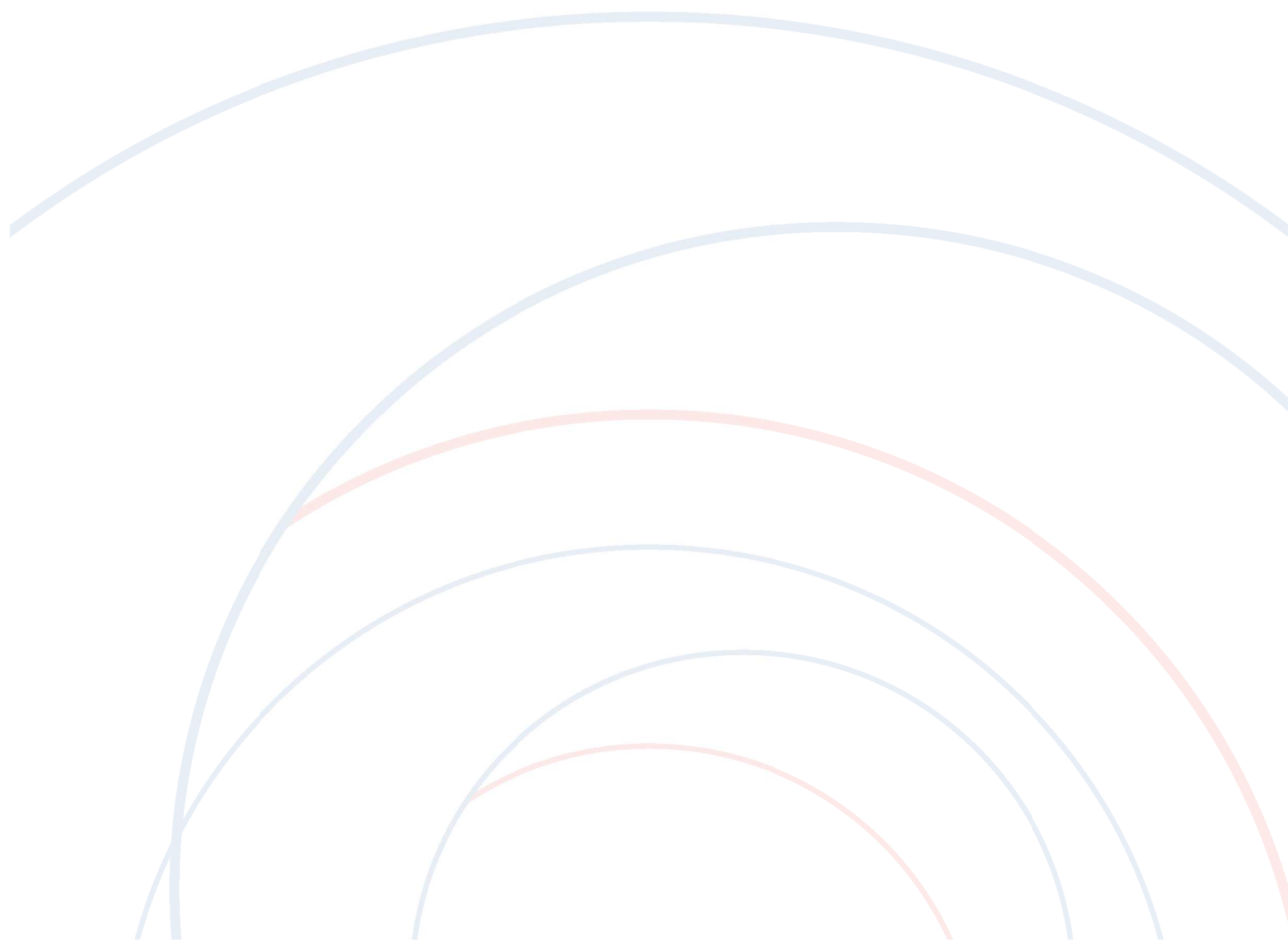




**TISCO Financial Group PLC.**

# **Annual Registration Statements for the Year 2017**



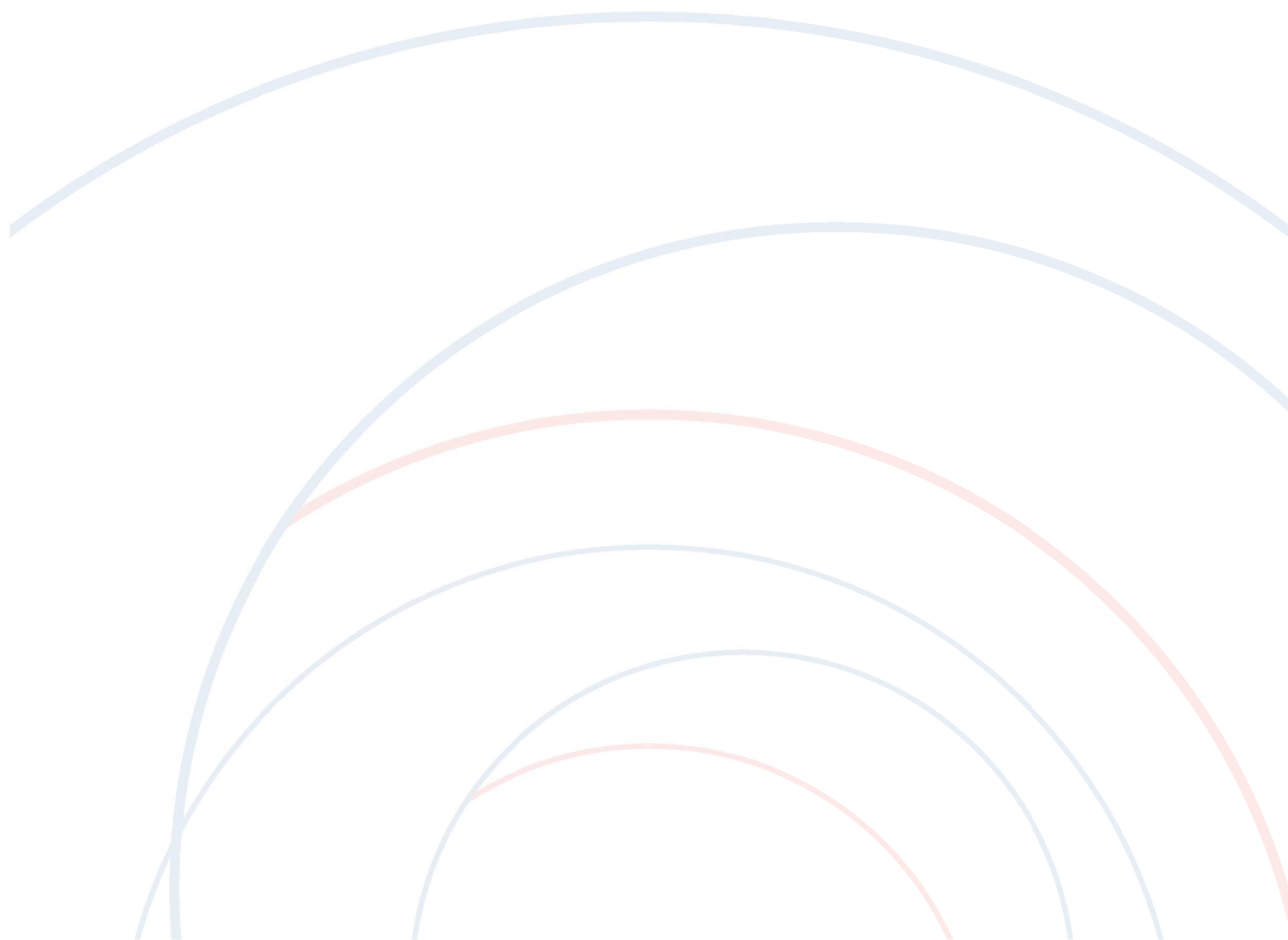
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# **Report from the Board of Directors**



## Report from the Board of Directors

Thai economy continued growth momentum at moderate pace in 2017, with the GDP growth of 3.9%, driven by improving exports and higher inflow of tourist arrivals throughout the year. Overall consumption started to pick up with the surge in public confidence as well as improvement in farm income; however household spending remained cautious amidst continued high level of household debt. Private investment remained moderate with some sign of positive outlooks while government spending to shore up economic growth remained lackluster. Domestic economy was also partially benefited from improving global economy. US Federal Reserve raised interest rate three times to 1.5% during 2017, underscoring the strength of its economy. While the Eurozone started to resume recovery, China continued consistent growth in good momentum, despite various measures in attempt to curb public debt and overheated property segment.

Despite sound economic growth backdrop, Thai banking industry in 2017 continued to be subdued, with loan growth of only 4.4%. Loan growth opportunities have been limited by high level of household debt, weak SME sector, and lack of major private investment. Asset quality pressure persisted among Thai banks, stemming from vulnerable SME sector, unsecured retail lending, and some large corporate accounts. The banking industry is also facing increased regulatory pressures from new laws and regulations. In particular the IFRS9 new accounting standard to be soon implemented will cost more to banks in terms of increased sophistication to comply. Meanwhile, Thailand has been pushed toward Thailand 4.0 and digital economy, with widespread implementation of national e-payment system through Prompt-Pay service, as well as the introduction of QR code usage in local community, paving the country on the road to cashless society.

Despite a slow note for banking industry in general, TISCO managed to deliver outstanding operating result for the year 2017 with a net profit of 6,090 million baht, grew by 21.7% from the previous year. Not only business profitability was well achieved, TISCO managed to improve asset quality by further lowering down NPL ratio, despite the broader upward trend of NPL in the banking industry. The business result was also supported by strong growth in fee-based income, particularly from bancassurance and capital market businesses. The group has also been prudent in preparation for future uncertainty and regulatory changes. For the year, TISCO further increased provision for loan loss coverage ratio to be the highest in the industry, through conservative counter-cyclical provisioning policy. TISCO Bank capital ratio also remained among the strongest with BIS ratio of 20.7%.

In 2017, TISCO has successfully completed acquisition of retail banking business from Standard Chartered Bank (Thai) Public Company Limited ("SCBT") and consolidated the business operation since October 1, 2017. The transfer was executed seamlessly with collaborative efforts dedicated by both TISCO and SCBT staff with an aim to provide continued services to clients at best convenience. As a result, TISCO's retail banking business has expanded its coverage to offer greater products and services including the addition of mortgage loan, small business loan, credit card, personal loan, and open-architecture wealth management services. The acquired loan portfolio contributed to impressive overall loan growth for the year. In terms of organic growth, TISCO has geared more towards growing secured consumer loan business through "Somwang" brand distribution network. Meanwhile, as bancassurance has emerged as a key business, TISCO has introduced a new subsidiary namely TISCO Insurance Solutions Co., Ltd. to best deliver insurance products and services to clients in the most effective ways.

2017 has also been a good year for Corporate Banking business, particularly from capital market related activities. With well supported stock market, TISCO has launched numerous IPOs as financial advisor and lead underwriter. TISCO Bank also provided lending facilities for major corporates and project financing. In Wealth & Asset Management, the year has been an extraordinary success with strong growth in asset under management following consistent fund performance and quality wealth advisory services. With introduction of open-architecture platform, TISCO has signed business partnership with 10 renowned asset management companies to source the best investment products in the market for our clients.

TISCO continued to put great importance on good corporate governance, committing to CG standard and policies. Assured of our best practice, TISCO was ranked in the top quartile for corporate governance scoring among listed companies or "Company with excellent CG Scoring" from Corporate Governance Report of the Thai Listed Company 2017 awarded by the Thai Institute of Directors Association (IOD). The Sustainability Development framework has also been put into full business practice, considering the impact of our business conduct to the economy, environment and society in all dimensions. This year TISCO was selected into Thailand Sustainability Investment (THSI) 2017 list by the Stock Exchange of Thailand (SET), rewarding for the outstanding performance on Environmental, Social and Governance (ESG) aspects to create sustainable growth in response with investors' concerns. TISCO also continued social responsibility programs focusing in delivering Financial Literacy to youth and local communities through various initiatives and ongoing education programs.

For the year 2018, Thai economy anticipates further recovery from stronger exports, tourism and government investment. Meanwhile, the operating landscape for banking industry is fast changing with the arrival of disruptions from financial technologies (FinTech) and digital banking services. Many banks are downsizing their physical presence through reduction of physical branches and directing the operation towards cutting down number of workforce in preparation for future challenges.

TISCO has prepared ourselves through the initiation of business transformation program and engagement of technology consultants to steer the business towards the new frontier. Meanwhile, as our business model has been that of lean and efficient operation which requires lower level of physical branch network and investment, while our staff has been operating efficiently through effective cost management system, TISCO is thus well adapted to these changes and challenges in this particular time.

The Board would like to express our sincere appreciation to all clients, business partners, and shareholders for their long-term support through all the challenges. We believe that with the dedication, commitment and cooperation of management team and staff, and collaboration with various business partners, TISCO can thrive further in the years to come.

***The Board of Directors***