



Annual Report 2013

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Report from the Board of Directors

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

TISCO's business operations saw a strong start on all fronts in the first half of the year, leading to extraordinary growth. Car sales were running at a brisk pace, given the order delivery backlog following the first car buyer tax incentive scheme, which benefitted the auto loan business. Meanwhile, capital market operations experienced record market turnover and a rally in the SET index during the early part of the year. However, as the effects of stimulus programs started to fade and systemic imbalances kicked in, coupled with rising political tensions and mass demonstrations in Bangkok in the final quarter, business activities experienced a sharp slowdown towards year-end.

Despite economic and business volatility, the TISCO group still managed to deliver a satisfactory performance in 2013. The group's net profit rose 15% to 4,249 million baht, with loan growth of more than 17%. Growth was also supported by the group's strong capital base and ample liquidity. During the year, the group successfully launched a rights offering to issue new common shares, using TSR (Transferable Subscription Rights) to provide shareholders with a dividend reinvestment alternative. This was well received and oversubscribed, resulting in a strong capital position and BIS ratio of more than 13%. Meanwhile shareholders' return on equity was still maintained at a high level of 20%.

The group's strategy continues to focus on expanding comprehensive financial services to clients in three business groups – Retail Banking, Corporate Banking, and Wealth & Asset Management, with the principle of good governance and integrity. Over the past years, the **Retail Banking** business has grown at an extraordinary high pace, both in the core hire purchase business and in other new business areas including bancassurance and consumer finance. The group was also able to expand geographical coverage to provide services, with a total of 132 loan offices and bank branches nationwide. With the economy facing a further slowdown and greater uncertainty, the Retail Banking business will be focused on more quality growth and client satisfaction as well as assuring sound asset quality.

The **Corporate Banking** business continued to grow with loan portfolio expansion of more than 23%, with focus on project financing, financial advisory services and asset financing for SMEs. In the capital market, TISCO was the financial advisor and lead underwriter for the IPO of Namyong Terminal Plc. ("NYT") with an offering size of 2,445 million baht. NYT is considered as a highly successful IPO with strong demand and price performance after listing despite unfavourable market conditions. The group's efforts to provide a proactive client solutions approach have continued to yield a good stream of deal flows in the Corporate Banking business, which should support potential growth despite the more difficult economic and operating climate.

Wealth & Asset Management achieved great results over the year both financially and in terms of recognition. With the business volume almost doubling over the year, TISCO Securities received for the second consecutive year "Outstanding Securities Company Awards" for both the Retail Investors and Institutional Investors categories in the 2013 SET Awards. The achievement was partly due to the successful establishment of Deutsche TISCO Investment Advisory, a joint venture with the Deutsche Bank group in institutional business. This brought about synergies based on Deutsche Securities' global expertise and TISCO's deep connections and experience in the Thai markets, in striving to become the "Top Advisory House". TISCO Asset Management has also been a successful market leader in the trigger funds market, which offered good investment opportunities to clients in the volatile market environment in 2013.

TISCO group continued to demonstrate strong good governance and risk management culture. The group participates in the anti-corruption certifying program organized by the Private Sector Collective Action Coalition Against Corruption. It also received a "NACC Integrity Award 2012" from the National Anti-Corruption Commission (NACC) which honours leading organizations in both the public and private sectors for transparency and good governance practices. TISCO also received a "Top Corporate Governance Report Award" during the 2013 SET Awards for the third consecutive year.

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

Another major organizational issue involves the development of a contented organization from a human resources perspective. As the group considers human capital one of the company's most valuable assets, it is a core strategy to promote good relationships with employees regardless of positions or background. The company also seeks to develop a strong culture that aligns individual talent with good teamwork. Employee relations have been promoted to increase a sense of belonging to the organization and create a happy working environment. Competency development programs have been consistently implemented across all staff levels. Thanks to all these efforts, employee commitment to TISCO has been very high and this was reflected by the company receiving the award for "Best Employer in Thailand 2013" by AON Hewitt.

On social contribution activities, TISCO has established a CSR programs to provide opportunities for society, emphasize educational development and promote financial literacy. In 2013 support for education was continually made via long-term scholarships for needy students, teachers' development and assistance for building schools and providing equipment. On social financial literacy, the company held its first 5-day 'TISCO Fun-nancial Champion' camp and recruited 80 high school students

nationwide to teach them financial knowledge. The camp also encouraged students to develop their own activities to promote financial sustainability in their communities. The teaching sessions were held by TISCO's trained volunteers to promote a volunteer spirit within the organization. Social responsibility concerns have also been built into business processes throughout TISCO, including business integrity, environmental support, social betterment, etc.

The year ahead will be a challenging year, with a high degree of uncertainty. With the growth outlook less favourable, the economy and business environment face uncertain prospects because of current political developments. On the other hand, Thailand's strong economic fundamentals, coupled with its solid banking sector, should provide resiliency to any potential shocks or prolonged political instability. Given these challenges, our business strategy will focus more on caution and quality while more effort will go towards creating stronger foundations for future growth.

The board would like to thank all our clients, business partners and shareholders for their long-term support that has helped TISCO steer through all the challenges. Also, sincere appreciation is extended to all the staff and management team for their valuable service, dedication, and commitment that has helped ensure TISCO's prosperity.

Board of Directors

Part 1

1. Overview of TISCO Business

1.1 Important Changes and Developments during the past 5 years

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

In 2009, the Company was granted approval from the Securities and Exchange Commission to offer the newly issued common shares of the Company to TISCO Bank’s shareholders. The offering of newly issued common shares of the Company has been carried out in order to achieve the objective of the Holding Company Restructuring plan of TISCO Group in which the Company acquires 100% of shares in TISCO Bank as well as protecting the benefit of the shareholders who did not swap securities into the Company’s securities. In 2010, TISCO Leasing Co., Ltd. became one of the companies under TISCO financial group with an aim to expand retail loan business in provincial areas. TISCO Leasing Co., Ltd. provides loan against auto license, hire purchase loan, leasing for car, motorcycle as well as machinery and equipment. In 2011, TISCO Learning Center Co., Ltd. became one of the companies under TISCO financial group with an aim to provide to develop, facilitate training and HR development roadmap for all subsidiaries under TISCO Group. In late 2012, Deutsche TISCO Investment Advisory Co., Ltd., in which TISCO Securities Co., Ltd. held 51.0% of total stake, became a subsidiary under TISCO financial Group with aiming to provide equity research and strategic investment advisory service for domestic and foreign institutional investors. In 2013, TISCO Financial Group and TISCO Bank conducted the capital increase in purpose to support ongoing business expansion according to capital management plan of TISCO Group. The Company issued and allocated Transferable Subscription Rights (“TSRs”) to the existing shareholders. After the completion of exercise period, total TSRs were fully exercised resulting in total registered capital of the Company increased to 8,007 million baht. Meanwhile, TISCO Bank also issued and offered the right offering to existing shareholders. Consequently, the capital increased shares has fully allocated resulting in total registered capital of the Bank increased to 8,192 million baht. At present, the Company held 99.99% of TISCO Bank’s total issued securities. With an aim to strengthen public awareness of TISCO as well as support ongoing business expansion, TISCO Group has been enhanced the corporate image to be modernistic by adding a new symbol “the Opportunity” over TISCO logo in which it reflects the commitment to create opportunities that bring sustainable values to our customers and all stakeholders under the positioning “Wealth of Possibilities”.

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

1.2 Businesses of the Company and subsidiaries

As TISCO Financial Group Public Company Limited operates as shareholders in other companies and no other major business, the competitive position can be categorized by business operations of its subsidiary companies which divided into 2 main businesses: commercial banking and lending businesses and securities business which offer various kinds of financial services in order to satisfy customers' need. After completion of restructuring plan, the TISCO Group's structure as of December 31, 2013 is shown below:



1.3 Revenue structure

The revenue structure of the TISCO Group is as follows.

(unit: Million baht)

	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
Interest Income						
- TISCO Bank Plc.	11,552	104.3	14,209	107.8	17,899	113.3
- Hi-Way Co., Ltd.	567	5.1	602	4.6	690	4.4
- Other Subsidiaries	249	2.2	400	3.0	683	4.3
Total Interest Income	12,368	117.7	15,211	115.4	19,272	122.0
Total Interest Expenses	(5,528)	(49.9)	(8,166)	(61.9)	(10,303)	(65.2)
Net Interest Income	6,907	62.4	7,044	53.5	8,968	56.8
Fee and Service Income						
- TISCO Bank Plc.	1,613	14.6	2,488	18.9	3,282	20.8
- TISCO Securities Co., Ltd.	753	6.8	983	7.5	1,184	7.5
- TISCO Asset Management Co., Ltd.	660	6.0	852	6.5	874	5.5
- Other Subsidiaries	41	0.4	85	0.6	76	0.5
Fees and Service Income	3,067	27.7	4,408	33.4	5,416	34.3
Fees and Service Expenses	(211)	(1.9)	(279)	(2.1)	(226)	(1.4)
Net Fees and Service Income	2,854	25.8	4,128	31.3	5,190	32.8
Other Operating Income	1,311	11.8	2,009	15.2	1,644	10.4
Total Operating Income	11,072	100.0	13,182	100.0	15,802	100.0

1.4 TISCO Group Business Strategy

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

Vision, Mission, and Values for business operations

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

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

Our Mission is "TISCO is a financial institution with exemplary governance. We are dedicated to creating opportunities that bring sustainable values to our customers, shareholders, people and community".

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

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

Strategic Plan and Strategy Map

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

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

Strategic action for the organization

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

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

2. Business Operations by Area

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

Commercial banking business: TISCO Group offers financial services under its Commercial Banking Business license. Banking services are offered through the TISCO Bank’s (“The Bank”) headquarters, its subsidiaries, as of December 31, 2013, the Bank had 52 branches in every regions of Thailand. The locations of bank branch by region are shown as follows;

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

Moreover, TISCO Group also provides service of consumption loan through network of Hi-Way Co., Ltd. totaled 79 branches nationwide.

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

2.1 Area of Services

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

1. Retail Banking

Retail Banking group provides 2 service types as follows:

1.1 Retail Loans

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

- **Hire-Purchase Financing**

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

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

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

Hire-purchase, one of the TISCO Group's major businesses, has experienced continuous growth for years. As of December 31, 2013, the hire-purchase loans were 188,337.32 million baht, increased by 15.6% (YoY) from 162,863.39 million baht in 2012.

Table shows details of car and motorcycle hire purchase loans

Hire Purchase	December 31, 2011 (Million baht)	December 31, 2012 (Million baht)	December 31, 2013 (Million baht)	Growth rate (%)
Car	122,748.64	160,557.87	185,604.20	15.6
Motorcycle	1,957.17	2,305.52	2,733.12	18.5
Total	124,705.81	162,863.39	188,337.32	15.6

In 2013, TISCO Group (specified for TISCO Bank and credit granting companies) provided car hire purchase loan, ranked by car brands which were 24.7% from Ford, 16.6% from Mazda, 17.0% from Isuzu, 9.6% from Toyota and 32.1% of other brands. The proportion of hire purchase loan between new car and used car were 80% and 20% in 2013. In addition, the Group's strategy is to continue on expanding hire-purchase financing to benefit from strong market demand by offering a variety of high quality services, rather than low pricing. However, the interest rates charged are competitive and the maximum payment period is in compliance with the BoT rules.

• Consumer Loans

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

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

As of December 31, 2013, mortgage loans were 1,428.19 million baht, decreased by 1.9% from 1,455.60 million baht in 2012 partly due to an economic slowdown.

Consumption Loans are operated by TISCO Bank Plc., TISCO Leasing Co., Ltd., and Hi-Way Co., Ltd.; provide multipurpose lending for individuals such as personal loans, loans against car and motorcycle registration, loans, and loans for provident fund members. The repayment periods vary from 6 to 60 months depending on cash flow and client's earning ability. The flagship consumption loans product of the Bank is loan against car registration, namely "TISCO Auto Cash", is considered a multipurpose loan for car owner who needs financing. The strengths of TISCO Auto Cash loan are convenient, speedy, and competitive interest rate when compared with general consumer loan. Furthermore, the customers can update the service of TISCO Auto Cash via www.tiscoautocash.com. To enhance customers' convenience, TISCO Group expanded distribution channels of loans against car and motorcycle registration nationwide namely "Somwang" in which 79 of Somwang branches have been operated nationwide in 2013.

As of December 31, 2013, consumption loans were 16,670.93 million baht, increased by 9.5% from 15,222.33 million baht in 2012.

Table shows details of retail loans

Retail Finance	December 31, 2011		December 31, 2012		December 31, 2013		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Hire purchase loans	124,705.81	89.7	162,863.39	90.7	188,337.32	91.2	15.6
Mortgage loans	1,366.69	1.0	1,455.60	0.8	1,428.19	0.7	(1.9)
Consumption loans	12,964.00	9.3	15,222.33	8.5	16,670.93	8.1	9.5
Total	139,036.49	100.0	179,541.32	100.0	206,436.44	100.0	15.0

Customer and Distribution Channels

Target customers of the hire-purchase business are individuals with annuity income or salary and good repayment record. The Group service's channels operate through the Bank's headquarters and its branch network and other subsidiary companies. The car hire-purchase business in the TISCO Group is operated by TISCO Bank Plc., and TISCO Tokyo Leasing Co., Ltd. while motorcycle hire-purchase is operated by Hi-Way Co., Ltd. TISCO Group has an assured client base via dealer which major portion of client base are fixed income individual with well payment background.

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

1.2 Bancassurance

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

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

2. Corporate Banking

Corporate Banking group provides 3 service types as follows:

2.1 Corporate Lending

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

- **Working Capital Loans**

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

- **Project and Term Loans**

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

- **Other Commercial Loans**

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

- **Guarantee and Aval Services**

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

• Loan Consultancy and Related Services

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

• Custodian Service

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

2.2 Commercial Lending

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

As of December 31, 2013, TISCO Group had a corporate lending portfolio of 53,679.77 million baht, which accounted for 18.4% of total loans. This indicated a 24.9% increase from 42,993.75 million baht at the end of 2012. Commercial loans had a portfolio of 32,034.44 million baht, up by 24.3% (YoY) from 25,780.61 million baht from 2012 driven by strong demand of loan for car dealer. The portfolio is detailed as follows;

Type of Business	December 31, 2011		December 31, 2012		December 31, 2013		Change (%)
	Amount (Million baht)	%	Amount (Million baht)	%	Amount (Million baht)	%	
Manufacturing and commerce	16,368.35	8.8	17,226.31	6.9	19,375.50	6.6	12.5
Real estate and construction	8,789.92	4.8	10,203.97	4.1	11,598.82	4.0	13.7
Public utilities and services	6,862.20	3.7	14,888.26	6.0	21,921.31	7.5	47.2
Agriculture and mining	328.26	0.2	675.20	0.3	784.14	0.3	16.1
Corporate Lending	32,348.73	17.5	42,993.75	17.3	53,679.77	18.4	24.9
Commercial Lending	13,628.40	7.4	25,780.61	10.4	32,034.44	11.0	24.3
Retail loans and other loans	139,036.49	75.1	179,541.32	72.3	206,436.44	70.7	15.0
Total TISCO Loan	185,013.62	100.0	248,315.68	100.0	292,150.65	100.0	17.7

Customer and Distribution Channels

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

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

2.3 Investment Banking

TISCO Securities Co., Ltd. is a leader in investment banking service with a long-established reputation more than 45 years in providing the best services to both with corporate and government-related clients. With high caliber and highly experienced professionals, TISCO Securities Co., Ltd. is specialized in many industries such as oil & gas, power, telecommunications, banking, transportation, health care, media and entertainment, and manufacturing together with a wealth of experience in equity and debt markets, both domestically and internationally. TISCO Securities Co., Ltd. has been approved by the SEC to provide financial advisory services and granted an underwriting license from the Ministry of Finance. The full range of financial advisory and underwriting services are covering various types of instrument including equity, debt, and convertible instruments. Moreover, TISCO Securities Co., Ltd. also provides financial advisory service for merger & acquisition, privatization advisory and implementation, project financing, debt restructuring, feasibility study, project valuation, and general advisory, etc.

TISCO's Investment Banking service for the year 2013 covers the financial advisory and underwriting service for the Initial Public Offering ("IPO"), the underwriting service for the offering of debentures and Bill of Exchange, the financial advisory service for the merger and acquisition, and the financial advisory service for the company valuation. The highlighted

transaction in year 2013 includes the financial advisor and underwriter for the IPO of Namyong Terminal Plc. ("NYT") with the offering size of 2,445 million baht. NYT is considered as a highly successful IPO during the subscription period continuous to the listing of shares in the Stock Exchange of Thailand regardless of the unfavorable market condition which was affected by various negative factors especially the decreasing SET Index and domestic political turbulence.

3. Wealth & Asset Management

TISCO provides full-shelf financial & investment advisory service namely "TISCO Wealth" in which banking, securities, and asset management services are consolidated in one place, to satisfying various type of saving and investment demand. TISCO Wealth categorizes the customers into 3 groups which are TISCO Premium, TISCO Platinum, and TISCO Private. TISCO client wealth is defined by client's total saving, fund, and securities portfolio. TISCO Premium is for client with 1-5 million baht of wealth, TISCO Platinum is for client with 5-20 million baht of wealth. TISCO Private is for client with more than 20 million baht of wealth. Customer groups are closely served by Personal Banking Officers, Wealth Product Officers, and Private Bankers who provide deposit service and various types of investment advisory for both domestic and foreign assets. In 2013, TISCO wealth continued to focus on the service excellence by extending coverage of investment advisory solution to all asset classes. In this aspect, TISCO's Economic Strategy Unit has issued the "Global Economic Review", an in depth analysis on the global economy and "Global Wealth Strategy", a comprehensive examination of financial markets and potential investment ideas for TISCO Wealth customers. In addition, an analysis report covering hot issue of economic and investment topics namely "Special Issues", have been issued to keep TISCO Wealth customers apprised of their changing investment climate as well as potential opportunities available. Customers are able to follow TISCO's research publications at www.tiscowealth.com.

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

3.1 Private Banking

Private Banking is responsible for high net-worth clients having deposits and investment portfolio more than of 20 million baht. The private banking services include bank deposits, cash management services, professional financial and investment advisory as well as fund management services. In 2013, TISCO Bank continued to provide in depth investment advisory covering all investment types and asset classes through branch under advisory branch concept. The first advisory branch is at Gateway Ekkamai. The branch has also provided "Wealth Clinic", an advisory service providing investment solution that suited with individuals' needs, by TISCO experienced wealth manager team. In the future, TISCO plans to expand Wealth Clinic service in new branch in order to increase coverage area of investment advisory service.

3.2 Retail Deposit

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

3.3 Private Sales Brokerage

Private Sales Brokerage is operated by TISCO Securities Co., Ltd., offers brokerage services to retail clients both domestic and international through head office in Bangkok, a branch in Bangkok, namely Esplanade Center, and four branches in upcountry, namely Chiang Mai, Nakorn Pathom, Nakorn Ratchasima, and Udon Thani. Service foundation of TISCO Securities Co., Ltd. is built on quality of service and client satisfaction while adhering to ethic and service integrity. In addition, client can choose services by placing orders through their designated marketing officers or placing orders themselves though internet channel.

At the end of 2013, TISCO Securities Co., Ltd.'s market share of individual customer was at 2.0% decreased from 2.3% in 2012. The strategy for Private Sales Brokerage aims at expanding market aggressively as well as continuously provides investment knowledge for the customer. In 2013, TISCO Securities Co., Ltd. joined the Banker to Broker project with Stock Exchange of Thailand and TISCO Bank. The project objects was to expand the client base in equity and derivatives market through TISCO Bank by incentivizing Bank staff to refer clients to TISCO Securities with referral account rewards. As the result, the project contributed significant amount of new accounts in the year. Furthermore, TISCO Securities Co., Ltd. has enhanced online trading platform (TISCO eTrade) by launching two new mobile applications for the iPad and the iPhone. TISCO eTrade has provided new service feature including technical analysis tools, account maintenance and transaction functions.

In addition, TISCO Securities Co., Ltd. has arranged customer relationship and trading knowledge enhancement activities. In term of customer relationship activities, TISCO Securities has continually arrange "Movie Nights" to strengthen relationship with customer throughout the year while the loyalty points program (TISCO Smart Points) was revised to increase its

attractiveness as well as upgrading its reward. In terms of research development, TISCO Securities Co., Ltd. strengthened the TISCO Weekly Stock Guru by gathering an investment Guru team comprising of equity analysts, economists, and investment strategists in formulating investment theme to provide equity investment recommendations for retail customers.

Table shows information on TISCO securities business

(Unit: Million baht)

Information of TISCO Securities Business	2011	2012	2013
Trading values categorized by Individual Customer	158,875.15	189,638.84	255,280.38
Market Share – Company ¹	2.6	3.1	3.0
Market Share – Individual Customer	2.1	2.3	2.0

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

3.4 Institutional Brokerage

TISCO Securities Co., Ltd., as a member number two on the SET, offers brokerage services to institutional clients through head office in Bangkok. As of December 31, 2013, the market share of institution customer was 3.5% comprised of 2.9% from local institution investor and 4.1% from foreign institution investor. In 2013, TISCO Securities Co., Ltd.'s strategy aims at expanding the market aggressively by brought leading corporation's representatives to meet with world-wide investors. In addition, TISCO Securities and Deutsche Bank Group have jointly established a new company called "Deutsche TISCO Investment Advisory Company Limited" to provide world-class equity research and strategic investment advisory service for domestic and foreign institutional investors.

Table shows information on TISCO securities business

(Unit: Million baht)

Information of TISCO Securities Business	2011	2012	2013
Trading values categorized by Institutions Customer	162,427.78	218,700.18	369,816.11
- Domestic	88,416.48	85,598.94	152,829.40
- Foreign	74,011.30	133,101.34	216,986.71
Market Share – Institutions Customer¹	2.5	3.1	3.5
- Domestic Institutions	2.8	2.6	2.9
- Foreign Institutions	2.3	3.5	4.1

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

3.5 Asset Management

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

- **Provident funds**

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

As of December 31, 2013 there were 75 provident funds with a net asset value of 102,694.50 million baht up by 7.7% (YoY), representing 3,485 companies and 551,053 members. As of December 31, 2013, the provident funds business accounted for a market share of 13.7% putting the company in 2nd place in the overall market based on net asset value. The breakdown of TISCO Asset's provident fund types is shown below:

(Unit: Million baht)

TISCO Asset Provident Fund	2011	2012	2013	% Growth
Single Fund	4,420.92	4,289.22	2,845.85	(33.7)
State Enterprise Fund	20,304.09	20,280.50	16,468.11	(18.8)
Pooled Fund	23,240.81	24,563.50	26,380.67	7.4
Master Fund	37,062.52	46,183.05	56,999.86	23.4
Total	85,028.35	95,316.27	102,694.50	7.7

- **Private funds**

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

As of December 31, 2013, there were 333 private funds with net asset value of 31,813.60 million baht, decreased by 4.0%. As of December 31, 2013, the private funds business accounted for a market share of 7.4%, putting the company in 6th place in the overall private fund market. The breakdown of TISCO Asset Management Co., Ltd.'s private fund types is shown below:

(Unit: Million baht)

TISCO Asset Private Fund	2011	2012	2013	% Growth
Juristic person	27,482.02	22,536.86	21,256.45	(5.7)
Individual	9,332.48	10,618.50	10,557.15	(0.6)
Total	36,814.50	33,155.36	31,813.60	(4.0)

- **Mutual funds**

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

As of December 31, 2013, mutual funds under management by the Company totaled 66 funds, with net asset value of 23,754.24 million baht. As of December 31, 2013, the mutual funds business accounted for a market share of 0.8% and ranking 13th in the overall mutual fund market.

Distribution Channels

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

3.6 Cash Management Services

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

4. Corporate Affairs & CSR

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

- Enterprise Risk Management, Risk Research, Operational Risk Management, Credit Control, Planning & Budgeting, Corporate Accounting, Regulatory & Management Report, , Data Analysis & Management, Investor Relations, Investment
- Product Development and Marketing, New Technology & E-Channel, Productivity
- Corporate Secretariat Office, Compliance, Legal Office, Corporate Services
- Economic Strategy
- Human Resource Strategy, Human Resource Services, Corporate Marketing & Communication
- Internal Audit

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

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

As of December 31, 2013, the investment portfolio of debt and equity instruments was 11,489.60 million baht, increased by 63.8% from 7,015.52 million baht in 2012 mainly from an increase in fixed income investment.

2.2 Market and Competition

4.2.1 Commercial Banking Business

- **Market**

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

Deposits

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

Table showing movement of average interest rates of Thai commercial banks

(Unit: % per year)

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

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

Loans

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

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

² Deposit includes the short-term borrowings

Table showing comparison of assets, deposits and loans as of December 31, 2013

(Unit: Million baht)

Commercial Banks	Assets	Market Share (%)	Deposits	Market Share (%)	Loans	Market Share (%)
1. Bangkok Bank Plc.	2,502,750	17.7	1,871,061	18.3	1,615,612	17.0
2. Krung Thai Bank Plc.	2,502,231	17.7	1,884,262	18.4	1,654,527	17.4
3. Siam Commercial Bank Plc.	2,383,608	16.9	1,820,728	17.8	1,669,018	17.6
4. Kasikorn Bank Plc.	2,092,060	14.8	1,532,588	15.0	1,380,089	14.5
5. Bank of Ayudhya Plc.	1,074,348	7.6	768,390	7.5	801,552	8.4
6. Thanachart Bank Plc.	992,290	7.0	722,262	7.1	728,985	7.7
7. Thai Military Bank Plc.	765,345	5.4	529,663	5.2	467,357	4.9
8. UOB Bank Plc.	408,027	2.9	234,868	2.3	248,001	2.6
9. TISCO Bank Plc.	342,030	2.4	265,547	2.6	275,052	2.9
10. Standard Charter Bank(Thai) Plc.	278,362	2.0	152,273	1.5	163,751	1.7
11. Kiatnakin Bank Plc.	254,833	1.8	103,361	1.0	99,420	1.0
12. CIMB Thai Bank Plc.	234,295	1.7	146,125	1.4	184,720	1.9
13. Land & House Bank Plc.	148,719	1.1	109,948	1.1	102,216	1.1
14. ICBC (Thai) Plc.	148,128	1.0	83,735	0.8	102,730	1.1
Total	14,127,026	100.0	10,224,813	100.0	9,493,028	100.0

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

Moreover, car hire-purchase business, the major business of the Bank, generally expanded in line with automobile industry growth. For year 2013, industry-wide new car sales were 1,330,668 cars, down by 7.4% (YoY) resulting from the end of government's excise tax rebate scheme for first-time car buyers. The proportion of new passenger car sales to commercial car sales in 2013 was 47.4% to 52.6%. As of December 31, 2013, the car penetration rate of TISCO was 8.5%.

Table showing car sales in Thailand during 2009-2013

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

Source: Automobile Institute

• Competition

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

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

For auto hire purchase business, the competitors in auto hire purchase business can be divided into two major groups: 1) commercial bank and leasing company, a subsidiary of commercial bank and 2) subsidiary companies of car manufacturers and car dealers (captive finance company). In 2013, the competition in auto hire purchase market remained intense despite the total new car sales declined from the previous year to 1.33 million baht following the softened consumption as well as contracted demand of new car following the effect of advance spending from the government's tax rebate scheme for first-time car buyers in 2012 in coupled with adverse impact from economic and political situation. Furthermore, the large financial institutions that have funding cost advantage and aiming to be the market leader continued to adopt pricing strategy. As the result, the auto hire purchase loan providers including TISCO Bank Plc. has shifted focus to expand loan against car registration which provides higher average portfolio yield. As well, the loan against car registration also deploys branch network of Hi-Way (TISCO Group's subsidiary) which has expanded over 79 branches nationwide. TISCO Group (specified for TISCO Bank and credit granting companies) focuses on providing efficient and high standards of service, and maintaining long-term relationships with car dealers. Although the used

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

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

4.2.2 Securities Business

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

- **Market**

In 2013, there are 40 companies¹ who have been granted to operate brokerage business service and 71¹ companies who have been granted to operate financial advisory service from the Securities Exchange Commission. In 2013, SET Index closed at 1,298.71 points decreased from 1,391.93 points at the end of 2012 with average daily turnover increased from 31,084.24 million in 2012 baht to 48,070 million baht.

The capital market was highly fluctuated during the first half of 2013, SET index reaching its peak of 1,643.43 points in the past 20 years and highest average daily turnover since the opening of SET, mainly due to the increasing liquidity in global capital market to continuously stimulate US and Japan economies since the end of 2011. With the sign of economic recovery in many developed countries, namely US, Japan and Euro countries in coupled with Fed's decision on QE tapering, the investors reverted to invest in those developed countries, causing the large volume of foreign investors' fund outflow from regional markets including Thailand.

In primary market, there were 28 newly listed companies in SET and MAI markets, 7 Real Estate funds and 3 Infrastructure funds, increased from 18 newly listed companies in 2012. The total offering size of newly listed securities was 191,599.84 million baht, up by 265.19% (YoY).

Table showing stock market conditions

	2011	2012	2013
SET index (points)	1,025.32	1,391.93	1,298.71
Market capitalization (million baht)	8,407,696	11,831,448	11,496,765
Trading value (million baht)	7,040,458	7,615,638	11,777,210
Average daily turnover (million baht)	28,854	31,084	48,070
Dividend yield (%)	3.72	2.98	3.24
Price to earnings ratio (times)	12.07	18.25	14.60
Number of listed companies on the SET	472	477	489

Source: The Stock Exchange of Thailand

- **Competition**

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

¹ Source: www.sec.or.th

Furthermore, TISCO Securities also provides service namely Employee Joint Investment Program – EJIP. In 2013, there were listed company who joined EJIP such as PTT Exploration Plc., SYNEX (Thailand) Plc., and other companies in addition to the leading companies who have been joined the EJIP such as T.K.S. Technology Plc., Minor International Plc., Universal Adsorbents & Chemicals Plc. and Charoen Pokphand Foods Plc. For the institution client business, TISCO Securities and Deutsche Bank Group set up a new joint venture business namely Deutsche TISCO Investment Advisory Co., Ltd. The company provides research and investment advisory services, aiming to serve local and foreign institutional clients which receive well-response from institutional investors. As of December 31, 2013, TISCO Securities Co., Ltd. accounted for a market share of 3.0%, ranking 16th place among 33 securities companies. In the investment banking sector, the competition is intense due to there are a lot of market players while market demand is limited. Most of the players emphasis in quality of team, experience in business, service excellence, initiatives of new financial instruments, and strong customer relationship.

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

• Market

For the asset management industry, there are around 27 players including asset management companies, commercial banks, securities companies, and insurance companies. The asset management market as of December 31, 2013 recorded net asset value of mutual funds totaling 4,103,058 million baht, increased by 18.4% (YoY). Furthermore, private funds totaling 429,185 million baht, increased by 33.2% (YoY). Provident funds totaling 748,009 million baht, increased by 7.5% (YoY). Mutual funds was totaling 2,925,865 million baht, increased by 19.6% (YoY). The details of market funds at year-end of 2011 to 2013 are shown as follows:

(Unit: Million baht)

Funds	2011	2012	2013
Provident Funds	615,259	696,144	748,009
Private Funds	316,516	322,111	429,185
Mutual Funds	1,916,843	2,446,303	2,925,865

Source: Association of Investment Management Companies

• Competition

Overall asset management industry remained highly competitive in all kinds of business. For provident fund business, even though the competition was intense, TISCO Asset Management Co., Ltd. has continued to maintain the market share, while received the most trust from leading corporates. In 2013, the number of leading corporates that newly assigned TISCO Asset Management Co., Ltd. as their provident fund managers was more than 330 corporates, namely Srithai Superware Plc., Major Development Property Partners Co., Ltd, Hako Group East Asia Co., Ltd, Toshiba Asia Pacific (Thailand) Co., Ltd and Samsung Thai Engineering Co., Ltd. Moreover, some corporates have transferred their funds to be under TISCO fund management, such as Kao Thailand Co., Ltd, United Paper Plc., Phelps Dodge International (Thailand) Co., Ltd and Telenor Asia (ROH) Ltd. Furthermore, Master Fund has become more popular as it directly meets clients' need, along with facilitates committees and fund members with the Switching on Website service for online investment. Latest alternative service offers members installment payment after retirement. As of December 31, 2013, the size of Master Fund was around 55,000 million baht or 55% of total provident fund of approximately 102,000 million baht.

In the past year, mutual fund business continued to grow in the first half of 2013, thanks to improving global economy after Eurozone economic crisis, giant economies namely the US, Eurozone and Japan signaled economic recovery, resulting in the relief of world economic concern and boost in investors' confidence. While global monetary policy remained relaxing, and interest rate stayed low and unattractive, TISCO Asset Management Co., Ltd. saw the opportunities to invest in both Thai and foreign markets, hence continually launched trigger funds including Thai Equity Trigger funds and Foreign Equity Trigger funds i.e. US Equity and China Equity. As a result, in 2013, TISCO Asset Management Co., Ltd. launched total of 23 trigger funds, the most among industry, and there were 15 funds that reached the target during the year. One of which was managed in just 2 weeks to reach its target, showing the record shortest time to manage the trigger funds amidst the volatile capital market in the second half of 2013 from concerns on Fed's QE tapering and foreign fund outflow, along with the risk from Thailand political conflict. In the second half of 2013, TISCO Asset Management Co., Ltd. launched 2 RMF funds that invest in US Equity market and Japan Equity market, providing choices for investors to diversify portfolio into foreign markets.

For private fund business, the competition also intense like than mutual fund business for both individual and institutional clients. Nonetheless, TISCO Asset Management Co., Ltd. focused on expanding individual client base with professional

investment advisory service by highly experienced fund managers that can meet variety of clients' demands, together with effective risk management. For the private fund business, there are more than 20 companies providing private fund business, but there are only a few numbers that emphasize on mutual fund and private fund service. TISCO Asset Management Co., Ltd. holds the top tier market share in private fund business among peers. Details of market share and market position compared with peers are shown as follows;

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

Funds	Net asset under management (Million baht)	Market Share (%)	Market Rank
Provident Fund	102,694.50	13.7	2/17
Private Fund	31,813.60	7.4	6/22
Mutual Fund	23,754.24	0.8	13/22
Total	158,262.34	3.9	9/27

Source: Association of Investment Management Companies

2.3 Resources

1) Source of Funds

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

(Unit: Million baht)

Source of Funds	2011	2012	2013
Deposit and Short-term Borrowings	170,549.69	233,518.69	270,915.37
Interbank and Money Market Items	14,478.65	13,970.61	16,702.69
Debentures	7,076.00	14,071.20	37,809.00
Long-term Borrowings	5,749.90	110.70	0.00
Other Liabilities	6,551.73	10,445.49	10,617.40
Total Source of Funds from Liabilities	204,405.98	272,116.69	336,044.46
Capital	16,311.59	18,380.25	23,218.07
Total Source of Funds	220,717.57	290,496.94	359,262.53

As of December 31, 2013, list of assets and liabilities breakdown by term to maturity is shown in the following table:

(Unit: Million baht)

<u>Transaction</u>	<u>At call</u>	<u>0 – 3 months</u>	<u>3- 12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Unspecified</u>	<u>Non performing loans*</u>	<u>Total</u>
Financial assets								
Cash	1,131	-	-	-	-	-	-	1,131
Interbank and money market items	3,439	49,803	-	-	-	-	-	53,242
Derivative Asset	-	3	-	30	-	-	-	33
Investment – net	2	4,146	1,332	4,112	-	1,898	-	11,490
Loans to customers	30,234	28,447	58,760	160,704	8,346	-	6,195	292,686
Securities and derivatives business receivables	-	1,547	-	-	-	-	-	1,547
Receivable from clearing house	-	271	-	-	-	-	-	271
	34,806	84,217	60,092	164,846	8,346	1,898	6,195	360,400
Financial liabilities								
Deposits	49,149	161,925	53,079	488	-	-	-	264,641
Interbank and money market items	5,531	7,857	3,097	217	-	-	-	16,702
Liabilities payable on demand	345	-	-	-	-	-	-	345
Derivative Liability	-	311	-	5	-	-	-	316
Debts issued and borrowings	37	18,143	17,660	-	8,243	-	-	44,083
Securities and derivative business payables	-	1,511	-	-	-	-	-	1,511
Payable to clearing house	-	299	-	-	-	-	-	299
	55,062	190,046	73,836	710	8,243	-	-	327,897
Off-balance sheet items								
Aval to bills and guarantees	-	-	-	-	-	-	-	-
Loans	5	19	12	7	-	-	-	43
Other commitments	14	3,513	83	2,545	13	573	-	6,741

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

Details of risk of duration mismatch are described in Part 1 Section 3: Risk Factor.

2) Lending

• Credit granting policy

Commercial loans

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

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

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

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

Retail loans

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

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

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

- **Credit Approval Limits and Authorities**

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

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

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

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

- **Credit Risk Management**

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

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

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

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

- **Credit Collection**

TISCO Group regularly performs credit reviews of the loan portfolio and monitors problem accounts. The Credit Committee closely co-ordinates with credit departments, and follows up accounts with potential problems promptly after a

missing repayment is reported. Also, Problem Loan Committee meetings are arranged to review the status of borrowers, set up debt collection schedules and follow-up procedures, pursue legal action, and set aside provisions for loan losses. In the follow-up procedures, the credit officer reports to the Problem Loan Committee on all restructure cases on a regular basis.

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

- **Debt restructuring**

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

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

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

(3) Capital Adequacy

The Group has a policy to maintain capital that is adequate to safeguard against company risks in the long run, taking into account long-term solvency within economic uncertainties and the adequacy of regulatory capital-to-risk asset ratios as required by law. Currently, the Bank of Thailand sets the capital adequacy ratio for banks registered in Thailand at 8.50%, where Tier-I Capital must be maintained at a level equal to at least 6.00% of risk assets.

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

(Unit: Percentage)

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

¹ Applied IRB approach

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

(4) Liquidity Management Policy

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

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

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

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

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

(5) Asset Classification, Provisions and Write-offs

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

- (1) Assets classified as Loss are claims where there is no possibility of repayment due to death, disappearance, bankruptcy or dissolved business, or losses from debt restructuring according to the rules and regulations of the Bank of Thailand.
- (2) Assets classified as Doubtful-to-Loss are assets or claims whose entire value is expected to be irrevocable, such as debt claimed on the principal and interest overdue more than 12 months from the payment date.
- (3) Assets classified as Doubtful are assets or claims that are unlikely to be repaid in full, such as debtors with payments overdue more than 6 months from the contractual payment date.
- (4) Assets classified as Sub-Standard are defined as assets or claims with difficulties of repayment or that do not generate a reasonable income, such as debtor-owing interest and/or principal payments for a cumulative period of over three months from the contractual due date.
- (5) Assets classified as Special Mention are assets or claims whose value is deteriorating, such as debtor-owing interest and/or principal payments for a cumulative period of over one month from the contractual due date.
- (6) Assets classified as Pass are assets or claims which are not classified as Loss, Doubtful to Loss, Doubtful, Sub-Standard, or Special Mention.

The Group has a conservative provisioning policy. As of December 31, 2013, the Group's reserves were 5,774.79 million baht, or 168.2% of those required by the BoT. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission as presented in Part 1 Section 4 : Operating Assets item: 4.2

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

(1) Source of funds

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

(2) Credit approval and authorization

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

(3) Margin trading accounts

All clients of securities brokerages are cash accounts.

(4) Investment Policy

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

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

(5) Capital Adequacy Ability

The Net Capital Rule (NCR) ratio of TISCO Securities Co., Ltd. as of December 31, 2013 is 58.70%, well above the 7.0% regulatory requirement of the SEC.

3. Risk Factors

Overview of Risk Management

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

Risk Management Policy

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

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

9. Effective Risk Modeling and Validation

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

10. Regulatory best practice

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

11. New Business or Product

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

12. Related Party Transaction

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

13. Stress Testing

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

Risk Management Framework

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

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

- Board of Directors

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

- Board of Directors of Subsidiaries

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

- Risk Management Committee

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

- Specific-Area Risk Authorities

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

Risk Types

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

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

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

3.1 Credit Risk

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

3.1.1 Default Risk

Default risk occurs from lower credit quality. As of December 31, 2013, NPL ratio of TISCO Group increased from 1.2% at the end of 2012 to 1.7% at the end of 2013 resulting from an increase in non-performing loan of hire purchase portfolio. Moreover, in order to prevent rising credit risk, an increase in expected loss was also absorbed by the provision expense set up during the year, with prudently managed non-performing loans (NPLs) including advanced risk management tools and stringent practice of loan collection, debt restructuring and write-off process. Additionally, NPL ratio of retail loan increased from 1.5% at the end of 2012 to 2.2% at the end of 2013, where NPL ratio of corporate loan fell to 0.6% in the end of 2013, compared to 0.9% at the end of 2012. Total NPLs was 4,966.39 million baht which increased by 60.3% or 1,867.63 million baht. NPLs of the Bank were 4,258.36 million baht and there was NPLs of 708.03 million baht from other subsidiaries.

TISCO Group has applied Collective Approach for loan loss provisioning to the car hire-purchase portfolio following the Basel III framework. The loan loss reserve was derived from the best estimate of expected credit losses from the portfolio over the next 12 months, based on historical loss data incorporating with adjustment for the recent market situation. In 2013, TISCO Group has utilized portion of general reserve to compensate the potential losses in the future. Meanwhile, as of December 31, 2013, loan

loss reserve of TISCO Group was 6,354.34 million baht. Total loan loss reserve of the Bank was 5,774.79 million baht which was higher than the minimum loan loss reserve required by the Bank of Thailand at 3,432.69 million baht accounted 168.23% of minimum loan loss reserve requirement, reflecting the prudent provisioning policy to mitigate potential risk.

3.1.2 Concentration Risk

Concentration risk is the risk from borrower concentration. As of December 31, 2013, hire purchase and commercial loans represented 64.5% and 18.4% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 188,337.32 million baht outstanding. Top-10 borrower exposure of hire purchase portfolio stood at 138.98 million baht or 0.07% of the total hire purchase portfolio, or equal to 0.04% of the total credit portfolio.

For the commercial loan portfolio, it was diversified into four different sectors: manufacturing and commerce, 19,375.50 million baht; real estate and construction, 11,598.82 million baht; public utilities and services, 21,921.31 million baht; and agricultural and mining, 784.14 million baht. Lending to the above industrial sectors represented 36.1%, 21.6%, 40.8%, and 1.5% of the total commercial loan portfolio, and 6.9%, 4.0%, 7.5%, and 0.3% of the total credit portfolio, respectively. As top-10 borrower exposure stood at 27,988.95 million baht or accounted for 9.6% of the total credit portfolio. There is slight concentration in public utilities and services as well as manufacturing and commercial sector which have been managed under risk management procedure. Moreover, commercial loan portfolios are almost fully collateralized. In loan approval process, appropriate proportion of collateral value and financing amount is maintained to ensure that risks were kept within a manageable level. Furthermore, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented. Portfolio credit quality was closely monitored.

3.1.3 Collateral Risk

Collateral risk occurs from borrower defaults and the value after selling collaterals in the debt collection process cannot cover the original debt amount. As of December 31, 2013, lending portfolio of TISCO Group came mostly from TISCO Bank whereby 78.3% of the portfolio was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by TISCO Group. In case the borrowers of hire purchase loans cannot meet the terms and conditions, TISCO Group can follow up and seize the underlying assets immediately. After repossession, the process of asset liquidation can be completed within one month.

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

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

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

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

3.1.4 Property Risk from Foreclosed Assets

Property risk from foreclosed assets is the impairment of assets transferred from loans, hire purchase receivable on which debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of repossessed assets is stated at the lower of cost and net realizable value. Outstanding assets in the process of liquidation held by TISCO Group as of December 31, 2013 were worth 124.76 million baht, or 0.03% of total assets. Allowances for impairment stood at 12.7% of total foreclosed assets.

- **Credit Risk Management Framework**

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

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

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

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

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

3.2 Liquidity Risk

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

As of December 31, 2013, the value of liquid assets is 60,774.73 million baht; comprised of cash at 1,131.00 million baht compared to 1,046.33 million baht in December 31, 2012, net transactions with interbank and money market at 53,241.96 million baht compared to 31,196.28 million baht as of December 31, 2012 and net current investment at 6,401.76 million baht compared to 4,387.57 million baht as of December 31, 2012.

Currently, liquidity risk from the maturity mismatch is moderate, once adjustments for the historical behavior of creditors and debtors such as loan defaults or rollovers are taken into account. According to maturity mismatch profile within 1 year, the cumulative gap has shown the matured assets over the matured liabilities accounted for 31,839.93 million baht. In addition, emergency credit line, cash flow from operations as well as inter-bank borrowing shall be utilized as a cushion against funding risk that might occur.

As of December 31, 2013, the Bank reported deposit 264,640.75 million baht, the outstanding long-term debentures (both subordinated and unsubordinated) of 9,243.00 million baht and short-term debentures of 28,566.00 million baht, and bill of exchange amounted to 6,274.62 million baht.

- **Liquidity Risk Management Framework**

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

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

3.3 Market Risk

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

3.3.1 Equity Price Volatility

As of December 31, 2013, the equity portfolio stood at 1,863.49 million baht, of which 658.49 million baht was listed equity, 763.96 million baht was ETF in current market value and 441.04 million baht was non-listed equity in book value.

TISCO Group gained profit from security investment amounted to 233.90 million baht. On the contrary, loss from the difference between fair value of securities as of December 31, 2013 and unrealized loss of securities according to the accounting standard of security foreclosure were 47.76 million baht.

(1) Listed Equity Risk and ETF

Listed equity and ETF investment portfolio in available-for-sale book stood at 1,422.45 million baht in which a change in its value would impact the equity through unrealized gains or losses. As of December 31, 2013, unrealized loss from available-for-sale investments equaled 47.76 million baht, comparing to unrealized gain of 275.02 million baht as of December 31, 2012.

TISCO Group calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. Three month investment horizon VaR at a 99.0% confidence level, as of December 31, 2013, was 246.00 million baht, increased from 144.11 million baht as of December 31, 2012 as a main result of decreasing in market value and fluctuation from domestic and international events during the year. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at 441.04 million baht, slightly increased from 439.13 million baht from the end of 2012. Presently, our investment strategy is not to increase the size of the non-listed equity portfolio. TISCO Group is instead seeking opportunities to liquidate them, while at the same time closely monitoring portfolio quality on a regular basis.

3.3.2 Interest Rate Risk

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

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

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

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO Group's interest-bearing assets and liabilities structure, as of December 31, 2013, is provided in the following table.

(Unit: Million baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 months	Changed within 1-2 years	Changed after 2 years	Total
Assets	97,954.05	91,784.41	56,849.24	97,098.72	343,686.42
Liabilities	(127,005.56)	(183,281.53)	(496.72)	(8,252.23)	(319,036.04)
Net Gap	(29,051.50)	(91,497.13)	56,352.52	88,846.49	24,650.38

Under the change of interest rate within 1 year, TISCO Group had liabilities over assets within 1 month cause the net gap to stand at 29,051.50 million baht and gap for liabilities over assets within 2-12 month stand at 91,497.13 million baht. The negative gap shown was mainly from the portion of short-term deposit which are less sensitive to the interest rate movements. According to the interest rate re-pricing mismatch structure, TISCO Bank was exposed to an interest rate rise under acceptable risk.

(2) Fixed-Income Risk

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

TISCO Group's fixed-income portfolio as of December 31, 2013 stood at 9,575.17 million baht, an increase of 5,264.52 million baht compared to the end of 2012. Average duration of the bond portfolio in TISCO Bank were 1.66 year, increasing from 0.27 year from the end of 2012 mainly due to the extend maturity investment portfolio in the year. Meanwhile, average duration of the debenture portfolio was 3.92 years, increasing from 0.61 years from the end of 2012. However, Fixed-income risk was under acceptable risk and also meets the purpose of maintaining liquidity reserves according to the BoT requirements.

▪ Market Risk Management Framework

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

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

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

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

3.4 Operational Risk

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

3.4.1 Operational Risk from business execution

Considering likelihood and impact of risk, TISCO Group operational risk mostly incurs in low to moderate impact area (financial loss is less than 0.05% of annual net profit, and does not impact the business in the long term). These operational risks generally impact reputation than financial status; however, impact can be contained. Regarding to the operations in 2012, error rate for the operations was less than 0.1% of total number of transaction. Most loss events are erroneous data entry, late transaction execution and system unavailability. Also, TISCO Group has some fairly high to high operational risks including fraud, critical business disruption and high value customer dissatisfaction, which are exclusively controlled in order to terminate or transfer out.

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

similar to mutual fund business in Asset Management business line. However, with lower number of transaction in mutual fund business, operational risk is classified as low error level.

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

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

▪ **Operational Risk Management Framework**

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

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

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

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

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

3.5 Strategic Risk

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

3.5.1 Risk from Economic Conditions and Business Competition

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

For the equity investment of TISCO Group portfolio, the economic outlook, capital market performance and investor sentiment is still crucial to TISCO Group's financial performance. In a bullish economy, equity prices tend to increase significantly,

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

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

3.5.2 Risk from Capital Adequacy

As of December 31, 2013, as TISCO Bank's capital requirement based on Basel III Internal Rating Based Approach (IRB), the regulatory capital adequacy ratio (BIS ratio) stood at 13.37% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II adequacy ratio stood at 9.15% and 4.22%, respectively, in which Tier-I adequacy ratio also remained higher than the minimum requirement at 6%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. remained strong at 58.7%, greatly higher than the minimum required ratio by the SEC of 7.0%

As an internal risk measurement of capital adequacy (ICAAP), the risk-based capital requirement of TISCO Group stood at 12,012.06 million baht, accounting for 57.7% of the total capital base of 20,822.20 million baht. In addition, capital surplus for future risks and business expansion stood at 8,810.15 million baht.

3.5.3 Risk from Subsidiaries' Financial Performance

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

Profit recognition of TISCO Group came from all subsidiaries including TISCO Bank. As of December 2013, net profit of TISCO Bank and other subsidiaries was 3,981.01 million baht, where 1,100.13 million baht was from subsidiaries excluding TISCO Bank. Although the subsidiaries experienced outstanding business performance and generated profits to the Company, investment strategy is important in the future. Therefore, the Board of Directors meeting has defined the investment policy for TISCO Group where the Company will invest in those businesses having ability to support the competitive efficiency of the group. Besides, the market and industry trends, competitive environment and long-term profit making capability together with prudent risk management shall be considered.

Net income from subsidiaries, excluding TISCO Bank, accounted for 25.2% of total net income, which significantly affects the overall TISCO Group's income. Additionally, the net income from brokerage and investment banking are from TISCO Securities while net income from asset management is from TISCO Asset Management.

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

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

▪ Strategic Risk Management Framework

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

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

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

4. Operating Assets

4.1 Major Fixed Assets

Land, premises, and equipment – Net

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

(Unit: Million baht)

Type of Assets	2011	2012	2013
Land and buildings			
1. Office of TISCO Financial Group Plc. at TISCO Tower ¹	630	689	1,332
2. Office for subsidiaries at TISCO Tower ¹	421	318	808
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai ¹	-	-	-
4. Brokerage branch – Nakhon Pathom	7	7	7
Total land and buildings (net)	1,058	1,014	2,147
Office improvements	156	135	144
Office furniture and improvements	140	134	123
Others	97	101	98
Total (net)	1,451	1,384	2,512

¹ In 2013, TISCO Group revaluated office buildings as details shown in notes to financial statement item 3.11

Long-term contract

1. Contract

TISCO Group has entered into several lease agreements in respect of the lease office building and branch office, in which terms of the agreements are generally between 3-10 years. The details are shown in notes to financial statement item 3.38.3

2. Rental contracts between the Company and its subsidiaries

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

Type of Assets	Renter	Owner	Area (sq.m.)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Financial Group Plc.	3,533.91
TISCO Tower Office	TISCO Information Technology Co., Ltd.	TISCO Financial Group Plc.	2,857.67
TISCO Tower Office	TISCO Bank Plc.	TISCO Financial Group Plc.	1,286.47
TISCO Tower Office	TISCO Learning Center Co., Ltd.	TISCO Financial Group Plc.	590.00
TISCO Tower Office	Deutsche TISCO Investment Advisory Co., Ltd.	TISCO Financial Group Plc.	375.00

4.2 Loans

Classification of assets

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

(Unit: Million baht)

Classification	Loans and receivables	Investments in securities	Property foreclosed	Investment in receivable	Total	%
Pass	307,922	-	-	-	307,922	93.4
Special mention	17,246	-	-	-	17,246	5.2
Substandard	3,086	-	-	-	3,086	0.9
Doubtful	996	-	-	-	996	0.3
Bad debts	176	47	18	18	259	0.1
Total	329,426	47	18	18	329,509	100.0

Provision for Loan Loss Policy

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

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

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

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

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

Provision of Asset Impairment Policy

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

Policy of revenue recognition on interest income

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

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

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

4.3 Investment in Securities

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

Securities Investment Policy

Securities investment policy is described in Part 1 Section 2 : Business Operations by Area, item 4.3

Risk Management of Investment Portfolio

TISCO Group diversifies its investments in order to avoid high concentrations in single securities. Appropriate investment opportunities are emphasized to ensure a proper risk-return trade-off. In addition, the Group has set up an integrated risk management system to aggregate all investment risks, where the issues of capital adequacy and the prospect of risk-return from each investment are incorporated to enable timely portfolio adjustment if required. Details of risk management are listed in Part 1 Section 3: Risk Factors.

Allowance for Impairment of Securities

TISCO Group sets allowances for impairment of securities according to accounting standards. Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining earnings. Investments in available-for-sale securities, both held for short-term and long-term investment, are

determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, after which they are included in determining earnings.

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

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

4.4 Policies on investment in associates and subsidiaries

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

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

1) Strategic Investment

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

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

Subsidiaries companies under strategic investment are required to strictly comply with group's governance policies, which comprehensively constitutes all key strategic & control areas including governance and operating structure, business strategy, management, operations, risk and control, human resource, finance and accounting, corporate affairs, and public and client communications. All decisions for strategic investment required case by case approval by the Executive Board of TISCO Financial Group Plc.

2) Financial Investment

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

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

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

Table illustrates details of subsidiary companies

(Unit : Million baht)

Company Name	Paid up	Cost Method
	As of December 31, 2013	As of December 31, 2013
TISCO Bank Plc.	8,192	15,195
TISCO Securities Co., Ltd.	1,000	1,075
TISCO Asset Management Co., Ltd.	100	110
Hi-Way Co., Ltd.	100	273
TISCO Information Technology Co., Ltd.	20	22
TISCO Leasing Co., Ltd.	100	137
TISCO Tokyo Leasing Co., Ltd.	60	73
Primus Leasing Co., Ltd. ^{/1}	3	32 ^{/2}
TISCO Learning Center Co., Ltd.	5	5
All-ways Co., Ltd.	1	1
	-	16,924

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

^{/2} Deducted impairment in investment

5. Legal Disputes

As of December 31, 2013, the Company and its subsidiary companies had 25 unresolved cases from its regular business operations, all of them are civil cases caused by banking business operation (TISCO Bank) and asset management business (TISCO Asset) involving an estimated total amount 356.40 million Baht, which was less than five (5%) of its shareholders' equity, consisting of:

- (1) 23 cases that TISCO Bank being sued (estimated total amount of 352.15 million Baht), there were 16 cases involving total amount of 293.14 million Baht which were in the tribunal process and not yet reach judgment. 1 case is under execution by TISCO Bank. Furthermore, there were 8 cases, with a total value of 59.01 million Baht that already dismissed by the Court of First Instance and/or the Appeal Court, however, the plaintiffs still appealed to the Appeal Court or Supreme (Dika) Court. Apart from the said case, there were 1 case which incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd., amounting 40.24 million Baht in which the Bank had an indemnification for any damages suffered (if any); and
- (2) 2 cases that TISCO Asset being sued (estimated total amount of 4.25 million Baht) that already dismissed by the Court of First Instance the plaintiffs still appealed to the Appeal Court.

Additional details on legal disputes are presented in Notes to Financial Statements; 3.38.2 Litigation. The management of the TISCO Group believes that neither the Company and its subsidiary companies will not suffer material loss as a result of the abovementioned lawsuits. In addition, there is no claim against the Company by the directors, managements or any related persons of the Company or its subsidiary companies.

6. General Information

Company Name	:	TISCO Financial Group Public Company Limited (hereafter "Company" or "the Company")
Type of Business	:	Holding Company
Address	:	48/49, TISCO Tower, 21 st Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500
Registration Number	:	0107551000223
Total registered capital	:	8,007,032,950 baht
Paid-up Capital	:	8,006,554,830 Baht comprised of 800,621,625 common shares and 33,858 preferred shares, both with par value of 10 baht per share.
Home Page	:	www.tisco.co.th
Telephone	:	(66) 2633 6888
Fax	:	(66) 2633 6880
Reference:		
Share Registrar	:	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. 0 2229 2800 Fax 0 2359 1259
Auditor	:	Ms. Ratana Jala Certified Public Accountant (Thailand) Registration No.3734 Ernst & Young Office Limited 33 rd Fl., Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90

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

Company/Head office's Address	Type of Business	Type of shares	Issued and paid-up shares	Shareholding by the Company	
				Amount of shares held ¹	Percentage of ownership (%)
TISCO Bank Public Company Limited ² 48/2, TISCO Tower, 1 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 Fax. 0 2633 6800	Commercial Bank	Common	819,171,178	819,059,441	99.99
		Preferred	104	-	
		Total	819,171,282	819,059,441	
Hi-Way Company Limited 2046/16 New Petchaburi Road, Bangkapi, Huankwang, Bangkok 10310 Tel. 0 2319 1717 Fax. 0 2308 7405	Hire Purchase and Leasing	Common	994,500	994,496	100.0
		Preferred	5,500	5,500	
		Total	1,000,000	999,996	100.0
TISCO Securities Company Limited 48/8, TISCO Tower, 4 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6999 Fax. 0 2633 6660	Securities	Common	100,000,000	99,999,993	100.0
TISCO Asset Management Company Limited 48/16-17, TISCO Tower, 9 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6000 press 4 Fax. 0 2633 7300	Asset Management	Common	1,000,000	999,994	100.0
TISCO Information Technology Company Limited 48/12, TISCO Tower, 6 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 4299 Fax. 0 2633 7600	Service Support	Common	200,000	199,994	100.00
TISCO Tokyo Leasing Company Limited 48/44, TISCO Tower 19 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2638 0900 Fax. 0 2638 0913	Hire Purchase and Leasing	Common	60,000	29,400	49.0
TISCO Leasing Company Limited 48/12, TISCO Tower 6 th Fl., North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7799 Fax. 0 2633 7980	Hire Purchase and Leasing	Common	1,000,000	999,965	100.0
TISCO Learning Center Company Limited 48/20, TISCO Tower, 12 th Fl. Zone A, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7154 Fax. 0 2633 7155	Service Support	Common	50,000	49,997	100.0
All-Ways Company Limited 48/26, TISCO Tower, 15 th Fl. Zone A, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 7129 Fax. 0 2633 7150	Service Support	Common	10,000	9,997	100.0

¹ As of December 31, 2013² Core company of TISCO Group

In addition, TISCO Bank Plc., a core company of TISCO Group, held 10% of issued shares in other companies, all of them are non-listed companies. The investment in such companies is classified as general investment. Details of shareholding in such companies are shown in notes to financial statement item 3.4.5

Part 2

7. Securities and Shareholder Information

7.1 Registered and Paid-up capital

(1) Registered and paid-up capital as of December 31, 2013 comprising of :

Registered capital : 8,007,032,950 Baht
 Paid-up capital : 8,006,554,830 Baht comprised of 800,621,625 common shares and 33,858 preferred shares, at par value of 10.00 Baht per share.

(2) Other Securities

Preferred Shares

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

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

As of December 27, 2013 Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Company's shares as underlying securities totaling 81,551,540 shares, or 10.19% of paid-up capital, consisting of 81,529,140 common shares and 22,400 preferred shares. Although all financial benefits received by NVDR investors are similar to the benefits from the Company's shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of the Company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

7.2 Shareholder

(1) The Company's Major Shareholder

The top 10 major shareholders whose names appeared in the share registration book as of November 5, 2013, are as follows.

No.	Shareholder Name	Total Shareholding			
		Common Shares	Preferred Shares	Total	%
1	THAI NVDR COMPANY LIMITED	87,014,735	22,400	87,037,135	10.87
2	CDIB & PARTNERS INVESTMENT HOLDING PTE.LTD.	80,070,320	-	80,070,320	10.00
3	CHASE NOMINEES LIMITED 42	61,431,657	-	61,431,657	7.67
4	KRUNGSRI DIVIDEND STOCK FUND	42,995,800	-	42,995,800	5.37
5	SATHINEE.,CO.LTD	39,482,767	-	39,482,767	4.93
6	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	36,722,790	-	36,722,790	4.59
7	KRUNGSRI DIVIDEND STOCK LTF	23,900,950	-	23,900,950	2.99
8	SOCIAL SECURITY FUND (2CASES)	23,134,260	-	23,134,260	2.89
9	RBC INVESTOR SERVICES TRUST	18,933,363	-	18,933,363	2.36
10	STATE STREET BANK AND TRUST COMPANY	18,452,232	-	18,452,232	2.30
Total Shareholdings of 10 Major Shareholder		432,138,874	22,400	432,161,274	53.98
Other Minority Shareholders		368,482,751	11,458	368,494,209	46.02
TOTAL		800,621,625	33,858	800,655,483	100.00

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

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

The top 10 major shareholders of TISCO Bank Public Company Limited, whose names appeared in the share registration book as January 2, 2014, were as follow.

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

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

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

- None -

7.3 Other Securities

7.3.1 Debentures issuance

The Company

- None -

Subsidiary Company

As of December 31, 2013, the outstanding debentures of TISCO Bank Public Company Limited are as follow:

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

Type of Offering	: Public Offering
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 2,000,000 units
Outstanding	: 2,000,000 units
Tenor	: 10 years
Issuing Date	: February 17, 2009
Maturity Date	: February 17, 2019
Security	: None
Coupon Rate	: (1) 5.5% per annum for Year1 st - Year3 rd , started from issuance date (2) 6.0% per annum for Year4 th - Year7 th , started from issuance date (3) 6.5% per annum for Year8 th - Year10 th , started from issuance date

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

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	2,000,000 units
Outstanding	:	2,000,000 units
Tenor	:	10 years
Issuing Date	:	May 25, 2009
Maturity Date	:	May 25, 2019
Security	:	None
Coupon Rate	:	(1) 5.0% per annum for Year1 st - Year3 rd , started from issuance date (2) 5.5% per annum for Year4 th - Year7 th , started from issuance date (3) 6.0% per annum for Year8 th - Year10 th , started from issuance date
Payment Date	:	Every 25 th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or

- (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
- (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or
- (e) Any cases or conditions to be specified by the Bank of Thailand in the future.

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

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

Type of Offering : Public Offering
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 1,000,000 units
 Outstanding : 1,000,000 units
 Tenor : 10 years
 Issuing Date : May 17, 2010
 Maturity Date : May 17, 2020
 Security : None
 Coupon Rate : 5.0% per annum for Year1st - Year10th, started from issuance date
 Payment Date : Every 17th of February, May, August and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

- (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or
- (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or
- (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
- (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or
- (e) Any cases or conditions to be specified by the Bank of Thailand in the future.

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

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

Type of Offering : Public Offering
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 1,000,000 units

Outstanding	:	1,000,000 units
Tenor	:	10 years
Issuing Date	:	December 13, 2010
Maturity Date	:	December 13, 2020
Security	:	None
Coupon Rate	:	4.8% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	:	Every 13 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions: <ul style="list-style-type: none"> (a) Prior to the 5th year after the issuing date, if the issuer is informed by the Bank of Thailand that (1) This debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital of the issuer; or (2) This debenture is eligible for inclusion in Tier 2 capital but is lower than 50% of the issuer's Tier 1 capital; or (b) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance; or (c) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or (d) The issuer is able to acquire equivalent or excess amount of funds from other sources or the issuer's Tier 1 capital exceeds the minimum requirement of the Bank of Thailand after the redemption; or (e) Any cases or conditions to be specified by the Bank of Thailand in the future.
Issue Rating	:	A- from TRIS Rating Company Limited on June 6, 2013
Debenture holder Representative	:	TMB Bank Public Company Limited
Debenture Registrar	:	TMB Bank Public Company Limited

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

Type of Offering	:	Public Offering
Face Value	:	1,000 baht
Offering Price	:	1,000 baht
Issue size	:	1,000,000 units
Outstanding	:	1,000,000 units
Tenor	:	10 years
Issuing Date	:	March 9, 2012
Maturity Date	:	March 9, 2022
Security	:	None
Coupon Rate	:	4.85% per annum for Year1 st - Year10 th , started from issuance date
Payment Date	:	Every 9 th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option ¹	:	With an approval from the Bank of Thailand in writing, the issuer may call debentures prior to the maturity date at face value according to the debenture terms and conditions. The issuer shall send a notice to debenture holders at least 30 days but not more than 60 days prior to the call option exercise date to inform debenture holders of the call option under the following conditions:

1

Terms and Conditions amendments were notified to the debenture holders on October 22, 2012

- (a) On the 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance.
 - i If the issuer can provide funding equivalent or better than the amount of debenture.
 - ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand.
- (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
- (c) Any cases or conditions to be specified by the Bank of Thailand in the future.

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

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

Type of Offering : Public Offering
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 1,243,000 units
 Outstanding : 1,243,000 units
 Tenor : 10 years
 Issuing Date : December 19, 2012
 Maturity Date : December 19, 2022
 Security : None
 Coupon Rate : 4.60% per annum started from issuance date
 Payment Date : Every 19th of March, June, September and December of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

- (a) On the 5th anniversary from the issuing date or on any coupon dates after the 5th year of issuance.
 - i If the issuer can provide funding equivalent or better than the amount of debenture.
 - ii After the redemption, issuer maintains total capital to risk-weighted assets ratio not less than the minimum rate which is specified by the Bank of Thailand.
- (b) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits; or
- (c) Any cases or conditions to be specified by the Bank of Thailand in the future.

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

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

Type of Offering : Private Placement – Institutional Investor and High-Networth Investor
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 3,000,000 units
 Outstanding : 3,000,000 units
 Tenor : 1 Year
 Issuing Date : April 2, 2013
 Maturity Date : April 2, 2014
 Security : None
 Coupon Rate : 3.15% per annum started from issuance date

Payment Date : On the 2nd of April and October of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
 Call Option : None
 Issue Rating : A from TRIS Rating Company Limited on May 14, 2012
 Debenture holder Representative : None
 Debenture Registrar : TMB Bank Public Company Limited

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

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

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

Type of Offering : Private Placement – Institutional Investor
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 3,000,000 units
 Outstanding : 3,000,000 units
 Tenor : 1 year
 Issuing Date : May 16, 2013
 Maturity Date : May 16, 2014
 Security : None
 Coupon Rate : 3.10% per annum started from issuance date
 Payment Date : On the 16th of May and November of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
 Call Option : None
 Issue Rating : A from TRIS Rating Company Limited on April 30, 2013
 Debenture holder Representative : None
 Debenture Registrar : TMB Bank Public Company Limited

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

Type of Offering : Private Placement – Institutional Investor
 Face Value : 1,000 baht
 Offering Price : 1,000 baht
 Issue size : 2,600,000 units
 Outstanding : 2,600,000 units
 Tenor : 1 year

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

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

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

As of December 31, 2013 TISCO Bank has outstanding subordinated and unsubordinated debentures issued and offered (excluding short-term debenture) worth 20,643 million baht

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

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

Company Credit Rating : A from TRIS Rating Company Limited on June 30, 2013
 Debenture holder : -
 Representative
 Debenture Registrar : TISCO Bank Public Company Limited

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

1. TISCO Tokyo Leasing Company Limited 1/2013 Tranche 1 Secured debenture with maturity date in 2015

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 350,000 units
Outstanding	: 350,000 units
Tenor	: 2 year
Issuing Date	: September 17, 2013
Maturity Date	: September 17, 2015
Guarantor	: Century Tokyo Leasing Corporation
Coupon Rate	: 3.88% per annum started from issuance date
Payment Date	: On the 17 th of March and September of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	: None
Issue Rating	: AA+ from TRIS Rating Company Limited on August 13, 2013
Debenture holder	
Representative	: Bank of Ayudhya Public Company Limited
Debenture Registrar	: Bank of Ayudhya Public Company Limited

2. TISCO Tokyo Leasing Company Limited 1/2013 Tranche 2 Secured debenture with maturity date in 2017

Type of Offering	: Private Placement
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
Issue size	: 650,000 units
Outstanding	: 650,000 units
Tenor	: 4 year
Issuing Date	: September 17, 2013
Maturity Date	: September 17, 2017
Guarantor	: Century Tokyo Leasing Corporation
Coupon Rate	: 4.37% per annum started from issuance date
Payment Date	: On the 17 th of March and September of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Call Option	: None
Issue Rating	: AA+ from TRIS Rating Company Limited on August 13, 2013
Debenture holder	
Representative	: Bank of Ayudhya Public Company Limited
Debenture Registrar	: Bank of Ayudhya Public Company Limited

As of December 31, 2013 TISCO Tokyo Leasing Company Limited has outstanding subordinated and unsubordinated debentures issued and offered worth 1,000 million baht.

7.3.2 Bills of Exchange

The Company

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

Type of Offering	:	Public Offering
Type of securities	:	Short-Term Bills of Exchange <ol style="list-style-type: none"> 1. Type I : Non-Interest-Bearing Bill of Exchange 2. Type II : Fixed-Interest-Bearing Bill of Exchange, interest payment on maturity
Tenor	:	Up to 270 days from the issue date
Issue size	:	Up to 10,000,000,000 baht
Face Value	:	Not less than 1,000,000 baht
Issuing Period	:	From April 1, 2012 to March 31, 2013
Offering price per unit	:	<ol style="list-style-type: none"> 1. For Bill of Exchange Type I : Face Value deducts the discount portion 2. For Bill of Exchange Type II: Face Value
Coupon Rate	:	<ol style="list-style-type: none"> 1. For Bill of Exchange Type I : No Coupon 2. For Bill of Exchange Type II: Fixed Coupon depending on the market condition
Coupon Payment Date	:	For Bill of Exchange Type I : No coupon payment For Bill of Exchange Type II : Payment on maturity date
Issuer Rating	:	A- from TRIS Rating Co., Ltd on April 30, 2013.

As of December 31, 2013, TISCO had outstanding short-term bills in forms of Fixed-Interest-Bearing Bill of Exchange (Type II) totaling 6,128.00 million baht with coupon rate ranging from 3.05% – 3.55% and average of 81 days to maturity.

Subsidiary Companies

As of December 31, 2013, TISCO Bank had outstanding bill of exchange, all in forms of bill of exchange, totaling 146.62 million baht with coupon rate ranging from 2.50% - 4.00% and average of 68 days to maturity for short-term bill of exchange and 208 days to maturity for long-term bill of exchange.

As of December 31, 2013, Hi-Way Co., Ltd. had outstanding short-term bill of exchange, all in forms of Callable Bill of Exchange, totaling 1,486.00 million baht with 3.58% coupon rate.

As of December 31, 2013, TISCO Leasing Co., Ltd. had outstanding short-term bill of exchange, all in forms of Callable Bill of Exchange, totaling 2,500.00 million baht with 3.58% coupon rate.

7.4 Dividend Policy

The Company

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

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

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

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

Subsidiary Companies

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

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

8. Management

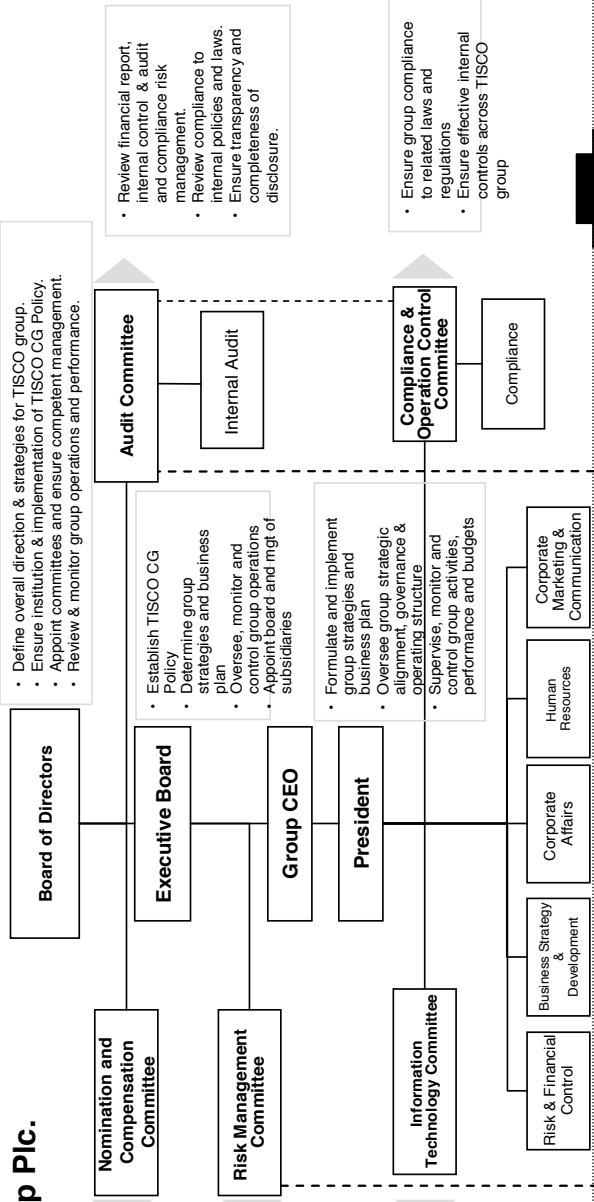
8.1 Management Structure

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

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

TISCO Financial Group Plc.

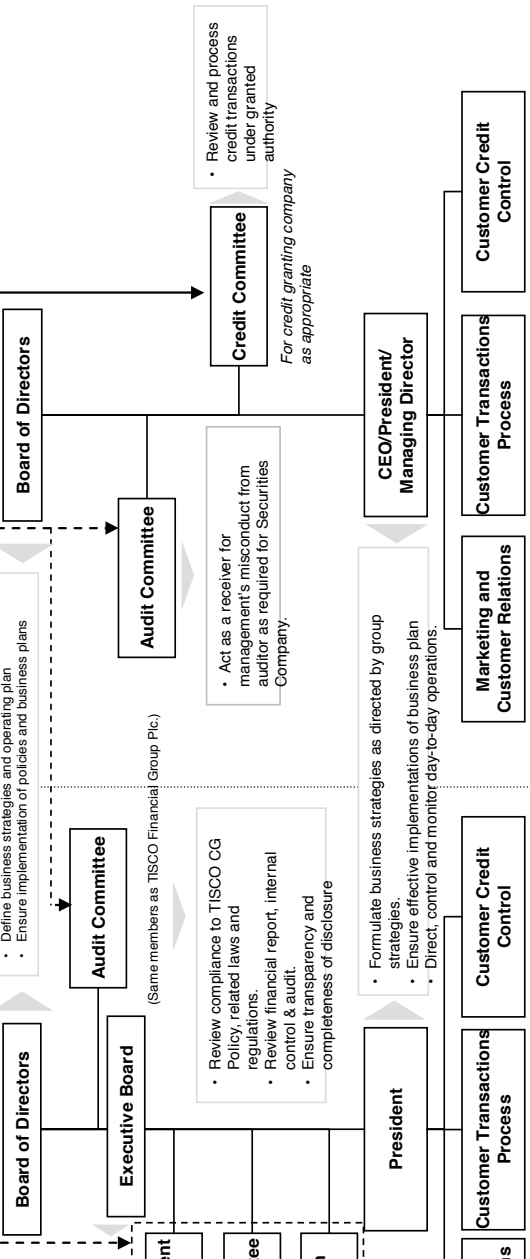
- Formulate policy & criteria for nomination of directors and Top Management
- Nominate candidates for directors, members of committees appointed by Board and Advisor and Top Management (holding & bank)
- Establish remuneration policy for directors, advisor and employees
- Ensure good governance in nomination and compensation practice.
- Determine group risk management policies and strategies
- Supervise, monitor & control group risk management activities
- Ensure effective RM systems across group
- Formulate and implement group IT strategies
- Supervise, monitor & control group IT activities



TISCO Bank

- Ensure adoption of group risk policies and strategies
- Supervise, monitor, and control implementations of group risk policies and strategies
- Ensure adoption of group credit & problem loan policies and strategies
- Supervise, monitor, and control implementations of group credit & problem loan policies and strategies

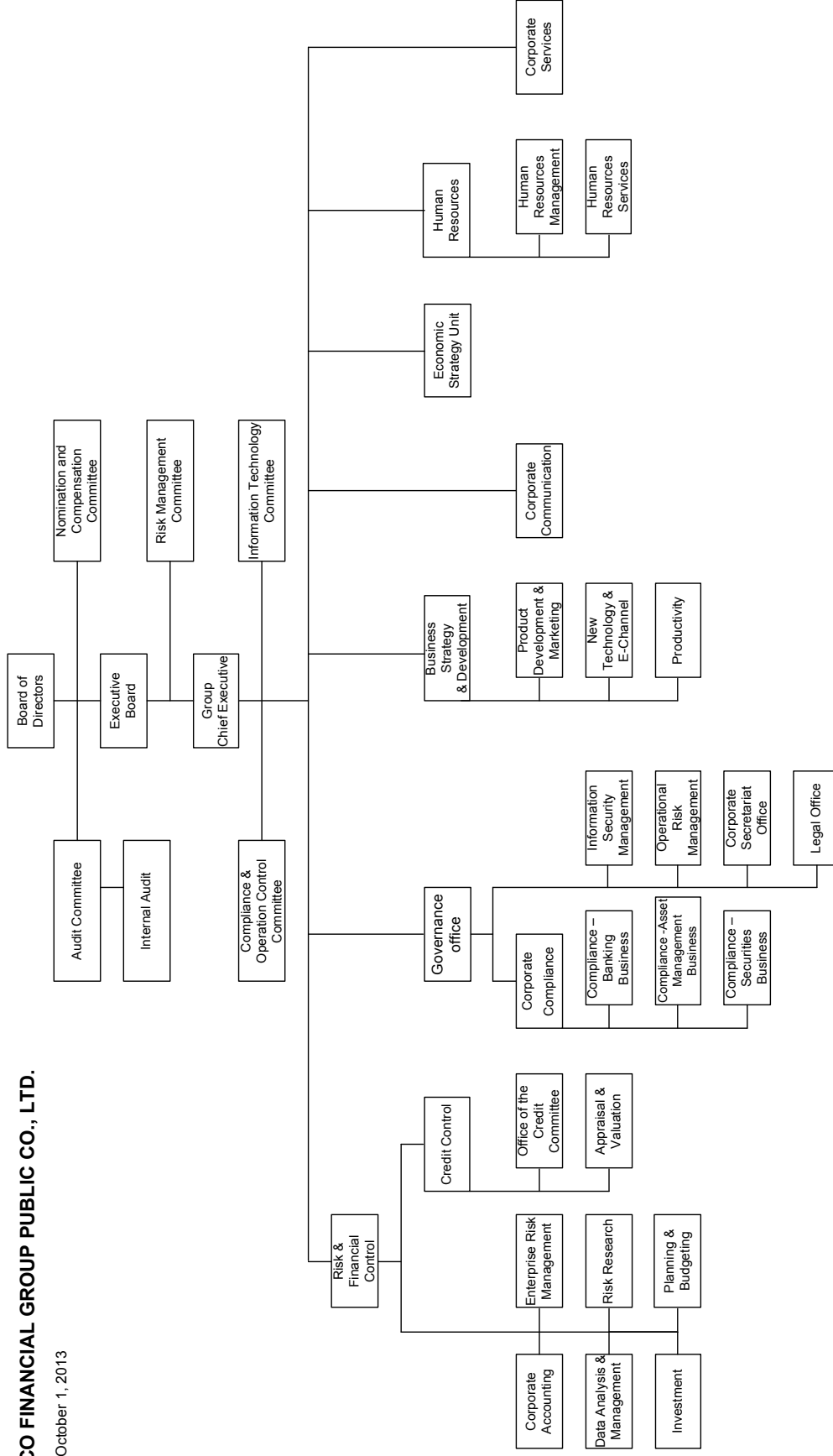
Other subsidiaries



Remark : Corporate Governance Committee was appointed by the Board of Directors' Meeting No 5/2013, dated August 30, 2013

TISCO FINANCIAL GROUP PUBLIC CO., LTD.

As of October 1, 2013



Remark : Corporate Governance Committee was appointed by the Board of Directors' Meeting No 5/2013, dated August 30, 2013

The Board structure is comprised of 5 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination and Compensation Committee, and (5) Corporate Governance Committee. In addition, in 2010, the Company transferred certain Management Committee and management supervising important functions within TISCO Group from subsidiary companies to be employed under the Company. The Company seconded those management to the same subsidiary companies for the same responsibilities on full time basis. This is to ensure that they shall devote their time to effectively manage subsidiary companies under TISCO Group strategy and plan approved by the Board of Directors.

8.1.1 Board of Directors

As of December 31, 2013 the Board of Directors consisted of 12 directors as follows;

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman and Independent Director
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	Vice Chairman and Member of the Nomination and Compensation Committee
3. Ms. Oranuch Apisaksirikul	Director and Chairperson of the Executive Board
4. Assoc. Prof. Dr. Angkarat Priebjrivat	Independent Director and Chairperson of the Audit Committee
5. Prof. Dr. Pranee Tinakorn	Independent Director and Chairperson of the Nomination and Compensation Committee
6. Ms. Patareeya Benjapolchai	Independent Director, Member of the Audit Committee and Chairperson of the Corporate Governance Committee
7. Ms. Panada Kanokwat	Independent Director and Member of the Audit Committee
8. Mr. Pichai Chanvirachart	Independent Director and Member of the Corporate Governance Committee
9. Prof. Dr. Teerana Bhongmakapat	Independent Director and Member of the Corporate Governance Committee
10. Mr. Chi-Hao Sun (Mr. Howard Sun)	Director and Member of the Executive Board
11. Mr. Hirohiko Nomura ¹	Director, Member of the Executive Board and Member of the Nomination and Compensation Committee
12. Mr. Suthas Ruangmanamongkol	Director and Member of the Executive Board
Ms. Krisna Theravuthi	Advisor to TISCO's Board of Directors

¹ The Board of Directors' Meeting No. 8/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013, and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The approval has been obtained on January 21, 2014.

Authorized Signatory²

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

² Due to the resignation of Mr. Hirohiko Nomura, the Board of Directors' Meeting No. 8/2013 has resolved the change of the Directors who are authorized to sign on behalf of the Company as follows: "Ms. Oranuch Apisaksirikul singly sign with the seal of the Company affixed or two directors namely Mr. Hon Kit Shing (Mr. Alexander H. Shing) and Mr. Yasuro Yoshikoshi jointly sign with the seal of the Company affixed."

Chairman of Board and Other Committees

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

Vice Chairman of Board and Other Committees

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

Authority and Responsibilities of the Board of Directors:

1. Define overall direction and strategies of TISCO group and ensure institution of TISCO Corporate Governance Policy for application across all companies in TISCO group. Under consolidated supervision framework, TISCO Corporate Governance Policy constitutes all key policies and guidelines concerning the governance and operating structure of TISCO group, business strategy, management and operations, risk and controls, human resources, finance and accounting, corporate affairs, and public and client communications. The Board shall ensure that all companies in TISCO group adopt and implements the policies and directions set forth in TISCO Corporate Governance Policy efficiently and effectively in the best interests of the shareholders.
2. Approve TISCO group business plan and budget as reviewed by the Executive Board.
3. Define and establish the Strategic Audit – a self-audit measure on the company existing strategy – to oversee and review the strategy of TISCO group.
4. Ensure the institution of internal business codes and ethics, codes of conduct for directors, management and employees.
5. Continuously review TISCO group's operations to ensure that its executive directors, management, and employees conduct the businesses in compliance with TISCO Corporate Governance Policy as well as related laws and regulations.
6. Ensure competent management of TISCO group.
7. Ensure the institution of effective systems for internal control and audit.
8. Ensure that TISCO group's management refers significant issues to the Board.
9. Ensure that TISCO group has in place risk management policies, processes and controls of all risk types.
10. Appoint other committees and delegate authorities according to the needs and suitability to carry out specific tasks to ensure that the operations are in compliance with established Corporate Governance Policy.
11. Ensure that TISCO group has in place the succession plan for Top Management.
12. Appoint the Corporate Secretary to take care of director's activities and administer critical corporate matters.
13. Ensure that the Bank and each credit granting subsidiary has policies, guidelines and controls procedures for granting credit and investment transactions with related parties.
14. Ensure that there is a process for prompt submission of management letters from the external auditor and management to the Board.
15. Ensure that there exists appropriate check and balance in the management and/or major shareholders of the company, in particular, the proportion or the number of independent directors on the Board.
16. Ensure that the Board receives sufficient information to effectively discharge its authorities, duties, and responsibilities.
17. Report business activities and financial performance to the shareholders.

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

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

Details of the Board of Directors of TISCO Bank Public Company Limited, the core company of TISCO Group, is shown in 8.1.6 and Attachment 3.

8.1.2 Executive Board

The Executive Board members were appointed by the Board of Directors. As of December 31, 2013, the Executive Board comprised the following directors:

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

¹ The Board of Directors' Meeting No. 8/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013, and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The approval has been obtained on January 21, 2014.

Authority and responsibilities of Executive Board:

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

8.1.3 Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of December 31, 2013, the Audit Committee comprised the following independent directors:

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

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

Authority and responsibilities of Audit Committee:

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

The Nomination and Compensation Committee members were appointed by the Board of Directors. As of December 31, 2013, the Nomination and Compensation Committee comprised the following directors:

Name	Position
1. Prof. Dr. Pranee Tinakorn	Chairperson of the Nomination and Compensation Committee
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	Member of the Nomination and Compensation Committee
3. Mr. Hirohiko Nomura ¹	Member of the Nomination and Compensation Committee

¹ The Board of Directors' Meeting No. 8/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013, and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The approval has been obtained on January 21, 2014.

Authority and Responsibilities of Nomination and Compensation Committee:

1. Formulate policy, criteria, and method for nominating candidates for directors and Top Management of the Company and its subsidiary companies in TISCO Group to the Board for consideration and submit the policy to regulatory parties upon request.
2. Select and nominate names of qualified candidates to the Board of Directors of the Company and its subsidiary companies which contribute more than 25% of total revenue of TISCO Group for the following positions;
 - Directors
 - Members of committees whose functions, responsibilities and authorities are directly given by the Board of Directors
 - Top Management
 - Advisor(s) to the Board of Directors and/or committees whose functions, responsibilities and authorities are directly given by the Board of Directors
3. Ensure that size and composition of the Board of Directors of the companies in TISCO Group is appropriate for the organization and the business environment. The Board should comprise members who have diversified expertise and experience.
4. Review and establish clear and transparent remuneration and benefit policy and criteria for the directors, committee members, Advisor(s) and TISCO Group's employees as proposed by the management.
5. Ensure that the Board remuneration is commensurate with their duties and responsibilities. Board members who handle the extra assignments should be compensated accordingly.
6. Devise performance assessment criteria for board members and TISCO Group's employees for annual remuneration review, taking into account their responsibilities and risks as well as enhancement of long-term shareholder value.
7. Evaluate the Group CEO's performance with input from Chairman of the Board of Directors, Chairpersons of the Audit Committee and the Corporate Governance Committee, and propose result to the Board of Directors for approval.
8. Review and approve promotion, remuneration, and benefit of Group CEO.
9. Review and consider the Group CEO's proposal for appointment, performance evaluation, promotion, remuneration, and benefit of each member of Management Committee and one further level down.
10. Review and consider the management's proposals for the total amount of annual performance-oriented, short-term and long-term incentives as well as merit increase for TISCO Group's employee.
11. Ensure that the meeting(s) between the Board and members of Management Committee in absence of the Group CEO is arranged at least once a year prior to his/her annual performance assessment.
12. Ensure that succession plan for Group CEO and members of Management Committee of the companies in TISCO Group is properly developed to allow smooth and continuity of business operations, and that such plan is reviewed periodically.
13. Disclose the nomination policy and process in the Annual Report.
14. Disclose the remuneration policy, actual payment in various forms for directors as well as prepare and disclose the Committee's report that at least covers the objectives, activities and opinion of the Committee in the Annual Report.

15. Report activities to the Board of Directors on a regular basis.
16. Conduct the activities as assigned by the Board of Directors in agreement of the Nomination and Compensation Committee.

8.1.5 Corporate Governance Committee

The Corporate Governance Committee members were appointed by the Board of Directors' Meeting No. 5/2013 convened on August 30, 2013. As of December 31, 2013, the Corporate Governance Committee comprised the following directors:

Name	Position
1. Ms. Patareeya Benjapolchai	Chairperson of the Corporate Governance Committee
2. Mr. Pichai Chanvirachart	Member of the Corporate Governance Committee
3. Prof. Dr. Teerana Bhongmakapat	Member of the Corporate Governance Committee
Mr. Sathit Aungmanee	Advisor to the Corporate Governance Committee

Authority and Responsibilities of Corporate Governance Committee:

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

Board of Directors' Meeting

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

During meetings, the Chairman of the Board promotes transparent consideration of each issue and allocates adequate time for the management to present issues, with adequate time set aside for directors to thoroughly discuss important matters. The Board encourages the management to attend the Board of Directors' Meeting to present additional information relevant to their responsibilities. The Company also encourages non-executive directors to hold meetings as necessary to discuss issues without executive attendance. In 2013, there were several meetings among non-executive directors, without formal minutes taking. After the meeting, the Corporate Secretary is responsible for preparing minutes of the meeting in which all issues, contents, and opinions are properly recorded and kept for inspection.

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

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

¹ For 2013 shareholders general meeting, Ms. Krisna Theravuthi and Mr. Chainoi Puankosoom have expressed their wish not to continue their term. The shareholders' meeting has elected Mr. Pichai Chanvirachart and Prof. Dr. Teerana Bhongmakapat as the Company's Directors, effective from April 25, 2013.

² Prof. Dr. Pranee Tinakorn has been appointed to be the Chairperson of the NCC Committee on April 26, 2013

³ The Corporate Governance Committee has been appointed by the Board of Directors on August 30, 2013.

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

⁵ Mr. Chi-Hao Sun (Mr. Howard Sun) did not attend one Board of Directors' Meeting and Executive Board's Meeting in person, but participated via teleconference.

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

8.1.6.1 TISCO Bank's Board of Directors

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

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

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

Authorized Signatory²

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

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

Chairman of Board and Other Committees

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

Vice Chairman of Board and Other Committees

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

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

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

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

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

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

8.1.6.2 TISCO Bank's Executive Board

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

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

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

Authority and responsibilities of Executive Board:

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

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

8.1.6.3 Audit Committee

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

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

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

Authority and responsibilities of Audit Committee:

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

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

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

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

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

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

8.2 Management

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

Management Committee of the TISCO Group as of December 31, 2013 comprise of the following members:

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

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

Authority and Responsibilities of Management Committee:

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

Authority and Responsibilities of the Group Chief Executive:

1. Oversee, supervise and monitor performance of TISCO group's senior management to ensure effectiveness and alignment.
2. Formulate corporate strategies and business plan of TISCO group for the Board's consideration and approval.
3. Oversee strategic alignment of TISCO group business and ensure effective implementations of corporate strategies and business plan across the group.

4. Oversee TISCO group's governance & management structure, operations, risk management & control systems.
5. Monitor TISCO group's business activities and operating performance and report to the Board.
6. Oversee financial budgets and resource management of TISCO group.
7. Ensure that TISCO group's business conducts are in accordance with the Board's approved policies & guidelines, as well as related laws and regulations.

In addition to the Management Committee of TISCO Group as of December 31, 2013, the Company's management comprised the following 28 persons; ^{/1}

Name-Surname	Position
1. Ms. Oranuch Apisaksirikul ^{/1/2}	Group Chief Executive, TISCO Group
2. Mr. Chatri Chandrangam ^{/1/2}	Executive Vice President – Risk and Financial Control Acting Head of Investment
3. Mr. Pairat Srivilairit	Head of Governance Office
4. Mr. Watsakorn Thepthim	Head of Human Resources
5. Ms. Dulyarat Taveebhol	Head of Corporate Compliance
6. Mr. Kontee Sunthornpradit	Head of Planning & Budgeting
7. Dr. Kampon Adireksombat	Head of Economic Strategy
8. Mr. Kittipong Tiyaboonthai	Head of Human Resources Management
9. Mr. Kullachart Ekvoratham	Head of Productivity
10. Ms. Jiraporn Sawsukpaiboon	Head of Internal Audit
11. Ms. Chutintorn Vigasi ^{/2}	Head of Corporate Accounting
12. Ms. Nudtinee Suwanpanitch	Head of Legal Office
13. Mr. Noppawat Tangburanakij	Head of New Technology & E-Channel
14. Ms. Narisara Tanarugsachock	Head of Data Analysis & Management
15. Ms. Nartrudee Siwabut	Head of Corporate Communication
16. Mr. Nipon Wongchotiwat	Head of Enterprise Risk Management
17. Mr. Prayuk Charocharaskul	Head of Operation Risk Management
18. Mr. Pichit Treethephasumphan	Head of Appraisal & Valuation
19. Mr. Puvarin Kullaphatkanon	Head of Risk Research
20. Ms. Maneerat Wattanajak	Head of Compliance – Asset Management Business
21. Mr. Synn Navamananda	Head of Product Development & Marketing
22. Ms. Sakornrat Manuwong	Head of Compliance – Banking Business
23. Mr. Somchat Lapapong	Head of Corporate Services
24. Ms. Suthinee Muangman	Head of Credit Control
25. Ms. Suthipirom Areesakulsuk	Head of Human Resources Services
26. Ms. Supaporn Aramtiantamrong	Head of Compliance – Securities Business
27. Ms. Surang Techarungnirun	Head of Office of the Credit Committee
28. Ms. Arayapha Siripanich	Head of Information Security Management

^{/1} Ms. Oranuch Apisaksirikul and Mr. Chatri Chandrangam is the member of the Management Committee of TISCO Group

^{/2} Management as defined by the Securities and Exchange Commission

8.2.1 Management of TISCO Bank

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

Name-Surname	Position
Mr. Suthas Ruangmanamongkol ^{/1, 2}	President
Mr. Sakchai Peechapat ^{/1, 2}	Senior Executive Vice President - Retail Banking Business
Mr. Pitada Vatcharasiritham ^{/1, 2}	Senior Executive Vice President - Corporate Banking Business
Mr. Metha Pingsuthiwong	First Executive Vice President - Retail Banking Business
Mr. Chalit Silpsrikul ^{/1, 2}	First Executive Vice President - Wealth Management Business
Mr. Dejphinun Suthadsanasoung	Assistant Executive Vice President - Retail Banking - Operations
Ms. Nipa Mekara	Assistant Executive Vice President - Head of Corporate Lending
Mr. Picha Ratanatam	Assistant Executive Vice President - Head of Wealth Management
Mr. Yuttpong Sriwongjanya	Assistant Executive Vice President - Head of Retail Banking - Provincial Channel
Mr. Rungroj Jarasvijitkul	Assistant Executive Vice President - Head of Retail Banking - Bangkok Channel
Ms. Karantarat Vongsa	Head of Treasury
Mr. Kittichai Tonnajarn	Head of Counter Services
Mr. Nattanan Ananpreeyavit	Head of Corporate Contact Center
Mr. Thanom Chairoondeekul	Deputy Head of Wealth Management
Mr. Songsak Niltiean	Head of Retail Follow-up & Legal
Mr. Teerayuth Praserttananadacho	Head Of Retail Business Development
Mr. Teerawut Luewongsupakit	Head of Business & Risk Assessment 2
Ms. Prapatsorn Arthachinta	Head of Business & Risk Assessment
Mr. Prakrit Shoonhasriwong	Head of Mortgage Loan
Ms. Preeyarat Poomdontri	Head of Processing & Settlement
Mr. Pornpiboon Sukaviriya	Head Of Hire Purchase Captive
Ms. Penthip Laobooncharoen	Head of Retail Loan Processing
Ms. Mallee Peravanichkul	Head of Private Banking
Mr. Manop Petdamrongsakul	Head of Corporate Finance Acting Head of Corporate Lending Acting Head of Investment Banking
Ms. Rapeeporn Ounchalanon	Head Of Loan Supervision & Servicing
Ms. Ladda Kulchatchai	Head of Custodian Service
Mr. Worapoth Tirakaroon	Head of Retail Collection
ML. Waraporn Worawarn	Head of Wealth Product
Ms. Wantana Kitchpanich	Head Of Operations Support - Provincial Channel
Mr. Wittaya Mettaviharee	Assistant Head of Retail Banking - Provincial Channel Acting Head of Provincial BusinessDevelopment
Ms. Wipa Mettaviharee	Head of All Finance & Direct
Ms. Saranya Weeramahawong	Head of Personal Banking
Mr. Somsak Wongwachirawanich	Head of Hire Purchase - Used Car
Mr. Sommai Ung	Head of Commercial Lending
Ms. Saranya Ket-Udom	Head of Logistic & Control
Mr. Sukit Sakulwongyai	Head of Retail Service & Support
Mr. Suthep Trivannakij	Head of Hire Purchase - New Car
Ms. Sunee Tongsombutpanich	Head of Business & Risk Assessment 1

Name-Surname	Position
Ms. Suwandee Khaolaorr	Head of Cash Management
Mr. Sathian Leowarin	Head of Bancassurance
Mr. Nobutaka Ide	Head of Japanese Relationship

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

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

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

Authority and Responsibilities of President:

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

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

8.3 Corporate Secretary

The Board of Directors have appointed Mr. Pairat Srivilairit as the Corporate Secretary to be responsible for preparing and maintaining director profile, notice and minutes of the board meeting, annual report, notice and minutes of shareholders meeting, maintaining directors and management's report on conflict of interest, and performing other duties as required by the Capital Market Supervisory Board. (Profiles and qualification of Corporate Secretary as shown in Attachment 3)

8.4 Director and Management Remuneration

8.4.1 Director and Management Remuneration Policy

The remuneration of directors, proposed by the Nomination and Compensation Committee, shall be approved by shareholders. The scale and components of remuneration for directors and management has been set subject to the principle that such remuneration should be appealing enough to attract and retain quality directors, but avoid excessive pays. Remuneration for directors should be comparable to the general practice in the industry with regard to work experience and commitment, as well as the benefits each director brings. In addition, the remuneration shall be reviewed in comparison to comparable listed companies with similar size of business and the listed company average as disclosed in the Thai Institute of Directors Association (IOD)'s Thai Directors Compensation Survey.

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

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

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

8.4.2 Financial Remuneration

The Company's shareholders approved at the Shareholders Ordinary General Meeting for the year 2013, the annual directors' remuneration in the form of reward, monthly fee, meeting fee and bonus at the amount of not greater than 2,400,000 baht for the Chairman of the Board, and not greater than 500,000 baht for each Board member, to be valid until amended. The Board of Directors, under the authority delegated by the shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors. Following the Board of Directors' Meeting No. 3/2013 on April 26, 2013 and the Board of Directors' Meeting No. 6/2013 on August 30, 2013 approved new directors' remuneration to be allocated as follows:

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

The details of Board of Director remuneration during January 1 to December 31, 2013 are as follows;

Name of the Directors	Remuneration (Baht)					Total
	Board of Directors	Executive Board	Audit Committee	Nomination and Compensation Committee	Corporate Governance Committee	
	Monthly Fee	Meeting Fee	Meeting Fee	Meeting Fee	Meeting Fee	
1. Mr. Pliu Mangkornkanok	2,400,000	-	-	-	-	2,400,000
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing)	480,000	-	-	200,000	-	680,000
3. Ms. Oranuch Apisaksirikul	480,000	480,000	-	-	-	960,000
4. Ms. Krisna Theravuthi ^{/1/3}	360,000	-	-	150,000	-	510,000
5. Assoc. Prof. Dr. Angkarat Priebjriwat	480,000	-	590,000	-	-	1,070,000
6. Prof. Dr. Pranee Tinakorn ^{/2}	480,000	-	160,000	150,000	-	790,000
7. Ms. Patareeya Benjapolchai	480,000	-	520,000	-	100,000	1,100,000
8. Ms. Panada Kanokwat	480,000	-	560,000	-	-	1,040,000
9. Mr. Chainoi Puankosoom ^{/1}	160,000	-	-	-	-	160,000
10. Mr. Pichai Chanvirachart ^{/1}	320,000	-	-	-	80,000	400,000
11. Prof. Dr. Teerana Bhongmakapat ^{/1}	320,000	-	-	-	80,000	400,000
12. Mr. Chi-Hao Sun (Mr. Howard Sun)	480,000	385,000	-	-	-	865,000
13. Mr. Hirohiko Nomura	480,000	420,000	-	200,000	-	1,100,000
14. Mr. Suthas Ruangmanamongkol	480,000	420,000	-	-	-	900,000
Total	7,880,000	1,705,000	1,830,000	700,000	260,000	12,375,000

^{/1} For 2013 shareholders general meeting, Ms. Krisna Theravuthi and Mr. Chainoi Puankosoom have expressed their wish not to continue their term. The shareholders' meeting has elected Mr. Pichai Chanvirachart and Prof. Dr. Teerana Bhongmakapat as the Company's Directors, effective from April 25, 2013.

^{/2} Prof. Dr. Pranee Tinakorn has been appointed to be the Chairperson of the NCC Committee on April 26, 2013

^{/3} The Board of Directors' Meeting No. 3/2013 on April 36, 2013, had the resolution to appoint Ms. Krisna Theravuthi as the Advisor to TISCO's Board of Directors, with monthly remuneration of Baht 40,000, to be effective since August 2013

In 2013, total remuneration for the Board of Directors, the Executive Board, the Audit Committee, the Nomination and Compensation Committee, the Corporate Governance Committee (12 members), Advisor to the Board of Directors (1 member), Advisor to Corporate Governance Committee (1 member) and the Management ^{/2} (36 persons) was Baht 273,808,015. This was paid in the form of monthly compensation, meeting fees, provident fund, and bonuses, which varied according to TISCO Group's performance.

Remuneration for subsidiary companies' directors

Regarding directors' remuneration for companies in TISCO Group, in addition to directors' remunerations paid to directors of TISCO, the Parent Company, in 2013, there are also remuneration to be paid to directors who do not hold any directorship in TISCO and/or management position in other subsidiary companies in the same form and amount to TISCO Board member, to be valid until amended. The Board of Directors of each subsidiary company, under the authority delegated by its shareholders, will determine appropriate amount and the exact amount to be paid each time. Besides, the directors are entitled to receive other remuneration or benefits paid for other appointments or special assignments from the Board of Directors.

In 2013, TISCO Bank paid remuneration to one director namely Mr. Pichai Chanvirachart (Independent Director), which is the director's monthly fee during January – April 2013. Total remunerations for one TISCO Bank director and TISCO Bank management (36 persons, excluded 5 persons which are the Parent Company's management and seconded to manage TISCO Bank), was Baht 147,146,019.22. This was paid in form of monthly compensation, salaries, provident funds, and bonuses which varied according to TISCO Bank performance.

Besides TISCO Bank, there was remuneration paid to the other subsidiary companies' director in the amount of Baht 320,000.

^{/2} as of December 31, 2013

8.4.3 Other Remuneration

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

8.5 Human Resources

As of December 31, 2013, the total number of employees at TISCO Group was 4,146 (excluding senior management) of which 3,674 were permanent employees and 472 contract staff.

Major Function	As of	
	December 31, 2012	December 31, 2013
1. Retail Banking	2,065	2,388
2. Corporate Banking	184	162
3. Wealth & Asset Management	843	935
4. Corporate Affairs & CSR	577	661
Total	3,669	4,146

At the end of 2013, the number of employees of TISCO Group was increased by 477 additional staffs (13.0% YoY). Meanwhile, TISCO Group's total employee remuneration in the form of salaries, bonuses, and provident fund contributions was 2,129,623,319 baht.

8.5.1 TISCO Group Registered Provident Fund

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

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

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

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

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

The fund is supervised by the fund committee, which is comprised of the employee's elected representatives and the employer's appointed representatives. Terms for fund committee members are valid for two years, and any individual can be re-elected or re-appointed. The fund committee is responsible for the supervision of fund management and investment policy. To broaden choices of employees for more suit their risk appetite and needs, TISCO Group Provident Fund employs a master fund with 4 investment policies (sub funds) which are Fixed Income, Mixed, Equity and Foreign investments. There are 15 predefined investment allocation choices for members to choose from. Presently, the TISCO Group Master Fund Committee allows members to switch their investment policies twice a year, in April and October.

8.5.2 General Human Resources Policies

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

competitive advantage in their own business environment and industry. The policy is shown as follows:

1. Principles of Dealing with People at TISCO Group

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

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

2. Hiring

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

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

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

3. Employment at TISCO Group

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

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

4. Assessment and Development

4.1 Assessment

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

4.2 Development

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

High Performance Organization.

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

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

5. Career Management

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

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

6. Performance Management

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

7. Employee Compensation and Benefits

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

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

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

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

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

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

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

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

7.2 Pay for performance

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

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

8. Human Resources Administration

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

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

9. Succession Planning

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

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

8.5.3 Organizational Development & the Learning process

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

1. Development programs to support business & marketing plans

1.1 The Teller academy

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

1.2 Wealth Relationship Managers Development program

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

1.3 Hire Purchase Marketing Development Program

The hire purchase marketing team plays an important role in providing retail finance solutions to TISCO clients. This

newly designed program aims at the roles and comprehensive knowledge on retail finance products as well as customer service skills. This is to secure positioning of the all-in-one solution provider for retail finance clients and ensure a continuous growth in retail finance business.

1.4 Micro Finance Staff Development Program

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

1.5 Delivery Service and Support team Development Program

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

1.6 Mortgage Loan Staff Development Program

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

2. TISCO Leadership Development Program

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

3. Competencies Development Program

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

4. TISCO Culture and Value enhancement

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

9. Corporate Governance

9.1 Corporate Governance Policy

9.1.1 Corporate Governance

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

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

Corporate Governance Code of Conduct is set up to provide guiding principles of good corporate governance to the directors, management, and employees of TISCO Group in order to ensure that the Group complies with all relevant laws and regulations and carries out duties with maximum accountability, transparency, and equitable treatment to all stakeholders so as to promote managerial integrity, effectiveness, and efficiency across the group. The Corporate Governance Principle covers 5 main areas, namely, the Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Responsibilities of the Board (details of Corporate Governance Code of Conduct are presented on www.tisco.co.th). In addition, TISCO Group has endorsed Operating Policies to be applied at the managerial and operational level in dealing with such matters as customer complaints, conflicts of interest, control of inside information, confidentiality, and related issues including securities trading by employees.

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

TISCO Group strictly and consistently applies good corporate governance at all levels within the organization. This commitment has yielded TISCO much recognition and honors from many institutes. With continuous determination in Corporate Governance, which suits the organization's environment, structure, and necessity, the company has received honorable mentions from many institutes such as **"NACC Integrity Awards 2012"** from the National Anti-corruption Commission (NACC) which reflects TISCO as one of the top leading organization in term of transparency and good governance practices, **Board of the Year for Distinctive Practices 2012/2013** and **Audit Committee of the Year**, with a corporation from 7 institutes, namely Thai Institute of Directors (IOD), Stock Exchange of Thailand, The Thai Chamber of Commerce, The Federation of Thai Industries, The Thai Bankers' Association, Thai Listed Companies Association and Federation of Thai Capital Market Association. This is a significant evidence of the Board of Directors' determination and dedication to run the business with transparency, at full capability, under business ethics, focusing on shareholders' best interests and giving importance to stakeholders which are shareholders, customers, partners and creditors, competitors, employees, including the society and the environment with continuity.

In addition, TISCO's Shareholder Ordinary General Meeting for the year 2013 received an **"Excellent"** score from the **Ordinary General Meeting Assessment Program** conducted by the Securities and Exchange Commission in cooperation with the Thai Listed Companies Association, and the Thai Investors Association. TISCO was also among 96 listed companies, out of 475 in the program, to score full at 100 point. In addition, TISCO has honored for the fourth time the **SET Awards 2013 in Top Governance Report Awards Category**. The award, organized by the Stock Exchange of Thailand in corporation with the Money and Banking magazine, is given to the listed company presented with distinctive governance report appraising from the information disclosed in Annual Registration Statement (Form 56-1), the Annual Report, the Company's website, and Notice and Minutes of Shareholder Ordinary General Meeting. Besides the above mentioned recognition given, Thai Institute of Directors (IOD) also awarded TISCO as the listed company with **"Excellent"** corporate governance recognition level considering from information disclosed through the Stock Exchange of Thailand's information dissemination channel and other Company's public documents. The

Company will report the assessment result to the Corporate Governance Committee, which will further report to the Board of Directors to review IOD's recommendations to continuously develop and improve corporate governance of TISCO Group.

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

1) Rights of Shareholders

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

The Company's policy is to encourage all shareholders (individuals, juristic persons and institutional investors) to participate in shareholders' meetings so that each and everyone of them has equal rights. The Company delivers Notice of the shareholder meeting to summon shareholders to join the meetings, attached with Proxy Form A (for general shareholders), Form B (for general shareholders) and Form C (for foreign shareholders who appointed custodians within Thailand to be responsible for the shares), any shareholders who cannot attend the meeting can have their proxies taken part on their behalf. In addition, the Company has contacted institutional investors, who are funds or custodians, to send in representatives for the meeting and facilitating on advance meeting document checking and providing information or responding to any inquiries.

With regard to shareholder meetings, in addition to the annual general meeting which must be convened within 4 months of the date ending the accounting period, the Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number of paid-up shares may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholders numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of paid-up shares, may also request an extra-ordinary meeting. In such cases, the Board of Directors must set the date, time and place of the meeting within 1 month of the date of receiving the notice.

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

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

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

For the 2013 Annual General Meeting, TISCO invited shareholders to propose agenda and qualified candidates for director positions in advance, from October 3, 2012 to January 7, 2013. Before mailing out the Notice, the Company posted on the Company's website to inform shareholders their rights to propose additional agenda in the annual general meeting together with related procedures, deadline for the proposal of agenda so that the Board of

Directors shall consider include or not include the agenda in the Notice, and methods of proposing qualified candidates for director position to the Nomination and Compensation Committee for further recommend to the Board of Directors and propose to the shareholders at the annual general meeting. In this regard, upon the posting of information, the Company also disclosed through the Stock Exchange of Thailand's information dissemination channel.

- Notification of Meeting Details and Materials

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

For the 2013 Annual General Meeting, TISCO disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since February 19, 2013 and disclosed Notice of the shareholder meeting in both Thai and English languages through the Stock Exchange of Thailand's information dissemination channel and its website since March 25, 2013. The Company mailed notice and materials to shareholders since April 5, 2013.

- Meeting attendance

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

For the 2013 Annual General Meeting, the Company proposed two independent directors, Chairperson of the Audit Committee and Chairperson of the Nomination and Compensation Committee, including their profiles for shareholders to appoint as proxy. Proxy Form B which allows shareholders to indicate their voting directions was also enclosed in the Notice. In addition, shareholders can download other Proxy Forms from the Company's website.

- Shareholders' opportunity for query and comment

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

For the 2013 Annual General Meeting, all directors (12 members), TISCO Management Committee members, and the auditors attended the meeting. In addition, representatives from the Bank of Thailand were also observed the meeting.

- Conduct of the meeting and voting

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

For the 2013 Annual General Meeting, the meeting was conducted according to the Company's Articles of Association with no additional agenda, no changes to the agenda order, or no changes in important information without prior notification to shareholders. In addition, the Company assigned Ernst & Young Office Limited to ensure that the meeting was conducted with clear and transparency and in accordance with laws and the Company's Articles of Association. There were representatives of Ernst & Young Office Limited to observe in the registration and vote counting throughout the meeting.

2) Equitable Treatment of Shareholders

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

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

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

For the 2013 Annual General Meeting held on April 25, 2013, the Company notified the shareholders' meeting resolutions through the SET's information dissemination channel within the same day of the meeting and disclosed the minutes of the meetings on May 8, 2013, in compliance with the above mentioned timeframe.

Regarding measures taken to prevent conflict of interest, the Company has set the code of conduct for employees to ensure that employees comply with stipulated laws and regulations, conduct their duties with integrity, consider the Company's interests above their own, and refrain from exploiting inside information for their own benefit. Directors, Top Management or top 4 management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth ranked management, and Accounting department managers must firstly file with the Company a report on his/her interest or related

person's interest in relation to management of the Company upon the appointment and within 3 working days from the date of the change. In addition TISCO has set out rules regarding securities trading by employees, stating that all employees must open trading accounts only with its subsidiary, TISCO Securities Company Limited. Also, employees are required to seek approval from their supervisors and the Compliance Unit before executing trades. Moreover, it also prohibits Management Committee and insiders from trading TISCO's shares 7 days prior to the last working day of the month until 2 days after the financial statements or the summary statements of assets and liabilities of TISCO are published.

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

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

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

3) Role of Stakeholders

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

Complaint Channels

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| Channel 1 | Inform the complaint at TISCO Bank's Head Office or branches through officers or filling the form and submit to officers. |
| Channel 2 | Send a letter to the address below:

Compliance Department
TISCO Financial Group Public Company Limited
TISCO Tower, 21st Floor
48/49 North Sathorn Road
Silom, Bangrak
Bangkok, 10500 |
| Channel 3 | Call TISCO Contact Center at 0 2633 6000 or fax the complaint to 0 2633 6800. |
| Channel 4 | Post your complaint on TISCO's website |

Anti-Corruption Policy

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

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

4) Disclosure and Transparency

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

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

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

The Company assigned its Corporate Secretariat Office and Investor Relations Function to represent the Company in communications with shareholders, investors, analysts, credit rating agencies and related regulatory bodies. The Company's information is publicly disseminated for easy access to interested parties through various channels, including reports submitted to the SET, the SEC, and the Company's website under the topic of "Investor Relations". Furthermore, TISCO has set up numerous activities to portray or update the Company's information as well as to provide responses to inquiries from investors such as Quarterly Analyst Meetings, Press Conferences, One-on-One meetings and Meetings with investors, both local and international. The mentioned activities are also participated by senior management. In this respect, the activities arranged in 2013 were as follows;

1. 4 Quarterly Analyst Meetings and 4 general meetings with approximately 40-50 persons attended each meeting
2. 2 Press Conferences with approximately 20-30 media representatives attended each conference
3. 1 SET Opportunity Day, arranged by the Stock Exchange of Thailand, with approximately 50-60 analysts and investors attended the meeting
4. 67 One-on-One Meetings and 9 conference calls with investors and equity analysts, both local and foreign
5. Meetings with investors, both local and foreign in America, Europe and Asia including the United States, United Kingdom, Japan, Hong Kong, and Singapore. The details are as follows;
 - 5.1 15 Investor Conferences; comprising 7 local conferences and 8 international conferences, covering 260 investors attended.

For more information, please contact Investor Relations at:

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

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

5) Responsibilities of the Board

5.1 Board Structure

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

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

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

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

5.2 Board Self-assessment

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

Said assessment is essential to assess the appropriateness of the Board's composition and Board performance according to corporate governance best practices. The Board of Directors shall analyze the assessment results, recommendations

and remarks from Board members and consider applying according to the Company's business environment and operations.

In 2012, the Nomination and Compensation Committee revised the self-assessment form to be in compliance with the Thai Director Association (IOD) and to be more accurate and suitable for the Company's business. The assessment divided into 6 areas: 1) Board Policy, 2) Board Performance, 3) Board Structure, 4) Board Style, 5) Board Meetings, and 6) Board Members. The aforementioned self-assessment consists of two aspects, which are 1) comparison between usual practice and best practice and 2) efficiency. In the year 2011, the Committee agreed that the Board Performance, Board Structure, Board Members, Board Policy, Board Performance and Board Meetings were up to best practice standard. As for the efficiency, most Board members give the 'excellent' score to all 6 areas of assessment. Certain areas naming Board Policy, Board Performance and Board Meeting were evaluated as 'satisfied'. Thus, the Committees added comments and suggestions in the assessment so that the Company could take it to consideration for further improvement.

For 2013 assessment, the weight of each assessment area remains the same as the previous year. Assessment result will be presented in the Board of Directors' Meeting during early 2014.

5.3 Remuneration

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

5.4 Board and Management Training

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

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

Name	IOD Training Program
Mr. Pliu Mangkornkanok	<ul style="list-style-type: none"> ● Role of the Chairman Program ● Directors Certification Program
Ms. Oranuch Apisaksirikul	<ul style="list-style-type: none"> ● Directors Certification Program ● IOD Anti Corruption Training Program for Corporate and Executives
Prof. Dr. Pranee Tinakorn	<ul style="list-style-type: none"> ● Directors Certification Program ● Directors Accreditation Program ● Audit Committee Program ● Monitoring the Internal Audit Function Program ● Monitoring the System of Internal Control and Risk Management Program ● Monitoring Fraud Risk Management Program ● Monitoring the Quality of Financial Reporting Program ● Financial Institutions Governance Program ● Anti-Corruption for Executive Program
Assoc.Prof.Dr. Angkarat Priebjrivat	<ul style="list-style-type: none"> ● Role of the Chairman Program ● Monitoring the Internal Audit Function Program ● Audit Committee Program ● Directors Certification Program ● Directors Accreditation Program ● Monitoring the System of Internal Control and Risk Management Program

Name	IOD Training Program
	<ul style="list-style-type: none"> Monitoring Fraud Risk Management Program Anti-Corruption for Executive Program
Ms. Panada Kanokwat	<ul style="list-style-type: none"> Directors Certification Program Directors Accreditation Program Financial Institutions Governance Program Anti-Corruption for Executive Program
Ms. Patareeya Benjapolchai	<ul style="list-style-type: none"> Directors Certification Program Financial Institutions Governance Program
Mr. Pichai Chanvirachart	<ul style="list-style-type: none"> Directors Certification Program
Prof. Dr. Teerana Bhongmakapat	<ul style="list-style-type: none"> Directors Certification Program Financial Institutions Governance Program
Mr. Suthas Ruangmanamongkol	<ul style="list-style-type: none"> Directors Certification Program
Mr. Sakchai Peechapat	<ul style="list-style-type: none"> Directors Certification Program Directors Accreditation Program
Mr. Metha Pingsuthiwong	<ul style="list-style-type: none"> Directors Certification Program
Ms. Araya Thirakomen	<ul style="list-style-type: none"> Directors Certification Program
Mr. Paiboon Nalinthrangkurn	<ul style="list-style-type: none"> Directors Certification Program Directors Accreditation Program Audit Committee Program
Mr. Chalit Silpsrikul	<ul style="list-style-type: none"> Directors Certification Program
Ms. Yutiga Sonthayanavin	<ul style="list-style-type: none"> Directors Certification Program
Mr. Chatri Chandrangam	<ul style="list-style-type: none"> Directors Certification Program

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

5.5 Group Chief Executive Performance Assessment

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

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

5.6 Succession Planning

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

9.2 Other Committees

To optimize the efficiency of its corporate governance and achieve high standards of performance, the Board of Directors delegates committees to take on tasks that require detailed review or in-depth consideration. Such committees as the Executive

Board, the Audit Committee, the Nomination and Compensation Committee, and others if necessary, are entitled to make decisions on behalf of the Board of Directors or submit recommendations for consideration, depending on the committee's specific charter. The structure of each committee shall be determined by the size of business, the scope of operation, the composition of the committee, the experience and expertise of each director, and in compliance with the Principles of Good Corporate Governance. The scope of authority given to other committees shall exclude approval for conducting transactions in which the committee member has or may have conflict of interest.

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

Audit Committee

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

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

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

Nomination and Compensation Committee

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

The Nomination and Compensation Committee is appointed by the Board of Directors. Currently, the Nomination and Compensation Committee, consisting of three Directors, namely Prof. Dr. Pranee Tinakorn, Chairperson of the Nomination and Compensation Committee, Mr. Hon Kit Shing (Alexander H. Shing) and Mr. Yasuro Yoshikoshi (replacing Mr. Hirohiko Nomura, who resigned on January 16, 2014). The Chairperson of the Nomination and Compensation Committee is Independent Director.

Corporate Governance Committee

The Corporate Governance Committee acts on behalf of the Board of Directors. The roles of the Corporate Governance Committee are to set and review Corporate Governance Policies and Code of Conduct, oversee the practice of the Board of

Directors, Board committees, and the Management in compliance with the Corporate Governance Principles and Policies, Code of Conduct, and related laws and regulations, maintain checks and balances between the Board of Directors and the Management, protect shareholders' rights and ensure equitable treatment being provided, and develop corporate governance system for the benefits of shareholders and other stakeholders of TISCO. In addition, the Corporate Governance Committee promotes and supports good corporate governance in integrity, transparency, independence, accountability, responsibility, and fairness, which will serve the best interests of shareholders and other stakeholders of TISCO.

The Corporate Governance Committee is appointed by the Board of Directors. Currently, the Corporate Governance Committee, consisting of three Independent Directors, namely Ms. Patareeya Benjapolchai, Chairperson of the Corporate Governance Committee, Mr. Pichai Chanvirachart and Prof. Dr. Teerana Bhongmakapat.

Executive Board

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

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

Specific-Area Committee of TISCO Financial Group

- The Risk Management Committee is responsible for setting up effective risk management policies, guidelines and limits. The committee regularly reviews risk positions of TISCO Group to ensure comprehensive and timely risk monitoring and control. The Enterprise risk management and risk research functions support the committee in assessing and monitoring group's risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, and performs risks analyses of new businesses for TISCO Group.
- The Compliance and Operation Control Committee is responsible for reviewing internal control guidelines and processes, as well as following up and detecting issues and compliance related to internal controls, to ensure that operational risks are thoroughly addressed and managed. The Operational Risk Management, together with Internal Audit, Legal, and Compliance functions support the Committee in reviewing and monitoring group's risk profile and errors to be in compliance with the guidelines and related regulations.
- The Information Technology Committee is responsible for setting up an effective IT technology policy and prudent operating guidelines to ensure accuracy and security of information.

Specific-Area Committee of TISCO Bank and other subsidiaries

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

9.3 Directors, Independent Directors and Management Selection Guidelines

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

9.3.1 Director and Independent Director Nomination

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

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

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

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

9.3.2 Management Selection

The Nomination and Compensation Committee shall identify and propose qualified nominees with necessary expertise to be appointed as Top Management to the Board. The prerequisites in selection should generally include consideration on the candidates' character, technical competence, and employment experience in the financial services field. The successful candidate should share the board's operating philosophy and vision of the Company's future in order to ensure that the institution's goals are met. It is important that mutual trust and a close working relationship are established. The Nomination and Compensation Committee shall recommend qualified candidates to the Board of Directors for approval.

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

9.3.3 Qualifications of Independent Director

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

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

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

- None -

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

9.4 Corporate Governance of Subsidiary Companies and Joint Companies

The Company, the parent company of TISCO Group, oversees, monitors and controls business operations of all subsidiary companies to ensure that all companies in TISCO Group operate under the same standard to maximize shareholders' benefit. The corporate governance, risk management, business development, compliance and corporate support functions are centralized at the Company. Subsidiary companies function as strategic business unit, responsible for marketing & customer relationship, and transaction processing & credit control activities. Details on management structure are as shown on page 8-2.

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

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

9.4.1 Roles and Responsibilities of the Board

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

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

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

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

All major activities of TISCO Group are to be regulated by policy which shall be flexible. When required, they should extend

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

to cover new or improved practices and adapt to changing business conditions. Having clearly written policies prevents miscommunication. Newly introduced activities should not be undertaken without proper implementation of policy. The Board should specify appropriate procedures in monitoring and reporting risk activity.

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

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

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

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

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

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

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

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

9.5 Control of Internal Information

TISCO Group's compliance manual acts as a set of guidelines to help employees perform their duties fairly and honestly, comply with applicable laws and regulations, avoid conflicts of interest, and not seek to benefit from insider information. Business guidelines, regulations, and the code of conduct have all been compiled to create the Company's compliance manual. With respect to TISCO Group's regulations governing employee securities trading, the Group requires management and employees to open trading accounts with TISCO Securities, its subsidiary. In this regard, he or she must, however the case may be, report their transaction to the Compliance function. Furthermore, the Group also prohibits senior management and insiders from trading the Company's shares within 7 working days before last day of the month until 2 days after the Company's monthly financial statements or concise assets and liabilities statement (C.B 1.1) are published. Penalties shall be imposed for any breaches.

9.6 Auditor's Fee

9.6.1 Audit Fee

The Company and its subsidiaries for the year 2013 amounting of 7,743,898 baht to Ernst & Young Office Limited.

9.6.2 Non Audit Fee

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

9.7 Compliance with Related Corporate Governance Practices

9.7.1 Business Ethics

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

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

10. Corporate Social Responsibility

10.1 Overview

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

TISCO Group places great importance on its corporate commitment to social responsibility as one of the group's core values. For more than 45 years, TISCO Group operates businesses with ethics and strong sense of social responsibilities. These values incorporate into management practices as examples for younger generation to follow the footsteps and become our corporate culture, to commit to the highest ethical standards as follow:

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

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

10.2 Framework and Approach to Reporting

10.2.1 Approach to Reporting

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

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

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

10.2.2 Framework

1. Ethical Business Operation

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

2. Anti-corruption

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

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

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

3. Respect on Human Rights

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

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

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

4. Labor Justice

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

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

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

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

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

5. Responsibility on Consumers

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

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

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

6. Environmental Conservation

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

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

7. Community and Social Development

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

TISCO Group's community and social support has continuous and systematic plan to create sustainable development. For more than thirty years, TISCO Foundation for Charity was established to work full time on social development, providing opportunities to the underprivileged to be able to rely on themselves. The Foundation's main activities are to provide scholarships for needy students nationwide, and provide start-up and medical treatment funds for the underprivileged to help them stand on their own feet and be able to earn their living. Every year the Foundation's working team went on field trips to visit schools and students to follow up the scholarship recipients' performance. (see more 10.4 after process).

8. Innovation from Social Works

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

10.3 Social and Environment Affect Business

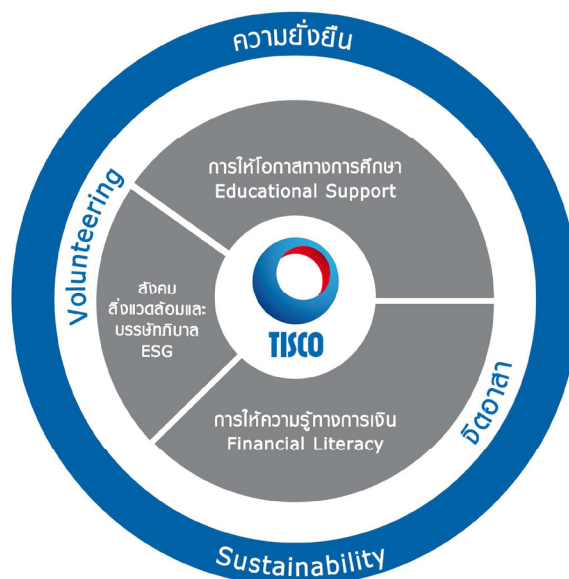
TISCO Group has placed high standard on responsibility to the customers. The company's lease purchases contracts as well as other transactional contracts are widely accepted and meet the standards of the Office of the Consumer Protection Board to ensure fairness and maximum benefit to customers.

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

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

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

TISCO Group's Social Responsibility Roadmap



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

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

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

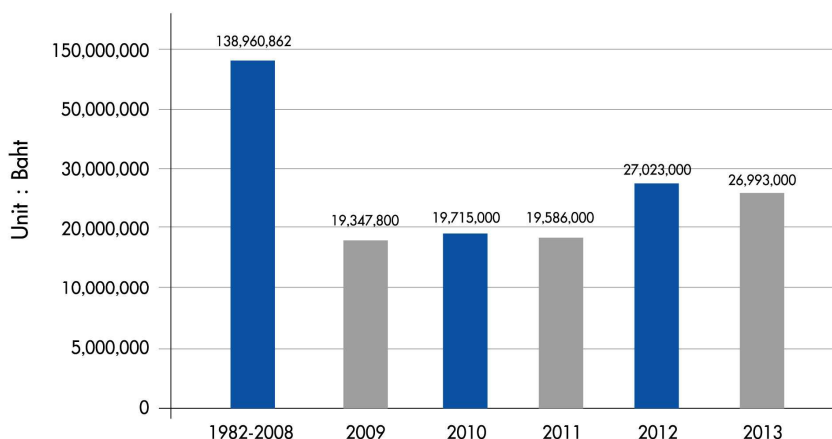
CSR Highlight in 2013

1. Educational Support

1.1 Educational Scholarship

For more than 30 years, TISCO Group has been granting educational scholarship to needy students nationwide through TISCO Foundation for Charity that was established in 1982 to work towards the long-term goal of improving society and the nation. Apart from the interest generated by the foundation's capital fund, the foundation has received regular support from TISCO Group, TISCO employees and the general public. The interest income from such funds has been donated to many charitable projects in accordance with the foundation's objectives.

TISCO Foundation's Education Support



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

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

Follow-up Progress: TISCO Foundation has regularly followed-up and made outcome evaluations of the scholarships to maximize its benefits in the future. TISCO Foundation’s committee members, staff and voluntary working group usually made follow-up progress by visiting schools and homes of the granted students and also the prospective ones. As for the start-up fund support, the Foundation’s staffs usually visit the fund recipients to see their progress 2 times, once after the funds have been granted for 2 months, and once after 1 year. In 2013, TISCO Foundation’s staff went on field trips to follow up scholarships Performance nationwide as follow:

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

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

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

1.2 "Teaching Enhancement Project"

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

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

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

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

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

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

Name of the schools that enrolled in the program;

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

1.3 School Reconstruction and Renovation Projects

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

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

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

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

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

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

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

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

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

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

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

1.4 Support education with alliances and network

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

2. Social Financial Literacy

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

2.1 "TISCO Fun-nancial Champion" Project

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

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

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

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

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

2.2 "TISCO Young Financial Planner" Project

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

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

3. Environment, Social and Governance – ESG

Social

3.1 Blood Donation

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

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

3.2 Promoting Self-Sustainability in the Community Projects

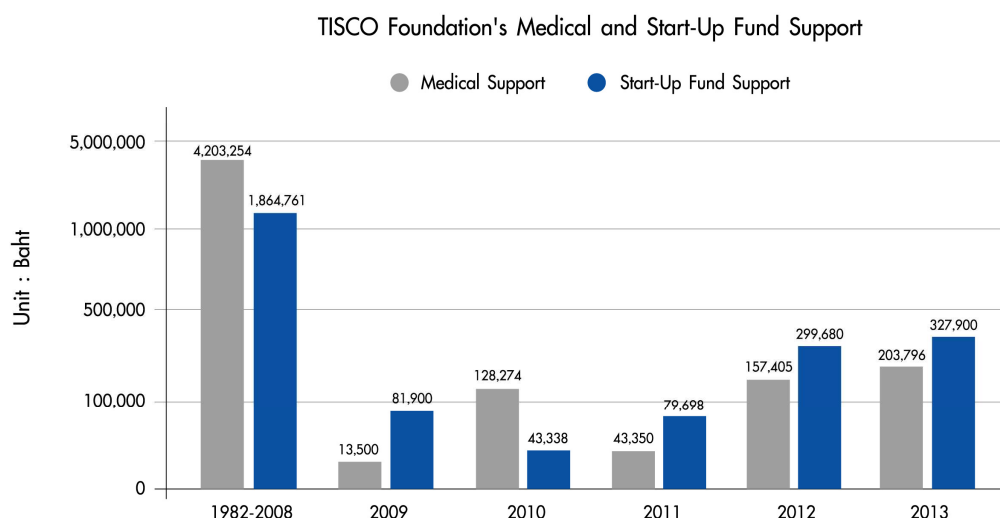
This project was initiated by following His Majesty the King's Self-Sufficiency economy philosophy and TISCO Group Corporate Social Responsibility commitments. This project was created to support developing local products that meet market need in the communities and to teach marketing and management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

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

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

3.3 Medical Fund and Start-up Fund

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



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

3.4 Support Social Activities with network

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

3.5 Art, Religious and Cultural Support

1. Thai Contemporary Art Support

TISCO Group has been a pioneer and continuous supporter of Thai contemporary art since 1970. The company realizes that a vibrant cultural life is important for sustaining national pride and identity. To help promote and preserve Thai culture, Thai contemporary and modern arts, TISCO Group consistently support a number of initiatives and collected more than 400 Thai contemporary and modern art works. TISCO Art Collection has been recognized as one of the best in the country boasting great diversity that unfolds the maturity and long history of nation's contemporary art. The collection covers many early works of prominent artists at present which are rare to find nowadays. It is also considered a reflection of the journey of Thai contemporary art in four decades.

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

2. Religious Support

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

3. Other Art, Religious and Culture Support with network

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

Environmental Conservation

3.6 Reforestation Project

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

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

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

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

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

Corporate Governance

3.7 Support Corporate Governance

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

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

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

Summary of Corporate Social Responsibility Donations and Supports in 2013

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

Remarks

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

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

The Committee's Planning and Implementation for Corporate Social Responsibility

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

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

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

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

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

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

10.5 Anti-Corruption Guideline

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

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

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

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

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

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

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

10.6 Honors & Awards in 2013

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

NACC Integrity Awards 2012

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

Aon Hewitt Best Employers in Thailand 2013

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

Board of The Year 2013

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

Top Corporate Governance Report Awards 2013

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

Outstanding Investor Relations Awards 2013

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

Outstanding Securities Company Awards 2013 - Retail Investors

TISCO Securities received Outstanding Securities Company Awards 2013 - Retail Investors from the SET Awards 2013, organized by the Stock Exchange of Thailand and Money and Banking Magazine. The Award was presented to listed companies that have excellent performance. There were two areas of consideration: the outstanding ability and good service to operate as a broker and performance of securities analysis and qualified portfolio that has covered a wide range of securities based on quantitative and qualitative data on the key areas. The survey of clients and good practiced policy and guidelines by its staff are the areas of consideration.

Outstanding Securities Company Awards 2013 – Institutional Investors

TISCO Securities received Outstanding Securities Company Awards 2013 – Institutional Investors from the SET Awards 2013, organized by the Stock Exchange of Thailand and Money and Banking Magazine. The Award was presented to listed companies that have excellent performance. There were two areas of consideration: the outstanding ability and good service to operate as a broker and performance of securities analysis and qualified portfolio that has covered a wide range of securities based on quantitative and qualitative data on the key areas. The survey of clients and good practiced policy and guidelines by its staff are the areas of consideration.

11. Internal Control and Risk Management

Overview of Internal Control

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

Oversight of Internal Control System and Risk Management

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

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

1. The Executive Board of the parent company oversees all the internal control systems of TISCO Group by taking into account of good corporate governance and consolidated supervision principle of the BOT. TISCO Financial Group as parent company has delegated sub-committees to oversee and control all specific risk areas, namely: the Risk Management Committee, the Compliance and Operation Control Committee, and the Information Technology Committee while other subsidiaries including TISCO Group have also established sub-committees to be in line with complexity of the business involved, namely the Risk Management Committee, the Credit Committee, and the Problem Loan Committee. Effective policies and guidelines for internal controls and risk management have been set up with clearly-defined roles and responsibilities and are documented in writing.
2. The Audit Committee of TISCO Financial Group independently reviews the assessment of the adequacy of the TISCO Group's internal control system, as annually prepared by the Executive Board, in relation to the group's risks, and also reviews the policy and guidelines for internal audit as well as for the Compliance and Operation Control Committee and the Audit Committee of other subsidiaries to ensure that financial statement reports are transparent and accurate. The committee also effectively assesses that all business operations have adequate internal controls and are in compliance with laws and regulations, and reports the key issues to the Board of Directors of TISCO Financial Group for consideration. For other subsidiaries under the supervision of regulators, the Audit Committee, internal control and internal audit reporting process have been established in each company. Additionally, the Audit Committee of TISCO Group has been delegated by the parent company, and is responsible for independent audit and assessment of the adequacy of the Bank's internal control system to ensure that financial statement reports of the bank are transparent and accurate. The committee also effectively assesses that all business operations have adequate internal controls and are in compliance with laws and regulations, and shall be directly reported to the Audit Committee of TISCO Financial Group, whilst internal audit and control process in other companies shall also be reported directly to the Audit Committee of TISCO Financial Group.

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

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

1) *Control Environment*

TISCO Group has developed appropriate control environment to ensure the sound internal control system. The Board of Directors and Senior Management set tone at the top and incorporate integrity into corporate core values and code of conduct for the Board and staff. The Board is independent from the Management and is accountable for an oversight of the development and performance of internal control. The Management establishes structures, reporting lines, authorities, and responsibilities to drive the pursuit of business objectives under supervision of the Board. On human resource management practice, TISCO Group demonstrates a commitment to attract, develop, and retain competent individuals in alignment with the objectives.

2) *Risk Assessment*

TISCO Group places great importance on effective risk management and controls. The Risk Management Committee is delegated to be responsible for establishing effective risk management policies, prudent risk

management guidelines and limits. The Risk Management Committee assesses and measures risks, particularly in the areas of credit, market, funding, operational and fraud risks. With effective risk management framework and system in measuring and monitoring risks, risk reports are routinely provided to the senior management and relevant business units. Compliance to the risk management guidelines and limits is regularly monitored by risk management function while overall risk management process is also examined by independent internal auditors on regular basis.

3) *Control Activities*

To manage potential risk to be at the optimum level, TISCO Group selects and develops the appropriate mix of control activities for each environment and operations including development of clear role and responsibilities, segregation of duties through policies and procedures, as well as control activities over technology. In regard of related transaction, the transaction is on arm's length basis in accordance with the principles of good corporate governance and the group's related party transaction policy. The Company also regularly monitors the operation of subsidiaries.

4) *Information and Communication*

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

5) *Monitoring Activities*

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

11.1 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 2/2014 on February 7, 2014 where the 7 members of independent directors and 3 members of Audit Committee were present, the Board assessed the Company's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee. The Board viewed that the Company's internal control system is adequate based upon the assessment of five aspects: Organizational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, including sufficient internal control system for transaction with major shareholders, management and related persons, with details provided in Attachment 7.

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

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

11.3 Head of Internal Audit Unit and Head of Compliance Unit

(1) Head of Internal Audit

In the Audit Committee Meeting No. 12/2012 on December 3, 2012, Miss Jiraporn Sawsukpaiboon was appointed as a Head of Internal Audit, effective on February 1, 2013, considering that Ms. Jiraporn is well experienced in TISCO internal auditing work and in assisting all the matters about the Audit Committee meeting. Regarding the Audit Committee Charter, the Audit Committee is responsible for appointment, dismissal and transfer a Head of Internal Audit. Qualification of the current Head of Internal Audit is provided in the Attachment 4.

(2) Head of Compliance

TISCO Group appointed Mrs. Dulyarat Taveephol to be a Head of Corporate Compliance to support the Compliance and Operation Control Committee to ensure TISCO Group compliance to related laws and regulations. Compliance Function is under supervision of Governance Office which is headed by Mr. Pairat Srivilairit. Qualification of the current Heads is provided in the Attachment 4.

12. Related Party Transactions

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

12.1 Measures or procedures for approval of related party transactions

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

12.2 Future related transaction policy

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

Part 3

13. Key Financial Information

13.1 Financial Statements

Summary of Auditor's Report

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

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

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

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

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2012 and 2013 was Ms. Ratana Jala, Certified Public Accountant (Thailand) No. 3734, of Ernst & Young Office Limited. The conclusion of his report can be summarized as follows:

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

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

	Balance Sheets		
	As of		
	Unit: Thousand Baht		
	December 31, 2011	December 31, 2012	December 31, 2013
Assets			
Cash	903,450	1,046,330	1,131,004
Interbank and money market items - net	30,722,345	31,196,279	53,241,962
Derivatives assets	45,374	41,863	32,857
Investments - net	3,706,257	7,015,518	11,489,596
Loans to customers and accrued interest receivables			
Loans to customers	203,429,925	273,311,973	320,767,368
Accrued interest receivable	258,374	352,769	535,851
Total loans to customers and accrued interest receivables	203,688,299	273,664,742	321,303,219
Less: Deferred revenue	(18,416,303)	(24,996,296)	(28,616,716)
Less: Allowance for doubtful accounts	(4,420,351)	(5,121,518)	(6,354,337)
Less: Allowance for loss on debt restructuring	(3)	(3)	-
Loans to customers and accrued interest receivables	180,851,642	243,546,925	286,332,166
Property foreclosed - net	257,869	272,533	124,757
Investment property	952	304	16,856
Premises and equipment - net	1,450,901	1,384,381	2,511,745
Intangible assets - net	182,317	126,709	111,964
Deferred tax assets	355,401	306,126	245,383
Securities and derivative business receivable - net	724,650	2,223,792	1,546,662
Other assets	1,516,412	3,336,175	2,477,567
Total assets	220,717,570	290,496,935	359,262,519
Liabilities and shareholders' equity			
Liabilities			
Deposits	37,978,994	219,823,339	264,640,753
Interbank and money market items - net	14,478,653	13,970,608	16,702,692
Liability payable on demand	448,049	652,310	344,864
Payable under securities borrowing and lending business	-	163	-
Derivatives liabilities	276,056	747	315,668
Debts issued and borrowings	145,396,598	27,877,250	44,083,619
Provision for long-term employee benefits	205,141	324,357	334,539
Deferred tax liabilities	61,339	158,583	159,797
Securities and derivative business payables	469,540	1,523,645	1,511,017
Accrued interest payable	1,396,455	1,773,793	1,710,574
Income tax payable	137,821	428,307	470,457
Other liabilities	3,557,332	5,583,583	5,770,481
Total liabilities	204,405,978	272,116,685	336,044,461
Shareholders' equity			
Share capital			
Registered	11,002,000	11,002,000	8,007,033
Issued and fully paid-up			
33,858 preference shares of Baht 10 each ¹	339	339	339
800,621,625 ordinary shares of Baht 10 each ²	7,278,782	7,278,782	8,006,216
	7,279,121	7,279,121	8,006,555
Share premium of ordinary shares	-	-	1,018,408
Other components of shareholders' equity	999,037	1,040,375	1,570,190
Retained earnings			
Appropriated-statutory reserve	297,900	405,200	496,200
Unappropriated	7,634,389	9,471,665	11,895,567
Equity attributable to owners of the Company	16,210,447	18,196,361	22,986,920
Non-controlling interest of the subsidiaries	101,145	183,889	231,138
Total shareholders' equity	16,311,592	18,380,250	23,218,058
Total liabilities and shareholders' equity	220,717,570	290,496,935	359,262,519

¹(31 December 2011: 35,358 preference shares of Baht 10 each)

²(31 December 2011: 727,876,728 ordinary of Baht 10 each)

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of Earnings
For the years ended

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Interest incomes	12,368,668	15,210,612	19,271,733
Interest expenses	(5,461,341)	(8,166,146)	(10,303,571)
Net interest income	6,907,327	7,044,466	8,968,162
Fees and service income	3,066,989	4,407,551	5,415,720
Fees and service expenses	(212,818)	(278,919)	(225,870)
Net fees and service income	2,854,171	4,128,632	5,189,850
Net gains (losses) on tradings and foreign exchange transactions	42,905	167,256	74,647
Net gains (losses) on investments	34,266	120,532	353,774
Gain on revaluation of investment property to fair value	-	-	16,850
Dividend income	83,257	82,856	99,144
Penalty fee income from loans	220,532	256,662	285,288
Income from business promotion relating to the business	538,092	1,259,511	736,858
Reversal allowance for impairment of property foreclosed	248,232	-	-
Other operating incomes	143,759	122,972	76,997
Total operating income	11,072,541	13,182,887	15,801,570
Expenses to business promotion relating to the business	598,701	1,422,668	900,370
Total net operating income	10,473,840	11,760,219	14,901,200
Operating expenses			
Employee's expenses	2,722,316	3,223,511	3,449,241
Directors' remuneration	13,231	13,345	13,095
Premises and equipment expenses	685,086	843,452	915,649
Taxes and duties	224,067	174,668	216,185
Other operating expenses	691,158	769,330	746,010
Total operating expense	4,335,858	5,024,306	5,340,180
Bad debt and doubtful accounts and impairment loss of debt securities	1,283,075	1,922,244	4,141,224
Profit from operating before tax expenses	4,854,907	4,813,669	5,419,796
Income tax expenses	1,561,908	1,080,661	1,064,050
Profit for the year	3,292,999	3,733,008	4,355,746

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of Earnings
For the years ended

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Other comprehensive income			
Gain (losses) arising from translating the financial statements of a foreign operation	2,427	(1,467)	(81,795)
Investment in available-for-sale securities	(23,558)	(61,777)	13,098
Actuarial gains (losses)	-	-	1,176,123
Cash flow hedges	124,252	(112,575)	(22,587)
Income tax effect	77,213	73	(156,216)
Other comprehensive income for the year	(71,470)	(1,656)	531,077
Total comprehensive income for the year	3,221,529	3,731,352	4,886,823
Profit attribute to			
Equity holders of the Company	3,266,755	3,705,180	4,249,050
Non-controlling interests of the subsidiaries	26,244	27,828	106,696
	3,292,999	3,733,008	4,355,746
Total comprehensive income attributable to	-	-	-
Equity holders of the Company	3,197,405	3,696,488	4,790,562
Non-controlling interests of the subsidiaries	24,124	34,864	96,261
	3,221,529	3,731,352	4,886,823
Basic Earnings per share	4.49	5.09	5.55

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

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Cash flows from operating activities			
Profit before income tax	4,854,907	4,813,669	5,419,796
Adjustments to reconcile income before income tax expenses to net cash provided by (paid from) operating activities			
Depreciation and amortisation	303,525	325,414	300,592
Bad debts and doubtful accounts	1,975,565	2,749,722	5,011,844
Allowance for impairment of investments (reversal)	44,636	(66,896)	(4,987)
Allowance for impairment of property foreclosed (reversal)	(248,232)	(315)	(17)
Gain (loss) on disposal of investments	(84,101)	(50,892)	(351,862)
Unrealised (gain) loss on trading and foreign exchange transactions	(40,219)	(24,420)	(51,436)
Loss from written-off of equipment	(7,844)	(5,964)	5,443
Loss on written-off of equipment and intangible assets	3,331	870	-
Gain on revaluation of investment property to fair value	-	-	(16,850)
Unrealised loss from trading securities	7,504	21,688	-
Gain on disposal of property foreclosed	(69,087)	(54,938)	(14,557)
Gain on cash flow hedge	-	(100,761)	-
Provision for long-term employee benefits	24,448	62,657	48,050
Decrease (increase) in other accrued income	(10,570)	(95,410)	66,325
Increase in accrued expenses	482,498	647,418	349,361
Net interest income	(6,907,327)	(7,044,466)	(8,968,162)
Dividend income	(83,257)	(82,856)	(99,144)
Interest received	12,007,185	14,987,139	18,857,411
Interest paid	(3,530,306)	(7,788,807)	(9,129,292)
Dividend received	83,257	82,856	95,144
Income tax paid	(1,458,144)	(653,584)	(775,818)
Profit from operating activities before changes in operating assets and liabilities	7,347,769	7,722,124	10,730,955
Operating assets (increase) decrease			
Interbank and money market items	(17,886,400)	(634,472)	(22,041,794)
Investment in trading securities			
Loans to customers	(37,944,184)	(67,212,737)	(50,029,964)
Receivable from clearing house	569,311	(1,499,141)	677,130
Securities and derivative business receivables	-	-	(135,450)
Property foreclosed	1,135,453	1,808,696	2,906,231
Other assets	1,790	(1,266,506)	628,429
Operating liabilities increase (decrease)			
Deposits	(10,554,229)	181,844,344	44,817,414
Interbank and money market items	3,637,009	(505,287)	2,717,872
Liability payable on demand	(84,399)	204,261	(307,446)
Payable to clearing house	-	567,939	(553,494)
Securities and derivative business payables	(1,141,146)	1,054,105	(12,628)
Provision for long-term employee benefits	-	-	(24,770)
Short-term debts issued and borrowings	58,254,880	(114,123,148)	15,317,069
Other liabilities	(399,859)	468,353	(705,880)
Net cash flows from (used in) operating activities	2,935,995	8,428,531	3,983,674

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

Unit: Thousand Baht

	December 31, 2011	December 31, 2012	December 31, 2013
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(1,046,880)	(5,874,225)	(16,647,618)
Cash received from sale of investment in securities held for investment	3,607,966	2,831,237	12,186,959
Cash paid for purchase of equipment	(183,356)	(170,057)	(215,411)
Cash paid for purchase of intangible assets	(53,233)	(22,325)	(49,012)
Cash paid from disposal of intangible assets	9	-	-
Cash received from disposal of equipment	9,456	8,959	18,580
Cash received from share capital reduction of a subsidiary	-	49,000	-
Net cash flows from (used in) investing activities	2,333,962	(3,177,411)	(4,706,502)
Cash flows from financing activities			
Borrowings	(3,710,504)	(3,639,200)	(110,700)
Cash received from issuance of long-term debentures	76,000	1,243,000	1,000,000
Cash paid for the redemption of long-term debentures	-	(1,000,000)	-
Dividend paid	(1,637,736)	(1,710,573)	(1,745,845)
Cash received from increase in share capital	-	-	1,745,842
Net cash flows from (used in) financing activities	(5,272,240)	(5,106,773)	889,297
Translation adjustment	2,427	(1,467)	81,795
Net increase (decrease) in cash	144	142,880	84,674
Cash at beginning of year	903,306	903,450	1,046,330
Cash at the end of the year	903,450	1,046,330	1,131,004
Supplemental cash flows information			
Non-Cash transaction			
Revaluation adjustment of assets	-	-	1,176,123
Conversion of preference shares of ordinary shares	28	-	-
Transfer of properties foreclosed from receivables for debt settlement	3,382	-	-
Transfer of investment property to premises and equipment	84,841	-	-

13.2 Important Financial Ratios

		2011	2012	2013
Profitability Ratio				
Gross Profit Margin	(%)	63.6	57.2	57.5
Net Profit Margin	(%)	27.7	26.2	21.9
Return on Average Shareholders' Equity	(%)	21.0	21.5	20.6
Interest Income Ratio	(%)	6.3	5.6	6.0
Interest Expense Ratio	(%)	3.1	3.2	3.5
Interest Spread	(%)	3.2	2.4	2.5
Return on Investment	(%)	5.9	8.6	6.5
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	3.5	2.8	2.8
Return on Average Assets	(%)	1.7	1.4	1.3
Total Asset Turnover	(times)	0.1	0.1	0.1
Financial Ratio				
Debt to Equity Ratio	(times)	12.5	14.8	14.5
Total Loans to Total Borrowing and Deposits	(%)	100.6	100.0	94.5
Total Loans to Public Borrowing	(%)	487.1	113.0	110.4
Public Borrowing to Total Liabilities	(%)	18.6	80.8	78.8
Dividend Payout Ratio	(%)	52.4	47.2	N/A
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	2.4	2.0	2.2
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	0.9	1.1	1.3
Non-accrued loans ¹ to Total Loans	(%)	1.7	1.4	1.8
Loan loss provision to Non-performing loans	(%)	169.2	165.3	127.9
Accrued Interest Receivable to Total Loans	(%)	0.1	0.1	0.2
Other Ratios				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.0	0.0	0.0
Capital Funds to Risk Weighted Asset (BIS)	(%)	14.91	12.79	13.37
Net Capital Rule (TISCO Securities)	(%)	102.50	52.40	58.70

¹according to the Bank of Thailand's definition

14. Management Discussion and Analysis

The Management Discussion and Analysis compares operating performance and financial position of TISCO Group for the year 2013, in which TISCO Financial Group Public Company Limited is the parent company, with those of the year 2012

Movement of Money Market and Capital Market

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

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

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

Major Events

According to capital management plan of TISCO Group, TISCO Financial Group Plc. ("the Company") and TISCO Bank Plc. ("the Bank") carried out the capital increase in order to support future business expansion. Thus, the Company issued and allocated transferable subscription rights ("TSR") at no cost to the existing shareholders at the offering ratio of 10 existing shares (common shares and preferred shares) for 1 unit of TSRs conveys the right to purchase 1 newly issued share of the Company at the price of 24 baht per share. After the completion of exercise period, there were 72,743,397 capital increased shares allocated (100% of allocated TSRs) or accounted for new capital of 1,745.84 million baht. As the result, the paid-up capital of the company increased to 8,006,554,830 baht, comprised of 800,621,625 common shares and 33,858 preferred shares, both with par value of 10 baht per share.

The Bank, the core company of TISCO Group, 99.99% held by the Company, issued and offered the capital increase share to the existing shareholders at the offering ratio of 8 existing shares for 1 unit of newly issued share at the price of 20.88 baht per share which accounted for new capital of 1,900.00 million baht. As a result, the paid-up capital increased to 8,191,712,820 baht comprised of 819,171,178 common shares and 104 preferred shares, both with par value of 10 baht per share

14.1 Operating Performance for the Year 2013

TISCO Financial Group Public Company Limited had net profit from operations on a standalone basis totaling 1,818.72 million baht, mainly contributed by service fee income and dividend income from subsidiary companies within the group. As a holding company, TISCO Financial Group Public Company Limited operates as shareholder in other company and no other major business. Therefore, the analysis was based on the Company's consolidated operating performance and financial position which comprised of 2 main businesses: commercial banking business and securities business.

In 2013, TISCO Group had a consolidated net profit to owners of the Company of 4,249.05 million baht, increased by 543.87 million baht (14.7% YoY) contributed by an increase in total interest income of 26.7% (YoY) following the loan portfolio expansion of 17.7% (YoY). Meanwhile, the loan spread remained stable at 3.1% (YoY). Furthermore, non-interest income from core business¹ was 5,730.49 million baht, increased by 1,023.60 million baht (21.7% YoY) contributed by the increase in banking fee of 28.0% (YoY) following the expansion of loan and bancassurance businesses. The brokerage fee also increased by 35.6% (YoY) following higher average trading volume and market share of TISCO Securities Co., Ltd. together with an increased in basic fee income from asset management business of 25.7% (YoY), mainly contributed by the issuance of new funds that matched with market demand. Basic earnings per share for the year 2013 was 5.55 baht compared with 5.09 baht in 2012. Meanwhile, the return on average equity (ROAE) in 2013 was at 20.6% compared with 21.5% in 2012.

(1) Consolidated Revenue Structure

The Company and its subsidiaries' consolidated revenue structure in 2012 and 2013 are illustrated in Table 1.

Table 1: Consolidated Revenue Structure

Type of Revenue	2012		2013		Change
	Amount (Bt. million)	%	Amount (Bt. Million)	%	% YoY
Interest income					
Interest on loans	4,477.68	38.1	5,895.65	39.6	31.7
Interest on interbank and money market items	730.84	6.2	996.51	6.7	36.4
Hire purchase and financial lease income	9,827.13	83.6	12,162.83	81.6	23.8
Investments	174.96	1.5	216.75	1.5	23.9
Total interest income	15,210.61	129.3	19,271.73	129.3	26.7
Interest expenses	(8,166.15)	(69.4)	(10,303.57)	(69.1)	26.2
Net interest income	7,044.47	59.9	8,968.16	60.2	27.3
Fee income	4,407.55	37.5	5,415.72	36.3	22.9
Fee expenses	(278.92)	(2.4)	(225.87)	(1.5)	(19.0)
Net fee income	4,128.63	35.1	5,189.85	34.8	25.7
Gain on investment and foreign exchange transaction	287.79	2.4	428.42	2.9	48.9
Other operating income	1,722.00	14.6	1,215.14	8.2	(29.4)
Total operating income	13,182.89	112.1	15,801.57	106.0	19.9
Expenses to business promotion relating to the business	(1,422.67)	(12.1)	(900.37)	(6.0)	
Total net operating income	11,760.22	100.0	14,901.20	100.0	26.7
Non-interest expenses	(5,024.31)		(5,340.18)		
Bad debt and doubtful account and impairment loss of debt securities	(1,922.24)		(4,141.22)		
Profit before income tax and minority interest	4,813.67		5,419.80		12.6
Corporate income tax	(1,080.66)		(1,064.05)		
Profit before minority interest	3,733.01		4,355.75		16.7
Minority interest in net earnings in subsidiary company	(27.83)		(106.70)		
Net profit	3,705.18		4,249.05		14.7

(2) Net Interest Income

Net interest income was 8,968.16 million baht, increased by 1,923.70 million baht (27.3% YoY), while total interest income was 19,271.73 million baht, increased by 4,061.12 million baht (26.7% YoY), following a continuous expansion of loan portfolio. Meanwhile, interest expense increased by 2,137.43 million baht (26.2% YoY) to 10,303.57 million baht, resulting from an expansion of funding base as well as higher funding cost products from client base expansion.

Yield on loan was at 6.6% slightly decreased from 6.7% (YoY) contributed partly by higher competition and the declining of market interest rate. Meanwhile, cost fund also declined from 3.6% to 3.5% (YoY) following market interest rate trend, coupled with effective cost management. As the result, loan spread remained stable at 3.1%. In addition, Net interest margin was at 2.8% which was at the same level as in 2012.

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

TISCO Group reported net interest income after impairment loss of loans and debt securities totaled 4,826.94 million baht, decreased by 295.28 million baht (5.8% YoY). Impairment loss of loans and debt securities totaled 4,141.22 million baht, compared with 1,922.24 million baht (YoY), following loan portfolio expansion as well as rising NPL during the year mainly from used car portfolio due to pressure from price decline in the used car market.

Table 2: Interest spread year 2012 - 2013

	%	2012	2013
Yield on Loans		6.7	6.6
Cost of fund		3.6	3.5
Loan spread		3.1	3.1

(3) Non-interest Income

Non-interest income of TISCO Group's core businesses was recorded at 5,730.49 million baht, increased by 1,023.60 million baht (21.7% YoY) resulting from an increase in banking fee of 790.81 million baht (28.0% YoY) following strong growth in loan and bancassurance businesses as well as an increase in brokerage fee of 279.92 million baht (35.6% YoY) following higher average trading volume and market share of TISCO Securities Co., Ltd. In addition, basic fee income from asset management business increased by 172.24 million baht (25.7% YoY) mainly contributed by the expansion of asset under management as well as continually fund product development that aligns with market condition and demand.

(4) Operating Expenses

Operating expenses were 5,340.18 million baht, increased by 315.87 million baht (6.3% YoY) mainly driven by variable expenses associated with revenue growth. In addition, the cost to income ratio was decreased to 35.8% compared with 42.7% in the 2012 following the strong revenue growth coupled with effective operating cost control.

(5) Corporate Income Tax

In 2013, the corporate income tax was 1,064.05 million baht, equivalent to the effective tax rate of 19.6%, compared to 22.4% (YoY) following the adjusted corporate tax from 23% to 20% according to the government policy.

14.2 Financial Position**(1) Assets**

As of December 31, 2013, TISCO Group's total assets were 359,262.52 million baht increased by 23.7% (YoY) due mainly to increase in loans and receivables from 248,315.68 million baht to 292,150.65 million baht (17.7% YoY) together with an increase in interbank and money market items from 31,196.28 million baht to 53,241.96 million baht (70.7% YoY).

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

Assets	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	1,046.33	0.4	1,131.00	0.3	8.1
Interbank and Money Market Items	31,196.28	10.7	53,241.96	14.8	70.7
Derivative Asset	41.86	0.0	32.86	0.0	0.0
Fixed income	4,775.53	1.6	9,840.22	2.7	106.1
Equity	2,239.99	0.8	1,649.38	0.5	(26.4)
Corporate Loans	42,993.75	14.8	53,679.77	14.9	24.9
Retail Loans	175,030.69	60.3	204,190.01	56.8	16.7
Commercial Loans	25,780.61	8.9	32,034.44	8.9	24.3
Other Loans	4,510.63	1.6	2,246.43	0.6	(50.2)
Allowance for doubtful accounts and for loss on debt restructuring	(5,121.52)	(1.8)	(6,354.34)	(1.8)	24.1
Other Assets	8,002.79	2.8	7,570.78	2.1	(5.4)
Total – TISCO Group	290,496.94	100.0	359,262.52	100.0	23.7

(a) Investments

As of December 31, 2013, the investment was 11,489.60 million baht increased by 4,474.08 million baht (63.8% YoY) due to an increase in fixed income investment.

(b) Loans and Receivables Breakdown

Total consolidated loans and receivables as of December 31, 2013 were 292,150.65 million baht, up by 43,834.98 million baht (17.7% YoY), following growth in loan portfolio in retail and corporate loans. The composition of loan portfolio was 69.9% of retail loans, 18.4% of corporate loans, 11.0% of commercial loans and 0.8% of other loans.

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

Type of Business	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	17,226.31	6.9	19,375.50	6.6	12.5
Real estate and construction	10,203.97	4.1	11,598.82	4.0	13.7
Public utilities and services	14,888.26	6.0	21,921.31	7.5	47.2
Agriculture and mining	675.20	0.3	784.14	0.3	16.1
Corporate Loans	42,993.75	17.3	53,679.77	18.4	24.9
Commercial Loans	25,780.61	10.4	32,034.44	11.0	24.3
Hire purchase	162,863.39	65.6	188,337.32	64.5	15.6
Mortgage	1,455.60	0.6	1,428.19	0.5	(1.9)
Consumer	10,711.71	4.3	14,424.50	4.9	34.7
Retail Loans	175,030.69	70.5	204,190.01	69.9	16.7
Others	4,510.63	1.8	2,246.43	0.8	(50.2)
Total – TISCO Group	248,315.68	100.0	292,150.65	100.0	17.7

(c) Non-performing Loans

At the end of 2013, NPL ratio increased to 1.70% from 1.25% (YoY). NPL ratio of retail loan, corporate loan, and commercial loan were 2.19%, 0.56%, and 0.47% respectively. Total NPLs reported at 4,966.39 million baht, increased by 1,867.63 million baht (60.3% YoY), comprising of 4,258.36 million baht of the Bank NPLs and 708.03 million baht of other subsidiaries NPLs. NPLs increased along with loan portfolio growth as well as rising NPL from used car hire purchase business as a result of substantial decline in market price of used cars during the period. In addition, the NPL of retail portfolio has been affected from domestic economic slowdown as well as political instability.

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

Type of Business	December 31, 2012			December 31, 2013			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	0.45	77.85	2.5	0.81	157.05	3.2	101.7
Real estate and construction	2.69	274.27	8.9	0.42	48.29	1.0	(82.4)
Public utilities and services	0.21	30.87	1.0	0.34	75.31	1.5	144.0
Agriculture and mining	0.88	5.95	0.2	2.22	17.41	0.4	192.6
Total NPL - Corporate Loans	0.90	388.94	12.6	0.56	298.07	6.0	(23.4)
NPL-Commercial Loans	0.19	48.56	1.6	0.47	151.64	3.1	212.3
Hire purchase	1.47	2,401.24	77.5	2.21	4,156.42	83.7	73.1
Mortgage	7.26	105.65	3.4	4.85	69.23	1.4	(34.5)
Consumer	0.91	97.81	3.2	1.69	244.44	4.9	149.9
Total NPL - Retail Loans	1.49	2,604.71	84.1	2.19	4,470.09	90.0	71.6
Others	1.20	56.55	1.8	2.05	46.59	0.9	(17.6)
Total NPL – TISCO Group	1.25	3,098.76	100.0	1.70	4,966.39	100.0	60.3

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

TISCO Group set up provision for impairment loss of loans and debt securities totaling 4,141.22 million baht, compared to 1,922.24 million baht (YoY), which accounted for 1.53% of average loan portfolio. As of December 31, 2013, loan loss reserve of TISCO Group was 6,354.34 million baht. Total loan loss reserve of the Bank was 5,774.79 million baht which was higher than the minimum loan loss reserve required by the Bank of Thailand at 3,432.69 million baht accounted 168.23% of minimum loan loss reserve requirement, reflecting the prudent provisioning policy to mitigate potential risk. To counter the effect of economic cyclical, TISCO Group set up additional excess reserve of 328.92 million baht in 2013.

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

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

(2) Liabilities

As of December 31, 2013, total liabilities were 336,044.46 million baht, increased by 23.5% (YoY) mainly contributed by the increase in deposits from 233,518.69 million baht to 270,915.37 million baht (16.0% YoY). The liabilities mix comprised of 80.6% total deposit including bill of exchange, 5.0% interbank and money market items, 11.3% debentures, and 3.2% other liabilities.

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

Type of Borrowings	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Total deposits ²	233,518.69	85.8	270,915.37	80.6	16.0
Interbank and money market items	13,970.61	5.1	16,702.69	5.0	19.6
Debentures	14,071.20	5.2	37,809.00	11.3	168.7
Long-term borrowings	110.70	0.0	0.00	-	(100.0)
Others	10,445.49	3.8	10,617.40	3.2	1.6
Total – The Company and Subsidiaries	272,116.69	100.0	336,044.46	100.0	23.5

(3) Shareholders' Equity

As of December 31, 2013, shareholders' equity was 23,218.06 million baht, increased by 4,837.81 million baht (26.3% YoY) following an increase in retained earnings in 2013 as well as capital increase. Furthermore, TISCO Group reappraised the value of office building property in Yommarat Building (TISCO Tower) in which the reappraisal performed by independence appraiser. The reappraisal value of assets was recorded at fair value as well as will request for permission to include the revaluation surplus revaluation surplus of property as Tier-I capital. The reappraisal the value of office building property has applied revaluation model in accordance with the accounting standards (TAS 16 Property, Plant, and Equipment). Consequently, the increasing value of office building property from the reappraisal will be recognized to other comprehensive income and accumulated in equity under "revaluation surplus" totaling 1,176.12 million baht. As a result, book value per share (BVPS) as of December 31, 2013 was 29.00 baht per share, increased from 25.25 baht per share (YoY).

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

² Deposit includes short-term borrowings from the Bank's regular client base

14.3 Business Segment Performances

(1) Banking Business

Loans

Total consolidated loans and receivables as of December 31, 2013 were 292,150.65 million baht, up by 43,834.98 million baht (17.7% YoY), following growth in loan portfolio in retail and corporate loans. The composition of loan portfolio was 69.9% of retail loans, 18.4% of corporate loans, 11.0% of commercial loans and 0.8% of other loans.

Corporate Lending

Corporate loan portfolio totaled 53,679.77 million baht, increased by 10,686.02 million baht (24.9% YoY) due partly to an increase in loan to public utilities and services business.

Commercial Lending

Commercial loan portfolio totaled 32,034.44 million baht, increased by 6,253.84 million baht (24.3% YoY) following the increase in demand for car inventory financing.

Retail Lending

Retail loan portfolio totaled 204,190.01 million baht increased by 16.7% (YoY), consisted of 92.2% car, motorcycle and other hire purchase loans, 7.0% consumer loans and 0.7% mortgage loans. The outstanding hire purchase loans totaled 188,337.32 million baht, rose by 25,473.93 million baht (15.6% YoY). The domestic car sales for the year 2013 reported at 1,330,668 units, decreased by 7.4% (YoY) from 1,436,335 units following the end of government's excise tax rebate scheme for first-time car buyer. The car penetration rate for 2013 was reported at 8.5%. Moreover, consumption loans amounted 14,424.50 million baht increased by 3,712.79 million baht (34.7% YoY) following an increase in TISCO Auto Cash loan.

Other Loans

Portfolio totaled 2,246.43 million baht, decreased by 2,264.20 million baht (50.2% YoY).

Deposits

Total deposits totaled 270,915.37 million baht, increased by 37,396.68 million baht (16.0% YoY) following the rebalancing of liabilities mix to match with the interest rate trend. As of December 31, 2013, TISCO Group had excess liquidity amounting to approximately 45,140 million baht, combining with the BoT required liquidity of 16,600 million baht (including bill of exchange), resulting in liquidity ratio of 22.3% which was well over the required liquidity by BoT of 6.0%.

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

Type of Deposits	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	2,762.37	1.2	2,480.90	0.9	(10.2)
Saving accounts	28,140.15	12.1	40,751.44	15.0	44.8
Fixed accounts	15,385.04	6.6	34,056.54	12.6	121.4
Negotiate certificate deposit	173,535.78	74.3	187,351.86	69.2	8.0
Short-term borrowings	13,695.35	5.9	6,274.62	2.3	(54.2)
Total deposits	233,518.69	100.0	270,915.37	100.0	16.0

(2) Securities Business

In 2013, average daily turnover through TISCO Securities was 2,561.87 million baht, increased by 53.7% (YoY) from 1,666.69 million baht in 2012 following the higher market average trading volume as well as improving market share of TISCO Securities. TISCO Securities market share improved from 2.6% to 2.9% (YoY). The higher market share was following an increase in market share of foreign institution sector from 3.5% to 4.1% (YoY) and local institution sector from 6.9% to 7.2% (YoY), respectively. The increase in market share was contributed by the professional investment advisory service and securities research for institutional investor of Deutsche TISCO Investment Advisory Co., Ltd. Moreover, TISCO brokerage volume in 2013 comprised of 24.5% of local institutions, 34.7% of foreign institutions, and 40.8% of retail customers. In addition, the investment banking fee in 2013 was at 73.1 million baht mainly contributed by financial advisory and underwriting fee for Namyong Terminal Plc.

(3) Asset Management Business

As of December 31, 2013, overall asset under management of industry increased from December 31, 2012 by 638,500.42 million baht (18.4% YoY). The assets under management of TISCO Asset Management Co., Ltd. as of December 31, 2013 were 158,262.34 million baht, increased by 5,537.99 million baht (3.6% YoY). The composition of total asset under management was 64.9% provident fund, 20.1% private fund, and 15.0% mutual fund. Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2013 was 3.9%, ranking 9th in the market. The market share of provident fund was 13.7%, ranking 2nd in the market. The market share of private fund was 7.4%, ranking 6th in the market. For mutual fund, the market share was 0.8%, ranking 13th in the market.

For the year 2013, basic fee income from asset management totaled 843.09 million baht, increased by 172.24 million baht (25.7% YoY) due partly to the launch of 19 new equity trigger funds (there were 12 funds reached the target) and foreign funds including TISCO US Equity fund, TISCO US REIT fund, TISCO Japan Equity fund and etc.

Table 9: Assets under Management Breakdown by Type of Fund as of December 31, 2012 and 2013

Type of Fund	December 31, 2012		December 31, 2013		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	95,316.27	62.4	102,694.50	64.9	7.7
Private Fund	33,155.36	21.7	31,813.60	20.1	(4.0)
Mutual Fund	24,252.71	15.9	23,754.24	15.0	(2.1)
Total	152,724.34	100.0	158,262.34	100.0	3.6

14.4 Liquidity

As of December 31, 2013, TISCO Group's cash was 1,131.00 million baht, increased by 8.1% (YoY). This was mainly comprised of 3,425.17 million baht in net cash flows from operating activities, mainly contributed by an increase in deposits. Meanwhile, the net cash flows from financing activities was 999.99 million baht, mainly contributed from an issuance of debt instruments. Meanwhile, net cash flow used in investing activities was 4,340.49 million baht mainly contributed by the investment in securities.

14.5 Sources and Uses of Funds

As of December 31, 2013, the funding structure as shown in the consolidated financial statement comprised of 336,044.46 million baht in liabilities and 23,218.06 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 14.5 times. The major source of funds on liabilities side was deposits, which accounted for 75.4% of total source of funds. Other sources of funds included interbank and money market items accounted for 4.6% of total source of funds, 13.5% of long term borrowing and others liability, and 6.5% of shareholders' equity, respectively.

TISCO Group's major use of funds was loans, amounting 292,150.65 million baht, resulting in a loan-to-deposit ratio¹ of 107.8%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

14.6 Capital Requirements

As of December 31, 2013, TISCO Group's internal capital stood at 20,882.20 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital increased by 1,435.33 million baht from the end of 2012 to 12,012.06 million baht, resulting from an increase in credit, market, and operational risk capital. In addition, the capital surplus remained strong at 8,810.15 million baht or 42.3% of total internal capital.

Comparing to the end of 2012, the credit risk capital was 9,879 million baht, increasing by 1,113.15 million baht or 12.7% following the portfolio expansion in overall lending segment by 17.7% during the period as well as rising in credit risk situation in used car market and slowdown economy. The non-performing loan of TISCO Group rose from 1.25% at the end of 2012 to 1.70% at the end of 2013 resulting from an increase in non-performing loan of hire purchase portfolio.

The market risk capital increased from 226.79 million baht to 334.05 million baht, resulting from an increase in risk capital of investment portfolio as gain in market value decreased along with SET index as well as increasing in market volatility. Meanwhile, the overall duration gap rose to 1.16 year, which was still in a manageable level. The assets duration slightly increased

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

from 1.48 year to 1.53 year resulting from increasing in lending portfolio with longer duration, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, decreased to 0.37 year.

In terms of regulatory capital requirement of the Bank and Securities Company, the positions are still in strong and sufficient levels to cushion for the expansion of asset in the future. At the end of December 2013, the projected regulatory capital adequacy ratio based on IRB approach (BIS ratio) stood at 13.37%, remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II capital adequacy ratio before an adjustment of capital floor stood at 9.15% and 4.22%, respectively, in which Tier-I capital adequacy ratio also remained higher than the minimum requirement at 6.00%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 58.70%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 10: Capital Adequacy Ratio as of December 31, 2012 and 2013

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

¹ Applied IRB approach

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

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase (Bt. million)	
	2012	2013	2012	2013
	Assets	1.48	1.53	987.76
Liabilities*	0.54	0.37	(1,706.15)	(2,139.51)
Net Gap	0.94	1.16	(718.38)	(670.55)

Note: * Exclude saving and current account

14.7 Credit Rating

In 2012, the Company offered short-term bill of exchange with tenor up to 270 days. The Company got credit rating 'A-' and rating outlook "Stable" as at April 30, 2013. The ratings reflect the Company's strong asset quality, capital base, profitability. The details of credit ratings by TRIS Rating Co., Ltd. are shown as follows;

Credit Rating (Unsolicited Rating)	Announcement Date
Company Rating	April 30, 2013
Rating Outlook	A- Stable

14.8 Forward Looking

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

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

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

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

Attachment 1

Details of Directors, Management and Controlling Persons

1.1 Details of Directors, Management and Controlling Persons as of December 31, 2013

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
1. Mr. Piti Manglokanok Chairman of the Board of Directors Independent Director	65	Common 2,221,010 Preferred -	-	Master of Business Administration (Finance) University of California at Los Angeles, USA Master of Science (Industrial Engineering) Stanford University, USA Bachelor of Engineering (Industrial Engineering) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - Role of the Chairman Program - Audit Committee Program Thai Institute of Directors Association	2012-Present	Independent Director	TISCO Financial Group Public Company Limited	Holding Company
					2010-Present	Chairman of the Board of Directors		
					2009-2010	Group Chief Executive Officer		
					2008-2010	Director		
					2012-Present	Independent Director		
					2009-Present	Chairman of the Board of Directors		
					2005-2008	Director		
					2005-2006	Chairman of the Executive Board		
					2011-Present	Chief Executive Officer		
					2011-Present	Secretary to the Nomination Committee		
					1990-2012	Vice President		
					2002-2005	Director		
						Chairman of the Executive Board		
						Member of the Nomination Committee		
						Chief Executive Officer		
						<i>Offices:</i>		
					2013-Present	Honorary Director		
2012-Present	Independent Director							
	Chairman of the Audit Committee							
	Chairman of the Nomination and Remuneration Committee							
2011-Present	Director							
2011-Present	Director							
2010-Present	Director							
2007-Present	Vice Chairman							
2004-Present	Councillor							
1973-2012	Director							
2010-2011	Director							
2006-2010	Director							
1994-2010	Director							
1994-2010	Director							
2008-2010	Director							
2003-2006	Director							
2002-2005	Chairman							
2002-2005	Chairman							
	Chairman of the Compensation Committee							
	Member of the Audit Committee							
	Chairman of the Nomination Committee							
2. Mr. Hon Kit Shing (Mr. Alexander H. Shing) Vice Chairman of the Board of Directors Member of the Nomination and Compensation Committee (Authorized Signatory)	36	Common - Preferred -	-	Bachelor of Science (Economics) Massachusetts Institute of Technology, USA	2010-Present	Vice Chairman of the Board of Directors	TISCO Financial Group Public Company Limited	Holding Company
					2008-Present	Member of the Nomination and Compensation Committee		
					2010-2012	Member of the Executive Board		
					2009-2010	Vice Chairman of the Executive Board		
					2008-2010	Director		
					2010-Present	Vice Chairman of the Board of Directors		
					2010-2012	Member of the Executive Board		
					2009-2010	Chairman of the Executive Board		
					2007-2010	Director		
					2007-2008	Member of the Nomination and Compensation Committee		
						<i>Offices:</i>		
					2012-Present	Managing Director		
					2008-Present	Senior Advisor		
					2005-2008	Senior Vice President		
					2005-2011	Managing Director		
					2005-2008	Director		
					2004-2005	Vice President / Advisor		

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years		
					Period	Position	Company / Organization
3. Ms. Oranuch Apisaisirikul Director Chairman of the Executive Board (Authorized Signatory) Group Chief Executive	55	Common Preferred	-	<ul style="list-style-type: none"> Master of Business Administration (Finance) Bachelor of Laws Bachelor of Accountancy (Accounting & Commerce) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - IOD Anti Corruption Training Program for Corporate and Executives Thai Institute of Directors Association 	<p><i>TISCO Group</i></p> <ul style="list-style-type: none"> 2010-Present Chairperson of the Executive Board Group Chief Executive 2008-Present Director 2009-2010 Member of the Executive Board Feb2013-Present Acting Head of Business Strategy & Development 2010-Present Chairperson of the Executive Board 2008-2009 Member of the Executive Board 2005-2008 Senior Executive Vice President 2011-Present Director 2011-Present Director 2010-2011 Director 2009-2011 Member of the Audit Committee 2010-2011 Chairperson of the Board 2010-2011 Member of the Audit Committee 2009-2011 Chairperson of the Board 2010-2011 Director 2009-2011 Chairperson of the Board 2000-2007 Director 2000-2007 Director 2005 Director 2002-2005 Chief Financial Officer, Planning and Risk Management <i>OTZes</i> 2012-2013 Member of Risk Management Subcommittee 2010-2011 Advisor to the Risk Management Subcommittee 2006-2010 Advisor and Member of Risk Management Committee 2001-2008 Member of Risk Management Subcommittee 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Foundation TISCO Learning Center Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Information Technology Company Limited TISCO Global Securities Limited TISCO Securities Hong Kong Limited TISCO Finance Public Company Limited Government Pension Fund Small Industry Credit Guarantee Corporation The Stock Exchange of Thailand 	<ul style="list-style-type: none"> Holding Company Bank Foundation Services Securities Asset Management Information Technology Securities Securities Finance Asset Management Specialized Financial Institution The Stock Exchange of Thailand
4. Assoc. Prof. Dr. Angkarat Priebrivat Independent Director Chairperson of the Audit Committee	58	Common Preferred	-	<ul style="list-style-type: none"> Doctor of Philosophy (Accounting) New York University, USA Master of Science (Accounting) Bachelor of Business Administration (Accounting) Thammasat University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate in International Financial Reporting Standard (IFRS) - Certificate in International Financial Reporting Standard (IFRS) The Institute of Chartered Accountants in England and Wales (ICAEW) - Directors Accreditation Program - Directors Accreditation Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management Program - Monitoring the Internal Audit Function Program - Monitoring Fraud Risk Management Program - Role of the Chairman Program - Anti Corruption for Executive Program Thai Institute of Directors Association 	<p><i>TISCO Group</i></p> <ul style="list-style-type: none"> Apr2013-Present Chairperson of the Audit Committee 2008-Present Independent Director 2011-Apr/2013 Advisor to the Audit Committee 2008-2011 Chairperson of the Audit Committee Apr2013-Present Chairperson of the Audit Committee 2007-2011 Chairperson of the Audit Committee 2005-2011 Independent Director 2005-2007 Member of the Audit Committee <i>OTZes</i> 2012-Present Subcommittee on Finance, Budget, and Investment 2012-Present Advisor to the Audit Committee 2012-Present Member of the Audit Committee 2009-Present Member, Accounting and Corporate Governance Steering Group 2008-Present Independent Director 2006-Present Chairman, Supervisory Committee 2002-Present Government Accounting Standards Committee 2002-2009 Advisor 1997-Present Associate Professor 1992-Present Advisor to the Listing and Disclosure Department 2011-2012 Advisor to the Audit Committee 2004-2012 Independent Director (Accounting Specialists) 2002-2012 Advisor to the Audit Committee 2004-2009 Member of the Consultative Subcommittee on Cost Accounting Development Project 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Mass Rapid Transit Authority of Thailand Government Pension Fund Thai Public Broadcasting Service (Thai PBS) Securities and Exchange Commission Office Mate Public Company Limited The ABF Thailand Bond Index Fund The Comptroller General's Department, Ministry of Finance National Institute of Development Administration (NIDA) The Stock Exchange of Thailand State Railway of Thailand Association of Investment Management Companies TOT Corporation Public Company Limited Office of the Higher Education Commission 	<ul style="list-style-type: none"> Holding Company Bank Transportation & Logistics Asset Management Government Office Independent State Agency Supplier of full line office products Fund Government Office Educational Institute Stock Exchange Government Office Association of Investment Management Companies Communication Commission on Higher Education

Work Experience within 5 years								
Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Period	Position	Company / Organization	Type of Business
5. Prof. Dr. Pranee Tinakorn Independent Director Chairperson of the Nomination and Compensation Committee	64	Common Preferred	-	<ul style="list-style-type: none"> - Doctor of Philosophy (Economics) - Master of Art (Economics) - University of Pennsylvania, USA - Bachelor of Art (Economics) - Swarthmore College, USA - Directors Certification Program - Directors Accreditation Program - Financial Institutions Governance Program - Audit Committee Program - Monitoring the System of Internal Control and Risk Management Program - Monitoring the Internal Audit Function Program - Monitoring the Quality of Financial Reporting Program - Monitoring Fraud Risk Management Program - Anti Corruption for Executive Program - Thai Institute of Directors Association 	<ul style="list-style-type: none"> Apr2013-Present 2008-Present 2008-Apr.2013 2009-Apr.2013 2012-Present 2009-Present 2008-Present 1979-2013 2005-2007 2005-2006 2004-2005 2003-2006 2011-2012 2010-2011 2008-2010 2007-2008 2004-2005 2007-2008 2007-2008 2007-2008 2007-2008 2003-2006 2003-2006 	<p><i>TISCO Group</i></p> <ul style="list-style-type: none"> - Chairperson of the Nomination and Compensation Committee - Independent Director - Member of the Audit Committee - Member of the Audit Committee - <i>Others</i> - Board of Governors - University Council Director - Executive Director of TDRI - Member of TDRI Council of Trustees - Professor of Economics - Subcommittee of the Thammasat University Council on Assets and Fiscal Affairs - University Committee on Grievance and Appeal - University Council Director - Dean, Faculty of Economics - Subcommittee on Improvement of Financial and Budget System under Public Sector Development Committee - Director - Member of the Committee on Budget Subsidy for Public Services - Advisor to the Minister of Finance - Member of the Committee on Adjustment of the State Enterprise Capital Act B.E.2542 - Subcommittee on Budget Law under the Committee on Fiscal, Banking and Financial Institutions - Member of the Committee on Private Joint Operation in Public Enterprise, CAT Telecom Public Company Limited and True Move Company Limited and Digital Phone Company - Member of Executive Committee - Member - Member of the Research Committee 	<ul style="list-style-type: none"> - TISCO Financial Group Public Company Limited - TISCO Bank Public Company Limited - Thai Public Broadcasting Service (Thai PBS) - Kiri University - Thailand Development Research Institute (TDRI) - Thammasat University - The Office of the Public Sector Development Commission - National Reform Committee - Ministry of Finance - National Council of Legislation - CAT Telecom Public Company Limited - Triam-Udomsuksa Alumni Association - Preev Ungphakorn Institute Committee - The Secretariat of the House of Representatives 	<ul style="list-style-type: none"> - Holding Company - Bank - Government Office - Academic Institute - Foundation - Academic Institute - Government Office - Independent State Agency - Government Office - Government Office - Communication - Alumni Association - Institute - Government Office

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
6. Ms. Patareeya Benjapolchai Independent Director Chairperson of the Corporate Governance Committee Member of the Audit Committee	59	Common Preferred	-	Master of Business Administration Thammasat University Bachelor of Accountancy (Accounting) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Certificate, The Executive Program University of Michigan, USA - Certificate, Advanced Accounting and Auditing Chulalongkorn University - Directors Certification Program - Financial Institutions Governance Program The Institute of Directors Association	Aug2013-Present	Chairperson of the Corporate Governance Committee	TISCO Financial Group Public Company Limited	Holding Company
					2011-Present	Member of the Audit Committee		
					2010-Present	Independent Director	TISCO Bank Public Company Limited	Bank
					2011-Present	Member of the Audit Committee		
					2013-Present	Independent Director and Chairperson of the Audit Committee	Bangkok Glass Public Company Limited	Packaging Material and Container
					2013-Present	Director, Revolving Fund Evaluation Committee	Ministry of Finance Corporate Governance Center, The Stock Exchange of Thailand	Government Office
					2013-Present	Member of the SET AWARD Committee		Stock Exchange
					2013-Present	Corporate governance Committee		
					2006-2010	President and Executive Committee		
					2011-Present	Ethics Committee		
					2013-Present	Director, Award Committee, Board of the Year Award		Private Sector
					2005-2008	Director		Association
					2011-Present	Chairperson of the Audit Committee		
					2010-Present	Advisor	The Office of the Agricultural Futures Trading Commission	Ministry of Commerce
					2010-Present	Audit Committee	Thai Listed Companies Association	Association
					2010-Present	Associate Judge	Office of the Permanent Secretary for Defence, Ministry of Defence	Government Office
					2010-Present	Directors' Responsibilities Steering Committee	The Central Intellectual Property and International Trade Court	Court
					2010-Present	Director	The Securities and Exchange Commission	Independent State Agency
					2010-Present	Honorary Advisor	Baan Ruam Tang Phun Company Limited	Property Development
					2007-Present	Director	The Institute of Internal Auditors of Thailand	Associate
2008-2012	Directors on Foreign Business Committee	Kabi Petra Company Limited	Property Development					
2009-2010	Chairman	Department of Business Development, Ministry of Commerce	Government Office					
2006-2010	Chairman and Executive Chairman	Thailand Securities Depository Company Limited	Private Sector					
2009-2010	Chairman	Family Know-How Company Limited	Private Sector					
2006-2009	Vice Chairman							
2009-2010	Chairman	Settrade.com Company Limited	Private Sector					
2007-2010	State-owned Enterprise Award 2008-2010	Slate Enterprise Policy Office, Ministry of Finance	Government Office					
2006-2010	Chairman of the Subcommittee of Member Recruitment	Thailand Futures Exchange Public Company Limited	Private Sector					
2006-2010	Vice Chairman and Executive Chairman							
2006-2010	Chairman	Thai NVDR Company Limited	Private Sector					
2006-2010	Chairman	Thai Trust Fund Management Company Limited	Private Sector					
2006-2010	Chairman	Siam DR Company Limited	Private Sector					
2006-2010	Chairman	Thailand Clearing House Company Limited	Private Sector					
2002-2010	Director, Subcommittee on Investors Education and Public Relations and on Corporate Governance in Thailand	Federation of Thai Capital Market Organizations	Private Sector					
2005-2010	Councillor	The Prime Minister's Office	Government Office					
2006-2008	Member of The National Legislative Assembly	Thailand Management Association	Association					
2006-2008	Committee on Finance, Banking and Financial Institutions	The National Legislative Assembly, Thailand	Government Office					

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
9. Prof. Dr. Teerana Bhongmakapat Independent Director Member of the Corporate Governance Committee	57	Common Preferred	-	Doctor of Philosophy (Economics) University of Wisconsin-Madison, USA Master of Art (Economics) Thammasat University Bachelor of Economics (Qualitative Analysis) Chulalongkorn University - Certificate of Executive Leadership Program Capital Market Academy - Director Certification Program - Financial Institutions Governance Program Thai Institute of Directors Association	Aug2013-Present Apr2013-Present 2013-Present 2012-Present 2012-Present 2012-Present 2011-Present 2010-Present 2011-Present 2011-Present 2006-Present 2008-2012 2002-2008 2009-2013 2010-2012 2008-2012 2007-2008 2010-2011 2010-2011 2009-2011 2008-2010	<i>TISCO Group</i> Member of the Corporate Governance Committee Independent Director <i>OWISE</i> Director, Contemplative Education Center Independent Director and Member of Audit Committee Subcommittee on Determination of License Fees and Price Structure in Broadcasting Services Subcommittee on Economic and Commercial Law Subcommittee on Research Affair Chairman, Financial Institutions and Trader Supervision in accordance with Anti-Money Laundering Act Eminent Member, Anti-Money Laundering Committee (AMLO) Advisor to Subcommittee on Monetary Policy, Finance and Budget Administration Professor of Economics (C11) Professor of Economics Dean, Faculty of Economics Chairman, Bachelor of Arts International Program in Economics (EBA), Faculty of Economics Eminent Member, Commission for Teachers and Education Personnel Risk Management Committee Eminent Member, Committee on Antidumping Duties and Countervailing Subsidies Eminent Member, Competition Policy Committee Member, Committee on Examination of the Guidelines for the Constitutional Amendments as proposed by the National Reconciliation Commission Advisor on Macro-Economic appointed by Deputy Prime Minister (Mr. Training Sawanikhin) Member, Committee of Projects Financial Monitoring System SP2 Advisor to Chairman of Subcommittee on Following Up and Evaluating the Macro-Economic Condition	TISCO Financial Group Public Company Limited Mahidol University Bangpu Public Company Limited Office of the National Broadcasting and Telecommunications Commission (NBTC) Office of the National Anti-Corruption Commission Anti-Money Laundering Office (AMLO) The Senate of Thailand Chulalongkorn University Ministry of Education Government Pharmaceutical Organization Ministry of Commerce Office of the Prime Minister The Secretariat of the House of Representatives	Holding Company Academic Institute Energy & Utilities Communication Government Office Government Office Government Office Academic Institute Government Office Government Office Government Office Government Office
10. Mr. Hirohiko Nomura ⁶ Director Member of the Executive Board Member of the Nomination and Compensation Committee (Authorized Signatory)	49	Common Preferred	-	Bachelor of Economics The University of Tokyo, Japan	2009-Jan2014 2008-Jan2014 2008-Jan2014 2008 2008-Jan2014 2002-2008 Jan2014-Present 2008-Jan2014 Jan2014-Present Dec2013-Present 2008-Dec2013 2006-2008 2012-Present 2011-Present 2012-Present 2013-Present 2012-Present 2010-2012 2006-2010	<i>TISCO Group</i> Director Member of the Executive Board Member of the Nomination and Compensation Committee Director Member of the Executive Board Member of the Nomination and Compensation Committee <i>OWISE</i> Managing Director Senior Manager, International Credit Division <i>TISCO Group</i> Director Member of the Executive Board Member of the Nomination and Compensation Committee Director Member of the Executive Board <i>OWISE</i> Managing Director Senior Vice President, International Corporate Advisory Division General Manager, Financial Institute Division <i>TISCO Group</i> Director Member of the Executive Board Member of the Executive Board <i>OWISE</i> Vice President Assistant Vice President Senior Manager Senior Consultant	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited MHCB Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited- Head Office TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited MHCB Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited- Head Office Intellectual Property Bank TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited CDB & Partners Investment Holding Corporation KPMG Corporate Finance (Taiwan)	Holding Company Bank Consultant Bank Holding Company Bank Bank Consultant Bank Bank Holding Company Bank Investment Financial Services Consulting
11. Mr. Yasuro Yoshikoshi ⁶ Director Member of the Executive Board Member of the Nomination and Compensation Committee (Authorized Signatory)	51	Common Preferred	-	Bachelor of Law Nihon University, Japan	2008-Jan2014 2002-2008 Jan2014-Present 2008-Jan2014 Jan2014-Present Dec2013-Present 2008-Dec2013 2006-2008 2012-Present 2011-Present 2012-Present 2013-Present 2012-Present 2010-2012 2006-2010	<i>TISCO Group</i> Managing Director Senior Manager, International Credit Division <i>TISCO Group</i> Director Member of the Executive Board Member of the Nomination and Compensation Committee Director Member of the Executive Board <i>OWISE</i> Managing Director Senior Vice President, International Corporate Advisory Division General Manager, Financial Institute Division <i>TISCO Group</i> Director Member of the Executive Board Member of the Executive Board <i>OWISE</i> Vice President Assistant Vice President Senior Manager Senior Consultant	TISCO Financial Group Public Company Limited MHCB Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited- Head Office TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited MHCB Consulting (Thailand) Company Limited Mizuho Corporate Bank Limited- Head Office Intellectual Property Bank TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited CDB & Partners Investment Holding Corporation KPMG Corporate Finance (Taiwan)	Holding Company Bank Consultant Bank Holding Company Bank Bank Consultant Bank Bank Holding Company Bank Investment Financial Services Consulting
12. Mr. Chi-Hao Sun Director Member of the Executive Board	36	Common Preferred	-	Master of Science (Finance) Bentley University, USA Master of Business Administration Boston University, USA Bachelor of Arts (Economics) Taipei University, Taiwan	2012-Present 2011-Present 2012-Present 2013-Present 2012-Present 2010-2012 2006-2010	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited CDB & Partners Investment Holding Corporation KPMG Corporate Finance (Taiwan)	Holding Company Bank Investment Financial Services Consulting	

Work Experience within 5 years								
Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Period	Position	Company / Organization	Type of Business
13. Mr. Suthas Ruangmanamongkol Director Member of the Executive Board (Authorized Signatory) President	52	Common 3,333,333 Preferred -	-	<ul style="list-style-type: none"> Master of Science (Finance) University of Wisconsin-Madison, USA Master of Business Administration (Finance) Western Illinois University, USA Bachelor of Engineering (Computer Engineering) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association 	<ul style="list-style-type: none"> 2010-Present President 2009-Present Member of the Executive Board 2008-Present Director 2009-Present Director 2009-2011 Member of the Executive Board 2005-2011 President 2005-2008 Director 2002-2005 Managing Director 2000-2001 Head of Commercial Finance Treasury and Funding 1998-2000 Assistant Managing Director - Securities Investment and Trading <i>Others:</i> 2013-Present Director 2010-Present Director 2010-Present Director 2010-Present Director 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Information Technology Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited TISCO Securities Company Limited Dole Thailand Company Limited The Thai Bankers' Association Phelps Dodge International (Thailand) Company Limited PDTL Trading Company Limited 	<ul style="list-style-type: none"> Holding Company Bank Information Technology Asset Management Finance Securities Food & Beverage Association Manufacturer of wire and cable products Distributor of electric wires and cable 	
14. Ms. Krisna Theravuthi Advisor to TISCO's Board of Directors	63	Common - Preferred -	-	<ul style="list-style-type: none"> Master of Business Administration (Marketing) University of Wisconsin-Madison, USA Bachelor of Accountancy (Accounting) Chulalongkorn University Directors Certification Program Directors Accreditation Program Effective Audit Committee and Best Practice Program Audit Committee Program Monitoring the System of Internal Control and Risk Management Program Role of Compensation Committee Program Role of the Chairman Program Thai Institute of Directors Association 	<ul style="list-style-type: none"> Jun-2013-Present Advisor to TISCO's Board of Directors 2008-Apr-2013 Independent Director 2008-Apr-2013 Chairperson of the Nomination and Compensation Committee 2007-2008 Member of the Audit Committee 2005-2008 Independent Director 2005-2007 Chairperson of the Audit Committee 2002-2005 Independent Director 1998-2002 Member of the Audit Committee 1996-1998 Member of Audit Committee Director 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited TISCO Finance and Securities Public Company Limited Krua Charoen Company Limited Business and Professional Women's Association of Thailand - Udonthani Committee on Labour and Welfare Northeast Community Center for Mental Retardation Thavorn Udon Company Limited 	<ul style="list-style-type: none"> Holding Company Bank Finance Finance and Securities Food & Beverage Association Government Office Charity Organization Hotel 	
15. Mr. Sakchai Peechapat Senior Executive Vice President	46	Common 66,177 Preferred -	-	<ul style="list-style-type: none"> Master of Business Administration (International Business) University of Hawaii at Manoa, USA Bachelor of Engineering (Civil Engineering) (honour) Kasetsart University Japan-focused Management Program Japan-America Institute of Management Science, USA Executive Management Program Faculty of Commerce and Accountancy, Thammasat University Directors Certification Program Directors Accreditation Program Thai Institute of Directors Association 	<ul style="list-style-type: none"> 2010-Present Senior Executive Vice President - Retail Banking 2010-Present Senior Executive Vice President 2010 Senior Executive Vice President 2009 Executive Vice President - Marketing & Customer Relations 2006-2008 Executive Vice President - Retail Banking 2005-2006 Acting Human Resources and Organization Development 2005-2006 Executive Vice President 2010-Present Human Resources and Organization Development 2009-Present Chairman of the Board 2009-Present Chairman of the Board 2009-2011 Director 2004-2005 Head of Human Resources and Organization Development 2002-2004 Deputy Head of Retail Finance Acting Head of Special Channel Distribution and Retail Finance 2006-Present Director 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited HI-Way Company Limited TISCO Tokyo Leasing Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited AXA Insurance Public Company Limited 	<ul style="list-style-type: none"> Holding Company Bank Hire Purchase Leasing Securities Asset Management Finance Insurance 	

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
16. Mr. Pitada Vatcharasiritham Senior Executive Vice President	49	Common Preferred	-	Master of Business Administration Indiana University of Pennsylvania, USA Bachelor of Economics Thammasat University	Jan2013-Present	<i>TISCO Group</i> Senior Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
					2010-2012	First Executive Vice President	TISCO Bank Public Company Limited	Bank
17. Mr. Metha Pingsuthiwong First Executive Vice President	47	Common Preferred	-	Master of Business Administration (Finance) University of Wisconsin-Milwaukee, USA Bachelor of Engineering (Electrical Engineering) Chulalongkorn University - Directors Certification Program Thailand Institute of Directors Association	2010-Present	<i>TISCO Group</i> First Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
					Feb2013-Present	First Executive Vice President - Retail Banking ²	TISCO Bank Public Company Limited	Bank
					2010-Jan2013	First Executive Vice President - Wealth Management & Banking Services		
					2009	Executive Vice President - Treasury and Banking Operation		
					2005-2008	Executive Vice President - Treasury and Private Banking		
					2011-2012	Director		
					2009-2011	Director		
					2002-2005	Head of Securities, Investment and Trading		
					2005	Executive Vice President - Treasury and Funding		
					1999-Present	Director		
18. Ms. Araya Thirakomen First Executive Vice President	51	Common Preferred	-	Master of Business Administration (Finance) University of New Haven, USA Bachelor of Accountancy (Finance) Chulalongkorn University - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program Thailand Institute of Directors Association	2010-Present	<i>TISCO Group</i> First Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
					2009-Present	President	TISCO Asset Management Company Limited	Asset Management
					2005-Present	Director		
					2005-2008	Deputy Managing Director		
					2003-2005	Head of Provident Fund Business		
					1999-2003	Head of Provident Fund-Marketing		
					2006-Present	Member of National Pension Subcommittees		
					2002-Present	Member of Subcommittee on Pension and Provident Fund		
					2002-Present	Member of Subcommittee on Consideration of draft Notifications on Supervision of Security Business		
					2004-2012	Deputy Chairman, Chairperson of Provident Fund Business Group, and Chairperson of Subcommittee-Provident Fund Investment.		
2002-2004	Member of Subcommittee on Consideration of the Amendment to Provident Fund Act							
19. Mr. Palboon Nalinthrangkum First Executive Vice President	47	Common Preferred	-	Master of Business Administration (Finance) Indiana University at Bloomington, USA Bachelor of Arts (Computer Science) University of California at Santa Cruz, USA Certified Financial Analyst CFA Institute, USA - Certificate of Capital Market Academy Leadership Program Capital Market Academy - Directors Certification Program - Directors Accreditation Program - Audit Committee Program Thailand Institute of Directors Association	2010-Present	<i>TISCO Group</i> First Executive Vice President	TISCO Financial Group Public Company Limited	Holding Company
					2006-Present	Chief Executive Officer	TISCO Securities Company Limited	Securities
					2005-Present	Director		
					2005-2006	Deputy Managing Director		
					2005-2006	Head of Brokerage Equity		
					2001-2005	Director		
					2011-Present	Head of Equity		
					2011-Present	Chairman of the Board of Directors and Chief Executive Officer		
					2010-Present	Chairman		
					2010-Present	Director		
2009-Present	Chairman							
2008-Present	Director							
2009-Sep2013	Executive Director							
2009-May2013	Governor							
2007-2012	Director							

Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years		
					Period	Position	Company / Organization
20. Mr. Chalit Sijprikul First Executive Vice President	52	Common Preferred	-	<ul style="list-style-type: none"> Master of Business Administration Bachelor of Accountancy (Accounting) - Thammasat University Financial Executive Development Program (FINEX 14) - The Thai Institute of Banking and Finance Association Crestom Bullet Proof Manager (Management-Skill Development Course) - Directors Certification Program Thai Institute of Directors Association 	<ul style="list-style-type: none"> <i>TISCO Group</i> First Executive Vice President Executive Vice President First Executive Vice President - Wealth Management First Executive Vice President - Wealth Management & Banking Services Executive Vice President - Retail Banking - Front Acting Head of Provincial Channel Head of Retail Banking Deputy Head of Retail Banking Director <i>Others</i> 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited 	<ul style="list-style-type: none"> Holding Company Bank
21. Ms. Yutiga Sonthayanavin Executive Vice President	55	Common Preferred	576	<ul style="list-style-type: none"> Master of Business Administration Bachelor of Science (Statistics) - Chulalongkorn University Directors Certification Program - Thai Institute of Directors Association 	<ul style="list-style-type: none"> <i>TISCO Group</i> Executive Vice President Managing Director <i>Others</i> Vice Chairperson and Director - Information Technology Club Member - Technology Development Committee 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Information Technology Company Limited Association of Securities Companies The Stock Exchange of Thailand 	<ul style="list-style-type: none"> Holding Company Information Technology Association Stock Exchange
22. Mr. Chatri Chandrangam Executive Vice President Risk and Financial Control	44	Common Preferred	30,000	<ul style="list-style-type: none"> Master of Finance (Distinction) - Imperial College, London, UK Master of Business Administration (International Business) - Schiller International University, UK Bachelor of Business Administration (Banking & Finance) - Chulalongkorn University Certified Financial Analyst - CFA Institute, USA Directors Certification Program - Thai Institute of Directors Association 	<ul style="list-style-type: none"> <i>TISCO Group</i> Executive Vice President - Risk and Financial Control Acting Head of Investment Financial Controller and Risk Management Financial Controller and Risk Management Director Director Director Director Director Director and Member of Audit Committee Director and Member of Audit Committee Head of Risk Management <i>Others</i> 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Leasing Company Limited TISCO Information Technology Company Limited Deutsche TISCO Investment Advisory Company Limited TISCO Learning Center Company Limited Hi-Way Company Limited TISCO Tokyo Leasing Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited TISCO Finance Public Company Limited 	<ul style="list-style-type: none"> Holding Company Bank Leasing Information Technology Investment Advisory Services Hire Purchase Leasing Securities Asset Management Finance
23. Mr. Paitat Srivilairit Corporate Secretary Head of Governance Office	48	Common Preferred	-	<ul style="list-style-type: none"> Master of Business Administration Thammasat University Bachelor of Engineering - Chulalongkorn University - Certified Internal Audit (CIA) - Certified Internal Audit (CIA) - Certified in Control Self-Assessment (CCSA) - Certified Financial Service Auditor (CFSA) The Institute of Internal Auditors (IIA), USA - Certified Information System Auditor (CISA) Information Systems Audit and Control Association (ISACA), USA - Certified Information Systems Security Professional (CISSP) Int'l Information Systems Security Certification Consortium (ISC)2, USA - Certified Fraud Examiner (CFE) Association of Certified Fraud Examiners (ACFE), USA - Company Reporting Program - Company Secretary Program - Audit Committee Program - Monitoring the Internal Audit Function - Monitoring Fraud Risk Management Thai Institute of Directors Association 	<ul style="list-style-type: none"> <i>TISCO Group</i> Head of Governance Office Corporate Secretary Head of Operational Risk Management Head of Internal Audit Head of Internal Audit Director Director Director Director Head of Executive Office <i>Others</i> 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Leasing Company Limited TISCO Information Technology Company Limited Hi-Way Company Limited TISCO Securities Company Limited 	<ul style="list-style-type: none"> Holding Company Bank Leasing Information Technology Hire Purchase Securities
24. Mr. Watsakorn Thepthim Head of Human Resources	40	Common Preferred	-	<ul style="list-style-type: none"> Master of Information System University of Manchester, UK Master of Business Administration (Management) - Assumption University Bachelor of Business Administration (Finance) - Assumption University 	<ul style="list-style-type: none"> <i>TISCO Group</i> Head of Human Resources Acting Head of Human Resources Strategy Assistant Head of Business Strategy & Development Acting Head of Product Development & Market Research Head of Product & Service Development Director of TISCO Learning Center Director Head of TISCO Learning Center <i>Others</i> 	<ul style="list-style-type: none"> TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Learning Center Company Limited 	<ul style="list-style-type: none"> Holding Company Bank Learning Center

Work Experience within 5 years								
Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Period	Position	Company / Organization	Type of Business
25. Ms. Dulyarat Tavavehbol Head of Corporate Compliance	56	Common Preferred	-	Bachelor of Accountancy (Accounting) Thammasat University	Jul2013-Present 2010-Jun2013 2009-2010 2008-2009 2005-2008 Sep2013-Present 2009-Present 2009-Present 1997-2005	<u>TISCO Group</u> Head of Corporate Compliance Assistant Head of Corporate Office Head of Compliance & Internal Control Head of Compliance & Internal Control Head of Internal Control Director Director and Member of the Audit Committee Director and Member of the Audit Committee Head of Internal Control <u>Others</u>	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Deutsche TISCO Investment Advisory Company TISCO Asset Management Company Limited TISCO Securities Company Limited TISCO Finance Public Company Limited	Holding Company Bank Investment Advisory Asset Management Securities Finance
26. Mr. Kondee Sunthornpradit Head of Planning and Budgeting	37	Common Preferred	-	Master of Management (Operation Research) Case Western Reserve University, USA Master of Business Administration Bachelor of Economics Chulalongkorn University	Feb2013-Present 2009-Jan2013 2006-2008 2005-2006 2005 2005	<u>TISCO Group</u> Head of Planning and Budgeting Head of Enterprise Risk Management Head of Risk Management Head of Enterprise Risk Head of Risk Research and Analysis Head of Risk Research and Analysis <u>Others</u>	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
27. Dr. Kampon Adireksombat Head of Economic Strategy	36	Common Preferred	-	Doctoral Degree (Economics) Michigan State University, USA Master of Economics National University of Singapore Bachelor of Economics Chulalongkorn University	Feb2013-Present 2011-Jan2013 2010-2011	<u>TISCO Group</u> Head of Economic Strategy Senior Economist <u>Others</u> Senior Economist	TISCO Financial Group Public Company Limited TISCO Securities Company Limited Economic Intelligence Center, The Siam Commercial Bank Public Company Limited	Holding Company Securities Bank
28. Mr. Kittipong Tiyaboonchai Head of Human Resources Management	41	Common Preferred	-	Master of Information Systems University of Memphis, USA Master of Business Administration Bachelor of Business Administration (Banking & Finance) Chulalongkorn University	Oct2013-Present 2009-Sep2013 2007-2008 2006-2007 2005-2006	<u>TISCO Group</u> Head of Human Resources Management Head of Regulatory & Management Report Head of Corporate Information Management Head of Cashiering & Bulk Processing Financial Officer <u>Others</u>	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
29. Mr. Kullachart Ekoratham Head of Productivity	35	Common Preferred	-	Master of Business Administration Bachelor of Engineering Chulalongkorn University	2012-Present 2010-2011 2009-2010 2009 2007-2008 2006-2007	<u>TISCO Group</u> Head of Productivity ^{1,2} Head of Productivity Improvement - Retail & Corporate Banking Head of Productivity Improvement - Corporate Banking and Core Operation Productivity Improvement Officer Processing Officer <u>Others</u> Project Manager	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited ADA Trade Company Limited	Holding Company Bank Plastic Trading Business
30. Ms. Jiraporn Sawukpalboon Head of Internal Audit	44	Common Preferred	-	Master of Business Administration Thammasat University Bachelor of Science (Accounting) Kasetsart University - Certified Internal Audit (CIA) The Institute of Internal Auditors (IIA) - Certified Information System Auditor (CISA) Information Systems Audit and Control Association (ISACA)	Feb2013-Present 2006-Jan2013	<u>TISCO Group</u> Head of Internal Audit Deputy Head of Internal Audit <u>Others</u>	TISCO Financial Group Public Company Limited	Holding Company
31. Ms. Chutitorn Vigasi Head of Corporate Accounting	50	Common Preferred	-	Master of Business Administration (Finance) Thammasat University Bachelor of Accountancy (Accounting Theory) Chulalongkorn University	2009-Present 2005-2008 2002-2005	<u>TISCO Group</u> Head of Corporate Accounting Head of Corporate Accounting Head of Corporate Accounting <u>Others</u>	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
32. Ms. Nudtinee Suwanpanitch Head of Legal Office	40	Common Preferred	-	Master of Business Administration Ramkhamhaeng University Bachelor of Laws Thammasat University	2010-Present 2009-2010 2007-2008	<u>TISCO Group</u> Head of Legal Office Head of Legal Counselor Senior Counselor <u>Others</u>	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank

Work Experience within 5 years							
Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ¹¹ (shares)	Family Relationship with other Management	Education / Director's Training Course Program	Position	Company / Organization	Type of Business
33. Mr. Noppawak Tangburanakij Head of New Technology & E-Channel	36	Common Preferred	-	Master of Science in Information Technology Arizona State University, USA Bachelor of Business Administration (Management) Chulalongkorn University	TISCO Group Head of New Technology & E-Channel ¹⁴ Head of Channel Development Head of Product & Channel Development Head of Cash Management & Bulk Processing Head of Cash Management Services Cash Management Officer Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
34. Ms. Nariara Tanarugsachok Head of Data Analysis & Management	36	Common Preferred	-	Master of Science (Statistics) Chulalongkorn University Bachelor of Science (Mathematics) Mahidol University	TISCO Group Head of Data Analysis & Management Others Manager - Data Mining Department Assistant Manager - Privilege Banking	TISCO Financial Group Public Company Limited Total Access Communication Public Company Limited Bank Thai Public Company Limited	Holding Company Communication Company Bank
35. Ms. Nartudee Siwabut Head of Corporate Communication	53	Common Preferred	126,500	Master of Business Administration (Finance) Thammasat University Bachelor of Arts (English) Chulalongkorn University	TISCO Group Head of Corporate Communication ¹⁵ Head of Corporate Marketing & Communication Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
36. Mr. Nipon Wongchotiwat Head of Enterprise Risk Management	36	Common Preferred	-	Master of Science (Finance) Thammasat University Bachelor of Commerce (Finance & Economics) University of Wollongong, Australia	TISCO Group Head of Enterprise Risk Management Head of Planning & Budgeting Head of Planning & Budgeting Acting Head of Budgeting & Cost Management Risk Management Officer Risk Management Officer Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
37. Mr. Pravuk Charocharaskul Head of Operation Risk Management	34	Common Preferred	-	Master of Business Administration University of North Carolina at Chapel Hill, USA Bachelor of Business Administration (Management) Chulalongkorn University	TISCO Group Head of Operational Risk Management Head of Process Risk Management Head of Operational Risk Management Productivity Improvement Officer Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
38. Mr. Pichit Treethaphasumphon Head of Appraisal & Valuation	40	Common Preferred	-	Master of Housing Development Chulalongkorn University Bachelor of General Management Bansomdejchaopraya Rajabhat University - Graduate Diploma Program in Property Valuation - Certificate in Real Estate Developer (Mini MRE@tbs) Thammasat University	TISCO Group Head of Appraisal & Valuation Head of Appraisal & Valuation Other	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
39. Mr. Puvarin Kullaphattkanon Head of Risk Research	33	Common Preferred	-	Master of Arts in Economics New York University, USA Bachelor of Economics Chulalongkorn University Financial Risk Manager (FRM) Global Association of Risk Professionals, USA	TISCO Group Head of Risk Research Head of Risk Research & Advisory Senior Risk Officer Risk Officer Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited TISCO Finance Public Company Limited	Holding Company Bank Finance
40. Ms. Maneerat Wattanaajak Head of Compliance - Asset Management Business	44	Common Preferred	-	Master of Financial Accounting Chulalongkorn University Bachelor of Accountancy Thammasat University	TISCO Group Head of Compliance - Asset Management Business Head of Compliance and Internal Control - Asset Management Head of Compliance and Internal Control Senior Compliance and Internal Control Officer Others	TISCO Financial Group Public Company Limited TISCO Asset Management Company Limited	Holding Company Asset Management
41. Mr. Synn Navamananda Head of Product Development and Marketing	32	Common Preferred	-	Bachelor of Economics (International Program) Thammasat University	TISCO Group Head of Product Development and Marketing Others Vice President Fraud System & Prevention Vice President Business Transformation Vice President Quality Management	TISCO Financial Group Public Company Limited The Hongkong and Shanghai Banking Corporation Limited	Holding Company Bank

Work Experience within 5 years								
Name of Director, Management and Controlling Person	Age (years)	Total Shareholding ^{1/} (shares)	Family Relationship with other Management	Director's Training Course Program	Period	Position	Company / Organization	Type of Business
42. Ms. Sakomrat Manuwong Head of Compliance - Banking Business	43	Common Preferred	-	Bachelor of Accountancy (Accounting) Thammasat University	2010-Present 2010 2009 2008	TISCO Group Head of Compliance - Banking Business Head of Compliance & Internal Control - Bank Senior Compliance and Internal Control Officer Senior Compliance and Internal Control Officer Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
43. Mr. Somchat Lapapong Head of Corporate Services	51	Common Preferred	-	Bachelor of Business Administration (Marketing) Ratchamangkala University	2010-Present 2009-2010 2005-2008	TISCO Group Head of Corporate Services Deputy Head of Corporate Services Head of Branch Development Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
44. Ms. Sutthinee Muangman Head of Credit Control	60	Common Preferred	-	Bachelor of Business Administration (Finance and Banking) Thammasat University	Jul2013-Present 2010-Jun2013 2008-2009 2001-2007	TISCO Group Head of Credit Control Head of Credit Control Deputy Head of Credit Control Head of Office of the Credit Committee Other	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
45. Ms. Sutthiporn Areesakulsuk Head of Human Resources Services	57	Common Preferred	-	Bachelor of Arts (Management) Bangkok University	2012-Present 2005-2011 2005 2003-2004 2002-2003 2000-2001 1999-2000 1996-1999	TISCO Group Head of Human Resources Services Head of Compensation & Benefit Head of Human Resources Services Head of Employee Services Deputy Head of Human Resources Head of Human Resources Services Head of Processing Services Head of Personal Data & Compensation / Human Resources Others	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited Tisa Information Technology Company Limited TISCO Finance Public Company Limited	Holding Company Bank Information Technology Finance
46. Ms. Supaporn Arantiamtong Head of Compliance - Securities Business	57	Common Preferred	-	Master of Business Administration Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	2010-Present 2009-2010 2008 2003-2008	TISCO Group Head of Compliance - Securities Business Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Securities Head of Compliance and Internal Control - Asset Management Others	TISCO Financial Group Public Company Limited TISCO Securities Company Limited TISCO Asset Management Company Limited	Holding Company Securities Asset Management
47. Ms. Surang Techarungirun Head of Office of the Credit Committee	38	Common Preferred	-	Master of Science in Finance Chulalongkorn University Bachelor of Business Administration (Finance) Thammasat University	Jul2013-Present 2011-Jun2013 2006-2010 2003-2005	TISCO Group Head of Office of the Credit Committee Head of Office of the Credit Committee Senior Credit Administration Officer Office of the Credit Committee Officer Other	TISCO Financial Group Public Company Limited TISCO Bank Public Company Limited	Holding Company Bank
48. Ms. Arayapha Sirpanich Head of Information Security Management	35	Common Preferred	-	Master of Information Technology Queensland University of Technology, Australia Bachelor of Engineering (Computer Engineering) King Mongkut's Institute of Technology Ladkrabang - Certified Information Systems Security Professional (CISSP) Int'l Information Systems Security Certification Consortium (ISC)2, USA - GIAC System and Network Auditor (GSNA) - GIAC Certified Incident Handler (GCIH) - GIAC Web Application Penetration Tester (GWAPT) The SANS Institute, USA - Information Security Management System (ISMS) Auditor Lead Auditor (ISO/IEC 27001:2005) - Information Security Management System (ISMS) Implementation (ISO/IEC 27001:2005)	Feb2013-Present 2007-Jan2013	TISCO Group Head of Information Security Management IT Security Specialist Others	TISCO Financial Group Public Company Limited TISCO Information Technology Company Limited	Holding Company Information Technology

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

Remarks: ^{2/} Renamed to "Retail Banking"

Remarks: ^{3/} Renamed to "Productivity"

Remarks: ^{4/} Renamed to "New Technology & E-Channel"

Remarks: ^{5/} Renamed to "Corporate Communication"

Remarks: ^{6/} The Board of Directors' Meeting No. 8/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013.

Remarks: ^{7/} and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The Bank of Thailand approved the appointment on January 21, 2014.

Attachment 2

Changes in TISCO Shareholdings by Directors and Management

	Name	Common Shares			Preferred Shares			Total Shareholding Percentage
		As of December 31, 2013	As of December 31, 2014	Increase (Decrease) During the Year ¹	As of December 31, 2013	As of December 31, 2014	Increase (Decrease) During the Year	
48	Ms. Arayapha Siripanich	0	0	0	0	0	0	0.00
	Including spouse and minor children	0	0	0	0	0	0	0.00

Remark: ¹ The change in numbers of shares was due to the exercise of TSRs.

² The Board of Directors' Meeting No. 8/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013, and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The Bank of Thailand approved the appointment on January 21, 2014.

Attachment 3

Details of Directors in Subsidiaries

Details of Management and Controlling Persons of the Company in Subsidiaries as of December 31, 2013

	Name	Company		Subsidiary										Affiliate		
		TISCO Financial Group Plc.	TISCO Bank Plc.	TISCO Securities Co., Ltd.	TISCO Asset Management Co., Ltd.	HIWAY Co., Ltd.	TISCO Information Technology Co., Ltd.	TISCO LEASING Co., Ltd.	TISCO Learning Center Co., Ltd.	All-Ways Co., Ltd.	TISCO Tokyo Leasing Co., Ltd.	Deutsche TISCO Investment Advisory Co., Ltd. ^{1/}				
1	Mr. Pliu Mangkomkanok	X	X	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Mr. Hon Kit Shing (Mr. Alexander H. Shing)	//	//	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Ms. Oranuch Apisaksirikul	//	VC	-	-	-	-	-	-	-	-	//	-	-	-	-
4	Prof. Dr. Pranee Tinakorn	CE,GCE	CE	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Assoc. Prof. Dr. Angkarat Priebjivat	/	/	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Ms. Panada Kanokwat	CAC	CAC	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Ms. Patareeya Benjapolchai	/	/	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Mr. Pichai Chanvirachart	AC	AC	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Prof. Dr. Teerana Bhongmakapat	CGC	/	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Mr. Hirohiko Nomura ²	CGC	/	-	-	-	-	-	-	-	-	-	-	-	-	-
		//	//	-	-	-	-	-	-	-	-	-	-	-	-	-

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

²The Board of Directors' Meeting No. 8/2013 has acknowledged the resignation of Mr. Hirohiko Nomura, Director, to be effective on January 16, 2013, and approved the appointment of Mr. Yasuro Yoshikoshi to be new director replacing the resigned, subject to the approval from the Bank of Thailand. The Bank of Thailand approved the appointment on January 21, 2014.

Details of Management and Controlling Persons of the Company in Subsidiaries as of December 31, 2013

Name	Company		Subsidiary										Affiliate				
	TISCO Financial Group Plc.	TISCO Bank Plc.	TISCO Securities Co., Ltd.	TISCO Asset Management Co., Ltd.	HIWAY Co., Ltd.	TISCO Information Technology Co., Ltd.	TISCO LEASING Co., Ltd.	TISCO Learning Center Co., Ltd.	All-Ways Co., Ltd.	TISCO Tokyo Leasing Co., Ltd.	TISCO						
24 Mr. Watsakorn Thepthim	DH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 Ms. Dulyarat Taveebhol	FH	-	//	//	-	-	-	-	-	-	-	-	-	-	-	-	//
26 Mr. Kondee Sunthornpradit	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27 Dr. Kampon Adireksombat	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28 Mr. Kitipong Tiyaboonthai	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 Mr. Kullachart Ekvoratham	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 Ms. Jiraporn Sawasukpaiboon	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 Ms. Chutintorn Vigasi	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32 Ms. Nudhinee Suwanpanitch	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33 Mr. Noppawat Tangburanakij	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34 Ms. Narisara Tanarugsachock	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35 Ms. Nartrudee Swabut	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36 Mr. Nipon Wongchotiwat	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37 Mr. Prayuk Charoencharaskul	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38 Mr. Pichit Treethephasumphan	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39 Mr. Puvarin Kullaphaitkanon	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40 Ms. Maneerat Wattanajak	FH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Details of Management and Controlling Persons of the Company in Subsidiaries as of December 31, 2013

Name	Company		Subsidiary										Affiliate	
	TISCO Financial Group Plc.	TISCO Bank Plc.	TISCO Securities Co., Ltd.	TISCO Asset Management Co., Ltd.	HIWAY Co., Ltd.	TISCO Information Technology Co., Ltd.	TISCO LEASING Co., Ltd.	TISCO Learning Center Co., Ltd.	All-Ways Co., Ltd.	TISCO Tokyo Leasing Co., Ltd.	TISCO	Deutsche TISCO Investment Advisory Co., Ltd. ^{/1}		
41 Mr. Synn Navamananda	FH	-	-	-	-	-	-	-	-	-	-	-		
42 Ms. Sakornrat Manuwong	FH	-	-	-	-	-	-	-	-	-	-	-		
43 Mr. Somchat Lapapong	FH	-	-	-	-	-	-	-	-	-	-	-		
44 Ms. Suthinee Muangman	FH	-	-	-	-	-	-	-	-	-	-	-		
45 Mr. Suthiprom Areesakulsuk	FH	-	-	-	-	-	-	-	//	//	-	-		
46 Ms. Supaporn Aramtiantamrong	FH	-	-	-	-	-	-	-	-	-	-	-		
47 Ms. Surang Techarungnirun	FH	-	-	-	-	-	-	-	-	-	-	-		
48 Ms. Arayapha Siripanich	FH	-	-	-	-	-	-	-	-	-	-	-		

Remark : X = Chairperson / = Director // = Executive Director

A = Advisor

GE = Chairperson of The Executive Board

GNCC = Chairperson of The Nomination and Compensation Committee

NCC = Nomination and Compensation Committee

CAC = Chairperson of The Audit Committee

AC = Audit Committee

ACGC = Advisor to the Corporate Governance Committee

CCGC = Chairperson of the Corporate Governance Committee

CGC = Corporate Governance Committee

GCE = Group Chief Executive

P = President of parent company & core company

SEVP = Senior Executive Vice President

FEVP = First Executive Vice President

EVP = Executive Vice President

CEO = Chief Executive Officer

Pr = President of other subsidiary company

MD = Managing Director

GO = Governance Office

DH = Division Head

FH = Function Head

- = None

Attachment 4

Details of Head of Internal Audit and Head of Compliance

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

Remark: ¹ Including spouse and minor children

Attachment 5

Report of the Audit Committee

Report of the Audit Committee

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

- | | | |
|----|--------------------------------------|-------------|
| 1. | Assoc. Prof. Dr. Angkarat Priebjivat | Chairperson |
| 2. | Ms. Panada Kanokwat | Member |
| 3. | Ms. Patareeya Benjapholchai | Member |

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

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

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

The Audit Committee convened 13 meetings in Year 2013, all with full committee member's attendance. Major activities performed during the year were as follows:

- **Financial Statements:** Reviewed quarterly and annual financial statements on the appropriateness of the Company's accounting policies used in the preparation of the financial statements and the completeness of information disclosure before the dissemination. The Committee agreed with the external auditor that the Company's financial statements and the disclosure of relevant information were adequate and fairly presented in accordance with generally accepted accounting principles.
- **Internal Control and Audit:** Reviewed and assessed internal control system and internal audit works and considered all issues raised by the external auditor and internal audit department. Assessed the independence of internal audit department and approved annual audit plan, strategy, key performance indicators and the Charter of Internal Audit. The Committee opined that the Company's internal control system and internal audit function were appropriate and effective.
- **Regulatory Compliance:** Reviewed and assessed annual compliance plan and reports, compliance activities and status of legal cases and litigations. Acknowledged the results of external examinations by the Bank of Thailand and the Securities and Exchange Commission of Thailand and assessed the Company's corrective actions. The Committee opined that the Company properly followed all necessary rules and regulations as imposed by regulatory authorities.
- **External Auditor:** Reviewed and assessed the independence of the external auditor as well as the overall scope and the focus of the annual and interim audit. Selected and nominated the external auditor to the Board of Directors for further recommendation to the shareholders for approval. Considered the independence, professional proficiency, performance, and appropriateness of the audit fee, the Committee proposed the appointment of Ms. Ratana Jala of Ernst & Young Office Limited as the Auditor of the Company and its subsidiaries for the Year 2013.
- **Transactions with Related Parties and Conflicts of Interests:** Reviewed and assessed related party transactions or transactions that may lead to conflicts of interests and the pricing policy for the transactions to ensure conformity with laws and regulations. The Committee agreed with the external auditor that the transactions were either conducted in a normal course of business operation or justified for the best interests of the Company. In addition, related disclosures were in compliance with the corporate governance and related party transaction policy.
- **Risk Management:** Reviewed and assessed the management's presentation on the effectiveness of risk management system, capital adequacy, operational risk management and fraud risk management. The Committee was satisfied with the Company's risk management system.
- **Corporate Governance Policy:** Reviewed and assessed the appropriateness of the Company's corporate governance policy, the code of conduct, and anti-corruption policy. Acknowledged the 2012 results of corporate governance assessment of the Thai Institute of Directors Association, of which the Company was granted "Excellent" for overall corporate governance performance. The Committee opined that the Company possessed good corporate governance system and structure and the Company's corporate governance policy, code of conduct, and anti-corruption policy were appropriate and in accordance with legal requirements and ethical practices.

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

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

The Audit Committee has recognized the significance of good corporate governance and the code of conduct and carried out these matters stringently and continuously. The Audit Committee was awarded "Audit Committee of the Year" for the Year 2012/2013 and 2011/2012 consecutively by the Thai Institute of Directors Association.

Angkarat Priebjrivat

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

Attachment 6

Report of the Nomination and Compensation Committee

Report of the Nomination and Compensation Committee

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

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

- | | | |
|----|---------------------------|--|
| 1. | Prof. Dr. Pranee Tinakorn | Chairperson of the Nomination and Compensation Committee |
| 2. | Mr. Hon Kit Shing | Member of the Nomination and Compensation Committee |
| 3. | Mr. Hirohiko Nomura | Member of the Nomination and Compensation Committee |

In 2013, the Nomination and Compensation Committee of TISCO convened six meetings to carry out the following activities:

1. Acknowledging and proposing the results of the Board Performance Self-assessment for the year 2012 to the Board of Directors for ratification and recommending the Board the corrective action to be implemented to enhance board performance,
2. Adopting the Board Performance Self-Assessment Guideline and Questionnaires for the year 2013 which provided the board an opportunity to reflect on how well the board fulfilled its responsibilities and to identify opportunities for continuous improvement that will increase the board's overall performance and enhance the board's relationship with management,
3. Evaluating and proposing the results of the Group Chief Executive Performance for the year 2012 to the Board of Directors for acknowledgement and adopting the Group Chief Executive Performance Assessment Questionnaires for the year 2013,
4. Reviewing and recommending the Guideline for Board Composition and Selection Criteria for TISCO Group to the Board of Directors for approval,
5. Recommending number of directors and nominating qualified candidates for director position of TISCO and TISCO Bank for the Board of Directors to recommend the Shareholder Ordinary General Meeting for approval,
6. Reviewing and ensuring the directors' remuneration to be commensurable with their performance and benchmarking with the industry and recommending to the Board of Directors to further recommend the Shareholders Ordinary General Meeting for approval,
7. Recommending the appointment of Chairman and Vice Chairman of the Board of Directors and other committees namely Executive Board, Audit Committee, Nomination and Compensation Committee including Advisor to the Board of Directors and the appointment of new directors for replacement of TISCO and/or TISCO Bank to the Board of Directors for approval,
8. Recommending the amendment to the authorized signatories of TISCO and TISCO Bank to the Board of Directors for approval,
9. Considering the recommendation from the IOD's CG assessment regarding the composition of the Nomination and Compensation Committee and resolving that the present composition of the NCC conforms to TISCO's charter and the NCC can perform its function adequately,
10. Recommending the appointment of Corporate Governance Committee and the members of the corporate governance committee to the Board of Directors for approval,
11. Recommending the value of remuneration for the Advisor to the Board of Directors, the Corporate Governance Committee, and the advisor to the Corporate Governance Committee to the Board of Directors for approval,
12. Reviewing and revising the Charter of the Nomination and Compensation Committee;

13. Reviewing and discussing some certain strategic issues which are under the roles and responsibilities of the Nomination and Compensation Committee as stipulated in its Charter in order to enhance the good corporate governance of TISCO Group, and

14. Approving the incentive pay and bonus appropriation for the year 2013.

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

Pranee Tinakorn

(Prof. Dr. Pranee Tinakorn)

Chairperson
The Nomination and Compensation Committee
December 20, 2013

Attachment 7

Evaluation of the Sufficiency of Internal Control System

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

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

Internal Control Assessment Questionnaire

Background and Objectives

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

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

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

Use of Questionnaire

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

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

Control Environment

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

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

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

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

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

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

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

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

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

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

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

Risk Assessment

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

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

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

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

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

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

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

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

Control Activities

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

Question	Yes	No
10.1 The organization's control measures are appropriate with its organization specific risks such as environmental, operational complexity, functional, operational boundary, and other specifics.	/	
10.2 The organization has written internal control measures that appropriately covers its activities, which includes roles and responsibilities, and clearly indicate level of authority to prevent fraud. 10.2.1 Collect and regularly update information on major shareholders, Directors, Management, and their related parties to assist in monitoring and reviewing related party transactions or conflict of interest transactions.	/	

Question	Yes	No
10.2.2 In case the organization approves or enters into long-term contract with related party, the organization monitors to ensure compliance throughout the contract duration.	/	
10.3 Control activities include a range and variety of controls and may include a balance of approaches to mitigate risk, considering both manual and automated controls, and preventive and detective controls.	/	
10.4 Management considers control activities at various levels in the entity.	/	
10.5 The organization segregates the following duties: (1) approval (2) data entry (3) custodial	/	

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

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

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

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

Information & Communication

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

Question	Yes	No
13.1 A process is in place to identify quality and relevance internal and external information required to achieve the objectives.	/	
13.2 Information usage costs and benefits are considered. The consideration should include quantity and correctness of information.	/	
13.3 The board of directors has material information sufficiently to make decision. The information may include detail of the agenda, reason, impact to the organization and optional solution.	/	
13.4 The organization has processes to schedule the board meeting and provide necessary and sufficient supporting information before a specific time as the requirement by laws or regulation.	/	
13.5 The organization should document sufficient information in the board of directors' minute of meeting to ensure appropriateness of directors duties, for examples, memo probing the question to management, comments and reason of disagreement	/	
13.6 The organization has proper 13.6.1 Document retention process to ensure completeness and filing of all important document. 13.6.2 Control decencies and corrective action report from both external and internal auditors.	/	

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

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

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

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

Monitoring Activities

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

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

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

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

Attachment 8

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

Statement of the Board of Directors' Responsibility for Financial Statements

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

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

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

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

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

Oranuch Apisaksirikul
(Ms. Oranuch Apisaksirikul)
Group Chief Executive

TISCO Financial Group Public Company Limited
and its subsidiary companies
Report and consolidated financial statements
31 December 2013



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Independent Auditor's Report

To the Shareholders of TISCO Financial Group Public Company Limited

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Emphasis of matter

I draw attention to Note 1.4 to the financial statements regarding the change in accounting policy on the measurement of investment properties, from cost model to fair value model and Note 1.5 to the financial statements regarding the change in accounting policy on the measurement of premises and equipment, from cost model to revaluation model. My opinion is not qualified in respect of this matter.



Ratana Jala
Certified Public Accountant (Thailand) No. 3734

Ernst & Young Office Limited
Bangkok: 13 February 2014

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2013

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements		
		31 December	31 December	31 December	31 December	1 January
		2013	2012	2013	2012	2012
						(Restated)
Assets						
Cash		1,131,004	1,046,330	70	50	50
Interbank and money market items - net	3.2	53,241,962	31,196,279	510,072	565,984	169,447
Derivatives assets	3.3	32,857	41,863	-	-	-
Investments - net	3.4, 3.8	11,489,596	7,015,518	763,957	812,737	-
Investments in subsidiaries - net	3.5	-	-	16,923,874	15,021,895	15,021,902
Loans to customers and accrued interest receivables	3.6, 3.8					
Loans to customers		320,767,368	273,311,973	3,986,000	3,841,000	944,000
Accrued interest receivable		535,851	352,769	-	-	-
Total loans to customers and accrued interest receivables		321,303,219	273,664,742	3,986,000	3,841,000	944,000
Less: Deferred revenue		(28,616,716)	(24,996,296)	-	-	-
Less: Allowance for doubtful accounts	3.7	(6,354,337)	(5,121,518)	-	-	-
Less: Allowance for loss on debt restructuring		-	(3)	-	-	-
Loans to customers and accrued interest receivables - net		286,332,166	243,546,925	3,986,000	3,841,000	944,000
Property foreclosed - net	3.9	124,757	272,533	-	-	-
Investment properties	1.4, 3.10	16,856	304	783,170	764,271	647,355
Premises and equipment - net	1.5, 3.11	2,511,745	1,384,381	629,039	380,272	410,367
Intangible assets - net	3.12	111,964	126,709	56,952	45,208	62,427
Deferred tax assets		245,383	306,126	108,845	108,143	97,200
Securities and derivatives business receivables - net		1,546,662	2,223,792	-	-	-
Dividend receivable from subsidiaries		-	-	1,457,244	1,832,654	735,317
Other assets	3.13	2,477,567	3,336,175	155,560	126,988	39,256
Total assets		359,262,519	290,496,935	25,374,783	23,499,202	18,127,321

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2013

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements		
		31 December	31 December	31 December	31 December	1 January
		2013	2012	2013	2012	2012
					(Restated)	
Liabilities and shareholders' equity						
Liabilities						
Deposits	3.14	264,640,753	219,823,339	-	-	-
Interbank and money market items - net	3.15	16,702,692	13,970,608	-	200,000	-
Liability payable on demand		344,864	652,310	-	-	-
Payable under securities borrowing		-	163	-	-	-
Derivatives liabilities	3.3	315,668	747	-	-	-
Debts issued and borrowings	3.16	44,083,619	27,877,250	6,128,000	6,311,631	1,808,832
Provision for long-term employee benefits	3.17	334,539	324,357	71,836	71,086	49,069
Deferred tax liabilities		159,797	158,583	-	-	-
Securities and derivatives business payables		1,511,017	1,523,645	-	-	-
Accrued interest payable		1,710,574	1,773,793	36,756	31,087	8,465
Income tax payable		470,457	428,307	73,364	66,129	50,348
Other liabilities	3.18	5,770,481	5,583,583	1,021,863	744,487	676,258
Total liabilities		336,044,461	272,116,685	7,331,819	7,424,420	2,592,972

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2013

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements		
		31 December 2013	31 December 2012	31 December 2013	31 December 2012 (Restated)	1 January 2012
Shareholders' equity						
Share capital	5.2					
Registered						
33,858 preference shares of Baht 10 each						
(31 December 2012: 372,289,914 shares of Baht 10 each)		339	3,722,879	339	3,722,879	3,722,879
800,669,437 ordinary shares of Baht 10 each						
(31 December 2012: 727,912,086 shares of Baht 10 each)		8,006,694	7,279,121	8,006,694	7,279,121	7,279,121
		<u>8,007,033</u>	<u>11,002,000</u>	<u>8,007,033</u>	<u>11,002,000</u>	<u>11,002,000</u>
Issued and paid-up						
33,858 preference shares of Baht 10 each						
(31 December 2012: 33,858 shares of Baht 10 each)		339	339	339	339	339
800,621,625 ordinary shares of Baht 10 each						
(31 December 2012: 727,878,228 shares of Baht 10 each)		8,006,216	7,278,782	8,006,216	7,278,782	7,278,782
		<u>8,006,555</u>	<u>7,279,121</u>	<u>8,006,555</u>	<u>7,279,121</u>	<u>7,279,121</u>
Share premium						
Share premium on preference shares		-	-	298	298	298
Share premium on ordinary shares		1,018,408	-	7,031,225	6,012,817	6,012,817
		<u>1,018,408</u>	<u>-</u>	<u>7,031,523</u>	<u>6,013,115</u>	<u>6,013,115</u>
Other components of shareholders' equity		1,570,190	1,040,375	158,104	11,571	-
Retained earnings						
Appropriated-statutory reserve		496,200	405,200	496,200	405,200	297,900
Unappropriated		11,895,567	9,471,665	2,350,582	2,365,775	1,944,213
		<u>22,986,920</u>	<u>18,196,361</u>	<u>18,042,964</u>	<u>16,074,782</u>	<u>15,534,349</u>
Equity attributable to owners of the Company						
Non-controlling interest of the subsidiaries		231,138	183,889	-	-	-
		<u>23,218,058</u>	<u>18,380,250</u>	<u>18,042,964</u>	<u>16,074,782</u>	<u>15,534,349</u>
Total shareholders' equity						
		<u>359,262,519</u>	<u>290,496,935</u>	<u>25,374,783</u>	<u>23,499,202</u>	<u>18,127,321</u>
Total liabilities and shareholders' equity						

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



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



บริษัท ทีเอสซี กรุ๊ป จำกัด
TISCO Financial Group Public Company Limited

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2013

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

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
					(Restated)
Interest income	3.22	19,271,733	15,210,612	174,064	86,047
Interest expenses	3.23	(10,303,571)	(8,166,146)	(221,293)	(129,589)
Net interest income		8,968,162	7,044,466	(47,229)	(43,542)
Fee and service income		5,415,720	4,407,551	-	-
Fee and service expenses		(225,870)	(278,919)	(14,318)	(9,958)
Net fees and service income	3.24	5,189,850	4,128,632	(14,318)	(9,958)
Net gains (losses) on trading and foreign exchange transactions	3.25	74,647	167,256	56,800	(4,847)
Net gains (losses) on investments	3.26	353,774	120,532	-	(7)
Gain on changes in value of investment properties	3.10	16,850	-	18,898	116,916
Dividend income		99,144	82,856	1,459,449	1,834,859
Penalty fee income from loans		285,288	256,662	-	-
Income from business promotion relating to the hire purchase business		736,858	1,259,511	-	-
Intercompany supporting fee income	3.34	-	-	1,563,477	1,529,999
Other operating income	3.28, 3.34	76,997	122,972	67,498	64,934
Total operating income		15,801,570	13,182,887	3,104,575	3,488,354
Expense from business promotion relating to the hire purchase business		900,370	1,422,668	-	-
Total net operating income		14,901,200	11,760,219	3,104,575	3,488,354
Other operating expenses					
Employee's expenses		3,449,241	3,223,511	751,414	660,165
Directors' remuneration		13,095	13,345	12,615	12,385
Premises and equipment expenses		915,649	843,452	338,303	325,779
Taxes and duties		216,185	174,668	1,619	1,442
Other operating expenses	3.29	746,010	769,330	90,888	109,845
Total other operating expenses		5,340,180	5,024,306	1,194,839	1,109,616
Bad debt, doubtful accounts and impairment losses	3.27	4,141,224	1,922,244	-	-
Profit from operation before income tax expenses		5,419,796	4,813,669	1,909,736	2,378,738
Income tax expenses	3.30	1,064,050	1,080,661	91,019	129,738
Profit for the year		4,355,746	3,733,008	1,818,717	2,249,000

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2013

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

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
					(Restated)
Other comprehensive income	3.31				
Losses arising from translating the financial statements					
of a foreign operation		(81,795)	(1,467)	-	-
Surplus (deficit) on change in value of					
available-for-sale investments		(397,546)	174,090	(105,580)	14,464
Actuarial gains (losses)		13,098	(61,777)	3,670	(11,955)
Gain on revaluation of assets	3.21	1,176,123	-	288,745	-
Cash flow hedges		(22,587)	(112,575)	-	-
Income tax effect	3.24, 3.32	(156,216)	73	(37,367)	(502)
Other comprehensive income for the year		531,077	(1,656)	149,468	2,007
Total comprehensive income for the year		4,886,823	3,731,352	1,968,185	2,251,007
Profit attributable to					
Equity holders of the Company	3.33	4,249,050	3,705,180	1,818,717	2,249,000
Non-controlling interests of the subsidiaries		106,696	27,828		
		<u>4,355,746</u>	<u>3,733,008</u>		
Total comprehensive income attributable to					
Equity holders of the Company		4,790,562	3,696,488	1,968,185	2,251,007
Non-controlling interests of the subsidiaries		96,261	34,864		
		<u>4,886,823</u>	<u>3,731,352</u>		
Earnings per share of equity holders of the Company					
Basic earnings per share	3.33	<u>5.55</u>	<u>5.09</u>	<u>2.37</u>	<u>3.09</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2013

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
				(Restated)
Cash flows from operating activities				
Profit before income tax	5,419,796	4,813,669	1,909,736	2,378,738
Adjustments to reconcile income before income tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	300,592	325,414	86,552	98,241
Bad debts and doubtful accounts	5,011,844	2,749,722	-	-
Allowance for impairment of investments (reversal)	(4,987)	(66,896)	(18,898)	7
Allowance for impairment of property foreclosed (reversal)	(17)	(315)	-	-
Gain on disposal of investments in securities	(351,862)	(50,892)	-	-
Unrealised (gain) loss on trading derivatives and foreign exchange transactions	(51,436)	(24,420)	(56,800)	4,847
Loss (gain) on disposal of equipment	(5,443)	(5,964)	(925)	1
Loss on written-off of equipment	-	870	-	10
Gain on changes in value of investment properties	(16,850)	-	-	(116,916)
Unrealised loss from trading securities	-	21,688	-	-
Gain on disposal of property foreclosed	(14,557)	(54,938)	-	-
Gain on cash flow hedge	-	(100,761)	-	-
Long-term employee benefit expenses	48,050	62,657	8,217	10,061
Decrease (increase) in accrued income	66,325	(95,410)	14,651	(87,862)
Increase in accrued expenses	349,361	647,418	294,042	80,608
Net interest income	(8,968,162)	(7,044,466)	47,230	43,542
Dividend income	(99,144)	(82,856)	(1,459,449)	(1,834,859)
Cash received on interest income	18,857,411	14,987,139	174,014	85,841
Cash paid on interest expenses	(9,129,292)	(7,788,807)	(215,624)	(106,967)
Cash received on dividend income	95,144	82,856	1,834,859	737,522
Cash paid on income tax expenses	(775,818)	(653,584)	(121,854)	-125,401
Profit from operating activities before changes in operating assets and liabilities	10,730,955	7,722,124	2,495,751	1,167,413
Operating assets (increase) decrease				
Interbank and money market items	(22,041,794)	(634,472)	55,912	(396,538)
Loans to customers	(50,029,964)	(67,212,737)	(145,000)	(2,897,000)
Securities and derivative business receivables	677,130	(1,499,141)	-	-
Receivables from clearing house	(135,450)	-	-	-
Property foreclosed	2,906,231	1,808,696	-	-
Other assets	628,429	(1,266,506)	-42,978	236

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2013

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
				(Restated)
Operating liabilities increase (decrease)				
Deposits	44,817,414	181,844,344	-	-
Interbank and money market items	2,717,872	(505,287)	(200,000)	200,000
Liability payable on demand	(307,446)	204,261	-	-
Securities and derivative business payables	(12,628)	1,054,105	-	-
Short-term debts issued and borrowings	15,317,069	(114,123,148)	(183,631)	4,502,799
Payable to clearing house	(553,494)	567,939	-	-
Provision for long-term employee benefits	(24,770)	-	(3,797)	-
Other liabilities	(705,880)	468,353	(16,666)	(12,379)
Net cash flows from operating activities	3,983,674	8,428,531	1,959,591	2,564,531
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(16,647,618)	(5,874,225)	-	(803,120)
Cash received from disposal of investment in securities held for investment	12,186,959	2,831,237	-	-
Cash paid for purchase of equipment	(215,411)	(170,057)	(22,589)	(43,350)
Cash paid for purchase of intangible assets	(49,012)	(22,325)	(36,306)	(7,505)
Cash received from disposal of equipment	18,580	8,959	1,307	17
Cash paid for share capital increase of subsidiaries	-	-	(1,901,980)	-
Cash received from capital increase of a subsidiary	-	49,000	-	-
Net cash flows used in investing activities	(4,706,502)	(3,177,411)	(1,959,568)	(853,958)
Cash flows from financing activities				
Long-term debts issued and borrowings	(110,700)	(3,639,200)	-	-
Cash received from issuance of long-term debentures	1,000,000	1,243,000	-	-
Cash paid for the redemption of long-term debentures	-	(1,000,000)	-	-
Dividend paid	(1,745,845)	(1,710,573)	(1,745,845)	(1,710,573)
Cash received from increase in share capital	1,745,842	-	1,745,842	-
Net cash flows from (used in) financing activities	889,297	(5,106,773)	(3)	(1,710,573)
Exchange differences on translation of financial statements	(81,795)	(1,467)	-	-
Net increase in cash	84,674	142,880	20	-
Cash at beginning of the year	1,046,330	903,450	50	50
Cash at end of the year	1,131,004	1,046,330	70	50
	-	-	-	-
Supplemental cash flows information				
Non-cash transaction				
Revaluation adjustment of assets	1,176,123	-	288,745	-

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2013

(Unit: Thousand Baht)

Consolidated financial statements															
Equity attributable to owners of the Company															
Other components of shareholders' equity															
	Other comprehensive income				Adjustment from business combination of entities under common control under holding restructuring plan				Retained earnings		Total equity attributable to owners of the Company		Equity attributable to non-controlling interests of the subsidiaries		Total
	Surplus (deficit) on change in value of available-for-sale investments	Surplus on revaluation of assets	Cash flow hedges	Exchange differences on translation of financial statements in foreign currency	Surplus (deficit) on change in value of available-for-sale investments	Surplus on revaluation of assets	Cash flow hedges	Exchange differences on translation of financial statements in foreign currency	Appropriated	Unappropriated	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total		
Balance as at 1 January 2012	339	7,278,782	-	139,135	-	97,374	83,262	679,266	999,037	297,900	7,634,389	16,210,447	101,145	16,311,592	
Dividend paid	-	-	-	-	-	-	-	-	-	-	(1,710,574)	(1,710,574)	-	(1,710,574)	
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	-	-	107,300	(107,300)	-	-	-	
Total comprehensive income for the year	-	-	-	139,272	-	(96,467)	(1,467)	-	41,338	-	3,655,150	3,696,488	34,864	3,731,352	
Increase in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	47,880	47,880	
Balance as at 31 December 2012	339	7,278,782	-	278,407	-	907	81,795	679,266	1,040,375	405,200	9,471,665	18,196,361	183,889	18,380,250	
Balance as at 1 January 2013	339	7,278,782	-	278,407	-	907	81,795	679,266	1,040,375	405,200	9,471,665	18,196,361	183,889	18,380,250	
Dividend paid	-	-	-	-	-	-	-	-	-	-	(1,745,845)	(1,745,845)	-	(1,745,845)	
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	-	-	91,000	(91,000)	-	-	-	
Total comprehensive income for the year	-	-	-	(320,435)	-	(6,854)	(81,795)	-	529,815	-	4,260,747	4,790,562	96,261	4,886,823	
Issue ordinary shares	-	727,434	-	-	-	-	-	-	-	-	-	1,745,842	-	1,745,842	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(49,012)	(49,012)	
Balance as at 31 December 2013	339	8,006,216	-	(42,028)	-	(7,947)	-	679,266	1,570,190	496,200	11,895,567	22,986,920	231,138	23,218,058	

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

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2013

(Unit: Thousand Baht)

Note	Separate financial statements											Total	
	Other components of shareholders' equity										Total		
	Share premium					Other comprehensive income							Total other components of shareholder's equity
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Share premium	Surplus (deficit) on change in value of available-for-sale investments	Surplus on revaluation of assets	Retained earnings	Unappropriated	Unappropriated			
shares	shares	shares	shares	shares	investments	assets	Appropriated	Unappropriated	Unappropriated	Retained earnings			
	339	7,278,782	298	6,012,817	-	-	-	297,900	1,715,391	15,305,527			
Balance as at 31 December 2011 - as previously reported													
Cumulative effect of change in accounting policy on investment properties	1.5	-	-	-	-	-	-	-	-	-	-	228,822	
Balance as at 31 December 2011 - after restated													
Dividend paid	4	-	-	-	-	-	-	297,900	1,944,213	15,534,349			
Transfer unappropriated retained earnings to statutory reserve		-	-	-	-	-	-	-	(1,710,574)	(1,710,574)			
Total comprehensive income for the year		-	-	-	-	-	-	107,300	(107,300)	-			
Balance as at 31 December 2012 - after restated													
	339	7,278,782	298	6,012,817	11,571	11,571	-	405,200	2,365,775	16,074,782			
Balance as at 31 December 2012 - as previously reported													
Cumulative effect of change in accounting policy on investment properties	1.5	-	-	-	-	-	-	-	-	-	-	332,954	
Balance as at 31 December 2012 - after restated													
Dividend paid	4	-	-	-	-	-	-	405,200	2,365,775	16,074,782			
Transfer unappropriated retained earnings to statutory reserve		-	-	-	-	-	-	-	(1,745,845)	(1,745,845)			
Total comprehensive income for the year		-	-	-	-	-	-	91,000	(91,000)	-			
Issue ordinary shares	5.2	-	727,434	-	(84,463)	230,996	146,533	-	1,821,652	1,968,185			
Balance as at 31 December 2013													
	339	8,006,216	298	7,031,225	(72,892)	230,996	158,104	496,200	2,350,582	18,042,964			

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

TISCO Financial Group Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2013

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 11/2553 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011.

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

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

The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

1.2 Basis of consolidation

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- b) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of TISCO Tokyo Leasing Company Limited are included in the consolidated financial statements, even though the Company holds 49% of equity, because the Company has management control of this company by virtue of having more than half of the votes of the Board of Directors.
- d) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.

- e) The assets and liabilities in the financial statements of overseas subsidiary company are translated into Baht using the exchange rate prevailing on the end of reporting period, and the revenues and expenses are translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

1.3 New accounting standards

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

a) Accounting standards that became effective in the current accounting period

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

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

Accounting Treatment Guidance for Transfers of Financial Assets

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

b) Accounting standards that will become effective in the future

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014

Effective date

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 " <i>Financial Reporting in Hyperinflationary Economies</i> "	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

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

1.4 Change in accounting policy on recording of investment properties from cost model to fair value model and cumulative effect of change in accounting policy

During the current year, the Company and its subsidiaries changed their accounting policy regarding measurement of investment properties to accord with Thai Accounting Standard No. 40, switching from the cost model to the fair value model in order to reflect the fair value of the assets. The cumulative effect of the change in accounting policy has been separately presented in the statements of changes in shareholders' equity.

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

(Unit: Thousand Baht)

	As at 31 December 2013		As at 31 December 2012		As at 1 January 2012	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Statement of financial position						
Increase in investment properties	16,850	448,302	-	416,192	-	286,029
Decrease in deferred tax assets	3,370	89,660	-	83,238	-	57,206
Increase in unappropriated retained earnings	13,480	358,642	-	332,954	-	228,823

(Unit: Thousand Baht)

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Statement of comprehensive income				
Profit or loss:				
Decrease in depreciation	-	13,212	-	13,248
Gain on changes in value of investment properties	16,850	18,898	-	116,916
Increase in income tax expenses	3,370	6,422	-	26,033
Increase in profit for the year	13,480	25,688	-	104,131
Increase in basic earnings per share (Baht)	0.02	0.03	-	0.14

The effect of the change in the accounting policy on the consolidated financial statements for the year 2012 and past years was immaterial. Therefore, the Company and its subsidiaries did not retrospectively adjust the consolidated financial statements for the year 2012 and do not present the consolidated financial statements as at 1 January 2012 for the purpose of comparison.

1.6 Significant accounting policies

1.6.1 Income recognition

a) Interest and discounts on loans

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

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

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is then recognised on a cash basis.

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

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

b) Interest and dividends on investment in securities

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

c) Brokerage fees

Brokerage fees on securities and derivative trading are recognised as income on the transaction dates.

d) Gains (losses) on trading in securities and derivatives

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

e) Fees and service income

Fees and service income are recognised as income on an accrual basis.

1.6.2 Expense recognition

a) Interest expenses

Interest expenses are charged to expense on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

b) Commissions and direct expenses of the hire purchase business

The subsidiaries recorded the initial commissions and direct expenses arising in respect of hire purchase contracts origination from 1 January 2007, by the effective interest rate method, and deducted them from deferred revenue over the installment period to reflect the effective rate of return of hire purchase agreements, and recorded as expenses when occurred for hire purchase contract originated before 1 January 2007.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.6.3 Securities purchased under resale agreements according to private repurchase transactions

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

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

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

1.6.4 Investments

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

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

1.6.5 Investments in receivable purchased or transferred in

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

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

1.6.6 Receivable from Clearing House/Payable to Clearing House

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD, and the net balance receivable from Thailand Clearing House (TCH), including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD, and the net derivatives balance payable to Thailand Clearing House.

1.6.7 Loans to customers

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

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

1.6.8 Securities and derivative business receivables

Securities and derivative business receivables comprise the net balance of securities business receivables and derivative business receivables, after deducting allowance for doubtful accounts. Securities business receivables comprise the net receivable balances of cash accounts, securities borrowing and lending receivables, and other receivables such as securities receivables that are subject to legal proceeding, undergoing restructuring or setting in installments.

1.6.9 Allowance for doubtful accounts and losses from troubled debt restructuring

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

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

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

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

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

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors' ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collaterals are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.
- c) For the subsidiary companies operating hire purchase business, allowance for doubtful accounts is made using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- d) For the subsidiary company operating leasing business, allowance for doubtful accounts is estimated based on a review of all outstanding amounts at the end of reporting period. The amount of the allowance is the difference between the carrying amount of the leasing agreement receivable and the recoverable amount. Bad debts written off during the year are recorded as expenses when the write off occurs.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to bad debt and doubtful accounts in the period of recovery.

1.6.10 Troubled debt restructuring

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

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

1.6.11 Recognition and derecognition of customer deposits

Cash which customers have placed with a subsidiary company in cash accounts for securities trading and derivative trading is recorded as an asset of the subsidiary company for the customers' position for internal control purposes. At the financial statement date, the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.6.12 Borrowing and lending of securities

A subsidiary company operating securities business is engaged in securities borrowing and lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position. At the end of the year, the balances of securities borrowing payables and securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in part of profit or loss in the statement of comprehensive income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

1.6.13 Property foreclosed

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

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

1.6.14 Investment properties

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

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

1.6.15 Premises and equipment/Depreciation

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

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

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

- When an asset's carrying amount is increased as a result of a revaluation of the Company and its subsidiaries' assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Surplus on revaluation of assets". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company and its subsidiaries' assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Surplus on revaluation of assets" in respect of the same asset.

The surplus on revaluation of assets is amortised to retained earnings on a straight-line basis over the remaining life of the related assets. The revaluation surplus which is transferred to retained earnings is the difference between the depreciation calculated on book value of the revalued assets and the depreciation calculated on original cost of the assets. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

Depreciation of office condominiums and equipment is calculated by reference to their costs or fair values on the straight-line basis (except for the depreciation of computer and communications equipment, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings and office condominiums	-	20 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipments	-	3, 5 years
Motor vehicles	-	5 years

Leased assets under operating lease agreements - according to the period of lease agreement

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is included in determining income.

No depreciation is provided on land and assets under installation.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

1.6.16 Intangible assets

The Company and its subsidiaries initially recognised intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Company and its subsidiaries amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The Company and its subsidiaries reviewed the amortisation period and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Company and its subsidiaries amortised over the following estimated useful lives:

- | | | |
|--|---|---|
| The license agreements specified number of year of usage | - | according to the period of license agreement by the straight-line basis |
| The license agreements not specified number of year of usage | - | 5 years by the straight-line basis |
| No license agreements | - | 3 years by the sum-of-the-year-digits method |

1.6.17 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future periods when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

The Company and its subsidiaries recognise deferred tax assets for all deductible temporary differences to the extent that it is probable that the Company and its subsidiaries will generate future taxable profits will be available against which such deductible deferred tax assets can be utilised. The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences.

Deferred tax assets/liabilities are calculated based on the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax legislation) that have been enacted at the end of reporting period.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

At the end of reporting period, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.6.18 Impairment of assets

The Company and its subsidiaries assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

1.6.19 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. If the Company and its subsidiaries neither transfer nor retain substantially all risks and rewards of ownership of such financial assets, and retain control of such financial assets, the Company and its subsidiaries continue to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.6.20 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

1.6.21 Employee benefits

Short-term employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expense of the Company and its subsidiaries is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Company and its subsidiaries record this expense and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting date and any increase or decrease in the expense according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Company and its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Company and its subsidiaries based on actuarial techniques.

Actuarial gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

1.6.22 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.6.23 Derivatives and hedge accounting

The recording of derivatives and hedge accounting are based on the principles for recording derivatives and hedge accounting under IAS 39 “Financial Instruments: Recognition and Measurement”.

- a) A subsidiary operating banking business has recorded derivatives held for trading in fair value method. The subsidiary records gains (losses) from changes in the fair value of derivatives which is stated in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.
- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.
- c) Subsidiaries have recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The subsidiaries document, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The subsidiaries also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in shareholders’ equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss.

1.6.24 Financial instruments

a) Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, securities and derivatives business receivable, receivable from clearing house, loans to customers and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities, debts issued and borrowings, securities and derivative business payables and payable to clearing house. The financial risks associated with these financial instruments and how they are managed is described in Note 3.39 to the financial statements.

b) Fair value of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using rates at which financial instruments with similar features.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivative business payables and payable to clearing house, the carrying amounts in the financial statement approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

- Loans to customers and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans carry interest at floating rates. Hire purchase receivables and other retail loans to customers are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

1.6.25 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6.26 Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimate. Significant judgments and estimates are as follows:

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Allowance for doubtful accounts for loans to customers

Allowances for loan losses are intended to adjust the value of loans to customers for probable credit losses. The management uses judgment to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, consideration of the probability of defaults, statistical modeling and estimates, taking into account change in the value of collateral and current economic conditions, in compliance with the principles stipulated by the Bank of Thailand. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quote market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments

The Company and its subsidiaries treat available-for-sale securities and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment of the management.

Investment properties

The Company and its subsidiaries present investment properties at the fair value estimated by an independent appraiser, and recognise changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 3.10.

Premises and equipment/Depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of premises and equipment and to review estimated useful lives and residual values when there are any changes.

At the end of 2013, the Company and its subsidiaries measure office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the income approach. The valuation involves certain assumptions and estimates.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefits plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, staff turnover rate.

Leases

In determining whether a lease is to be classified as an operating lease or financial lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

Consolidation and deconsolidation of subsidiaries

In preparation of the consolidated financial statements, the management is required to make judgment whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

2. General information

2.1 The Company's information

TISCO Financial Group Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is a holding company and is the parent company of TISCO Group.

Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

2.2 Share capital

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Company pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Company does not declare dividend payment to the ordinary shareholders, the Company may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Company has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

2.3 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution.

2.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Company and its subsidiaries' directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

2.5 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company. They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

The Company has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, which are reference to the terms and price as charged to other customers.

3. Supplemental information

3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2013 and 2012 is provided below.

(Unit: Percent)				
Company's name	Nature of Business	Country of incorporation	Percentage of shares held by the Company as at 31 December	
			2013	2012
<u>Subsidiaries directly held by the Company</u>				
TISCO Bank Public Company Limited	Banking	Thailand	99.99	99.98
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co., Ltd.	Asset management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Tokyo Leasing Co., Ltd.	Leasing	Thailand	49.00	49.00
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	99.99
All-Ways Co., Ltd.	Services	Thailand	99.97	-
<u>Subsidiaries indirectly held by the Company</u>				
Deutsche TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	51.00	51.00
TISCO Securities Hong Kong Limited Co., Ltd. (in the process of liquidation)	Securities business	China-Hongkong	-	100.00

During the year 2013, there was the following change in the composition of the subsidiary.

A) In February 2013, the Company invested in 9,997 ordinary shares of T Troop Company Limited at a price of Baht 100 per share, for a total of Baht 1 million. The Company holds 99.97 percent of shares of this Company, which registered its incorporations with the Ministry of Commerce on 15 February 2013. In March 2013, T Troop Company Limited registered the change in its name to “All-Ways Company Limited” (as referred to in Note 5.1 to the financial statements).

B) In October 2013, TISCO Bank Public Company Limited received the return of capital amounting to Baht 40 million as a result of the dissolution of TISCO Securities Hong Kong Limited.

3.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2013			2012		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund						
	3,121,140	800,000	3,921,140	3,394,757	230,000	3,624,757
Commercial banks	316,291	45,189,504	45,505,795	325,240	25,132,533	25,457,773
Specialised financial institutions	761	3,778,884	3,779,645	997	2,050,000	2,050,997
Total	3,438,192	49,768,388	53,206,580	3,720,994	27,412,533	31,133,527
Add: Accrued interest	11,886	26,459	38,345	8,395	9,340	17,735
Less: Allowance for doubtful accounts	-	(3,000)	(3,000)	-	-	-
Total domestic	3,450,078	49,791,847	53,241,925	3,729,389	27,421,873	31,151,262
Foreign						
Hong Kong dollar	30	-	30	5,679	-	5,679
US dollar	7	-	7	39,338	-	39,338
Total	37	-	37	45,017	-	45,017
Add: Accrued interest	-	-	-	-	-	-
Total foreign	37	-	37	45,017	-	45,017
Total domestic and foreign	3,450,115	49,791,847	53,241,962	3,774,406	27,421,873	31,196,279

(Unit: Thousand Baht)

Separate financial statements as at 31 December

	2013			2012		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	509,783	-	509,783	565,745	-	565,745
Total	509,783	-	509,783	565,745	-	565,745
Add: Accrued interest	289	-	289	239	-	239
Total domestic	510,072	-	510,072	565,984	-	565,984

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2013	2012	
Cash at banks of local subsidiary	10	10	To secure facilities provided for bank overdraft

The subsidiary company operating banking business entered into securities purchase under resale agreements according to private repurchase transactions. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Million Baht)

Securities purchase under resale agreements
according to private repurchase transactions
as at 31 December

	2013	2012
Commercial bank	47,800	25,000
Specialised financial institution	-	2,000

Fair value of securities received as collateral is as follow:

(Unit: Million Baht)

Fair value of securities received as collateral
as at 31 December

	2013	2012
Commercial bank	47,873	25,114
Specialised financial institution	-	1,973

3.3 Derivatives

3.3.1 Trading derivative

The subsidiary company operating banking business entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with its loan to customers, as follows:

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December						
Type of risk	2013			2012		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	-	310,945	3,315,434	14,882	-	3,063,160
Interest rate	28,220	-	2,274,303	26,981	-	3,032,000
Total	28,220	310,945	5,589,737	41,863	-	6,095,160

All counter parties of these derivative transactions are financial institutions.

3.3.2 Hedging derivatives

The subsidiary operating leasing business entered into cross currency swap agreements to manage the risk associated with borrowings, as follows:

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December						
Type of risk	2013			2012		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	4,637	4,723	343,081	-	747	639,410
Total	4,637	4,723	343,081	-	747	639,410

All counter parties of these derivative transactions are financial institutions.

3.4 Investments

3.4.1 Classified by type of investment

(Unit: Thousand Baht)

Consolidated financial statements as at
31 December

	2013	2012
Trading investments - fair value		
Domestic marketable equity securities	-	23
Add: Allowance for changes in value	-	-
Total trading investments	-	23
Available-for-sales investments - fair value		
Government and state enterprise securities	5,637,810	4,139,976
Private sector debt securities	938,819	172,137
Domestic marketable equity securities	658,492	1,202,853
Other securities - domestic unit trusts	27,604	26,965
Other securities - foreign unit trusts	763,957	812,737
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sales investments	8,025,222	6,353,208
Held-to-maturity debt securities - cost/amortised cost		
Government and state enterprise securities	3,000,000	49,929
Investment in receivables	33,872	186,847
Less: Allowance for impairment	(17,722)	(20,801)
Total held-to-maturity debt securities	3,016,150	215,975
Other investments - cost		
Domestic non-marketable equity securities	494,053	494,053
Less: Allowance for impairment	(45,829)	(47,741)
Total other investments	448,224	446,312
Investments - net	11,489,596	7,015,518

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2013	2012
Available-for-sales investments - fair value		
Other securities - foreign unit trusts	763,957	812,737

3.4.2 Classified by remaining period to maturity of the debt securities

(Unit: Million Baht)

Consolidated financial statements as at 31 December								
2013				2012				
Due within				Due within				
Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total	
Available-for-sale								
investments								
Government and state								
enterprise securities	5,435	203	-	5,638	4,136	3	-	4,139
Private sector debt securities	31	907	-	938	143	30	-	173
Total	5,466	1,110	-	6,576	4,279	33	-	4,312
Less: Allowance for								
impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	5,465	1,110	-	6,575	4,278	33	-	4,311
Held-to-maturity debt								
securities								
Government and state								
enterprise securities	-	3,000	-	3,000	50	-	-	50
Investment in receivables	32	2	-	34	129	58	-	187
Less: Allowance for								
impairment	(18)	-	-	(18)	(16)	(5)	-	(21)
Total	14	3,002	-	3,016	163	53	-	216
Total debt securities	5,479	4,112	-	9,591	4,441	86	-	4,527

3.4.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	Consolidated financial statements		Type of restriction
	as at 31 December		
	2013	2012	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	1,758	-	Pledge for the use of credit balance on clearing position

3.4.4 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2013		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2012		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

3.4.5 Investments in which a subsidiary company operating banking business holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	Consolidated financial statements as at 31 December					
	2013			2012		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	5,707	-	10	5,377	-	10
PDTL Trading Co., Ltd.	6,925	-	10	8,316	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	4,647	-	10	5,697	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,083	-	10	16,940	-	10

3.5 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Type of investments as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2013	2012	2013	2012	2013	2012	2013	2012
Subsidiaries directly held by the Company									
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.99	99.98	15,195	13,294	655	1,238
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	458	260
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	309	335
Hi-Way Co., Ltd.	Hire purchase and retail loan	Preference shares	Preference shares	99.99	99.99	3	3	-	-
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	-	-
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	15	-
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Ordinary shares	Ordinary shares	99.99	99.99	137	137	-	-
TISCO Tokyo Leasing Co., Ltd.	Leasing	Ordinary shares	Ordinary shares	49.00	49.00	73	73	2	2
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	5	5	20	-
All-Ways Co., Ltd.	Services	Ordinary shares	-	99.97	-	1	-	-	-
						17,033	15,131	1,459	1,835
Less: Allowance for impairment						(109)	(109)		
Investment in subsidiaries - net						16,924	15,022		

3.6 Loans to customers and accrued interest receivables

3.6.1 Classified by loans to customers type

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2013	2012
Loans to customers		
Loans	80,719,897	66,608,275
Hire purchase receivables	232,863,826	201,220,750
Financial lease receivables	7,996,365	6,020,564
Less: Deferred revenue	(28,616,716)	(24,996,296)
Advances received from financial lease receivables	(812,720)	(537,616)
Total loans to customers	292,150,652	248,315,677
Add: Accrued interest receivables	535,851	352,769
Less: Allowance for doubtful accounts	(6,354,337)	(5,121,518)
Less: Allowance for loss on debt restructuring	-	(3)
Loans to customers and accrued interest receivables - net	286,332,166	243,546,925

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2013	2012
Loans to customers		
Loans	3,986,000	3,841,000
Add: Accrued interest receivables	-	-
Loans to customers and accrued interest receivables - net	<u>3,986,000</u>	<u>3,841,000</u>

3.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	288,869,292	-	288,869,292	245,252,517	-	245,252,517
US Dollars	-	3,281,360	3,281,360	-	3,063,160	3,063,160
Total loans to customers net of deferred revenue	<u>288,869,292</u>	<u>3,281,360</u>	<u>292,150,652</u>	<u>245,252,517</u>	<u>3,063,160</u>	<u>248,315,677</u>

(Unit: Thousand Baht)

Separate financial statements as at 31 December

	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	3,986,000	-	3,986,000	3,841,000	-	3,841,000
Total loans to customers net of deferred revenue	<u>3,986,000</u>	<u>-</u>	<u>3,986,000</u>	<u>3,841,000</u>	<u>-</u>	<u>3,841,000</u>

3.6.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2013

	Subsidiary company operating banking business						Other	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total	subsidiaries	
Agricultural and mining	1,441,228	71,195	23,157	2,795	-	1,538,375	-	1,538,375
Manufacturing and commerce	38,468,365	538,751	140,002	39,767	16,035	39,202,920	-	39,202,920
Real estate and construction	11,749,451	152,775	25,901	10,997	11,912	11,951,036	-	11,951,036
Public utilities and services	31,235,584	630,004	97,881	78,089	1,777	32,043,335	-	32,043,335
Personal consumption								
Hire purchase	160,187,190	14,723,922	2,584,821	824,665	66,641	178,387,239	10,772,161	189,159,400
Auto cash loan	12,707,215	948,514	188,453	27,427	822	13,872,431	552,065	14,424,496
Housing loans	1,302,535	56,425	2,355	9,294	57,583	1,428,192	-	1,428,192
Others	2,230,065	124,769	23,695	2,860	21,509	2,402,898	-	2,402,898
Total loans to customers	259,321,633	17,246,355	3,086,265	995,894	176,279	280,826,426	11,324,226	292,150,652
Add: Accrued interest receivables	272,962	220,093	-	-	-	493,055	42,796	535,851
Total loans to customers and accrued interest receivables	259,594,595	17,466,448	3,086,265	995,894	176,279	281,319,481	11,367,022	292,686,503

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2012

	Subsidiary company operating banking business						Other	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total	subsidiaries	
Agricultural and mining	1,575,255	43,949	5,272	679	-	1,625,155	-	1,625,155
Manufacturing and commerce	33,359,833	373,478	52,954	12,397	29,385	33,828,047	-	33,828,047
Real estate and construction	10,104,095	115,489	23,251	10,735	248,997	10,502,567	-	10,502,567
Public utilities and services	21,255,301	424,872	35,029	14,633	3,967	21,733,802	-	21,733,802
Personal consumption								
Hire purchase	142,042,315	10,431,471	1,632,472	426,854	29,087	154,562,199	7,632,443	162,194,642
Auto cash loan	9,299,338	491,263	74,922	11,347	1,110	9,877,980	2,015,355	11,893,335
Housing loans	1,329,435	20,509	18,981	3,808	82,862	1,455,595	-	1,455,595
Securities	-	-	-	-	-	-	1,432	1,432
Others	4,881,940	143,840	18,370	7,303	29,649	5,081,102	-	5,081,102
Total loans to customers	223,847,512	12,044,871	1,861,251	487,756	425,057	238,666,447	9,649,230	248,315,677
Add: Accrued interest receivables	172,180	150,086	-	-	-	322,266	30,503	352,769
Total loans to customers and accrued interest receivables	224,019,692	12,194,957	1,861,251	487,756	425,057	238,988,713	9,679,733	248,668,446

3.6.4 Classified by loan classification of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December					
	2013			2012		
	Loans to customers and accrued interest receivable	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivable	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	259,595	235,950	3,259	224,020	203,954	2,752
- Special mention	17,466	17,189	1,121	12,195	11,873	1,024
- Sub-standard	3,086	3,083	944	1,861	1,845	556
- Doubtful	996	988	279	488	477	136
- Doubtful of loss	176	107	63	425	193	216
Allowance established in excess	-	-	109	-	-	4
Total	281,319	257,317	5,775	238,989	218,342	4,688

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

⁽²⁾ As at 31 December 2013, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,345 million (As at 31 December 2012: total of Baht 2,045 million). TISCO Bank allocated Baht 2,236 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2012: total of Baht 2,041 million) and so combined with the minimum provision requirement of Baht 3,430 million (As at 31 December 2012: total of Baht 2,643 million), the total provision set aside in accordance with BOT requirements is Baht 5,666 million (As at 31 December 2012: total of Baht 4,684 million).

	Percentage of allowance for doubtful accounts set up			
	Hire purchase receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
Pass	0.58	0.77	1	1
Special mention	4.67	6.56	2	2
Sub-standard	22.95	24.24	100	100
Doubtful	23.13	24.65	100	100
Doubtful of loss	22.75	21.90	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽²⁾ These percentages are the rates used to set aside up allowance for doubtful accounts in accordance with the BOT's minimum requirement.

3.6.5 Hire purchase and financial lease receivables

As at 31 December 2013, net receivables of the subsidiaries under hire purchase and financial lease agreements amount to Baht 211,655 million (31 December 2012: Baht 181,900 million) and mostly comprise hire purchase agreements for cars, and financial lease agreements for machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2013					
Amounts of installments due under the long-term lease agreements					
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	71,354	155,991	7,216	6,300	240,861
Less: Deferred revenue*	(11,012)	(15,307)	(225)	(1,848)	(28,392)
Advances received from financial lease receivables	(93)	(719)	-	(1)	(813)
Present value of minimum lease pay from agreements	60,249	139,965	6,991	4,451	211,656
Allowance for doubtful accounts**					(3,204)
Net hire purchase and financial lease receivables					208,451

* Net of deferred commissions and deferred direct expenses incurred at the initiation of hire purchase.

** These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning the provisions in exceed of BOT's minimum requirement to specific provisions for an individual debtor.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012					
Amounts of installments due under the long-term lease agreements					
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	61,807	134,904	6,579	3,951	207,241
Less: Deferred revenue*	(9,833)	(13,650)	110	(1,430)	(24,803)
Advances received from financial lease receivables	(30)	(505)	(2)	(1)	(538)
Present value of minimum lease pay from agreements	51,944	120,749	6,687	2,520	181,900
Allowance for doubtful accounts**					(2,915)
Net hire purchase and financial lease receivables					178,985

* Net of deferred commissions and deferred direct expenses incurred at the initiation of hire purchase.

** These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning the provisions in exceed of BOT's minimum requirement to specific provisions for an individual debtor.

3.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has ceased

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under TISCO Bank's policy as at 31 December	
	2013	2012	2013	2012
	Loans to customers for which the recognition of interest income has ceased ⁽¹⁾	5,328	3,441	5,328

⁽¹⁾ These amounts are calculated on an account by account basis.

⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2013	2012
Hire purchase receivables, financial lease receivables and other loans receivables for which the recognition of interest income has ceased	752	333

3.6.7 Deferred revenue which is presented as a deduction against loans to customers of subsidiary companies

(Unit: Million Baht)

Deferred revenue ⁽¹⁾	Consolidated financial statements as at 31 December	
	2013	2012
		28,617

⁽¹⁾ These amounts included deferred revenue of hire purchase and finance lease contracts which is stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.6.8 Troubled debt restructuring of a subsidiary company operating banking business

	For the years ended 31 December	
	2013	2012
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	388	159
Loan balances before restructuring (Million Baht)	376	120
Loan balances after restructuring (Million Baht)	376	120
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	2	3
Corporate loan receivables	-	2

Supplemental information for the years ended 31 December 2013 and 2012 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2013	2012
Interest income on restructured receivables	38	53
Receipt of principal and interest	266	487

As at 31 December 2013 and 2012, a subsidiary company operating banking business has the outstanding balance with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at 31 December			
	2013		2012	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	1,099	665	1,135	735

3.7 Allowance for doubtful accounts / allowance for loss on debt restructuring

3.7.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2013

	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in	
						excess	Total
Balance - beginning of year	2,948,779	1,112,046	631,044	177,401	248,808	3,440	5,121,518
Increase in allowance for doubtful accounts during the year	484,378	175,311	1,191,378	2,806,117	246,149	105,511	5,008,844
Bad debt written-off	(1,458)	(36,569)	(735,664)	(2,606,025)	(396,309)	-	(3,776,025)
Balance - end of year	<u>3,431,699</u>	<u>1,250,788</u>	<u>1,086,758</u>	<u>377,493</u>	<u>98,648</u>	<u>108,951</u>	<u>6,354,337</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2012

	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in	
						excess	Total
Balance - beginning of year	3,393,569	237,316	469,683	95,954	219,966	3,863	4,420,351
Increase (decrease) in allowance for doubtful accounts during the year	(443,520)	892,124	708,783	1,469,707	135,095	(10,058)	2,752,131
Transfer from allowance for declining in value of property foreclosed	-	-	-	-	-	9,635	9,635
Bad debt written-off	(1,270)	(17,394)	(547,422)	(1,388,260)	(106,253)	-	(2,060,599)
Balance - end of year	<u>2,948,779</u>	<u>1,112,046</u>	<u>631,044</u>	<u>177,401</u>	<u>248,808</u>	<u>3,440</u>	<u>5,121,518</u>

3.7.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2013				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,255,585	2,862,493	3,440	5,121,518
Increase in allowance for doubtful accounts during the year	1,319,471	3,583,862	105,511	5,008,844
Bad debt written-off	(493,474)	(3,282,551)	-	(3,776,025)
Balance - end of year	3,081,582	3,163,804	108,951	6,354,337

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2012				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	1,874,151	2,542,337	3,863	4,420,351
Increase (decrease) in allowance for doubtful accounts during the year	490,531	2,271,658	(10,058)	2,752,131
Transfer from allowance for declining in value of property foreclosed	-	-	9,635	9,635
Bad debt written-off	(109,097)	(1,951,502)	-	(2,060,599)
Balance - end of year	2,255,585	2,862,493	3,440	5,121,518

3.7.3 Non-performing loans to customers of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December	
	2013	2012
Non-performing loans to customers	4,258	2,774
Allowance for doubtful accounts	1,285	908

3.8 Classification of assets

3.8.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at 31 December		as at 31 December		as at 31 December	
	2013	2012	2013	2012	2013	2012
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

⁽¹⁾ Allowance for possible loss is determined based on the investment cost less collateral value.

⁽²⁾ Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

⁽³⁾ Investments in securities of companies which are vulnerable to delisting, of companies of which the auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

3.8.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business.

As at 31 December 2013 and 2012, the quality of assets of a subsidiary company operating banking business classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		Investments in securities		Investments in receivables		Property foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Pass	307,922	251,348	-	-	-	-	-	-	307,922	251,348
Special mention	17,246	12,045	-	-	-	-	-	-	17,246	12,045
Sub-standard	3,086	1,861	-	-	-	-	-	-	3,086	1,861
Doubtful	996	488	-	-	-	-	-	-	996	488
Doubtful of loss	176	425	47	72	18	21	18	18	259	536
Total	329,426	266,167	47	72	18	21	18	18	329,509	266,278

⁽¹⁾ Loans to customer include investment in debt securities under resale agreements of other commercial banks and loan to financial institutions (which are presented as part of interbank and money market items-asset in the statement of financial position).

3.8.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which a subsidiary company operating banking business sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Net amount used for setting the		Percentage of allowance for		Allowance for	
	as at 31 December		allowance for doubtful accounts ⁽¹⁾		doubtful account set up ⁽²⁾		doubtful accounts ⁽³⁾	
	2013	2012	2013	2012	2013	2012	2013	2012
					(%)	(%)		
Pass	180,736	159,472	180,736	159,472	0.58	0.77	1,049	1,227
Special mention	15,660	10,939	15,660	10,939	4.67	6.56	732	717
Sub-standard	2,777	1,707	2,777	1,707	22.95	24.24	637	414
Doubtful	922	452	922	452	23.13	21.65	213	111
Doubtful of loss	69	38	69	38	22.75	21.90	16	9
Total	200,164	172,608	200,164	172,608			2,647	2,478

⁽¹⁾ The subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance for calculation of allowance for doubtful accounts for hire purchase receivables.

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽³⁾ These allowance for doubtful accounts include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8.4 Loans to customers with weak financial position and operating results of a subsidiary company operating banking business

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful	
	as at 31 December		as at 31 December		as at 31 December		accounts provided	
	2013	2012	2013	2012	2013	2012	2013	2012
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	-	2	-	250	-	142	-	132
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	-	-	-	-	-	-	-	-
5. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	-	2	-	250	-	142	-	132

3.8.5 Classification of assets of the securities business of a local subsidiary in accordance with the Notification of the Office of the Securities and Exchange Commission

(Unit: Million Baht)

	Securities business		Allowance		Allowance for doubtful	
	receivables and		for doubtful accounts		accounts provided	
	accrued interest		as required by SEC		in the accounts	
	as at 31 December		as at 31 December		as at 31 December	
	2013	2012	2013	2012	2013	2012
Doubtful of loss	-	1	-	1	-	1

3.8.6 Hire purchase receivables/financial lease receivables and other loan receivables of the other subsidiaries classified in accordance with the Bank of Thailand's guidelines

(Unit: Million Baht)

	Debt balance		Allowance for		Debt balance - net	
	as at 31 December		doubtful account		as at 31 December	
	2013	2012	2013	2012	2013	2012
Pass	9,632	8,768	172	199	9,460	8,569
Special mention	984	556	130	92	854	464
Sub-standard	353	180	143	76	210	104
Doubtful	270	98	99	41	171	57
Doubtful of loss	86	46	36	25	50	21
Total	11,325	9,648	580	433	10,745	9,215

3.9 Property foreclosed

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2013	2012
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an external appraiser</u>		
Balance - beginning of year	239,700	239,700
Disposals	(236,296)	-
Balance - end of year	3,403	239,700
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	25,453	37,551
Additions	48,272	-
Disposals	-	(12,098)
Balance - end of year	73,725	25,453
Total property foreclosed - Immovable assets	77,129	265,153
Movable assets		
Balance - beginning of year	25,578	30,479
Additions	4,822,600	3,169,985
Disposals	(4,782,369)	(3,174,886)
Balance - end of year	65,809	25,578
Total property foreclosed	142,938	290,731
Less: Allowance for impairment		
Balance - beginning of year	18,198	49,861
Increase	918	1,268
Decrease	(936)	(32,931)
Balance - end of year	18,180	18,198
Total Property foreclosed - net	124,758	272,533

3.10 Investment properties

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	2013	2012	2013	2012
				(Restated)
Book value - beginning of years	304	952	764,271	647,355
Gain from fair value adjustment	16,850	-	18,899	116,916
Others	(298)	(648)	-	-
Book value - end of years	<u>16,856</u>	<u>304</u>	<u>783,170</u>	<u>764,271</u>

The investment property is an office building for rent and stated at fair value. The fair value of investment properties was determined based on the valuation performed by an independent appraiser at the end of the year 2013 using the discounted cash flow method under the income approach. The main assumptions applied in the valuation included the utilisation rate of property, the capitalisation rate, the discount rate, long-term growth in rental rates and other related items.

3.11 Premises and equipment

(Unit: Thousand Baht)

		Consolidated financial statements							
Revaluation basis	Operating assets	Cost basis			Assets for operating lease agreements			Total	
		Land	Building, office condominium and building improvements	Furniture fixtures computer and equipment	Motor vehicles	Assets held for future lease and for sale	Computer and equipment		Motor vehicles
-	-	17,509	2,257,556	853,668	137,758	1,646	55,756	4,282	3,328,175
-	-	-	46,528	89,727	2,076	3,816,519	29,106	2,825	3,986,781
-	-	-	(13,515)	(17,163)	(8,869)	(3,801,243)	(9,561)	(1,060)	(3,851,411)
-	-	17,509	2,290,569	926,232	130,965	16,922	75,301	6,047	3,463,545
1,320,127	-	-	78,028	80,180	28,423	5,519,475	18,849	7,716	7,052,798
(344,250)	-	-	-	-	-	-	-	-	(344,250)
1,176,123	-	-	-	-	-	-	-	-	1,176,123
-	-	-	(1,583,805)	(7,561)	(14,991)	(5,533,845)	(19,833)	(3,222)	(7,163,257)
2,152,000	-	17,509	784,792	998,851	144,397	2,552	74,317	10,541	4,184,959
Accumulated depreciation:									
As at 1 January 2012	-	-	1,059,793	714,616	70,719	-	31,017	1,129	1,877,274
Depreciation for the year	-	-	106,993	102,190	19,199	-	17,649	1,553	247,584
Depreciation on disposals/written-off/transfers out	-	-	(9,901)	(16,515)	(8,869)	-	(9,561)	(848)	(45,694)
As at 31 December 2012	-	-	1,156,885	800,291	81,049	-	39,105	1,834	2,079,164
Depreciation for the year	-	-	90,248	86,797	21,248	-	20,712	3,518	222,523
Depreciation transferred in	344,250	-	-	-	-	-	-	-	344,250
Transfer accumulated depreciation to deduct cost	(344,250)	-	-	-	-	-	-	-	(344,250)
Depreciation on disposals/written-off transfers out	-	-	(585,238)	(6,523)	(14,625)	-	(19,831)	(2,256)	(628,473)
As at 31 December 2013	-	-	661,895	880,565	87,672	-	39,986	3,096	1,673,214
Net book value:									
As at 1 January 2012	-	17,509	1,197,763	139,052	67,039	1,646	24,739	3,153	1,450,901
As at 31 December 2012	-	17,509	1,133,684	125,941	49,916	16,922	36,196	4,213	1,384,381
As at 31 December 2013	2,152,000	17,509	122,897	118,286	56,725	2,552	34,331	7,445	2,511,745
Depreciation for years ended 31 December:									
2012									247,584
2013									222,523

(Unit: Thousand Baht)

Separate financial statements

	Revaluation basis		Cost basis		
	Office condominium and building improvements	Office condominium and building improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
As at 1 January 2012	-	351,623	105,037	56,742	513,402
Additions/transfers in	-	1,700	40,360	1,390	43,450
Disposals/written-off/transfers out	-	-	(30)	-	(30)
As at 31 December 2012	-	353,323	145,367	58,132	556,822
Additions/transfers in	313,088	1,123	19,052	2,414	335,677
Transfer accumulated depreciation to deduct cost	(30,136)	-	-	-	(30,136)
Surplus on revaluation	288,745	-	-	-	288,745
Disposals/written-off/transfers out	-	(344,950)	(258)	(1,670)	(346,878)
As at 31 December 2013	571,697	9,496	164,161	58,876	804,230
Accumulated depreciation:					
As at 1 January 2012	-	43,245	46,935	12,855	103,035
Depreciation for the year	-	14,074	47,952	11,491	73,517
Depreciation on disposals	-	-	(2)	-	(2)
As at 31 December 2012	-	57,319	94,885	24,346	176,550
Depreciation for the year	-	14,175	36,064	11,751	61,990
Accumulated depreciation transferred in	30,136	-	-	-	30,137
Transfer accumulated depreciation to deduct cost	(30,136)	-	-	-	(30,137)
Depreciation on disposals/transfers out	-	(61,998)	(47)	(1,304)	(63,349)
As at 31 December 2013	-	9,496	130,902	34,793	175,191
Net book value:					
As at 1 January 2012	-	308,378	58,102	43,887	410,367
As at 31 December 2012	-	296,004	50,482	33,786	380,272
As at 31 December 2013	571,697	-	33,259	24,083	629,039
Depreciation for the years ended 31 December:					
2012					73,517
2013					61,990

As at 31 December 2013, the Company and its subsidiaries reviewed and changed their accounting policy regarding measurement of premises and equipment as it relates to office condominiums, switching from the previously applied cost model to the revaluation model, which presents the fair value of the assets at the appraisal date. The Company and its subsidiaries arranged for an independent professional appraiser to appraise the value of the office condominium on 11 November 2013, using the Income Approach. The change in the accounting policy on the measurement of office condominiums was adopted on a prospective basis. Therefore, depreciation of the office condominium for the year 2013 is calculated based on the cost model. Depreciation will be calculated based on the revalued amounts as from the beginning of the year 2014. However, the change in accounting policy would not have had a material impact on net profit for the year had the new policy been adopted since the beginning of the year.

Had the office condominium been carried in the financial statements based on the cost model, their net book value as at 31 December 2013 would have been as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	<u>as at 31 December 2013</u>	<u>as at 31 December 2013</u>
Office condominiums - net of accumulated depreciation	975,877	282,952

3.12 Intangible assets

The book value of intangible assets as at 31 December 2013 and 2012 is presented as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	<u>Computer software</u>	<u>Computer software</u>
As at 31 December 2013:		
Cost	724,472	213,586
Less: Accumulated amortisation	(612,508)	(156,634)
Net book value	<u>111,964</u>	<u>56,952</u>
As at 31 December 2012:		
Cost	675,460	177,280
Less: Accumulated amortisation	(548,751)	(132,072)
Net book value	<u>126,709</u>	<u>45,208</u>

A reconciliation of net book value of intangible assets for the years ended 31 December 2013 and 2012 is presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2013	2012	2013	2012
Net book value at beginning of years	126,709	182,317	45,208	62,427
Acquisitions of computer software	49,012	22,325	36,306	7,505
Disposals of computer software	-	(750)	-	-
Amortisation	(63,757)	(77,183)	(24,562)	(24,724)
Book value at end of year	111,964	126,709	56,952	45,208

3.13 Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2013	2012	2013	2012
Receivables from clearing house	271,516	136,065	-	-
Value added tax - net	577,447	1,551,171	1,086	6,256
Accrued interest receivables	53,518	31,867	-	-
Fee and charge receivables	210,915	277,240	74,000	88,652
Refundable income tax and prepaid income tax	21,302	367,904	-	-
Deposits	47,628	41,403	4,080	4,080
Other receivables	603,072	594,595	8,025	-
Dividend receivables	4,000	-	-	-
Other assets	688,169	335,930	68,369	28,000
Total other assets	2,477,567	3,336,175	155,560	126,988

3.14 Deposits

3.14.1 Classified by type of deposits

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2013	2012
Deposits		
Current accounts	2,480,901	2,762,373
Savings accounts	40,751,442	28,140,151
Fixed accounts		
- not over 6 months	12,917,074	14,063,664
- over 6 months but not over 1 year	20,938,222	1,153,580
- over 1 year	201,249	167,791
Certificates of deposit/negotiable certificates of deposit	187,351,865	173,535,780
Total	<u>264,640,753</u>	<u>219,823,339</u>

3.14.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2013	2012
Not over 1 year*	264,152,811	219,591,744
Over 1 year	487,942	231,595
Total deposits	<u>264,640,753</u>	<u>219,823,339</u>

*Including fully-mature deposit contract

3.14.3 As at 31 December 2013 and 2012, all outstanding deposits are deposits from domestic depositors and in Baht.

3.15 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2013			2012		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	26,118	26,118	-	28,857	28,857
Commercial banks	4,192,940	1,222,224	5,415,164	3,401,343	1,723,541	5,124,884
Specialised financial institutions	-	532,520	532,520	-	1,915,131	1,915,131
Other financial institutions	2,482,474	8,246,416	10,728,890	444,380	6,457,356	6,901,736
Total	6,675,414	10,027,278	16,702,692	3,845,723	10,124,885	13,970,608

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2013			2012		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Other financial institutions	-	-	-	-	200,000	200,000
Total	-	-	-	-	200,000	200,000

3.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2013	2012	2013	2012
<u>Domestic borrowings</u>				
Subordinated unsecured debentures	8,243,000	8,243,000	-	-
Unsubordinated unsecured debentures	28,566,000	5,828,200	-	-
Unsubordinated guaranteed debentures	1,000,000	-	-	-
Bills of exchange	6,273,822	13,805,253	6,128,000	6,311,631
Promissory notes	797	797	-	-
Total	44,083,619	27,877,250	6,128,000	6,311,631

3.16.1 Subordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December		Maturity in the year	Interest rate
			2013	2012		2013	2012		
			(Units)	(Units)		(Million Baht)	(Million Baht)		
2009	TISCO Bank	Long-term subordinated unsecured debentures	2 million	2 million	1,000	2,000	2,000	2019	5.50 percent per annum in the first to third year, 6.00 percent per annum in the forth to seventh year and 6.50 percent per annum in the eighth to tenth year.
2009	TISCO Bank	Long-term subordinated unsecured debentures	2 million	2 million	1,000	2,000	2,000	2019	5.00 percent per annum in the first to third year, 5.50 percent per annum in the forth to seventh year and 6.00 percent per annum in the eighth to tenth year.
2010	TISCO Bank	Long-term subordinated unsecured debentures	1 million	1 million	1,000	1,000	1,000	2020	5.00 percent per annum.
2010	TISCO Bank	Long-term subordinated unsecured debentures	1 million	1 million	1,000	1,000	1,000	2020	4.80 percent per annum.
2012	TISCO Bank	Long-term subordinated unsecured debentures	1 million	1 million	1,000	1,000	1,000	2022	4.85 percent per annum.
2012	TISCO Bank	Long-term subordinated unsecured debentures	1,243,000	1,243,000	1,000	1,243	1,243	2022	4.60 percent per annum.
Total						<u>8,243</u>	<u>8,243</u>		

3.16.2 Unsubordinated unsecured debentures

Year	Issuer	Type of debenture	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December		Maturity in the year	Interest rate
			2013	2012		2013	2012		
			(Unit)	(Unit)		(Million Baht)	(Million Baht)		
2012	TISCO Bank	Shot-term unsubordinated unsecured debentures	-	4,324,300	1,000	-	4,324	2013	3.50 percent per annum
2012	TISCO Bank	Shot-term unsubordinated unsecured debentures	-	1 million	1,000	-	1,000	2013	3.50 percent per annum
2012	TISCO Bank	Shot-term unsubordinated unsecured debentures	-	503,900	1,000	-	504	2013	3.50 percent per annum
2013	TISCO Bank	Shot-term unsubordinated unsecured debentures	16,166,000	-	1,000	16,166	-	2014	2.80 - 3.15 percent per annum
2013	TISCO Bank	Shot-term unsubordinated unsecured debentures	3,000,000	-	1,000	3,000	-	2014	3.15 percent per annum
2013	TISCO Bank	Shot-term unsubordinated unsecured debentures	3,500,000	-	1,000	3,500	-	2014	3.15 percent per annum
2013	TISCO Bank	Shot-term unsubordinated unsecured debentures	3,000,000	-	1,000	3,000	-	2014	3.10 percent per annum
2013	TISCO Bank	Shot-term unsubordinated unsecured debentures	2,600,000	-	1,000	2,600	-	2014	3.05 percent per annum
2013	TISCO Bank	Shot-term unsubordinated unsecured debentures	300,000	-	1,000	300	-	2014	3.10 percent per annum
Total						28,566	5,828		

3.16.3 Unsubordinated guaranteed debentures

As at 31 December 2013 and 2012, a subsidiary company operating leasing business had long term unsubordinated guaranteed debentures as follows:

Year	Issuer	Units as at 31 December		Face value per unit (Baht)	Balance in consolidated financial statements as at 31 December		Maturity in the year	Interest rate
		2013	2012		2013	2012		
		(Units)	(Units)		(Million Baht)	(Million Baht)		
2013	TISCO Tokyo Leasing Co., Ltd.	350,000	-	1,000	350	-	2015	3.88 percent per annum
2013	TISCO Tokyo Leasing Co., Ltd.	650,000	-	1,000	650	-	2017	4.37 percent per annum
Total					1,000	-		

3.16.4 Bills of exchange

Bills of exchange comprised of the fixed interest rates bearing and float interest rate bearing, which will gradually mature in 2013 to 2015. The interest rates of the fixed interest rates bearing bills of exchange are between 2.50 and 4.25 percent per annum.

3.17 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits as at 31 December 2013 and 2012 was as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December	
	2013	2012
Defined post employment benefit obligation at beginning of year	242,830	205,141
Current service cost	18,889	22,468
Interest cost	9,150	8,342
Benefits paid during the year	(6,258)	(5,218)
Actuarial (gains) losses	(13,055)	12,097
Defined post employment benefit obligation at end of year	251,556	242,830
Other long-term benefits	82,983	81,527
Total provision for long-term employee benefits at end of year	334,539	324,357

(Unit: Thousand Baht)

	Separate financial statements	
	as at 31 December	
	2013	2012
Defined post employment benefit obligation at beginning of year	59,889	49,069
Current service cost	3,542	3,866
Interest cost	2,212	1,745
Benefits paid during the year	(1,684)	-
Actuarial (gains) losses	(3,670)	5,209
Defined post employment benefit obligation at end of year	60,289	59,889
Other long-term benefits	11,547	11,197
Total provision for long-term employee benefits at end of year	<u>71,836</u>	<u>71,086</u>

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2013 and 2012 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2013	2012	2013	2012
Current service cost	28,259	53,284	4,560	8,168
Interest cost	11,411	9,373	2,539	1,894
Actuarial losses	8,380	-	1,118	-
Total employee benefits expenses	<u>48,050</u>	<u>62,657</u>	<u>8,217</u>	<u>10,062</u>

The cumulative amount of actuarial gains or losses recognised in other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries as at 31 December 2013 and 2012 amounted to Baht 57 million and Baht 70 million, respectively (The Company only: Baht 11 million and Baht 14 million, respectively).

Principal actuarial assumptions at the valuation date were as follows:

(Unit: Percent per annum)

	Consolidated financial statements		Separate financial statements	
	2013		2012	
	2013	2012	2013	2012
Discount rate	2.36 - 4.64	3.09 - 4.21	2.36 - 4.64	3.09 - 4.20
Average salary increase rate	3.80	4.39	3.80	4.39
Average inflation rate	2.92	3.50	2.92	3.50

3.18 Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2013	2012	2013	2012
Payable to clearing housing	298,874	852,369	-	-
Withholding income tax and other				
tax payable	315,964	353,942	44,506	61,177
Accrued insurance premium	819,656	885,727	-	-
Deferred income	950,012	550,733	-	-
Accrued expenses	2,438,450	2,089,089	977,292	683,250
Suspense creditors	583,941	579,873	-	-
Other payables	95,479	59,271	-	-
Other liabilities	268,105	212,579	65	60
Total other liabilities	5,770,481	5,583,583	1,021,863	744,487

The above accrued expenses included accrued bonus expenses which are remuneration paid to the management and employees based on annual performance. These accrued bonus expenses include costs of annual bonus that are determined with reference to the Company's share price, paid to employees whose performance impacts on the Company's operation results, as an incentive to work effectively and to build loyalty to the Company. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the Company's shares over the period of five years from grant date to settlement date. As of 31 December 2013 and 2012, the Company and its subsidiaries have issued bonus under this scheme amounting to Baht 408 million and Baht 355 million, respectively (The Company only: Baht 230 million and Baht 206 million, respectively)

3.19 Capital funds

3.19.1 The primary objectives of the TISCO Group's capital management are to maintain its ability to continue as a going concern and to maintain capital adequacy ratio, cash liquidity and other in accordance with the regulations of Bank of Thailand or relevant regulatory agencies.

3.19.2 TISCO Bank maintains capital adequacy ratio in comply with Basel III principles which is implementing capital to risk assets requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, equity exposure and other assets.

Regarding to Capital fund as of 31 December 2013 and 2012 under Basel III framework, TISCO Bank has allocated the additional reserve from classification as part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of TISCO Bank (under Basel III principle) are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2013	2012 ⁽¹⁾
<u>Common Equity Tier I capital</u>		
Issued and fully paid up share capital	8,191,712	7,281,522
Premium on share capital	1,120,738	130,451
Statutory reserve	984,000	846,100
Net profits after appropriation	7,943,322	6,089,582
Less: Deficit provision according to IRB	(620,222)	(279,825)
Total Common Equity Tier I capital	17,619,550	14,067,830
<u>Financial Instrument Tier I capital</u>		
Issued and paid up share capital - non cumulative preferred shares	-	-
Total Tier I capital	17,619,550	14,067,830
<u>Tier II capital</u>		
Subordinated long-term debentures	7,518,700	6,858,434
Reserve for loans classified as pass	608,075	490,337
Less: Deficit provision according to IRB	-	(279,825)
Total Tier II capital	8,126,775	7,068,946
Total capital funds	25,746,325	21,136,776

⁽¹⁾ Capital funds as at 31 December 2012 were calculated under Basel II principle

	(Unit: Percent)			
	As at 31 December			
	2013		2012 ⁽¹⁾	
Capital fund ratios	TISCO Bank	Requirement	TISCO Bank	Requirement
Common Equity Tier I capital to risk assets	9.15	4.50	-	-
Tier I capital to risk assets	9.15	6.00	8.51	4.25
Total capital to risk assets	13.37	8.50	12.79	8.50

⁽¹⁾ Capital fund ratios as at 31 December 2012 were calculated under Basel II principle

3.19.3 To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 6/2553 regarding "Consolidated Supervision" dated 18 June 2010, the Company has disclosed capital maintenance information of financial business group as at 30 June 2013 on its website on 29 October 2013.

3.20 Surplus (deficit) on changes in value of investments

(Unit: Thousand Baht)

Consolidated financial statements		
as at 31 December		
	2013	2012
Balance - beginning of year	361,941	187,851
Increase (decrease) from changes in value of investments during the year	(397,546)	174,090
	(35,605)	361,941
Less: The effect of deferred tax assets / liabilities	(6,423)	(83,534)
Balance - end of year	(42,028)	278,407

(Unit: Thousand Baht)

Separate financial statements		
as at 31 December		
	2013	2012
Balance - beginning of year	14,464	-
Increase (decrease) from changes in value of investments during the year	(105,579)	14,464
	(91,115)	14,464
Less: The effect of deferred tax assets / liabilities	18,223	(2,893)
Balance - end of year	(72,892)	11,571

3.21 Surplus on revaluation of assets

This represents surplus arising from revaluation of office condominiums. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
	As at 31 December 2013	As at 31 December 2013
Balance - beginning of year	-	-
Add: Revaluation	1,176,123	288,745
	1,176,123	288,745
Less: The effect of deferred tax assets/liabilities	(235,225)	(57,749)
Balance - end of year	940,898	230,996

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

3.22 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Interbank and money market items	996,514	730,845
Investments in debt securities	216,747	174,956
Loans to customers	5,895,645	4,477,681
Hire purchase and financial lease	12,162,827	9,827,130
Total interest income	19,271,733	15,210,612

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2013	2012
Interbank and money market items	23,852	17,662
Loans to customers	150,212	68,385
Total interest income	174,064	86,047

3.23 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Deposits	7,396,269	3,436,914
Interbank and money market items	463,900	514,431
Contribution fee to the Deposit Protection Agency and Bank of Thailand	1,254,479	718,198
Issued debt instruments		
- Subordinated debentures	433,678	365,272
- Unsubordinated debentures	354,475	182,529
Borrowings	400,770	2,948,802
Total interest expenses	10,303,571	8,166,146

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2013	2012
Interbank and money market items	322	675
Borrowings	220,971	128,914
Total interest expenses	221,293	129,589

3.24 Net fee and service income

Net fee and service income in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Fee and service income		
- Acceptance, aval and guarantees	10,498	13,288
- Insurance service	2,642,820	1,967,272
- Brokerage fees	1,066,101	786,176
- Fund management	728,040	754,465
- Financial advisory fees	17,150	33,800
- Others	951,111	852,550
Total fee and service income	5,415,720	4,407,551
Fee and service expenses		
- Information service expenses	(22,582)	(102,933)
- Others	(203,288)	(175,986)
Total fee and service expenses	(225,870)	(278,919)
Net fee and service income - net	5,189,850	4,128,632

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2013	2012
Fee and service income	-	-
Fee and service expenses	(14,318)	(9,958)
Net fee and service income - net	(14,318)	(9,958)

3.25 Net gains (losses) on trading and foreign exchange transactions

Net gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	50,197	(15,369)
- Derivatives on interest rates	11,039	39,789
- Debt securities	13,416	15,946
- Equity securities	-	26,129
- Others	(5)	-
Gains on cash flow hedges	-	100,761
Total	<u>74,647</u>	<u>167,256</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2013	2012
Gain (losses) on trading and foreign exchange transactions		
- Foreign currencies	56,800	(4,847)
Total	<u>56,800</u>	<u>(4,847)</u>

3.26 Net gains (losses) on investments

Net gains (losses) on investments in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Gains on disposal		
- Available-for-sale securities	233,899	1,156
- Held-to-maturity securities	155	449
- General investments	39,570	49,287
Total	273,624	50,892
Reversal of losses on impairment		
- General investments	1,912	69,640
Total	1,912	69,640
Gain on return of capital from a subsidiary company (Note 3.1)	78,238	-
Net gains on investments	353,774	120,532

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2013	2012
Losses on impairment		
- Investments in subsidiaries	-	(7)
Net losses on investments	-	(7)

3.27 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Interbank and money market items	3,000	5,000
Investment in receivables	(3,074)	2,744
Loans to customers	4,141,298	1,914,500
Total	4,141,224	1,922,244

3.28 Other operating income

Other operating income in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Gains on disposal of property foreclosed	14,556	54,938
Rental income	29,521	22,762
Others	32,920	44,957
Total	76,997	122,657

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2013	2012
Rental income	65,540	63,881
Others	1,958	1,053
Total	67,498	64,934

3.29 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2013 and 2012 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2013	2012
Mailing expenses	55,266	50,106
Software amortisation expenses	63,757	77,182
Legal expenses	181,805	145,668
Transportation expenses	99,944	86,534
Others	345,238	409,840
Total	746,010	769,330

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2013	2012
Mailing expenses	261	306
Software amortisation expenses	24,562	24,723
Transportation expenses	8,511	8,236
Others	57,554	89,828
Total	90,888	123,093

3.30 Income tax expenses

Income tax expenses of the Company and its subsidiaries for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2013	2012	2013	2012
				(Restated)
Current income tax:				
Income tax expenses for the year	1,162,447	930,872	130,038	141,671
Adjustment in respect of current income tax of previous year	(4,220)	3,198	(950)	(489)
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	(94,177)	146,591	(38,069)	(11,444)
Income tax expenses reported in statements of comprehensive income	1,064,050	1,080,661	91,019	129,738

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2013	2012	2013	2012
			(Restated)	
Decrease (increase) in surplus on change in value of investments	77,112	(34,818)	21,116	(2,893)
Surplus on revaluation of assets	(235,225)	-	(57,749)	-
Cash flow hedges	4,517	22,515	-	-
Actuarial gains (losses)	(2,620)	12,376	(734)	2,391
Income tax expenses recorded directly to other comprehensive income	(156,216)	73	(37,367)	(502)

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012 is as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2013	2012	2013	2012
			(Restated)	
Accounting profit before tax	5,419,796	4,813,669	1,909,736	2,378,738
Applicable tax rate	20%	23%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	1,083,959	1,107,144	381,947	547,109
Adjustment in respect of current income tax of previous year	(4,220)	3,198	(950)	(489)
Income tax effect:				
Tax effect of net tax-exempt income and net disallowed expenses	(5,602)	1,167	(289,978)	(420,502)
Effects of tax rate used for deferred tax	-	(26,279)	-	3,620
Others	(10,087)	(4,569)	-	-
Total	(15,689)	(29,681)	(289,978)	(416,882)
Income tax expenses reported in the statement of comprehensive income	1,064,050	1,080,661	91,019	129,738

The components of deferred tax assets and deferred tax liabilities are as follows.

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2013	2012	2013	2012
Allowance for doubtful accounts	110,337	80,742	29,595	20,478
Allowance for impairment of investments	21,742	21,742	-	(41,078)
Allowance for impairment of property foreclosed	2	2	-	(9,970)
Non-accrual of interest income	18,889	11,719	7,170	(27,378)
Depreciation of assets	(2,540)	5,241	(7,781)	(7,601)
Financial leases	-	-	-	(8,468)
Gain on changes in value of investment properties	-	-	-	-
Surplus on revaluation of assets	(147,409)	-	-	-
Surplus (deficit) on changes in value of investments	18,223	(2,893)	-	-
Unrealised gain or loss on derivatives	-	-	-	1,652
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(31,595)	(12,587)	(19,008)	230,667
Loss on disposal of property foreclosed	18,834	5,762	13,072	(4,016)
Unearned interest income on hire purchase	-	-	-	(82,735)
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Tax loss carried forward	-	1,496	(1,496)	1,496
Accrued expenses	189,346	141,487	47,859	(83,626)
Employee benefits	27,467	31,386	(2,066)	(9,848)
Others	652	594	58	(57,430)
Deferred tax assets	245,383	306,126	67,402	(77,857)

(Unit: Thousand Baht)

Consolidated financial statements

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2013	2012	2013	2012
	Allowance for doubtful accounts	(25,004)	(882)	(24,122)
Allowance for impairment of investments	(26,928)	(28,313)	1,385	(28,313)
Allowance for impairment of property foreclosed	(3,634)	(3,637)	3	(3,637)
Allowance for revaluation of other assets	(180)	(180)	-	-
Non-accrual of interest income	(25,773)	(17,541)	(8,232)	(17,537)
Depreciation of assets	(7,372)	(9,610)	2,238	(9,022)
Financial leases	(8,330)	66,544	(74,874)	(9,812)
Gain on changes in value of investment properties	3,370	-	3,370	-
Surplus on revaluation of assets	87,816	-	-	-
Surplus on changes in value of investments	24,645	80,641	-	-
Unrealised gain or loss on derivatives	5,858	5,610	248	5,610
Cash flow hedges	(4,054)	463	-	-
Gain on changes in value of investments in trading securities	-	-	-	(3,886)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	522,672	403,875	118,797	403,875
Unearned interest income on hire purchase	(134,183)	(60,671)	(73,512)	(60,671)
Tax loss carried forwards	-	(35,901)	35,901	21,526
Accrued expenses	(130,190)	(139,943)	9,753	(133,910)
Employee benefits	(39,412)	(33,257)	(6,840)	(21,020)
Others	(79,504)	(68,615)	10,889	(73,834)
Deferred tax liabilities	159,797	158,583	(26,774)	68,734

(Unit: Thousand Baht)

Separate financial statements

	As at			Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	31 December 2013	31 December 2012	1 January 2012	2013	2012
			(Restated)		
Allowance for impairment of investments	21,742	21,742	21,740	-	2
Depreciation of assets	(3,629)	4,348	1,153	(7,977)	3,195
Gain on changes in value of investment properties	(89,660)	(83,238)	(57,206)	(6,432)	(26,032)
Surplus on changes in value of investment properties	(57,749)	-	-	-	-
Surplus (deficit) on changes in value of investments	18,223	(2,893)	-	-	-
Reduction of subsidiaries' share capital	21,435	21,435	21,435	-	-
Accrued expenses	183,755	132,097	99,164	51,658	32,933
Employee benefits	14,367	14,217	9,813	883	2,012
Others	362	435	1,101	(73)	(666)
Deferred tax assets	108,845	108,143	97,200	38,069	11,444

3.31 Components of other comprehensive income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2013	2012	2013	2012
				(Restated)
Other comprehensive income				
Gains (losses) on translation adjustment in foreign operations:				
Losses during the year	-	(1,467)	-	-
Less: Reclassification adjustments for gains included in profit or loss	(81,795)	-	-	-
Investment in available-for-sale securities:				
Gains (losses) during the year	(163,647)	175,246	(105,580)	14,464
Less: Reclassification adjustments for gains included in profit or loss	(233,899)	(1,156)	-	-
	(397,546)	174,090	(105,580)	14,464
Surplus on revaluation of assets	1,176,123	-	288,745	-
Actuarial gains (losses)	13,098	(61,777)	3,670	(11,955)
Cash flow hedges:				
Losses during the year	(22,587)	(21,208)	-	-
Add: Reclassification adjustments for gains included in profit or loss	-	(91,367)	-	-
	(22,587)	(112,575)	-	-
Total other comprehensive income	687,293	(1,729)	186,835	2,509
Income tax effect	(156,216)	73	(37,367)	(502)
Net other comprehensive income for the year	531,077	(1,656)	149,468	2,007

3.32 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2013			2012		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains (losses) on valuation in available-for-sale securities	(397,546)	77,112	(320,434)	174,090	(34,818)	139,272
Surplus on revaluation of assets	1,176,123	(235,225)	940,898	-	-	-
Actuarial gains (losses)	13,098	(2,620)	10,478	(61,777)	12,376	(49,401)
Cash flow hedges	(22,587)	4,517	(18,070)	(112,575)	22,515	(90,060)
	<u>769,088</u>	<u>(156,216)</u>	<u>612,872</u>	<u>(262)</u>	<u>73</u>	<u>(189)</u>

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2013			2012		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit (Restated)	Net of tax amount
Gains (losses) on valuation in available-for-sale securities	(105,580)	21,116	(84,464)	14,464	(2,893)	11,571
Surplus on revaluation of assets	288,745	(57,749)	230,996	-	-	-
Actuarial gains (losses)	3,670	(734)	2,936	(11,955)	2,391	(9,564)
	<u>186,835</u>	<u>(37,367)</u>	<u>149,468</u>	<u>2,509</u>	<u>(502)</u>	<u>2,007</u>

3.33 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2013	2012	2013	2012
				(Restated)
Profit attributable to equity holders of the Company (Thousand Baht)	4,249,050	3,705,180	1,818,717	2,248,999
Weighted average number of shares (Thousand shares)	765,181	727,912	765,181	727,912
Basic earnings per share (Baht/share)	5.55	5.09	2.37	3.09

3.34 Related party transactions

(Unit: Thousand Baht)

	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
<u>Outstanding balance</u>				
(Eliminated in consolidated financial statements)				
Subsidiary companies:				
Interbank and money market items (assets):				
TISCO Bank Public Company Limited	565,984	1,940,055	(1,995,967)	510,072
Loans:				
Hi-Way Co., Ltd.	1,196,000	345,000	(55,000)	1,486,000
TISCO Leasing Co., Ltd.	2,645,000	670,000	(815,000)	2,500,000
Dividend receivable:				
TISCO Bank Public Company Limited	1,237,656	655,248	(1,237,656)	655,248
TISCO Securities Co., Ltd.	260,000	458,000	(260,000)	458,000
TISCO Asset Management Co., Ltd.	334,998	308,998	(334,998)	308,998
TISCO Information Technology Co., Ltd.	-	15,000	-	15,000
TISCO Learning Center Co., Ltd.	-	19,999	-	19,999
TISCO Tokyo Leasing Co., Ltd.	-	2,205	(2,205)	-
Other assets:				
TISCO Bank Public Company Limited	87,293	73,003	(86,611)	73,685
TISCO Information Technology Co., Ltd.	104	1,160	(962)	302
Deutsche TISCO Investment Advisory Co., Ltd.	1,250	8,025	(1,250)	8,025
All-Ways Co., Ltd.	-	120	(120)	-
Interbank and money market items (Liability):				
TISCO Securities Co., Ltd.	200,000	-	(200,000)	-
Borrowings:				
TISCO Information Technology Co., Ltd.	-	65,000	(65,000)	-
Interest payable:				
TISCO Information Technology Co., Ltd.	-	113	(113)	-
TISCO Securities Co., Ltd.	107	-	(107)	-
Other liabilities:				
TISCO Securities Co., Ltd.	-	1,151	(151)	1,000
TISCO Learning Center Co., Ltd.	88	385	(345)	128

(Unit: Thousand Baht)

	Separate financial statements		Terms and pricing policy
	For the year ended 31 December		
	2013	2012	
Transactions occurred during the years			
(Eliminated from the in consolidated financial statements)			
Subsidiary companies			
Risk and financial management fee income, human resources management fee income and office administration fee income	1,563,477	1,529,999	Determined on market price/terms of BOT
Interest income	173,912	85,702	With reference to the terms and prices as offered to other customers
Rental income	64,525	62,913	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	170,000	160,000	Determined on market price/terms of BOT
Interest expenses	601	2,308	With reference to the terms and prices as offered to other customers
Training expenses	3,482	3,007	With reference to the prices as offered from other service providers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2013	2012
Loans ⁽¹⁾	27,778	29,927

⁽¹⁾ Including employee welfare loan and normal loan

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December 2013	
	2013	2012
Deposits	212,539	195,678

Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries had short-term benefit paid to their directors and management during the years and other employee benefit expenses payable to their directors and management as below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2013	2012	2013	2012
Short-term benefits	421	432	274	304
Post-employment benefits	6	5	4	3
Other long-term benefits	67	67	52	52
Total	494	504	330	359

3.35 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Group chief Executive, TISCO Group.

For management purposes, the Company and its subsidiaries operate four main businesses as follows:

1. Commercial banking business: Provides financial services under the Commercial Banking Business license. Banking services are provided through the TISCO Bank Public Company Limited headquarters and its branches.
2. Securities business: Provides securities business services under the Securities Business license. These businesses are serviced through the headquarters and branches of subsidiaries across the country.
3. Asset management business: Provides asset management services.
4. Support business: Provides all governance and support functions of the Group.

The Company and its subsidiaries have aggregated operating segments that have similar economic characteristics and are similar in the other respects required by the Thai Financial Reporting Standard.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. However, the Company's and its subsidiaries' income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries did not have income from any customer amounting to or over 10 percent of their income.

The following tables present revenue, profit and total assets information regarding the Company and its subsidiaries' operating segments for the year ended 31 December 2013 and 2012, respectively.

(Unit: Million Baht)

	Commercial banking business		Securities business		Asset management business		Support business		Total segments		Adjustments and eliminations		Consolidated	
For the year ended 31 December 2013														
Revenue														
External customers	13,737	1,394	849	(178)	15,802	-	15,802	-	15,802	-	15,802	-	15,802	-
Inter-segment	(199)	414	1	4,197	4,413	(4,413)	4,413	(4,413)	4,413	(4,413)	(4,413)	(4,413)	-	-
Total revenue	13,538	1,808	850	4,019	20,215	(4,413)	20,215	4,019	20,215	(4,413)	(4,413)	(4,413)	15,802	15,802
Operating results:														
Net interest income	8,967	36	8	(43)	8,968	-	8,968	(43)	8,968	-	8,968	-	8,968	8,968
Net fee and service income	3,340	1,458	837	466	6,101	(911)	6,101	466	6,101	(911)	(911)	(911)	5,190	5,190
Other operating income	1,231	314	4	3,596	5,145	(3,501)	5,145	3,596	5,145	(3,501)	(3,501)	(3,501)	1,644	1,644
Total operating income	13,538	1,808	849	4,019	20,214	(4,412)	20,214	4,019	20,214	(4,412)	(4,412)	(4,412)	15,802	15,802
Depreciation and amortisation	(900)	(86)	(26)	(444)	(1,456)	477	(1,456)	(444)	(1,456)	477	477	477	(979)	(979)
Other operating expenses	(4,724)	(982)	(423)	(1,203)	(7,332)	2,070	(7,332)	(1,203)	(7,332)	2,070	2,070	2,070	(5,262)	(5,262)
Bad debt, doubtful accounts and impairment losses	(4,141)	-	-	-	(4,141)	-	(4,141)	-	(4,141)	-	-	-	(4,141)	(4,141)
Total operating expenses	(9,765)	(1,068)	(449)	(1,647)	(12,929)	2,547	(12,929)	(1,647)	(12,929)	2,547	2,547	2,547	(10,382)	(10,382)
Segment profit	3,773	740	400	2,372	7,285	(1,865)	7,285	2,372	7,285	(1,865)	(1,865)	(1,865)	5,420	5,420
Income tax expenses													(1,064)	(1,064)
Non-controlling interests of the subsidiaries													(107)	(107)
Profit for the year - equity holders of the Company													4,249	4,249
As at 31 December 2013														
Segment total assets	353,495	4,363	726	25,600	384,184	(24,921)	384,184	25,600	384,184	(24,921)	(24,921)	(24,921)	359,263	359,263
Premises and equipment - net	843	14	230	638	1,725	787	1,725	638	1,725	787	787	787	2,512	2,512

(Unit: Million Baht)

	Commercial banking business	Securities business	Asset management business	Support business	Total segments	Adjustments and elimination	Consolidated
For the year ended 31 December 2012							
Revenue							
External customers	11,597	898	828	(140)	13,183	-	13,183
Inter-segment	(89)	40	1	3,945	3,897	(3,897)	-
Total revenue	11,508	938	829	3,805	17,080	(3,897)	13,183
Operating results:							
Net interest income	7,051	28	6	(40)	7,045	-	7,045
Net fee and service income	2,503	855	821	420	4,599	(470)	4,129
Other operating income	1,954	55	2	3,425	5,436	(3,427)	2,009
Total operating income	11,508	938	829	3,805	17,080	(3,897)	13,183
Depreciation and amortisation	(836)	(74)	(26)	(428)	(1,364)	443	(921)
Other operating expenses	(5,138)	(523)	(365)	(1,127)	(7,153)	1,627	(5,526)
Bad debt, doubtful accounts and impairment losses	(1,927)	-	-	-	(1,927)	5	(1,922)
Total operating expenses	(7,901)	(597)	(391)	(1,555)	(10,444)	2,075	(8,369)
Segment profit	3,607	341	438	2,250	6,636	(1,822)	4,814
Income tax expenses							(1,081)
Non-controlling interests of the subsidiaries							(28)
Profit for the year - equity holders of the Company							3,705
As at 31 December 2012							
Segment total assets	284,893	5,019	601	23,312	313,825	(23,328)	290,497
Premises and equipment - net	477	16	100	381	974	410	1,384

3.36 Financial information classified by domestic and foreign operations

3.36.1 Financial position

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2013			
	Domestic operations	Foreign operations	Elimination	Total
Total assets	384,184	-	(24,921)	359,263
Interbank and money market items (assets)	55,556	-	(2,314)	53,242
Investments - net	11,490	-	-	11,490
Loans to customers and accrued interest				
receivables - net	290,318	-	(3,986)	286,332
Deposits	265,547	-	(906)	264,641
Interbank and money market items (liabilities)	18,113	-	(1,410)	16,703
Debt issued and borrowings	48,070	-	(3,986)	44,084

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2012			
	Domestic operations	Foreign operations	Elimination	Total
Total assets	313,780	45	(23,328)	290,497
Interbank and money market items (assets)	33,348	45	(2,197)	31,196
Investments - net	7,016	-	-	7,016
Loans to customers and accrued interest				
receivables - net	247,588	-	(4,041)	243,547
Deposits	220,634	-	(811)	219,823
Interbank and money market items (liabilities)	15,561	-	(1,590)	13,971
Debt issued and borrowings	31,718	-	(3,841)	27,877

3.36.2 Results of operations

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2013				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Interest income	19,489	-	(217)	19,272
Interest expenses	(10,521)	-	217	(10,304)
Net interest income	8,968	-	-	8,968
Net fee and service income	6,101	-	(911)	5,190
Other operating income	4,245	-	(3,502)	743
Total operating income	19,314	-	(4,413)	14,901
Total other operating expenses	(7,888)	-	2,548	(5,340)
Bad debt, doubtful accounts and impairment losses	(4,141)	-	-	(4,141)
Income tax expenses	(1,155)	-	91	(1,064)
Non-controlling interests of the subsidiaries	-	-	(107)	(107)
Profit for equity holders of the Company	6,130	-	(1,881)	4,249

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2012				
	Domestic	Foreign		
	operations	operations	Elimination	Total
Interest income	15,309	-	(99)	15,210
Interest expenses	(8,265)	-	99	(8,166)
Net interest income	7,044	-	-	7,044
Net fee and service income	4,598	-	(469)	4,129
Other operating income	4,014	-	(3,427)	587
Total operating income	15,656	-	(3,896)	11,760
Total other operating expenses	(7,092)	(2)	2,070	(5,024)
Bad debt, doubtful accounts and impairment losses	(1,927)	-	5	(1,922)
Income tax expenses	(1,081)	-	-	(1,081)
Non-controlling interests of the subsidiaries	-	-	(28)	(28)
Profit for equity holders of the Company	5,556	(2)	(1,849)	3,705

3.37 Provident fund

The Company, its ten subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 10 percent of the employees' salaries, depending on the number of years of service. The provident funds of the Company and its nine subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. During the year 2013 and 2012, the Company and its subsidiaries paid provident fund contributions totaling Baht 127 million and Baht 113 million, respectively (the Company only: Baht 20 million and Baht 18 million, respectively).

3.38 Commitments and contingent liabilities

3.38.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2013	2012
Avals	42,552	155,388
Other guarantees	753,815	722,348
Undrawn client overdraft facilities	54,041	47,905
Interest rate swap agreements (Note 3.39.5)	2,274,303	3,032,000
Cross currency swap agreements (Note 3.39.5)	3,658,515	3,702,570
	<u>6,783,226</u>	<u>7,660,211</u>

3.38.2 Litigation

As at 31 December 2013 and 2012, the subsidiary has been sued for compensation totaling approximately Baht 356 million and Baht 165 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the Company and its subsidiary believe that no material losses to the consolidated financial statements will be incurred as a result of the mentioned lawsuits.

3.38.3 Other commitments

- a) The subsidiary company operating banking business has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.

- b) The subsidiary companies have entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally 3 - 10 years.

As at 31 December 2013 and 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

(Unit: Million Baht)

	As at 31 December	
	2013	2012
Payable within:		
Not over 1 year	133	110
Over 1 to 5 years	101	128
Over 5 years	5	-

3.39 Financial instruments

3.39.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

TISCO Group is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

TISCO Group has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Company and its subsidiaries (“the Group”) manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Group has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. It also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Group therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Group is not exposed to concentrations of credit risk because it has a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans and receivables as stated in the financial statement.

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

The risk of hire purchase credit that is not overdue of the subsidiary operating banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follows:

(Unit: Million Baht)

	As at 31 December	
	2013	2012
Neither past due nor impaired		
Very high grade	110,130	93,334
High grade	60,983	56,496
Medium grade	9,623	9,642
Subtotal	180,736	159,472
Hire purchase receivables - overdue 31-90 days	15,660	10,939
Hire purchase receivables - overdue more than 90 days	3,768	2,197
Total	200,164	172,608

3.39.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices or interest rates, which may affect income or the capital funds of the Group.

In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. TISCO Group uses a combination of risk sensitivities, Value-at-Risk and stress testing to manage market risks and establish limits. The Value-at-Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value-at-Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.39.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of TISCO potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at 31 December	
	2013	2012
Marketable financial assets		
Equity securities	270	164
Debt securities	39	4
Foreign currencies	51	38

3.39.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over a period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2013	2012
Change in interest rate		
Increase 1 percent	(670.55)	(718.38)
Decrease 1 percent	670.55	718.38

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual. The net interest rate sensitivity incurred would be less than the effect on net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities does not include the status of marketable debt securities, which is presented in the market risk - marketable portfolio.

3.39.2.3 Interest rate risk

The Company and its subsidiaries have the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements as at 31 December 2013			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,131	1,131
Interbank and money market items	109	49,803	3,330	53,242
Derivatives assets	-	-	33	33
Investments - net	-	5,878	5,612	11,490
Loans to customers ⁽¹⁾	15,993	272,382	4,311	292,686
Securities and derivative business receivables	-	-	1,547	1,547
Receivables from clearing house	-	-	271	271
	<u>16,102</u>	<u>328,063</u>	<u>16,235</u>	<u>360,400</u>
<u>Financial liabilities</u>				
Deposits	42,375	222,080	186	264,641
Interbank and money market items	342	16,211	149	16,702
Liabilities payable on demand	-	-	345	345
Derivatives liabilities	-	-	316	316
Debts issued and borrowings	-	44,083	-	44,083
Securities and derivative business payables	-	-	1,511	1,511
Payables to clearing house	-	-	299	299
	<u>42,717</u>	<u>282,374</u>	<u>2,806</u>	<u>327,897</u>

⁽¹⁾Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating	Fixed	Non-interest	Total
	interest rate	interest rate	bearing	
<u>Financial assets</u>				
Cash	-	-	1,046	1,046
Interbank and money market items	148	27,440	3,608	31,196
Derivatives assets	-	-	42	42
Investments - net	-	4,527	2,489	7,016
Loans to customers ⁽¹⁾	11,558	235,887	1,224	248,669
Securities and derivative business receivables	-	-	2,224	2,224
Receivables from clearing house	-	-	136	136
	<u>11,706</u>	<u>267,854</u>	<u>10,769</u>	<u>290,329</u>
<u>Financial liabilities</u>				
Deposits	30,686	188,921	216	219,823
Interbank and money market items	672	13,186	113	13,971
Liabilities payable on demand	-	-	652	652
Derivatives liabilities	-	-	1	1
Debts issued and borrowings	-	27,877	-	27,877
Securities and derivative business payables	-	-	1,524	1,524
Payables to clearing house	-	-	852	852
	<u>31,358</u>	<u>229,984</u>	<u>3,358</u>	<u>264,700</u>

⁽¹⁾Loans to customers with floating rates and fixed interest rates include non-performing loans to customers on accrual basis.

(Unit: Million Baht)

Separate financial statements as at 31 December 2013

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating	Fixed	Non-interest	Total
	interest rate	interest rate	bearing	
<u>Financial assets</u>				
Interbank and money market items	2	508	-	510
Investments - net	-	-	764	764
Investment in subsidiaries	-	-	16,924	16,924
Loans to customers	-	3,986	-	3,986
	<u>2</u>	<u>4,494</u>	<u>17,688</u>	<u>22,184</u>
<u>Financial liabilities</u>				
Debts issued and borrowings	-	6,128	-	6,128
	<u>-</u>	<u>6,128</u>	<u>-</u>	<u>6,128</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2012				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating	Fixed	Non-interest	Total
	Interest rate	Interest rate	bearing	
<u>Financial assets</u>				
Interbank and money market items	6	560	-	566
Investments - net	-	-	813	813
Investment in subsidiaries	-	-	15,022	15,022
Loans to customers	-	3,841	-	3,841
	<u>6</u>	<u>4,401</u>	<u>15,835</u>	<u>20,242</u>
<u>Financial liabilities</u>				
Interbank and money market items	-	200	-	200
Debts issued and borrowings	-	6,312	-	6,312
	<u>-</u>	<u>6,512</u>	<u>-</u>	<u>6,512</u>

Financial instruments which bear interest rate at fixed rates are classified below by the period from the financial statements date to the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements as at 31 December 2013							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
	<u>Financial assets</u>						
Interbank and money market items	-	49,803	-	-	-	49,803	2.2405
Investments - net	2	432	1,332	4,112	-	5,878	3.9485
Loans to customers	23,602	26,646	58,337	156,260	7,537	272,382	7.1559
	<u>23,604</u>	<u>76,881</u>	<u>59,669</u>	<u>160,372</u>	<u>7,537</u>	<u>328,063</u>	
<u>Financial liabilities</u>							
Deposits	6,588	161,925	53,079	488	-	222,080	3.0432
Interbank and money market items	5,417	7,749	3,019	26	-	16,211	2.8990
Debts issued and borrowings	37	18,143	17,660	-	8,243	44,083	3.5232
	<u>12,042</u>	<u>187,817</u>	<u>73,758</u>	<u>514</u>	<u>8,243</u>	<u>282,374</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	10	27,430	-	-	-	27,440	2.7424
Investments - net	9	2,739	1,692	87	-	4,527	3.1941
Loans to customers	15,702	25,009	45,629	142,451	7,096	235,887	7.1002
	<u>15,721</u>	<u>55,178</u>	<u>47,321</u>	<u>142,538</u>	<u>7,096</u>	<u>267,854</u>	
Financial liabilities							
Deposits	7,257	135,578	45,855	231	-	188,921	3.1821
Interbank and money market items	3,253	6,352	2,007	1,572	2	13,186	3.2138
Debts issued and borrowings	58	9,247	10,218	111	8,243	27,877	3.9265
	<u>10,568</u>	<u>151,177</u>	<u>58,080</u>	<u>1,914</u>	<u>8,245</u>	<u>229,984</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2013

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	508	-	-	-	-	508	1.8977
Loans to customers	3,986	-	-	-	-	3,986	3.5800
	<u>4,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,494</u>	
Financial liabilities							
Debts issued and borrowings	-	5,223	905	-	-	6,128	3.2555
	<u>-</u>	<u>5,223</u>	<u>905</u>	<u>-</u>	<u>-</u>	<u>6,128</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2012

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	560	-	-	-	-	560	2.5000
Loans to customers	3,841	-	-	-	-	3,841	3.6200
	<u>4,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,401</u>	
Financial liabilities							
Interbank and money market items	-	200	-	-	-	200	2.8000
Debts issued and borrowings	-	3,281	3,031	-	-	6,312	3.4724
	<u>-</u>	<u>3,481</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>6,512</u>	

The balances of loans to customers (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

3.39.3 Liquidity risk

Liquidity risk is uncertainty that the subsidiary operating banking business is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy of the subsidiary operating banking business and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the subsidiary operating banking business's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserve assets. The procurement and concentration of funding sources will be well-planned to optimise risk/return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the subsidiary operating banking business set the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios cover the subsidiary's specific scenario and industry-based scenario, which cause unusual cash outflow from the subsidiary operating banking business.

The main sources of fund came from deposits. In the past, there was high rollover rate for matured deposits. Besides, the subsidiary also issued subordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets as cushion against liquidity risk. Moreover, the subsidiary provides credit line to other companies TISCO Group to support liquidity position if required.

3.39.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

	As at 31 December 2013			
	Remaining contractual maturity			
	Less than	More than		Total
	3 months	3 - 12 months	1 year	
Liabilities	241,377	72,323	8,757	322,457

(Unit: Million Baht)

	As at 31 December 2012			
	Remaining contractual maturity			
	Less than	More than		Total
	3 months	3 - 12 months	1 year	
Liabilities	195,384	54,922	9,614	259,920

The matured liabilities are generally rolled-over with 90% average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity less than three months comprised current deposit and saving deposit. Both current deposit and saving deposit are considered to be more stable than term deposit in terms of cash outflow.

3.39.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at 31 December	
	2013	2012
Composition of highly liquid assets		
Cash	1,130	1,046
Interbank and money market - net	52,778	31,370
Current investments - net	6,575	4,311
Total liquid assets ⁽¹⁾	60,483	36,727
Liquid asset requirement ⁽¹⁾	16,600	14,202

⁽¹⁾ Highly liquid assets and liquid asset requirement are based on internal measurement.

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 31 December 2013 and 2012, the subsidiary operating banking business has highly liquid assets, which are daily calculated, at Baht 60,483 million and Baht 36,727 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 16,600 million and Baht 14,202 million, respectively. In addition, the subsidiary operating banking business has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.39.3.3 Counting from the financial statement date, as at 31 December 2013 and 2012, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2013								
Transactions	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non- performing Loans*	Total
Financial assets								
Cash	1,131	-	-	-	-	-	-	1,131
Interbank and money market items	3,439	49,803	-	-	-	-	-	53,242
Derivatives assets	-	3	-	30	-	-	-	33
Investments - net	2	4,146	1,332	4,112	-	1,898	-	11,490
Loans to customers	30,234	28,447	58,760	160,704	8,346	-	6,195	292,686
Securities and derivative business receivables	-	1,547	-	-	-	-	-	1,547
Receivable from clearing house	-	271	-	-	-	-	-	271
	<u>34,806</u>	<u>84,217</u>	<u>60,092</u>	<u>164,846</u>	<u>8,346</u>	<u>1,898</u>	<u>6,195</u>	<u>360,400</u>
Financial liabilities								
Deposits	49,149	161,925	53,079	488	-	-	-	264,641
Interbank and money market items	5,531	7,857	3,097	217	-	-	-	16,702
Liabilities payable on demand	345	-	-	-	-	-	-	345
Derivatives liabilities	-	311	-	5	-	-	-	316
Debts issued and borrowings	37	18,143	17,660	-	8,243	-	-	44,083
Securities and derivative business payables	-	1,511	-	-	-	-	-	1,511
Payables to clearing house	-	299	-	-	-	-	-	299
	<u>55,062</u>	<u>190,046</u>	<u>73,836</u>	<u>710</u>	<u>8,243</u>	<u>-</u>	<u>-</u>	<u>327,897</u>
Contingent liability								
Aval to bills and guarantees of loans	5	19	12	7	-	-	-	43
Other commitments	14	3,513	83	2,545	13	573	-	6,741

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2012

Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-	Total
		Months	months	years	years		performing Loans*	
Financial assets								
Cash	1,046	-	-	-	-	-	-	1,046
Interbank and money market items	3,767	27,429	-	-	-	-	-	31,196
Derivatives assets	-	15	-	27	-	-	-	42
Investments - net	10	2,739	1,692	86	-	2,489	-	7,016
Loans to customers	21,198	26,357	46,168	143,333	7,839	-	3,774	248,669
Securities and derivative business								
receivables	-	2,224	-	-	-	-	-	2,224
Receivables from clearing house	-	136	-	-	-	-	-	136
	<u>26,021</u>	<u>58,900</u>	<u>47,860</u>	<u>143,446</u>	<u>7,839</u>	<u>2,489</u>	<u>3,774</u>	<u>290,329</u>
Financial liabilities								
Deposits	38,159	135,578	45,855	231	-	-	-	219,823
Interbank and money market items	3,151	6,508	2,389	1,921	2	-	-	13,971
Liabilities payable on demand	652	-	-	-	-	-	-	652
Derivatives liabilities	-	-	-	1	-	-	-	1
Debts issued and borrowings	58	9,247	10,218	111	8,243	-	-	27,877
Securities and derivative business								
payables	-	1,524	-	-	-	-	-	1,524
Payables to clearing house	-	852	-	-	-	-	-	852
	<u>42,020</u>	<u>153,709</u>	<u>58,462</u>	<u>2,264</u>	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>264,700</u>
Contingent liability								
Aval to bills and guarantees of								
loans	-	4	147	4	-	-	-	155
Other commitments	9	3,080	30	3,605	100	681	-	7,505

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2013

Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-	Total
		months	months	years	years		performing Loans	
Financial assets								
Interbank and money market items	510	-	-	-	-	-	-	510
Investments - net	-	-	-	-	-	764	-	764
Investments in subsidiaries - net	-	-	-	-	-	16,924	-	16,924
Loans to customers	3,986	-	-	-	-	-	-	3,986
	<u>4,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,688</u>	<u>-</u>	<u>22,184</u>
Financial liabilities								
Debts issued and borrowings	-	5,223	905	-	-	-	-	6,128
	<u>-</u>	<u>5,223</u>	<u>905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,128</u>

Separate financial statements as at 31 December 2012

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-		Total
						performing Loans	Unspecified	
Financial assets								
Interbank and money market items	566	-	-	-	-	-	-	566
Investments - net	-	-	-	-	-	813	-	813
Investments in subsidiaries - net	-	-	-	-	-	15,022	-	15,022
Loans to customers	3,841	-	-	-	-	-	-	3,841
	<u>4,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,835</u>	<u>-</u>	<u>20,242</u>
Financial liabilities								
Interbank and money market items	-	200	-	-	-	-	-	200
Debts issued and borrowings	-	3,281	3,031	-	-	-	-	6,312
	<u>-</u>	<u>3,481</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,512</u>

3.39.4 Foreign exchange risk

The status of the subsidiaries foreign currency balance as at 31 December 2013 and 2012 is as follows:

TISCO Bank Public Company Limited

- a) As at 31 December 2012, investment in a subsidiary company indirectly owned by the Company amounting to HKD 20 million (under the cost method net of allowance for impairment equivalent to Baht 44 million).
- b) Loans in foreign currency amounting to USD 100 million (31 December 2012: USD 100 million) (equivalent to Baht 3,281million and Baht 3,063 million as at 31 December 2013 and 2012, respectively), of which TISCO Bank entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.39.5 to the financial statements.

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- c) Borrowing in foreign country amounting to USD 11 million (31 December 2012: USD 21 million) (amortised cost amounting to Baht 346 million (31 December 2012: Baht 645 million)), of which the subsidiary company entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.39.5 to the financial statements.

3.39.5 Derivatives

The subsidiaries have a policy to enter into transactions involving financial derivative instruments, for trading and hedging risks.

As at 31 December 2013 and 2012, the subsidiaries have the following financial derivative instruments.

a) Financial derivative instruments classified as derivatives held for trading

a.1) Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets as follows:

(Unit: Million Baht)

As at 31 December 2013		
Maturity	Notional amount	Fair value gain (loss)
2016	2,274	28

(Unit: Million Baht)

As at 31 December 2012		
Maturity	Notional amount	Fair value gain (loss)
2016	3,032	27

a.2) Cross currency swap agreement/Foreign exchange contract

The subsidiary operating banking business entered into cross currency swap agreements/Foreign exchange contracts to manage risk associated with financial assets as follows:

(Unit: Million Baht)

As at 31 December 2013		
Maturity	Notional amount	Fair value gain (loss)
2014	3,315	(311)

(Unit: Million Baht)

As at 31 December 2012		
Maturity	Notional amount	Fair value gain (loss)
2013	3,063	15

b) Financial derivative instruments classified as cash flow hedge derivatives

Cross currency swap agreement

The subsidiary operating leasing business entered into cross currency swap agreements to manage the risk associated with its interest-bearing financial liabilities, as follows:

(Unit: Million Baht)

As at 31 December 2013			
Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	80	2.73
2015	1	39	(0.63)
2016	2	124	(4.09)
2018	1	100	1.91

(Unit: Million Baht)

As at 31 December 2012			
Maturity	Number of contracts	Notional amount	Fair value gain (loss)
2014	4	309	(0.20)
2015	1	61	(0.09)
2016	2	170	(0.30)
2018	1	100	(0.16)

3.39.6 Fair value of financial instruments

The fair value of significant financial instruments of the Company and its subsidiaries is as follows:

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements			
	As at 31 December			
	2013		2012	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Cash	1,131	1,131	1,046	1,046
Interbank and money market items - net	53,242	53,242	31,196	31,196
Investments - net	11,490	11,490	7,016	7,016
Loan to customers and accrued interest receivables - net	286,332	291,765	243,547	250,268
Securities and derivatives business receivables	1,547	1,547	2,224	2,224
Receivable from clearing house	272	272	136	136
<u>Financial liabilities</u>				
Deposits	264,641	264,641	219,823	219,823
Interbank and money market items - net	16,703	16,703	13,971	13,971
Liabilities payable on demand	345	345	652	652
Debt issued and borrowings	44,084	44,210	27,877	27,790
Securities and derivatives business payables	1,511	1,511	1,524	1,524
Payable to clearing house	299	299	852	852

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book values of financial instruments are the values net of the full amount of such allowance for doubtful debt, after adjusting for loan loss reserve.

4. Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)		
Annual dividends for 2011	The 2012 Annual General Meeting of the Shareholders on 26 April 2012	2.35	2.35	1,711	May 2012
Total dividend payment in year 2012				1,711	
Annual dividends for 2012	The 2013 Annual General Meeting of the Shareholders on 25 April 2013	2.40	2.40	1,746	May 2013
Total dividend payment in year 2013				1,746	

5. Significant events during the year

5.1 Registration of the establishment of a subsidiary company and change in the subsidiary's name

By virtue of a resolution passed by the Executive Board of TISCO Financial Group Public Company Limited No.10/2012, on 30 October 2012, the Company was to register the incorporation of T Troop Company Limited to provide recruitment and human resource services to companies in TISCO Group, with a registered share capital of Baht 1 million (10,000 ordinary shares of Baht 100 each) of which the Company was to hold 99.97%. On 15 February 2013, the Company registered the establishment of this company with the Ministry of Commerce.

A resolution passed by the Extraordinary General Meeting of the Shareholders of T Troop Company Limited No. 1/2013, on 29 March 2013, approved a change in that company's name and the amendment of item No.1 in the memorandum of association, to state that the company's name is "All-Ways Company Limited". On 29 March 2013, the company registered the amendment of its memorandum of association with the Ministry of Commerce.

5.2 Share capital

a) Issuance and allocation of Transferable Subscription Rights (TSRs)

The Annual General Meeting of the Company's shareholders for the year 2013, convened on 25 April 2013, passed the resolutions to approve the issuance and allocation of up to 72,791,209 units of Transferable Subscription Rights (TSRs) at no cost to the existing shareholders of the Company pro rata to their shareholding at an offering ratio of 1 TSRs for every 10 existing shares (common shares and preferred shares). Each TSR conveys the right to purchase 1 newly issued common share of the Company at a price of Baht 24 per share. The closing date of the share register to determine which shareholders are entitled to receive the TSRs is 7 May 2013. In addition, the meeting approved the delegation of authority to determine other relevant details in connection with the issuance and allocation of the TSRs to the existing shareholders of the Company to the Board of Directors or the Group Chief Executive, including without limitation, the offering period, offering price, payment period, and other terms and conditions.

Following the exercise of TSRs on 26 June, 2013, 72,743,397 additional shares had been allocated, 2 additional shares were unallocated, and 47,810 units of TSRs had not been allocated to shareholders due to holding of incorrect type of shares according to shareholder's nationality. The Company registered the correspondingly increase in its paid-up capital to Baht 8,006,554,830 with Ministry of Commerce on 28 June 2013. Paid-up capital consists of 800,621,625 common shares and 33,858 preferred shares, both with par value of Baht 10 per share.

b) Reduction of the Company's registered capital by cancelling unissued preferred shares

The Annual General Meeting of the Company's shareholders for the year 2013, convened on 25 April 2013, passed the resolutions to approve the reduction of the Company's registered capital from Baht 11,002,000,000 to Baht 7,279,120,860, by cancelling 372,287,914 unissued preferred shares with a par value of Baht 10 per share. In order to reflect the reduction of the registered capital, the meeting approved the amendment of Clause 4 of the Company's Memorandum of Association, to state that the registered capital is Baht 7,279,120,860, consisting of 33,858 preference shares and 727,878,228 common shares of Baht 10 each.

c) Increase in the Company's registered capital to support the exercise of the Transferable Subscription Rights (TSRs)

The Annual General Meeting of the Company's shareholders for the year 2013, convened on 25 April 2013, passed resolutions to approve the increase of the Company's registered capital from Baht 7,279,120,860 to Baht 8,007,032,950, to support the exercise of the Transferable Subscription Rights (TSRs). The additional registered capital of Baht 727,912,090 consists of 72,791,209 common shares with a par value of Baht 10 per share. In order to reflect the increase in the Company's registered capital, the meeting approved an amendment to Clause 4 of the Company's Memorandum of Association, to state that the registered capital is Baht 8,007,032,950, consisting of 33,858 preference shares and 800,669,437 common shares of Baht 10 each. On 28 June 2013, the Company registered the increase in its registered share capital and the amendment of its memorandum of association with the Ministry of Commerce.

5.3 Increase of the subsidiary's registered capital

The 2013 Annual General Meeting of the shareholders of TISCO Bank Public Company Limited ("the Bank"), a subsidiary of the Company, which convened on 25 April 2013, passed a resolution approving the increase of the Bank's registered capital in order to accommodate the allocation of new common shares to the existing shareholders of the Bank named in the share register as of 7 May 2013, pro rata to their shareholding. The additional registered capital of Baht 910,190,320 will consist of 91,019,032 common shares with a par value of Baht 10 per share, to be allocated in a ratio of 1 new share for every 8 existing shares (both common and preferred shares), at an offer price of Baht 20.88 per share, for a total of approximately Baht 1,900 million. The offer price was calculated based on the book value of shareholders' equity as of 31 December 2012. This capital increase will support future business growth.

On 28 May 2013, the Bank registered the increase in its registered share capital with the Ministry of Commerce.

5.4 Return of capital from a subsidiary company

In October 2013, TISCO Bank Public Company Limited received the return of capital amounting to Baht 40 million as a result of the dissolution of TISCO Securities Hong Kong Limited (a subsidiary company).

6. Approval of financial statements

These financial statements were approved by the Company's Audit Committee on 13 February 2014.