

Annual Registration Statements 2019 (Form 56-1)

TISCO Financial Group Public Company Limited



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Report from the Board of Directors

In 2019, Thailand's economic growth continued to weaken with GDP growth of 2.4%, hitting a record low in the past 5 years. The slowdown was mainly a result of ongoing US-China trade dispute which affected global economy across the board. The sluggish global demand coupled with strong Thai baht had deteriorated Thailand's export activities. Meanwhile, the high household debt level put a constraint on consumptions where domestic car sales contracted by 3.3% from the previous year. The government continued its economic stimulus measures to induce domestic spending, however the impact was relatively limited. To ease the pressure of global economic downturn, the monetary policy easing was implemented with US Federal Reserve lowering interest rate 3 times to 1.50%. The Bank of Thailand also reduced policy rate twice to 1.25%.

Thai banking industry faced multiple challenges, delivering loan growth of only 2.0% from last year. Amid slow pace of economic and income growth, the fast growing and highly competitive retail sector caused the rising level of household debt along with the increasing concerns over credit quality. Corporate and commercial lending sectors also remained sluggish with the slow-going investment from both public and private sectors. Prudential measures from the Bank of Thailand to curb the household debt problems and support responsible lending practices under the Sustainable Banking principles which consider ESG factors in setting policy and strategies for responsible lending with good management process for risk and impact from banks' lending activities. Therefore, commercial banks were facing a challenging time to balance between profitability, social responsibility, and rising risks. The industry has also undergoing preparation towards the transitioning into the new TFRS9 accounting standard, to be effective on January 1, 2020.

Over the year 2019, TISCO's business performance remained relatively resilient despite various challenges to the banking sector, reporting a net profit growth of 3.6% and delivering satisfactory Return on Equity (ROE) of 18.9%. Although growth has been subdued and business competition was intense in many core businesses, TISCO managed to generate steady stream of income from maintaining good business margin, controlling asset quality, and expanding fee-based income. While the core retail lending business had flattish loan growth, with strong price pressure from intense market competition, overall business margin has been maintained as a result of increased penetration in small loan business through "Somwang Ngern Sang Dai" channels. In capital market area, the brokerage business has been much affected by declining market turnover and severe price cutting that has eroded profitability. However, the group has done well in growing bancassurance and asset management business to compensate and drive up the revenue from fee income. With TISCO's prudent risk management practices, asset quality has been well controlled with NPL ratio declined from 2.9% to 2.4%, while still maintaining sufficiently high level loan loss reserves. TISCO was thus well positioned to transition into the new TFRS9 accounting standard with strong balance sheet and reserve position to counter for future volatility that may occur.

Striving to create sustainable value to all stakeholders, TISCO was rewarded with the honorable "Best Company Performance" from SET Awards 2019 for the second consecutive year, emphasizing the excellence in business performance and good corporate governance. In addition, TISCO's Group CEO, Mr. Suthas Ruangmanamongkol, also received "Outstanding CEO Award" from SET Awards 2019 for his leadership and years of dedication that paved the company to the sustainable growth. In 2019, TISCO Asset Management Co., Ltd. delivered notable performance amid a volatile capital market condition from outperforming the benchmark in provident fund business. Consistently generating favorable returns, TISCO's provident fund business continued to increase in the number of members and contributions, achieving the highest market-share position in the industry both in terms of size, and number of employers and employees. As a recognition of our success, TISCO Asset Management Co., Ltd. received "Outstanding Asset Management Company Award 2019" from SET Awards 2019. In bancassurance, with the growing social trend toward health awareness, TISCO has strengthened the image of an "Investment Advisory" house with the launch of a new theme "TISCO Health Protection Advisory", offering the "Best in Class" protection products that were structured to fit into clients' lifestyle and support financial stability altogether. TISCO worked in collaboration with many well-known insurance companies through Open Architecture platform which enabled the access to product choices via TISCO's distribution networks.

Year 2019 was also marked TISCO's 50th anniversary of successes and achievements. In the 50th anniversary occasion, TISCO initiated the charitable project "Friends for Life" in collaboration with business partners, clients and counterparties to support the fund raisings for the purchase of medical equipment for five major state hospitals in Thailand. For a period of three months, the project has raised a total of 118,999,950 baht which went directly to the five major hospitals with purposes to help develop medical practitioners, maintain staffing and equipment, and support facility improvements. This philanthropic event represented our determination as a financial institution to help improving healthcare and quality of life of Thai society.

While continuing to support Sustainability Development aspect, TISCO was selected for the third time into Thailand Sustainability Investment (THSI) 2019 by the Stock Exchange of Thailand (SET) and received Certificate of "ESG100 Company" for 5 consecutive years. TISCO has committed to sustainability practices in all aspects: Environmental, Social and Governance (ESG), in alignment with good corporate governance and to provide transparency and ethical business practices. Consistently, the customer protection measures were widely promoted in all branch networks through the practices of responsible lending, fair treatments and data confidentiality in compliance with market conduct regulations.

Entering into 2020, the business and operating environments look to be even tougher with various challenges. Prolonged economic stagnation, external uncertainty, coupled with severe drought situation and high household debts are now exacerbated by the outbreak of Coronavirus disease. The new epidemic can have uncharted impact on consumption, investment, and trades, and in particular to the tourism industry which is the major source of income to the country. Strong caution will therefore be required to steer the course of business in this very difficult time. With the back drop of all difficulties and challenges, TISCO will continue doing business with prudence and care with an aim to create sustainable value to all stakeholders.

The board would like to express our gratitude to our shareholders, clients and business partners for their long-term supports, and extend special thanks to our management team and all staff for their dedication and hard work that have helped to overcome all the challenges for the past 50 years. We believe that with supports from all stakeholders, TISCO can prosper through any challenges for the year to come.

The Board of Directors