,138,601
Loss on exchange		(9,805,581)	(6,900,252)
Other income	3.19	<u>380,164,026</u>	<u>158,906,128</u>
<b>Total non-interest income</b>		<u>50,891,539</u>	<u>1,012,963,011</u>
<b>Total net income</b>		3,608,055,908	3,634,772,311
<b>Non-interest expenses</b>			
Personnel expenses		952,793,212	882,630,606
Premises and equipment expenses		594,321,967	474,391,112
Taxes and duties		105,991,556	110,236,687
Fees and service expenses		178,385,885	184,298,863
Directors' remuneration	2.4	7,550,000	8,050,000
Other expenses	3.20	<u>417,801,819</u>	<u>335,299,694</u>
<b>Total non-interest expenses</b>		<u>2,256,844,439</u>	<u>1,994,906,962</u>
<b>Income before income tax</b>		1,351,211,469	1,639,865,349
Corporate income tax	3.21	<u>(147,504,191)</u>	<u>(346,961,822)</u>
<b>Net income for the year</b>		<u>1,203,707,278</u>	<u>1,292,903,527</u>
<b>Earnings per share</b>			
Basic earnings per share	3.23	<u>1.40</u>	<u>1.52</u>
Diluted earnings per share		<u>1.40</u>	<u>1.52</u>

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

TISCO Bank Public Company Limited  
 Statements of changes in shareholders' equity  
 For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Issued and fully paid-up share capital		Share premium		Surplus (deficit) from changes in the value of investment	Statutory reserve	Unappropriated retained earnings	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares				
<b>Balance as at 31 December 2006</b>	1,851,276,300	5,412,771,200	73,190,950	36,500,000	(181,560,096)	422,100,000	4,123,980,338	11,738,258,692
<b>Income (expenses) recognised directly in equity:</b>								
Increase in fair value of investments	-	-	-	-	313,966,321	-	-	313,966,321
Deferred tax recognised in shareholders' equity	-	-	-	-	(94,189,896)	-	-	(94,189,896)
<b>Income (expenses) recognised directly in equity</b>	-	-	-	-	219,776,425	-	-	219,776,425
Net income for the year	-	-	-	-	-	-	1,292,903,527	1,292,903,527
<b>Total income (expenses) for the year</b>	-	-	-	-	219,776,425	-	1,292,903,527	1,512,679,952
Dividend paid (Note 4.2)	-	-	-	-	-	-	(1,633,234,980)	(1,633,234,980)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,813,620)	(1,813,620)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	64,700,000	(64,700,000)	-
Warrants converted to preference shares	9,877,500	-	11,734,470	-	-	-	-	21,611,970
Preference shares converted to ordinary shares	(33,400,000)	33,400,000	-	-	-	-	-	-
<b>Balance as at 31 December 2007</b>	<u>1,827,753,800</u>	<u>5,446,171,200</u>	<u>84,925,420</u>	<u>36,500,000</u>	<u>38,216,329</u>	<u>486,800,000</u>	<u>3,717,135,265</u>	<u>11,637,502,014</u>
<b>Balance as at 31 December 2007</b>	1,827,753,800	5,446,171,200	84,925,420	36,500,000	38,216,329	486,800,000	3,717,135,265	11,637,502,014
<b>Income (expenses) recognised directly in equity:</b>								
Decrease in fair value of investments	-	-	-	-	(46,630,389)	-	-	(46,630,389)
Deferred tax transferred out from shareholders' equity	-	-	-	-	13,989,117	-	-	13,989,117
<b>Income (expenses) recognised directly in equity</b>	-	-	-	-	(32,641,272)	-	-	(32,641,272)
Net income for the year	-	-	-	-	-	-	1,203,707,278	1,203,707,278
<b>Total income (expenses) for the year</b>	-	-	-	-	(32,641,272)	-	1,203,707,278	1,171,066,006
Dividend paid (Note 4.2)	-	-	-	-	-	-	(1,489,771,452)	(1,489,771,452)
Income tax from unpaid dividend	-	-	-	-	-	-	(1,304,019)	(1,304,019)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	60,200,000	(60,200,000)	-
Warrants converted to preference shares	7,597,500	-	9,025,830	-	-	-	-	16,623,330
Preference shares converted to ordinary shares	(347,000)	347,000	-	-	-	-	-	-
<b>Balance as at 31 December 2008</b>	<u>1,835,004,300</u>	<u>5,446,518,200</u>	<u>93,951,250</u>	<u>36,500,000</u>	<u>5,575,057</u>	<u>547,000,000</u>	<u>3,369,567,072</u>	<u>11,334,115,879</u>

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

**TISCO Bank Public Company Limited**

**Cash flow statements**

**For the years ended 31 December 2008 and 2007**

(Unit: Baht)

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Income before corporate income tax	1,351,211,469	1,639,865,349
Adjustments to reconcile income before corporate income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	195,879,588	169,591,939
Bad debt and doubtful accounts	1,115,338,253	606,353,067
Allowance for impairment of investment (reversal)	44,329,201	(13,973,134)
Allowance for impairment of property foreclosed	14,953,680	13,629,174
Loss (gain) on disposal of investments	1,113,198,638	(206,448,430)
Unrealised loss on exchange rate	9,805,581	6,900,252
Gain on sales of property, plant and equipment	(47,952,462)	(1,127,986)
Gain from disposal of property foreclosed	(27,885,032)	(4,452,183)
Decrease (increase) in other accrued income	10,174,609	(1,077,956)
Increase in accrued expenses	1,201,094	33,835,952
Income from operating activities before changes in operating assets and liabilities	3,780,254,619	2,243,096,044
Decrease (increase) in operating assets		
Interbank and money market items	(12,498,004,809)	(75,591,309)
Securities purchased under resale agreements	2,400,000,000	(682,000,000)
Loans and receivables	(22,679,069,458)	(15,188,163,143)
Property foreclosed	1,314,014,974	1,015,039,861
Other assets	(257,642,076)	378,464,571

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

**TISCO Bank Public Company Limited**

**Cash flow statements (continued)**

**For the years ended 31 December 2008 and 2007**

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Increase (decrease) in operating liabilities		
Deposits	23,146,972,339	(4,939,307,747)
Interbank and money market items	(2,460,375,435)	3,836,347,691
Liability payable on demand	21,672,981	(2,448,191)
Borrowings	6,981,022,056	11,371,032,418
Other liabilities	<u>99,030,992</u>	<u>(32,699,502)</u>
	(152,123,817)	(2,076,229,307)
Net interest and dividend income	(4,263,895,204)	(2,958,769,979)
Cash received from interest	6,895,895,784	5,800,039,533
Cash paid for interest	(3,237,932,569)	(2,966,345,828)
Cash paid for corporate income tax	<u>(277,885,230)</u>	<u>(158,173,748)</u>
<b>Net cash flows used in operating activities</b>	<u>(1,035,941,036)</u>	<u>(2,359,479,329)</u>
<b>Cash flows from investing activities</b>		
Cash paid for purchase of investment in securities held for investment	(9,887,024,735)	(10,963,039,197)
Cash received from disposal of investment in securities held for investment	8,762,827,476	10,601,207,183
Cash received from dividend	895,918,439	1,097,051,124
Cash paid for purchase of equipment	(242,548,824)	(132,603,263)
Cash received from disposal of property, plant and equipment	486,921,839	1,302,679
Cash received from capital returned from subsidiaries (Note 4.4.2)	667,370,466	512,461,232
Cash received from disposal of investment in subsidiaries (Note 4.3)	<u>1,981,546,810</u>	<u>-</u>
<b>Net cash flows from investing activities</b>	<u>2,665,011,471</u>	<u>1,116,379,758</u>
<b>Cash flows from financing activities</b>		
Dividend paid	(1,489,771,452)	(1,633,234,980)
Cash paid for the redemption of long-term debentures and debt instruments	-	(4,800,000,000)
Cash received from issue long-term debentures and debt instruments	-	7,884,832,583
Cash received from exchange of warrants to purchase preference shares	<u>16,623,330</u>	<u>21,611,970</u>
<b>Net cash flows from (used in) financing activities</b>	<u>(1,473,148,122)</u>	<u>1,473,209,573</u>
<b>Net increase in cash</b>	155,922,313	230,110,002
Cash at beginning of year	<u>439,197,848</u>	<u>209,087,846</u>
<b>Cash at end of year</b>	<u><u>595,120,161</u></u>	<u><u>439,197,848</u></u>
 <b>Supplemental cash flows information</b>		
Conversion of preference shares to ordinary shares	347,000	33,400,000

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