



TISCO Financial Group PLC.

Annual Registration Statements 2018

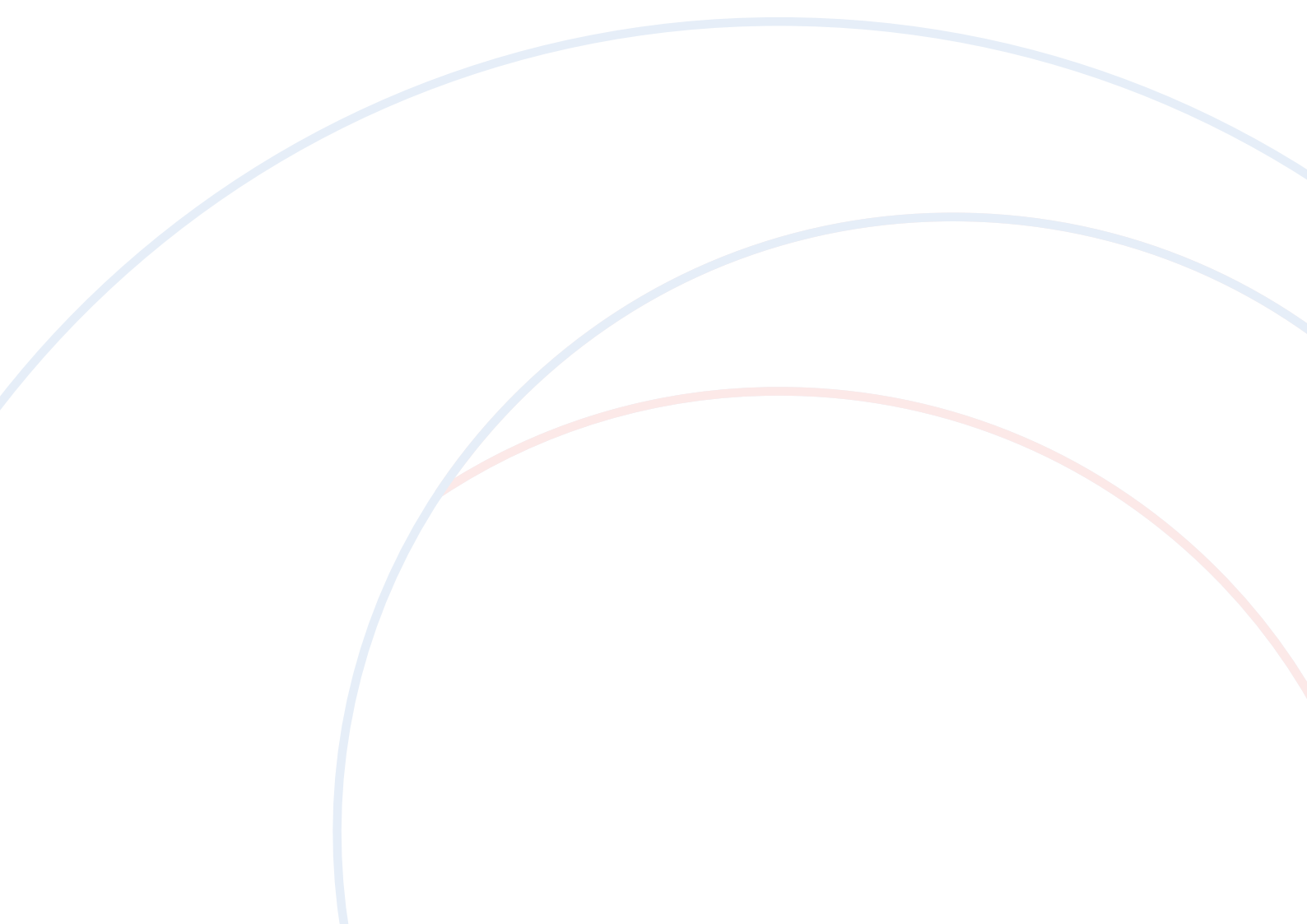


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Report from the Board of Directors

Year 2018 was one of the challenging years for operating landscape of TISCO group. Thai economy maintained moderate growth momentum with the GDP growth of 4.1%, supported by growing exports as well as tourism sector, however with some setback during the latter part of the year from the decline in Chinese tourist arrivals and more stagnant export. Consumption from domestic demand although continued to grow at the steady pace, amidst the ongoing concern from high level of household debt. Domestic car sales in particular, however, showed a major improvement with the sales of over 1 million units this year, recovering from low base, while the government continued its expenditure programs to support growth and shape economic reforms. With global interest rate on the rise, the Bank of Thailand finally raised the policy rate for the first time in seven years from 1.50% to 1.75% in December aiming to increase policy space as well as to be in alignment with global interest rate trend.

World economy encountered much stronger headwinds, particularly the intensifying trade conflict between the US and China that has imposed tensions around the world. With the trade war unlikely to be resolved sometime soon, global economic recovery has become more fragile, and capital market volatility has surged significantly with the trend likely to continue. Concurrently, US Federal Reserve has raised interest rate four times this year to 2.25%-2.50% along with the rising US Treasury bond yields, entailing the capital outflow from emerging markets and thus volatility in emerging markets' capital markets and currencies. Thanks to Thailand's hefty current account surplus and strong reserve, Thai Baht remained resilient.

Thai banking industry in 2018 exhibited loan growth of 6.0% primarily in the retail sector. The growth which may be seen as demand driven may not be as healthy from high house-hold debt perspective. Cautionary measures have been introduced more and more by financial regulators with an aim to cool down loan market with undisciplined lending practices. From technology and service perspective, to support customer need in digital era and promote the cashless society, Thai banks preemptively waived most online transaction fees, which were the key source of bank income, and heavily invested in mobile/digital banking infrastructure to stay on top of each other. Furthermore, other new regulatory initiatives have been introduced with material implications to Thai banking industry. The Market Conduct rules were in full effect to protect customers' rights and benefits, enforcing all banks to conform to the fairness and transparency in selling financial products and services. The Bank of Thailand also proposed Macro Prudential policies to improve the underwriting standards for mortgage loans and consumer loans, causing the tightening credit lending practices. TFRS 9 accounting standard was still under close monitoring amidst the deferment of the adoption to year 2020.

Despite various challenges in 2018, TISCO operation remained strong with reported net profit of 7,016 million baht, a growth of 15.2% from the previous year. The growth was also supported by strong core business margin, improving asset quality and lower credit losses, as well as good realized return from investment and business sales. Although loan portfolio has not yet returned to growth mode due to TISCO's conservative lending policy, the change in business mix has started to show good results with more businesses being diversified to sectors with higher profitability and good recurring stream of fee-based income. As a result, business margin improved with the growth in total revenue despite the absence of loan growth. TISCO was also able to maintain one of the industry highest capital adequacy ratios, loan loss reserve coverage, and high operating efficiency to remain competitive on all key business metrics within the banking industry.

With the commitment to our core competencies, TISCO completed of the sale of personal loans and credit cards business and remained focused on secured consumer lending including car loans, as well as capital market, investment banking and wealth management. While gradually expanding footprint to consumer loan products, the car-titled loan through the "Somwang" channel continued an exceptional growth of 40% YoY and network expansion to almost 240 branches nationwide. TISCO also continued to provide lending facilities and financial advisory to many large corporates, where the financial advisory and underwriting service for two IPO's were successful and completed in 2018, namely Chememan Public Company Limited (CMAN) and Bhiraj Office Leasehold Real Estate Investment Trust (BOFFICE). In wealth & asset Management, TISCO remained the leading position as a comprehensive financial advisor, giving advices on various types of investments, savings for retirement and tax planning.

TISCO has gained recognition with the excellence in business performance award in 2018, earning the honorable “Best Company Performance” from SET Awards 2018 organized by the Stock Exchange of Thailand, and “Distinguished Financial Management” from Thailand Corporate Excellence Awards 2018 by Thailand Management Association and Sasin. The success was achieved not only from the well-managed business strategy, but also the implementation of strong corporate governance with best practices in CG standards. In 2018, TISCO was one of the top 50 ASEAN companies that received highest ASEAN CG Scorecard from ASEAN Capital Markets Forum. For Sustainability Development, while continued to be selected into Thailand Sustainability Investment (THIS) 2018 by the Stock Exchange of Thailand (SET) and received Certificate of “ESG100 Company” for four consecutive years, TISCO was further rewarded with “Sustainability Report Award 2018 – Outstanding”, together with “Sustainability Report Award 2018 – Most Improved” from Thai Listed Companies Association.

The challenges in operating environment will continue in 2019. The impact from weak global economic growth will be explicitly shown from the persistent trade dispute, putting pressure on Thailand’s export sector and overall GDP. Given negative external pressures, the continuing implementation of public infrastructure projects and economic reforms are expected to shore up Thailand’s economic growth. Meanwhile, Thai banking industry will face more vulnerability from rising interest rate, NPL condition in SME and retail sector, and continued slow growth outlook. Regulations from various supervisors will also put more pressure on financial services players on all fronts, driven mainly from consumer protection and macro prudential policies. In 2019 TISCO will celebrate our 50th year anniversary of the sustainable financial institutions. We hope to continue our core value to conduct the business with mastery and integrity with an aim for the success to all stakeholders through all the challenges and uncertainties.

The Board would like to extend our genuine appreciation to clients, business partners, shareholders, management team and staff for their long-term support for the past 50 years. We believe that with the true dedication, commitment and cooperation of management team and staff, and collaboration with business partners, TISCO can continue our advancement as an experienced financial service provider for the clients and society.

The Board of Directors