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Financial Highlights

Company and Subsidiaries

TISCO Finance Plc.



(Million Baht)

	2003	2002	2001
Financial Position			
Total Assets	60,263.25	49,212.19	46,891.13
Loans and Receivables	49,098.47	40,938.32	32,586.60
Total Liabilities	49,542.15	41,399.96	40,202.60
Public Borrowings	33,911.94	30,943.75	35,457.65
Shareholders' Equity	10,721.11	7,812.23	6,688.53
Operating Results			
Total Net Income	4,595.97	3,345.63	3,053.04
Total Operating Expenses	3,178.18	1,963.70	2,038.11
Earnings Before Bad Debt and Doubtful Accounts	2,153.36	1,619.62	818.40
Reversal of Bad Debt and Doubtful Accounts (Bad Debt and Doubtful Accounts)	(263.08)	(465.57)	20.19
Net Earnings	1,890.28	1,154.05	838.59
Diluted Earnings Per Share (Baht)	2.60	1.60	1.17
Book Value Per Share (Baht)	15.06	11.06	9.53
Return on Average Assets (%)	3.45	2.40	1.91
Return on Average Shareholders' Equity (%)	21.41	16.93	14.76
Loan Loss Provision to Non-performing Loans (%)	134.67	122.26	85.81
Number of Staffs	1,672	1,526	1,243
Capital Adequacy			
BIS Ratio (%)	21.42	19.45	16.82
NCR Ratio (TISCO Securities) (%)	35.10	254.32	273.08

Message from the Board

The strong economic momentum of 2003 ended the year with a GDP growth of 6.7% and a 117% rise of the SET index, regardless of the SARS outbreak during the year. Over the year, most of TISCO core businesses achieved good performances both for the bottom lines and business volumes, thanks to the robust activities in the equity market, consumer spending, and alternative investments markets. With the success of our strategic focus and operational excellence, the overall net profit for the year 2003 grew significantly by 64% to the record-high level of 1,890 million baht while the return on equity surged to 21.4%.

The net profit rise came not only from a strong expansion of the hire purchase core business but also the strong growth in securities brokerage, asset management and investment banking. While the hire purchase portfolio grew 38.6% with the net interest income rising 31.5%, the brokerage commissions and fee income sharply increased by 133.4% and 90.2% respectively. Meanwhile, the NPL level decreased from 9.4% of the previous year to 7.0% as at the end of 2003.

With our long-standing expertise, TISCO continued to maintain its leading position in the hire purchase business in the midst of intensifying competition. The company emphasizes not only on growth but also on asset quality and risk control, with loan underwriting standards and collection processes more stringent than the general industry. We are confident that hire purchase will continue to be the company's core business which generates sustainable growth and income into the future.

In 2003, TISCO Securities Co., Ltd. was awarded the sole winner for the "Best Brokerage Service" and "Best Research House" by the Stock Exchange of Thailand while the business alliance with Deutsche Securities was also becoming more fruitful with the foreign investor sector market share further rose to 5.6%. However, the overall market share slightly declined as the company's net-settlement turnover is relatively small while the number of competitors also increased. The company will continually expand its securities business and commit to being the customer-oriented leader in providing full-range quality services in securities brokerage and investment banking.

With the low deposit interest rates situation that continued throughout 2003, more investors turned their interest to the asset management services in search for better returns. The company achieved a remarkable success in expanding its asset management business, with the total fund value under management growing 43% from 39,318 million baht to 56,460 million baht. The company targets itself to be in the top ranking of all asset management sectors, namely provident fund, private fund, and mutual fund, and believed that, with the internal process improvements and restructuring over the past year, the company will be able to ultimately achieve its goal.

Another key stepping stone for TISCO will be to upgrade its finance operation into a commercial bank, following the Financial Sector Master Plan announced by the Bank of Thailand in January 2004, with which the company is qualified for the upgrading criteria. With the commercial bank upgrade, the company will be opened to a great range of new business opportunities and will be able to expand more customer base and increase efficiencies through the banking platform.

To support the focused growth strategy in all core businesses together with the banking upgrade plan, our internal operations underwent progressive improvements in several key areas. Performance management systems have been implemented in human resource management, with the “Balanced Scorecard” and “Key Performance Indicator” concepts built into the performance measurement process of all business lines. Key operations, internal controls, and risk management systems were centralized, within the scope allowed by laws and regulations, in order to increase effectiveness and achieve a sound economy of scale. Outsourcing of fast-changing operations and information technology developments was also carried out to enhance flexibility and efficiency.

The Board is aware of its responsibility in governing all aspects of the company’s activities, including the capability to manage risks and the accuracy and completeness of financial reports. In the past year, as regularly carried out on annual basis, the Board performed assessment on the adequacy of company’s internal controls system in all areas and reviewed the financial reports of the company and subsidiaries. The Board viewed that the internal controls system is adequate and appropriate to the risk positions of the company. The consolidated financial statements for the year 2003 of the company and subsidiaries, which have been reviewed by the Audit Committee together with the management and the external auditor, were fairly presented with accuracy, completeness, reliability, and reasonableness, and conforming with the generally accepted accounting principles. Accounting policies were appropriate and consistent, and sufficient information disclosures are made, in compliance to related laws and regulations.

Meanwhile, TISCO continues to adhere to the highest standard of corporate governance. Over the year TISCO affirmed its good governance status by being awarded the “Board of the Year Award” from the Thai Institute of Directors Association, in collaboration with the Stock Exchange of Thailand, the Thai Chamber of Commerce, the Federation of Thai Industries, Thai Bankers Association, and Listed Companies Association. With the business and operation models now implemented, together with our strong corporate governance culture, it is confident that TISCO will be able to deliver a sustainable growth and profitability well into the future.

With the improved operating performance and financial position, together with effective management practice under good governance, TRIS Rating Co., Ltd. upgraded the company’s credit rating from A- to A over the year. The company is confident that its financial soundness and stability will continue to strengthen into the future.

In closing, the Board conveys its gratitude to TISCO’s customers and shareholders for their commitment and support, and thanks the management and staff for the work well done.

Board of Directors

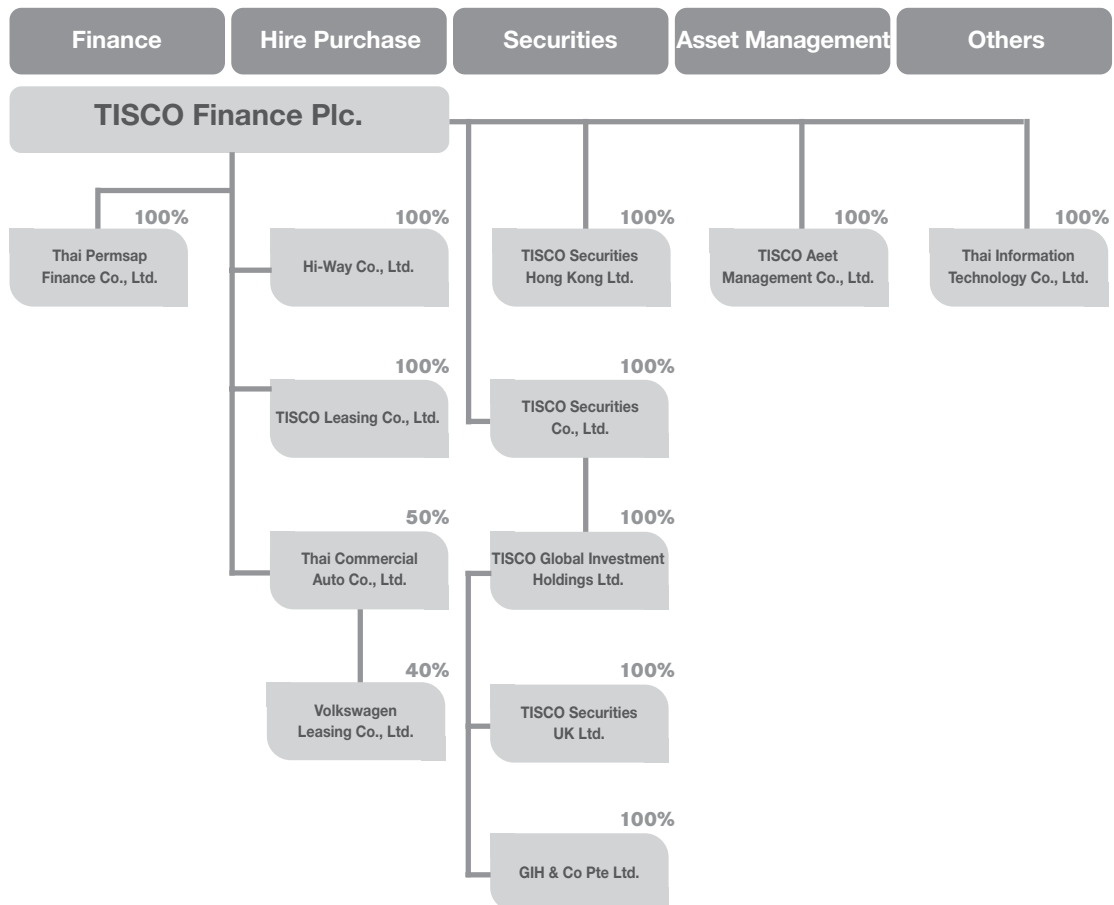
TISCO Business

Major Change

With the high market competition, in 2003 the company streamlined its operation to increase efficiency and control operating costs by transferring the entire hire purchase business and collection services from Tru-Way, its affiliate company, to TISCO Finance Plc. This was because Tru-Way was only a shell company, and its existence only incurred unnecessary costs. The simpler and more streamlined Group's structure also promoted the good corporate governance practice, and was straightforward for investing public to understand.

Overview of TISCO Business

TISCO Group business can be divided into five main categories - finance business, hire purchase business, securities business, asset management business, and others. As at December 31, 2003 the Group structure by company, and operation is shown below.



Thai Information Technology Co.Ltd. is a supporting company providing information technology services to the Group with insignificant revenues contribution to the Group. Thai Permsap Finance Co., Ltd. is currently a dormant finance company being bought in 2001 under the Group's plan to upgrade the status to commercial bank. These two companies will be categorized into "other businesses" in other sections of this report.

Revenue Structure

As the company has well diversified businesses and customer groups, it does not have a dependence on any individual customer more than 30% of total revenues in any year. The company also has no dependence on foreign customers more than 5% of its total revenues.

(Million Baht)

Business Area	2003		2002		2001	
	Revenue	%	Revenue	%	Revenue	%
Finance	1,698	27.9	2,293	44.7	1,549	36.8
TISCO Finance Plc.	1,698	27.9	2,293	44.7	1,549	36.8
Hire Purchase	2,704	44.5	2,032	39.6	1,747	41.5
TISCO Finance Plc.	1,880	30.9	1,315	25.6	912	21.7
Hi-Way Co., Ltd.	453	7.5	356	6.9	491	11.7
TISCO Leasing Co., Ltd.	134	2.2	105	2.0	86	2.0
Thai Commercial Co., Ltd.	237	3.9	216	4.2	187	4.4
Tru-Way Co., Ltd.	-	-	40	0.8	72	1.7
Securities	1,238	20.4	561	10.9	603	14.3
TISCO Securities Co., Ltd.	1,143	18.8	508	9.9	494	11.7
TISCO Securities						
Hong Kong Ltd.	78	1.3	34	0.7	87	2.1
TISCO Global Investment						
Holding Ltd	14	0.2	10	0.2	22	0.5
TISCO Securities UK Ltd.	2	0.0	9	0.2	0	0.0
Asset Management	416	6.8	225	5.3	233	5.5
TISCO Asset Management Co., Ltd.	416	6.8	225	5.3	233	5.5
Others	22	0.4	19	0.4	78	1.9
Total Revenue	6,078	100.0	5,130	100.0	4,210	100.0

Business Operation by Area

The company's business operation can be grouped into 4 areas as follows:

1. Finance Business
2. Hire Purchase Business
3. Securities Business
4. Asset Management Business

1. Finance Business

TISCO Finance Plc. has been granted a licence no. 1/2539 from the Ministry of Finance to operate 4 finance businesses namely :

1. Finance for Commerce
2. Finance for Development
3. Finance for Disposition and Consumption
4. Finance for Housing

With the finance business licence, the company offers related financial services comprising deposit, lending, treasury and custodian service, with details as follows:

(1) Deposit

The company offers various saving facilities to customers. These include Promissory Notes both on call and in fixed terms; Bills of Exchange; and Negotiable Certificate Deposit (NCD). The company plans to provide fixed deposit account with passbook in the near future.

(2) Lending

● Commercial Loan

The company provides various loan facilities for commerce and development purposes. This includes working capital financing; project financing; long-term loans; loan arrangement, guarantee and aval.

● Consumer Loan

The company provides various forms of consumer loans. This includes all-purposed loan, loan against auto licence, insurance premium finance, and others.

● Mortgage Loan

The company provides mortgage loans to homeowners; developers; and all purpose loan against collateral or refinancing.

(3) Treasury

Apart from the responsibilities to source fund such as borrowing offshore, the company also trades debt instruments in primary and secondary markets. This includes, for example, debentures, bills of exchange, government and state enterprise bonds.

(4) Custodian Service

The company provides custodian services comprising assets and securities custodial, processing of relevant securities settlement transaction, and taking care of benefits from assets of the custodian clients, which are investors, private funds and provident funds.

Market Environment

The economic recovery in 2003 continued from the previous year with a balanced improvement across GDP components. Low interest rate, and government stimulus programs encouraged consumer spending, which greatly supported consumer finance businesses. It had been obvious that housing and personal loans were rising since the beginning of the year.

On the contrary, investment had slowed down since the financial crisis in 1997. Although the economy was on its recovery path, the commercial finance from financial institutions did not expand. This has caused the competition in this sector to be strong in 2003, and most of the financial institutions turned to put a focus on loan restructuring to lower non-performing loan level. Meanwhile consumer finance continued to increase substantially following a high growth of domestic consumption.

We anticipate that the economy in 2004 would continue to pick up following a steady expansion of domestic consumption and exports. This will drive private investments and subsequently, demand for loans in both consumer and commercial sectors.

The Financial Sector Master Plan will shape the roles and structure of banking & finance industry in the future. As the company is eligible to upgrade into a commercial bank, it will apply for a full bank licence in order to compete more effectively with other financial institutions.

In the environment of low growth in commercial credit market, the company's strategy was to focus on assets quality. Many loans were successfully restructured in 2003 and the Group's NPL declined in both level and relative to loan portfolio. With the anticipation of a continuation of the economy in 2004, we look to expand loan portfolio in both consumer and commercial sides along with an emphasis on loan quality. The company has more than 30 years of experience in finance business, and its strength lies in effective operations, good risk management system, prudent credit policies, and a good debt collection system. Furthermore, with well-established customer relationships, experienced management team, and competent staff, the company is fully equipped to compete in a highly competitive environment. The company emphasis will be put on service quality rather than price competition.

2. Hire Purchase Business

The Group provides hire purchase and leasing on various type of new and used automobiles, namely passenger cars, vans, pick up trucks, station wagons, trucks & trailers, and others; as well as industrial machinery and equipment such as printing, computer, and others. The Group, comprising TISCO Finance Plc., TISCO Leasing Co., Ltd., Thai Commercial Auto Co., Ltd., Volkswagen Thailand Leasing Co., Ltd., and Hi-Way Co., Ltd. provides hire purchase services covering 10 provincial offices locating in Chiang Mai, Phitsanulok, Nakhon Sawan, Nakhon Ratchasima, Khon Kaen, Udon Thani, Chon Buri, Chanthaburi, Phuket and Songkhla. In 2004 four more offices will be open in Ubon Ratchathani, Ratchaburi, Saraburi and Surat Thani.

Market Environment

Competition in car hire purchase continues to be strong as players in the market tried aggressively to build their portfolios. The competition also came from non-financial companies and through non-traditional channels of financing, tapping clients through leasing, hire purchase, and other types of consumer credits.

Currently, the competition comes from two major groups; Leasing and Finance companies, and Captive Finance companies; with a total number of 20 players. While these companies entered and exited the industry according to the industry cycle. The company has a long experience of over 30 years. The competitive edge of the Group comes from a long-established dealer relationship, large customers database, good risk management system and good cost management. The Group therefore is confident to remain in the top three ranking within the industry even though the Financial Master Plan allows Commercial Banks to compete within this market as these banks already provide hire purchase services through their subsidiaries.

Considering the economic environment, industry growth, and internal strengths; hire purchase remains to be the Group's area of focus. The emphasis will be put on service quality and product diversification rather than price competition.

3. Securities Business

Securities businesses that TISCO Securities Co., Ltd. (TISCO Securities) was authorized by the Securities and Exchange Commission to operate are in the following areas:

1. Brokerage Service
2. Trading Business
3. Investment Advisory Service
4. Financial Advisory and Underwriting Service
5. Stock Borrowing and Lending Service
6. Registrar Service

(1) Brokerage Service

Stock brokerage services are operated at TISCO Securities Co., Ltd., a member of the Stock Exchange of Thailand. It has four branches locating in Chiang Mai, Nakhon Pathom, Nakhon Ratchasima and Udon Thani.

To expand the customer base into overseas markets, the company acquired TISCO Securities Hong Kong from BT Brokerage (Hong Kong) Co., Ltd. in 1991, following the permission from the Bank of Thailand, to operate securities brokerage business. It is a member of the Hong Kong Stock Exchange authorized to provide brokerage and financial advisory services. Although it does not have any branches, its operation cover brokerage of stocks in 10 countries including Hong Kong, Thailand, China, Taiwan, Singapore, Malaysia, Indonesia, Korea, Japan and the Philippines.

The emphasis is put on quality of services and as such, TISCO Securities had established equity research function with pronounced quality. Its outstanding research products are well recognized and awarded continuously from investment community. The latest was in July 2003, when it received the Stock Exchange of Thailand awards on "The Best Brokerage Service - Retail Clients" and the "Best Research House". The criteria were based on the quality research and brokerage services respectively.

(2) Trading Business

Trading business is under the management of TISCO Securities. The company has set up the following policies for securities investment:

- Investments shall strictly follow the related laws, regulations, and guidelines.

- Investment shall be made in securities of companies with good operating results, considering the conditions and types of business.
- Investment shall be made in securities of companies with capable and honest management and good efficiency.
- Investment shall be made in securities of companies with secured financial status.
- Investment shall be made in securities of companies with continuing operating plan with business projects deemed beneficial to the society.

(3) Investment Advisory Service

TISCO Securities has a licence to provide investment advisory service to the public concerning securities value or suitability of investment in such securities, although it has not started providing this service. Currently the Securities and Exchange Commission requires that companies seek its case-by-case approval before providing such service and TISCO is currently applying for the approval. The company plans to provide this service to promote brokerage services whereby the investment advice will be provided through media such as radio, television, or printing free of charge.

(4) Financial Advisory and Underwriting Service:

TISCO Securities provides financial advisory services including corporatization, privatization, initial public offering, merger and acquisition, debt restructuring, valuation and feasibility studies. With its notable expertise basing on competent staff with strong industry knowledge and high professionalism, TISCO Securities has been trusted by clients in providing the top quality services. It has been appointed financial advisor in privatization of various notable state enterprises including PTT Plc., the Telephone Organization of Thailand (TOT) Ltd., Electricity Generating Authority of Thailand (EGAT) Ltd., and Metropolitan Electricity Authority (MEA) Ltd. It was also appointed financial advisor and underwriter for notable private IPOs such as President Bakery Plc., Power Line Engineering Plc., EGV Entertainment Plc., MFEC Plc., Siam City Bank (SCIB) Plc. and TPI Polene (TPIPL) Plc.

(5) Stock Borrowing and Lending Service

The company provides both stock borrowing and stock lending services. The SBL unit has an extensive client network encompassing a broad range of financial institutions including insurance portfolios, provident funds, government pension funds, mutual funds and private funds. We maintain strong, well-established relationships with large-scale clients in Thailand to ensure efficient delivery of securities.

(6) Registrar Service

The company provides registrar services for debt instruments, both corporate debenture and state enterprise bond. Such services include preparation of holders' registration, registration of transfer, pledge and attachment, calculation of interest payment and related withholding tax, etc.

Market Environment

As there are 36 member brokers at the Stock Exchange of Thailand, competition within the industry has been intense. Stronger competition led to a less market concentration as market share of the key players declined. In 2003, the top 10 brokers captured 50.6% of market turnover volume as compared to 58.4 in 2002 and 65.1% in 2001. Market trading volume grew significantly from Baht 2,047,422 million in 2002 to Baht 4,670,281 million in 2003 with net settlement trading contributing 28% of total market trading.

In October 2003, the Stock Exchange of Thailand raised the minimum fee rate of Internet trading from 20 basis points to 21 basis points. Nonetheless, this had not affected Internet trading as the market was on the up-trend. In fact, the on-line trading market volume increased 687% from Baht 53,145 million in 2002 to Baht 417,916 million in 2003, with number of customer increasing from 16,381 to 39,264 during the same period. The number of securities company that provided Internet trading rose from 13 to 22 companies during the same period and this heightened competition in this market segment.

For international market, the member of the Hong Kong Stock Exchange does not limit number of members therefore the number of brokers continued to increased to get to over 500 brokers currently. The brokerage industry in Hong Kong had undergone high competition especially for after the brokerage fee liberalization in April 2003. This has caused Internet trading to be more popular as it is both cost and information effective.

TISCO Securities had been focusing on research quality in providing premium services to customers and its outstanding research quality satisfactorily led to customer base expansion. This can be seen from Internet trading volume that rose by 150% from Baht 14,774 million in 2002 to Baht 37,062 million in 2003. Its number of customers in Internet trading increased from 1,219 to 2,523 during the same period, causing the share in total market trading to rise from 0.36% to 0.4%.

TISCO Securities' trading volume increased from Baht 160,772 million in 2002 to Baht 314,112 million in 2003. TISCO Securities has a policy to focus on high quality customers, and therefore its share of net settlement trading in total trading was low at 13% in 2003, while the total market's proportion was as high as 28%. As net settlement trading drove market volume to grow faster than TISCO's, TISCO's market share decreased temporarily from 3.9% in 2002 to 3.4% in 2003. When the market returns to normal, the market share should better represent market position.

Business co-operation with Deutsche Securities is beneficial in research quality enhancement, as well as foreign client base expansion. The set up of subsidiary in Hong Kong is to facilitate service expansion to the international markets, rather than to compete in the highly competitive local market. Currently the company has 70% of total customers in Thailand and the rest of 30% are international customers.

Moreover, TISCO Securities' competitive strength also lies in its investment banking businesses such as IPO underwriting service.

TISCO Securities' Brokerage Market Share and Turnover

	2003	2002	2001
Market Share (%)	3.36	3.93	2.86
Turnover (Bm)	314,112	160,772	90,361
Number of members (company)	36	36	27

Source: The Stock Exchange of Thailand

Key Stock Market Indicators of Thailand as at end of 2001-2003

	2003	2002	2001
Market Turnover (Bm)	4,670,281	2,047,442	1,577,758
SET Index (End period)	772.15	356.48	303.85
Market Capitalization (Bm)	4,789,857	1,986,236	1,607,310

Source: The Stock Exchange of Thailand

4. Asset Management Business

TISCO Asset Management Company Limited (TISCO Asset) operates mutual fund, private fund and provident fund management under the mutual fund and private fund management licences granted by the Ministry of Finance and supervised by the Securities and Exchange Commission.

(1) Mutual Fund

TISCO Asset provides mutual fund management services, under the mutual fund management licence, to sell the mutual fund units to general public in consideration of investment type suitable to investors. TISCO Asset focuses on efficient investment, based on continuing research and risk management. It reports fund performances to public regularly.

(2) Private Fund

TISCO Asset provides private fund management services, under the private fund management licence, to individuals and juristic persons taking into account clients' risk-return profile, investment objectives, and constraints in offering a wide range of investment alternatives including equity, fixed income, and mutual fund. Clients receive reports, which summarize fund performances on a regular basis.

(3) Provident Fund

TISCO Asset operates under the private fund management licence to provide provident fund management services including advisory service in setting up provident funds, registrar service, and advisory service to the provident fund committee. The funds' investment covers a wide range of instruments following the consent from the provident fund committees.

TISCO Asset distribution channel is through direct sales except mutual funds units which are also distributed through selling agents such as banks, finance, and securities companies.

Market Environment

As of December 31, 2003, the mutual fund market size in Thailand stood at Baht 438,344m (excluding Resolving Financial Institution Problems Fund and Country Funds). The asset of mutual funds under TISCO Asset's management was Baht 4,892m. As for private fund, the market size was Baht 121,290m. TISCO Asset's private fund management ranked fourth in the industry with the assets under management amounted to Baht 13,762m or 11.35% market share. In the provident fund industry, the market size was Baht 287,329m. TISCO Asset is among the leader as it ranked second, with a market share of 13.16%, and the fund size under its management amounted to Baht 37,805m.

There are 26 competitors in the asset management industry, comprising asset management companies, commercial banks, securities companies, and insurance companies. However, the company believes in its long experience and strong competitiveness with the group philosophy in maximizing customer satisfaction. TISCO Asset's core strategy is to emphasize on providing the highest returns at the appropriate risk level to the clients, while maintaining high standard of good corporate governance. The company enhances its services quality to the customers by increasing communication and distribution channels, such as through the Internet and call center. Moreover, the company continuously improved its operations to be the leader in investment management, risk management, and back office processing.

Policies on Investment in Associate and Subsidiaries

The company has the policy to invest in businesses that would support the Group's competitive capability, considering the business trend, industry, competitive environment and ability to make long term profit. The company also put the emphasis on prudent risk control.

The company manages its subsidiaries through representatives it assigns at more than half of total directors in the boards of subsidiaries. The representatives participate in the formulation of important business policies. The annual business plans of subsidiaries need approvals from the company. For associate companies, the company shall assign representatives to be directors of their boards. The numbers of the company's representative directors depend upon the proportion of stakes held by the company.

Internal control and risk management of subsidiaries companies are centralized by the company's policies and guidelines.

Investment in Subsidiaries as of December 31, 2003

Company	Address	No. of Outstanding Shares	No. of Share Holding		Book Value	%
			Type	No. of Share		
Finance Business : Thai Permsap Finance Co., Ltd.	48/2 TISCO Tower, 1 st Floor, North Sathorn Road, Silom, Bangrak, Bangkok	1,500,000	Common	1,499,856	71,650,260	100
Hire Purchase Business : Hi-Way Co., Ltd.	2046/16 New Petchburi Road, Bangkapi, Huaykwang, Bangkok	5,500 994,495	Preferred Common	5,500 994,495	469,875,601	100
TISCO Leasing Co., Ltd.	48/25 TISCO Tower, 15 th Floor, North Sathorn Road, Silom, Bangrak, Bangkok	8,900,000	Common	8,899,994	1,224,156,306	100
Thai Commercial Auto Co., Ltd.	48/13 TISCO Tower, 7 th Floor, North Sathorn Road, Silom, Bangrak, Bangkok	10,000,000	Common	4,999,996	443,617,224	50
Securities Business : TISCO Securities Co., Ltd.	48/8 TISCO Tower, 4 th Floor, North Sathorn Road, Silom, Bangrak, Bangkok	150,000,000	Common	149,999,993	1,544,352,350	100
TISCO Securities Hong Kong Limited	1008,10/F, Two Pacific Place, 88 Queensway, Hong Kong	2,000,000	Common	1,999,999	260,007,052	100
Asset Management Business : TISCO Asset Management Co., Ltd.	48/16-17 TISCO Tower, 9 th Floor, North Sathorn Road, Silom, Bangrak, Bangkok	1,000,000	Common	999,994	300,695,932	100
Other Business : Thai Information Technology Co., Ltd.	48/12 TISCO Tower, 6 th Floor, North Sathorn Road, Silom, Bangrak, Bangkok	200,000	Common	199,994	42,092,503	100

Investment of the Company and Subsidiaries in Other Companies as of December 31, 2003

Company	Address	No. of Outstanding Shares	No. of Share Holding		Book value	%
			Type	No. of Share		
Insurance Business :						
GITC Co., Ltd	1168/4 Lumpini Tower, 2 nd Floor, Rama 4 Road, Sathorn, Bangkok	300,000	Common	120,000	13,453,200	40
AXA (Thailand) Co., Ltd.	1168/67 Lumpini Tower, 23 rd Floor, Rama 4 Road, Sathorn, Bangkok	3,526,421	Common	390,568	58,887,015	11
Service Business :						
Jiji Press (Thailand) Co., Ltd.	138 Boonmitr Building, 8 th Floor, Silom Road, Bangrak, Bangkok	1,000	Preferred	200	1,627,646	20
		4,000	Common	800		
K line (Thailand) Co., Ltd.	33/29-31 Wall Street Tower 8 th Floor, Surawongse Road, Bangrak, Bangkok	10,000	Common	1,000	35,334,990	10
Leasing and Hire						
Purchase Business :						
Mizuho Corporate Leasing (Thailand) Co., Ltd.	48/44 TISCO Tower, 19 th Floor, North Sathorn Road, Silom, Bangrak, Bangkok	60,000	Common	12,600	1,849,050	21
Volkswagen Leasing Thailand Ltd.	48/13 TISCO Tower, 7 th Floor, North Sathorn Road, Silom, Bangrak, Bangkok	1,600,000	Common	640,000*	29,845,846	20
Import and Export Business :						
Shin Thai Enterprises Co., Ltd.	1168/53-54 Lumpini Tower, 20 th Floor, Rama 4 Road, Sathorn, Bangkok	30,000	Common	3,000	5,707,044	10
PDTL (Trading) Co., Ltd.	518/5 Maneeya Building, 16 th Floor, Ploenchit Road, Lumpini, Patumwan, Bangkok	10,000	Common	1,500	13,904,710	15
Wattana Inter-trade Co., Ltd.	62 Thaniya Building, 7 th Floor, Silom, Surawongse, Bangrak, Bangkok	300,000	Common	30,000	3,918,000	10
Real Estate Business :						
Prosperity Industrial Estate Co., Ltd.	973 President Tower, 6 th Floor, Ploenchit, Lumpini, Patumwan, Bangkok	4,739,840	Common	473,984	45,342,186	10
UMI Property Co., Ltd.	65/233 Chamnan Penchart Business Center, Rama 9 Road, Huaykwang, Bangkok	1,500,000	Common	150,000	12,844,500	10
Sathorn Sombat Co., Ltd.	90 North Sathorn Road, Silom, Bangrak, Bangkok	500,000	Common	110,592	-	22
Industrial Business :						
Siam Art Ceramic Co., Ltd.	116/77-9 Nonsri Road, Yannawa, Bangkok	11,000,000	Common	1,100,000	13,222,000	10
Investment :						
Interthai Holding Ltd.	2 Ploenchit Center Tower, 12 th Floor, Sukhumvit, Klongtoey, Bangkok.	100,000	Preferred	10,000	250,000	10

* indirectly held by Thai Commercial Auto Co., Ltd.

Future Project

Under the Financial Sector Master Plan, which has been announced by the Bank of Thailand in January 2004, to reform the financial sector for greater flexibility, increased competitiveness and wider ranges of services, there will remain only two types of financial institutions, commercial bank and retail bank. Under the requirements, TISCO Finance Public Company Limited is qualified to apply for the commercial bank license with branches, as the company has Tier-I capital greater than Baht 5,000 million and is prepared to merge with Thai Permsap Finance Company Limited, a subsidiary company which had been acquired earlier, to satisfy the requirement in a short period.

According to the plan of the Bank of Thailand, the processes for upgrading into commercial bank with branches are outlined as follows:

- Submit application for Commercial Bank license within 6 month from the effective date of the announcement of Ministry of Finance.
- Bank of Thailand considers the application within 1 month, and proposes to the committee to be appointed by Ministry of Finance.
- The committee proposes the application to Ministry of Finance within 3 months.
- Ministry of Finance considers the application within 2 months.
- Complete the implementations and requirements as planned within 1 year.

The application and implementation processes stated above will take up to 2 years to complete. However, as the company is qualified with the requirements, and is ready to merge with the subsidiary company, Thai Permsap Finance Company Limited, the process should be completed in 12 to 18 months.

If the company is allowed to upgrade into commercial bank, the company's plan in developing banking business platforms is structured in 3 phases as follows:

Phase I The company will develop the business infrastructure and banking network including passbook service, clearing system membership, saving and checking accounts, and ATM. These foundations will support the retail business and enable the company in managing the payment system with more efficiency.

Phase II The company will expand businesses through new distribution channels and new services including internet banking, credit card and phone banking.

Phase III The company will provide full banking products and services. This phase include establishment of foreign exchange business, current accounts, and trade finance, as well as enhancing branch infrastructures.

As the project has a long-term nature, it may not provide immediate financial returns. However, it will open various new business opportunities for the company in the long run. The key success factor for the project is the necessities to develop new expertise in commercial banking business in order to compete successfully in the current market situation. Meanwhile, the capital expenditure required should not be a key obstacle as the upgrading plan will be on a gradual basis along with the focused growth in the current businesses.

Capital Structure



Share Information

Common Shares and Preferred Shares

Total registered and paid-up capital as of December 31, 2003

Total registered capital : Baht 11,002,000,000*

Total paid-up capital : Baht 7,117,195,000, comprising of 530,591,820 common shares and 181,127,680 preferred shares, both with par value of 10 baht per share.

The preferred shares have the same rights and benefits as common shares, with added rights and benefits as follows:

1. The holders of preferred shares receive dividend for each of the year that the company pays dividend prior to the holders of common shares at the rate of 1 baht per share. Additionally, the holders of preferred shares are entitled to share the leftover dividend with the holders of common shares.

In the year that the company does not declare dividend payment to the holders of common shares, the company may declare dividend payment at the above-mentioned rate to the holders of preferred shares.

The holders of preferred shares shall be entitled to receive dividend only in the years in which the company has declared dividend payment. Dividend shall not be made up in subsequent years for the years that the company did not declare dividend payment.

2. In the event of liquidation or dissolution of the company, the assets shall be returned to the holders of preferred shares according to the amount of preferred shareholding prior to the holders of common shares. The amount paid to preferred shareholders shall be proportionate to preferred shareholding.

In the event that the value of the assets is inadequate to be divided among the holders of preferred shares as specified in the above paragraph. It shall be divided and returned to the holders of preferred shares proportionately to their respective shareholding.

The assets that remain after the division among the holders of preferred shares as specified in the first paragraph shall thereafter be distributed among both preferred shareholders and common shareholders proportionate to shareholding.

3. In the event of capital decrease for the purpose of recovering its retained loss, the preferred shares value shall be decreased after the common shares.

*As of December 31, 2003 the number of unpaid preferred shares reserved for the exercise of warrants granted to the directors and employees of the company and its subsidiaries was Baht 18,480,5000.

All of the above preferential rights of the holders of preferred shares shall be valid until June 30, 2009. Upon expiration of such term, the rights and benefits of the preferred shareholders shall be equal to the holders of common shares and preferred shares shall be converted into common shares whereby the preferred shareholders shall submit applications to the company for conversion in a form prescribed by the company together with the preferred share certificates.

Offerings of Securities and Other Convertibles

Offerings of Securities and Other Convertibles to Thai Trust Fund

None

Non-Voting Depository Receipts (NVDR)

As of December 31, 2003, Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDR) which have the company's shares as underlying securities in total of 29,507,820 units or 4.15% of paid up capital. Although all financial benefits received by NVDR investors are similar to the benefits from the company's common shares, NVDR investors shall have no voting right in shareholder meeting except for delisting decision. Therefore, if a lot of company shares are sold to investors under NVDR, the number of shares with voting rights will be lessened.

Moreover, the number of NVDR is subject to change and is not under control by the company. Investors can find records of the company's NVDR from the website of the SET (www.set.or.th).

Warrants

On July 13, 2000, the company's Employee Stock Option Program to offer warrants to purchase the company's preferred shares for the amount of 30,000,000 units under 5-year plan to the directors and employees of the company and its subsidiaries was approved by the SEC.

As of December 31, 2003, the number of exercised warrant was 11,519,500 units and the number of unexercised warrant was 13,163,500 units. The details are as follows:

1. Warrants to Purchase Preferred Shares - Tranche 1

Type of Warrants	:	Non-transferable warrants offered to directors and employees of TISCO and its subsidiaries
Issuing Date	:	July 20, 2000
Offering Price	:	Baht 0
Unexercised Warrants	:	1,490,000 units
Exercise Price	:	Baht 10
Exercise Ratio	:	1:1
Tenor	:	5 years
Maturity Date	:	March 31, 2005

2. Warrants to Purchase Preferred Shares - Tranche 2

Type of Warrants	:	Non-transferable warrants offered to directors and employees of TISCO and its subsidiaries
Issuing Date	:	June 30, 2001
Offering Price	:	Baht 0
Unexercised Warrants	:	1,992,500 units
Exercise Price	:	Baht 11.31
Exercise Ratio	:	1:1
Tenor	:	5 years
Maturity Date	:	June 30, 2006

3. Warrants to Purchase Preferred Shares - Tranche 3

Type of Warrants	:	Non-transferable warrants offered to directors and employees of TISCO and its subsidiaries
Issuing Date	:	September 20, 2002
Offering Price	:	Baht 0
Unexercised Warrants	:	4,261,000 units
Exercise Price	:	Baht 13.20
Exercise Ratio	:	1:1
Tenor	:	5 years
Maturity Date	:	September 20, 2007

4. Warrants to Purchase Preferred Shares - Tranche 4

Type of Warrants	:	Non-transferable warrants offered to directors and employees of TISCO and its subsidiaries
Issuing Date	:	June 20, 2003
Offering Price	:	Baht 0
Unexercised Warrants	:	5,420,000 units
Exercise Price	:	Baht 14.94
Exercise Ratio	:	1:1
Tenor	:	5 years
Maturity Date	:	June 20, 2008

Debentures

As at December 31, 2003, the details of outstanding debentures of the company and subsidiaries are as follows:

The Company

1. TISCO Finance Public Company Limited unsubordinated and unsecured debenture with maturity date in 2009.

Type of Offering	:	To offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	:	Baht 1,000,000
Offering Price	:	Baht 1,000,000
Issue Size	:	161 units
Outstanding	:	161 units
Tenor	:	10 years
Issuing Date	:	February 11, 1999
Maturity Date	:	February 11, 2009
Coupon Rate	:	Fixed rate 6% per annum

2. TISCO Finance Public Company Limited 2nd unsubordinated and unsecured debenture with maturity date in 2009

Type of Offering	: To offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	: Baht 1,000,000
Offering Price	: Baht 1,000,000
Issue size	: 170 units
Outstanding	: 170 units
Tenor	: 10 years
Issuing Date	: May 28, 1999
Maturity Date	: May 28, 2009
Coupon Rate	: Fixed rate 5% per annum

3. TISCO Finance Public Company Limited 1/2002 #1 fixed rate debenture with maturity date in 2007 (“Tranche 1 Debenture”)

Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue size	: 2,000,000 units
Outstanding	: 2,000,000 units
Tenor	: 5 years
Issuing Date	: July 29, 2002
Maturity Date	: July 29, 2007
Security	: None
Coupon Rate	: Fixed rate 4.25% per annum
Rating	: “A” from TRIS on November 7, 2003

4. TISCO Finance Public Company Limited 1/2002 #2 floating rate debenture with maturity date in 2007 (“Tranche 2 Debenture”)

Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue size	: 1,000,000 units
Outstanding	: 1,000,000 units
Tenor	: 5 years
Issuing Date	: July 29, 2002
Maturity Date	: July 29, 2007
Security	: None
Coupon Rate	: 3.5% per annum for the first 2 years : Floating rate at the reference rate plus 0.5% per annum in the third to fifth year providing that it shall not be less than 3.75% but no more than 5%, 5.5% and 6% per annum in the third, the fourth and the fifth year, respectively.
Rating	: “A” from TRIS on November 7, 2003

5. TISCO Finance Public Company Limited 2/2002 debenture with maturity date in 2007	
Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue Size	: 1,800,000 units
Outstanding	: 1,800,000 units
Tenor	: 5 years
Issuing Date	: October 21, 2002
Maturity Date	: October 21, 2007
Security	: None
Interest Rate	: 6% minus the reference rate in the first to third year providing that it shall not be less than 0%.
	: 3.8% per annum for the fourth to fifth year
Rating	: "A" from TRIS on November 7, 2003

Subsidiaries

1. Hi-Way Company Limited 1/2003 Debenture with maturity date in 2006	
Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue Size	: 400,000 units
Outstanding	: 400,000 units
Tenor	: 3 years
Issuing Date	: September 2, 2003
Maturity Date	: September 2, 2006
Security	: None
Coupon Rate	: Fixed rate 3.25% per annum
Rating	: "BBB+" from TRIS on August 14, 2003
2. Thai Commercial Auto Company Limited 1/2003 amortized debenture with maturity date in 2006	
Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue size	: 500,000 units
Outstanding	: 500,000 units
Tenor	: 3 years
Issuing Date	: October 6, 2003
Maturity Date	: October 6, 2006
Security	: None
Coupon Rate	: Fixed rate 3.2% per annum
Rating	: "BBB+" from TRIS on August 15, 2003

Major Shareholders' Agreement on the Matter Affecting Share Issuance or the Company's Management that the Company Jointly Signed on
None

Minority Interest - Equity Attributable to Minority Shareholders of Subsidiaries

As of December 31, 2003, the minority interest - equity attributable to minority shareholders of subsidiaries as appeared in the company's and its subsidiaries' balance sheets was Baht 443,740,156.

Shareholders

The list of first 10 major shareholder groups whose names appeared in the share registration book on the book-close date, February 5, 2004 is as follows:

	Name	Number of Share Holding		Total	Holding %
		Common Shares	Preferred Shares		
1	CDIB & Partners Investment Holding Corporation	19,524,500	80,000,000	99,524,500	13.9
2	Mizuho Corporate Bank, Ltd.	7,505,652	46,000,000	53,505,652	7.5
3	Chase Nominees Limited	41,893,600	0	41,893,600	5.9
4	DB Group	40,830,896	0	40,830,896	5.7
5	HSBC (Singapore) Nominees Pte. Ltd.	40,355,800	0	40,355,800	5.7
6	Thai NVDR Co., Ltd.	31,921,420	391,000	32,312,420	4.5
7	Government of Singapore Investment Corporation	31,667,400	0	31,667,400	4.4
8	State Street Bank and Trust Company	26,101,960	0	26,101,960	3.7
9	Morgan Stanley & Co International Limited	15,654,370	0	15,654,370	2.2
10	The Bank of New York Nominees Ltd.	11,051,900	0	11,051,900	1.5
	Total	266,507,498	126,391,000	392,898,498	55.1

Under Section 14 and 17 of the Bank of Thailand's Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business, B.E. 2522 and the amendments, it is required that no person shall hold more than 10 percent of the total amount of a finance company's shares sold and that the amount of shares of a finance company held by persons of Thai nationality shall be less than three-fourths of the total amount of shares sold. On April 7, 1999, the 10-year exemption with effective from March 30, 1999 was granted to the company by the Bank of Thailand, allowing a person to hold more than 10 percent of company's shares sold and allowing the number of the company's non-Thai shareholders to exceed 40 percent but less than 80 percent of shares sold. After this exemption period, non-Thai shareholders are allowed to hold such shares providing that no additional shares purchase can be made unless the aggregate amount was less than 49 percent of total shares sold.

Dividend Policy

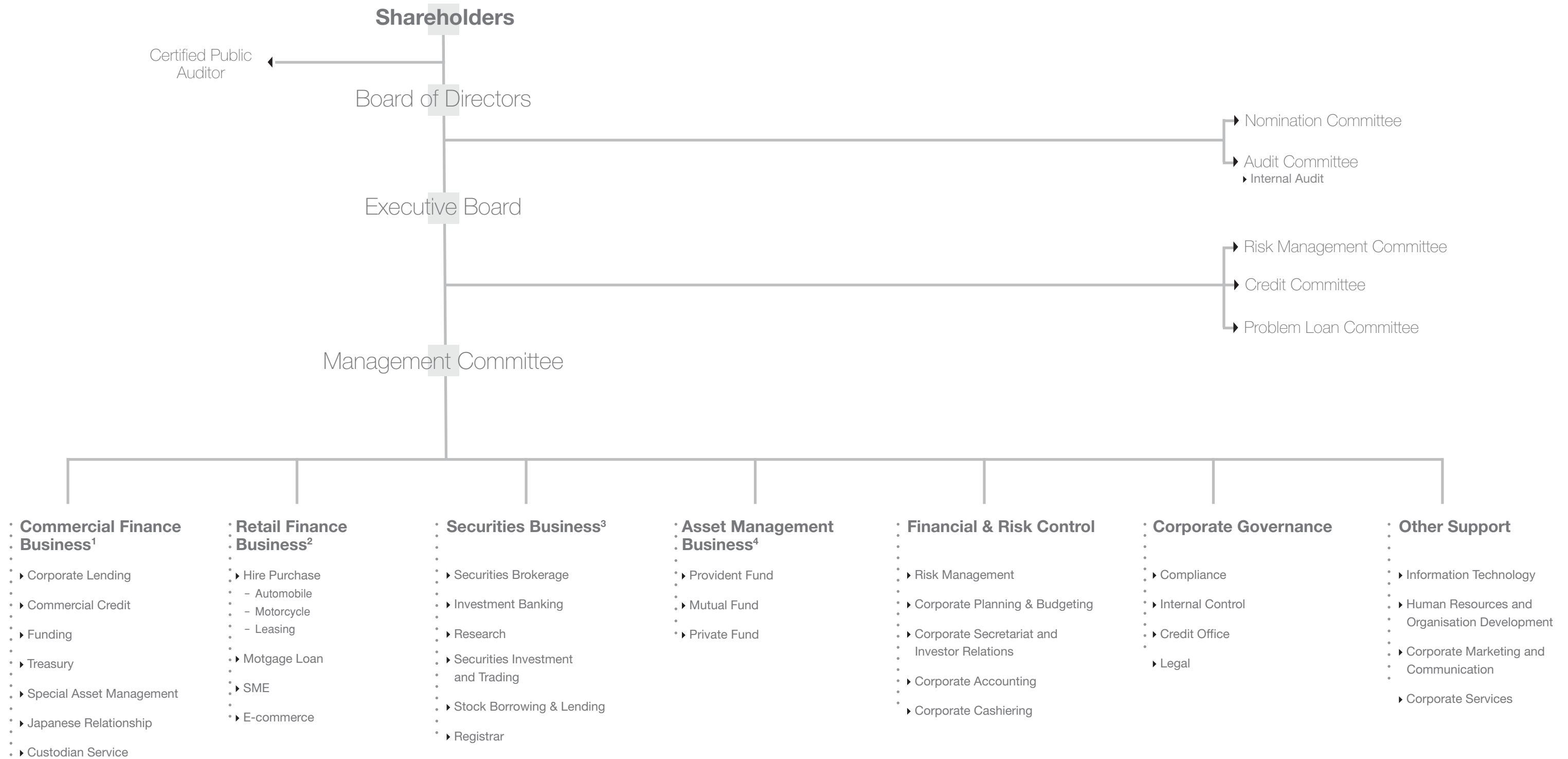
The company's dividend payment shall be made in accordance with the company's Articles of Association Section 38 which states that no dividend shall be paid out of any money other than profits. In the event that the company still has an accumulative loss, no dividend shall be paid.

Dividend shall be paid equally according to the numbers of shares, unless otherwise specified for the preferred shares in the Articles of Association. Payment of dividend shall be subject to shareholders' approval.

The Board of Directors may from time to time pay interim dividend when they see that the company has sufficient profit to do so and, after the interim dividend has been paid, they shall report to the next meeting of shareholders.

Dividend policy of subsidiaries is to appropriate dividend to shareholders based on the performance, financial circumstances and economic situations.

Organisation Chart



¹ Commercial Finance Business operated by: TISCO Finance Plc.
² Retail Finance Business operated by: TISCO Finance Plc., TISCO Leasing Co., Ltd., Thai Commercial Auto Co., Ltd., Volkswagen Leasing Co., Ltd. and Hi-Way Co., Ltd.
³ Securities Business operated by: TISCO Securities Co., Ltd. and TISCO Securities Hong Kong Ltd.
⁴ Asset Management Business operated by: TISCO Asset Management Co., Ltd.

Board of Directors



■ Mr. Edouard Fernen Peter

■ Mr. Yukio Matsunaga

■ Dr. Phisit Pakkasem

■ Mr. Pichai Chanvirachart

■ Mr. Vudhiphol Suriyabhivadh

■ Mr. Jerry L. Lu

■ Dr. Joung-Yol Lin

■ Mr. Pliu Mangkornkanok

■ Ms. Krisna Theravuthi

Board and Management

The Board structure comprises 4 boards/committees: Board of Directors, Executive Board, Audit Committee and Nomination Committee. In addition, the company and subsidiaries also have the Management Committee to oversee and monitor the operations of each business to be in line with policy and plan as approved by the Board of Directors for setting the policy of the company's and its subsidiaries.

Board of Directors

Name	Education / Director's Training Course Program	Work Experience within 5 years
1. Dr. Phisit Pakkasem Chairman of the Board, Independent Director, Chairman of the Audit Committee, and Chairman of the Nomination Committee	Ph.D. (Development Economics) University of Pittsburgh, USA M.A. (Development Economics) Harvard University, USA B.A. (Economics) Claremont Men's College, USA	2003 - Present Chairman, Thai Smart Card Co.,Ltd. 2002 - Present Chairman of the Board, Independent Director, Chairman of the Audit Committee and Chairman of the Nomination Committee TISCO Finance Plc. 2002 - Present Vice Chairman, Vinythai Plc. 1995 - Present Executive Advisor, CP Group of Companies 2001- 2003 Chairman, Thai Sugar Millers Corporation Ltd. 1999 - 2002 Chairman, Vinythai Plc. 1998 - 2002 Chairman of the Board and Chairman of the Audit Committee, TISCO Finance Plc. 1997 - 2001 Chairman, Thai Sugar Manufacturing Association 1997 - 2001 Chairman, Jacobs Engineering (Thailand) Ltd.
2. Mr. Pliu Mangkornkanok Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer	M.B.A (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Chairman 2000 Program Thai Institute of Directors Association Directors Certification Program Thai Institute of Directors Association	2003 - Present Director, Thai Agro Exchange Co., Ltd. 2002 - Present Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer, TISCO Finance Plc. 2002 - Present Chairman, Association of Finance Companies 2001 - Present Director and Member of the Audit Committee, Singer (Thailand) Plc. 2000 - Present Director, Thai Oil Co., Ltd. 1994 - Present Director, Phelps Dodge Thailand Co., Ltd. 2001 Vice Chairman, Chairman of the Executive Board and Chief Executive officer, TISCO Finance Plc. 1998 - 2001 Director, TISCO Securities Co., Ltd. 1994 - 2001 President, TISCO Finance Plc.
3. Mr. Pichai Chanvirachart Director, Member of the Executive Board, President and Chief Operating Officer	B.B.A (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association	2001 - Present Director, Member of the Executive Board, President and Chief Operating Officer, TISCO Finance Plc. 2000 - Present Director, AXA Insurance Plc. 1993 - Present Director, Mizuho Corporate Leasing (Thailand) Co., Ltd. 2001 Director, Member of the Executive Board and Executive Vice President, TISCO Finance Plc. 1998 - 2001 Executive Vice President, TISCO Finance Plc. 1998 - 2001 Director, American Appraisal (Thailand) Ltd.

Name	Education / Director's Training Course Program	Work Experience within 5 years
4. Dr. Joung-Yol Lin Director, Member of the Executive Board and Member of the Nomination Committee	Ph.D. (Finance) University of Iowa, USA M.B.A. National Chengchi University, Taiwan B.A. Fu-Jen Catholic University, Taiwan	2002 - Present Director, Member of the Executive Board and Member of the Nomination Committee, TISCO Finance Plc. 2001 - Present President, CDIB & Partners Investment Holding Corp., Taiwan 2001 - 2002 Director and Member of the Executive Board, TISCO Finance Plc. 1999 - 2001 Chairman, Service Corporation Masterlink Securities, Taiwan
5. Mr. Jerry L. Lu Director	M.B.A. University of Southern California, USA B.S. (Management Science) National Chiao-Tung University, Taiwan	2003 - Present Director, TISCO Finance Plc. 1998 - Present Senior Vice President, CDIB & Partners Investment Holding Corp., Taiwan 2000 - 2001 Director, TISCO Finance Plc.
6. Mr. Yukio Matsunaga Director, Member of the Executive Board and Member of the Nomination Committee	Business and Commerce Keio University, Japan	2003 - Present Director, Member of the Executive Board and Member of the Nomination Committee, TISCO Finance Plc. 2003 - Present General Manager, Mizuho Corporate Bank Ltd. Bangkok Branch 2002 - 2003 General Manager, Europe Risk Management Division, Mizuho Corporate Bank Ltd. London Branch 2001 - 2002 Joint General manager, The Industrial Bank of Japan Ltd. (IBJ) (London Branch) 1999 - 2001 Senior Deputy General Manager, Osaka Corporate Banking Dept. No. 3 IBJ (Osaka)
7. Mr. Edouard Fernen Peter Director	B.A. Carlton College Northfield, USA	2002 - Present Director, TISCO Finance Plc. 2001 - Present Managing Director and Head of Global Equities, Asia Pacific ex-Japan, Deutsche Securities Asia Ltd. 1999 - 2001 Managing Director and Head of Global Equities, Switzerland, Deutsche Bank AG 1998 - 1999 Managing Director, UBS
8. Ms. Krisna Theravuthi Independent Director and Member of the Audit Committee	M.B.A. (Marketing) University of Wisconsin-Madison, USA B.A. (Accounting) Chulalongkorn University Audit Committee Certification Program Thai Institute of Directors Association	2002 - Present Independent Director and Member of the Audit Committee, TISCO Finance Plc. 1986 - Present Executive Director, Tavornudorn Co., Ltd. 1986 - Present Executive Director, Food Manufacturing Co., Ltd. 1998 - 2002 Director, Member of the Audit Committee and Member of the Nomination Committee, TISCO Finance Plc.
9. Mr. Vudhiphol Suriyabhivadh Independent Director and Member of the Audit Committee	B.Com. (Accountancy) University of New South Wales Australia LL.B. Sukothai Thammathiraj University Directors Certification Program Thai Institute of Directors Association	2003 - Present Independent Director, Laguna Resort and Hotel Plc. 1999 - Present Independent Director, and Member of the Audit Committee, TISCO Finance Plc. 1999 - Present Chairman, Thai Agri Foods Plc. 1999 - Present Independent Director, Bangkok Ranch Plc. 1998 - Present Independent Director and Member of the Audit Committee, L.P.N. Development Plc. 1997 - Present Independent Director, East Asiatic (Thailand) Plc. 1996 - Present Independent Director and Member of the Audit Committee, Thai Wah Food Products Plc. 1989 - Present Director, Listed Companies Association 1986 - Present Director, Fourmains International Co., Ltd.

The company's Authorized Signatories are Mr. Pliu Mangkornkanok, Mr. Pichai Chanvirachart, Dr. Joung-Yol Lin and Mr. Yukio Matsunaga. It is required that Mr. Pliu Mangkornkanok or Mr. Pichai Chanvirachart sign with the seal of the company affixed or Mr. Yukio Matsunaga and Dr. Joung-Yol Lin jointly sign with the seal of the company affixed.

Under Mrs. Oranuch Apisaksirikul's supervision, Corporate Secretariat and Investor Relations are responsible for co-ordinating the meetings of Board of Directors and shareholders as well as organizing the disclosure of the company's information in an equitable and transparent manner.

Authority and Responsibilities of Board of Directors

1. Determine policy and perform duties in accordance with laws, objects and Articles of Association of the company as well as the resolution of the meeting of shareholder.
2. Determine business goal, guideline, policy, plan and budget of the company.
3. Monitor and ensure that the administration and management of the Executive Board shall be in line with the policy except those that require resolutions from the shareholder meetings.
4. Appoint Executive Board members, Audit Committee members, Nomination Committee members and/or other committees members to take on tasks that require detailed review or in-depth consideration for the benefits of the company.
5. Designate a director(s) to conduct businesses on behalf of the Board of Directors.
6. Change authorized signatory.
7. Determine directors' remuneration in compliance with the shareholders' approval

Such other matters as capitalization, decapitalization, issuance of debentures, sale or transfer of the whole or important parts of the business of the company to other persons, purchase or acceptance of transfer of the business of other companies, amendment of the company's Memorandum and Articles of Association as well as occurrence of transactions between related parties and sale and purchase of important parts of the business as per regulations stipulated by the SET or other governmental agencies, must obtain resolutions from the shareholder meetings.

In 2003 there were 7 Board of Directors' Meetings, surpassing the requirement in the company's Articles of Association that the Board shall meet once every three months. The details of directors' attendance are as follows:

	Name	Times of Attendance	Remarks
1.	Dr. Phisit Pakkasem	7/7	
2.	Mr. Pliu Mangkornkanok	7/7	
3.	Mr. Pichai Chanvirachart	7/7	
4.	Dr. Joung-Yol Lin	5/7	
5.	Mr. Edouard Fernen Peter	2/7	
6.	Mr. Vudhiphol Suriyabhivadh	7/7	
7.	Ms. Krisna Theravuthi	7/7	
8.	Mr. Yukio Matsunaga	2/3	Assumed on June 12, 2003.
9.	Mr. Jerry L. Lu	1/1	Assumed on October 29, 2003.

Executive Board

The Executive Board members were appointed by the Board of Directors. As of December 31, 2003, the Executive Board comprised 4 members as follows:

- | | |
|-----------------------------|---------------------------------|
| 1. Mr. Pliu Mangkornkanok | Chairman of the Executive Board |
| 2. Mr. Pichai Chanvirachart | Member |
| 3. Dr. Joung-Yol Lin | Member |
| 4. Mr. Yukio Matsunaga | Member |

Authority and Responsibilities of Executive Board

1. Determine business strategies, mergers & acquisition activities, new business ventures, and new products.
2. Approve annual budgeting.
3. Approve credit with substantial amount and/or transaction that involve high risks.
4. Supervise Risk Management Committee, Credit Committee and Problem Loan Committee.
5. Approve transactions under the company's business framework.
6. Determine remuneration and compensation of employees.
7. Select and appoint senior management and determine director's remuneration.

Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of December 31, 2003, the Audit Committee comprises 3 independent directors as follows:

- | | |
|--------------------------------|---------------------------------|
| 1. Dr. Phisit Pakkasem | Chairman of the Audit Committee |
| 2. Ms. Krisna Theravuthi | Member |
| 3. Mr. Vudhiphol Suriyabhivadh | Member |

Authority and Responsibilities of Audit Committee

1. Review the company's financial report to ensure that they are accurate and sufficient.
2. Review to ensure that the company has adequate and effective internal control system and internal audit system.
3. Review to ensure that the company follows relevant SEC and SET regulations as well as other relevant laws.
4. Consider and make recommendations on the appointment and fees of the external auditors.
5. Review the disclosure of transaction between related parties or those which may lead to conflict of interest to ensure it is correct and complete.
6. Prepare an Audit Committee report regarding corporate governance and disclose it in annual report. Such report must be signed by the Chairman of the Committee.
7. Perform other activities as delegated by the Board of Directors and approved by the Audit Committee.

Nomination Committee

The Nomination Committee members were appointed by the Board of Directors. As of December 31, 2003, the Nomination Committee comprised 4 directors as follows:

- | | |
|---------------------------|--------------------------------------|
| 1. Dr. Phisit Pakkasem* | Chairman of the Nomination Committee |
| 2. Mr. Pliu Mangkornkanok | Member |
| 3. Dr. Joung-Yol Lin | Member |
| 4. Mr. Yukio Matsunaga | Member |

* Independent Director

Authority and Responsibilities of Nomination Committee

1. Study and propose criteria and guidelines for selecting directors and senior executive officers.
2. Recommend the competent candidates for the company's director to the Board of Directors for consideration.
3. Study and propose criteria, and procedures in evaluating the Board of Directors' performance.
4. Facilitate the process of Board of Directors' performance evaluation as delegated by the Board of Directors.

Management Committee

The Management Committee members of the company and its subsidiaries were appointed by the Board of Directors. As of December 31, 2003, the Management Committee comprised 8 members as follows :

Name	Education / Director's Training Course Program	Work Experience within 5 years
1. Mr. Pliu Mangkornkanok Chief Executive Officer	M.B.A (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Chairman 2000 Program Thai Institute of Directors Association Directors Certification Program Thai Institute of Directors Association	2003 - Present Director, Thai Agro Exchange Co., Ltd. 2002 - Present Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer, TISCO Finance Plc. 2002 - Present Chairman, Association of Finance Company 2001 - Present Director and Member of the Audit Committee, Singer (Thailand) Plc. 2000 - Present Director, Thai Oil Co., Ltd. 1994 - Present Director, Phelps Dodge Thailand Co., Ltd. 2001 Vice Chairman, Chairman of the Executive Board and Chief Executive Officer, TISCO Finance Plc. 1998 - 2001 Director, TISCO Securities Co., Ltd. 1994 - 2001 President, TISCO Finance Plc.
2. Mr. Pichai Chanvirachart President and Chief Operating Officer	B.B.A (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association	2001 - Present Director, Member of the Executive Board, President and Chief Operating Officer, TISCO Finance Plc. 2000 - Present Director, AXA Insurance Plc. 1993 - Present Director, Mizuho Corporate Leasing (Thailand) Co., Ltd. 2001 Director, Member of the Executive Board and Executive Vice President, TISCO Finance Plc. 1998 - 2001 Executive Vice President, TISCO Finance Plc. 1998 - 2001 Director, American Appraisal (Thailand) Ltd.

Name	Education / Director's Training Course Program	Work Experience within 5 years	
3. Ms. Oranuch Apisaksirikul Chief Financial Officer	M.B.A (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association	2001 - Present 2001 - Present 2000 - Present 2000 - Present 2001 - 2002 1999 - 2002 1999 - 2000	Chief Financial Officer, TISCO Finance Plc. Member of Risk Management Committee, The Stock Exchange of Thailand Director, TISCO Global Investment Holdings Ltd. Director, TISCO Securities Hong Kong Ltd. Director, TISCO Securities UK Ltd. Director, TISCO Asset Management Co., Ltd. Executive Vice President & Chief Financial Officer, TISCO Finance Plc.
4. Mr. Suthas Ruangmanamongkol Head of Commercial Finance, Treasury & Funding	M.S (Finance & Banking) University of Wisconsin, USA M.B.A (Finance) Western Illinois University, USA B. Eng. (Computer) Chulalongkorn University	2002 - Present 2000 - 2001 1998-2000	Head of Commercial Finance, Treasury & Funding, TISCO Finance Plc. Director and Assistant Managing Director, Securities Investment & Trading, TISCO Securities Co., Ltd. Assistant Managing Director, Securities Investment & Trading, TISCO Securities Co., Ltd.
5. Mr. Panya Wotticharoenvong Head of Retail Finance, Special Asset Management	M.S (Accounting) Thammasat University B.A (Accounting) Thammasat University LL.B. Thammasat University Graduate Diploma Program in Business Law Thammasat University Directors Certification Program Thai Institute of Directors Association	2002 - Present 2001 1992 - 2000	Head of Retail Finance, Special Asset Management, TISCO Finance Plc. Managing Director, TISCO Leasing Co., Ltd. Senior Vice President, Retail Finance Collection & Service, TISCO Finance Plc.
6. Ms. Nattamon Issaradharm Chief Governance Officer	B.A. (Accounting) Chulalongkorn University Certified Public Accountants (Thailand) Directors Certification Program Thai Institute of Directors Association	2002 - Present Present Present 1997 - 2001	Chief Governance Officer, TISCO Finance Plc. Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC), Bank of Thailand Representative, Association of Finance Companies Senior Vice President, Chief Credit Officer, TISCO Finance Plc.
7. Mr. Vanchai Manosuthi Managing Director, TISCO Securities Co., Ltd.	M.B.A. (Finance) Thammasat University B.A. (Accounting) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2002 - Present 2000 - Present 2000 - 2001 2000 - 2001 1999 1998 - 1999	Managing Director, TISCO Securities Co., Ltd. Director, Association of Securities Companies Executive Vice President, TISCO Finance Plc. Management Group, Thailand Management Association Associate CEO, Paiboon Insurance Co., Ltd. Executive Director, Thaimex Leasing Co., Ltd.
8. Ms. Anchalee Bunnag Managing Director, TISCO Asset Management Co., Ltd.	M.B.A. (Finance) University of Wisconsin-Madison, USA B.A. First Class Honor (Accounting) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2001 - Present 1999 - Present	Director, Fitch Ratings (Thailand) Ltd. Managing Director, TISCO Asset Management Co., Ltd.

Authority and Responsibilities of Management Committee

The Management Committee shall oversee and monitor the operations of each business to be in line with policy and plan as approved by the Board of Directors. The Management Committee's authority and responsibilities are:

1. Formulate corporate plan and strategies to propose to the Board of Directors.
2. Direct, control and monitor day-to-day operation as set out in the company's business and approved by the Board of Directors.
3. Oversee resource management.

Nonetheless, the senior management of each subsidiary shall set in-depth policy on his/her own.

Directors and Management Nomination

Nomination at the Director Level

Should there be a vacancy in a director position due to other reasons than expiration of term of office, the Nomination Committee shall, upon contemplating the company's necessity and good corporate governance, identify the qualified nominees to propose to the Board of Directors or the shareholders' meeting for replacement consideration. The appointment and removal criteria are as follows:

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors which shall not be less than five, provided that not less than one half of the directors must domicile in Thailand. In addition, not less than three fourth of the directors must be Thai nationals. Provided that there is any permission from related authorities. (On April 7, 1999, the 10-year exemption with effective from March 30, 1999 was granted to the company by the BoT, allowing the number of the company's non-Thai directors to exceed 40 percent but less than 80 percent of the total directors.)
2. The general meeting of shareholders shall elect directors in accordance with rules and procedures as follows:
 - (1) Each shareholder shall be entitled to one vote for each share held by him for the election of each director.
 - (2) Each director shall be elected by at least a majority of the votes cast at a meeting of shareholders by the holders present and entitled to vote in the election. Those nominees who receive the highest vote respectively shall be appointed as the directors of the company.
3. The general meeting of shareholders of each calendar year, one-third of the directors, or, if their number is not multiple of three, then the number nearest one-third must retire from office. The directors who are to retire during the first and the second year following registration of the company shall be drawn by lots. In every subsequent year, the directors who have been longest in office shall retire. A retiring directors is eligible for re-election.
4. A director can be elected or removed only by the shareholders at a general meeting, provided, however, that any vacancy occurring in the Board of the Directors otherwise than by rotation or retirement, as stated hereof, may be filled up by the remaining Directors, unless, the term of the original director is less than two months. For the purpose thereof, the resolution of the Board of Directors shall be passed by the vote of not less than three-fourth of number of remaining Directors, but any person so appointed shall hold office only for the remainder of the term of the director to whom he has succeeded. If a general meeting of the shareholders remove a director,

and appoint another in his stead, the person so appointed shall hold office only for the remainder of the term of the director so removed.

5. The general meeting of shareholders may resolve to remove the director before expiration of office with the votes of not less than three-fourth of number of shareholders present and eligible to vote, and representing an agreement number of shares not less than one half number of shares held by shareholders present and eligible to vote.

In terms of balance of power, it was determined by the company to have more non-executive directors than executive directors. As of December 31, 2003, the component of the Board of Directors was as follows :

	Number of Directors
1. Representatives from shareholders	
- CDIB & Partners Investment Holding Corp	2
- Mizuho Corporate Bank Ltd.	1
- DB Group	1
2. Independent Director	3
3. Management	2
Total	9

Nomination at the Management Level

The Management appointment shall be made by the Executive Board upon the consideration of each management's competency and qualification.

Remuneration of Director and Management Committee

Financial Remuneration

The monthly remuneration as determined by the company was:

Chairman of the Board	40,000	baht
Other Directors	20,000	baht

The details of the Board of Directors' remuneration given during 2003 are as follows:

	Remuneration (baht)
1. Dr. Phisit Pakkasem	480,000
2. Mr. Pliu Mangkornkanok	240,000
3. Mr. Pichai Chanvirachart	240,000
4. Dr. Joung-Yol Lin	240,000
5. Mr. Edouard Fernen Peter	240,000
6. Mr. Vudhiphol Suriyabhivadh	240,000
7. Ms. Krisna Theravuthi	240,000
8. Mr. Visut Montrivat (resigned on December 2, 2003)	220,000
9. Mr. Keiji Torii (resigned on May 19, 2003)	120,000
10. Mr. Yukio Matsunaga (assumed on June 12, 2003)	120,000
11. Dr. Tze-Kaing Yang (resigned on July 16, 2003)	160,000
12. Mr. Jerry L. Lu (assumed on October 29, 2003)	40,000
Total	2,580,000

The directors who were assigned to perform their additional duty such as member of the Executive Board and the Audit Committee, will receive additional remuneration accordingly.

In 2003, the total remuneration for 14 members of the Audit Committee, Executive Board and Management Committee (including one management member who resigned during the year) were Baht 144,736,992.22. This was paid in the form of monthly compensation, salaries, provident fund and bonus which was varied by company's performance.

Other Forms of Remuneration

In 2000, the annual general meeting of the company's shareholders passed a resolution approving the allocation to directors and employees of the company and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the company's preferred shares. The allocation determined by the Allotment Committee with regard to competency and potential of employees must obtain resolution from the general meeting of shareholders. In 2003, the number of warrants granted to the Executive Board and Management Committee (excluding one management member who resigned during the year) was 2,450,000 or 43.32% of the warrants granted in 2003. Since the beginning of the program, the company has allotted a total of 10,580,000 warrants to the Executive Board and Management Committee, or 41.59 % of total warrant in the program.

Changes in TISCO Shareholdings by Directors and Management

	Common Shares		Preferred Shares	
	Increase (Decrease) During the Year	As of Dec 31, 2003	Increase (Decrease) During the Year	As of Dec 31, 2003
1. Dr. Phisit Pakkasem	0	0	0	0
2. Mr. Pliu Mangkornkanok	(214,700)	185,700	412,700	512,700
3. Mr. Pichai Chanvirachart	0	82,136	370,000	470,000
4. Dr. Joung-Yol Lin	0	0	0	0
5. Mr. Jerry L. Lu	0	0	0	0
6. Mr. Yukio Matsunaga	0	0	0	0
7. Mr. Edouard Fernen Peter	0	0	0	0
8. Ms. Krisna Theravuthi	0	12	0	0
9. Mr. Vudhiphol Suriyabhivadh	0	203,060	50,000	50,000
10. Ms. Oranuch Apisaksirikul	0	80,000	312,500	862,500
11. Mr. Suthas Ruangmanamongkol	0	250,200	0	250,000
12. Mr. Panya Wotticharoenvong	5,000	100,044	100,000	100,000
13. Ms. Nattamon Issaradharm	0	0	92,000	162,000
14. Mr. Vanchai Manosuthi	10,000	50,000	117,500	217,500
15. Ms. Anchalee Bunnag	(20,000)	130,000	287,500	377,500
16. Ms. Chutintorn Vigasi*	0	324	7,500	7,500

* Head of Corporate Accounting

Human Resource Management

In 2003, the company has turned its human resource management to the Competency-Based Approach. The company identified 3 levels of competencies that will drive the organization to achieve its vision of “To be customers’ first choice”. The three sets of competencies were organisational, leadership and functional competencies. This was to strengthen the capability of business operations, corporate culture and values and support the well being of good corporate governance. The company has aligned all HR practices to the defined competencies, starting from recruitment through training, development, promotion, succession planning and rewarding system.

The company also launched the implementation of Broad Banding System for job structure and compensation management to enable the organisation to be more mobilised in people management, have less hierarchy and promote lateral career movement.

To improve overall performance, the company embedded the new Performance Management System in all functions across the company. The new system comprised business goals setting, competencies required for each job, feedback and coaching process, training and development, performance appraisal and rewarding system that link to performance and competencies of individual and team.

Organisation Development

To strengthen shareholders’ value, effective organisation development was considered one of the company’s strategic thrusts from the year 2003 onwards.

Strategy alignment was under the spotlight to ensure organisation efficiency and effectiveness. Management took priority to align corporate strategy with business strategies and ensured that all performance measurements were meaningful to the business and being good guidance for employees’ behaviours. Describing and executing the strategy were the heart of the game. The company adopted the balanced scorecard system to help implementing business strategy where rewarding system was tied up and aligned with key performance indicators (KPI) stated in the balanced scorecard.

Corporate Governance



Being well aware of the significance of good corporate governance, the company has formulated the Corporate Governance Policy, in full conformity with the Code of Best Practices as stipulated by the SET, to ensure that the company and its subsidiaries carry out their duties with maximum accountability, transparency, and equitable treatments to all stakeholders so as to promote managerial integrity, effectiveness, and efficiency across the firm as well as bolster enduring business growth in line with the corporate plan and strategies.

The company's Corporate Governance Policy jointly adopted by the Board of Director and management was outlined hereunder:

1. Corporate Governance Guideline

The Corporate Governance Guideline was conducted to assist the Board of Directors in effectively carrying out their duties in compliance with the regulatory policy, legal framework, and business ethics. The Corporate Governance Guideline embraces all key issues of the code of best practices for directors, roles and structure of the board, relationships with stakeholders, information disclosure, and applicable laws and regulations related to directors. In addition, the Board of Directors has endorsed the codes of conduct and compliance manual to be applied in managerial and operational levels.

Since Corporate Governance Guideline is as crucial to directors as to operational level, the company ascertained that the employees at all levels have been kept well aware of the guideline which reflected the basic principles of the corporate governance. Accordingly, the compliance manual was in place to provide guidelines to employees in dealing with such matter as customer compliant, conflict of interest, control of internal information and confidentiality, and securities trading of employees etc.

2. Shareholders : Rights and Equitable Treatments

The company's shareholders, majority or minority, individual or institution, have been ensured of their rights to receive equitable treatments for fair access to all necessary company information correctly and timely, and for participation in the company shareholders' meeting. To protect shareholders' interests, all necessary information considered material is disclosed in an accurate, timely, and transparent manner to allow the general public to make informed investment decision. Adequate systems are established to support effective communications and management of shareholders relation affairs.

The annual general meeting of shareholders is held by the Board of Directors within 4 months from the date ending the accounting period of the company. The company announces the agenda of Shareholder Meeting to the public more than 1 month in advance. To allow adequate time for the

shareholders to study all the meeting material, notice of the meeting specifying all the relevant information is sent to the shareholders not less than 7 days before the date set for the meeting.

The company also facilitates the shareholders who were unable to attend the meeting by preparing the power of attorney for the shareholders to authorise an Independent Director, the Chief Executive Officer, the Chief Operating Officer or any other person to attend the meeting on behalf of them.

3. Various Groups of Stakeholders

It is the company's policy to ensure that the rights and interests of all stakeholders are well protected. The principal stakeholder groups of the company include the shareholders and investors, depositors and creditors, management and employees, the customers and suppliers, external auditors and concerned state agencies and the communities in which the company's activities are located.

Since each stakeholder has different objectives and expectations, the Board has carefully considered the differing stakeholders' legal rights, and ensured that those rights were protected and treated with care. Co-operation between the company and various groups of stakeholders has been promoted in order to secure business wealth and stability.

The company has provided channels to receive customer complaints and resolve problems fairly and carefully. The company has ensured that the company had kept customers information confidential, honored the agreements given to trading partners, encountered competition fairly and with integrity, treated employees fairly and equally, as well as taken social responsibility seriously.

4. Shareholders' Meeting

In the shareholders' meeting, chairman of the meeting allocated appropriate time and encouraged equal opportunities for shareholders to express their opinions and raise and question at the meeting, in relation to the agenda and the issues presented to the meetings.

The company has also ensured that shareholders received equitable treatments in the shareholders' meeting. The company has conducted the meeting in accordance with stipulated laws and regulations regarding a call for shareholders' meeting, submission of notice of the meeting, notification of meeting agendas as well as provision of all necessary information to be used by shareholders' when making investment decision. Moreover, all material information e.g. queries and opinions were recorded and reported in the minutes of the meetings. Finally, the company has made endeavor to ensure that every director attended the meetings.

5. Leadership and Vision

The Board of Directors is ultimately accountable for the business plan and performance of the company. It shall ensure that the company achieves its goals by charting out effective long-term strategic plans, short-term business plans, and the corporate target. It is thus essential that the Board, and also senior management who support the board, possess the leadership, vision, and independent decision-making capabilities for the best interests of the company and its shareholders. It is also imperative that the board ascertains a general understanding of the overall business of the company, and is able to supervise that company policies are being carried out effectively and efficiently by the management.

The Board has oversees the development of a long-term strategic plan, which reflected its general business directions and vision, and short-term business plans with measurable targets. It approved policies and procedures developed by management in areas of crucial importance, and communicated clear standards of performance in implementing the policies. It also established the norm of periodically reviewing policies and business performances of the company and internal audit operation.

6. Conflict of Interests

To remove issues of conflict of interests from all levels of the structure and business conduct, the Board laid down the structure and composition of committees and sub-committees in accordance with the Corporate Governance Guideline to ensure that the code of ethical practices was established and implemented at all significant levels.

Under the company's Corporate Governance Guideline, the employees have to comply with the stipulated laws and regulations, conduct their duty honestly and consider the company's benefits above their own's. The company has compiled business guidelines, relevant regulations and code of conducts to be included in the compliance manual which was declared in the company's intranet. This manual includes criteria and resolution system to protect conflict of interests.

The company has no policy to encourage transactions between related parties. Should any such transaction occur, the conditions would be the same as for the company's and its subsidiaries' other normal business transaction. In addition, the interested persons shall not be entitled to vote for the approval of the said transaction. Disclosure of such information shall also be made.

Furthermore, the company has set out rules regarding employees' securities trading by stating that the employees must open trading accounts with TISCO Securities Co., Ltd., its subsidiary. The employees had to seek approval of or report to the supervisors and the Compliance Unit before execution. Moreover, the company also prohibited the management and insiders from trading the company's shares from last working day of the month until the day the company's monthly financial statements are published. Penalties shall be prescribed for any breaches. Finally, the directors had to notify their share holding to the Audit Committee at the end of each quarter.

7. Business Ethics

The company has introduced code of business ethics as part of the compliance manual for management and employees at all levels to perform their duties in line with corporate plan with honesty and fairness to the company, all stakeholders and the public. The company has assured that compliance with these ethics will be maintained while penalties have been imposed for any violations.

Directors shall follow the duties of care and loyalty, in which they are jointly liable for any damage to the company in an alleged breach of the duties. Duty of care governs that directors should take reasonable steps to be in a position to monitor the company's affairs with sufficient understanding of the business of the company. Duty of loyalty governs that directors must act honestly to preserve the interests of the company and comply with the company's Articles of Association and applicable laws.

8. Balance of Power for Non-Executive Directors

The Board's compliance roles included the duty to ensure that appropriate systems that provide accountability and transparency are set up and implemented by management. The Board of Directors itself has been structured to ensure accountability and no single individual or group had unfettered power. As a principle to promote good balance of power, the Board contained at least 5 directors and one-third of which was independent, with a minimum of 3. The independent directors were expected to demonstrate their independence and objectivity to prevent any conflicts of interests (and possess qualification standard as that of the Notification of the SET).

The Chief Executive Officer chaired the Executive Board, but the position was separated from the Chairman of the Board of Directors. This was to ensure a balance of power and authority and to avoid a situation where a single individual had unfettered powers in decision making.

9. Aggregation of Segregation of Positions

The Board of Directors is accountable for clearly defined and separate roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination Committee, Executive Board and the Management Committee.

Apart from the Chairman of the Board of Directors, to further promote managerial effectiveness, 2 top executive positions were established to jointly oversee comprehensive managerial tasks. The Chief Executive Officer (CEO), who is also the Chairman of Executive Board, oversees long-term corporate strategies, policies, and shareholders' wealth creation and protection. The Chief Operating Officer (COO), who reports to the CEO and also a member of the Executive Board, oversees all day-to-day operations and short-term business performance.

10. Remuneration for Directors and the Management

The scale and components of remuneration for directors and management have been set by the company subject to the principle that such remuneration should be appealing enough to attract and retain quality directors, but avoid excessive pays. Remuneration for non-executive directors should be comparable to the general practice in the industry with regard to work experience and commitment, as well as the benefits each director brings. Executive directors and management should receive the remuneration that is linked to the performances of the company and to that of each director or management. Remuneration policy for directors shall be transparent and receive approval for the shareholders. The Board shall disclose in the annual report its remuneration policy and the amounts set for the directors and executives in accordance with the SEC's rule.

11. Board of Directors' Meeting

The Board meetings have been regularly scheduled in advance. At the meetings, the Chairman of the Board promoted prudent consideration and allocated appropriate time for the management to present adequate issues and enough for the directors to broadly discuss important matters with care.

In relation to the company's Articles of Association, the Board of Directors' meetings were held by the company at least once every three months except in some special cases to preserve the company's benefits. The company has ensured that written notice was sent to Board at least 7 days before the date of the meeting. The minutes of meetings containing all the material details were prepared and put in order for auditing purpose.



12. Committee

To achieve its high standards of performance, the Board delegated the sub-committees to take on tasks that require detailed review or in-depth consideration. Such sub-committees as the Executive Board, the Audit Committee, the Nomination Committee and etc. were, if necessary, entitled to make decisions on the Board's behalf or submit recommendations for its considerations, depending on the sub-committee's specific charter.

In particular decision, the Executive Board can also authorise the Management or sub-committees e.g. risk committee, credit committee, problem loan committee, etc. to make detailed review of certain matters on behalf of them.

13. Controlling System and Internal Audit

The Board delegated its day-to-day operational oversight to the Executive Board and Senior Management. The Executive Board annually prepared an assessment of the company's internal control system and reported findings to the Audit Committee for verification and further recommendation to the Board of Directors. In fulfilling its compliance role, the Board was responsible for monitoring operations by being aware and kept up-to-date on the company's operating environment. To ensure high standards of compliance, the Board delegated its day-to-day compliance oversight to the Audit Committee, who served the Board in monitoring compliance with the Board's policies, and internal and statutory regulations. The Audit Committee was composed solely of independent directors. The Chairman of the Board of Director chaired the Audit Committee. Internal Audit function directly report to the Audit Committee.

14. Directors' Report

The Board shall also provide a report indicating the performance of the company and important business activities during the year to the shareholders. Moreover, the Board is responsible for the assessment of the company's internal control system, in which the assessment is performed by the Executive Board and reviewed by the Audit Committee, as well as the certification of the accuracy of information in financial statements. The Board assigned the Audit Committee to review the financial statements of the company and ensure that they were presented in accordance with the generally accepted accounting principles and disclosed in an accurate and transparent manner to allow the investor to make informed investment decision. The Board will provide the above mentioned reports and the Audit Committee will provide the report on the audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report were exhibited in the annual report.

15. Relations with Investors

A dedicated corporate secretariat and investor relations function was established to represent the company in communication with all investors, analysts, and regulatory agencies concerned as well as to carry out good governance practices of the shareholders. The company focused on the transparency and equitability of information disclosure to shareholders. The press conferences chaired by the Chief Executive Officer, the Chief Operating Officer and Chief Financial Officer, were held with the aim at keeping the investors, analysts, fund managers including interested parties informed on the company's performance and allowing them to make any inquiries.

Control of Internal Information

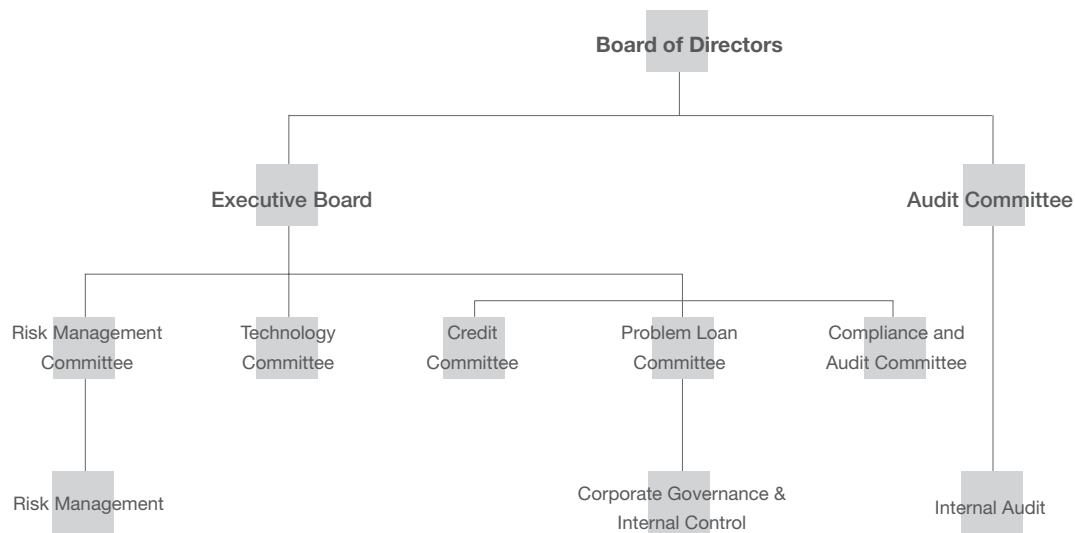
The company's has conducted the compliance manual as a guideline for employees to perform their duty fairly and honestly, comply with applicable laws and regulations, avoid conflict of interest, and not seek benefits from inside information. Business guideline, certain regulations as well as business code of conducts were compiled in the company's compliance manual. With respect to the company's regulation governing employees' securities trading, the company has prescribed management and employees to open trading accounts with TISCO Securities Co., Ltd., its subsidiary. In this regard, he or she must, as the case may be, seek approval of supervisors before execution or report to the supervisors and the Compliance function after the execution. Furthermore, the company has also prohibited the management and insiders from trading the company's shares from last working day of the month until the day the company's monthly financial statements are published. Penalties shall be prescribed for any breaches.

Internal Control

The importance of internal control system has always been the focus of the company. The key emphases are on the adequacy and appropriateness of the internal control system on all business operations, with the ability to protect company assets from damages or any misconduct of the employees or management of the company. Meanwhile, recommendations on internal control from the independent external auditor and the BoT's auditor are seriously taken into consideration.

For all business operations, clear goals and operating guidelines have been set up in a measurable way to ensure operational efficiency. The company also sets up training programs to increase staff knowledge and skills at many levels in order to improve efficiency and reduce operational errors. In addition, operating manual compliance manual and IT user manual are put into place to create thorough understanding and good compliance to rules and regulation of the company.

The Board of Director oversees all the internal controls system through the Executive Board and the Audit Committee, with the following organization structure.



1. The Executive Board oversees all the internal control systems of the company through delegated sub-committees namely; Risk Management committee, Credit Committee, Problem Loan Committee and Technology Committee. Effective policies and guidelines for internal control and risk management have been set up with clearly-defined roles and responsibilities and documented in writing.

- The Risk Management Committee is responsible for setting up effective risk management policies, guidelines and limits. The committee regularly reviews risk positions of the company and subsidiaries to ensure comprehensive and timely risk monitoring and control. Risk Management function supports the committee in assessing and monitoring company risks at portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports the risk positions to Risk Management Committee and relevant business line, and performs risks analyses of new businesses for the company and subsidiaries.
- The Credit Committee and Problem Loan Committee are responsible for setting up credit granting criteria and controlling loan approval procedures at transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Office supports the committees in assessing and controlling credit approval process of each transaction. In addition, Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.
- Compliance and Audit Committee is responsible for reviewing the internal control guidelines and processes, as well as following up and detecting issues and compliant related to internal control, to ensure that operational risks are thoroughly addressed.

Corporate Governance and Internal Control division, which comprises of credit office, internal control, compliance and legal functions, is responsible for reviewing and monitoring of the internal control system at the transaction level and report to the Chief Governance Officer. The Chief Governance Officer regularly reviews the internal control system of all business operations, while ensuring good compliance with the internal guidelines and related law and regulations.

- The Technology Committee is responsible for setting up effective IT technology policy and prudent operating guidelines to ensure the accuracy and security of information.

2. The Audit Committee independently reviews the assessment of the adequacy of the company's internal control system, as annually prepared by the Executive Board, in relation to the company's risks, and assesses that financial statement reports are transparent and accurate. The committee also reviews the policy and guidelines for internal audit to effectively assesses that all business operations have adequate internal control and are in compliance with the laws and regulations.

Internal Audit function is responsible for regular auditing of business operations in compliance with the policies and guidelines, and reporting to the Audit Committee. Internal Audit also coordinates with the management and relevant business units to improve the effectiveness of internal control systems.

Audit Committee Report

The Board of Directors of TISCO Finance Public Company Limited has appointed an Audit Committee comprising of three independent directors:

- | | |
|--------------------------------|---------------------------------|
| 1. Dr. Phisit Pakkasem | Chairman of the Audit Committee |
| 2. Ms. Krisna Theravuthi | Director |
| 3. Mr. Vudhiphol Suriyabhivadh | Director |

The Audit Committee performs the duties and responsibilities as prescribed by the charter of Audit Committee and carries out its duties independently. There are no restrictions on the Audit Committee's access to information. The Audit Committee appreciates the Management's full co-operation and provisions of resources, whenever requested. The Audit Committee supports the company's good corporate governance in accountability, transparency, fairness, integrity, and check & balance, which in turn will serve the best interests of not only shareholders but also employees and stakeholders.

In the year 2003, the Audit Committee held seven meetings. The Management, the Certified Public Accountant and Internal Auditors were invited to participate and to provide additional information, as deemed appropriate. The secretary of the Audit Committee kept minutes of the meetings. Reports on activities of the Audit Committee were presented to the Board of Directors at their meetings regularly. The Audit Committee performed the assigned duties and responsibilities as follows:

- Reviewing quarterly, semi-annual and annual financial statements reported by the Certified Public Accountant by setting up an enquiry and obtaining an explanation and additional information from the Management as deemed appropriate.
- Reviewing the company's internal control by acknowledging the results of review by the Certified Public Accountant and the Internal Auditor, setting up an enquiry and obtaining an explanation and additional information from the Certified Public Accountant, the Management and the Internal Auditor.
- Acknowledgment of the internal audit plan, the results of audit and the compliance report, and following-up actions on observations and recommendations made by the Audit Committee.
- Acknowledgment of the results of audit and the company's explanations on the issues raised by the Bank of Thailand and the Office of the Securities Exchange Commission.
- Meeting with TRIS Rating Company Limited to review the credit rating scheme.

- Considering and proposing for the appointment of a certified public accountant and the determination of audit fee.

The Audit Committee has suggested the Internal Audit Department to evaluate information systems covering all computerized data processing, and conduct management audit, in addition to operation audit. The Internal Audit should focus on the effectiveness of the organization, including value-added services, to determine efficient and economical utilization of organizational resources, as well as to evaluate conflicts of interest.

The Audit Committee has reviewed the company's business operation and direction in accordance with the Business Plan, especially on the strategic issues.

Upon taking all foregoing information into consideration, the Audit Committee agrees with the Certified Public Accountant that the company's financial statements and the disclosure of relevant information are adequate, complete and reliable in accordance with generally accepted accounting principles. The company has an appropriate internal control system and there is no significant non-compliance with regulations. The Audit Committee views that the company Board of Directors and the Management have determination to implement good corporate governance, and in the year 2003, the company's Board of Directors was awarded "Board of the Year" from the Thai Institute of Directors Association.

Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 2/2004 on February 26, 2004, where all the three independent directors at the Audit Committee were present, the Board assessed the company's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee.

The Board viewed that the company's internal control system is adequate based upon the assessment on five aspects, Organisational Control and Environment Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures and Monitoring, with details provided in Attachment 5.

Related Party Transaction

The company had no transactions between related parties.

The Measure or Procedure of an Approval on Related Party Transaction

All the transactions between related parties shall be done on the same basis and conditions as applied to the external parties. The information will be disclosed in transparent manner to satisfy the company's Good Governance and all the related regulations.

Future Related Transaction Policy

The company puts emphasis on effective management under good governance, and therefore has no policy to encourage transactions between related parties. Should any such transactions occur, the conditions would be the same as in normal business transaction for the company and subsidiaries.

Social Responsibility



At TISCO, social responsibility is a part of our corporate commitment. TISCO's social contributions are focused on projects that are self-sustaining, have a far-reaching and widespread effect, and are aimed at helping people to help themselves and their community. The company's social contributions were continuously made through the TISCO Foundation. In 2003, the company held a charitable event, TISCO Invitational Golf for Charity, to raise fund for the Foundation. The event was well supported by our customers and colleagues receiving total donation of Baht 1,361,000.

The TISCO Foundation

The TISCO Foundation for Charity was established on the company's 10th anniversary in 1982 as a non-profit organization, with the aim to positively effect the long term development of Thailand, by helping the under-privileged, to uplift and support the abilities of those in need. Donations to the fund came from the TISCO Group, its staff, its customers and the general public. The interest accrued and investment profits are used to serve the Foundation's main objectives which are providing nationwide youth scholarships, business start-up capital to aid self-reliance, and medical funding for the infirm.

In 2003, the TISCO Foundation handed out 3,616 scholarships worth Baht 7,249,610 to the needy students throughout the country to help them continue their education. In addition, Baht 62,920 were also given to charity ward patients and help underprivileged people to start-up small businesses. More than 20 years of continuous service have seen the Foundation conferred a "Public Charity Organization" status, and with it, the advantage of all donations received being fully tax deductible.

Employee Contribution

The Foundation, the company and the staff have established a very supportive partnership and together work to execute TISCO's social commitment. For nearly two decades now, an annual trip to provincial areas have been continuously organized for our staff to plant trees in the deforested areas. Last year, the reforestation activities were held at the Sirindhorn International Environmental Park, at Cha-am, Petchaburi Province.

Other staff activities include blood donation to the Red Cross four times a year, participation in environmental clean-up and other social activities arranged by the local authorities and communities.

Risk Management and Risk Factors



Credit Risk

Credit Risk is defined as the possibility of an obligor's failure to meet the terms of any contract with TISCO as agreed or to default on loan agreement. Credit risk if occurs without asset pledged requires the company to maintain higher provision for loan losses, which will then adversely affect net income and capital of the company.

TISCO has a credit risk management guideline that is comprehensively applied to all credit-related functions both at the portfolio and transaction levels. At the portfolio level, Risk Management Committee is responsible for managing and controlling portfolio credit risk, and performing capital allocation to cushion against credit risks. It also establishes various credit grading processes to standardize credit risk assessment. Meanwhile, the Credit Committee is responsible for approving and monitoring each credit transaction in compliance with the internal guidelines. Moreover, the Problem Loan Committee is set up to monitor and manage problem loan accounts and foreclosed assets. Credit risk factors are explained in details as follows:

Default Risk

Non-performing loans can be classified into substandard, doubtful, doubtful to loss, and loss according to the definitions of the Bank of Thailand (BoT). Due to the restructuring of commercial and mortgage loans, the company and its subsidiaries non-performing loan declined from Baht 3,846m in 2002 to Baht 3,415m in 2003, representing 7.0% of total loans and receivables.

It may be seen that NPLs of the company and subsidiaries decreased both in terms of amount and percentage of total loan portfolio. In addition, comparing to the total NPLs of 9.90% and 12.87% of all the finance companies and commercial banks in the system respectively, the NPL level was also below the industry average.

NPL Breakdown at the Year End of 2002 and 2003

	December 31, 2003		December 31, 2002		% Change
	Amount (Million Baht)	%	Amount (Million Baht)	%	
The Company					
Commercial	2,068.51	53.8	1,739.50	50.9	(15.9)
Retail					
Mortgage Loans	861.30	22.4	624.12	18.3	(27.5)
Car Hire Purchase	146.06	3.8	287.42	8.4	96.8
Others	27.73	0.7	38.83	1.1	40.0
<i>Total - The Company</i>	<i>3,103.60</i>	<i>80.7</i>	<i>2,689.87</i>	<i>78.8</i>	<i>(13.3)</i>
Subsidiaries					
Retail					
Car Hire Purchase	50.23	1.3	32.08	0.9	(36.1)
Motorcycle Hire					
Purchase	140.66	3.7	148.24	4.3	5.4
Others	551.69	14.3	545.23	16.0	(1.2)
<i>Total - Subsidiaries</i>	<i>742.58</i>	<i>19.3</i>	<i>725.55</i>	<i>21.2</i>	<i>(2.3)</i>
Total - The Company and Subsidiaries	3,846.18	100.0	3,415.42	100.0	(11.2)

Most of company's NPLs were contributed from commercial and mortgage loans while there was only a small portion of NPLs in the hire purchase portfolio, which is TISCO's largest loan portfolio. In 2003, restructured NPLs that failed to meet the obligations as agreed, stood at Baht 783m, represented 18.25% of total restructured loan. The company signed debt restructuring agreements totaling Baht 2,233m mostly by method of revision of restructured terms & conditions.

In order to cushion for potential losses from the existing and potential NPLs, debt restructuring, and deterioration of collateral value, at the end of 2003, the company and its subsidiaries has a total reserve allowance for doubtful account and loss on debt restructuring of Baht 4,599.63m (Baht 3,881.63m for the company and Baht 718m for subsidiaries). The company and its subsidiaries' total reserve allowance to total NPLs ratio was 134.7%.

Out of the company's Baht 3,882m allowance, Baht 2,639m was the reserve required by the Bank of Thailand. With a conservative provisioning policy, the company's total reserve was 147% of the Bank of Thailand's requirement. This excess provision will be used to absorb unexpected losses in the future implying that if the NPLs do not significantly increase, the requirement for reserve allowance provisioning should become stable at the normal level just to sufficiently support the business expansion.

Concentration Risk

As of December 31, 2003, the outstanding portfolios of hire purchase and commercial loans were 66.42% and 13.31% of total credit portfolio respectively. The hire purchase portfolio of which concentration was very low, had an outstanding of Baht 32,541m and an average loan size per account of only Baht 221,289. Top-10 borrower exposure stood at Baht 183m, or 0.56% of total hire purchase portfolio or 0.37% of total credit portfolio.

For commercial loan portfolio, there was no substantial concentration in any specific industrial sectors. The portfolio spread into different sectors, including agriculture and commerce of Baht 3,283m, property and construction of Baht 1,665m, and services and utility of Baht 1,557m, representing 50.35%, 25.54%, and 23.88% of total commercial loan portfolio, and 6.69%, 3.39%, and 3.17% of total credit portfolio, respectively. However, as top-10 borrower exposure accounted for 52.64 % of total credit portfolio, or Baht 3,432m, the portfolio credit quality was closely monitored and sufficient collaterals were required to ensure that risks were well controlled within the manageable level.

Collateral Risk

About 93.15% of the total lending portfolio were asset backed or with collaterals. For the hire purchase portfolio, an underlying asset under the loan agreement itself is still owned by the company. In case that the borrowers of hire purchase loans can not meet the terms and conditions, the company can follow up and seize the underlying assets immediately. The period of repossession and asset liquidation processes can be completed shortly in just 1 month.

A major risk factor for hire purchase business was the market value of used car. A substantial decrease in the market value of used car resulted in credit loss, which directly affected net income and capital of the company. Market price change of used car depended on market demand, type, brand of used car and tax regulation which affects new car price.

However, following the past records, recovery rate of asset liquidation in the secondary market was somewhat high at 70% - 90% of remaining net financing amount, well absorbing losses from defaulted loans. The company attempted to minimize the credit risk by regular updating information of used car market, requiring high-valued collateral, sufficient down payment, and well-known brand in the secondary market.

For commercial and mortgage loans, most collaterals against granted loans were real estates of which the value could be deducted in loan loss provisioning. Collateral values were appraised according to BoT's regulation on an annual basis by both independent and internal appraisers. The collateral value used in loan loss provisioning would be the lower of the two appraisal values. The proportion of collateral value used for deducting provisioning requirement for NPLs was 24% of total outstanding NPLs.

There were risks from real estate value changes which depended on economic condition. The recession of Thai economy might result in lower value which caused the company to reserve higher loan loss provision. Moreover, legal process in collateral acquisition through related laws and enforcement was costly and time consuming. However, the process was closely monitored on a regular basis.

Property Risk from Foreclosed Assets

The outstanding of asset disposal of TISCO Group as of December 31, 2003 was Baht 1,414m or 2.35% of total assets. Major assets were lands and buildings which accounted for 81% and 16% of total asset disposal, respectively. In year 2003, the company sold foreclosed assets amounting to Baht 468m and realized a gain of Baht 18m or 1.27% of the accounting cost. The company continued to liquidate foreclosed assets in alignment with BoT guideline that any foreclosed assets acquired from January 1, 1997 to December 31, 2003, shall be sold within 10 years.

Market Risk

Market risk is an uncertainty in adverse changes of securities' price and interest rates which directly affect net income, capital, asset value, and liabilities of the company.

TISCO adopts a financial analytical tool, called Value at Risk (VaR), in assessing and controlling market risk. VaR is measured to determine an impact of unexpected market events to our capital position and financial performance. With VaR concept, our investment strategy is developed to maximize risk-adjusted return on capital. Important market risk factors are provided as follows.

Equity Price Volatility

As of December 31, 2003, equity portfolio of TISCO Group stood at Baht 4,594m, comprising Baht 3,412m listed equity in market value and Baht 1,182m non-listed equity in accounting value.

Along with a surge of the SET index, the company obtained a profit of Baht 496m. There was also an unrealized gain of Baht 1,220.67m in the available-for-sale portfolio which have not been realized as income in the financial performance during the year.

(1) Listed Equity Risk

Listed equity investment portfolio was at Baht 3,412m, consisting of Baht 78m in trading book, in which a change in the equity value is directly affected in the income statement, and Baht 3,334m in available-for-sale book in which a change in its value will impact the company's equity through unrealized gains or losses. At year-end of 2003, the unrealized gain from the available-for-sale investment equaled to Baht 1,220.67m, which is considered as part of capital reserve for investment risk in case of substantial drop in the equity price.

The company calculates VaR for risk assessment purpose and reports to management in charge and Risk Management Committee on a daily basis. VaR is a maximum potential loss at a pre-defined confidence level and time horizon. Daily VaR at 99% confidence level, as of December 31, 2003, was Baht 122m. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at Baht 1,182m, increased from Baht 1,009m in 2003. The increased value was mainly resulted from debt-to-equity conversion from debt restructuring.

As of December 31, 2003, the outstanding allowance for investment impairment was at Baht 272 m, down by Baht 8m from the previous year. The outstanding fair value of the total portfolio was Baht 1,674m, well above the accounting cost by Baht 492m.

Presently, our investment strategy is not to increase non-listed equity portfolio size. The company emphasizes on seeking an opportunity to liquidate them together with close monitoring of the portfolio quality on a regular basis. However, during 2003, there was no liquidation of non-listed equity securities from the portfolio.

Interest Rate Risk

Interest rate risk can be classified into 2 types namely risk from interest-bearing assets and liabilities profile, and fixed-income risk.

(1) Risk from Interest-Bearing Assets and Liabilities Profile

Interest rate risk incurs when there is a mismatch in the re-pricing period of assets and liabilities. A movement of interest rate may cause higher cost of borrowing when compare to earnings, resulted in lower interest rate income, and then influence company income and capital.

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at the appropriate level. TISCO's interest-bearing assets and liabilities structure, as of December 31, 2003, is provided in the following table.

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 month	Changed within 1-2 year	Changed within 2 year	Total
Assets	9,870	15,349	8,572	26,472	60,263
Liabilities	9,366	19,584	5,883	14,709	49,542

According to the interest rate re-pricing mismatch structure, the company is exposed to a small interest rate rise. It is Calculated that if interest rate increases by 100 basis points, one-year net interest income would decrease by Baht 39m, comparing with the net income from interest, and dividend, of Baht 2,349m in year 2003.

(2) Fixed Income Risk

Fixed-income risk arises from a decrease in value of the fixed-income instruments when interest rate increases. As yield in the market goes up, the mark-to-market value of the fixed-income instrument decreases to maintain yield at the same level with that of the market.

TISCO Group's fixed-income portfolio as of December 31, 2003 stood at Baht 3,465m. Most of fixed-income position was held to maintain liquidity according to the BoT's requirements. Average day-to-maturity of the portfolio was 0.81 years while its average duration was at 0.49 years. Fixed-income risk was relatively low as a result of short-term investment period for the purpose of maintaining liquidity reserve.

Liquidity Risk

Liquidity risk is an uncertainty that the company cannot meet obligations to repay debts when they come due, as a result of failure in cash management or raising fund to meet demand in time. Liquidity risk comes from internal and external factors. Internal factors are maturity mismatch profile of assets and liabilities and liquid assets level while market liquidity and market confidence of depositors are external factors affecting liquidity risk.

As of December 31, 2003, TISCO Group's liquid assets, which comprised of cash and deposit at financial institutions, were Baht 1,193m, comparing with Baht 832m at the year-end of 2002. Loans to financial institutions and repurchase agreement had an outstanding of Baht 638m, comparing with the last year outstanding of Baht 735m. There were short-term investments in government and state enterprise bonds amounting to Baht 2,257m, comparing with Baht 1,808m from the previous year, and corporate fixed-income securities amounting to Baht 710m, comparing with outstanding in 2002 of Baht 328m.

Currently, liquidity risk from the maturity mismatch was somewhat low under behavioral adjustment. Cash inflows from earning assets were sufficient to service all debts within 1 year. The maturity mismatch profile under behavioral adjustment is shown as follows.

(unit: million baht)

Contractual Period	<= 1 Yr	> 1 Yrs	Total
Assets	14,660	38,433	53,093
Liabilities	(9,957)	(37,786)	(47,743)
Net Gap	4,703	647	5,350

Information from Maturity Mismatch Report based on BoT standard

Liquidity risk management is overseen by Risk Management Committee which is responsible to ensure the formulation and implementation of asset & liability strategies, management of liquidity reserve and funding risk profile, and analyze fund raising procedure. Liquidity reserve, funding concentration, amount of daily withdrawal, and the residual of the cash flow mismatch between maturing assets and liabilities will be regularly monitored by Risk Management Committee to ensure that funding risks are contained within the acceptable risk tolerance level. Moreover, there is also the liquidity management contingency plan to handle the liquidity crisis situation with clearly stated procedures and guidelines.

Operational Risk

Operational risk is an uncertainty in operational losses caused by failure or insufficiency of internal processes, people, system, compliance to laws and regulations or external factors. There are both financial and non-financial damages to the company, such as reputation and business opportunity.

As TISCO Group performs many financial business operations, operational risks are different in each operation. Operational risks are managed and control through prudent control processes and well-structured organization with well supported check and balance system.

Risk Management Committee oversees and assesses firm-wide framework for operational risk management. At business level, Chief Governance Officer is accountable to manage operational risks in each business line, within the given risk policies and guidelines. All internal control processes shall be examined by the Audit Committee which directly reports to Board of Director. The company is in the process of developing operational risk assessment for each business line by self-assessment method, following the best practice of BoT and the Basle Committee of Banking Supervision.

Strategic Risk

Strategic Risk is an uncertainty that the company makes adverse business decisions or improper implementation of those decisions in relation to external business and regulatory environments that may affect earnings and capital of the company.

The company manages strategic risk by setting up 3-year strategic plans to provide clear business directions together with operating budget. The plan is reviewed on an annual rolling basis and will be used to compare with actual performance on a monthly basis.

Risk from Economic Conditions and Business Competition

Although the company diversifies its businesses in high potential areas, most of them are influenced by change in economic conditions. For finance and hire purchase business, the growths are directly affected by economic conditions. High economic growth results in high growth in the asset size and revenues of the company, and vice versa.

As our major investments are in stock market, economic outlook is very important to the company's financial performance. Under bullish economy, equity price tends to increase significantly, resulting in improved company's profit and capital. Conversely, unexpected events, such as terrorist attack, may cause a substantial drop in the equity values, adversely affecting the company's financial performance. Moreover, brokerage and underwriting business also depends on condition of the stock market.

Asset management business depends slightly on economic condition as fee income is based on net asset value of funds under management. Profit and loss from investment does not directly affect the company's financial results. However, higher competition is a major risk factor in this business, yet recently the trend is perceived to become slightly more favorable.

Risk from Capital Adequacy

As of December, 31, 2003, capital adequacy ratio stood at 21.4%, well above the BoT requirement of 8%. With an internal risk measurement of capital adequacy, the required risk-based capital requirement stood at Baht 5,036m, accounting for only 49% of total capital base of Baht 10,277m. The company maintained provision to loan loss exceeding the requirement of BoT by 47%.

Risk from Regulatory Change

Financial Sector Master Plan, announced by BoT on January 13, 2004, will favorably affect long-term strategy of the company. With respect to the potential commercial bank upgrade, the company will be able to expand more businesses in the commercial banking areas. However, higher competition from liberalization will also increase risk to the business success.

Risk from TISCO Affiliates' Financial Performance

Revenues from affiliates account for 50.4% of total revenues, which significantly affect the overall company's incomes. Revenues from affiliates are 17.9% from brokerage business, 14.5% from investment banking and asset management, and 13.0% from interest rate and dividend incomes.

Businesses conducted by affiliates are influenced by market activities and overall economic condition. However, risk from the securities and asset management businesses will mainly impact profitability of the company but will have no severe impact on the capital as the businesses focus on services rather than lending or investment.

Internal control and risk management of the subsidiaries companies are centralized at the company, on which the company will apply the same standard of guidelines. In addition, the company sends its representatives as directors in the subsidiaries for at least half of the total directors and will participate in setting important business policies. The annual business plans of subsidiaries must be approved by the company.

Other Risks

Risk Concerning the Rights from Holding Securities

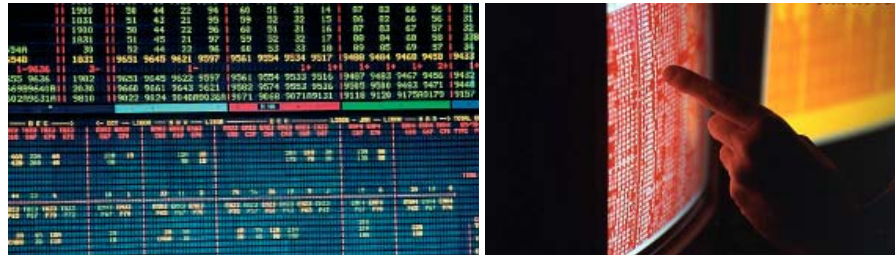
As of December 31, 2003, the company's paid-up capital is divided into 530,591,820 common shares and 181,127,680 preferred shares. Preferred shareholders will receive rights and interests privileged to that of common shareholders as detailed below.

Preferred share can be converted into common share on 1:1 basis and has the same rights and benefits as those of common share holders except:

- (1) Preferred shareholder will receive a dividend of 1 baht per share prior to common shareholder. In addition, the company may pay dividend to preferred shareholder without a payment to common shareholder.
- (2) Preferred shareholder has the first right to claims, in the case of bankruptcy, prior to common shareholder
- (3) Preferred shareholder has the right to reduce capital after the common shareholder in the case of capital decrease to eliminate retained loss.

The above rights of preferred shares will be expired on June 30, 2009.

Important Financial Ratio



	2003	2002	2001
Profitability Ratio			
Gross Profit Margin (%)	79.50	74.13	67.02
Net Profit Margin (%)	41.13	34.49	27.47
Return on Average Shareholders' Equity (%)	21.41	16.93	14.76
Interest Income Ratio (%)	6.63	7.39	7.86
Interest Expense Ratio (%)	2.90	3.22	3.69
Interest Spread (%)	3.73	4.17	4.17
Return on Investment (%)	11.41	14.25	8.65
Efficiency Ratio			
Net Interest Income to Total Assets (%)	4.29	4.37	4.03
Return on Average Asset (%)	3.45	2.40	1.91
Total Asset Turnover (times)	0.11	0.11	0.10
Financial Ratio			
Debt to Equity Ratio (times)	4.62	5.30	6.01
Total Loans to Total Borrowing and Deposits (%)	130.40	121.63	85.64
Total Loans to Public Borrowing (%)	144.78	132.30	91.90
Public Borrowing to Total Liabilities (%)	68.45	74.74	88.20
Dividend Payout Ratio (%)	0.00	0.00	0.00
Asset Quality Ratio			
Allowance for Doubtful Account to Total Loans (%)	9.37	11.49	6.60
Bad Debt and Doubtful Account to Total Loans (%)	0.54	1.14	(0.06)*
Non-performing loans to loans (%)	13.05	19.39	16.37
Loan loss provision to Non-performing loans (%)	134.67	122.26	85.81
Accrued Interest Receivable to Total Loans (%)	0.22	0.27	0.62
Other Ratio			
Securities Business Receivables to Finance Business Loans and Receivables (times)	0.08	0.03	0.03
Capital to Risk Weighted Assets (BIS) (%)	21.42	19.45	16.82
Net Capital Rule (TISCO Securities) (%)	35.10	254.32	273.08

*Reversal of bad debt and doubtful accounts

Management Discussion and Analysis

Operating Results

Operating Results for the Year 2003

The company and its subsidiaries consolidated net profit of 2003 was Baht 1,890.28m, an increase of 63.8% y-o-y. The major contribution to the net profit rise was not only a strong expansion of hire purchase business but also the very strong growth in brokerage, asset management and investment banking businesses. While hire purchase portfolio grew 38.6% y-o-y, its interest income rose by 30.3% y-o-y to Baht 2,410.07m. Meanwhile, brokerage commissions and fee income rose by 133.4% to Baht 824.86m, and 90.2% to Baht 1,046.12m, respectively. Fully diluted EPS were Baht 2.60 in 2003, representing 62.5% growth y-o-y. An average annualized ROE (excluding minority interest) was 21.4%.

(1) Consolidated Revenue Structure

Revenue structure of the company and its subsidiaries for 2002 and 2003 was illustrated below.

Consolidated Revenue Structure

Type of Revenue	2003		2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
The Company					
Interest and dividend income					
Loan and deposits	818.44	17.8	1,012.36	30.3	(19.2)
Hire purchase and financial lease	1,684.70	36.7	1,240.37	37.1	35.8
Securities	283.25	6.2	467.33	14.0	(39.4)
Expenses on borrowings	(1,098.72)	(23.9)	(1,196.97)	(35.8)	(8.2)
Net interest and dividend income	1,687.67	36.7	1,523.09	45.5	10.8
Bad debts and doubtful accounts	(201.30)	(4.4)	(484.46)	(14.5)	(58.4)
Interest and dividend income - net of bad debts and doubtful accounts	1,486.37	32.3	1,038.63	31.0	43.1
Non-interest income					
Fee and charges	378.81	8.2	193.78	5.8	95.5
Gain on trading securities	303.74	6.6	508.91	15.2	(40.3)
Others	109.31	2.4	185.62	5.5	(41.1)
Total non-interest income	791.86	17.2	888.31	26.6	(10.9)
Total - The Company	2,278.23	49.6	1,926.94	57.6	18.2

Type of Revenue	2003		2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
Subsidiaries					
Interest and dividend income					
Loans and deposits	18.71	0.4	24.11	0.7	(22.4)
Hire purchase and financial lease	725.37	15.8	609.36	18.2	19.0
Securities	34.87	0.8	15.54	0.5	124.4
Expense on borrowings	(117.44)	(2.6)	(70.06)	(2.1)	67.6
Net interest and dividend income	661.51	14.4	578.95	17.3	14.3
Bad debts and doubtful accounts	(64.46)	(1.4)	(33.29)	(1.0)	93.6
<i>Interest and dividend income - net of bad debts and doubtful accounts</i>	<i>597.05</i>	<i>13.0</i>	<i>545.66</i>	<i>16.3</i>	<i>9.4</i>
Non-interest income					
Brokerage fees	824.86	17.9	353.34	10.6	133.4
Fee and charges	667.31	14.5	356.16	10.6	87.4
Gain on trading securities	192.53	4.2	115.85	3.5	66.2
Others	36.00	0.8	47.67	1.4	(24.5)
Total non-interest income	1,720.70	37.4	873.02	26.1	97.1
Total - Subsidiaries	2,317.75	50.4	1,418.68	42.4	63.4
Total - The Company and Subsidiaries	4,595.98	100.0	3,345.62	100.0	37.4

(2) Net Interest and Dividend Income

Net interest and dividend income after provision for 2003 increased by 31.5% y-o-y to Baht 2,083.40m. This was contributed from 30.3% y-o-y increase in hire purchase interest income, together with the decline in provision. The company and its subsidiaries bad debts and doubtful accounts in 2003 declined by 43.5% y-o-y to Baht 263.08m as the company and its subsidiaries accelerated the allowance in 2002, while the allowance in 2003 was provided according to normal business expansion only. Loss from troubled debt restructuring also declined by 95% y-o-y to Baht 2.68m.

Interest spread

(%)

	2003	2002
Yield	6.63	7.39
Cost of fund	2.90	3.22
Interest spread	3.73	4.17

In 2003 the interest spread was 3.73%. This was due to a decrease in the yield to 6.63%, while the cost of fund also decreased from 3.22% in 2002 to 2.90% in 2003.

(3) Non-Interest Income

Non-interest income for 2003 increased 42.7% y-o-y to Baht 2,512.57m. This was due to increase in brokerage fees by 133.4% y-o-y following a buoyant stock market condition in 2003. Trading volume of TISCO Securities Company Limited ("TISCO Securities") increased by 95.4% y-o-y to Baht 314,112.05m in 2003.

The company and its subsidiaries fee income in 2003 increased 90.2% y-o-y to Baht 1,046.12m due to an increase of fee from asset management and investment banking businesses. Gain on securities trading declined by 20.6% to Baht 496.27m due to gain from non-listed securities booked in 2002.

(4) Operating Expenses

By reducing fixed expenses and increasing variable expenses, namely personnel expenses, following business expansion, the company and its subsidiaries operating expenses, exclusive of goodwill write-off, increased 19.4% y-o-y to Baht 2,344.71m.

As a result of Baht 833.48m goodwill fully written-off, the operating expenses including goodwill write-off, increased 61.8% y-o-y to Baht 3,178.18m. Taking this into account, the company and its subsidiaries will save the goodwill amortization expense by Baht 48.00m per year for the next 17 years.

(5) Corporate Income Tax

For 2003, the company and its subsidiaries recognized corporate income tax expenses from taxable income of Baht 656.37m. After deducting loss carried forward of Baht 374.63m, the company and its subsidiaries corporate income tax was Baht 281.74m. Due to the economic expansion in 2003, the company and its subsidiaries recorded deferred income tax benefits of Baht 797.72m. (see details in “Deferred Tax Assets”) As a result, the company and its subsidiaries corporate income tax for 2003 was a gain of Baht 515.98m.

Financial Position

(1) Assets

Total assets increased 22.5% from the end of 2002 to Baht 60,263.25m (Baht 48,061.60m for the company and Baht 12,201.65m for subsidiaries), driven by 38.6% expansion of hire purchase portfolio from Baht 23,473.97m to Baht 32,541.40m. Investment in securities as of the end of 2003, increased 31.0% from the end of 2002 to Baht 8,095.58m.

- Investment in Securities

At the end of 2003, total investment in securities increased from the end of 2002 by 31.0% to Baht 8,095.58m. Investment in equity increased 58.8% to Baht 4,197.93m, due mainly to a mark to market gain, while the increase in fixed income investment was for liquidity reserve purpose following the business expansion. None of the investment in any security is more than Baht 300m or more than 10% of the value of total portfolio except the rise of its market price.

Investment in Securities Breakdown

Type of Securities	December 31, 2003		December 31, 2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
The Company					
Fixed income	3,324.71	41.1	3,423.63	55.4	(2.9)
Equity	3,876.64	47.9	2,193.94	35.5	76.7
FRA	6.53	0.1	6.53	0.1	0.0
<i>Total - The Company</i>	<i>7,207.88</i>	<i>89.0</i>	<i>5,624.10</i>	<i>91.0</i>	<i>28.2</i>
Subsidiaries					
Fixed income	566.41	7.0	108.01	1.7	424.4
Equity	321.29	4.0	449.02	7.3	(28.4)
<i>Total- Subsidiaries</i>	<i>887.70</i>	<i>11.0</i>	<i>557.03</i>	<i>9.0</i>	<i>59.4</i>
Total - The Company and Subsidiaries	8,095.58	100.0	6,181.13	100.0	31.0

- Loans and Receivables

As described hereunder, total loans and receivables at the end of 2003 increased 20.0% from the end of 2002 to Baht 48,992.18m, representing 81.3% of total assets.

Loans and Receivables Breakdown

Type of Business	December 31, 2003		December 31, 2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
The Company					
Commercial Lending					
Manufacturing and commerce	3,261.12	6.7	3,775.18	9.2	(13.6)
Real estate and construction	1,665.28	3.4	3,080.08	7.5	(45.9)
Public utilities and services	1,557.35	3.2	2,655.39	6.5	(41.3)
Others	14.86	0.0	14.86	0.0	0.0
Retail					
Hire purchase	27,265.91	55.7	18,671.44	45.7	46.0
Housing	2,430.66	5.0	2,665.51	6.5	(8.8)
Others	4,063.57	8.2	3,865.56	9.7	5.1
<i>Total - The Company</i>	<i>40,258.73</i>	<i>82.2</i>	<i>34,728.02</i>	<i>85.1</i>	<i>15.9</i>
Subsidiaries					
Commercial Lending					
Manufacturing and commerce	21.59	0.0	30.94	0.0	(30.2)
Retail					
Hire purchase	5,275.50	10.8	4,802.53	11.9	9.8
Securities Business Receivables	3,428.00	7.0	1,099.60	2.7	211.7
Others	8.36	0.0	165.10	0.4	(94.9)
<i>Total - Subsidiaries</i>	<i>8,733.45</i>	<i>17.8</i>	<i>6,098.17</i>	<i>15.0</i>	<i>43.2</i>
Total - The Company and Subsidiaries	48,992.18	100.0	40,826.19	100.0	20.0

An increase in loans and receivables was mainly due to the expansion of hire purchase portfolio, which continuously expanded from Baht 23,473.97m as at the end of 2002 to Baht 32,541.40m as at the end of 2003, or 38.6% increase.

In 2003, distinctively rise in trading volume from cash account clients took a major part in 211.7% increase in securities business receivables as compared to those in 2002 since the payment of securities must be made in the next 3 business days.

Loans Classified by Remaining Periods of Contracts

	December 31, 2003		December 31, 2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
Finance business loans and receivable					
At call (included contracts which are due)	2,057.23	4.5	3,310.86	8.3	(37.9)
Not over 1 year	4,519.38	9.9	5,117.53	12.8	(11.7)
Over 1 year	38,987.56	85.4	31,298.20	78.6	24.6
Total finance business loans and receivable	45,564.18	99.8	39,726.59	99.7	14.7
Accrued interest receivable	106.29	0.2	112.13	0.3	(5.2)
Total finance business loans and receivable and accrued interest receivable	45,670.47	100.0	39,838.72	100.0	14.6

- Non-performing Loans

Due to the restructuring of commercial and mortgage loans, the company and its subsidiaries non-performing loan, following the new BOT definition, declined from Baht 3,846.18m in 2002 to Baht 3,415.42m in 2003, representing 7.0% of total loans and receivables. The breakdown of the NPL by business area is as follows.

NPL Breakdown by Area

	December 31, 2003		December 31, 2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
The Company					
Commercial	1,739.50	50.9	2,068.51	53.8	(15.9)
Retail					
Mortgage loans	624.12	18.3	861.30	22.4	(27.5)
Car hire purchase	287.42	8.4	146.06	3.8	96.8
Others 38.83	1.1	27.73	0.7	40.0	
Total - The Company	2,689.87	78.8	3,103.60	80.7	(13.3)
Subsidiaries					
Retail					
Car hire purchase	32.08	0.9	50.23	1.3	(36.1)
Motorcycle hire purchase	148.24	4.3	140.66	3.7	5.4
Others 545.23	16.0	551.69	14.3	(1.2)	
Total - Subsidiaries	725.55	21.2	742.58	19.3	(2.3)
Total - The Company and Subsidiaries	3,415.42	100.0	3,846.18	100.0	(11.2)

- Allowance for Doubtful Account and Loss on Debt Restructuring

At the end of 2003, the company and its subsidiaries allowance for doubtful account and loss on debt restructuring was Baht 4,599.63m (Baht 3,881.63m for the company and Baht 718.00m for subsidiaries). The company and its subsidiaries allowance for doubtful account and loss on debt restructuring to NPL ratio was 134.7%.

The company allowance was Baht 3,881.63m, out of this amount, Baht 2,639m was the reserve required by Bank of Thailand (“BoT”). With conservative provisioning policy, the company and its subsidiaries total reserve was 147% of the BoT requirement.

- Deferred Tax Assets

In accordance with the international accounting standard, the company and its subsidiaries provide for deferred income tax resulting from temporary differences in income and expenses recognized for financial reporting and income tax reporting purposes. Accordingly, the income tax applicable to income, which is not currently recognized, or to expenses, which are not currently deductible for income tax purposes, is set up as “Deferred income tax” in the balance sheets. This will be allocated to future periods when the income is realized, or expenses provided for are actually incurred and considered deductible for income tax purposes. The company and its subsidiaries recognize tax benefits as assets in their book of account if it is highly probable that the company and its subsidiaries will generate sufficient profits from their future operations to utilize these benefits. Therefore, the performance is appropriately reported with respect of income and expenses matching.

Due to economic crisis and uncertainty of deferred tax benefits utilization considering net loss during 1997-1999, the company and its subsidiaries have ceased to recognize the deferred tax benefits since 2000. It has been 3 consecutive years that the company and its subsidiaries have generated profit and the economy has shown good sign of recovery. Consequently, the Company and its subsidiaries, in accordance with the international accounting standard, have booked the deferred income tax benefits again in this year. In 2003 the company and its subsidiaries recorded deferred income tax as revenue for Baht 797.72m. This was due mainly to the temporary differences in providing loan loss provision and recognizing interest income under conservative accounting policy. The company has set aside loan loss provision in excess of the BoT’s requirement, which are not considered deductible expenses for income tax purposes. Moreover, the company has also stopped accruing interest income for restructured loans or commercial loans with 1 month overdue, which was more stringent than the BoT’s standard of 3 month overdue; thus the interest income of the 2-month difference must be added back for income tax purpose.

As a result, deferred tax assets as at the end of 2003 stood at Baht 623.15m.

- Property Foreclosed-Net

As at December 31, 2003, net property foreclosed, which was mostly caused by commercial loans and receivables, increased by 7.4% from Baht 1316.81m last year to Baht 1414.21m, representing 2.35% of total assets.

- Goodwill

Following conservative accounting policy, the company and its subsidiaries fully wrote off goodwill in investment in subsidiaries of Baht 833.48m in 2003. Therefore, the company and its subsidiaries will save the goodwill amortization expense by Baht 48m per year for the next 17 years. In December 2003, the company absorbed entire assets and liabilities of TruWay following its plan to restructure the holding in the company and its subsidiaries to reduce the shareholding redundancy and to have the company directly hold all subsidiaries.

(2) Liabilities

Total liabilities of the company and its subsidiaries as at the end of 2003 were Baht 49,542.15m, 19.7% increase from 2002. This was due to 15.8% increase in debenture as a result of the issuance of Baht 400m 3 year unsecured debenture with coupon rate of 3.25% p.a. by Hi-Way Co., Ltd. and the issuance of Baht 500m 3 year unsecured amortizing debenture with coupon rate of 3.20% p.a. by Thai Commercial Auto Co., Ltd.. Both debentures obtained BBB+ rating from TRIS Rating Co., Ltd.

As at the end of 2003, securities business payable increased to Baht 3,299.17m from Baht 431.45m last year, following the active stock market. Major items of liabilities are as follows:

Liabilities Breakdown by Area

Type of Borrowings	December 31, 2003		December 31, 2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
The Company					
Public borrowings	32,987.55	66.6	30,472.50	73.6	8.3
Debenture	5,131.00	10.4	5,131.00	12.4	0.0
Banks and financial institutions borrowings	2,628.05	5.3	1,184.81	2.9	121.8
Other liabilities	964.48	1.9	916.23	2.2	5.3
<i>Total - the Company</i>	<i>41,711.08</i>	<i>84.2</i>	<i>37,704.54</i>	<i>91.1</i>	<i>10.6</i>
Subsidiaries					
Public borrowings	924.39	1.9	471.25	1.1	96.2
Debenture	810.00	1.6	-	-	n.a.
Banks and financial institutions borrowings	1,474.47	3.0	2,079.42	5.0	(29.1)
Securities Business Payable	3,299.16	6.7	431.45	1.0	664.7
Other liabilities	1,323.05	2.7	713.30	1.7	85.5
<i>Total - Subsidiaries</i>	<i>7,831.07</i>	<i>15.8</i>	<i>3,695.42</i>	<i>8.9</i>	<i>111.9</i>
Total - The Company and Subsidiaries	49,542.15	100.0	41,399.96	100.0	19.7

Under the circumstances of low interest rate in 2003, deposits from public borrowing remained the main source of fund, representing 68.5% of total liabilities. To reduce interest rate risk, the alternative source of fund was debenture of which portion increased to 12% of total liabilities.

For borrowing and lending business, the movement of interest rates may affect the company net interest income should the pricing of interest for assets and liabilities is mismatched. In this particular case, the company and its subsidiaries exposed to very low interest rate risk, as most of their assets and liabilities were matched. Thus, the interest spread was well maintained.

(3) Shareholders' Equity

Shareholder's equity of the company and its subsidiaries as at the end of 2003 increased from Baht 7,812.23m last year to Baht 10,721.11m. It was due mainly to the net profit of Baht 1,890.28m, and the increase of revaluation of available-for-sale securities including net effect of the 30% corporate tax.

The BIS capital adequacy ratio of the company remained solid at 21.4% comparing to the minimum of 8.0% required by BoT. The net capital ratio (NCR) of TISCO Securities stood at 35.1% comparing with the minimum of 7.0% required by SEC.

Business Performance by Area

(1) Finance Business

- Commercial Lending

The company mainly focused on maintaining market share as the market yet expanded, and reducing NPLs by 15.9% y-o-y by accelerating the debt restructuring process. Gross loan portfolio of commercial lending as at the end of 2003 was Baht 6,498.61m, reduced from Baht 9,525.51m last year.

- Mortgage Loan

Same as commercial lending, the company focused on maintaining market share and reducing NPLs. Due to the success in debt restructuring, NPLs declined by 27.5% y-o-y. The amount of mortgage loan declined from Baht 2,665.51m to Baht 2,430.66m.

(2) Hire Purchase

Other than the company, hire purchase business also operates under its subsidiaries including TISCO Leasing Co., Ltd., Hi-Way Co., Ltd, and Thai Commercial Auto Co., Ltd. The company and its subsidiaries hire purchase portfolio expanded 38.6% from 2002 to Baht 32,541.40m. The breakdown of hire purchase business is as follows:

Hire Purchase Portfolio Breakdown by Company

Company	December 31, 2003		December 31, 2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
The Company	27,265.91	83.8	18,671.44	79.5	46.0
Thai Commercial Auto	2,834.46	8.7	2,658.97	11.3	6.6
Hi-Way	1,215.67	3.7	1,148.40	4.9	5.9
TISCO Leasing	1,225.36	3.8	910.79	3.9	34.5
Tru-Way*	0.00	0.0	84.36	0.4	(100.0)
Total	32,541.40	100.0	23,473.97	100.0	38.6

*The company absorbed Tru-Way business in December 29, 2003

(3) Securities Business

TISCO Securities mainly operates in securities brokerage and investment banking businesses. Meanwhile, TISCO Securities Hong Kong Ltd. provides securities brokerage services to foreign investors who are interested in investing in Thailand, China and Hong Kong.

In July 2003, TISCO Securities was awarded the “Best Brokerage Service - Retail Clients” and “Best of Research House” from the Stock Exchange of Thailand.

- Securities Brokerage

TISCO Securities focuses on providing quality service and research to both institutional and private investors. TISCO Securities entered into a cooperative arrangement with Deutsche Securities to jointly build a high quality equity research so as to expand distribution channel and reach the broader international markets. The average market daily turnover surged from Baht 8,356.91m in 2002 to Baht 18,908.02m in 2003. TISCO Securities’ brokerage volume increased accordingly, which caused the brokerage fee increased by 133.4% to Baht 824.86m in 2003. TISCO Securities Hong Kong’s brokerage fee in 2003 also increased. However, TISCO Securities’ market share dropped slightly to 3.4% as the increase in market turnover mainly came from net settlement clients which were not TISCO Securities’ focused clients.

- Investment Banking

In 2003, TISCO Securities has maintained its lead position in Investment Banking. It was appointed a lead underwriter for the share offering of many companies; namely, Siam City Bank Plc., EGV Entertainment Plc., MFEC Plc., Kim Eng Securities (Thailand) Plc., and Picnic Gas & Engineering Plc. In addition, TISCO Securities has been chosen as financial advisor for privatization of several state enterprises such as Electricity Generating Authority of Thailand and TOT Corporation Plc. As a result, fee and service income of TISCO Securities in 2003 increased 189.7% y-o-y to Baht 165.88m.

(4) Asset Management

Asset management business is operated under TISCO Asset Management Co., Ltd. It offers fund management services for provident fund, private fund and mutual fund (including Retirement Mutual Fund) with a range of investment choices. It managed total assets of Baht 56,459.42m in 2003, which contributed the fee income of Baht 409.95m, and increase of 94.3% y-o-y. The breakdown of assets under management is shown below.

Asset under Management Breakdown by Type of Fund

Type of Fund	December 31, 2003		December 31, 2002		% Change
	Amount (Million baht)	%	Amount (Million baht)	%	
Provident Fund	37,805.26	67.0	31,742.84	80.7	19.1
Private Fund	13,762.01	24.4	4,005.78	10.2	243.6
Mutual Fund	4,892.15	8.6	3,568.86	9.1	36.4
Total	56,459.42	100.0	39,317.48	100.0	43.5

(5) Other Business

Thai Information Technology is the company's subsidiary providing IT services to the company and its subsidiaries. TISCO Global Investment Holding Ltd. was set up in Hong Kong to act as a holding company for investment in aboard. The company acquired Thai Permsap Finance Co., Ltd. in 2001 as part of its plan to upgrade to a restricted bank. As the Financial Master Plan has not yet been announced, the company continued to keep Thai Permsap dormant.

Liquidity

As at December 31, 2003, The company's and its subsidiaries' cash was Baht 1,193.45m, increased by Baht 396.52m from the beginning of the year's. This amount chiefly comprised Baht 833.48m net cash flows from operating activities of which major source came from issuance of debentures. Net cash flows from investing activities of Baht 365.14m also played an important part. This amount was a result of the company's and its subsidiaries' Baht 413.88m net cash received from disposal of investment in securities held for investment plus a decrease in net cash flows from operating activities of Baht 777.18m which was caused by hire purchase expansion and an increase of securities business receivables in accordance with the stock market.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2003
TISCO FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

REPORT OF INDEPENDENT AUDITOR

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TISCO FINANCE PUBLIC COMPANY LIMITED

I have audited the accompanying consolidated balance sheet of TISCO Finance Public Company Limited and its subsidiaries as at 31 December 2003, the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of TISCO Finance Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of TISCO Finance Public Company Limited and its subsidiaries and the separate financial statements of TISCO Finance Public Company Limited as at 31 December 2002 and for the year then ended, presented herein for comparative purposes, were audited by another auditor of my firm who, under his report dated 6 February 2003, expressed an unqualified audit opinion on those statements based on his audit and the report of the other auditor.

I did not audit the financial statements for the year ended 31 December 2003 of one subsidiary company, Thai Permsub Finance Company Limited, which statements reflect total assets as at 31 December 2003 of approximately Baht 72 million, total revenues and net losses for the year ended 31 December 2003 of approximately Baht 0.9 million and Baht 0.7 million respectively. Those amounts were included in the consolidated financial statements. I have however received an audit report from the subsidiary's auditor, who expressed an unqualified audit opinion on those financial statements. My opinion, insofar as it relates to the amounts pertaining to this subsidiary which are included in the consolidated financial statements for the years ended 31 December 2003, is based solely on the report of that other auditor.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit and the report of another auditor referred to in the second paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Finance Public Company Limited and its subsidiaries and of TISCO Finance Public Company Limited as at 31 December 2003, and the results of their operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without effect to my opinion above, I draw attention to the fact that, during this year, the Company has written-off goodwill arising from the acquisition of business amounting to Baht 791 million, as discussed in Note 8 to the financial statements. In addition, the Company and its subsidiaries have recorded deferred tax assets and deferred tax liabilities, with an effect to the earnings statements of Baht 798 million (the Company only : Baht 673 million), as discussed in Note 24 to the financial statements.



Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 23 January 2004

BALANCE SHEETS

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2003	2002	2003	2002
ASSETS					
CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS	4	1,193,449,580	832,613,406	234,741,704	283,654,851
LOANS TO FINANCIAL INSTITUTIONS	5	601,124,746	735,205,697	-	-
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	6	37,000,000	-	37,000,000	-
INVESTMENT IN SECURITIES	7,8,11				
Current investment - net		3,609,638,817	2,598,948,561	2,968,620,467	2,235,283,775
Long-term investment - net		4,456,098,003	3,557,198,956	4,238,265,167	3,442,903,548
Investment in subsidiaries and associated companies - net		29,845,846	24,981,601	4,356,447,228	4,759,602,598
Net investments		8,095,582,666	6,181,129,118	11,563,332,862	10,437,789,921
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		730,192,296	85,901,326	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	9,11				
Finance business loans and receivable		45,564,175,944	39,726,588,045	40,258,728,320	34,778,196,219
Securities business receivable		3,428,002,051	1,099,602,791	-	-
Total loans and receivable		48,992,177,995	40,826,190,836	40,258,728,320	34,778,196,219
Accrued interest receivable		106,291,259	112,133,972	80,123,473	83,757,276
Total loans, receivable and accrued interest receivable		49,098,469,254	40,938,324,808	40,338,851,793	34,861,953,495
Less : Allowance for doubtful accounts	10	(4,267,841,247)	(4,240,268,089)	(3,549,845,263)	(3,401,650,049)
Less : Allowance for loss on debt restructuring	10	(331,789,594)	(462,267,957)	(331,789,594)	(462,267,957)
Net loans, receivable and accrued interest receivable		44,498,838,413	36,235,788,762	36,457,216,936	30,998,035,489
PROPERTY FORECLOSED - net	12	1,414,206,927	1,316,814,782	1,408,720,212	1,307,961,405
LAND, PREMISES AND EQUIPMENT - net	13	1,291,037,925	1,344,448,550	815,333,149	827,988,049
DEFERRED TAX ASSETS	24	623,152,945	260,697,463	494,544,206	254,485,565
GOODWILL	8	-	833,475,770	-	-
OTHER ASSETS	14	1,778,668,610	1,386,111,305	2,126,166,611	1,045,626,415
TOTAL ASSETS		60,263,254,108	49,212,186,179	53,137,055,680	45,155,541,695

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS (CONTINUED)

AS AT 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2003	2002	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY					
BORROWINGS AND DEPOSITS					
From public	15	33,911,944,411	30,943,746,418	33,235,112,965	30,492,497,798
From banks		2,316,529,825	2,259,109,462	842,055,444	289,018,870
From financial institutions		1,785,987,834	1,005,111,315	2,686,987,834	913,786,079
From foreign countries		99,434,806	53,384,018	99,434,806	53,384,018
Total borrowings and deposits		38,113,896,876	34,261,351,213	36,863,591,049	31,748,686,765
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		864,587,451	426,888,698	-	-
SECURITIES BUSINESS PAYABLE		3,299,166,871	431,448,657	-	-
LIABILITIES UNDER COMMERCIAL PAPERS SOLD		211,000,000	357,000,000	211,000,000	357,000,000
ACCRUED INTEREST PAYABLE		185,536,386	186,886,572	177,816,489	181,045,360
DEBENTURES	16	5,941,000,000	5,131,000,000	5,131,000,000	5,131,000,000
OTHER LIABILITIES	17	926,960,353	605,381,294	476,282,127	358,395,635
TOTAL LIABILITIES		49,542,147,937	41,399,956,434	42,859,689,665	37,776,127,760
SHAREHOLDERS' EQUITY					
Share capital					
Registered	18	11,002,000,000	11,002,000,000	11,002,000,000	11,002,000,000
Issued and paid up					
181,127,680 preference shares of Baht 10 each					
(2002 : 215,836,680 preference shares of Baht 10 each)		1,811,276,800	2,158,366,800	1,811,276,800	2,158,366,800
530,591,820 ordinary shares of Baht 10 each					
(2002 : 490,697,820 ordinary shares of Baht 10 each)		5,305,918,200	4,906,978,200	5,305,918,200	4,906,978,200
		7,117,195,000	7,065,345,000	7,117,195,000	7,065,345,000
Share premium					
Share premium of preference shares		7,811,540	1,184,895	7,811,540	1,184,895
Share premium of ordinary shares		36,500,000	36,500,000	36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	21	1,032,910,120	58,797,600	1,032,910,120	58,797,600
Translation adjustments		102,400,755	127,318,922	102,400,755	127,318,922
Retained earnings					
Appropriated - statutory reserve	20	143,300,000	48,700,000	143,300,000	48,700,000
Unappropriated		1,837,248,600	41,567,518	1,837,248,600	41,567,518
Equity attributable to Company's shareholders		10,277,366,015	7,379,413,935	10,277,366,015	7,379,413,935
Minority interest - equity attributable to minority shareholders of subsidiaries		443,740,156	432,815,810	-	-
TOTAL SHAREHOLDERS' EQUITY		10,721,106,171	7,812,229,745	10,277,366,015	7,379,413,935
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		60,263,254,108	49,212,186,179	53,137,055,680	45,155,541,695
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
Aval to bills	31	190,000,000	771,762,686	190,000,000	771,762,686
Guarantees of loans and others		516,957,183	521,879,371	516,957,183	521,879,371

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF EARNINGS

FOR THE YEARS END 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2003	2002	2003	2002
INTEREST AND DIVIDEND INCOME					
Loans and deposits		837,151,783	1,036,470,747	821,462,874	1,030,310,764
Hire purchase and financial lease		2,410,065,484	1,849,728,024	1,684,702,388	1,240,366,889
Investments in securities		318,115,339	482,873,228	318,245,960	507,329,413
Total interest and dividend income		3,565,332,606	3,369,071,999	2,824,411,222	2,778,007,066
EXPENSES ON BORROWINGS					
Interest and discounts		1,211,613,217	1,259,748,447	1,101,021,745	1,199,609,050
Fees and charges		4,551,250	7,282,756	-	931,074
Total expenses on borrowings		1,216,164,467	1,267,031,203	1,101,021,745	1,200,540,124
Net interest and dividend income		2,349,168,139	2,102,040,796	1,723,389,477	1,577,466,942
BAD DEBT AND DOUBTFUL ACCOUNTS					
		(263,084,804)	(465,571,909)	(198,623,699)	(432,288,802)
LOSS ON DEBT RESTRUCTURING					
		(2,682,388)	(52,168,345)	(2,682,388)	(32,636,038)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		2,083,400,947	1,584,300,542	1,522,083,390	1,112,542,102
NON-INTEREST INCOME					
Brokerage fees		824,863,318	353,341,171	-	-
Gain on investments	22	496,269,948	624,760,511	336,205,441	508,390,150
Fees and charges		1,046,123,995	549,936,048	414,614,498	232,617,850
Fees and gain (loss) on forward exchange		7,449,645	6,986,384	(377,452)	(150,359)
Share of profit (loss) of subsidiary and associated companies					
Share of profit from operating results		2,433,011	1,515,874	919,609,715	519,543,881
Goodwill written-off	8	-	-	(791,354,526)	-
Other income		135,426,290	224,784,780	123,552,770	195,141,411
Total non-interest income		2,512,566,207	1,761,324,768	1,002,250,446	1,455,542,933
Total net income		4,595,967,154	3,345,625,310	2,524,333,836	2,568,085,035
OPERATING EXPENSES					
Personnel expenses		1,189,024,976	810,582,819	540,075,539	309,371,353
Premises and equipment expenses		313,574,662	350,420,085	199,157,155	215,469,330
Taxes and duties		71,418,894	82,639,834	64,306,533	75,699,729
Directors' remuneration	23	6,620,000	6,710,000	5,680,000	5,770,000
Goodwill					
Amortisation		42,121,244	48,175,512	-	-
Written-off	8	791,354,526	-	-	-
Other expenses		764,063,166	665,175,333	497,555,962	807,596,114
Total operating expenses		3,178,177,468	1,963,703,583	1,306,775,189	1,413,906,526
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		1,417,789,686	1,381,921,727	1,217,558,647	1,154,178,509
CORPORATE INCOME TAX / INCOME TAX BENEFITS	24	515,982,731	(190,127,343)	672,722,435	(128,808)
EARNINGS BEFORE MINORITY INTEREST		1,933,772,417	1,191,794,384	1,890,281,082	1,154,049,701
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES		(43,491,335)	(37,744,683)	-	-
NET EARNINGS FOR THE YEAR		1,890,281,082	1,154,049,701	1,890,281,082	1,154,049,701
EARNINGS PER SHARE					
Basic earnings per share	27	3.59	3.35	3.59	3.35
Diluted earnings per share		2.60	1.60	2.60	1.60

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS END 31 DECEMBER 2003 AND 2002

CONSOLIDATED

(Unit : Baht)

	Issued and paid-up share capital		Share premium		Preference shares subscription received in advance	Surplus (deficit) from changes in the value of investment	Translation adjustments	Statutory reserve	Unappropriated retained earnings (deficit)	Minority interest- equity attributable to minority shareholders	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares							
Balance as at 31 December 2001	5,086,912,000	1,931,738,000	-	36,500,000	350,000	126,793,564	136,463,224	48,700,000	(1,112,482,183)	433,555,253	6,688,529,858
Decrease in fair value of investments	-	-	-	-	-	(67,995,964)	-	-	-	-	(67,995,964)
Decrease in translation adjustments	-	-	-	-	-	-	(9,144,302)	-	-	-	(9,144,302)
Net earnings for the year	-	-	-	-	-	-	-	-	1,154,049,701	-	1,154,049,701
Warrants converted to preference shares	46,695,000	-	1,184,895	-	(350,000)	-	-	-	-	-	47,529,895
Preference shares converted to ordinary shares	(2,975,240,200)	2,975,240,200	-	-	-	-	-	-	-	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(739,443)	(739,443)
Balance as at 31 December 2002	2,158,366,800	4,906,978,200	1,184,895	36,500,000	-	58,797,600	127,318,922	48,700,000	41,567,518	432,815,810	7,812,229,745
Increase in fair value of investments	-	-	-	-	-	974,112,520	-	-	-	-	974,112,520
Decrease in translation adjustments	-	-	-	-	-	-	(24,918,167)	-	-	-	(24,918,167)
Net earnings for the year	-	-	-	-	-	-	-	-	1,890,281,082	-	1,890,281,082
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	94,600,000	(94,600,000)	-	-
Warrants converted to preference shares	51,850,000	-	6,626,645	-	-	-	-	-	-	-	58,476,645
Preference shares converted to ordinary shares	(398,940,000)	398,940,000	-	-	-	-	-	-	-	-	-
Increase in minority interest	-	-	-	-	-	-	-	-	-	10,924,346	10,924,346
Balance as at 31 December 2003	1,811,276,800	5,305,918,200	7,811,540	36,500,000	-	1,032,910,120	102,400,755	143,300,000	1,837,248,600	443,740,156	10,721,106,171

THE COMPANY ONLY

(Unit : Baht)

	Issued and paid-up share capital		Share premium		Preference shares subscription received in advance	Surplus (deficit) from changes in the value of investment	Translation adjustments	Statutory reserve	Unappropriated retained earnings (deficit)	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares						
Balance as at 31 December 2001	5,086,912,000	1,931,738,000	-	36,500,000	350,000	126,793,564	136,463,224	48,700,000	(1,112,482,183)	6,254,974,605
Decrease in fair value of investments	-	-	-	-	-	(67,995,964)	-	-	-	(67,995,964)
Decrease in translation adjustments	-	-	-	-	-	-	(9,144,302)	-	-	(9,144,302)
Net earnings for the year	-	-	-	-	-	-	-	-	1,154,049,701	1,154,049,701
Warrants converted to preference shares	46,695,000	-	1,184,895	-	(350,000)	-	-	-	-	47,529,895
Preference shares converted to ordinary shares	(2,975,240,200)	2,975,240,200	-	-	-	-	-	-	-	-
Balance as at 31 December 2002	2,158,366,800	4,906,978,200	1,184,895	36,500,000	-	58,797,600	127,318,922	48,700,000	41,567,518	7,379,413,935
Increase in fair value of investments	-	-	-	-	-	974,112,520	-	-	-	974,112,520
Decrease in translation adjustments	-	-	-	-	-	-	(24,918,167)	-	-	(24,918,167)
Net earnings for the year	-	-	-	-	-	-	-	-	1,890,281,082	1,890,281,082
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	-	94,600,000	(94,600,000)	-
Warrants converted to preference shares	51,850,000	-	6,626,645	-	-	-	-	-	-	58,476,645
Preference shares converted to ordinary shares	(398,940,000)	398,940,000	-	-	-	-	-	-	-	-
Balance as at 31 December 2003	1,811,276,800	5,305,918,200	7,811,540	36,500,000	-	1,032,910,120	102,400,755	143,300,000	1,837,248,600	10,277,366,015

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS END 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Cash flows from operating activities				
Net earnings	1,890,281,082	1,154,049,701	1,890,281,082	1,154,049,701
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	43,491,335	37,744,683	-	-
Share of profit from operating results of subsidiary and associated companies	(2,433,011)	(1,515,874)	(199,609,715)	(519,543,881)
Goodwill written off	791,354,526	-	791,354,526	-
Depreciation and amortisation	189,737,722	218,507,922	82,763,953	90,262,382
Bad debt and doubtful accounts	276,785,793	507,555,705	210,486,198	466,347,855
Unrealised gain (loss) on revaluation of investment	163,879,434	(16,755,822)	163,879,434	(14,940,861)
Provision for revaluation of property foreclosed	6,815,840	8,702,351	7,820,231	7,732,634
Loss from troubled debt restructuring	2,682,388	52,168,345	2,682,388	32,636,038
Gain on disposal of investments	(500,084,874)	(540,115,940)	(500,084,874)	(500,263,182)
Gain on disposal of fixed assets	(1,043,993)	(10,091,239)	(721,844)	(1,514,255)
Unrealised loss (gain) on decrease (increase) of securities held for trading	(21,199,090)	136,891,963	-	-
Gain from disposal of property foreclosed	(18,379,580)	(99,369,285)	(18,379,580)	(99,369,285)
Decrease (increase) in deferred tax assets	(797,724,332)	(4,011,952)	(672,722,435)	128,808
Decrease (increase) in accrued interest and dividend receivable	6,500,515	200,182,740	(714,170,554)	209,584,381
Increase in accrued income	(124,335,413)	(29,150,338)	(38,235,532)	(31,498,203)
Increase (decrease) in accrued interest payable	(1,350,186)	46,918,136	(3,228,871)	46,678,551
Increase (decrease) in accrued expenses	21,052,119	(1,348,865)	2,690,690	876,083
Earnings from operating activities before changes in operating assets and liabilities	1,926,030,275	1,660,362,231	1,004,805,097	841,166,766
Decrease (increase) in operating assets				
Loans to financial institutions	134,080,951	(599,315,277)	-	-
Negotiable certificates of deposit	35,684,404	14,667,332	-	-
Securities purchased under resale agreements	(37,000,000)	-	(37,000,000)	-
Investment in securities - held for trading	(485,716,950)	219,811,658	-	-
Trading transactions with securities companies	(644,290,970)	(49,870,247)	-	-
Finance business loans and receivable	(6,554,962,860)	(5,543,122,186)	(6,010,985,411)	(3,778,652,904)
Securities business receivable	(2,328,399,260)	(203,309,542)	-	-
Property foreclosed	134,846,812	618,082,698	130,475,759	619,899,046
Other assets	(314,879,726)	(102,419,099)	(367,287,175)	(207,399,026)
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	2,769,763,305	(4,513,902,082)	2,773,533,160	(4,838,470,287)
Borrowings and deposits from banks and financial institutions	1,067,649,563	608,491,251	2,326,238,329	(553,866,486)
Borrowings and deposits from foreign countries	46,050,788	(3,790,723)	46,050,788	(3,790,723)
Securities sold under repurchase agreements	-	(100,000,000)	-	(100,000,000)
Trading transactions with securities companies	437,698,753	338,852,701	-	-
Liabilities under commercial paper sold	(146,000,000)	162,000,000	(146,000,000)	162,000,000
Securities business payable	2,867,718,214	(118,658,121)	-	-
Other liabilities	314,551,693	(116,129,961)	129,220,555	60,791,568
Net cash flows used in operating activities	(777,175,008)	(7,728,249,367)	(150,948,898)	(7,798,322,046)

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS END 31 DECEMBER 2003 AND 2002

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(17,530,697,348)	(7,822,635,414)	(17,423,416,602)	(7,422,716,546)
Cash received from disposal of investment in securities held for investment	17,944,574,438	10,935,364,738	17,715,002,884	10,572,952,831
Cash paid for purchase of equipment	(50,308,360)	(71,475,740)	(29,329,368)	(24,258,053)
Cash received from disposal of equipment	1,568,378	19,806,354	1,150,873	1,911,592
Cash paid for purchase of a subsidiary company	-	-	(219,848,681)	-
Net cash flows from investing activities	365,137,108	3,061,059,938	43,559,106	3,127,889,824
Cash flows from financing activities				
Cash received from issuance of debentures	810,000,000	4,800,000,000	-	4,800,000,000
Cash received from issuance of preference shares	58,476,645	47,529,895	58,476,645	47,529,895
Dividend paid	(35,000,000)	(40,000,000)	-	-
Net cash flows from financing activities	833,476,645	4,807,529,895	58,476,645	4,847,529,895
Translation adjustment	(24,918,167)	(9,144,302)	-	-
Net increase (decrease) in cash and cash equivalents	396,520,578	131,196,164	(48,913,147)	177,097,673
Cash and cash equivalents at beginning of the year	796,929,002	665,732,838	283,654,851	106,557,178
Cash and cash equivalents at end of the year (Note 28)	1,193,449,580	796,929,002	234,741,704	283,654,851
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	1,210,803,511	1,210,565,816	1,104,250,616	1,152,930,499
Corporate income tax	213,175,985	238,652,241	21,202,703	11,865,821
Non-cash transactions				
Conversion of preference shares to ordinary shares	398,940,000	2,975,240,200	398,940,000	2,975,240,200
Transfer of assets from troubled debt restructuring	220,100,000	-	220,100,000	-

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
TISCO FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES

1. GENERAL INFORMATION

1.1 Company's information

TISCO Finance Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and has been licensed by the Ministry of Finance to operate a finance business. The Company's registered office is located at 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. The Company has 10 provincial offices in Thailand.

1.2 Assumption of preparation of the financial statements

Although Thailand's economic crisis has eased to a certain extent, financial restructuring within the business community is still prevalent and subject to readjustment. The residual effects of the crisis could affect the recoverable value of assets and the collection of loans and receivables. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial positions of the Company and its subsidiaries. Actual results could differ from management's current assessments.

1.3 Financial Sector Master Plan

In January 2004, the Ministry of Finance and the Bank of Thailand announced Financial Sector Master Plan. Among other things, the Plan stipulates guidelines for improving the efficiency of the financial sector and calls for finance companies, finance and securities companies and credit foncier companies with the stipulated qualifications, to submit applications to upgrade their status to commercial banks. A subsequent announcement of the Ministry of Finance, dated 23 January 2004, stipulated the terms, methods and conditions under which such an application for a commercial bank license can be made.

The Company has looked into the details of this, and studied its potential impact, concluding that it provides an opportunity to increase the competitiveness of the Company. The Company is therefore in the process of preparing a plan to upgrade its status to that of a commercial bank in the future, to be proposed to the Bank of Thailand and the Ministry of Finance.

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of TISCO Finance Public Company Limited (the “Company”) and its subsidiary companies (the “subsidiaries”) after eliminating material intercompany balances and transactions. Those subsidiaries are set out below.

	(Unit : Percentage)							
	Percentage of shares held by the Company		Subsidiaries' total assets as a percentage to the consolidated total		Subsidiaries' total revenues as a percentage to the consolidated total for the years ended 31 December		Subsidiaries' net earnings (loss) as a percentage to the consolidated total for the years ended 31 December	
					2003	2002	2003	2002
Subsidiaries directly owned by the Company								
TISCO Securities Hong Kong Limited	100.00	100.00	2.78	1.85	1.29	1.15	(0.59)	(2.31)
TISCO Securities Co., Ltd.	99.99	99.99	6.94	2.92	18.81	9.37	32.46	11.66
TISCO Asset Management Co., Ltd. ⁽¹⁾	99.99	99.99	0.61	0.67	6.85	4.39	11.39	9.48
Tru-Way Co., Ltd.	-	99.99	-	0.82	-	0.77	-	0.89
TISCO Leasing Co., Ltd. ⁽¹⁾	99.99	99.99	2.83	1.90	2.19	2.05	5.97	3.69
Hi-Way Co., Ltd. ⁽¹⁾	99.99	99.99	2.04	2.31	7.46	6.95	6.99	9.34
Thai Information Technology Co., Ltd. ⁽¹⁾	99.99	99.99	0.03	0.28	0.31	0.22	(4.97)	(9.58)
Thai Commercial Auto Co., Ltd.	50.00	50.00	4.90	5.66	3.91	4.21	5.01	7.54
Thai Permsub Finance Co., Ltd.	99.99	99.99	0.12	0.15	-	0.11	(0.04)	0.45
Subsidiaries indirectly owned by the Company								
TISCO Global Investment Holdings Limited	100.00	100.00	-	0.12	0.22	0.19	0.71	0.80
TISCO Securities UK Limited	100.00	100.00	-	0.16	0.04	0.18	(0.63)	(1.74)
GIH & CO Pte. Ltd.	100.00	-	-	-	0.01	-	0.02	-

⁽¹⁾In 2002, indirectly held by the Company

- a) The Company and its subsidiaries were all incorporated and operate in Thailand, except TISCO Securities Hong Kong Limited and TISCO Global Investment Holdings Limited, which were incorporated and operate in Hong Kong; TISCO Securities UK Limited, which was incorporated and operates in the United Kingdom; and GIH & CO Pte. Ltd., which was incorporated and operates in Singapore.

The financial statements of a subsidiary company, which are included in the consolidated financial statements, GIH & CO Pte. Ltd., was prepared by the managements of the subsidiary company and not audited by its auditor. As at 31 December 2003, this subsidiary company has aggregate assets included in the consolidated financial statements of approximately Baht 1 million, and aggregate revenues and aggregate net profits for the year then ended of approximately Baht 0.7 million and Baht 0.4 million, respectively. These amounts are immaterial to the consolidated financial statements and the management believes that such amounts will not significantly differ if the financial statements were to be audited by auditor.

- b) On 1 December 2003, the Company purchased investment in TISCO Asset Management Company Limited, from TISCO securities Company Limited, at the price of Baht 220 million as approved by a meeting of the Company's Executive Board on 27 August 2003 and was ratified by a meeting of Board of Director on 29 October 2003. As a result, the status of TISCO Asset Management Company Limited changed from an indirectly held subsidiary to a directly held subsidiary.

- c) On 28 November 2003, the Company was approved by the Bank of Thailand to accept the transfer of business from Tru-Way Company Limited, in accordance with the resolutions of the annual general meeting of the Company's shareholders held on 24 April 2003. As part of the business transfer, Tru-Way Company Limited transferred its investments in ordinary shares of TISCO Leasing Company Limited, Hi-Way Company Limited and Thai Information Technology Company Limited to the Company. As a result, the status of such companies changed from indirectly held subsidiaries to directly held subsidiaries.

Tru-Way Company Limited was deregistered with the Ministry of Commerce on 29 December 2003. The company is currently in the process of liquidation.

- d) The financial statements of overseas subsidiaries are translated to Thai Baht at the average closing exchange rate as to assets and liabilities, and at the average exchange rate at transaction dates as to revenues and expenses. The resultant difference has been shown under the caption of "Translation adjustments" within shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand (ICAAT), which are effective under the Accounting Act B.E. 2543, and in accordance with the Notifications of the Bank of Thailand and the Office of the Securities and Exchange Commission.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below :-

3.1 Revenue recognition

- a) Interest and discounts on loans

Interest is recognised as income on an accrual basis and is based on principal outstanding. Hire-purchase and financial lease income are recognised over the installment period, using the effective interest rate.

For loans and receivables on which interest payments have been defaulted for more than one month, it is the policy of the Company and its subsidiaries to cease accruing income on such loans and receivables. For hire purchase and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased. The recorded accrued interest will be reversed from the Company and its subsidiaries' accounts and interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is recognised on a cash basis.

The accounts will be reinstated to "accrual basis" when the overdue amount are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment is recognised as income on an accrual basis. Dividends from securities are recognised as income when the dividends are declared.

c) Commissions and brokerage

Brokerage on securities trading is recognised as income on the transaction dates.

d) Gain (loss) on trading in securities

Gain (loss) on trading of investment in securities are recognised as income/expense on the transaction dates.

e) Fees and service income

Fees and service income are recognised as income on an accrual basis.

3.2 Interest expenses

Interest expenses are charged to earnings on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

3.3 Investments in securities

Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in the determining earnings.

Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, the changes are then included in determining earnings.

Investments in debt securities, both due within one year or expected to be held to maturity, are determined at cost after amortisation.

The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt instruments is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Dealing Center or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

Losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining earnings.

The moving average method is used for computation of the cost of investment.

In the event the Company and its subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining earnings or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

3.4 Investments in receivables purchased or transferred in and allowance for impairment of investments

Investments in receivable purchased, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in determining earnings.

For investments in receivable purchased who entered into troubled debt restructuring will be transferred to loans and receivable and valued at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of investments in receivable purchased as at transferred date or as at the date of restructuring. Allowance for doubtful debt is based on the Bank of Thailand's guideline with the same as allowance for loans and receivable.

3.5 Investment in subsidiary and associated companies

Investments in subsidiary and associated companies are accounted for by the equity method. Under this method investment are initially recorded at cost, with the excess of the cost of the investment over the net book value at the acquisition date are amortised over a period of twenty years. In each period after the purchase, investments are adjusted for the share of earnings from the operations of the subsidiaries, these amounts are in proportion to the investment.

3.6 Loans and receivables

The Company presents loans and receivables at principal balances, excluding accrued interest receivables. Unrecognised deferred income/discount on loans are deducted from loans.

3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

The Company and its subsidiaries provide allowances for doubtful accounts and losses from troubled debt restructuring in accordance with the notifications of the Bank of Thailand ("BOT") or the Office of the Securities and Exchange Commission ("SEC") and adjust the additional amount by which they expected not to be collectible. Judgment on the adequacy of the amount of allowance for doubtful accounts is based on the results of an evaluation of the current status of the debtors, in conjunction with the criteria laid down by the BOT or SEC in relation to the classification of loans, provisioning rates, valuation of collateral and reclassification of restructured loans.

An allowance for doubtful accounts for the hire-purchase and financial lease receivable of the subsidiaries is based on a percentage of the outstanding balance, net of unearned interest income. At the balance sheet date, the adequacy of the allowance for doubtful accounts is reviewed taking into consideration the current status of debtors. Accounts considered as uncollectible are written off as bad debts.

3.8 Troubled debt restructuring

The Company records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring" as pronounced by the Institute of Certified Accountants and Auditors of Thailand. The assets and equities was transferred to the Company for debt settlement at lower of fair values of the assets, less estimated selling expenses, or the amount of investment in receivables (excluding non-accrued interest income at the restructuring date).

In case where the debt restructuring involves modifications of terms of receivables, the fair value of investment in receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates (MLR) prevailing at the restructuring date. The Company recorded the difference between the fair value of investment in receivables, and the amount of investments in receivables as of restructuring date as expenses in the earnings statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the statement of earnings when incurred.

3.9 Property foreclosed

Property foreclosed is stated at the lower of cost or net realisable value.

3.10 Financial lease

The Company and its subsidiaries record assets under financial leases as assets and liabilities at the fair value of leased assets on the commencing date of the lease or at the present value of the minimum payments stipulated in the lease agreement, whichever is lower. The Company and its subsidiaries use the interest rate specified in the lease agreement as the discount rate for calculating the present value of minimum payments. Interest is recorded throughout the lease period based on the outstanding amount payable in each period.

3.11 Depreciation and amortisation

- a) Land, premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by reference to their cost on the straight-line method over the following estimated useful lives (with the exception of the depreciation of computer and communication equipment acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years) :-

Buildings and office condominium units	-	20	years
Office improvements	-	5	years
Furniture, fixtures and equipment	-	5	years
Motor vehicles	-	5	years

No depreciation is provided for land.

- b) Leasehold rights are amortised to expenses on a straight-line basis over the lease period of 12, 13.5 and 15 years.
- c) Software license fees are deferred and amortised over the period of the license agreements, which are for periods of 5 and 10 years. (with the exception of the amortisation of software licenses acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years).
- d) Licenses to trade securities on the Hong Kong Exchange and Clearing Limited (“HKEC”) are stated at cost less amortisation on a straight-line basis over 10 years.

3.12 Deferred tax assets/liabilities

The Company and its subsidiaries provide for deferred income tax resulting from temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date, and temporary differences in reporting income and expenses for financial reporting compared to income tax reporting. Accordingly, the income tax applicable to income which is not currently recognised, or to expenses which are not currently deductible for income tax purposes are set up as “Deferred income taxes” in the balance sheets. This will be allocated to future periods when the income is realised, or the expenses provided for, are actually incurred and considered deductible for income tax purposes.

However, the Company and its subsidiaries will recognise tax benefits as assets in its books of account if it is highly probable that the Company and its subsidiaries will generate sufficient profits from their future operations to utilise these benefits.

3.13 Sales of commercial paper

Commercial paper, which is sold without recourse, is recorded by crediting the notes receivable account.

Commercial paper without an aval or acceptance, which is sold with recourse, is recorded as a liability under the caption of “Liabilities from sale of commercial paper”. Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of “Contingent liabilities”.

3.14 Foreign currencies

Foreign currency transactions during the year have been translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currencies outstanding on the balance sheet date have been translated into Baht at the rates ruling on the balance sheet date, except those covered by forward exchange contracts have been translated at the contract rates.

Exchange gains and losses are included in determining earnings. Premium on forward contracts is amortised over the contract period.

3.15 Financial instruments

Financial instruments presented in the balance sheets comprise of cash and deposits at financial institutions, loans to financial institutions, securities purchased under resale agreements, investments, loans, receivables and accrued interest receivables, trading transactions with securities companies, borrowings and deposits, securities sold under repurchase agreements, securities business payables and debentures. The accounting policy for each transaction is separately and individually disclosed.

3.16 Basic earnings per share

Basic earnings per share is calculated by dividing net earnings for the year by the weighted average number of ordinary shares issuing during the year.

Diluted earnings per share is calculated by dividing net earnings for the year by the total sum of the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares to be issued upon conversion of all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

3.17 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in setting up allowances for impairment of investments and property foreclosed, allowance for doubtful accounts and losses from troubled debt restructuring. Making such estimates and assumptions may affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

4. CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS

Cash and deposits at financial institutions represent cash and all types of Baht and foreign currency deposits at banks and other financial institutions.

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Cash	3,628,258	3,927,680	1,819,690	1,546,536
Cash at banks	1,189,821,322	793,001,322	232,922,014	282,108,315
Negotiable certificates of deposit	-	35,684,404	-	-
Total	1,193,449,580	832,613,406	234,741,704	283,654,851

As at 31 December 2003, cash deposits at banks of the Company and its local subsidiaries of approximately Baht 10 million (the Company only : Nil) (2002 : Baht 26 million and Baht 16 million, respectively) were pledged with the banks to secure facilities provided for use as working capital.

As at 31 December 2003, approximately Baht 92 million (2002 : Baht 100 million) of the foreign subsidiary's cash deposits at banks were pledged with the bank to secure the credit facility.

5. LOANS TO FINANCIAL INSTITUTIONS

These include all types of loans to local and foreign financial institutions, but exclude the deposits with financial institutions as referred to in Note 4.

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Call loans	540,645,737	381,852,764	-	-
Term loans	60,002,876	352,000,000	-	-
Total loans	600,648,613	733,852,764	-	-
Add : Accrued interest receivable	476,133	1,352,933	-	-
Net loans to financial institutions	601,124,746	735,205,697	-	-

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

As at 31 December 2003, the balance of securities purchased under resale agreements comprises Baht 37 million of government and Bank of Thailand securities.

7. INVESTMENTS IN SECURITIES

(Unit : Baht)

	Consolidated			
	2003		2002	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investment				
Trading securities				
Equity securities :				
Domestic marketable equity securities	55,712,569	78,346,750	277,993,507	261,591,554
Add (less) : Allowance for changes in value	22,634,181		(16,401,953)	
Net equity securities	78,346,750		261,591,554	
Total trading securities	78,346,750		261,591,554	

(Unit : Baht)

	Consolidated			
	2003		2002	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	2,187,093,075	2,193,294,514	1,807,660,714	1,808,765,008
Debt securities of private sector	709,686,747	653,231,170	328,126,811	279,610,295
Total	2,896,779,822	2,846,525,684	2,135,787,525	2,088,375,303
Add (less) : Allowance for changes in value	10,159,862		13,001,778	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities - net	2,846,525,684		2,088,375,303	
Equity securities :				
Domestic marketable equity securities	274,720,209	185,361,957	243,250,428	217,098,489
Other securities - unit trusts	429,453,930	429,453,930	33,392,099	31,883,215
Total	704,174,139	614,815,887	276,642,527	248,981,704
Add (less) : Allowance for changes in value	114,852,918		(27,660,823)	
Less : Allowance for impairment	(204,211,170)		-	
Net equity securities	614,815,887		248,981,704	
Total available-for-sales securities	3,461,341,571		2,337,357,007	
Held-to-maturity debt securities-due within 1 year				
Government and state enterprise securities	69,950,496		-	
Total held-to-maturity debt securities-due within 1 year	69,950,496		-	
Net current investments	3,609,638,817		2,598,948,561	
Long-term investment				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	202,037,254	203,313,593	678,629,130	723,999,113
Add (less) : Allowance for changes in value	1,276,339		45,369,983	
Debt securities - net	203,313,593		723,999,113	

(Unit : Baht)

	Consolidated			
	2003		2002	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Equity securities :				
Domestic marketable equity securities	1,246,676,948	2,702,031,612	801,883,409	808,492,073
Other securities - unit trusts	131,392,608	17,392,069	293,587,177	289,530,703
Total	1,378,069,556	2,719,423,681	1,095,470,586	1,098,022,776
Add (less) : Allowance for changes in value	1,341,354,125		2,552,190	
Net equity securities	2,719,423,681		1,098,022,776	
Total available-for-sales securities	2,922,737,274		1,822,021,889	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	338,728,051		338,820,128	
Debt securities of private sector	6,485,340		380,437,272	
Total held-to-maturity debt securities	345,213,391		719,257,400	
Other investment				
Equity securities :				
Domestic non-marketable equity securities	1,453,605,925		1,289,378,652	
Investment in receivables	6,529,247		6,529,247	
Less : Allowance for impairment	(271,987,834)		(279,988,232)	
Total other investment	1,188,147,338		1,015,919,667	
Net long-term investments	4,456,098,003		3,557,198,956	
Investment in subsidiaries and associated companies				
Investment in associated companies	29,845,846		24,981,601	
Net investments	8,095,582,666		6,181,129,118	

(Unit : Baht)

	The Company Only			
	2003		2002	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investment				
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	2,122,410,424	2,128,589,386	1,743,821,123	1,744,908,777
Debt securities of private sector	709,686,747	655,080,724	291,326,811	241,393,294
Total	2,832,097,171	2,783,670,110	2,035,147,934	1,986,302,071
Add (less) : Allowance for changes in value	11,986,939		11,568,137	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities - net	2,783,670,110		1,986,302,071	
Equity securities :				
Domestic marketable equity securities	272,838,609	184,950,357	243,250,428	217,098,489
Other securities - unit trusts	-	-	33,392,099	31,883,215
Total	272,838,609	184,950,357	276,642,527	248,981,704
Add (less) : Allowance for changes in value	116,322,918		(27,660,823)	
Less : Allowance for impairment	(204,211,170)		-	
Net equity securities	184,950,357		248,981,704	
Net available-for-sales securities	2,968,620,467		2,235,283,775	
Net current investments	2,968,620,467		2,235,283,775	
Long-term investment				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	203,129,040	204,405,379	678,629,130	723,999,113
Add (less) : Allowance for changes in value	1,276,339		45,369,983	
Debt securities - net	204,405,379		723,999,113	
Equity securities :				
Domestic marketable equity securities	1,250,426,171	2,566,977,020	802,072,451	810,254,690
Other securities - unit trusts	17,302,442	17,392,069	293,587,177	289,530,703
Total	1,267,728,613	2,584,369,089	1,095,659,628	1,099,785,393
Add (less) : Allowance for changes in value	1,316,640,476		4,125,765	
Net equity securities	2,584,369,089		1,099,785,393	
Total available-for-sales securities	2,788,774,468		1,823,784,506	

(Unit : Baht)

	The Company Only			
	2003		2002	
	Cost / <u>Book value</u>	<u>Fair value</u>	Cost / <u>Book value</u>	<u>Fair value</u>
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	335,000,000		335,000,000	
Debt securities of private sector	<u>6,481,340</u>		<u>380,432,467</u>	
Total held-to-maturity debt securities	<u>341,481,340</u>		<u>715,432,467</u>	
Other investment				
Equity securities :				
At cost	1,370,067,946		990,828,360	
Investment in receivables	6,529,247		6,529,247	
Less : Allowance for impairment	<u>(268,587,834)</u>		<u>(93,671,032)</u>	
Total other investment	<u>1,108,009,359</u>		<u>903,686,575</u>	
Net long-term investments	<u>4,238,265,167</u>		<u>3,442,903,548</u>	
<u>Investment in subsidiaries and associated companies</u>				
Investment in subsidiaries	<u>4,356,447,228</u>		<u>4,759,602,598</u>	
Net investments	<u>11,563,332,862</u>		<u>10,437,789,921</u>	

- 7.1 As at 31 December 2003, held-to-maturity debt securities amounting to Baht 335 million (2002 : Baht 335 million) represent government bonds which the Company has invested pursuant to the agreement made with the Ministry of Finance under the Tier I and Tier II capital support scheme. These bonds are redeemable within a 10-year period, non-negotiable and carry interest at rates of 4% and 5% per annum.
- 7.2 As at 31 December 2003, the Company has a commitment not to sell marketable equity securities totaling Baht 222 million (2002 : Baht 52 million) for the period, as a condition of troubled debt restructuring agreement made with restructured receivables.
- 7.3 As at 31 December 2003, the Company has pledged other investment of approximately Baht 13 million as a security against short-term loan from a company.

7.4 As at 31 December 2003, the Company and its subsidiaries have invested Baht 4 million (the Company only : Baht 3 million) in government debt securities, which were pledged as security for electricity usage. In addition, investments in government bonds amounting to Baht 73 million have been placed with a bank as security for the agreement to swap a floating interest rate for a fixed interest rate, described in Note 32.2.

7.5 Investment in debt securities of the Company and its subsidiaries as at 31 December 2003, classified by due date are summarised below.

(Unit : Baht)

	Consolidated			Total
	Maturity			
	1 year	Over 1-5 years	Over 5 years	
Available-for-sale securities				
Government and state				
enterprise securities	2,075,029,493	107,644,085	4,419,497	2,187,093,075
Debt securities of private sector	631,083,305	100,520,816	180,119,880	911,724,001
Total	2,706,112,798	208,164,901	184,539,377	3,098,817,076
Add (less) : Allowance for changes				
in value	9,319,369	5,403,226	(3,286,394)	11,436,201
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	2,655,018,167	213,568,127	181,252,983	3,049,839,277
Held-to-maturities debt securities				
Government and state				
enterprise securities	69,950,496	-	338,728,051	408,678,547
Debt securities of private sector	-	4,000	6,481,340	6,485,340
Total	69,950,496	4,000	345,209,391	415,163,887
Total debt securities	2,724,968,663	213,572,127	526,462,374	3,465,003,164

(Unit : Baht)

	The Company Only			Total
	Maturity			
		Over	Over	
	1 year	1-5 years	5 years	
Available-for-sale securities				
Government and state				
enterprise securities	2,010,346,842	107,644,085	4,419,497	2,122,410,424
Debt securities of private sector	632,175,091	100,520,816	180,119,880	912,815,787
Total	2,642,521,933	208,164,901	184,539,377	3,035,226,211
Add (less) : Allowance for				
changes in value	9,296,892	7,252,780	(3,286,394)	13,263,278
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	2,591,404,825	215,417,681	181,252,983	2,988,075,489
Held-to-maturities debt securities				
Government and state				
enterprise securities	-	-	335,000,000	335,000,000
Debt securities of private sector	-	-	6,481,340	6,481,340
Total	-	-	341,481,340	341,481,340
Total debt securities	2,591,404,825	215,417,681	522,734,323	3,329,556,829

7.6 As at 31 December 2003, the Company have the following investment in companies which have weak financial standing or operating results :-

	(Unit : Baht)		
	Consolidated / The Company Only		
	Cost	Fair value	Allowance for ⁽¹⁾ changes in value
Companies having problems			
with debt repayment or in default	264,625,170	-	264,625,170

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

7.7 The followings are book value (net of allowance for impairment) of investments whereby the Company and its subsidiaries hold not less than 10 percent of the equity of the investees:-

(Unit : Baht)

Name	Consolidated					
	2003			2002		
	Book value	Unpaid amount	Percentage of holding	Book value	Unpaid amount	Percentage of holding
		%			%	
<u>Insurance :</u>						
GITC Co., Ltd.	13,453,200	-	40	13,905,600	-	40
AXA Insurance Plc.	58,887,015	-	11	58,887,015	-	11
<u>Services :</u>						
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	35,334,990	-	10	35,334,990	-	10
<u>Leasing and hire purchase :</u>						
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
Volkswagen Leasing Thailand Limited	29,845,846	40,000,000	20	24,981,601	40,000,000	20
<u>Trading import and export :</u>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,918,000	-	10	3,203,400	-	10
<u>Real estate :</u>						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	12,844,500	-	10	12,403,500	-	10
Sathorn Sombat Co., Ltd.	-	-	22	-	-	22
Huay Kaew Real Estate Co., Ltd.	-	-	-	-	-	100
<u>Industrial :</u>						
Siam Art Ceramic Co., Ltd.	13,222,000	-	10	12,452,000	-	10
<u>Holding :</u>						
Interthai Holdings Ltd. (Preference shares)	250,000	750,000	10	250,000	750,000	10

(Unit : Baht)

Name	The Company Only					
	2003			2002		
	Book value	Unpaid amount	Percentage of holding %	Book value	Unpaid amount	Percentage of holding %
<u>Insurance :</u>						
GITC Co., Ltd.	13,453,200	-	40	-	-	-
AXA Insurance Plc.	58,887,015	-	11	45,687,045	-	9
<u>Services :</u>						
TISCO Securities Hong Kong Ltd.	260,007,052	-	100	279,424,434	-	100
TISCO Securities Co., Ltd.	1,544,352,350	-	99.99	1,795,059,081	-	99.99
TISCO Asset Management Co., Ltd.	300,695,932	-	99.99	-	-	-
Thai Information Technology Co., Ltd.	42,092,503	-	99.99	4,684,871	-	10
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	35,334,990	-	10	35,334,990	-	10
<u>Leasing and hire purchase :</u>						
Tru-Way Co., Ltd.	-	-	-	1,994,631,506	-	99.99
Thai Commercial Auto Co., Ltd.	443,617,224	100,000,000	50	410,176,775	100,000,000	50
Hi-Way Co., Ltd.						
(ordinary shares and preference shares)	469,875,601	-	99.99	125,150,777	-	10
TISCO Leasing Co., Ltd.	1,224,156,306	-	99.99	-	-	-
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	176,100	-	2
<u>Trading import and export :</u>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,918,000	-	10	3,203,400	-	10
<u>Real estate :</u>						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	12,844,500	-	10	12,403,500	-	10
Huay Kaew Real Estate Co., Ltd.	-	-	-	-	-	100
Sathorn Sombat Co., Ltd.	-	-	22	-	-	2
<u>Industrial :</u>						
Siam Art Ceramic Co., Ltd.	13,222,000	-	10	12,452,000	-	10
<u>Holding :</u>						
Interthai Holdings Ltd. (Preference shares)	250,000	750,000	10	250,000	750,000	10
Thai Permsub Finance Co., Ltd.	71,650,260	-	99.99	150,475,174	-	99.99

7.8 The Company did not record investments in Jiji Press (Thailand) Co., Ltd., GITC Company Limited, Mizuho Corporate Leasing (Thailand) Co., Ltd. and Sathorn Sombat Co., Ltd., in which the Company and its subsidiaries hold not less than 20% of the equity, by the equity method since these investments had been transferred as the result of debt restructuring. The Company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.

7.9 On 28 February 2002, 16,884,994 shares of Huay Kaew Real Estate Company Limited were transferred to the Company at a price of Baht 0.01 each, a total of Baht 168,850. As a result, the Company's shareholdings in such Company is 100%. The Company has not included the financial statements of such company in the consolidated financial statements and has not recorded its investment in such company under the equity method since the Company holds shares in such company for the purpose of debt restructuring. The Company disposed such investment in December 2003.

8. INVESTMENT IN SUBSIDIARY COMPANIES

The Company's investment in its subsidiaries as at 31 December 2003 and 2002 are summarised below.

Company's name	Nature of business	Paid-up share capital		Cost method		Equity method ⁽¹⁾		Dividend income ⁽²⁾ received for the year ended 31 December	
		2003	2002	2003	2002	2003	2002	2003	2002
Subsidiary companies directly held by the Company									
TISCO Securities Hong Kong Limited	Services	HKD 20 million	HKD 20 million	66	66	260	279	-	-
TISCO Securities Co., Ltd.	Services	1,500	1,500	1,500	1,500	1,544	1,795	720	-
TISCO Asset Management Co., Ltd. ⁽³⁾	Services	100	-	220	-	301	-	200	-
Tru-Way Co., Ltd.	Hire purchase and holdings	-	1,200	-	1,078	-	2,125	-	-
TISCO Leasing Co., Ltd. ⁽³⁾	Leasing	890	-	864	-	1,224	-	-	-
Hi-Way Co., Ltd. ⁽³⁾	Hire purchase	100	-	273	-	470	-	-	-
Thai Information Technology Co., Ltd. ⁽³⁾	Services	20	-	44	-	42	-	-	-
Thai Commercial Auto Co., Ltd.	Hire purchase	800	800	434	434	444	410	35	20
Thai Permsub Finance Co., Ltd.	Finance	150	150	150	150	71	151	-	-
						<u>4,356</u>	<u>4,760</u>	<u>955</u>	<u>20</u>

⁽¹⁾ Calculated by including share of profit in subsidiaries in which the Company has indirect holdings.

⁽²⁾ Including dividend received from subsidiary companies which indirectly held by the Company.

⁽³⁾ In 2002, indirectly held by the Company.

During the year, the Company has requested approval from the Bank of Thailand to restructure the group shareholding of the Company and its subsidiary companies since, in order to reduce the complexity of the shareholding structure, the Company has a policy to hold all shares in its subsidiary companies directly. Part of this restructuring plan is the acquisition of TISCO Asset Management Company Limited from TISCO Securities Company Limited and the transfer of the business of Tru-way Company Limited to the Company, in accordance with the resolutions of the annual general meeting of the Company's shareholder held on 24 April 2003. The plan was approved by the Bank of Thailand on 28 November 2003. For reasons of prudence, the Company has decided to write off the goodwill amounting to Baht 791 million arising from acquisitions, and presented this as a separate item in the earnings statements of the current year.

This write-off of goodwill was approved by a meeting of the Company's Executive Board on 25 September 2003 and was ratified by a meeting of the Company's Board of Directors on 29 October 2003.

9. LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

9.1 Classified by loan type

	(Unit : Baht)			
	Consolidated		The Company Only	
	2003	2002	2003	2002
Finance business loans and receivable :				
Loans	11,313,582,149	13,661,895,576	11,283,631,471	13,492,290,038
Notes receivable	1,123,699,502	2,224,721,967	1,123,699,502	2,274,905,706
Hire-purchase and financial lease receivable	33,126,894,293	23,839,970,502	27,851,397,347	19,011,000,475
Total finance business loans and receivable	45,564,175,944	39,726,588,045	40,258,728,320	34,778,196,219
Add : Accrued interest receivable	106,291,001	112,131,704	80,123,473	83,757,276
Less : Allowance for doubtful accounts	(3,733,295,905)	(3,705,201,789)	(3,549,845,263)	(3,401,650,049)
Less : Allowance for loss on debt restructuring	(331,789,594)	(462,267,957)	(331,789,594)	(462,267,957)
Net finance business loans and receivable and accrued interest receivable	41,605,381,446	35,671,250,003	36,457,216,936	30,998,035,489

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Securities business receivable :				
Customer's accounts	2,897,091,893	560,183,892	-	-
Other receivable :-				
Overdue customers' accounts	994,297	343,366	-	-
Receivables under litigation	118,348,722	189,156,531	-	-
Receivables which are enforced by courts	306,805,627	236,400,281	-	-
Installment receivable	104,761,512	113,518,721	-	-
Total securities business receivable	3,428,002,051	1,099,602,791	-	-
Add : Accrued interest receivable	258	2,268	-	-
Less : Allowance for doubtful accounts	(534,545,342)	(535,066,300)	-	-
Net securities business receivable and accrued interest receivable	2,893,456,967	564,538,759	-	-
Net loans, receivable and accrued interest receivable	44,498,838,413	36,235,788,762	36,457,216,936	30,998,035,489

9.2 Classified by remaining periods of contracts

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Finance business loans and receivable				
At call (included contracts which are due)	2,057,230,558	3,310,855,657	2,150,902,053	3,108,508,281
Not over 1 year	4,519,382,004	5,117,530,094	3,399,381,981	2,863,604,354
Over 1 year	38,987,563,382	31,298,202,294	34,708,444,286	28,806,083,584
Total finance business loans and receivable	45,564,175,944	39,726,588,045	40,258,728,320	34,778,196,219
Add : Accrued interest receivable	106,291,001	112,131,704	80,123,473	83,757,276
Total finance business loans and receivable and accrued interest receivable	45,670,466,945	39,838,719,749	40,338,851,793	34,861,953,495

9.3 Classified by type of business

(Unit : Baht)

Consolidated as at 31 December 2003

	The Company Only					Subsidiaries	Total	
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts			Total
Agricultural and mining	-	-	-	-	14,857,023	14,857,023	-	14,857,023
Manufacturing and commerce	2,385,092,182	119,458,597	1,490,177	39,200,000	715,876,986	3,261,117,942	21,590,728	3,282,708,670
Real estate and construction	1,389,670,995	1,112,992	-	35,962	274,461,771	1,665,281,720	-	1,665,281,720
Public utilities and services	1,487,841,670	16,875,963	-	-	52,633,474	1,557,351,107	-	1,557,351,107
Personal use								
Hire-purchase	26,174,467,743	809,523,902	171,185,722	77,142,667	33,587,251	27,265,907,285	5,275,496,946	32,541,404,231
Housing loans	1,959,522,102	59,059,178	7,959,370	17,875,139	386,248,698	2,430,664,487	-	2,430,664,487
Securities	-	-	-	-	-	-	3,428,002,051	3,428,002,051
Others	3,130,386,500	35,844,763	63,527,449	12,363,113	821,426,931	4,063,548,756	8,359,950	4,071,908,706
Total finance and securities								
business loans and receivable	36,526,981,192	1,041,875,395	244,162,718	146,616,881	2,299,092,134	40,258,728,320	8,733,449,675	48,992,177,995
Add : Accrued interest receivable	62,696,350	17,427,123	-	-	-	80,123,473	26,167,786	106,291,259
Total finance and securities								
business loans and receivable								
and accrued interest receivable	36,589,677,542	1,059,302,518	244,162,718	146,616,881	2,299,092,134	40,338,851,793	8,759,617,461	49,098,469,254

(Unit : Baht)

The Company only as at 31 December 2003

	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts	Total
	Agricultural and mining	-	-	-	-	14,857,023
Manufacturing and commerce	2,385,092,182	119,458,597	1,490,177	39,200,000	715,876,986	3,261,117,942
Real estate and construction	1,389,670,995	1,112,992	-	35,962	274,461,771	1,665,281,720
Public utilities and services	1,487,841,670	16,875,963	-	-	52,633,474	1,557,351,107
Personal use						
Hire-purchase	26,174,467,743	809,523,902	171,185,722	77,142,667	33,587,251	27,265,907,285
Housing loans	1,959,522,102	59,059,178	7,959,370	17,875,139	386,248,698	2,430,664,487
Securities	-	-	-	-	-	-
Others	3,130,386,500	35,844,763	63,527,449	12,363,113	821,426,931	4,063,548,756
Total finance and securities						
business loans and receivable	36,526,981,192	1,041,875,395	244,162,718	146,616,881	2,299,092,134	40,258,728,320
Add : Accrued interest receivable	62,696,350	17,427,123	-	-	-	80,123,473
Total finance and securities						
business loans and receivable						
and accrued interest receivable	36,589,677,542	1,059,302,518	244,162,718	146,616,881	2,299,092,134	40,338,851,793

(Unit : Baht)

Consolidated as at 31 December 2002

	The Company Only					Subsidiaries	Total	
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts			Total
	Agricultural and mining	-	-	-	-			14,857,022
Manufacturing and commerce	2,894,331,754	17,813,076	11,534,682	294,205,116	557,296,691	3,775,181,319	30,943,185	3,806,124,504
Real estate and construction	2,530,861,395	15,075,363	18,794,336	-	515,345,637	3,080,076,731	-	3,080,076,731
Public utilities and services	2,602,750,826	-	-	-	52,636,731	2,655,387,557	-	2,655,387,557
Personal use								
Hire-purchase	17,919,044,321	607,052,136	68,490,591	45,429,603	31,426,579	18,671,443,230	4,802,527,575	23,473,970,805
Housing loans	2,058,434,636	64,851,137	26,546,988	9,737,718	505,938,401	2,665,508,880	-	2,665,508,880
Securities	-	-	-	-	-	-	1,099,602,791	1,099,602,791
Others	2,876,457,174	37,731,907	14,837,994	209,368,854	727,161,812	3,865,557,741	165,104,805	4,030,662,546
Total finance and securities								
business loans and receivable	30,881,880,106	742,523,619	140,204,591	558,741,291	2,404,662,873	34,728,012,480	6,098,178,356	40,826,190,836
Add : Accrued interest receivable	68,411,713	15,345,563	-	-	-	83,757,276	28,376,696	112,133,972
Total finance and securities								
business loans and receivable								
and accrued interest receivable	30,950,291,819	757,869,182	140,204,591	558,741,291	2,404,662,873	34,811,769,756	6,126,555,052	40,938,324,808

(Unit : Baht)

The Company only as at 31 December 2002

	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts	Total
	Agricultural and mining	-	-	-	-	14,857,022
Manufacturing and commerce	2,894,331,754	17,813,076	11,534,682	294,205,116	557,296,691	3,775,181,319
Real estate and construction	2,530,861,395	15,075,363	18,794,336	-	515,345,637	3,080,076,731
Public utilities and services	2,652,934,565	-	-	-	52,636,731	2,705,571,296
Personal use						
Hire-purchase	17,919,044,321	607,052,136	68,490,591	45,429,603	31,426,579	18,671,443,230
Housing loans	2,058,434,636	64,851,137	26,546,988	9,737,718	505,938,401	2,665,508,880
Securities	-	-	-	-	-	-
Others	2,876,457,174	37,731,907	14,837,994	209,368,854	727,161,812	3,865,557,741
Total finance and securities						
business loans and receivable	30,932,063,845	742,523,619	140,204,591	558,741,291	2,404,662,873	34,778,196,219
Add : Accrued interest receivable	68,411,713	15,345,563	-	-	-	83,757,276
Total finance and securities						
business loans and receivable						
and accrued interest receivable	31,000,475,558	757,869,182	140,204,591	558,741,291	2,404,662,873	34,861,953,495

9.4 As at 31 December 2002, loans and receivable included debts owned by a subsidiary company of approximately Baht 50 million. Such loans were repaid during the current year.

9.5 As at 31 December 2003, the Company had loans and receivable of approximately Baht 2,587 million (2002 : Baht 3,247 million) on which the recognition of interest income would be ceased under the Bank of Thailand's guidelines (i.e. accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date). However, the total loans and receivables on which the Company has actually ceased accruing interest in accordance with its accounting policy (as described in Note 3.1 (a) to financial statements), amounted to approximately Baht 5,686 million (2002 : Baht 7,231 million), with Baht 4,636 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account-by-account basis.

As at 31 December 2003, the local subsidiaries had securities business loans and receivable, hire-purchase receivable, financial lease receivable and other loans and receivables totaling Baht 720 million, on which the recognition of income had been suspended (2002 : Baht 708 million), with Baht 548 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided.

Unearned interest income totaling Baht 4,170 million (the Company only : Baht 3,375 million) is presented as a deduction against finance business loans and receivable (2002 : Baht 3,263 million and the Company only : Baht 2,192 million).

9.6 As at 31 December 2003, the Company's loans and receivable include restructured loans and receivables amounting to approximately Baht 1,583 million (net of collateral values). As a result of restructuring, the due date for the first repayment of these restructured loans and receivable has been rescheduled. In addition, the Company has another approximately Baht 553 million of loans and receivable (net of collateral values) which are in the process of being restructured, against which an allowance for possible loan loss of approximately Baht 552 million has been provided for.

9.7 Troubled Debt Restructuring

During the year, the Company entered into troubled debt restructuring agreements with 148 debtors, with aggregate loan balance (before restructuring) of approximately Baht 2,233 million.

As at 31 December 2003, the number of debtors which were subjected to debt restructuring amounted to 1,000 as summarised below.

Type of restructuring	Number of receivables	Outstanding loan balance before restructuring Million Baht	Type of assets transferred	Fair value of transferred assets Million Baht
Transfer of assets	21	2,487	Land and premises	2,413
Transfer of equity securities	4	770	Equity securities	410
Transfer of assets and equity securities and modification of terms	3	898	Land	198
			Equity securities	14
			Machinery	22
Transfer of equity securities and modification of terms	42	3,651	Equity securities	1,218
			Debt securities	21
Transfer of assets and modification of terms	12	2,191	Land and premises	465
			Equity securities	190
			Air conditioners	2
Modification of terms	918	19,151		
Total	1,000	29,148		4,953

The balance of the restructured debts as at 31 December 2003 amounted to approximately Baht 3,748 million (2002 : Baht 6,337 million).

During the year ended 31 December 2003, the Company recognised interest income on restructured receivables totaling Baht 104 million, received repayments of principal and interest from the restructured receivables totaling Baht 3,097 million and recorded losses from restructuring totaling Baht 3 million (2002 : Baht 164 million, Baht 3,672 million and Baht 33 million, respectively).

10. ALLOWANCE FOR DOUBTFUL ACCOUNTS / ALLOWANCE FOR LOSS ON DEBT RESTRUCTURING

10.1 Allowance for doubtful accounts

(Unit : Baht)

Consolidated as at 31 December 2003							
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	720,112,453	22,934,385	50,431,351	297,950,230	2,060,420,621	1,088,419,049	4,240,268,089
Increase (decrease) in allowance for doubtful accounts during the year	(172,566,687)	5,723,011	24,399,412	(175,701,903)	410,206,370	(34,066,619)	57,993,584
Bad debt written - off	(370,000)	-	-	-	(30,050,426)	-	(30,420,426)
Balance - end of year ⁽¹⁾	547,175,766	28,657,396	74,830,763	122,248,327	2,440,576,565	1,054,352,430	4,267,841,247

(Unit : Baht)

The Company only as at 31 December 2003							
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	675,606,972	18,255,727	37,545,147	279,207,063	1,327,464,510	1,063,570,630	3,401,650,049
Increase (decrease) in allowance for doubtful accounts during the year	(177,185,808)	5,697,291	22,545,582	(184,806,339)	563,334,031	(81,389,543)	148,195,214
Balance - end of year ⁽¹⁾	498,421,164	23,953,018	60,090,729	94,400,724	1,890,798,541	982,181,087	3,549,845,263

⁽¹⁾ The allowance for doubtful accounts included allowance for doubtful accounts of Baht 1,556 million for written-off accounts receivable which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines.

(Unit : Baht)

Consolidated as at 31 December 2002							
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
<i>Allowance for doubtful accounts⁽²⁾ :</i>							
Balance-beginning of year ⁽²⁾	191,138,080	13,846,927	29,549,848	72,886,048	773,641,970	737,700,798	1,818,763,671
Increase (decrease) in allowance for doubtful accounts during the year	67,621,019	8,033,165	12,183,995	29,793,666	198,195,815	350,718,251	666,545,911
Bad debts written-off	-	-	-	-	(49,913,572)	-	(49,913,572)
	258,759,099	21,880,092	41,733,843	102,679,714	921,924,213	1,088,419,049	2,435,396,010
Allowance for doubtful accounts for written-off account receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines	461,353,354	1,054,293	8,697,508	195,270,516	1,138,496,408	-	1,804,872,079
Balance-end of year	720,112,453	22,934,385	50,431,351	297,950,230	2,060,420,621	1,088,419,049	4,240,268,089

⁽²⁾ The allowance for doubtful accounts include that made by the subsidiary companies, which as from the third quarter of 2002, has been reflected in the above table according to the classification of those subsidiaries' loans instead of being shown as the general reserve, as was previously the case. The reclassification did not affect the previously reported consolidated balance.

(Unit : Baht)

The Company only as at 31 December 2002							
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General Reserve	Total
<i>Allowance for doubtful accounts :</i>							
Balance-beginning of year	160,692,113	9,213,691	13,830,553	64,832,501	-	725,984,650	974,553,508
Increase (decrease) in allowance for doubtful accounts during the year	53,561,505	7,987,743	15,017,086	19,104,046	205,948,447	337,585,980	639,204,807
Bad debts written-off	-	-	-	-	(16,980,345)	-	(16,980,345)
	<u>214,253,618</u>	<u>17,201,434</u>	<u>28,847,639</u>	<u>83,936,547</u>	<u>188,968,102</u>	<u>1,063,570,630</u>	<u>1,596,777,970</u>
Allowance for doubtful accounts for written-off account receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines	<u>461,353,354</u>	<u>1,054,293</u>	<u>8,697,508</u>	<u>195,270,516</u>	<u>1,138,496,408</u>	<u>-</u>	<u>1,804,872,079</u>
Balance-end of year	<u>675,606,972</u>	<u>18,255,727</u>	<u>37,545,147</u>	<u>279,207,063</u>	<u>1,327,464,510</u>	<u>1,063,570,630</u>	<u>3,401,650,049</u>

During the first quarter of 2002, the Bank of Thailand announced new guidelines for the classification of debtors and provisioning for doubtful debt according to the class of debtor. These included no longer writing off the portion of receivables classified as bad debt for which 100 percent provision has been set up. For the purpose of efficient control and management of non-performing loans, the Company still makes provision for doubtful debt based on the previous rates and in the first quarter of 2002 has ceased writing off the portion of loans classified as bad debt for which full provision has been made. From the second quarter of 2002, the Company has recorded all loans which were previously written off as bad debts, together with a 100 percent provision. This is being done for the purpose of control efficiency and has no impact on the operations of the Company.

10.2 Allowance for loss on debt restructuring

(Unit : Baht)

	The Company Only	
	2003	2002
Balance - beginning of year	462,267,957	333,862,492
Increase during year	141,416,567	207,906,927
Written-off	(271,894,930)	(79,501,462)
Balance - end of year	331,789,594	462,267,957

Under the Bank of Thailand's guidelines concerning the loan loss provisioning, the Company would have been required to provide an allowance for doubtful debts as at 31 December 2003 of approximately Baht 2,639 million (2002 : Baht 2,187 million) against its loans and receivables, including those undergoing debt restructuring. However, the Company has set up an allowance for doubtful debts and allowance for loss on debt restructuring totaling Baht 3,882 million (2002 : Baht 3,864 million), or Baht 1,243 million (2002 : Baht 1,677 million) more than the required amount.

The allowance for doubtful debts of Baht 3,882 million, as mentioned above, consists of allowance for doubtful debts of Baht 2,282 million set aside for the unsecured portion of loans amounting Baht 4,636 million at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,600 million set up for the other loans and receivables.

As at 31 December 2003, the Company had outstanding non-performing loans and receivables of approximately Baht 2,690 million, against which an allowance for doubtful debts of Baht 1,891 million has been provided.

The Company's management believes that this allowance is sufficient to cover possible losses on debt collection.

11. CLASSIFICATION OF ASSETS

11.1 Investment in securities

As at 31 December 2003 and 2002, the investment in securities of the Company included the following :-

- a) With respect to investment of approximately Baht 59 million in subordinated debentures issued by a financial institution which the Bank of Thailand ordered closed on 8 December 1997, the Company has made full provision for loss on these securities.
- b) Investments in securities of the companies which are vulnerable to delisting, of the companies of which the auditors have expressed their opinion with the going concern issue, or of the companies which have defaulted on their interest payments (including investments in sub debentures, as discussed in Note 11.1.a) are summarised below.

(Unit : Million Baht)

	Cost		Fair Value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	2003	2002	2003	2002	2003	2002
Debt instruments -						
debentures	265	60	-	-	265	60

⁽¹⁾ Allowance for possible losses is determined based on the investment cost less collateral value.

11.2 Classification of assets under the Bank of Thailand's guidelines.

As at 31 December 2003 and 2002, the Company classified its assets and made allowances against those assets in accordance with the Bank of Thailand's guidelines. They are summarised below.

(Unit : Million Baht)

	Debt balance		Debt balance		Percentage required by BOT ⁽¹⁾	Allowance for doubtful accounts			
			after net off collateral			Amounts to be provided		Amounts already set up	
	2003	2002	2003	2002		under BOT's guidelines		by the Company	
	2003	2002	2003	2002		2003	2002	2003	2002
Loans and receivable⁽¹⁾⁽²⁾									
Pass	36,527	30,932	28,639	21,331	1	285	213	499	676
Special mention	1,042	743	954	632	2	17	13	24	18
Substandard	244	140	184	104	20	54	21	60	38
Doubtful	147	558	128	331	50	85	165	94	279
Bad debts	2,299	2,405	1,734	1,313	100	1,866	1,313	1,891	1,327
Total	40,259	34,778	31,639	23,711		2,307	1,725	2,568	2,338
Loss on receivable under troubled debt restructuring	-	-	-	-		332	462	332	462
Total	40,259	34,778	31,639	23,711		2,639	2,187	2,900	2,800
General reserve								982	1,064
Total								3,882	3,864
Investment in securities									
Bad debts									
Debt instruments	64	61	64	61	100	64	61	64	61
Equity instruments	497	202	497	202	100	497	202	497	202
Total	561	263	561	263		561	263	561	263
Investment in receivables									
Bad debts	7	7	-	-	100	-	-	-	-
Properties foreclosed									
Land	86	93	86	93	100	86	93	86	93
Total classified assets	40,913	35,141	32,286	24,067		3,286	2,543	4,529	4,220

⁽¹⁾ Allowance for doubtful accounts for loans and receivable is determined based on debt balance less collateral value.

⁽²⁾ Interest receivable are not included in pass and special mention debt balance.

⁽³⁾ In the year 2002, BOT issued new guidelines on provisioning rates for normal debt and special mention debt, whereby provision is to be made for normal debt and special mention debt at rates of at least 1 or 2 percent, respectively, or at a lower rate calculated in accordance with guidelines and conditions stipulated by the BOT. However, the Company is still setting aside provision for such debt at rates of at least 1 or 2 percent, in accordance with the previous guidelines.

The assets classified above are presented in accordance with the assets classification report which the Company prepared and submitted to the Bank of Thailand, and include loans, receivable and interest accrued on loans, investment in securities and properties foreclosed. As at 31 December 2003 and 2002, in accordance with the BOT's guidelines, the Company has provided an allowance amounting to Baht 4,529 million and Baht 4,220 million, respectively against its loans and receivable, investment in securities and properties foreclosed.

The allowance for possible loan losses has been determined after taking into account the value of collateral in accordance with the Bank of Thailand's guidelines, and includes the allowance required against restructured debts.

A portion of the above classified loans and receivable includes debts due from companies with weak financial position and operating results. These amounts and allowance for doubtful accounts are as follows:-

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2003	2002	2003	2002	2003	2002	2003	2002
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Companies vulnerable to delisting	3	4	97	685	33	544	97	99
2. Non - listed companies with similar operating results and financial positions to the companies vulnerable to delisting	23	24	988	1,797	317	1,064	605	701
3. Listed companies of which shares have been suspended for trading	2	3	14	69	-	33	14	30
4. Listed companies under rehabilitation	14	11	584	462	153	123	339	303
5. Companies having loan default problem	30	31	2,111	1,203	1,228	354	854	800
6. Companies having going concern issue as cited in auditors' report	5	5	351	880	158	307	139	115
Total	77	78	4,145	5,096	1,889	2,425	2,048	2,048

11.3 Classification of assets in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 31 December 2003 and 2002, a local subsidiary operating in the securities business in Thailand classified its securities business receivable and accrued interest receivable as follows, and provided related allowances for doubtful accounts, in accordance with the notification of the Office of the Securities and Exchange Commission (SEC).

	(Unit : Million Baht)					
	Securities business receivable and accrued interest		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2003	2002	2003	2002	2003	2002
Substandard	69	27	-	-	-	-
Doubtful	462	510	462	510	462	510
Total	<u>531</u>	<u>537</u>	<u>462</u>	<u>510</u>	462	510
General reserve					73	25
Total					<u>535</u>	<u>535</u>

Substandard debts represent the receivable balances with a value equivalent to that of their collateral.

11.4 Hire-purchase receivable/financial lease receivable and other loan receivable of the subsidiaries

As at 31 December 2003 and 2002, hire-purchase receivable, financial lease receivable and other loan receivable of the subsidiaries are classified by the due date of the contracts as follows :-

	(Unit : Million Baht)	
	2003	2002
Current or overdue less than 90 days	5,250	5,354
Overdue		
91 - 365 days	141	104
More than 1 year	44	163
Debtors under litigation	44	61
Total	<u>5,479</u>	<u>5,682</u>

12. PROPERTY FORECLOSED

Property foreclosed represents assets transferred from loans, hire purchase receivable on which the debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of the assets are stated at the lower of the loans balance or market/appraisal value.

Details of the property foreclosed as at 31 December 2003 and 2002 are as follows :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2003	2002	2003	2002
Foreclosed assets :				
Immovable assets				
Balance - beginning of the year	1,428,938,261	2,387,406,968	1,378,246,436	2,335,815,144
Addition	220,100,000	-	220,100,000	-
Disposal	(104,281,919)	(958,468,707)	(104,281,919)	(957,568,708)
Balance - end of the year	1,544,756,342	1,428,938,261	1,494,064,517	1,378,246,436
Movable assets				
Balance - beginning of the year	27,331,922	4,378,084	22,451,670	2,151,180
Addition	337,638,240	201,550,086	116,526,396	68,701,821
Disposal	(363,908,559)	(178,596,248)	(138,405,744)	(48,401,331)
Balance - end of the year	1,061,603	27,331,922	572,322	22,451,670
Allowance for impairment :				
Balance - beginning of the year	139,455,401	154,826,392	92,736,701	109,014,410
Increase	11,605,440	20,390,493	11,605,440	19,420,776
Decrease	(19,449,823)	(35,761,484)	(18,425,514)	(35,698,485)
Balance - end of the year	131,611,018	139,455,401	85,916,627	92,736,701
Property foreclosed - net	1,414,206,927	1,316,814,782	1,408,720,212	1,307,961,405

As at 31 December 2003, the Company had obligations with regard to properties foreclosed which were received in repayment of debts amounting to Baht 710 million. (2002 : Baht 731 million). The debtors may repurchase these properties at prices and within periods specified in the agreements.

13. LAND, PREMISES AND EQUIPMENT

(Unit : Baht)

	Consolidated					Total
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	
Cost :						
31 December 2002	414,975,384	829,637,565	449,176,422	347,003,702	73,366,348	2,114,159,421
Translation adjustment	-	-	(1,817,356)	-	-	(1,817,356)
Addition/Transfer in	147,995,983	260,930,064	51,474,244	1,105,569	809,492	462,315,352
Disposal/Transfer out	(137,693,743)	(277,456,215)	(30,383,436)	(79,052,094)	(953,398)	(525,538,886)
31 December 2003	425,277,624	813,111,414	468,449,874	269,057,177	73,222,442	2,049,118,531
Accumulated depreciation :						
31 December 2002	-	206,212,518	370,864,485	166,752,531	25,881,337	769,710,871
Translation adjustment	-	-	(1,426,554)	-	-	(1,426,554)
Depreciation charge for the year	-	42,939,644	43,045,857	23,149,203	14,455,697	123,590,401
Disposal	-	(84,207,502)	(25,553,928)	(23,449,318)	(583,364)	(133,794,112)
31 December 2003	-	164,944,660	386,929,860	166,452,416	39,753,670	758,080,606
Net book value :						
31 December 2002	414,975,384	623,425,047	78,311,937	180,251,171	47,485,011	1,344,448,550
31 December 2003	425,277,624	648,166,754	81,520,014	102,604,761	33,468,772	1,291,037,925
Depreciation charge included in earnings statements for the years ended 31 December:						
2002						146,741,044
2003						123,590,401

(Unit : Baht)

	The Company Only					Total
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	
Cost :						
31 December 2002	270,789,447	535,457,210	152,880,684	191,096,523	39,739,482	1,189,963,346
Addition/Transfer in	10,302,240	12,151,228	27,621,602	923,279	1,147,545	52,145,894
Disposal/Transfer out	-	-	(2,963,979)	(60,733)	(616,525)	(3,641,237)
31 December 2003	281,091,687	547,608,438	177,538,307	191,959,069	40,270,502	1,238,468,003
Accumulated depreciation :						
31 December 2002	-	127,454,360	131,462,186	88,337,898	14,720,853	361,975,297
Depreciation charge for the year	-	28,178,437	15,046,470	13,019,531	8,061,251	64,305,689
Disposal	-	-	(2,899,640)	-	(246,492)	(3,146,132)
31 December 2003	-	155,632,797	143,609,016	101,357,429	22,535,612	423,134,854
Net book value :						
31 December 2002	270,789,447	408,002,850	21,418,498	102,758,625	25,018,629	827,988,049
31 December 2003	281,091,687	391,975,641	33,929,291	90,601,640	17,734,890	815,333,149
Depreciation charge included in earnings statements for the years ended 31 December :						
2002						73,784,712
2003						64,305,689

14. OTHER ASSETS

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Value added tax - net	988,544,860	724,226,365	916,502,171	639,815,777
Accrued interest receivable	55,475,241	52,497,778	48,031,850	49,914,753
Fee receivable	355,497,040	213,039,079	198,639,836	139,110,923
Dividend receivable	-	-	720,000,000	-
Prepaid income tax	107,578,226	99,062,571	68,718,577	47,515,874
Deferred computer system development cost - net	35,548,301	45,108,876	32,291,903	40,984,180
Deposits	8,335,558	10,183,398	3,774,216	3,170,993
Other receivables	79,038,005	81,973,001	71,165,683	75,730,495
Other assets	148,651,379	160,020,237	67,042,375	49,383,420
Total other assets	1,778,668,610	1,386,111,305	2,126,166,611	1,045,626,415

15. BORROWINGS AND DEPOSITS

15.1 Classified by source of borrowings and deposits

(Unit : Baht)

	Consolidated					
	2003			2002		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	31,534,505,116	2,377,439,295	33,911,944,411	29,956,478,590	987,267,828	30,943,746,418
From banks	632,000,000	1,684,529,825	2,316,529,825	243,000,000	2,016,109,462	2,259,109,462
From financial institutions	1,785,987,834	-	1,785,987,834	1,005,111,315	-	1,005,111,315
From foreign countries	99,434,806	-	99,434,806	53,384,018	-	53,384,018
Total borrowings and deposits	34,051,927,756	4,061,969,120	38,113,896,876	31,257,973,923	3,003,377,290	34,261,351,213

(Unit : Baht)

	The Company Only					
	2003			2002		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	31,782,068,044	1,453,044,921	33,235,112,965	29,976,478,590	516,019,208	30,492,497,798
From banks	620,000,000	222,055,444	842,055,444	-	289,018,870	289,018,870
From financial institutions	2,686,987,834	-	2,686,987,834	913,786,079	-	913,786,079
From foreign countries	99,434,806	-	99,434,806	53,384,018	-	53,384,018
Total borrowings and deposits	35,188,490,684	1,675,100,365	36,863,591,049	30,943,648,687	805,038,078	31,748,686,765

15.2 Classified by the remaining period of contract

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
At call	2,053,014,330	853,905,334	2,849,102,877	866,007,045
Not over 1 year (included contracts which are due)	26,567,968,624	22,705,662,253	24,600,125,130	20,224,096,094
Over 1 year	9,492,913,922	10,701,783,626	9,414,363,042	10,658,583,626
Total borrowings and deposits	38,113,896,876	34,261,351,213	36,863,591,049	31,748,686,765

16. DEBENTURES

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Subordinated debentures	331,000,000	331,000,000	331,000,000	331,000,000
Unsubordinated unsecured debentures	5,610,000,000	4,800,000,000	4,800,000,000	4,800,000,000
	<u>5,941,000,000</u>	<u>5,131,000,000</u>	<u>5,131,000,000</u>	<u>5,131,000,000</u>

16.1 Subordinated debentures

During 1999 the Company issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the Company by purchasing the Company's newly issued subordinated debentures in order to increase its Tier II capital fund to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The Company immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

16.2 Unsubordinated and unsecured debentures

16.2.1 In 2002 the Company issued Baht 4,800 million of unsubordinated and unsecured debentures, maturing in 2007, consisting of :-

- a) 2 million debentures with a face value of Baht 1,000 each, totaling Baht 2,000 million. These debentures bear interest at a rate of 4.25 percent per annum.
- b) 1 million debentures with a face value of Baht 1,000 each, totaling Baht 1,000 million. These debentures bear interest at a rate of 3.5 percent per annum in the first and second years and thereafter at a floating rate equivalent to the reference rate plus 0.5 percent per annum, which rate shall not be less than 3.75 percent per annum and shall not exceed 5 percent, 5.5 percent and 6 percent per annum in the third, fourth and fifth years, respectively.

- c) 1.8 million debentures with a face value of Baht 1,000 each, totaling Baht 1,800 million. These debentures carry interest at a floating rate equivalent to a rate of 6 percent minus the reference rate per annum in the first, second and third years and thereafter at a rate of 3.8 percent per annum.

In respect of the Baht 2,800 million of debentures discussed in (b) and (c) above, the Company entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.

- 16.2.2 In September 2003, a subsidiary company issued Baht 400 million of unsubordinated and unsecured debentures, consisting of 400,000 debentures with a face value of Baht 1,000 each. These debentures bear interest at a rate of 3.25 percent per annum, maturing in 2006. The subsidiary company is required to comply with debenture issuance conditions and maintain certain financial ratio.

In addition, an another subsidiary company has invested a total of Baht 90 million in these debentures.

- 16.2.3 In October 2003, a subsidiary company issued Baht 500 million of 3-year amortising unsecured and unsubordinated debentures (500,000 units with a face value of Baht 1,000 each). These debentures bear interest at a rate of 3.2 percent per annum. The issuer will repay the principal of the debentures in four periods, the first of which will start on 6 January 2006 and interest will be paid quarterly beginning 6 January 2004. Such subsidiary company is required to comply with debenture issuance conditions and maintain certain financial ratio.

17. OTHER LIABILITIES

	(Unit : Baht)			
	Consolidated		The Company Only	
	2003	2002	2003	2002
Corporate income tax payable	146,863,467	53,509,173	-	-
Withholding income tax and other tax payable	110,033,395	88,745,649	30,963,979	64,141,583
Accrued insurance premium	262,386,034	163,551,321	222,837,240	129,768,523
Other liabilities	407,677,457	299,575,151	222,480,908	164,485,529
Total other liabilities	926,960,353	605,381,294	476,282,127	358,395,635

18. SHARE CAPITAL AND WARRANTS

- a) The Company has a registered capital of Baht 11,002 million which, according to the documents filed with the Ministry of Commerce in 1999, comprises 100.2 million ordinary shares and 1,000 million preference shares, both with a par value of Baht 10 each. The preference shares can be, and were from time to time, converted to ordinary shares in accordance with the Memorandum and Articles of Association. Up to 31 December 2003, 430,391,820 preference shares had been converted into ordinary shares, and such conversion registered with the authorities.

As at 31 December 2003, there remained a total of 181,127,680 preference shares which are eligible for conversion to ordinary shares.

- b) On 10 April 2000, the annual general meeting of the Company's shareholders passed a resolution approving the allocation to directors and employees of the Company and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Company's preference shares, exercisable in a ratio of 1 warrant to 1 preference share, and passed a resolution approving the establishment of an Allotment Committee. Such committee resolved that the warrants would not be allocated to the Company's directors, except for those directors who were qualified by virtue of being the Company employees. The exercise price of the warrants was stipulated at 75 percent of the ten-trading-day average closing price of the Company's preference shares prior to the effective date of the filing, subject to a minimum price of par value. The warrants are to be offered subsequent to the receipt of approval from the Office of the Securities and Exchange Commission. In addition, the annual general meeting passed a resolution approving the un-allocation of 400 million preference shares (including 300 million preference shares which were to be reserved for the conversion of convertible debentures). Thirty million preference shares with a par value of Baht 10 each are to be reserved for the exercise of the warrants to be issued and offered to directors and employees of the Company and its subsidiaries to purchase the Company's preference shares, leaving 370 million unallocated preference shares.

On 24 April 2002, the annual general meeting of the Company's shareholders passed a resolution approving the exercise price of warrants at 75 percent of the ten-trading-day average closing price of the Company's preference shares prior to the date of warrant allocation, subject to a minimum price of par value. In addition, the annual general meeting passed a resolution approving the allocation of 1,100,000 warrants to the directors. These conditions were approved by the Office of the Securities and Exchange Commission.

On 24 April 2003, the annual general meeting of the Company's shareholders passed a resolution approving the allocation of 800,000 warrants to the directors. These conditions were approved by the Office of the Securities and Exchange Commission.

Up to 31 December 2003, the Company allocated 25,436,000 warrants, and employees who had been allocated warrants had exercised their rights to purchase a total of 7,440,000 preference shares, at an exercise price of Baht 10 each, amounting to Baht 74,400,000 and 2,774,000 preference shares at an exercise price of Baht 11.31 each, a total of Baht 31,373,940 and 1,305,500 preference shares at an exercise price of Baht 13.20 each, a total of Baht 17,232,600 of which 11,519,500 preference shares registered with the Ministry of Commerce.

As at 31 December 2003, 13,916,500 warrants remained unexercised.

19. CAPITAL FUND

As at 31 December 2003 and 2002, the capital funds maintained by the Company in accordance with Section 4 of the Act on Undertaking of Finance Business, Finance and Securities Business and Credit Foncier Business B.E. 2522 were as follows :-

	(Unit : Thousand Baht)	
	The Company Only	
	2003	2002
<u>Tier I</u>		
Issued and fully paid up share capital	7,117,195	7,065,345
Premium on share capital	44,311	37,685
Statutory reserve	143,300	48,700
Retained earnings - unappropriated	1,837,249	41,567
Total Tier I	9,142,055	7,193,297
<u>Tier II</u>		
Subordinated debentures	331,000	331,000
Reserve for loans classified as pass	498,421	516,667
Reserve for revaluation of equity securities – available for sales	450,119	-
Total Tier II	1,279,540	847,667
Less : Investments in debentures at value of which the banks, who are the debenture issuers, recognize as capital fund	(51,091)	-
Total capital fund	10,370,504	8,040,964

The capital ratios of the Company are as follows :-

	The Company Only			
	2003		2002	
	Company	Requirement	Company	Requirement
Tier I capital to risk assets	18.78%	4.00%	17.40%	4.00%
Total capital to risk assets	21.42%	8.00%	19.45%	8.00%
Total capital to issued and paid-up share capital	145.71%	75.00%	113.81%	75.00%

20. STATUTORY RESERVE

Under the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5% of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of its registered share capital. The statutory reserve could not use for dividend payment.

21. SURPLUS ON CHANGES IN THE VALUE OF INVESTMENTS

	(Unit : Baht)	
	Consolidated / The Company Only	
	2003	2002
Balance - beginning of the year	58,797,600	126,793,564
Increase (decrease) in changes in the value of securities during the year	1,413,635,542	(67,995,964)
	1,472,433,142	58,797,600
Less : The effect of income tax liabilities	(439,523,022)	-
Balance - end of the year	1,032,910,120	58,797,600

22. GAIN ON INVESTMENTS

Gain on investments for the years ended 31 December 2003 and 2002 consist of the following :-

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Unrealised gain (loss) on investments	(142,581,866)	(127,719,451)	(163,879,434)	8,126,968
Realised gain on investments	638,851,814	752,479,962	500,084,875	500,263,182
Total	<u>496,269,948</u>	<u>624,760,511</u>	<u>336,205,441</u>	<u>508,390,150</u>

23. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to directors who hold executive positions.

24. CORPORATE INCOME TAX

Corporate income tax expenses for the years ended 31 December 2003 and 2002 were arrived at as follows:

(Unit : Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Income tax payable on taxable profit for the year	656,367,656	842,641,965	374,626,055	520,296,298
Add (less) : Net decrease (increase) in deferred tax on temporary differences	(797,724,332)	(4,011,952)	(672,722,435)	128,808
Less : Utilisation of income tax benefits on tax loss carried forward	(374,626,055)	(648,502,670)	(374,626,055)	(520,296,298)
Income tax expenses – net / income tax benefits	<u>(515,982,731)</u>	<u>190,127,343</u>	<u>(672,722,435)</u>	<u>128,808</u>

Since the third quarter of this year, the Company and its subsidiary companies have reviewed the deferred tax benefits resulting from temporary differences occurring in the past, and have recognised deferred tax assets and deferred tax liabilities with an effect to the earnings statements of Baht 798 million (the Company only : Baht 673 million). The decision to recognise deferred tax was made since the Company and its subsidiary companies believe that it is highly probable that the Company and its subsidiaries will be able to utilise such benefits in the foreseeable future.

The recognition of deferred tax benefits was approved by a meeting of the Company's Executive Board on 25 September 2003 and was ratified by a meeting of the Company's Board of Director on 29 October 2003.

As at 31 December 2003, deferred tax assets and deferred tax liabilities arose from the following temporary differences:

	(Unit: Thousand Baht)	
	Consolidated	The Company only
Allowance for doubtful accounts (general reserve)	1,165,632	982,181
Allowance for doubtful accounts for VAT receivables	20,129	-
Allowance for impairment of investments	533,264	533,213
Allowance for impairment of property foreclosed	86,185	85,917
Non - accrual of interest income	1,505,268	1,468,856
Depreciation of assets	19,162	15,035
Financial leases	184,258	-
Revaluation surplus on changes in the value of investment	(1,442,213)	(1,442,213)
Others	5,492	5,492
	<u>2,077,177</u>	<u>1,648,481</u>
Deferred tax assets (30%)	<u>623,153</u>	<u>494,544</u>

	(Unit: Thousand Baht)	
	Consolidated	The Company only
Unrealised gain from trading securities	6,958	-
Non-accrual of interest income	(18,213)	-
Depreciation of assets	(2,362)	-
Revaluation surplus on changes in the value of investment	22,864	-
Others	4,933	-
	<u>14,180</u>	<u>-</u>
Deferred tax liabilities (30%)	<u>4,254</u>	<u>-</u>

25. PROVIDENT FUND

The Company, its seven subsidiaries and their employees have jointly registered provident fund schemes under the Provident Fund Act B.E. 2530. The funds are contributed to by both the employees and the companies at rates of 5-10 percent of their employees' salaries depending on the number of years of service. The funds will be paid to the employees upon termination in accordance with the rules of the funds, and they are managed by the Bangkok Bank Public Company Limited. During the year ended 31 December 2003, Baht 40 million has been contributed to the funds by the Company and its subsidiaries (the Company only : Baht 20 million).

26. NUMBER OF EMPLOYEES

	Consolidated		The Company Only	
	2003	2002	2003	2002
Number of employees at the end of year (persons)	1,274	1,292	609	430

27. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	For the years ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	2003	2002	2003	2002	2003	2002
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net earnings	1,890,281	1,154,050	526,276	344,146	3.59	3.35
Effect of dilutive securities						
Preference shares (including 13.9 million warrants to purchase preference shares)	-	-	199,360	375,835		
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of preference shares to ordinary shares	1,890,281	1,154,050	725,636	719,981	2.60	1.60

28. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents represent cash in hand and all types of bank deposits, except certificates of deposit, in accordance with the Notification of the Bank of Thailand regarding the format of the balance sheets and earnings statements of finance companies, finance and securities companies and credit foncier companies, dated 10 May 2001.

Cash and cash equivalents as reflect in the statements of cash flows as at 31 December 2003 and 2002 consist of the following :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2003	2002	2003	2002
Cash	3,628,258	3,927,680	1,819,690	1,546,536
Cash at banks and financial institutions	1,189,821,322	793,001,322	232,922,014	282,108,315
Cash and cash equivalents	1,193,449,580	796,929,002	234,741,704	283,654,851

29. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2003 and 2002, the Company had significant business transactions with its subsidiary and related companies (related by way of common shareholders and/or common directors). Such transactions have been concluded on the terms and basis as determined by the Company and those companies. Intercompany outstanding balances and transactions are summarised below :-

(Unit : Thousand Baht)

	Consolidated			Balance-end of the year
	Balance- beginning of the year	Increase	Decrease	
<u>Outstanding balance as at 31 December 2003</u>				
Associated company				
Borrowing and deposits from public :				
Volkswagen Leasing Thailand Limited	-	80,000	(80,000)	-

(Unit : Thousand Baht)

	The Company Only			Balance-end of the year
	Balance- beginning of the year	Increase	Decrease	
<u>Outstanding balance as at 31 December 2003</u>				
Subsidiary companies				
Loans to wholly owned subsidiary companies :				
Thai Information Technology Co., Ltd.	50,183	-	(50,183)	-
Borrowing and deposits from financial institutions and public :				
TISCO Securities Co., Ltd.	16,000	884,000	-	900,000
Hi-Way Co., Ltd.	-	185,080	(117,540)	67,540
TISCO Leasing Co., Ltd.	-	150,023	-	150,023
Other subsidiary companies	22,000	10,000	(1,000)	31,000
Other liabilities :				
Tru-Way Co., Ltd.	34,112	-	(34,112)	-

(Unit : Thousand Baht)

	Consolidated		The Company Only		Pricing policy
	2003	2002	2003	2002	(For the year 2003)
Transactions occurred during the years ended 31 December					
Subsidiary companies					
Risk, financial and human resources management fee income	-	-	35,800	37,366	In accordance with the centralized policy for supporting activities of the Company and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Other income	-	-	7,695	30,322	Reference to the price as charged to other customers
Debt collection service expenses	-	-	-	318,851	Reference to the price as charged to other customers
Computer system advisory services expenses and office administration expenses	-	-	53,630	57,875	In accordance with the centralized policy for supporting activities of the Company and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Other expenses	-	-	1,567	8,206	Reference to the price as charged to other customers
Associated company					
Interest expense	1,106	8,829	-	-	Reference to the rate as charged to other customers
Accounts receivable management fee income and office administration fee income	12,189	21,034	-	-	Reference to the price as charged to other customers

Besides the above transactions, during this year, the Company has additional related party transactions with its subsidiary companies, which presented below :

- a) The Company acquired investments in debt securities amounting to Baht 34 million from a subsidiary company and sold investments in equity securities amounting to Baht 445 million to this subsidiary company. The Company and this subsidiary company recorded gains from these sales of investments amounting to Baht 2 million and Baht 1 million, respectively.
- b) The Company acquired investment in ordinary shares in TISCO Asset Management Company Limited from TISCO Securities Company Limited, at the price of Baht 220 million.

- c) The Company accepted the business transfer from Tru-Way Company Limited, as discussed on Note 2(c) to financial statements. As a result, the Company recorded assets and liabilities, with total net assets value of Baht 1,459 million, details are as follows :-

	<u>Million Baht</u>
Assets	
Other investments	215
Investments in subsidiary companies	1,074
Loan receivables	140
Other assets	44
	<u>1,473</u>
Liabilities	
Notes payable	13
Other liabilities	1
	<u>14</u>
Net asset value	<u><u>1,459</u></u>

As at 31 December 2003, the Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10% of the common shares of paid up capital are held by the Company, the Company's directors or management-level employees, with the exception of the loans to subsidiary and related companies discussed above, and loans to employees under the employee welfare scheme, which are summarised below.

	(Unit : Thousand Baht)	
	<u>Consolidated</u>	<u>The Company Only</u>
Loans	4,563	4,563

As at 31 December 2003, the Company has neither provided any credit nor made any commitments to companies which have directors in common with the Company in cases where such credit is unsecured or not fully collateralised and therefore would require an approval from the Bank of Thailand.

As at 31 December 2003, the Company and its subsidiaries have no investments in related companies which are related by way of members of the management of the Company or of its subsidiaries being shareholders and/or directors.

30. FINANCIAL INFORMATION BY SEGMENT

Financial information relating to the finance business, securities business and other business segments as of 31 December 2003 and 2002 and for the years then ended is summarised below.

(Unit : Million Baht)

	For the years ended 31 December									
	Finance business		Securities business		Other business		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net interest and dividend income after bad debt and doubtful accounts	2,792	1,614	249	39	(3)	(5)	(955)	(63)	2,083	1,585
Non-interest income	968	1,363	1,338	786	116	145	90	(533)	2,512	1,761
Operating expenses	(1,658)	(1,756)	(788)	(573)	(154)	(119)	(578)	485	(3,178)	(1,963)
Corporate income tax	692	(93)	(176)	(91)	-	(7)	-	-	516	(191)
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	(43)	(38)	(43)	(38)
Net earnings	<u>2,794</u>	<u>1,128</u>	<u>623</u>	<u>161</u>	<u>(41)</u>	<u>14</u>	<u>(1,486)</u>	<u>(149)</u>	<u>1,890</u>	<u>1,154</u>

(Unit : Million Baht)

	As at 31 December									
	Finance business		Securities business		Other business		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Investments in securities	10,851	9,381	969	965	-	-	(3,725)	(4,165)	8,095	6,181
Loans, receivable and accrued interest receivable - net	41,779	36,405	2,893	971	-	-	(174)	(1,140)	44,498	36,236
Other assets	5,973	4,011	3,481	2,132	51	139	(1,835)	513	7,670	6,795
Total assets	<u>58,603</u>	<u>49,797</u>	<u>7,343</u>	<u>4,068</u>	<u>51</u>	<u>139</u>	<u>(5,734)</u>	<u>(4,792)</u>	<u>60,263</u>	<u>49,212</u>

31. COMMITMENTS AND CONTINGENT LIABILITIES

31.1 Aval to bills and other guarantees

(Unit : Baht)

	Consolidated and the Company Only	
	2003	2002
Aval to bills	190,000,000	771,762,686
Guarantees - others	516,957,183	521,879,371
Total contingent liabilities and obligations	<u>706,957,183</u>	<u>1,293,642,057</u>

31.2 Commitments under rental/service contracts

- a) The Company is obliged to make contributions to the Financial Institutions Development Fund, at the rate of 0.2 percent of the total outstanding balance of the Company's deposits, borrowings, and liabilities arising from borrowings, as of the last day of the previous six-month period. Contributions are to be made every 30 June and 31 December.
- b) A subsidiary company is required to pay a membership fee to the Stock Exchange of Thailand on a monthly basis, at a rate of 0.005 percent of the trading volume of its stock.

31.3 Litigation

The Company was a defendant in certain lawsuits involving compensation of approximately Baht 91 million. As at 31 December 2003, the cases were not yet final; nevertheless, the Company's management believes that the Company will not suffer material losses (if any) from these suits.

31.4 The Company has commitments under interest rate swap agreements covering nominal principal of Baht 5,600 million (as discussed in Note 32.2 to the financial statements), commitments under forward foreign exchange sales contracts covering interest income from investments in debentures amounting to USD 15.35 million and commitments under cross currency interest rate swap agreements covering interest income from investments in debentures amounting to USD 2 million (as discussed in Note 32.4 to the financial statements).

31.5 A subsidiary company has outstanding commitments of approximately Baht 40 million in respect of the uncalled portion of an investment in an associated company.

32. FINANCIAL INSTRUMENTS

Financial instruments are any contracts which gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As at 31 December 2003, the Company and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

32.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfil an obligation causing the Company and subsidiary companies to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the balance sheet and the off-balance sheet transactions of aval and other guarantees.

In addition, the Company and its subsidiary companies manage credit risk by the following means, in through careful consideration of credit approval process, analysis of the risk factors and the ability to service debt of customers and credit review process, which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

32.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will change as a result of future changes in interest rates.

(Unit : Million Baht)

	Consolidated			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash and deposits at financial institutions	630	25	538	1,193
Loans to financial institutions	-	601	-	601
Securities purchased under resale agreements	-	37	-	37
Investments in securities - net	314	3,159	4,623	8,096
Trading transactions with securities companies				
- receivable	-	-	730	730
Loans and receivable	5,942	38,360	4,796	49,098
	<u>6,886</u>	<u>42,182</u>	<u>10,687</u>	<u>59,755</u>
Financial liabilities				
Borrowings and deposits	7	37,816	291	38,114
Trading transactions with securities companies				
- liabilities	-	-	865	865
Securities business payable	474	-	2,825	3,299
Debentures	-	5,941	-	5,941
	<u>481</u>	<u>43,757</u>	<u>3,981</u>	<u>48,219</u>

(Unit : Million Baht)

	The Company Only			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash and deposits at financial institutions	2	-	233	235
Securities purchased under resale agreements	-	37	-	37
Investments in securities - net	314	3,022	8,227	11,563
Loans and receivable	5,836	32,605	1,898	40,339
	<u>6,152</u>	<u>35,664</u>	<u>10,358</u>	<u>52,174</u>
Financial liabilities				
Borrowings and deposits	-	36,628	235	36,863
Debentures	-	5,131	-	5,131
	<u>-</u>	<u>41,759</u>	<u>235</u>	<u>41,994</u>

The Company has entered into interest rate swap agreements to pay fixed rate interest in exchange for receipt of floating rate interest on the nominal principal of Baht 1,000 million. These agreements will expire in 2005 and 2008. The Company has entered into interest rate swap agreements to pay float rate interest in exchange for receipt of fixed rate interest on the nominal principal of Baht 500 million. The agreement expires in 2008.

In addition, the Company has entered into interest rate swap agreements to exchange a floating interest rate on the Baht 2,800 million debentures for a fixed interest rate. The agreement expires in 2007. The Company has also entered into interest rate swap agreements to exchange floating interest rates on loans and deposits amounting to Baht 1,300 million for a fixed interest rate. The agreements expire in 2006 and 2008.

The balances of the floating rate and fixed rate loans and receivable shown in the above table include those on which interest recognition has been ceased, and are presented before deducting provisions.

With respect to fixed rate financial instruments, the table show summarises their repricing or maturity date (whichever is the earlier) counting from the balance sheet date.

(Unit : Million Baht)

<u>Transactions</u>	Consolidated							Interest rates %
	Repricing or maturity date						Total	
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 Years	Unspecified		
Financial assets								
Cash and deposits at financial institutions								
	-	25	-	-	-	-	25	2.1084
Loans to financial institutions	401	180	20	-	-	-	601	1.0217
Securities purchased under resale agreements	-	37	-	-	-	-	37	1.0938
Investments in securities - net	-	1,921	703	111	424	-	3,159	4.0000
Loans and receivable	1,314	4,858	11,128	18,611	2,005	444	38,360	8.5138
	<u>1,715</u>	<u>7,021</u>	<u>11,851</u>	<u>18,722</u>	<u>2,429</u>	<u>444</u>	<u>42,182</u>	
Financial liabilities								
Borrowings and deposits	1,758	15,323	11,256	9,479	-	-	37,816	2.2627
Debentures	-	-	-	5,610	331	-	5,941	4.0326
	<u>1,758</u>	<u>15,323</u>	<u>11,256</u>	<u>15,089</u>	<u>331</u>	<u>-</u>	<u>43,757</u>	

(Unit : Million Baht)

<u>Transactions</u>	The Company Only							Interest rates %
	Repricing or maturity date						Total	
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 Years	Unspecified		
Financial assets								
Cash and deposits at financial institutions								
	-	-	-	-	-	-	-	1.2500
Securities purchased under resale agreements	-	37	-	-	-	-	37	1.0938
Investments in securities - net	-	1,851	638	113	420	-	3,022	3.9893
Loans and receivable	1,149	3,900	9,164	16,387	2,005	-	32,605	7.0164
	<u>1,149</u>	<u>5,788</u>	<u>9,802</u>	<u>16,500</u>	<u>2,425</u>	<u>-</u>	<u>35,664</u>	
Financial liabilities								
Borrowings and deposits	2,627	14,409	10,191	9,401	-	-	36,628	2.1513
Debentures	-	-	-	4,800	331	-	5,131	4.1610
	<u>2,627</u>	<u>14,409</u>	<u>10,191</u>	<u>14,201</u>	<u>331</u>	<u>-</u>	<u>41,759</u>	

32.3 Liquidity risk

The periods to maturity dates of financial instruments held as of 31 December 2003, counting from the balance sheet date, are as follows :-

(Unit : Million Baht)

Transactions	Consolidated							Total
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 years	Unspecified	Non performing loans	
Financial assets								
Cash and deposits at financial institutions	1,043	150	-	-	-	-	-	1,193
Loans to financial institutions	401	180	20	-	-	-	-	601
Securities purchased under resale agreements	-	37	-	-	-	-	-	37
Investments in securities – net	2,847	2,195	962	276	532	1,284	-	8,096
Trading transactions with securities companies – receivable	-	730	-	-	-	-	-	730
Loans and receivable	912	7,998	12,451	21,241	3,188	-	3,307	49,098
	<u>5,203</u>	<u>11,290</u>	<u>13,433</u>	<u>21,513</u>	<u>3,720</u>	<u>1,284</u>	<u>3,307</u>	<u>59,755</u>
Financial liabilities								
Borrowings and deposits	2,036	15,323	11,256	9,479	-	20	-	38,114
Trading transactions with securities companies -- liabilities	-	865	-	-	-	-	-	865
Securities business payable	570	2,729	-	-	-	-	-	3,299
Debentures	-	-	-	5,610	331	-	-	5,941
	<u>2,606</u>	<u>18,917</u>	<u>11,256</u>	<u>15,089</u>	<u>331</u>	<u>20</u>	<u>-</u>	<u>48,219</u>
Off - balance sheet items								
Aval to bills	-	190	-	-	-	-	-	190
Guarantees of loans and others	289	228	-	-	-	-	-	517

(Unit : Million Baht)

Transactions	The Company Only							Total
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 years	Non performing		
						Unspecified	Loans	
Financial assets								
Cash and deposits at financial institutions	235	-	-	-	-	-	-	235
Securities purchased under resale agreements	-	37	-	-	-	-	-	37
Investments in securities - net	2,769	1,851	741	215	529	5,458	-	11,563
Loans and receivable	859	4,154	10,525	19,026	3,188	-	2,587	40,339
	<u>3,863</u>	<u>6,042</u>	<u>11,266</u>	<u>19,241</u>	<u>3,717</u>	<u>5,458</u>	<u>2,587</u>	<u>52,174</u>
<i>* Non performing loans according to the BOT's guidelines</i>								
Financial liabilities								
Borrowings and deposits	2,849	14,409	10,191	9,401	-	13	-	36,863
Debentures	-	-	-	4,800	331	-	-	5,131
	<u>2,849</u>	<u>14,409</u>	<u>10,191</u>	<u>14,201</u>	<u>331</u>	<u>13</u>	<u>-</u>	<u>41,994</u>
Off balance sheet items								
Aval to bills	-	190	-	-	-	-	-	190
Guarantees of loans and others	289	228	-	-	-	-	-	517

32.4 Foreign exchange risk

As at 31 December 2003, the Company did not have any financial instruments in foreign currencies except for its investment in a subsidiary company amounting to Baht 260 million and accrued interest receivable amounting to approximately Baht 29 million.

As at 31 December 2003, the outstanding balances of investments in private sector debt securities included investments in debentures amounting to USD 18.85 million. Payment of principal will be made to the Company applying the forward exchange rate stipulated by the issuers, and will amount to Baht 477 million. The Company has entered into forward sales contracts to hedge the exchange rate risk in relation to the future interest receivable from the investments in debentures of USD 15.35 million. In addition, the Company has entered into a Cross Currency Interest Rate Swap agreement to exchange the interest rate of investments in debentures of USD 2 million, whereby the Company is committed to pay a fixed rate of interest on nominal principal of USD 2 million in exchange for receipt of a fixed rate of interest on nominal principal of Baht 92 million.

32.5 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the balance sheet, including cash, deposits at banks and loans and receivable which are considered to approximate their respective carrying value since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions which are traded on an active and liquid market, such as investment in securities, have their fair values determined by the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including borrowings and deposits, are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2003, there are no material differences between the book value of financial instruments and their fair value.

The fair value of off balance sheet items cannot be reasonably determined thus it has not been disclosed.

33. PRESENTATION

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of finance, finance and securities and credit fancier companies dated 10 May 2001.

Certain amounts in the financial statements as presented herein for comparative purposes have been reclassified to conform to the current year classifications, with no effect on previously reported net earnings or shareholders' equity.

Officers

Business Heads

Retail Finance	Mr. Panya Wotticharoenvong Mr. Sakchai Peechapat (Deputy)
Hire Purchase	Mr. Rungroj Jarasvijitkul
Hire Purchase (Used Car)	Mr. Somsak Wongwachirawanich
Provincial Loan Office	Mr. Chalit Silpsrikul
Mortgage Loan	Ms. Preechaporn Deenarong
All Finance	Ms. Wipa Mettaviharee
Retail Credit	Ms. Penthip Laoboontharoen
Retail Finance Collection & Service	Ms. Pornthip Boonrawd
Commercial Finance	Mr. Suthas Ruangmanamongkol
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Japanese Relationship	Mr. Eiji Sasaki
Custodian Service	Ms. Ladda Kulchatchai
Treasury & Funding	Mr. Suthas Ruangmanamongkol
Treasury	Ms. Karantar Vongsa
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Special Asset Management	Mr. Panya Wotticharoenvong Ms. Nipa Mekara (Deputy)
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Corporate Secretariat & Investor Relations	Ms. Pakaporn Punyashthiti
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Appraisal & Valuation	Ms. Chantana Srisuwanvilai
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Hire Purchase & Leasing Subsidiaries

TISCO Leasing Company Limited

Managing Director: Mr. Dejphinun Suthadsanasoung
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Bangkok 10500, Thailand
Tel. +66 (0) 2633 7799 Fax. +66 (0) 2633 7989
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Email : tiscomart@tisco.co.th

Thai Commercial Auto Company Limited

Managing Director: Mr. Dejphinun Suthadsanasoung
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Hi-Way Company Limited

Managing Director: Mr. Yuttpong Sriwongjanya
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References

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The Stock Exchange of Thailand Building,
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Debenture Holder Representative

Siam Commercial Bank Public Company Limited (Head Office)
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Tel. +66 (0) 2544 1111 Fax. +66 (0) 2937 7748

Debenture Registrar

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Auditor

Mr. Supachai Phanyawattano
Certified Public Accountant (Thailand) Registration No. 3930
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Financial Advisor

(Warrant to buy preferred shares)
Finansa Limited
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TISCO