

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, 2015 and 2014*

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, 2015 and 2014 was Ms. Ratana Jala, Certified Public Accountant (Thailand) No. 3734, of EY 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 TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at December 31, 2015 and 2014, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2014 and 2013

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Table Depicting the Consolidated Financial Statements of the Company and its Subsidiaries**TISCO Financial Group Public Company Limited and its subsidiaries****Statement of financial position****As of**

(Unit: Thousand Baht)

	December 31, 2015	December 31, 2014	December 31, 2013
			(Revised)
Assets			
Cash	1,101,291	1,180,482	1,130,971
Interbank and money market items - net	31,162,645	38,057,993	53,214,350
Derivatives assets	-	-	28,220
Investments - net	8,332,419	14,795,457	11,489,593
Investments in subsidiaries and joint venture - net	284,107	207,228	157,283
Loans to customers and accrued interest receivables			
Loans to customers	259,724,989	286,017,305	314,332,796
Accrued interest receivable	542,488	572,383	535,851
Total loans to customers and accrued interest receivables	260,267,477	286,589,688	314,868,647
Less: Deferred revenue	(21,465,152)	(23,233,476)	(27,918,134)
Less: Allowance for doubtful accounts	(6,168,270)	(6,950,423)	(6,331,224)
Loans to customers and accrued interest receivables - net	232,634,055	256,405,789	280,619,289
Property foreclosed - net	47,390	120,905	124,757
Investment properties - net	32,157	17,267	16,856
Premises and equipment - net	2,633,339	2,483,759	2,456,855
Intangible assets - net	379,659	324,927	111,964
Deferred tax assets	317,686	296,074	245,383
Securities and derivative business receivable - net	1,130,190	1,819,258	1,546,662
Other assets	2,238,741	1,964,366	2,264,128
Total assets	280,293,679	317,673,505	353,406,311

TISCO Financial Group Public Company Limited and its subsidiaries
Statement of financial position (continued)

	As of		
	December 31, 2015	December 31, 2014	December 31, 2013
	(Unit: Thousand Baht)		
	(Revised)		
Liabilities and shareholders' equity			
Liabilities			
Deposits	158,344,190	205,588,846	264,642,177
Interbank and money market items - net	10,030,060	10,692,435	12,182,921
Liability payable on demand	356,335	399,916	344,864
Payable under securities borrowing and lending business	-	-	-
Derivatives liabilities	41,898	40,729	310,945
Debts issued and borrowings	74,518,919	65,406,219	43,083,619
Provision for long-term employee benefits	466,933	403,572	332,602
Deferred tax liabilities	1,748	30,155	144,962
Securities and derivatives business payables - net	1,275,029	1,250,067	1,511,017
Accrued interest payable	896,969	1,129,253	1,688,431
Income tax payable	312,895	566,574	457,100
Other liabilities	5,854,374	6,342,046	5,653,318
Total liabilities	252,099,350	291,849,812	330,351,956
Shareholders' equity			
Share capital			
Registered			
33,858 preference shares of Baht 10 each	339	339	339
800,669,437 ordinary shares of Baht 10 each	8,006,694	8,006,694	8,006,694
	8,007,033	8,007,033	8,007,033
Issued and fully paid-up			
18,558 preference shares of Baht 10 each			
(31 December 2014: 33,558 shares of Baht 10 each)			
(31 December 2013: 33,858 shares of Baht 10 each)	186	336	339
800,636,925 ordinary shares of Baht 10 each			
(31 December 2014: 800,621,925 shares of Baht 10 each)			
(31 December 2013: 800,621,625 shares of Baht 10 each)	8,006,369	8,006,219	8,006,216
	8,006,555	8,006,555	8,006,555
Share premium			
Share premium of preference shares	-	-	-
Share premium of ordinary shares	1,018,408	1,018,408	1,018,408
	1,018,408	1,018,408	1,018,408
Other components of shareholders' equity	1,381,775	1,680,354	1,570,190
Retained earnings			
Appropriated-statutory reserve	709,500	596,300	496,200
Unappropriated	16,979,196	14,429,068	11,895,567
Equity attributable to owners of the Company	28,095,434	25,730,685	22,986,920
Non-controlling interest of the subsidiaries	98,895	93,008	67,435
Total shareholders' equity	28,194,329	25,823,693	23,054,355
Total liabilities and shareholders' equity	280,293,679	317,673,505	353,406,311

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the years ended

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

	December 31, 2015	December 31, 2014	December 31, 2013
			(Revised)
Interest incomes	16,887,553	18,890,867	18,960,910
Interest expenses	(6,757,696)	(9,351,077)	(10,144,033)
Net interest income	10,129,857	9,539,790	8,816,877
Fees and service income	5,255,965	5,187,250	5,416,910
Fees and service expenses	(198,932)	(211,639)	(225,837)
Net fees and service income	5,057,033	4,975,611	5,191,073
Net gains on trading and foreign exchange transactions	96,189	27,612	74,647
Net gains on investments	128,907	263,716	353,774
Share of profit from investments accounted for under equity method	97,655	52,129	45,689
Dividend income	92,332	96,930	99,090
Penalty fee income from loans	452,694	344,030	283,731
Income from business promotion relating to the hire purchase business	348,001	268,333	736,858
Other operating income	86,258	55,638	53,298
Total operating income	16,488,926	15,623,789	15,655,037
Expenses to business promotion relating to the hire purchase business	396,303	274,765	900,370
Total net operating income	16,092,623	15,349,024	14,754,667
Operating expenses			
Employee's expenses	3,379,795	3,550,195	3,419,752
Directors' remuneration	12,680	13,240	13,095
Premises and equipment expenses	928,890	919,076	883,767
Taxes and duties	212,862	224,003	216,170
Other operating expenses	992,794	898,432	732,381
Total operating expense	5,527,021	5,604,946	5,265,165
Bad debt, doubtful accounts and impairment losses	5,277,415	4,426,460	4,140,603
Profit from operating before tax expenses	5,288,187	5,317,618	5,348,899
Income tax expenses	1,032,464	1,043,443	1,040,706
Profit for the year	4,255,723	4,274,175	4,308,193

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the years ended

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

	December 31, 2015	December 31, 2014	December 31, 2013
			(Revised)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gain (loss) on remeasuring available-for-sale investment	(334,715)	184,533	(397,546)
Share of other comprehensive income of joint venture:			
Cash flow hedges of joint venture	(20,802)	(1,694)	(8,854)
Income tax effects	66,943	(41,025)	77,111
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax</i>	(288,574)	141,814	(411,084)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gains (losses)	6,091	(28,716)	12,984
Losses on revaluation of assets	-	(27,000)	1,176,123
Share of other comprehensive income of joint venture:			
Actuarial gains (losses) of joint venture	26	(354)	44
Income tax effects	(1,188)	11,114	(237,821)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax</i>	4,929	(44,956)	951,330
Other comprehensive income for the year	(283,645)	96,858	540,246
Total comprehensive income for the year	3,972,078	4,371,033	4,848,439
Profit attribute to			
Equity holders of the Company	4,250,119	4,249,515	4,249,050
Non-controlling interests of the subsidiaries	5,604	24,660	59,143
	4,255,723	4,274,175	4,308,193
Total comprehensive income attributable to			
Equity holders of the Company	3,966,053	4,345,059	4,790,562
Non-controlling interests of the subsidiaries	6,025	25,974	57,877
	3,972,078	4,371,033	4,848,439
Basic Earnings per share	5.31	5.31	5.55

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement

For the years ended

(Unit: Thousand Baht)

	December 31, 2015	December 31, 2014	December 31, 2013
			(Revised)
Cash flows from operating activities			
Profit before income tax	5,288,187	5,317,618	5,348,899
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	214,709	230,494	274,984
Bad debts and doubtful accounts	7,070,231	5,642,990	5,011,222
Share of profit from investments accounted for under equity method	(97,655)	(52,129)	(45,689)
Reversal of allowance for impairment of investments	(822)	(13,058)	(4,987)
Allowance for impairment of property foreclosed (reversal)	1	(67)	(17)
Gain on disposal of investments in securities	(131,268)	(262,848)	(351,862)
Unrealised (gain) loss on foreign exchange	(80,656)	17,467	(51,436)
Gain on disposal of equipment	(1,619)	(6,140)	(5,443)
Loss on written-off of equipment	2,909	1,759	-
Loss on written-off intangible assets	78	5,282	-
Gain on changes in value of investment properties	406	(412)	(16,850)
Gain on disposal of property foreclosed	(49,810)	(22,841)	(5,789)
Employee benefit expenses	95,269	65,002	47,651
Increase in accrued income	(14,654)	(22,658)	66,325
Increase (decrease) in accrued expenses	(279,820)	167,932	348,623
Net interest income	(10,129,857)	(9,539,790)	(8,816,877)
Dividend income	(92,332)	(96,930)	(99,090)
Cash received on interest income	17,201,200	18,639,189	18,546,588
Cash paid on interest expenses	(5,822,706)	(8,626,107)	(8,976,177)
Cash received on dividend income	92,332	100,930	97,295
Cash paid on income tax expenses	(1,275,371)	(1,129,610)	(739,873)
Profit from operating activities before changes in operating assets and liabilities	11,988,752	10,416,073	10,627,497
Operating assets (increase) decrease			
Interbank and money market items	6,895,479	15,151,442	(22,032,922)
Loans to customers	13,993,726	15,236,649	(48,818,894)
Securities and derivative business receivables	689,068	(272,596)	677,130
Receivables from clearing house	43,907	(20,527)	(135,450)
Property foreclosed	2,801,136	3,138,099	2,899,962
Other assets	(847,155)	337,517	721,070
Operating liabilities increase (decrease)			
Deposits	(47,244,657)	(59,292,796)	44,817,874
Interbank and money market items	(662,375)	(1,251,022)	2,509,624
Liabilities payable on demand	(43,582)	55,052	(307,446)
Short-term borrowing			
Securities and derivative business payables	24,962	(260,950)	(12,628)
Short-term debts issued and borrowings	(6,567,300)	23,922,600	15,317,069
Payable to clearing house	(756,680)	554,382	(553,494)
Provision for long-term employee benefits	(25,959)	(22,749)	(23,807)
Other liabilities	(378,844)	(1,100,336)	(736,404)
Net cash flows from (used in) operating activities	(20,089,522)	6,590,838	4,949,181

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the years ended

(Unit: Thousand Baht)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
			(Revised)
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(17,004,795)	(28,880,497)	(16,643,600)
Cash received from disposal of investment in securities heldfor investmen	23,346,837	26,038,728	12,186,959
Cash paid for purchase of equipment	(309,088)	(230,236)	(180,334)
Cash paid for purchase of intangible assets	(102,938)	(274,208)	(49,012)
Cash paid from disposal of intangible assets			
Cash received from disposal of equipment	1,619	6,180	13,978
Net cash flows used in investing activities	<u>5,931,635</u>	<u>(3,340,033)</u>	<u>(4,672,009)</u>
Cash flows from financing activities			
Cash received from issuance of long-term debentures	17,680,000	2,400,000	1,243,000
Cash paid for the redemption of long-term debentures	(2,000,000)	(4,000,000)	(1,353,700)
Dividend paid	(1,601,304)	(1,601,294)	(1,745,845)
Cash received from increase in share capital	-	-	1,745,842
Net cash flows used in financing activities	<u>14,078,696</u>	<u>(3,201,294)</u>	<u>(110,703)</u>
Exchange differences on translation of financial statements	<u>-</u>	<u>-</u>	<u>(81,795)</u>
Net increase (decrease) in cash	<u>(79,191)</u>	<u>49,511</u>	<u>84,674</u>
Cash at beginning of the year	<u>1,180,482</u>	<u>1,130,971</u>	<u>1,046,297</u>
Cash at end of the year	<u><u>1,101,291</u></u>	<u><u>1,180,482</u></u>	<u><u>1,130,971</u></u>
Supplemental cash flows information			
Non-Cash transaction			
Revaluation adjustment of assets	-	-	1,176,123

13.2 Important Financial Ratios

		2015	2014	2013
Profitability Ratio				
Gross Profit Margin	(%)	68.6	60.3	57.5
Net Profit Margin	(%)	26.4	27.7	28.8
Return on Average Shareholders' Equity	(%)	15.7	17.4	20.6
Interest Income Ratio	(%)	5.7	5.6	6.0
Interest Expense Ratio	(%)	2.6	3.1	3.5
Interest Spread	(%)	3.1	2.5	2.5
Return on Investment	(%)	4.2	5.3	7.0
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	3.4	2.8	2.8
Return on Average Assets	(%)	1.4	1.3	1.3
Total Asset Turnover	(times)	0.05	0.05	0.05
Financial Ratio				
Debt to Equity Ratio	(times)	8.9	11.3	14.3
Total Loans to Total Borrowing and Deposits	(%)	102.2	96.8	93.0
Total Loans to Public Borrowing	(%)	150.5	127.8	108.2
Public Borrowing to Total Liabilities	(%)	62.8	70.4	80.1
Dividend Payout Ratio	(%)	45.2	37.7	37.2
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	2.6	2.6	2.2
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	3.3	1.9	1.3
Non-accrued loans ¹ to Total Loans	(%)	3.1	2.8	1.9
Allowance for Doubtful Account to Non-performing loans	(%)	80.1	103.0	127.5
Accrued Interest Receivable to Total Loans	(%)	0.2	0.2	0.2
Other Ratios				
Capital Funds to Risk Weighted Asset (BIS)	(%)	18.01	16.79	13.37
Net Capital Rule (TISCO Securities)	(%)	84.03	54.73	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 2015, with those of the year 2014

Movement of Money Market and Capital Market

In 2015, domestic economic recovery was slower than expected, and affecting by the global economic slowdown. The private consumption remained subdued following high level of household debts and also weak farm income that led to cautious spending. Moreover, the domestic car sales in 2015 contracted by 9.3% (YoY), totaled 799,632 units. Meanwhile, the private investment also softened from the slowdown in both domestic and foreign demand. The export continually declined amidst the sluggish global economy and the sharp drop in global oil and commodities prices. In addition, government stimulus program, especially infrastructure projects expenditures, lagged behind the anticipated plan. Additionally, Thai Baht was depreciated by the pressure from both domestic and external factors, particularly the US Fed to raise interest rate. The headline inflation for the year 2015 was reported at -0.9%.

The Bank of Thailand (BOT) reduced the policy rate twice during 2015, from 2.00% to 1.75% in the first quarter, and from 1.75% to 1.50% in the second quarter. Accordingly, the average 3-month fixed deposit rates of Top-4 commercial banks declined from 1.30% to 1.01% (YoY), while the average minimum lending rate of Top-4 commercial banks dropped from 6.75% to 6.51% (YoY).

The capital market in 2015 continually declined amidst the pressure from both internal and external factors, including the slow recovery of domestic economy, the business disruption during the year and the subdued world economy in both Europe and Asia, which led to weak investor confidence. Thus, SET index closed at 1,288.02 points, declined by 209.65 points from the end of 2014. The average daily turnover slightly declined from 41,604.81 million baht in 2014 to 41,141.45 million baht.

14.1 Operating Performance for the year 2015

TISCO Financial Group Public Company Limited ("the Company") had net profit from operations on a standalone basis totaling 2,263.59 million baht, mainly contributed by service fee 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 2015, the net profit attributed to owners of the Company totaled 4,250.12 million baht, remained stable comparing to the previous year. Net interest income increased by 6.2% (YoY), driven by the ability to maintain overall loan yield through the expansion in consumption loans contribution, as well as a continuing decrease in cost of fund throughout the year and the effective cost management. Moreover, non-interest income from core business improved by 2.8% (YoY), mainly resulting from the significant increase in asset management basic fee of 21.0% (YoY) following the issuances of various funds in correspondence with the market demand during the beneficial market environment. Banking fee also improved by 4.9% (YoY) from strong bancassurance fee. Furthermore, the Company also recorded investment banking fee from underwriting service in May 2015. Meanwhile, brokerage fee income declined by 12.0% (YoY) following lower market trading volume.

Basic earnings per share for the year 2015 remained at 5.31 baht, unchanged from the year 2014. Meanwhile, the return on average equity (ROAE) was at 15.8%, compared with 17.4% (YoY).

(1) Consolidated Revenue Structure

The Company and its subsidiaries' consolidated revenue structure in 2014 and 2015 are illustrated in Table 1.

Table 1: Consolidated Revenue Structure

Type of Revenue	2014		2015		Change % YoY
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Interest income					
Interest on loans	6,157.31	40.1	5,681.85	35.3	(7.7)
Interest on interbank and money market items	674.76	4.4	540.42	3.4	(19.9)
Hire purchase and financial lease income	11,654.05	75.9	10,409.47	64.7	(10.7)
Investments	404.75	2.6	255.82	1.6	(36.8)
Total interest income	18,890.87	123.1	16,887.55	104.9	(10.6)
Interest expenses	(9,351.08)	(60.9)	(6,757.70)	(42.0)	(27.7)
Net interest income	9,539.79	62.2	10,129.86	62.9	6.2
Fee income					
Fee and service income	5,187.25	33.8	5,255.97	32.7	1.3
Fee and service expenses	(211.64)	(1.4)	(198.93)	(1.2)	(6.0)
Net fee and service income	4,975.61	32.4	5,057.03	31.4	1.6
Net gain on investment and foreign exchange transactions	291.33	1.9	225.10	1.4	(22.7)
Share of profit from investments accounted for under equity method	52.13	0.3	97.66	0.6	87.3
Other operating income	764.93	5.0	979.28	6.1	28.0
Total operating income	15,623.79	101.8	16,488.93	102.5	5.5
Expenses from business promotion relating to the hire purchase business	(274.76)	(1.8)	(396.30)	(2.5)	
Total net operating income	15,349.02	100.0	16,092.62	100.0	4.8
Total operating expenses	(5,604.95)		(5,527.02)		
Bad debt, doubtful accounts and impairment losses	(4,426.46)		(5,277.42)		
Profit before income tax and minority interest	5,317.62		5,288.19		(0.6)
Income tax expenses	(1,043.44)		(1,032.46)		
Profit before minority interest	4,274.17		4,255.72		(0.4)
Non-controlling interest	(24.66)		(5.60)		
Net profit	4,249.51		4,250.12		0.0

(2) Net Interest Income

Net interest income in 2015 was 10,129.86 million baht, increased by 590.07 million baht (6.2% YoY). Total interest income was 16,887.55 million baht, decreased by 2,003.31 million baht (10.6% YoY) while interest expense dropped by 2,593.38 million baht (27.7% YoY) to 6,757.70 million baht, owing to the continuing decline in cost of fund and the Company's effective cost management.

Yield on loan remained stable at 6.5% while cost of fund significantly decreased from 3.2% to 2.6% (YoY) driven by a continual decline in funding cost. Consequently, loan spread improved from 3.3% to 3.9% (YoY). In addition, the net interest margin also rose from 2.9% to 3.4% (YoY).

The Company reported net interest income after impairment loss on loans totaled 4,852.44 million baht, dropped by 260.89 million baht (5.1% YoY). Impairment losses on loans totaled 5,277.42 million baht, increased from 4,426.46 million baht (YoY), mainly resulting from setting up full provision in accordance with Bank of Thailand's guideline for Sahaviriya Steel Industries Pcl. (SSI) and its subsidiary Sahaviriya Steel Industries UK (SSI UK).

Table 2: Interest spread year 2014 - 2015

%	2014	2015
Yield on Loans	6.5	6.5
Cost of fund	3.2	2.6
Loan spread	3.3	3.9

(3) Non-interest Income

Non-interest income of the Company's core businesses reported at 5,838.95 million baht, increased by 161.53 million baht (2.8% YoY), mainly due to the increase in asset management basic fee by 195.57 million baht (21.0% YoY) thanks to the issuances of various mutual funds corresponding to market demand. Banking fee income increased by 174.38 million baht (4.9% YoY) contributed by strong bancassurance fee. Moreover, the Company recorded investment banking fee from underwriting service amounting 44.86 million baht in the second quarter of 2015. Nonetheless, brokerage fee income softened by 109.07 million baht (12.0% YoY) following the lower market trading volume.

(4) Bad debt, doubtful accounts and impairment loss of debt securities

In 2015, the Company has set up provision for loan loss totaling 5,277.42 million baht, increased by 850.95 million baht (19.2% YoY), which accounted for 2.11% of average loan portfolio. If excluding the effect of the special provision buildup, the required provision tended to decline gradually, therefore the normal provision for core business for the year was resulted at 1.3 – 1.4% of average loan portfolio.

(5) Operating Expenses

Non-interest expenses were 5,527.02 million baht, declined by 77.92 million baht (1.4% YoY), mainly from declining variable expenses associated with revenue growth. The Company still maintained effective operating cost control, resulting in cost to income ratio at 34.3%, compared with 36.5% in 2014.

(6) Corporate Income Tax

In 2015, the corporate income tax was 1,032.46 million baht, equivalent to the effective tax rate of 19.5%, comparing to 19.6% in 2014.

14.2 Financial Position

(1) Assets

As of December 31, 2015, the Company's total assets were 280,293.68 million baht, decreased by 11.8% (YoY) mainly due to the decline in loan portfolio from 262,783.83 million baht to 238,259.84 million baht (9.3% YoY). In addition, investment also dropped from 14,795.46 million baht to 8,332.42 million baht (43.7% YoY), while interbank and money market items declined from 38,057.99 million baht to 31,162.64 million baht (18.1% YoY).

Table 3: Assets Breakdown as of December 31, 2014 and 2015

Assets	December 31, 2014		December 31, 2015		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Cash	1,180.48	0.4	1,101.29	0.4	(6.7)
Interbank and Money Market Items	38,057.99	12.0	31,162.64	11.1	(18.1)
Investments	14,795.46	4.7	8,332.42	3.0	(43.7)
Investment in Subsidiaries	207.23	0.1	284.11	0.1	37.1
Corporate Loans	53,083.22	16.7	43,327.30	15.5	(18.4)
Retail Loans	181,494.16	57.1	170,118.84	60.7	(6.3)
Commercial Loans	23,389.51	7.4	19,888.60	7.1	(15.0)
Other Loans	4,816.94	1.5	4,925.09	1.8	2.2
Allowance for doubtful accounts and for loss on debt restructuring	(6,950.42)	(2.2)	(6,168.27)	(2.2)	(11.3)
Other Assets	7,598.94	2.4	7,321.65	2.6	(3.6)
Total – The Company	317,673.50	100.0	280,293.68	100.0	(11.8)

(a) Investments

As of December 31, 2015, the investment was 8,332.42 million baht decreased by 6,463.04 million baht (43.7% YoY) due to an increase in fixed income investment.

(b) Loans and Receivables Breakdown

Total loans and receivables as of December 31, 2015 were 238,259.84 million baht, declined by 24,523.99 million baht (9.3% YoY), following sluggish domestic economy and weak consumption, reflecting the slowdown in auto market throughout the year, as well as the loan prepayment by some corporate clients and loan write-off of Sahaviriya Steel Industries UK (SSI UK). The composition of loan portfolio was 71.4% of retail loans, 18.2% of corporate loans, 8.3% of commercial loans and 2.1% of other loans.

Table 4: Loans and Receivables Breakdown as of December 31, 2014 and 2015

Type of Business	December 31, 2014		December 31, 2015		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Manufacturing and commerce	18,862.96	7.2	12,126.50	5.1	(35.7)
Real estate and construction	12,160.59	4.6	11,987.70	5.0	(1.4)
Public utilities and services	21,802.94	8.3	18,837.43	7.9	(13.6)
Agriculture and mining	256.73	0.1	375.67	0.2	46.3
Corporate Loans	53,083.22	20.2	43,327.30	18.2	(18.4)
Commercial Loans	23,389.51	8.9	19,888.60	8.3	(15.0)
Hire purchase	165,095.00	62.8	152,907.78	64.2	(7.4)
Mortgage	1,310.82	0.5	1,224.55	0.5	(6.6)
Consumption	15,088.34	5.7	15,986.52	6.7	6.0
Retail Loans	181,494.16	69.1	170,118.84	71.4	(6.3)
Others	4,816.94	1.8	4,925.09	2.1	2.2
Total – The Company	262,783.83	100.0	238,259.84	100.0	(9.3)

(c) Non-performing Loans

During the year, the Company has classified Sahaviriya Steel Industries Pcl. (SSI) and its subsidiary Sahaviriya Steel Industries UK (SSI UK) loans as NPLs, with the full setup of 100% provisions based on the collateral value in accordance with the Bank of Thailand's guideline, while Sahaviriya Steel Industries UK loan was written off of the loan book following the Company's policy. Thus, with the effect of NPLs classification of Sahaviriya Steel Industries Pcl. (SSI) amounting 821 million baht, plus the contraction in overall loan portfolio, NPL ratio increased from 2.57% to 3.23% (YoY). Total NPLs was 7,700.83 million baht, increased by 950.64 million baht (14.1% YoY), comprising of 6,905.83 million baht of the Bank NPLs and 795.00 million baht of other subsidiaries NPLs. If excluding the NPLs of Sahaviriya Steel Industries Pcl. (SSI), total NPLs would total 6,879.83 million baht, accounted for NPL ratio of 2.89%. Thus, NPL ratio of retail loan, corporate loan, and commercial loan were 3.50%, 2.74%, and 2.03% respectively.

Table 5: NPLs Breakdown by Area as of December 31, 2014 and 2015

Type of Business	December 31, 2014			December 31, 2015			% Change
	% NPL	Amount (Bt. million)	%	% NPL	Amount (Bt. million)	%	
Manufacturing and commerce	0.61	115.63	1.7	8.08	979.54	12.7	747.2
Real estate and construction	0.55	66.97	1.0	0.79	94.42	1.2	41.0
Public utilities and services	0.34	73.41	1.1	0.57	107.26	1.4	46.1
Agriculture and mining	0.75	1.92	0.0	2.09	7.86	0.1	308.3
Total NPL - Corporate Loans	0.49	257.93	3.8	2.74	1,189.08	15.4	361.0
NPL-Commercial Loans	1.02	239.36	3.5	2.03	404.66	5.3	69.1
Hire purchase	3.35	5,533.19	82.0	3.55	5,427.69	70.5	(1.9)
Mortgage	7.33	96.04	1.4	6.67	81.62	1.1	(15.0)
Consumption	2.57	387.39	5.7	2.76	441.14	5.7	13.9
Total NPL - Retail Loans	3.32	6,016.62	89.1	3.50	5,950.45	77.3	(1.1)
Others	4.91	236.29	3.5	3.18	156.64	2.0	(33.7)
Total NPL – The Company	2.57	6,750.20	100.0	3.23	7,700.83	100	14.1

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

Total allowance for loan loss for the Company was reported at 6,168.27 million baht, while loan loss reserve of the Bank was 5,570.49 million baht, which was higher than the specific reserve level required by the Bank of Thailand at 4,439.23 million baht or 125.48%. The specific reserve level declined from the previous year, mainly from the loan write-off of Sahaviriya Steel Industries UK (SSI UK).

Table 6: Allowance for doubtful accounts – classified by the receivables classification as of December 31, 2014 and 2015

Type of receivables classification	December 31, 2014 (Bt. million)	%	December 31, 2015 (Bt. million)	%	% Change
Pass	1,822	28.6	1,871	33.6	2.7
Special mentioned	2,494	39.1	1,163	20.9	(53.4)
Substandard	1,073	16.8	931	16.7	(13.2)
Doubtful	623	9.8	599	10.8	(3.9)
Doubtful of loss	177	2.8	694	12.5	292.1
Excess Provision	191	3.0	312	5.6	63.4
Total	6,380	100.0	5,570	100.0	(12.7)

(2) Liabilities

As of December 31, 2015, total liabilities were 252,099.35 million baht, decreased by 13.6% (YoY), mainly due to the decrease in deposits from 213,295.16 million baht to 165,281.11 million baht (22.5% YoY), together with the decrease in interbank and money market items from 10,692.44 million baht to 10,030.06 million baht (6.2% YoY). The liabilities mix comprised of 65.6% total deposit including bill of exchange, 4.0% interbank and money market items, 26.8% debentures, and 3.7% other liabilities.

Table 7: Liabilities Breakdown by Area as of December 31, 2014 and 2015

Type of Borrowings	December 31, 2014		December 31, 2015		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Deposits	213,295.16	73.1	165,281.11	65.6	(22.5)
Interbank and money market items	10,692.44	3.7	10,030.06	4.0	(6.2)
Debentures	57,699.90	19.8	67,582.00	26.8	17.1
Others	10,162.31	3.5	9,206.18	3.7	(9.4)
Total – The Company	291,849.81	100.0	252,099.35	100.0	(13.6)

(3) Shareholders' Equity

As of December 31, 2015, shareholders' equity was 28,194.33 million baht, increased by 2,370.64 million baht (9.2% YoY) from an increase in retained earnings of the full year 2015. As a result, the book value per share (BVPS) as of December 31, 2015 was 35.21 baht per share, increased from 32.25 baht per share (YoY).

(4) Liquidity

As of December 31, 2015, The Company's cash was 1,101.29 million baht, increased by 6.7% (YoY). This was mainly comprised of 20,089.52 million baht in net cash flows from operating activities, mainly contributed by deposits. There was net cash flow from investing activities totaled 5,931.63 million baht, contributed by the cash received from the disposal of investment in securities held for investment. Meanwhile, the net cash flows from financing activities totaled 14,078.70 million baht, contributed by the cash received from the issuance of long-term debenture.

(5) Sources and Uses of Funds

As of December 31, 2015, the funding structure as shown in the consolidated financial statement comprised of 252,099.35 million baht in liabilities and 28,194.33 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 8.9 times. The major source of funds on liabilities side was deposits, which accounted for 59.0% of total source of funds. Other sources of funds included interbank and money market items accounted for 3.6% of total source of funds, 27.4% of debenture and others liability, and 10.1% of shareholders' equity, respectively. The Company's major use of funds was loans, amounting 238,259.84

million baht, resulting in a loan-to-deposit ratio¹ of 144.3%. The other uses of funds include interbank and money market items, and various securities.

(6) Contingent liabilities

As of December 31, 2015, TISCO Bank, a subsidiary of The Company, had avals, guarantees, and commitments totaled 2,336.65 million baht, decreased by 54.8% (YoY) mainly driven by the expiration in value of exchange rate swap agreements which used to manage the risk associated with exchange rate of a customer who operating business oversea.

14.3 Business Segment Performances

(1) Banking Business

Loans

Total loans and receivables as of December 31, 2015 were 238,259.84 million baht, declined by 24,523.99 million baht (9.3% YoY), following sluggish domestic economy and weak consumption, reflecting the slowdown in auto market throughout the year, as well as the loan prepayment by some corporate clients and loan write-off of Sahaviriya Steel Industries UK (SSI UK). The composition of loan portfolio was 71.4% of retail loans, 18.2% of corporate loans, 8.3% of commercial loans and 2.1% of other loans.

Corporate Lending

Corporate lending portfolio totaled 43,327.30 million baht, decreased by 9,755.91 million baht (18.4% YoY), mainly due to the loan early repayment in manufacturing and commercial sector and public utilities and services sector, and loan write-off of Sahaviriya Steel Industries UK (SSI UK).

Commercial Lending

Commercial lending portfolio totaled 19,888.60 million baht, declined by 3,500.91 million baht (15.0% YoY) from the contraction in lending demand during economic slowdown, and the impact from weak industry car sale.

Retail Lending

Retail lending portfolio totaled 170,118.84 million baht or decreased by 6.3% (YoY), where the portfolio consisted of 89.9% car, motorcycle and other hire purchase, 9.4% consumption loans and 0.7% mortgage loans. The outstanding hire purchase loans totaled 152,907.78 million baht, declined by 12,187.23 million baht (7.4% YoY), amid the weak domestic consumption and high level of household debt, along with the continuing effect from auto market that was still in process of demand-supply adjustment from the first-car tax incentive scheme. As a result, the domestic car sale in 2015 was 799,632 units, decreased by 9.3% (YoY), compared to 881,832 units in 2014. However, the car penetration rate of TISCO for the year 2015 was reported at 9.1%, improved from 7.4% (YoY). In addition, consumption loans amounted 15,986.52 million baht, increased by 898.17 million baht (6.0% YoY).

Other Loans

Other loans portfolio totaled 4,925.09 million baht, increased by 108.15 million baht (2.2% YoY).

Deposits

Total deposits totaled 165,281.11 million baht, decreased by 48,014.06 million baht (22.5% YoY) following the contraction in loan portfolio. As of December 31, 2015, the Company had excess liquidity amounting to approximately 25,743 million baht, combining with the BoT required liquidity of 9,974 million baht (including bill of exchange), resulting in liquidity ratio of 21.6% which was well over the required liquidity by BoT of 6.0%.

Table 8: Deposits Structure as of December 31, 2014 and 2015

Type of Deposits	December 31, 2014		December 31, 2015		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Current accounts	3,122.49	1.5	3,122.04	1.9	(0.0)
Saving accounts	49,606.05	23.3	48,272.47	29.2	(2.7)
Fixed accounts	23,961.31	11.2	17,734.17	10.7	(26.0)
Negotiate certificate deposit	128,898.99	60.4	89,215.51	54.0	(30.8)
Short-term borrowings	7,706.32	3.6	6,936.92	4.2	(10.0)
Total deposits	213,295.16	100.0	165,281.11	100.0	(22.5)

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

(2) Securities Business

At the end of 2015, average daily turnover of TISCO Securities was 2,112.53 million baht, decreased by 3.8% (YoY) from 2,196.03 million baht, from a decrease in market trading volume amidst the volatile market, specifically global economy, leading to the weakened investor sentiment. Market share of TISCO Securities decreased from 2.9% to 2.8% (YoY). The market share of retail investors decreased from 2.0% to 1.9% (YoY) and the market share of local institution sector (excluding proprietary trading) declined from 7.7% to 7.0% (YoY). Meanwhile, the market share of foreign institution sector remained stable at 3.3% (YoY). Hence, TISCO brokerage volume comprised of 27.6% of local institutions, 30.6% of foreign institutions, and 41.7% of retail customers.

(3) Asset Management Business

As of December 31, 2015, assets under management of TISCO Asset Management Co., Ltd. was reported at 178,554.58 million baht, increased by 8,837.85 million baht (5.2% YoY), driven by the issuances of mutual funds amidst obliged capital market environment, and the expansion of provident fund business. As a result, the basic fee income from asset management in 2015 totaled 1,129.11 million baht, increased by 195.57 million baht (21.0% YoY). Through the year 2015, TISCO Asset Management issued various types of mutual funds corresponding to market demands, namely Equity Trigger fund for Thai and foreign markets, oil fund, healthcare fund, ESG fund and retirement fund. In 2015, TISCO Asset Management launched 29 new equity trigger funds, where 20 funds reached the target.

The composition of total asset under management was 66.5% provident fund, 14.8% private fund, and 18.7% mutual fund. Total market share of TISCO Asset Management Co., Ltd. in 2015 was 3.3%, ranking 9th in the market. The market share of provident fund was 13.4%, ranking 3rd in the market. The market share of private fund was 4.5%, ranking 7th in the market. For mutual fund, the market share was 0.8%, ranking 14th in the market.

Table 9: Assets under Management Breakdown by Type of Fund as of December 31, 2014 and 2015

Type of Fund	December 31, 2014		December 31, 2015		% Change
	Amount (Bt. million)	%	Amount (Bt. million)	%	
Provident Fund	110,451.63	65.1	118,736.97	66.5	7.5
Private Fund	29,645.55	17.5	26,413.25	14.8	(10.9)
Mutual Fund	29,619.55	17.5	33,404.36	18.7	12.8
Total	169,716.73	100.0	178,554.58	100.0	5.2

14.4 Capital Requirements

As of December 31, 2015, TISCO Group's internal capital stood at 25,582.88 million baht comprising of Tier-I capital and available reserve adjustment. The integrated risk capital increased by 811.10 million baht from the end of 2014 to 9,504.92 million baht, mainly resulting from an increase in credit and market risk capital. In addition, the capital surplus remained strong at 16,077.96 million baht or 62.9% of total internal capital.

Comparing to the end of year 2014, the credit risk capital stood at 6,722.47 million baht, increased by 260.26 million baht or 4.0%. The overall loan portfolio contracted by 9.3% during the period, mostly from loan repayment of major corporate client in manufacturing and commercial sector and the write-off of Sahaviriya Steel Industries UK Ltd. (SSI UK). The non-performing loan of TISCO Group increased from 2.6% to 3.2% mainly resulting from reclassification of Sahaviriya Steel Industries Plc. (SSI) as NPL.

The market risk capital increased from 163.92 million baht to 495.33 million baht, resulting from an increase in risk capital of investment portfolio along with higher market volatility. Meanwhile, the overall duration gap declined from 1.03 year to 0.91 year, which was in a manageable level. The assets duration increased from 1.40 year to 1.47 year, while the liabilities duration excluding saving and current accounts, which are less sensitive to the interest rate movement, rose from 0.37 year to 0.56 year.

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

Type of Fund	Duration (years)		1-Y Net interest income change to 1% interest rate increase (Bt. million)	
	2014	2015	2014	2015
Assets	1.40	1.47	1,309.53	1,065.92
Liabilities*	0.37	0.56	(1,780.69)	(1,317.18)
Net Gap	1.03	0.91	(471.16)	(251.25)

Note: * Exclude saving and current account

In terms of regulatory capital requirement of the Bank and Securities Company, the positions were strong and sufficient levels to cushion for the expansion of asset in the future. At the end of 2015, the projected regulatory capital adequacy ratio based on IRB approach (BIS ratio) of the bank stood at 18.01%, remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I and Tier-II capital adequacy ratio stood at 13.98% and 4.00%, respectively, in which Tier-I capital adequacy ratio also remained higher than the minimum requirement at 6%. Meanwhile, the net capital rule (NCR) of TISCO Securities Co., Ltd. stood at 84.03%, which was higher than the minimum required ratio by the SEC of 7.0%.

Table 10: Capital Adequacy Ratio as of December 31, 2014 and 2015

	December 31, 2014 ^{/1} (%)	December 31, 2015 ^{/1} (%)
Tier-I Capital	12.55	13.98
Total Capital	16.79	18.01

^{/1} Applied IRB approach

14.5 Credit Rating

The Company got credit rating 'A-' and rating outlook "Stable" as at April 27, 2015 from TISCO Rating Co., Ltd. The ratings reflect the Company's strong asset quality, capital base, profitability. The detail of credit ratings is shown as follows;

Credit Rating (Unsolicited Rating)	Announcement Date April 27, 2015
Company Rating Rating Outlook	A- Stable

14.6 Forward Looking

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

Domestic economic outlook in 2016 is expected to grow at moderate level amidst various risk factors from both internal and external. However, private consumption still faces the high level of household debt with poor farm income from drought impact. In light of improving economic and political direction, the private investment trends to improve as private sector gains more confidence. The key economic growth drivers are expected to recover led by accelerating government's budget spending and infrastructure investment project. In addition, the revival of export remains uncertain amidst the fragile global economic recovery.

On market interest rate, the Company expects the Bank of Thailand will continue accommodative monetary policy by maintaining the policy rate at 1.50%. Furthermore, the Bank of Thailand also has room for further policy easing in case of the inflation rate grows more than the projected target. The outlook of domestic car sales, a leading indicator that contribute to hire purchase business, is expected to grow modestly from 2015 amidst the challenge in revival of consumers' purchasing power.

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.