

# **Annual Registration Statements 2020** (Form 56-1)

**TISCO Financial Group Public Company Limited**



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## Report from the Board of Directors

In the year 2020, the unforeseen COVID-19 pandemic has affected people and economic activities around the world. The escalating number of infected cases and deaths have caused unprecedented global economic disruptions, including business lock down, travel restrictions, and quarantines, albeit the hope of vaccine rollout. Despite that the COVID-19 situation in Thailand was relatively well under control, the economy was severely affected from business lockdown and travel restrictions, as well as repercussions of slowdown in business and trades for both domestic and international activities. Lower income from contracted business activities also led to higher household debt level as consumers seek liquidity to sustain their businesses and ends meet.

Responding to the crisis, the government introduced a massive 1.9 trillion Baht stimulus program to support the economy, including subsidies for unemployment, stimulus to boost domestic travel, tourism and consumptions, soft loans for affected SME, and liquidity stabilization fund of corporate bond market. Meanwhile, the Bank of Thailand (BOT) lowered policy rate three times to 0.5% during the year. In addition, the BOT announced debt relief measures which encourage banks to provide debt relief and liquidity support to customers affected by the COVID-19 crisis, which may come in various forms including debt extension, debt moratorium, interest rates reduction etc. in order to provide needed assistance for consumers and businesses. The total amount of debts under BOT's measures reached 7.2 trillion Baht at the peak in the 3rd quarter of 2020.

Thai banking industry has thus encountered unprecedented challenges in 2020. With significant business downturn, profitability of the entire banking system has sharply fallen, mostly due to high provision charges to cover the spike in credit risk associated with the crisis, as well as dampened revenue from several core business areas. Nevertheless, thanks to the level of strong capital adequacy in the banking system, coupled with systematic debt relief programs being rollout, the industry has proven to be resilient in terms of financial soundness and stability. The NPL ratio of the banking industry only slightly increased from 2.98% of last year to 3.12%. However, there remained generally large portion of debt exposure under some kind of debt relief measures, thus the full impact to bank's asset quality might not have yet been fully reflected. However most banks have preemptively increased provision buffer against potential risks to ensure a sufficiently strong balance sheet, while the BOT limited the dividend payout of all banks for the year 2020 at 50% of net profit and not exceeding last year payout ratio, in order to further strengthen capital position against future uncertainties.

TISCO business was also affected by the crisis with Net Profit declined 16.6% from the previous year, mostly due to higher provision for loan loss set up and the decline in fee income resulted from lowered business activities. Loan portfolio contracted 7.4% from the previous year, in part due to cautious loan underwritings following heightened risk environment. TISCO has also provided the clients in all areas – corporate, SME, retails – with various forms of relief programs, tailored to best suits the needs of various customer's groups, with an aim to provide financial lifeline to cope during the crisis. At the peak, the total debt relief offered was 24% of total loan portfolio. Thanks to business recovery in the second half of the year, at least partially driven by domestic demand and government stimulus, most clients under relief program were able to emerged from the program with only about 4% remained under relief programs by the year-end.

Despite a rough year with high uncertainty, TISCO was able to control overall asset quality well, with NPL ratio stable at 2.5%, compared to 2.4% at the end of previous year. However, as the COVID-19 crisis was believed to linger for a long time with prolonged negative impact to the economy, TISCO adopt conservative loan loss provision policy according to TFRS9 by provide upfront provision coverage for any potential credit loss in the future. Therefore the loan loss reserve to NPL coverage ratio was set up as high as 210% at the year-end. Meanwhile, the group capital position remained very strong, with BIS and Tier I ratio of TISCO Bank as high as 22.8 % and 18.1% at the end of the year.

In the brighter spot, year 2020 was relatively a strong year for wealth management & capital market businesses. Our wealth business was able to provide value added investment calls for clients on a consistent basis. We were the first in the market to introduce megatrend thematic mutual funds, investing globally with the correct timing, which has shown highly successful investment results. The notable funds in 2020 included the fund investments in Biotechnology Healthcare, Global Digital Health, Cloud Computing, Next Generation Internet, China Technology, etc, which set a new standard and investment ideas for the whole asset management industry. Moreover, several mutual funds were ranked in top-tier fund performance with consistently generating favorable returns to our clients in both short and long investment horizons. With this, TISCO Asset Management was rewarded with "Outstanding Asset Management Company Award 2020" from SET Awards 2020 for another year, together with "Best Mutual Fund of the Year 2020" in the Equity general from the Money & Banking Awards 2020, as a recognition of the success the team continued to deliver to the investors. This year was also an active year for brokerage business, given trading volume was at all time high, despite the pandemic situation, while a new foreign business partnership has been formed with Jefferies, a leading brokerage house from the US, to promote foreign institution business flows going forward.

As a company that maintained sustainable and resilient business during these challenges, TISCO was awarded with "Best Company of the Year Award 2020" from Money & Banking Awards 2020. In addition, TISCO continued to support sustainable development goals and seek to create values to all stakeholders. TISCO has been one of the companies in Thailand Sustainability Investment (THSI) stock for 4 consecutive years, and received Certificate of "ESG100 Company" for

6 consecutive years. As an employer, Hi-Way Company, one of TISCO's subsidiaries, received "Best Employer Thailand Awards 2019" from Kincentric Thailand, as a recognition of a company with outstanding employer-employee relationship. In addition, TISCO also received consolation award of "Thailand HR Innovation Award 2020" from Personnel Management Association of Thailand, PMAT, as the organization brought "Design Thinking" concept to develop employees' solution thinking process. This reflected our value we are always giving to human resources as the most important asset of the company. Employee engagement and competency development programs were implemented to improve their skillsets and expertise, while effective social distancing measures were simultaneously implemented to ensure employee wellbeing during this time of pandemic.

TISCO continued to support corporate social responsibility mainly on enhancing financial literacy and improving social well-beings. The activities were designed to correspond with current economic and social situations, especially during the COVID-19 epidemic. New financial literacy programs were initiated to provide knowledge of financial products and household financial planning via online platforms to increase accessibility during this social distancing period. Moreover, TISCO constantly contributed to projects regarding promoting education opportunity and healthcare development for the community. For this year, "TISCO Ruam Jai 8" school building project was completed to support education in Samut Songkhram.

The COVID-19 pandemic looks to be far from over in 2021. Although the successful development of vaccines seems to provide some light at the end of the tunnel, it will however take time, possibly beyond a couple of years before life can return to normal and business can recover to the pre-crisis level. TISCO will thus need to move forward with care and prudence as uncertainties and risks will mostly likely lie ahead. Digital and technological disruptions have also been accelerated by the pandemic situation, thus business models will need to be highly adaptive to the fast changing world to ensure survival and sustainability. Also responsible lending practices will be emphasized to make sure the company is a good corporate citizen, contributing to the world of a better future.

The Board would like to express our appreciation to our shareholders, clients and business partners for their long-term supports, and extend special thanks to our management team and staff for their strong dedication and commitments during this difficult time. We believe that with the collaborations of all parties, TISCO can overcome this prolonged crisis and withstand any challenges in the years to come.

***The Board of Directors***