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Financial Highlights

As of or for the year ended December 31	2002		2003		2004	
	TISCO-P	TISCO	TISCO-P	TISCO	TISCO-P	TISCO
TISCO Share Information						
Share Price - High	28.00	30.00	36.50	35.25	36.75	37.25
- Low	15.30	15.50	15.80	15.70	21.00	20.70
- Closing	22.60	22.40	33.00	32.75	24.50	24.30
Shares Outstanding End of Year	215,836,680	490,697,820	181,127,680	530,591,820	184,123,480	533,907,520
Earnings Per Share - Basic		3.35		3.59		4.18
- Diluted		1.60		2.60		3.05
Book Value Per Share (Baht)		11.06		15.06		17.52
Operating Results (Million Baht)						
Total Interest and Dividend Income		3,369		3,565		3,913
Net Interest and Dividend Income		2,102		2,349		2,830
Bad Debt and Doubtful Account		(518)		(266)		(175)
Total Non-Interest Income		1,761		2,513		2,729
Total Revenues		5,130		6,078		6,642
Net Income		1,154		1,890		2,224
Return on Average Assets		2.40%		3.45%		3.52%
Return on Average Shareholders' Equity		15.92%		20.40%		19.09%
Interest Spread		4.61%		4.42%		4.65%
Balance Sheet Information (Million Baht)						
Total Loans		40,826		48,992		56,985
Total Assets		49,212		60,263		66,296
Total Borrowings and Deposits		34,261		38,114		44,640
Total Liabilities		41,400		49,542		53,715
Total Shareholder's Equity		7,812		10,721		12,581
Capital Funds to Risk Weighted Asset (BIS)		19.45%		21.42%		19.57%
Net Capital Rule (TISCO Securities)		254.32%		35.10%		56.50%
Provincial Loan Offices		10		10		14
Employees (Permanent and Contract)		1,459		1,672		1,776
Credit Rating by TRIS Rating Co., Ltd.						
Company Rating		A-		A		A
Issue Rating:						
TSCO077A: Bt2,000 mn senior debentures due 2007		A-		A		A
TSCO077B: Bt1,000 mn senior debentures due 2007		A-		A		A
TSCO070A: Bt1,800 mn senior debentures due 2007		A-		A		A
Rating Outlook		n.a		Positive		Positive

Report from the Board of Directors

In 2004, Thailand's economy continued to expand with growth in Gross Domestic Products (GDP) registering 6.1%, despite internal and external negative factors throughout the year. There were fluctuations in both the money and capital markets. The Stock Exchange of Thailand (SET) Index fell by 13.5%, while domestic interest rates began to increase in line with 3 incremental adjustments made in the Bank of Thailand's interest rate (14-day Repo), up from 1.25% in 2003 to 2.00%. In such an environment, the Company's net income increased 17.7% to 2,224.27 million baht, translating into an annual rate of return on average equity of 19.1%.

Net income expansion came not only from the hire purchase business, but also from other businesses such as commercial finance, securities brokerage, asset management, and investment banking. An increase in the Company's net interest income of 27.5% was the result of 32.3% growth in the hire purchase loan portfolio and 13.0% growth in commercial lending. Securities brokerage commissions and fee income also increased by 9.5% and 5.0%, respectively. At the same time, non-performing loans decreased from 7.0% in the previous year to only 5.8% at the end of 2004.

For the finance business, the Company continued to maintain its leadership in the automobile hire purchase segment despite strong market competition. In addition to business expansion, the Company focused on asset quality control and prudent risk management, reflected in credit approval criteria and collection policies stricter than the industry standard. The company is confident that hire purchase will continue to be its core business, with continuous growth generating stable income in the future.

Credit demand within the financial institution system also led to growth in commercial credit in 2004.

For the securities business, the Stock Exchange of Thailand (SET) recognized TISCO Securities Co., Ltd's excellent service record with 2 awards, for Best Brokerage Service and Best Research House in 2004. The company has worked continuously to expand its customer base and securities research, with results seen in market share growth from 3.4% to 3.5%. The company has demonstrated its leadership in investment banking, with the company appointed as financial advisor and consultant in numerous SET listings, as well as the underwriter of many leading firms' securities. The company intends to maintain its leadership in the securities business by emphasizing customer value and providing quality and full-cycle services in stock brokerage and investment banking in the future.

For the asset management business, TISCO Asset Management Co., Ltd. continued to expand its business, with total assets under management rising 19.9% from 56,459.42 million to 67,704.15 million. The company aims to become a leading firm in all asset management segments, including the management of provident, private, and mutual funds. The company believes that development of internal management and business restructuring over the last year will allow the company to achieve that goal eventually.

In response to the Financial Sector Master Plan, the Company submitted a commercial bank upgrade proposal which was approved by the Ministry of Finance in October 2004. TISCO Bank Plc. will commence operations in the second half of 2005.

The bank will focus on providing full-cycle financial services to its customers. The bank upgrade will enable TISCO Group to offer a wider range of financial services. A banking operation platform will serve as important infrastructure for enhancing operational efficiency and expansion of marketing channels. To accommodate both internal and environmental changes from the bank upgrade, the Company has geared its strategies towards being a customer-centric organization, by focusing on research and development of products and channels that best satisfy customer demand for a full package of financial services, by utilizing the new banking infrastructure.

The board recognizes its responsibilities with regard to corporate governance, inclusive of risk management, accuracy and the integrity of Company financial statements. In the last year, the board has assessed all aspects of internal control and reviewed financial reports of the Company and its subsidiaries as per common annual practice. It has been found that the internal controls of the company are sufficient and suitable for the Company's risk position. The 2004 financial statements of the Company and its subsidiaries, which the audit committee has reviewed jointly with management and the auditor, present fairly the financial position and results of operations in accordance with generally accepted accounting principles. Efforts towards this end have been practiced consistently, with sufficient disclosure and in compliance with related laws and regulations.

As for corporate social responsibility (CSR), the Company has mainly participated in CSR activities through the TISCO Foundation, which emphasizes long-term projects to develop the potential of under-privileged members of society so that they

might become able to support themselves and their families on a sustainable basis. In addition to CSR activities, the Company also participated in cultural promotion and environmental awareness activities. As the Company recognizes education as the foundation for sustainable human resource development, the TISCO Foundation handed out over 3,600 scholarships, of which over 60% were created as continuous long-term programs providing education to needy students. Since the establishment of the Foundation, it has handed out total scholarships worth 85,371,823 baht. In addition, 5,562,377 baht has been donated to support business start-ups and medical assistance funds.

Additionally, the Company and its subsidiaries immediately provided financial aids of around 5 million baht for tsunami victims in the 6 affected provinces downsouth, comprising donations to Rajaprajanugroh Foundation, Professor Sangwian Foundation, and directly to the victims at City Hall's emergency aid center as well as to support the establishment of Tsunami Recovery Fund. In the longer term, TISCO continues its support through TISCO Foundation in its establishing "TISCO Foundation Scholarship for Students Suffered from Tsunami Project" starting in 2005 onward to provide academic funds for the affected students to continue their education until successfully graduate with the bachelor's degree.

Finally, the board wishes to convey its gratitude to TISCO's clients and shareholders for their commitment and support, and extend a special thanks to the management and staff for work well done.

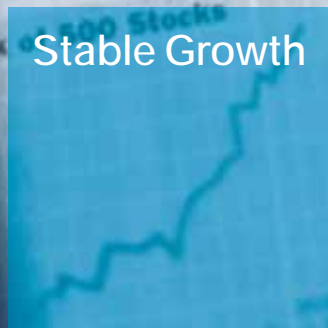
Board of Directors



On the occasion of our 35th anniversary, the Company reaffirms its commitment to offering to shareholders, customers, staff and society recognized quality services as well as an ever-expanding scope of opportunities for future achievements.

Returns for 2004 showed the rewards of an uncompromising dedication to business excellence, with the Company recording the highest net profit in its history, at 2,224.27 million baht. The year 2005 also marks a bold step forward for us, as we embark on an upgrade to commercial bank status.

Stable Growth



Capital Structure

Share Information

Common Shares and Preferred Shares

Total registered and paid-up capital as of December 31, 2004 :

Total registered capital : 11,002,000,000¹ baht

Total paid-up capital : 7,180,310,000 baht comprised of
533,907,520 common shares and
184,123,480 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. Holders of preferred shares receive dividends for each year that the Company pays dividends 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 leftover dividends with the holders of common shares.

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

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

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

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

The assets that remain after 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.

¹ As of December 31, 2004 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 12,169,000 shares.

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

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

The details of total preferred shares held by management as of December 31, 2004 are described on page 48.

Offerings of Securities and Convertibles to the Thai Trust Fund or NVDR

Thai Trust Fund - None

NVDR - As of December 31, 2004, Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Company's shares as underlying securities totaling 76,676,520 units, or 10.68% 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 rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

Warrants

On July 13, 2000, the Securities and Exchange Commission approved the Company's Employee Stock Option Program, which offered warrants to purchase preferred shares to the amount of 30,000,000 units under a 5-year plan to the directors and employees of the Company and its subsidiaries. On June 14, 2004, the Company was permitted by the SEC to offer warrants returned by resigning employees, to the amount of 753,000 units, to other employees.

As of April 28, 2004, the Company allotted fifth-year warrants, which is the last year of the program, to the amount of 5,317,000 units. Therefore, the total amount of warrants, or 30,000,000 units, has been fully allotted as approved by the Securities and Exchange Commission. As of December 31, 2004, the number of exercised warrants was 17,831,000 units, and the number of unexercised warrants was 12,169,000 units. Details of warrant types are as follows:

Type of Warrants	: Non-transferable warrants offered to directors and employees of TISCO and its subsidiaries
Offering Price	: 0 baht
Exercise Ratio	: 1:1
Tenor	: 5 years
Exercise date	: on the 20 th of every month; in case that the exercise date is a holiday of the Company, the exercise date should be on the previous business day.

The details of issuing date, the amount of offered and allotted warrants, unexercised warrants, exercise price and maturity date of each tranche is as follows.

1. Warrants to Purchase Preferred Shares - Tranche 1

Issuing Date	: July 20, 2000
Offered Warrants	: 10,000,000 units
Allotted Warrants	: 9,100,000 units
Unexercised Warrants	: 325,000 units
Exercise Price	: 10 baht
Maturity Date	: March 31, 2005

2. Warrants to Purchase Preferred Shares - Tranche 2

Issuing Date	: June 30, 2001
Offered Warrants	: 5,000,000 units
Allotted Warrants	: 4,902,000 units
Unexercised Warrants	: 492,000 units
Exercise Price	: 11.31 baht
Maturity Date	: June 30, 2006

3. Warrants to Purchase Preferred Shares - Tranche 3

Issuing Date	: September 20, 2002
Offered Warrants	: 5,919,000 units
Allotted Warrants	: 5,779,000 units
Unexercised Warrants	: 2,605,500 units
Exercise Price	: 13.20 baht
Maturity Date	: September 20, 2007

4. Warrants to Purchase Preferred Shares - Tranche 4

Issuing Date	: June 20, 2003
Offered Warrants	: 6,000,000 units
Allotted Warrants	: 5,655,000 units
Unexercised Warrants	: 4,182,500 units
Exercise Price	: 14.94 baht
Maturity Date	: June 20, 2008

5. Warrants to Purchase Preferred Shares - Tranche 5

Issuing Date	: August 30, 2004
Offered Warrants	: 5,317,000 units
Allotted Warrants	: 5,317,000 units
Unexercised Warrants	: 5,317,000 units
Exercise Price	: 21.88 baht
Maturity Date	: August 30, 2009

Debentures

As of December 31, 2004, the details of outstanding debentures of the Company and subsidiaries are as follows:

The Company

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

Type of Offering	: For offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	: 1,000,000 baht
Offering Price	: 1,000,000 baht
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
Payment Date	: February 11 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

Type of Offering	: For offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	: 1,000,000 baht
Offering Price	: 1,000,000 baht
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
Payment Date	: May 28 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

Type of Offering	: For offer to the Public
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
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
Payment Date	: January 29 and July 29 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: "A" from TRIS on February 8, 2005

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

Type of Offering	: For offer to the Public
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
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 at 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, fourth and fifth year, respectively.
Payment Date	: January 29 and July 29 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: "A" from TRIS on February 8, 2005

5. TISCO Finance Public Company Limited 2/2002 debenture with maturity date in 2007

Type of Offering	: For offer to Institutional Investors
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
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.
Payment Date	: April 21 and October 21 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: "A" from TRIS on February 8, 2005

Subsidiaries

1. Hi-Way Company Limited 1/2003 Debenture with maturity date in 2006

Type of Offering	: For offer to Institutional Investors
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
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
Payment Date	: every 3 months, on March 2, June 2, September 2, and December 2 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: "BBB+" from TRIS on August 11, 2004

2. Thai Commercial Auto Company Limited 1/2003 amortized debenture with maturity date in 2006

Type of Offering	: For offer to Institutional Investors
Face Value	: 1,000 baht
Offering Price	: 1,000 baht
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
Payment Date	: every 3 months, on January 6, April 6, July 6, and October 6 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: "BBB+" from TRIS on August 23, 2004

Bills of Exchange

Subsidiaries

As of December 31, 2004, Hi-Way Company Limited had short-term bills of exchange outstanding worth 1,054,460,263.53 baht, comprised of 180,000,000 baht in the form of a promissory note and 874,460,263.53 baht in bill of exchange. TISCO Leasing Company Limited also had short-term bill of exchange outstanding for 513,831,720.11 baht, comprised of 95,000,000 baht in the form of promissory note and 418,831,720.11 baht bill of exchange.

Major Shareholder Agreements Regarding Share Issuance or Company Management

None

Minority-Interest Equity Attributable to Minority Shareholders of Subsidiaries

As of December 31, 2004, minority-interest equity attributable to minority shareholders of subsidiaries as it appeared on the Company's and subsidiaries' balance sheets was 430,901,335 baht.

Reference:

Transfer Agent and Registrar : Thailand Securities Depository Co., Ltd.
The Stock Exchange of Thailand Building,
62 Rajdapisek Road, Bangkok 10110
Tel. 0 2359 1200-1
Fax. 0 2359 1259-63

Debenture Holder Representative : Siam Commercial Bank Plc. (Head Office)
9 Rajadapisek Road,
Ladyao, Jatujak, Bangkok 10900
Tel. 0 2544 1111
Fax. 0 2937 7748

Debenture Registrar : TISCO Securities Co., Ltd.
TISCO Tower 4th Floor, 48/8 North Sathorn
Road, Silom, Bangrak, Bangkok 10500
Tel. 0 2633 6999
Fax. 0 2633 6900

Auditor : Mr. Supachai Phanyawattano
Certified Public Accountant (Thailand)
Registration No.3930
Ernst & Young Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Bangkok 10110
Tel. 0 2264 0777
Fax. 0 2264 0789-90

Financial Advisor (Warrant to buy preferred shares) : Finansa Securities Ltd.
TISCO Tower 8th Floor,
48/14-15 North Sathorn Road,
Silom, Bangrak, Bangkok 10500
Tel. 0 2266 6677
Fax. 0 2266 6688

Other Information

Material Investments

Material investments of the Company and its subsidiaries hold more than 10% of the equity - Detail in Notes to Financial Statements, Part 7.7, Page 99.

Shareholders Structure

The list of the top 10 major shareholder groups whose names appeared in the share registration book on November 25, 2004 is as follows:

Shareholder Name	Total Share Holding			%
	Common Shares	Preferred Shares	Total	
1 CDIB & Partners Investment Holding (Cayman) Ltd.	17,500,000	80,000,000	97,500,000	13.58%
2 Thai NVDR Co. Ltd.	68,226,920	71,000	68,297,920	9.52%
3 Mizuho Corporate Bank Ltd.	7,505,652	46,000,000	53,505,652	7.45%
4 Government of Singapore Investment Corporation	37,559,900	-	37,559,900	5.23%
5 DB Group	37,171,596	-	37,171,596	5.18%
6 Morgan Stanley & Co. International Limited	35,383,300	-	35,383,300	4.93%
7 Chase Nominees Limited	35,132,800	-	35,132,800	4.90%
8 HSBC (Singapore) Nominees Pte. Ltd.	16,670,500	-	16,670,500	2.32%
9 Phatpanichchote	12,570,000	13,879,000	26,449,000	3.69%
10 State Street Bank and Trust Company	23,117,399	-	23,117,399	3.22%
Total shareholding of the first 10 major shareholders	290,838,067	139,950,000	430,788,067	60.02%
11 Minority shareholders	243,069,453	43,864,980	286,934,433	39.98%
Total	533,907,520	183,814,980	717,722,500	100.00%

Under Section 14 and 17 of the BoT Act on the Undertaking of Finance, Securities and Credit Foncier Businesses B.E. 2522, no person shall hold more than 10% of the total amount of a finance company's shares, and the amount of shares held by persons of Thai nationality shall be less than three-fourths of the total amount. On April 7, 1999, a 10-year exemption, effective on March 30, 1999, was granted to the Company by the BoT to allow a single person to hold more than 10% of Company shares and to allow the number of shares held by the Company's non-Thai shareholders to exceed 40%, but less than 80%, of all shares sold. After the exemption period, non-Thai shareholders will be allowed to hold such shares providing that no additional share purchase is made unless the aggregate amount is less than 49% of the 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 accumulated loss, no dividend shall be paid.

Dividends shall be paid equally according to the number of shares, unless otherwise specified for preferred shares, on page 5. Payment of dividends shall be subject to shareholder approval.

The Board of Directors may from time to time pay interim dividends 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 dividends to shareholders based on performance, financial circumstances and the economic situation.

Future Project

1. Commercial Bank Upgrade Project

In 2004, the Company submitted a commercial bank upgrade proposal which was approved by the Ministry of Finance on October 22, 2004 with some conditions, including commencement of commercial bank operations within one year of the date of approval. To meet this requirement, the Company began implementing the bank upgrade project plan, and has already set up working groups to carry out necessary tasks such as allocating office infrastructure, designating branches, and establishing staff units to handle accounting, risk management, human resources, organization, process, product development and information technology.

The Company has acquired and is implementing a core banking system developed by I-Flex Solutions Limited. It is expected to be completed by June 2005.

In the first phase after the bank upgrade, the Company will continue to service the existing client base by focusing on

enhancing the efficiency of the current business scope along with the development of banking infrastructure and networks by offering fundamental banking products and services. These will include savings, current and time deposit accounts, certificates of deposit and tax free deposits, overdraft accounts, hire purchase loans and other loans and credits along with guarantees, sales of cashier's orders, payment system membership, cash center establishments and ATM network membership. These infrastructures will benefit the company's business by allowing it to provide a full package of financial services with wider coverage of payment and sales channels, and by increasing efficiency in cash and disbursements planning and management.

Later on, the Company will focus on expansion of these channels and new products by emphasizing those related to the existing customer base and company expertise, such as telephone and internet banking, offering credit cards, and cash management. Other expanded coverage, for example trade financing and foreign exchange, will then be added in order to offer a full banking service.

All 14 existing provincial loan offices of the Company will be upgraded to commercial bank branches. Following that, additional branches and sub-branches will be opened over the next 3 years to bring the total to around 30 offices.

It is expected that the total initial investment costs will be around 193 million baht, with annual operating expenses of 85 million baht. The timeline for the commercial bank upgrade project is to run from 2004 to 2005. Even though it might not generate additional returns in the short term, the upgrade is extremely important since it will offer the benefits of a full service chain. The Company has recruited key personnel with banking expertise to implement the project and train staff so that they will be able to operate and compete effectively in the banking sector.

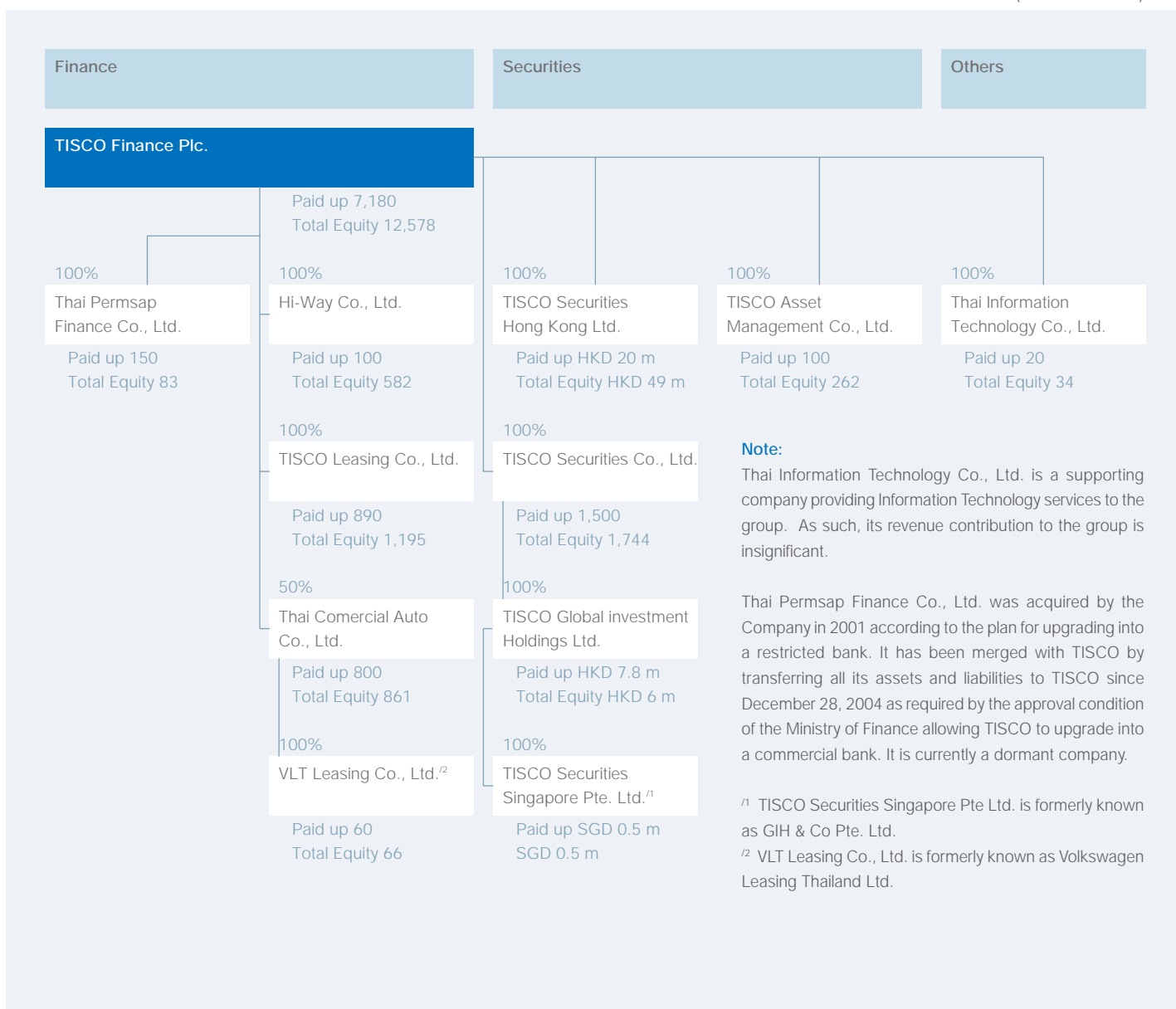
2. Transformation to Holding Company Structure

After the upgrade to commercial bank status, the Company will transform Thai Permsap Finance Co. Ltd., which has already transferred all non-cash assets to the Company since December 2004, into a holding company and maintain its limited company status. The new bank will then restructure the Group's investment structure into that of a holding group. TISCO holding group will invest directly in the bank and other subsidiaries. This holding structure will enable the Group to diversify risks in subsidiaries that undertake different businesses, unitize capital resources efficiently, add more flexibility to business management and operations, and seek business partnerships. The restructuring process is expected to start in 2005.

Overview of the Group Businesses

The Group's businesses can be divided into two main categories: finance and securities. As of December 31, 2004, the Group's structure by company and operations is shown below:

(Unit: Million Baht)



Management Policy of the Group

The Company implements a group management policy. Corporate policies on management, risk management, compliance and internal control govern the Company and its subsidiaries are set by the Company. The Company's representatives comprise a minimum of 50% of each

subsidiary's board. The annual business plan of the Company and subsidiaries are combined as corporate plan to support core strategy and long-term goal of the Group. Infrastructure and resources are effectively utilized to support businesses of the Group.

Revenue Structure

(Unit: Million Baht)

Type of Business	2002		2003		2004	
	Revenue	%	Revenue	%	Revenue	%
Hire-Purchase Loans	4,325	84.3	4,402	72.4	5,065	76.2
TISCO Finance Plc.	3,608	70.3	3,578	58.9	4,164	62.7
Hi-Way Co., Ltd.	356	6.9	453	7.5	574	8.6
TISCO Leasing Co., Ltd.	105	2.0	134	2.2	142	2.1
Thai Commercial Auto Co., Ltd.	216	4.2	237	3.9	185	2.8
Tru-Way Co., Ltd.	40	0.8	-	0.0	-	0.0
VLT Leasing Co., Ltd.	-	0.0	-	0.0	25	0.4
Securities Business	786	15.3	1,653	27.2	1,537	23.1
TISCO Securities Co., Ltd.	508	9.9	1,143	18.8	1,240	18.7
TISCO Securities Hong Kong Ltd.	34	0.7	78	1.3	65	1.0
TISCO Global Investment Holdings Ltd.	10	0.2	14	0.2	0	0.0
TISCO Securities UK Ltd.	9	0.2	2	0.0	0	0.0
TISCO Asset Management Co., Ltd.	225	4.4	416	6.8	231	3.5
Other Business	19	0.4	22	0.4	16	0.2
Total Revenue	5,130	100.0	6,077	100.0	6,643	100.0



Proof of our accomplishment in securing trust can be found in the year's achievements, which include a 32.3% increase in hire purchase loan growth, which put TISCO firmly in the market's top three.

Accolades also came from the people we work with every day, with the Company voted "Best Local Brokerage in Thailand" by fund managers in an Asiamoney Broker's Poll.

Further testimony to our performance was found in increased market share in private fund and provident fund services, which saw us rise to become second-ranked overall.

Trust



Corporate Profile

TISCO and its subsidiaries operate two main businesses: Finance and Securities.

Finance Business : TISCO Group offers four main services as follows: Commercial Finance, Retail Finance, Deposits, and Distressed Asset Management Service. Financial services are offered through the Company's headquarters and subsidiaries in Bangkok, as well as 14 provincial loan offices covering all regions of Thailand. In the North, the Company's offices are located in Chiang Mai, Phitsanulok, and Nakhon Sawan. Covering the Northeast are provincial loan offices in Nakhon Ratchasima, Khon Kaen, Udon Thani and Ubon Ratchathani. In the East, they are located in Chon Buri, and Chanthaburi. The Central region is served by offices in Ratchaburi and Saraburi, while the South is host to the Company's branch offices in Phuket, Song Khla and Surathani. In line with the Company's plans for upgrading to bank status to be completed in 2005, all provincial loan offices will become bank branches.

- **Commercial Finance**

Commercial finance facilities are provided to medium and large corporate clients for commercial purposes, including loans and related services such as guarantees, aval, loan arrangement services and loan restructuring. Commercial finance is classified by the following service types:

Working Capital Loans - Working capital loans fill the need for business liquidity and cash flow, especially for industry and seasonal businesses, by facilitating loans for buying raw materials and inventory, and loans for accounts payable repayments. They are revolving loans, with repayment terms set for within one year. The terms and conditions of such loans are subject to credit review annually.

Project Financing Loans - Project financing loans fill the need created by medium or long-term business development projects which have a specific purpose. The funding project, as the ultimate source of funds for loan repayment, must show verifiable progress. This segment mainly consists of term loans which have a repayment schedule in line with the timeline, progress and cash flow of the project. The company's policy is to support industry and manufacturing in all business areas, especially ones that support national development. Project financing is generally offered for building factories, offices or business expansion, property developments, infrastructure construction, project bids or buying industrial machinery.

Other Commercial Loans - Other than the two above-mentioned types, the Company also provides credit for other commercial purposes such as loans against deposits or liquid assets with short or medium terms using liquidity assets as collateral. This

Loan Growth

Type of Business	December 31, 2003		December 31, 2004		% Change
	(Million Baht)	%	(Million Baht)	%	
Commercial Lending	9,667.53	21.2	10,924.18	19.6	13.0
Manufacturing and Commerce	4,903.81	10.8	5,525.07	9.9	12.7
Real Estate and Construction	2,578.56	5.7	3,500.24	6.3	35.7
Public Utilities and Services	2,072.38	4.5	1,744.45	3.1	(15.8)
Agriculture and Mining	112.79	0.2	154.43	0.3	36.9
Retail	31,699.97	69.6	40,971.27	73.5	29.2
Hire Purchase	29,154.27	64.0	38,573.79	69.2	32.3
Housing	2,545.70	5.6	2,397.48	4.3	(5.8)
Consumption Loans	4,196.68	9.2	3,864.39	6.9	(7.9)
Total - The Company and Subsidiaries	45,564.18	100.0	55,759.84	100.0	22.4

Remark: The criteria for loan categorization has been changed from types of loans to the businesses of the borrowers since June 2004. The 2003 data was adjusted accordingly.

segment includes loans for investment, which are medium or long-term funds which investors use to buy assets, such as property, which they then use as collateral, with the terms and conditions of the loan set according to the earning ability of that asset.

Guarantee and Aval Services - The Company provides guarantees and aval services for our client's business partners by issuing project bidding bonds, performance bonds and purchase guarantee letters to manufacturers. Terms of letters of guarantee are flexible and made to suit the beneficiary's needs.

Loan Consultancy and Related Services - The Company provides full-service loan consultation services in such areas as financial structuring and debt restructuring, and is also a syndicated loan arranger, facility agent and security agent.

Custodian Services - The Company provides custodian services for assets and securities, securities processing and settlements, and also performs the fiduciary duty of acting as custodian for assets held by clients, such as investors, private funds and provident funds.

Customer and Distributions Channels

Targeted customers are mainly those in the current customer base who have established long-term relationships with the Company, and new customers from industries that support national development or are in sectors with strong government backing, such as vehicles and parts, agricultural and food processing, transportation and logistics, and petrochemicals. In addition, future infrastructure projects, such as those in the energy, property development, and construction sectors, are within our zone of interest.

Apart from the headquarters in Bangkok and provincial loan offices upcountry, the Company also provides its services through direct sales by marketing officers and client visits. In addition, advertising and public relations via newspapers and the Internet are used to promote company awareness.

• Retail Finance

Retail finance is conducted by offering loan services to retail customers, both individuals and small and medium-sized enterprises (SME), which have specific loan purposes for either personal consumption or business operations. This segment can be classified by loan purpose as follows:

Hire-Purchase Financing - Hire-purchase financing allows borrowers to buy assets under hire-purchase terms. The buyer makes a down payment at the predetermined proportion of asset value and pays equal installment amounts over the contract period. The ownership of assets is then transferred to the buyer after all installments are paid. Contract periods run from one to six years. A fixed interest rate is charged in line with the market rate on the contract date.

The Company provides hire-purchase loans for all types and models of new and used automobiles. This includes passenger cars, multipurpose vehicles, motorcycles, and commercial vehicles such as sedans, trucks, and trailers. In addition, hire-purchase financing is also offered on loans for buying machinery and equipment for commercial purposes such as printing machines, computers and film-developing equipment.

Hire Purchase Financing Growth

(unit: Million Baht)

Hire-Purchase	31 December 2003	31 December 2004	Growth Rate (%)
Car	27,939.48	36,520.34	30.7
Motorcycle	1,214.79	2,053.45	69.0
Total	29,154.27	38,573.79	32.3

Retail Finance Structure

Retail Finance	As of 31 Dec 2003		As of 31 Dec 2004		Change (%)
	Amount (Bt mn)	%	Amount (Bt mn)	%	
Hire-Purchase Loans	29,154.27	81.2	38,573.79	86.0	32.3
Mortgage Loans	2,545.70	7.1	2,397.48	5.4	(5.8)
Consumption Loans	4,196.68	11.7	3,864.39	8.6	(7.9)
Total	35,896.65	100.0	44,835.66	100.0	24.9

The Company's strategy is to continue expanding hire-purchase financing to benefit from strong market demand by offering a variety of high quality services, rather than low pricing. However, the interest rates charged are competitive and the maximum payment period is in compliance with the Bank of Thailand rules.

Consumer Loans - The Company provides consumer loans according to market need with a strong focus on acceptable risk-adjusted return on capital. The consumer loan segment has two main categories as follows:

Mortgage Loans - Mortgage loans are used to buy residential property, including multipurpose loans which use property as collateral to support the client's liquidity. The repayment terms vary from between three to 30 years with full collateral, with interest rates either floating or fixed in the first one-to-three years and then floated. Mortgage loans decreased slightly in 2004, falling 5.8% from 2,545.70 million baht in 2003 to 2,397.48 million baht.

All-Financial Loans - All-financial loans consist of multipurpose lending for individuals such as personal loans, loans against car registration, loans for insurance premiums, and loans for provident fund members. The repayment period is varied from between 6 to 30 months depending on cash flow and the client's earning ability. Consumption loans decreased 7.9% from 4,196.68 million baht in 2003 to 3,864.39 million baht in 2004, as illustrated by the following table:

Promissory Notes Categorized by Term, as of December 31, 2004

(Unit: Million Baht)

Type	Demand	1 month	3 months	6 months	12 months	Over 12 months	Total
Individual	38.44	440.44	4,465.69	5,284.45	1,270.17	9,126.46	20,625.64
Legal entity	1,285.18	1,213.73	2,191.24	947.87	585.59	4,619.98	10,843.59
Total	1,323.61	1,654.17	6,656.93	6,232.32	1,855.76	13,746.43	31,469.23

Customer and Distribution Channels

Target customers of the hire-purchase business are individuals with annuity income or salary and good repayment records. The service channels operate from the headquarters of the Company and subsidiaries and 14 provincial offices in all regions. The car hire-purchase business in the TISCO Group is operated by TISCO Finance Plc., TISCO Leasing Co., Ltd., Thai Commercial Auto Co., Ltd., and VLT Leasing Co., Ltd. Motorcycle hire-purchase is operated by Hi-Way Co., Ltd. Another main channel is through agents.

For consumption loans, the Company targets existing hire-purchase clients with good performance and adequate earning ability.

Deposits

The Company provides deposit services by issue mainly promissory notes and some bills of exchange in terms of calls and term deposits in order to support savings and investing by individuals, corporations, and financial institutions. The funding interest rates vary by deposit period.

The Company's deposit policy is to focus on high-net-worth clients because of lower transaction costs. When the Company becomes a bank, clients will be divided into two sections: 1) High-net-worth clients who will be offered wealth management services by providing savings, consulting, and value-added services, and 2) Retail clients who will be served through electronic banking and other technology-oriented systems to maximize efficiency.

Distressed Asset Management Service

Distressed asset management service is a temporary project to manage the non-performing loans of Sukhumvit Asset Management Co., Ltd, which will be terminated or down-sized when the contract is expired.

Securities Business : TISCO Group provides four main securities services as follows: 1) Securities Brokerage 2) Investment Banking 3) Securities Trading which are operated by TISCO Securities Co., Ltd. (TISCOSec) and 4) Asset Management, operated by TISCO Asset Management Co., Ltd. (TISCOAsset)

• TISCO Research

TISCOSec has a strong Research team reputable for its outstanding quality. TISCO Research was consecutively named "Best Research House" by the Stock Exchange of Thailand at its SET Awards in 2003 and 2004. The award criteria are for a broker whose research products are of outstanding quality, number of listed companies covered in its reports, users' satisfaction with provision of sufficient and up-to-date fundamental economic information as well as superior advice for investment decision-making.

• Securities Brokerage

TISCO Securities Co., Ltd. (TISCOSec), is a founder member #2 of the Stock Exchange of Thailand (SET). TISCOSec, recognized as the leader in the Thai securities industry, offers brokerage services to both institutional and retail clients through our head office in Bangkok and five branches, including an office at the Emporium Tower on Sukhumvit Road, and upcountry locations in Chiang Mai, Nakhon Pathom, Nakhon Ratchasima, and Udon Thani. In order to maintain our reputation as the best brokerage in the country, TISCOSec's service foundation is built on quality of service, integrity, and client satisfaction. The company provides trading channels through the Internet, in which clients place orders themselves, and through marketing services in which investors place trading orders with their designated marketing officers. To expand the customer base into overseas markets, the company acquired TISCO Securities Hong Kong, which is a member of the Hong Kong Stock Exchange authorized to provide brokerage and financial advisory services in 10 countries, including Hong Kong, Thailand, China, Taiwan, Singapore, Malaysia, Indonesia, Korea, Japan, and the Philippines.

TISCOSec focuses on quality services and professional ethics to reach its customers' satisfaction. Besides the SET Awards, "Best Research House", the company also named "Best Brokerage Service" for retail customers for the same two consecutive year, 2003-2004. In addition, the company ranked Asiamoney Brokers' Poll as "Best Local Broker of Thailand 2004" from the survey of fund managers around the world. Ratings were focused on the quality of brokerage services and research works of brokers in the region. On internet trading services, "TISCOtrade" has developed its quality and continuously increased market share. TISCOSec internet trading also top ranked of SETTrade Broker Award in 2004.

Trade Values by Customer Type

(Unit: Million Baht)

	2002	2003	2004
- Institutions	87,852	134,903	180,229
- Individual	73,495	180,535	175,315
- Domestic	144,899	224,986	254,127
- Foreign	16,448	90,452	101,417
- Cash Account	161,347	315,438	355,544
- Place orders via internet	14,927	30,247	33,734
- Place orders via marketing	146,420	285,191	321,810
- Credit Balance Account	0	0	0
Market Share ¹	3.91%	3.36%	3.52%
Market Position ¹	7	7	7

¹ Of Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI)
Source : TISCO Securities Co., Ltd.

• Financial Advisory and Underwriting Service

TISCOSec has a strong Investment Banking Team. With its notable expertise based on competent staff with in-depth industry knowledge and a wealth of experience in equity and debt markets, both domestically and internationally, TISCOSec provides financial advisory services including public offerings, mergers and acquisitions, financial restructuring, feasibility studies and corporate valuation.

In 2004, TISCOSec enjoyed an outstanding performance as financial advisor and lead underwriter for the share offerings of four companies, namely, TPI Polene Plc., Syrus Securities Plc., Pacific Pipe Plc., and Thainox Stainless Plc. In addition, TISCOSec

joined the syndication as an underwriter for 32 other securities offerings. Moreover, it was selected to be a financial advisor for Supalai Plc. and Isuzu Motor (Thailand) Co., Ltd. for debenture issues to not more than 10 investors. The company also acted as a joint-lead arranger and joint bookrunner in the debenture issuance of Tri Petch Isuzu Sales Co., Ltd. to institutional investors. For M&A, TISCOSec was appointed as financial advisor and tender offer agent by American Standard Inc. in a delisting tender offer for American Standard Sanitaryware (Thailand) Plc., which delisted the shares from the Stock Exchange of Thailand. Apart from corporate clients, TISCOSec also has been appointed as a financial advisor for the privatization of notable state enterprises including TOT Corporation Plc., the Electricity Generating Authority of Thailand (EGAT), and the Metropolitan Electricity Authority (MEA).

• Asset Management

TISCO Asset Management Co., Ltd., "TISCOAsset", operates mutual funds, private funds and provident funds management as permitted under its mutual fund and private fund management licenses granted by the Ministry of Finance, and supervised by the Securities and Exchange Commission.

Provident Funds - TISCOAsset's private fund management license covers advisory services for setting up provident funds, and registrar and advisory services for provident fund committees. Fund investments may cover a wide range of instruments, in line with consent from the respective provident fund committees.

Under management by the company as of December 31, 2004, were 58 provident funds representing 1,481 companies and 268,298 members, accounting for a market share of 13.9% and second-ranked in the overall market based on net asset value.

Net Asset Value of Provident Funds under TISCOAsset's Management

(Unit: Million Baht)

	2002	2003	2004
Single Funds	8,047	9,766	10,024
Pooled Funds	11,422	13,630	15,475
State Enterprise Funds	12,274	14,410	16,972
Total	31,743	37,806	42,471

Private Funds - TISCOAsset provides private fund management services for individuals and juristic persons taking into account the client's risk-return profile, investment objectives, and constraints in offering a wide range of investment alternatives including equity, fixed income, and mutual funds. Clients receive reports which summarize fund performance on a regular basis.

As at December 31, 2004, there were 81 private funds, representing a market share of 13.8%, putting the company in second place in the overall private fund market.

Net Asset Value of Private Funds under TISCOAsset's Management

(Unit: Million Baht)

	2002	2003	2004
Juristic Person	3,678	13,044	16,940
Individual	328	718	1,518
Total	4,006	13,762	18,458

Mutual Funds - TISCOAsset provides mutual fund management services under license. Mutual fund units are sold to the general public with due consideration given to finding the right investment type suitable for each investor's needs. TISCOAsset focuses on efficient investment, based on continuous research and risk management. It reports fund performance to the public regularly.

Mutual funds under management by the company as of December 31, 2004, numbered 21, accounting for a market share of 1.4%, ranked 13th in the market.

Net Asset Value of Mutual Funds under TISCOAsset's Management

(Unit: Million Baht)

	2002	2003	2004
Open-Ended Funds	3,447	4,584	6,362
Close-Ended Funds	122	308	413
Total	3,569	4,892	6,775

In general, the company uses direct sales to distribute unit trusts for all fund types, but for mutual funds the company has additional channels consisting of agents from banks, finance and securities companies, as stated in their prospectus.

Other Securities Businesses

Other securities businesses consist of Stock Borrowing and Lending (SBL), and Registrar and Selling Agent services.

TISCOSec was granted an SBL license to engage in principal and agency transactions on July 22, 1999. The company facilitates the institutional needs of insurance firms, provident funds, government pension funds, mutual funds, private funds, and those of individual clients who participate in securities lending and borrowing activities mainly to extend portfolio returns. The company maintains strong and well-established relationships with large-scale clients by offering other hedging instruments to reduce risk and increase the efficiency of securities settlements.

The company also provides registrar services for debt instruments, both corporate debentures and state enterprise bonds. Such services include the preparation of holders' registration, registration of transfers, pledge and attachment, calculation of interest payments and related withholding tax. In 2004, the company provided registrar services for 11 institutional customers.

Furthermore, TISCOSec was awarded a selling agent license by the Securities and Exchange Commission on January 11, 2002, which has allowed it to act as an agent for the purchase and redeeming of unit trusts. In 2004, the firm worked as a selling agent for five asset management companies.

Market and Competition

Finance Business

Market The loan volume of commercial banking in the first nine months of 2004 rose 8.0%. Capacity utilization rate increased to 72.7%, expected domestic investment growth at 13.9% together with rising credit demand amid a steady reduction in excess liquidity will likely drive domestic interest rates higher.

Excess liquidity at commercial banks continues to decline as credits increase at an accelerated rate compared to deposit growth. However, the most excess liquidity is held by large commercial banks rather than medium and small commercial banks. This has led medium and small commercial banks to raise their deposit rates in order to increase deposit amounts, and adjust their deposit bases towards the long-term in order to benefit from the rising trend in interest rates. Increases in the Bank of

Thailand's interest rate will push commercial bank interest rates up in 2005.

Loan growth in 2005 will continue in an uptrend from 2004 due to continuous growth in the Thai economy caused by investment expansion, increased domestic consumption and exports, and higher investor confidence from political stability. The interest rate will continue to increase as a result of the uptrend in foreign interest rates and lower excess liquidity in the banking system.

For car hire-purchase, industry-wide new car sales grew 17.3% from 533,455 cars in 2003 to 625,878 in 2004, which led to corresponding growth in hire-purchase credit volume of 27.8% from 137,203 million baht in 2003 to 175,337 million baht in 2004. The proportion of passenger car sales to commercial car sales in 2004 was 33.4 to 66.6, which is close to that of the year prior.

The Company and its subsidiaries maintained a leading market position, and the penetration rate grew from 6.6% in 2003 to 7.6% in 2004, which is in the top three of the overall market. Continuous growth in car sales and credit volume is expected for 2005, in line with projected GDP. However, Thai economic expansion could potentially decrease as domestic consumption growth is expected to fall from 6.1% in 2004 to 4.5% in 2005.

Competition In 2004, the loan financing industry was still in a state of heavy competition, especially in terms of pricing. Major competitors are large commercial banks which enjoy a greater funding cost advantage than the Company due to their higher excess liquidity. However, this excess liquidity is expected to fall back to a normal level within the next two years and lead to higher borrowing interest rates, which will gradually erase their competitive advantage in terms of funding costs.

For commercial finance, in 2004 the Company's strategy focused on improving loan quality and reducing non-performing loans (NPL) by accelerating the loan restructuring process and preparing for expected market growth in the following year. Under this atmosphere of high market competition, the Company has focused more on quality than quantity and expanding its customer base by utilizing the long-term recognition the Company has built up over 35 years, effective operations and management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships with clients.

The competitors in hire-purchase financing number approximately 20 companies which can be divided into two major groups: 1) leasing companies and financial institutions and 2) subsidiary companies of car manufacturers and car dealers (Captive Finance). In 2004, hire-purchase competition was even higher than before. While most players expanded their customer base by applying a low-pricing policy, the company focused on providing effective and high service standards, and maintaining long-term relationships with agents and car dealers. However, the company will decrease prices as necessary to stay competitive with the market and maintain its client base.

Although the Company expects higher competition in the future due to more commercial bank players being allowed to conduct hire-purchase operations under the Bank of Thailand's financial master plan in 2004, the Company expects the effect of newcomers to be insignificant because most commercial banks presently operate this type of business through their subsidiary companies. However, the Company is highly confident that it can maintain its status as one of the top three in the market given the long-term experience of the company and its subsidiaries, good connections with dealers, effective cost and risk management and extensive customer database.

Securities Business

Market The SET Index in 2004 decreased 104.5 points or 13.48% from the previous year as a result of negative domestic and foreign factors. In the first half of 2004, persistent unrest in the three southern provinces of Thailand caused civilian casualties and a localized economy slump, with the tourism industry in the affected area especially hit hard. In addition, investor confidence was dampened both domestically and internationally by the bird flu epidemic which spread across Southeast Asia, damaging the poultry industry and related sectors as consumers lost confidence in poultry products. Moreover, the key foreign factors affecting the world economy and securities markets were the record-high crude oil price of over US\$50 per barrel and the December 26th tsunami disaster which was expected to cause huge damage to the economy of Thailand and neighboring countries. The decrease in the SET index resulted in lower trading income for listed companies compared to last year.

Securities Business Market

	2002	2003	2004
SET Index (End of Period - Point)	356.5	772.2	668.1
Market Capitalization (Million Baht)	1,986,236.5	4,789,857.0	4,521,894.5
Trading Value of the Market (Million Baht) ¹	2,061,642	4,700,473	5,058,620
Trading Value of TISCO (Million Baht) ¹	161,347	315,438	355,544
Market Share ¹	3.91%	3.36%	3.52%
Market Position ¹	7	7	7
Subscription Value (Million Baht)	8,714.5	32,101.4	40,598.8
Listed Company on SET	389	407	439
Newly Listed Company	18	21	36
Delisted Company	11	5	7

¹ SET and MAI

Source: The Stock Exchange of Thailand

However, market securities trading volume was higher. In 2004, average daily turnover increased 8.5% to 20,507 million baht from 18,908 million baht in 2003.

The asset management market as of December 31, 2004 saw the net asset value of mutual funds decrease 5.4% to 681,356 million baht. Private funds increased 10.6% to 134,091 million baht, and provident funds increased 6.3% to 305,462 million baht.

Asset Management Market : Net Asset Value

(Unit: Million Baht)

Funds	2002	2003	2004
Mutual Funds	435,716	720,028	681,356
Private Funds	89,017	121,290	134,091
Provident Funds	244,823	287,329	305,462

Competition - With 36 securities brokers in the market, each player has to be very competitive to maintain and expand its market share. The more diversified market share shows that there are newcomers continuously appearing in the market. However, pricing competition is limited by the minimum charge rate set by the regulator, so the new competition patterns are instead focused on variety and quality of services. Most of our clients are fundamental investors rather than speculators.

Due to the lower corporate tax policy for listed companies and higher investor interest in the equity market in 2004, the number of Initial Public Offering (IPO) deals in the market was 36 companies, up from 15 in 2003. Competition in the financial consultant and underwriting business was also high as many securities companies turned to increase their investment banking business so as to be less dependent on revenue from their securities brokerage businesses. To prepare for higher market competition, TISCOAsset has implemented a flexible strategy to suit market demand, and continuously develops high quality personnel.

There are 30 competitors in the asset management industry, comprised of asset management companies, commercial banks, securities companies, and insurance companies. However, TISCO Asset remains upbeat on its business outlook, due to its extensive experience, competitive ability and the goodwill derived from the TISCO Group's philosophy of maximizing customer satisfaction. TISCOAsset's core strategy is to emphasize providing the highest returns at the appropriate risk level to its clients, while maintaining high standards of good corporate governance.



At TISCO, we recognize and value the dedication and commitment shown by our staff in carrying out their duties.

As an organization built on the solid foundation of good corporate governance, our goal is to equip our employees with the education and training they need to serve our customers with the highest standards of professionalism.

To ensure that our people are rewarded fairly for their dedication, a performance management system is in place so that all may enjoy the fruits of the Company's success.



Commitment

Human Resources & Organization Development

To strengthen TISCO's corporate identity and brand personality, the implementation of people-oriented practices was conducted in 2004 at the same high standards to reflect TISCO's philosophy of human resources management. Although all human resources policies and some human resources operations are centralized for work efficiency and consistency, e.g. payroll systems, hiring, people assessment, career management, succession planning for key positions, and employee data recording ; there are decentralized authorities and empowerments embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry.

People Development Learning is part of the TISCO culture. Each employee is in charge of his/her own professional development. TISCO encourages its employees to express their objectives and expectations in an open dialogue throughout the performance management system. TISCO provides opportunities, facilities and investments in people development to enhance employee capabilities by focusing on their strengths to perform their jobs at their best and decrease the areas that need improvement, so long as the organization's needs are met. Employees are accountable for keeping up with the results of their own development. As a consequence, the career growth of each employee will reflect their ability to learn and the improvement of his/her competencies that can add value to all stakeholders.

Career development and progression are open for upwards and lateral movements both within business units and functions and cross-functions across TISCO Group. Open communication in career development and progression is mandatory between line managers and employees to ensure transparency and clear expectations.

For training management, the Company has policies which support employees at the management level in each particular business line in taking responsibility for exercising competency management of their subordinates. The Company has framed the structure of its training system and guidelines for training plans into 3 areas :

- 1) Technical Training : To focus on operating business
- 2) General Training : A program for new employees to easily adjust themselves to fit within the culture of TISCO
- 3) Corporate Training : To support corporate theme, in 2004 a program entitled "Feedback Skills for Staff" was organized for all employees to create positive attitude towards "Feedback" with the goal of establishing a favorable climate for simultaneous communication and constructive suggestions.

Organization Development Corporate strategy alignment program has been executed through the developed Balanced Scorecard process. The Company can be assured that the corporate strategies have been communicated to all employees and everyone is moving in the same direction, the corporate strategies have been promptly put into practice and the Key Performance Indicators are all aligned across the organization. The goal setting, work planning, follow-up, feedback/suggestions, performance measurement and individual development plans for each employee has been carried out through Performance Management Process. The Company encourages communication between supervisors and subordinates through the "Coaching System" and the "Feedback System" to help employees understand their roles and be able to perform and meet the company's expectations.

The Company also implemented Leadership Development Program for 176 department and unit heads by a self-development program called "The 7 Habits of Highly Effective People". Various activities based on such program have been organized for managers to practice and apply lessons learning in their work on a daily basis. The Company has also formed a "Highly Effective People Club" to act as champions of the 7 Habits for all employees.

Research and Development The Company recognises that employee attitudes and opinions about the organisation are an important factor having an impact on the efficiency and effectiveness of staff and the overall organisation, as well as on customer and shareholder satisfaction and the Company's operating performance.

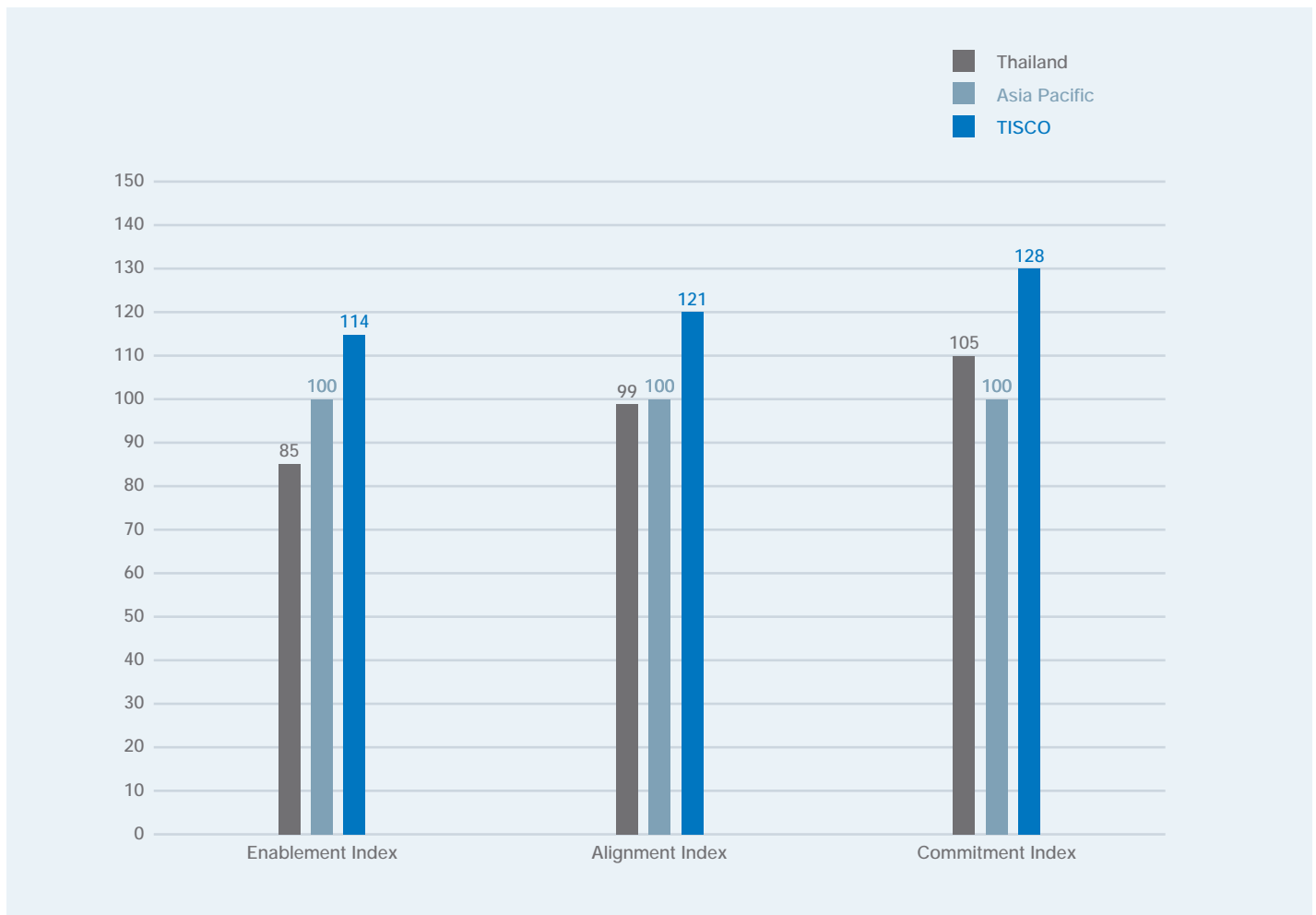
In 2004, the Company implemented the Employee Attitudes and Opinions Survey, which was conducted by a leading global human resources consulting firm. This study was aimed at discovering employee perceptions on various topics related to their work and the Company. The survey was based on a wide range of information related to employee attitudes such as compensation and benefits, communication, employee training and development, work satisfaction, leadership and management effectiveness, supervision, performance management, work environment, innovation, and teamwork.

The survey was very comprehensive, comparing the Company's results with those of over 500 companies across the Asia-Pacific region, with an overall total of 115,000 employees participating from 11 locations. Therefore, its findings are seen as a strategic tool in making constructive changes in the organization's effectiveness and productivity, and helping the Company achieve greater financial success.

While benchmarking the overall results with other companies in Thailand and across the Asia-Pacific region (Standard level at 100), TISCO scored remarkably higher in all 3 key indices: alignment, commitment, and enablement. Therefore, it can be concluded that employees saw the Company as a good place to work with a great future and opportunity for growth, and had strong confidence in the Company's long-term success. See the following picture of overall results from key indices:

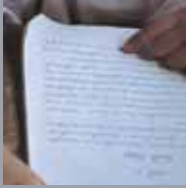
- **Commitment Index** : The extent to which employees express pride in their company, describe it as a good place to work, demonstrate a desire to stay and have confidence in its future success.
- **Alignment Index** : The extent to which employees perceive that they understand their company's business strategy, goals and what they personally have to do to help the company reach those goals.
- **Enablement Index** : The extent to which employees perceive that they have the right tools, resources, information and support to do their job well.

Using the survey results, management identified the key areas in which they needed to take specific action for improvement, and endorsed the recommendations to maximize the effectiveness of three focus areas: Communication, Performance Management, and Training and Development. Since these areas are interrelated, success in one area cannot occur without consideration of the others. Some of the important steps are:



- Competency-Based Training Roadmap: to ensure that employees have been trained, and developed appropriately.
- Talent Review Matrix: to retain high performance employees over the longterm.
- Salary Benchmark Survey: to affirm competitive compensation and benefits.
- Information Sharing on Performance Management Systems: to ensure employees understand the process and procedures.
- Employee Knowledge about the Company: to enable employees to easily access any information related to the Company through various channels.

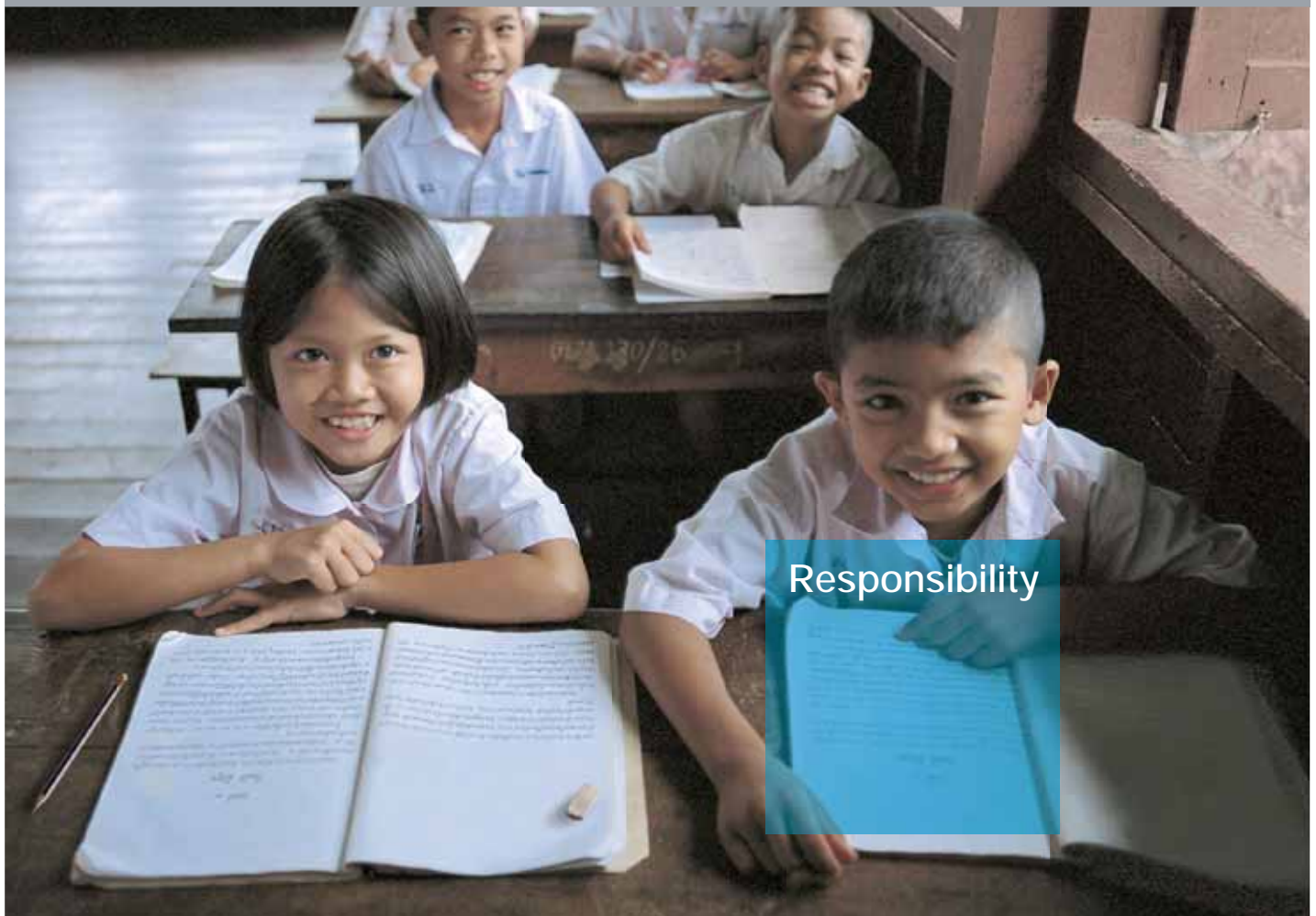
HR Preparation for Bank Project To prepare its staff for the upgrade status to a commercial bank in 2005, the Company has started training its employees about banking services in 2004. The Company worked with the Thai Institute of Banking and Finance Association in making short-term and long-term training programs, both general knowledge and in-depth knowledge for its staff including services, systems and skills development. In addition, a Change Management Program has also been carried out to ensure effective and efficient development status. The program focuses on effective communication for all staff to clearly understand their roles, be prepared for the new banking business infrastructure which will enable the Company to better serve its clients.



As a part of the community, we recognize that we have a responsibility to take a leading role in making our society a better place.

Through a broad array of initiatives aimed at creating opportunities for sustainable development in society, TISCO's charitable work includes scholarships for needy students and donations to support worthy causes.

Now, as we move forward towards our fourth decade of operations, the Company renews its pledge of continued community support and environmental activities.



Corporate Social Responsibility

TISCO recognizes that sustainable development is a corporate commitment and therefore the company exercises this responsibility through projects that are self-sustaining, have a far-reaching and widespread effect, and are aimed at helping people to help themselves. Broad range of initiatives and CSR projects of TISCO includes social affairs, cultural and environmental areas.

Contribution through the TISCO Foundation

Major contribution of TISCO to the society has been made through the "TISCO Foundation for Charity," a public charity organization founded on the company's 10th anniversary in 1982 as a declaration of TISCO's long-term commitment to the nation. The Foundation was set up with an independent identity and an investment capital as its basic source of funds. Donations to the fund mainly made by the TISCO Group, its staff, and supports from its customers and the public. The interest accrued and investment profits are used to serve the Foundation's charitable objectives which are:

- 1) providing nationwide youth scholarships,
- 2) providing business start-up capitals to aid self reliance,
- and 3) providing medical funding for the infirm.

The Chief Executive Officer of TISCO Group is a member of the TISCO Foundation Board of Directors. Twenty representatives of

TISCO staff voluntarily take responsibility as the Foundation's working committee members for a two-year term to support the Foundation's working plans and activities. Their roles include help consider emergency aid to the needy case should it arises, help organizing the Foundation's annual scholarships presentation ceremony in Bangkok and provinces, join the field trips to follow up scholarships students in rural areas, help organizing fund raising activities, etc.

Each year the TISCO Foundation hands out more than 3,600 scholarships to the needy students throughout Thailand. More than 60% are continued scholarships to help them continue their studies. Since its establishment, the Foundation's donated educational funds amounted to 85,371,829 baht. Start-up funds for the underprivileged to help improve their standard of living and funds to charity ward patients totaled 5,562,377 baht.

More than 20 years of continuous service have seen the TISCO Foundation conferred a "public charity organization" status, and with it, the advantage of all donations received being fully tax deductible.

TISCO Group's Contribution to the TISCO Foundation in 2004

	In Baht
Donation from TISCO Group and its staff to TISCO Foundation	7,093,160
Total funds granted to the underprivileged by TISCO Foundation :	8,312,721
3,616 Scholarships	8,173,868
6 Start-up funds	65,843
18 Medical funds	73,010

Our Social Performance

Social Affairs

	In Baht
• Donation to a fire victim in Soi Suanplu Community	89,000
• Support "One Stop Service" Project of Thung Mahamek police station to better serve the community	50,000
• Renovate traffic kiosk on Sathorn Road	54,254
• Donation of district maintenance tools & equipments to the Bangrak District	90,796
• Support the Northeast Center of Welfare activities in Udon Thani province	1,000,000
• Lunch hosting and basic necessities donation to the orphanage at Baan Mahamek	
• Lunch hosting and educational equipment donation to needy students at Chantanaram School in Chantha Buri province	
• Lunch hosting for the elder people at Kao Boh Kaew welfare center in Nakhon Sawan province	
• Donation of 30 used computers to Zonta Club of Bangkok to support its charitable program	
• Donation of 105 used computers to the TISCO Foundation to distribute to needy schools in provinces	
• Organize blood donation to the Red Cross at TISCO Tower four times a year, more than 250 staff are regular donors	

Culture

	In Baht
• Support Rama IX Art Museum Foundation	150,000
• Support Thai artists exhibitions	60,000

Environment

- Annual reforestation trip of TISCO staff to plant 5,000 trees to preserve the beach forest at the Sirindhorn International Environmental Park Petchaburi province
- Joined "Bangrak Rak Chao Phaya Project" of Bangkok Metropolitan Authority to clean up the Chao Phaya River on the National River Preservation Day
- Implemented energy saving measure in office places by turn off the lights and computers during day breaks

Aid to Tsunami Victims (Jan - Feb 2005)

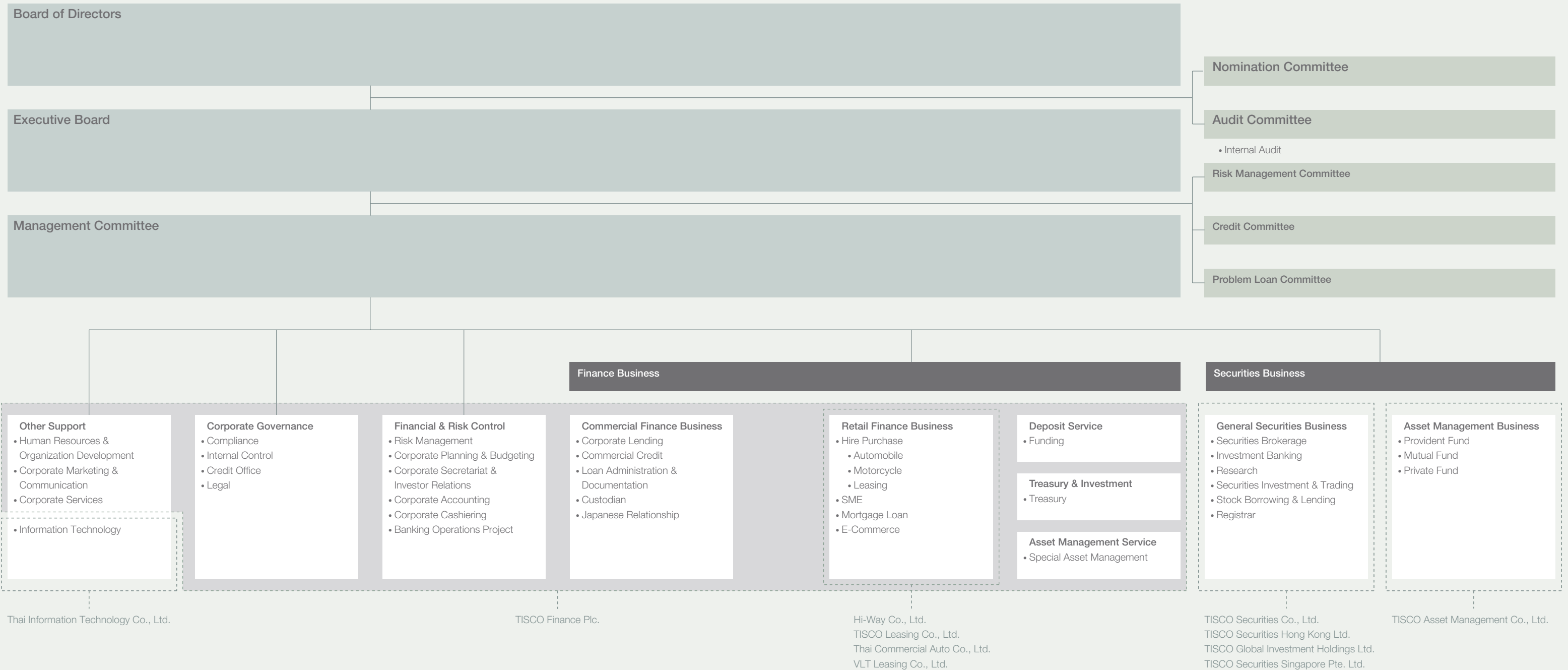
	In Baht
• Donation to Rajapranugroh Foundation	1,000,000
• TISCO Group employees' donation to Rajprachanugroh Foundation	496,411
• TISCO Asset Management Co., Ltd. supported the set up of Tsunami Recovery Fund	300,000
• Donation to the victims at City Hall's emergency aid center, Pang-nga province	80,000
• TISCO Securities Co., Ltd. joined the Association of Securities Companies' donation to tsunami victims through Professor Sangwian Foundation	3,500,000

In addition to immediate aid for tsunami victims through the above foundations, TISCO showed its commitment to long-term support by establishing the "TISCO Foundation Scholarship for Tsunami-Affected Students" which starts in 2005. The purpose of the project is to help students whose parents lost jobs or had their incomes so severely affected that they cannot pay for their children's education. To date, this group of children so far has

not received any significant assistance in this regard. In response, the TISCO Foundation will offer a permanent scholarship program offering funds to help these children continue their studies until they reach the highest educational level (bachelor's degree) in order to ease the financial burden on their parents and give the children better opportunities for the future.



Group Structure



Board of Directors



01				02
03	04	05	06	
07	08	09	10	

- 01 Dr. Phisit Pakkasem
- 02 Mr. Pliu Mangkornkanok
- 03 Mr. Pichai Chanvirachart
- 04 Mr. Bing Shen
- 05 Mr. Jerry L. Lu
- 06 Mr. Yukio Matsunaga
- 07 Mr. Edouard Fernen Peter
- 08 Mrs. Krisna Theravuthi
- 09 Mr. Sangiam Santad
- 10 Mrs. Manimai Vudthitornetraks

Board & Management

The Board Structure is comprised of 4 boards/committees: 1) Board of Directors, 2) Executive Board, 3) Audit Committee and 4) Nomination Committee. In addition, the Management

Committee oversees and monitors the Company and subsidiaries to ensure that all operations are in line with policy and planning as approved by the Board of Directors.

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	TISCO Group 2002-Present Chairman of the Board, Independent Director, Chairman of the Audit Committee and Chairman of the Nomination Committee, TISCO Finance Plc. 1998-2002 Chairman of the Board and Chairman of the Audit Committee, TISCO Finance Plc. Others 2003-Present Chairman, Thai Smart Card Co.,Ltd. 2002-Present Vice Chairman, Vinythai Plc. 1995-Present Executive Advisor, C.P.Group of Companies 2001-2003 Chairman, Thai Sugar Millers Corporation Ltd. 1999-2002 Chairman, Vinythai 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	TISCO Group 2002-Present Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer TISCO Finance Plc. 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. Others 2005-Present Chairman of the Compensation Committee, Singer (Thailand) Plc. 2004-Present Chairman of the Nomination Committee, Singer (Thailand) Plc. 2004-Present Councillor, Thai Management Association 2003-Present Director, Thai Agro Exchange Co., Ltd. 2002-Present Chairman, Association of Finance Companies 2001-Present Director and Member of the Audit Committee, Singer (Thailand) Plc. 1994-Present Director, Phelps Dodge Thailand Co., Ltd. 2000-2004 Director, Thai Oil Co., Ltd.

Name	Education / Director's Training Course Program	Work Experience within 5 years
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	<p>TISCO Group 2001-Present Director, Member of the Executive Board, President and Chief Operating Officer, TISCO Finance Plc.</p> <p>2001 Director, Member of the Executive Board and Executive Vice President, TISCO Finance Plc.</p> <p>1998-2001 Executive Vice President, TISCO Finance Plc.</p> <p>Others 2000-Present Director, AXA Insurance Plc. 1993-Present Director, Mizuho Corporate Leasing (Thailand) Co., Ltd. 1998-2001 Director, American Appraisal (Thailand) Ltd.</p>
4. Mr. Bing Shen ¹ Director, Member of the Executive Board and Member of the Nomination Committee	M.B.A. (Finance and International Business) Harvard University, USA B.A. (Public and International Affairs) Princeton University, USA	<p>TISCO Group 2004-Present Director, Member of the Executive Board and Member of the Nomination Committee, TISCO Finance Plc.</p> <p>Others 2004-Present President, CDIB & Partners Investment Holding Corp., Taiwan 1999-2004 Executive Vice President, China Development Industrial Bank 1988-1999 Executive Director, Morgan Stanley Asia Ltd.</p>
5. Mr. Jerry L. Lu Director	M.B.A. University of Southern California, USA B.S. (Management Science) National Chiao-Tung University, Taiwan	<p>TISCO Group 2003-Present Director, TISCO Finance Plc. 2000-2001 Director, TISCO Finance Plc.</p> <p>Others 1998-Present Senior Vice President, CDIB & Partners Investment Holding Corp., Taiwan</p>
6. Mr. Yukio Matsunaga Director, Member of the Executive Board and Member of the Nomination Committee	B.A. (Business and Commerce) Keio University, Japan	<p>TISCO Group 2003-Present Director, Member of the Executive Board and Member of the Nomination Committee, TISCO Finance Plc.</p> <p>Others 2003-Present Regional Executive for Thailand 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)</p>

¹ Dr. Joung-Yol Lin resigned on June 4, 2004 and replaced by Mr. Bing Shen.

Name	Education / Director's Training Course Program	Work Experience within 5 years
7. Mr. Edouard Fernen Peter Director	B.A. Carlton College, Northfield, Minnesota, USA	<p>TISCO Group 2002-Present Director, TISCO Finance Plc.</p> <p>Others 2005-Present Managing Director, Global Markets Head of Asian Equities (ex-Japan), Deutsche Bank Group 2004-Present Director, K & N Kenanga Holdings Berhad 2002-Present Non-Executive Director, Pi Asia Fund Ltd 2001-Present Director, Deutsche Securities Korea 2001-Present Director, Deutsche Regis Partners Inc. 2001-Present Director, Deutsche Securities Asia Ltd. 2001-2004 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 1997-Present Director, Antares European Fund Ltd.</p>
8. Mrs. Krisna Theravuthi Independent Director and Member of the Audit Committee	<p>M.B.A. (Marketing) University of Wisconsin-Madison, USA</p> <p>B.A. (Accounting) Chulalongkorn University Audit Committee Certification Program Thai Institute of Directors Association Director Accreditation Program Thai Institute of Directors Association</p>	<p>TISCO Group 2002-Present Independent Director and Member of the Audit Committee, TISCO Finance Plc.</p> <p>1998-2002 Director, Member of the Audit Committee and Member of the Nomination Committee, TISCO Finance Plc.</p> <p>Others 1986-Present Executive Director, Tavornudorn Co., Ltd. 1986-Present Executive Director, Food Manufacturing Co., Ltd.</p>
9. Mr. Sangiam Santad Independent Director	<p>M.A. (Public Administration) National Institute of Development Administration (NIDA)</p> <p>B.A. (Law) Ramkhamhang University Director Accreditation Program Thai Institute of Directors Association Director Certification Program Thai Institute of Directors Association Certificate, High Level Executive Training Program (Class 1) Civil Service Training Institute Politics and Governance in Democratic systems for Executive Course (Class 4) King Prajadhipok's Institute</p>	<p>TISCO Group 2004-Present Independent Director, TISCO Finance Plc.</p> <p>Others 2004-Present Director, Provincial Electricity Authority 2003-Present Director, Dairy Farming Promotion Organization of Thailand 2002-Present Legal Advisor, The Office of Permanent Secretary, Ministry of Finance 2001-2002 Director of Regional Customs Bureau 1, Customs Department, Ministry of Finance 2000-2001 Director of Bangkok Port Export Bureau, Customs Department, Ministry of Finance 1998-2000 Director of Customs Standard Bureau, Customs Department, Ministry of Finance</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
10. Mrs. Manimai Vudthitornetiraks ¹ Independent Director and Member of the Audit Committee	M.S. (Economics) University of California, Berkeley, California, USA B.A. (Accountancy) (Honor) Chulalongkorn University Certificate National Defense College (Class 344), Thailand Certificate, High Level Executive Training Program (Class 4) Civil Service Training Institute	TISCO Group 2005-Present Independent Director and Member of the Audit Committee, TISCO Finance Plc. Others 2003-Present Audit Committee, National Health Security Office, Ministry of Public Health 2000-Present Audit Committee, Ministry of Labor 1994-Present Director, Bangpa-in Paper Factory Co., Ltd. 1998-2000 Director, Radanasin Bank 1998-1999 Deputy Permanent Secretary, Ministry of Finance 1997-2003 Director, Performance Agreement Committee for State Enterprise 1997-1999 Director, Mutual Fund Corporation

¹ Mr. Vudhiphol Suriyabhivadh resigned on October 21, 2004 and replaced by Mrs. Manimai Vudthitornetiraks.

The Company's Authorized Signatories are Mr. Pliu Mangkornkanok, Mr. Pichai Chanvirachart, Mr. Bing Shen 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 Mr. Bing Shen jointly sign with the seal of the Company affixed.

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

Authority and Responsibilities of the Board of Directors:

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

Other matters such as capitalization, de-capitalization, issuance of debentures, sales or transfers of whole or important parts of Company business to other persons; the purchase, acceptance, or transfer of business belonging to other companies; amendments to Company Memoranda and Articles of Association as well as 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 shareholder meetings.

In 2004 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.

Executive Board

The Executive Board members were appointed by the Board of Directors. As of December 31, 2004, the Executive Board comprised 4 members as follows:

1. Mr. Pliu Mangkornkanok	Chairman of the Executive Board
2. Mr. Pichai Chanvirachart	Member
3. Mr. Bing Shen	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 amounts and/or transactions that involve high risks.
4. Supervise Risk Management Committee, Credit Committee, Problem Loan Committee and Legal 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 remuneration.

Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of December 31, 2004, the Audit Committee comprises 3 independent directors as follows:

1. Dr. Phisit Pakkasem	Chairman of the Audit Committee
2. Mrs. Krisna Theravuthi	Member
3. Mrs. Manimai Vudthitornetiraks ¹	Member

¹ Appointed by the Board of Directors' Meeting No. 7/2004 on December 21, 2004, approved by the Bank of Thailand on December 29, 2004; registered change of director at the Ministry of Finance on January 12, 2005

Authority and Responsibilities of Audit Committee:

1. Review the Company's financial reports to ensure that they are accurate and sufficient.
2. Review to ensure that the Company has adequate and effective internal control and audit systems.
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 transactions between related parties, or others, which may lead to conflicts of interest, to ensure it is correct and complete.
6. Prepare an Audit Committee report regarding corporate governance and disclose it in the 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, 2004, the Nomination Committee comprised 4 directors as follows :

- | | |
|--------------------------------------|--------------------------------------|
| 1. Dr. Phisit Pakkasem ^{/1} | Chairman of the Nomination Committee |
| 2. Mr. Pliu Mangkornkanok | Member |
| 3. Mr. Bing Shen | Member |
| 4. Mr. Yukio Matsunaga | Member |

^{/1} Independent Director

Authority and Responsibilities of Nomination Committee:

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

Directors' Attendance Record

Name	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination Committee
No. of meetings in 2004 (times)	7	12	5	3
1. Dr. Phisit Pakkasem	7	-	5	3
2. Mr. Pliu Mangkornkanok	7	12	-	3
3. Mr. Pichai Chanvirachart	7	12	-	-
4. Mr. Bing Shen	3	5	-	1
(Assumed on July 9, 2004)	(Out of 3 times)	(Out of 6 times)		(Out of 1 time)
5. Mr. Jerry L. Lu	6	-	-	-
6. Mr. Yukio Matsunaga	4	11	-	3
7. Mr. Edouard Fernen Peter	1 ^{/1}	-	-	-
8. Mrs. Krisna Theravuthi	6	-	5	-
9. Mr. Sangiam Santad	4	-	-	-
(Assumed on May 28, 2004)	(Out of 4 times)			
10. Dr. Joung-Yol Lin	1	0	-	0
(Resigned on June 4, 2004)	(Out of 3 times)	(Out of 5 times)		(Out of 1 time)
11. Mr. Vudhiphol Suriyabhivadh	5	-	4	-
(Resigned on October 21, 2004)	(Out of 5 times)		(Out of 4 times)	

^{/1} Excluded 2 times by teleconference

Management of TISCO Group



01	02	03
04	05	06
07	08	09
10	11	

TISCO Finance Plc.

01 Mr. Pliu Mangkornkanok

02 Mr. Pichai Chanvirachart

03 Mrs. Oranuch Apisaksirikul

04 Mr. Panya Wotticharoenvong

05 Ms. Nattamon Issaradharm

06 Mr. Sakchai Peechapat

07 Mr. Metha Pingsuthiwong

TISCO Asset Management Co., Ltd.

08 Mr. Suthas Ruangmanamongkol

09 Ms. Araya Thirakomen

TISCO Securities Co., Ltd.

10 Mr. Chavalit Chindavanig

11 Mr. Paiboon Nalinthrangkurn

Management of TISCO Group

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>1. Mr. Pliu Mangkornkanok Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer</p>	<p>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</p>	<p>TISCO Group 2002-Present Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer, TISCO Finance Plc. 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. Others 2005-Present Chairman of the Compensation Committee, Singer (Thailand) Plc. 2004-Present Chairman of the Nomination Committee, Singer (Thailand) Plc. 2004-Present Councillor, Thai Management Association 2003-Present Director, Thai Agro Exchange Co., Ltd. 2002-Present Chairman, Association of Finance Companies 2001-Present Director and Member of the Audit Committee, Singer (Thailand) Plc. 1994-Present Director, Phelps Dodge Thailand Co., Ltd. 2000-2004 Director, Thai Oil Co., Ltd.</p>
<p>2. Mr. Pichai Chanvirachart Director, Member of the Executive Board, President and Chief Operating Officer</p>	<p>B.B.A. (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2001-Present Director, Member of the Executive Board, President and Chief Operating Officer, TISCO Finance Plc. 2001 Director, Member of the Executive Board and Executive Vice President, TISCO Finance Plc. 1998-2001 Executive Vice President, TISCO Finance Plc. Others 2000-Present Director, AXA Insurance Public Co., Ltd. 1993-Present Director, Mizuho Corporate Leasing (Thailand) Co., Ltd. 1998-2001 Director, American Appraisal (Thailand) Ltd.</p>
<p>3. Mrs. Oranuch Apisaksirikul Senior Executive Vice President and Chief Financial Officer</p>	<p>M.B.A. (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2005-Present Senior Executive Vice President and Chief Financial Officer, TISCO Finance Plc. 2000-Present Director, TISCO Global Investment Holdings Ltd. Director, TISCO Securities Hong Kong Ltd. 2001-2002 Director, TISCO Securities UK Ltd. 1999-2002 Director, TISCO Asset Management Co., Ltd. 1999-2000 Executive Vice President and Chief Financial Officer, TISCO Finance Plc. Others 2004-Present Member of Risk Management Sub-Committee, Small Industry Credit Guarantee Corporation 2001-Present Member of Risk Management Sub-Committee, The Stock Exchange of Thailand</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
4. Mr. Panya Wotticharoenvong Executive Vice President and Head of Retail Finance	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 Certified Public Accountant C.P.A. Thailand	TISCO Group 2005-Present Executive Vice President and Head of Retail Finance, TISCO Finance Plc. 2002-2004 Executive Vice President, Head of Retail Finance and Head of Special Asset Management, TISCO Finance Plc. 2001 Managing Director, TISCO Leasing Co., Ltd. 1992-2000 Senior Vice President, Retail Finance Collection & Service, TISCO Finance Plc. Others -
5. Ms. Nattamon Issaradharm Executive Vice President and Chief Governance Officer	B.A. (Accounting) Chulalongkorn University Certified Public Accountants C.P.A. Thailand Directors Certification Program Thai Institute of Directors Association	TISCO Group 2002-Present Executive Vice President and Chief Governance Officer, TISCO Finance Plc. 2000-2002 Director, TISCO Asset Management Co., Ltd. 1997-2001 Senior Vice President, Chief Credit Officer, TISCO Finance Plc. Others 1999-2001 Director, Thai Rating and Information Services Co., Ltd. 1998-Present Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC), Bank of Thailand 2002-Present Representative, Association of Finance Companies
6. Mr. Sakchai Peechapat ¹ Executive Vice President and Head of Human Resources & Organisation Development	M.B.A. (International Business) University of Hawaii at Manoa, USA B.Eng. (Civil Engineering) (Honour) Kasetsart University Japan-Focused Management Program Japan-America Institute of Management Science, USA	TISCO Group 2005-Present Executive Vice President, TISCO Finance Plc. 2004-Present Head of Human Resources & Organisation Development, TISCO Finance Plc. 2002-2004 Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting), TISCO Finance Plc. 2000-2002 Executive Director, Volkswagen Leasing Thailand Ltd. 1996-2002 Managing Director, Thai Commercial Auto Co., Ltd. Others -

¹ Appointed Management Member February 24, 2005

Name	Education / Director's Training Course Program	Work Experience within 5 years
7. Mr. Metha Pingsuthiwong ¹ Executive Vice President and Head of Treasury & Funding	M.B.A. (Finance) University of Wisconsin–Milwaukee, USA B.Eng. (Electrical Engineering) Chulalongkorn University	TISCO Group 2005-Present Executive Vice President and Head of Treasury & Funding, TISCO Finance Plc. 2002-2005 Head of Securities Investment & Trading, TISCO Securities Co., Ltd. 2001 Deputy Head of Securities Research, TISCO Securities Co., Ltd. 1999-2001 Head of Securities Investment & Trading, TISCO Securities Co., Ltd. Others 1999-Present Director, K-Line (Thailand) Co., Ltd. 1998-Present Director, Sathorn Thani Co., Ltd.
8. Mr. Suthas Ruangmanamongkol ² Director and Managing Director TISCO Asset Management Co., Ltd.	M.S. (Finance & Banking) University of Wisconsin-Madison, USA M.B.A. (Finance) Western Illinois University, USA B.Eng. (Computer) Chulalongkorn University	TISCO Group 2005-Present Director and Managing Director, TISCO Asset Management Co., Ltd. 2002-2005 Executive Vice President and Head of Commercial Finance, Treasury & Funding, TISCO Finance Plc. 2000-2001 Director and Assistant Managing Director, Securities Investment & Trading, TISCO Securities Co., Ltd. 1998-2000 Assistant Managing Director, Securities Investment & Trading, TISCO Securities Co., Ltd. Others -
9. Ms. Araya Thirakomen Deputy Managing Director and Head of Provident Fund Business TISCO Asset Management Co., Ltd.	M.B.A. (Finance) University of New Haven, USA B.A. (Banking & Finance) Chulalongkorn University	TISCO Group 2005-Present Deputy Managing Director, TISCO Asset Management Co., Ltd. 2003- Present Head of Provident Fund Business, TISCO Asset Management Co., Ltd. 1998-2003 Head of Provident Fund-Marketing, TISCO Asset Management Co., Ltd. Others 2003-Present Deputy Chairman, Association of Investment Management Company (AIMC) Chairperson of Provident Fund Business Group, AIMC 2001-2003 Member of Sub-Committee, Provident Fund Investment Performance Standard, AIMC 1999-2003 Member of Pension and Provident Fund Reform Sub-Committee, the Fiscal Policy Office, Ministry of Finance

¹ Appointed Management Member February 24, 2005² Appointed MD of TISCO Asset Management Co., Ltd. February 1, 2005

Name	Education / Director's Training Course Program	Work Experience within 5 years
10. Mr. Chavalit Chindavanig ¹ Director, Deputy Managing Director Acting Managing Director and Head of Investment Banking TISCO Securities Co., Ltd.	M.B.A. (Finance) Eastern Michigan University, USA B.Eng. (Mechanical Engineering) Chulalongkorn University Financial Advisor License The Securities and Exchange Commission	TISCO Group 2005-Present Deputy Managing Director Acting Managing Director, TISCO Securities Co., Ltd. 2002-Present Director and Head of Investment Banking, TISCO Securities Co., Ltd. 1999-2002 Senior Vice President, Investment Banking Department, TISCO Securities Co., Ltd. 1998-1999 Vice President, Investment Banking Department, TISCO Securities Co., Ltd. Others 2001-Present Member of the Sub-Committee responsible for the amendment of notification regarding the issuance and offering of shares, The Securities and Exchange Commission (SEC) 1999-Present Director, Investment Banking Club
11. Mr. Paiboon Nalinthrangkurn ¹ Director, Deputy Managing Director and Head of Brokerage Equity & Research TISCO Securities Co., Ltd.	M.B.A. (Finance) Indiana University at Bloomington, USA B.A. (Computer Science) University of California at Santa Cruz, USA C.F.A. Association for Investment Management and Research, USA	TISCO Group 2005-Present Director, Deputy Managing Director and Head of Brokerage Equity & Research, TISCO Securities Co., Ltd. 2001-2005 Director and Head of Equity and Research, TISCO Securities Co., Ltd. 2001 Head of Equity, and Head of Research (Acting), TISCO Securities Co., Ltd. 2000-2001 Head of Research, TISCO Securities Co., Ltd. Others 2004-Present Deputy Chairman, Securities Analysts Association 2003-2004 Director, Securities Analysts Association

¹ Appointed Management Member February 24, 2005

Authority and Responsibilities of Management Committee:

The Management of TISCO Group, called "Management Committee", shall oversee and monitor the operations of each business to be in line with policy and planning 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 operations as set out in the Company's business plan and as approved by the Board of Directors.
3. Oversee resource management.

Nonetheless, the senior management of each subsidiary shall establish 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 reasons other than expiration of term of office, the Nomination Committee shall, upon contemplating Company need and good corporate governance, identify and propose qualified nominees to the Board of Directors or the shareholders' meeting for replacement consideration. The Nomination Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors. A person to be nominated or appointed as an independent director must meet the requirements of the SEC, SET and the Company's Corporate Governance Policy and Guideline as summarized in "Qualification of Independent Director" on page 46-47.

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 domicile in Thailand. In addition, not less than three fourths of the directors must be Thai nationals, unless an alternative provision in the form of permission from related authorities is granted. (On April 7, 1999, a 10-year exemption effective March 30, 1999, was granted to the Company by the BoT, which allowed the number of the Company's non-Thai directors to exceed 40% but less than 80% of the total.)
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 most votes respectively shall be appointed as 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 a 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 director is eligible for re-election.
4. A director can be elected or removed only by the shareholders at a general meeting. A Board vacancy occurring for any reason other than rotation or retirement may be filled by the remaining directors, unless the term of the original director was less than two months. For the purpose thereof, the resolution of the Board of Directors shall be passed by a vote of not less than three-fourths the 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 removes a director, and appoints another in his stead, the person so appointed shall hold office only for the remainder of the term of the director so removed.

5. A general meeting of shareholders may resolve to remove a director before expiration of office with the votes of not less than three-fourths the number of shareholders present and eligible to vote. Such a motion must also represent an agreed number of shares equal to or not less than half the total number held by the shareholders present and eligible to vote.

In terms of balance of power, it was determined to be in the Company's interest to have more non-executive directors than executive directors. As of December 31, 2004, the component of the Board of Directors was as follows:

	Number of Directors
Representatives from Shareholders :	
CDIB & Partners Investment Holding Corp.	2
Mizuho Corporate Bank Ltd.	1
DB Group	1
Total	4
Independent Directors	4
Management	2
Total	10

• Nomination at the Management Level

Management-level appointments shall be made by the Executive Board after due consideration is given to competence and qualifications.

Qualifications of Independent Director

The following are the qualifications of an Independent Director set up in accordance with the Company's Corporate Governance Policy and Guideline.

1. Holding shares not more than 0.25% of paid-up capital of the Company, parent company, subsidiary company, associated company or related company, which shall be inclusive of the shares held by related persons.
2. Not taking part in the management or being an employee, staff member, advisor who receives a regular salary, or has an controlling authority in the Company, parent company, subsidiary company, associated company, related company or major shareholders, who directly or indirectly hold shares in the Company, parent company, subsidiary company, associated company and related company more than 5% of the paid- up capital.

3. Not having an immediate or legalised relationship to the management, major shareholders, controlling party or a person who is nominated to be management or controlling party of the Company or subsidiary company. The relationship includes father, mother, spouse, brother, sister, children, son-in-law and daughter-in-law.
4. Not having any business relationship with the Company, parent company, subsidiary company, associated company or any juristic persons who might have a conflict of interest that could be barrier to independent judgment; and not having other characteristics that prevent him/her from giving independent opinions towards the Company's operation.
5. Not having direct or indirect benefit or interest in finance and management of the Company, parent company, subsidiary company, associated company or major shareholders of the Company.
6. Not having disqualification as prescribed by the Securities and Exchange Commission and the Bank of Thailand.
7. Being independent from the major shareholders of the Company or other shareholders within the group of the Company.
8. Being able to protect equitable interests among shareholders of the Company.
9. Being able to prevent any conflict of interest between the Company and management, major shareholders or other companies, which have the same group of management and major shareholders.
10. Being able to attend the board of director's meeting to make material decision for the Company.
11. Having educational backgrounds, qualifications, skills, expertise, experiences, leadership and visions, which will be beneficial to the Company's operation.

Remuneration of Directors and Management

Director and Management Remuneration Policy

The remuneration of directors has been approved by shareholders. The scale and components of remuneration for directors and management has 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 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.

Directors who are assigned with extra work (being members of a committee, for example) should be paid appropriately. The remuneration to be paid to such director or directors will be approved by the board. Remuneration for top executives/management shall be linked to the performance of the Company, and that of each executive/management. The remuneration should be determined in accordance with the principles and policies approved by the executive board with an endorsement from the board of directors.

To avoid conflict of interest and enhance transparency, remuneration shall always be approved from the higher level of command. Namely, shareholders approve the remuneration of the board of directors, the board of directors approves remuneration of the executive board, and the executive board approves remuneration of top executives.

• Financial Remuneration

Monthly remuneration as determined by the Company was:

Chairman of the Board		
	January – February	40,000 baht
	March – December	60,000 baht
Other Directors		
	January – February	20,000 baht
	March – December	25,000 baht

Directors assigned to perform additional duties such as membership on the Executive Board and the Audit Committee, will receive additional remuneration accordingly.

In 2004, the total remuneration for the Board of Directors, the Executive Board, the Audit Committee and the Management Committee (excluding 5 new management appointed in February 2005) was 147,481,686.66 baht. This was paid in the form of monthly compensation, salaries, provident fund and bonuses, which varied according to the 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

of 30 million, 5-year, non-negotiable warrants to purchase the Company's preferred shares. Allocations determined by the Allotment Committee with regard to the competency and potential of each employee must obtain approval from a general meeting of shareholders. In 2004, the number of warrants granted to the Executive Board and Management

Committee was 2,570,000 or 48.34% of the warrants granted in 2004. In 2004, the total amount of warrants has been fully allotted to the amount of 30,000,000. The Company has allotted a total of 14,700,000 warrants to the Executive Board and Management Committee, or 49% of the total warrants in the program.

Details of Board of Directors Remuneration During 2004

	Remuneration (baht)			Total
	Board of Directors	Executive Board	Audit Committee	
1. Dr. Phisit Pakkasem	680,000	-	580,000	1,260,000
2. Mr. Pliu Mangkornkanok	290,000	480,000	-	770,000
3. Mr. Pichai Chanvirachart	290,000	420,000	-	710,000
4. Mr. Bing Shen (assumed on July 9, 2004)	150,000	210,000	-	360,000
5. Mr. Jerry L. Lu	290,000	-	-	290,000
6. Mr. Yukio Matsunaga	290,000	420,000	-	710,000
7. Mr. Edouard Fernen Peter	290,000	-	-	290,000
8. Mrs. Krisna Theravuthi	290,000	-	470,000	760,000
9. Mr. Sangjam Santad (assumed on May 28, 2004)	200,000	-	-	200,000
10. Dr. Joung-Yol Lin (resigned on June 4, 2004)	115,000	175,000	-	290,000
11. Mr. Vudhiphol Suriyabhivadh (resigned on October 21, 2004)	215,000	-	350,000	565,000
Total	3,100,000	1,705,000	1,400,000	6,205,000

Changes in TISCO Shareholdings by Directors and Management

	Common Shares		Preferred Shared	
	Increase (Decrease) During the Year	As of Year-end December 31, 2004	Increase (Decrease) During the Year	As of Year-end December 31, 2004
1. Dr. Phisit Pakkasem	0	0	0	0
2. Mr. Pliu Mangkornkanok	0	185,700	850,000	1,362,700
3. Mr. Pichai Chanvirachart	0	82,136	500,000	970,000
4. Mr. Bing Shen	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. Mrs. Krisna Theravuthi	0	12	0	0
9. Mr. Sangjam Santad	0	0	0	0
10. Mrs. Manimai Vudthitornetiraks	0	0	0	0
11. Mrs. Oranuch Apisaksirikul	(61,000)	19,000	312,900	1,175,400
12. Mr. Suthas Ruangmanamongkol	(100,000)	150,200	1,155,000	1,405,000
13. Mr. Panya Wottichareonvong	0	100,044	75,000	175,000
14. Ms. Nattamon Issaradharm	0	0	145,000	307,000
15. Mr. Vanchai Manosuthi ¹⁾	130,000	180,000	102,500	320,000
16. Mrs. Anchalee Bunnag ¹⁾	(40,000)	90,000	220,000	597,500
17. Ms. Chutintorn Vigasi (Head of Accounting)	0	324	7,500	15,000

¹⁾ After Year-end, Mrs. Anchalee Bunnag and Mr. Vanchai Manosuthi resigned on January 31, 2005 and March 9, 2005 respectively.

Directors of Subsidiaries as at December 31, 2004

Name	TISCO Securities Co., Ltd. ¹	TISCO Asset Management Co., Ltd. ²	TISCO Leasing Co., Ltd.	HI-WAY Co., Ltd.	TISCO Securities Hong Kong Ltd.	TISCO Global Investment Holdings Ltd.	TISCO Securities Singapore Pte. Ltd.	Thai Information Technology Co., Ltd.	Thai Permsap Finance Co., Ltd.	Thai Commercial Auto Co., Ltd.	VLT Leasing Co., Ltd.
Mr. Paiboon Nalinthrangkurn	/						/				
Mr. Chavalit Chindavanig	/								/		
Ms. Aunchana Grisa-ard	/										
Mr. Suthas Ruangmanamongkol		/									
Ms. Supaporn Aramtiantamrong		/									
Ms. Duangrat Kittivitayakul		/									
Mr. Yuttpong Sriwongjanya			/	/						/	/
Mr. Charnchai Rakanantachai				/							
Mr. Oraphan Vanichphat			/					/			
Mr. Worapan Luanguthai				/							
Ms. Charupee Chinapongpaisal			/								
Mr. Teerayuth Praserttrattanadacho			/								
Mr. Surapong Siwalai				/							
Mr. Supachai Boonsiri				/						/	
Mr. Ho Chu Lam					/	/					
Mrs. Oranuch Apisaksirikul					/	/					
Mr. Kriengkrai Mongkolthanit					/	/					
Mr. Christian Norio Sano							/				
Mr. Chong Thian Choy Gregory							/				
Mrs. Sasinee Phattiyakul								/			
Mrs. Suwadee Khaolaor								/			
Mrs. Yutiga Sonthayanavin								/			
Mrs. Vanee Uboldejpracharak									/		
Mr. Pisit Sretto										/	
Ms. Somsri Kiatchoosakul										/	/
Mr. Ronnchai Chinwatanaporn										/	
Mr. Akaranant Thitasirivit										/	
Mr. Yoshitaga Iwamoto										/	
Mr. Masami Nakamura										/	
Mr. Sutthi Kittivasin										/	

¹ Mr. Vanchai Manosuthi resigned from the directorship of TISCO Securities Co., Ltd. on March 15, 2005.

² Mr. Sivaporn Dardarananda and Mrs. Anchalee Bunnag resigned from the directorship of TISCO Asset Management Co., Ltd. on January 31, 2005 and Mr. Suthas Ruangmanamongkol was appointed as the director on February 1, 2005.

Officers of TISCO Group

Finance Business Heads

Retail Finance	<i>Mr. Panya Wotticharoenvong</i>
Hire Purchase	<i>Mr. Rungroj Jarasvijitkul</i>
Hire Purchase (Used Car)	<i>Mr. Somsak Wongwachirawanich</i>
Provincial Loan Office	<i>Mr. Chalit Silpsrikul</i>
Mortgage Loan	<i>Ms. Preechaporn Deenarong</i>
All Finance	<i>Ms. Wipa Mettaviharee</i>
Retail Credit	<i>Ms. Penthip Laoboontharoen</i>
Retail Finance Collection & Service	<i>Mrs. Pornthip Boonrawd</i>
Direct	<i>Mr. Panya Wotticharoenvong (Acting)</i>
Leasing & Hire Purchase (Motorcycle) (TISCO Leasing Co., Ltd. & Hi-Way Co.,Ltd.)	<i>Mr. Yuttpong Sriwongjanya</i>
Commercial Finance	
Corporate Lending	<i>Mr. Dejphinun Suthadsanasoung</i>
Commercial Credit	<i>Mrs. Prapatsorn Arthachinda</i>
Loan Administration & Documentation	<i>Ms. Rapeeporn Ounchalanon</i>
Japanese Relationship	<i>Mr. Eiji Sasaki</i>
Custodian Service	<i>Mrs. Ladda Kulchatchai</i>
Treasury & Funding	<i>Mr. Metha Pingsuthiwong</i>
Treasury	<i>Ms. Karantar Vongsa</i>
Funding	<i>Mrs. Phavadee Chadavadh</i>
Special Asset Management	<i>Ms. Nipa Mekara</i>
SME	<i>Mr. Panya Wotticharoenvong (Acting)</i>
E-Commerce	<i>Mr. Pichai Chanvirachart (Acting)</i>

Support Heads

Group Finance Operation & Risk Management	<i>Mrs. Oranuch Apisaksirikul</i>
Financial Controller	<i>Mr. Chatri Chandrangam</i>
Risk Management	<i>Mr. Chatri Chandrangam (Acting)</i>
Planning & Budgeting	<i>Ms. Wiphaporn Tantaterasak</i>
Corporate Accounting	<i>Ms. Chutintorn Vigasi</i>
Banking Operation Project	<i>Ms. Preeyarat Poomdontri</i>
Corporate Secretariat & Investor Relations	<i>Ms. Pakaporn Punyashthiti</i>
Product Development & Marketing Research	<i>Mrs. Oranuch Apisaksirikul (Acting)</i>
Corporate Governance	<i>Ms. Nattamon Issaradharm</i>
Compliance	<i>Ms. Sumaree Piyatamvutikul</i>
Internal Control	<i>Mrs. Dulyarat Taveebhol</i>
Credit Office	<i>Ms. Nattamon Issaradharm</i>
Office of the Credit Committee	<i>Mrs. Suthinee Muangman</i>
Appraisal & Valuation	<i>Ms. Chantana Srisuwanvilai</i>
Legal Office	<i>Mr. Amporn Pittayavipas</i>
Internal Audit	<i>Mr. Pairat Srivilairit</i>
Human Resources & Organisation Development	<i>Mr. Sakchai Peechapat</i>
Corporate Marketing & Communication	<i>Ms. Nartrudee Siwabut</i>
Corporate Services	<i>Mrs. Sasinee Phattiyakul</i>
Information Technology (Thai Information Technology Co.,Ltd.)	<i>Mrs. Yutiga Sonthayanavin</i>

Securities Business Heads

Investment Banking Research	<i>Mr. Chavalit Chindavanig</i> <i>Mr. Paiboon Nalinthrangkurn</i> <i>(Acting)</i>
Brokerage Equity Brokerage Private Sales Brokerage Internet Trading	<i>Mr. Paiboon Nalinthrangkurn</i> <i>Mr. Viwat Techapoonpol</i> <i>Mr. Nattanan Ananpreeyavit</i>
Business Development Back Office Compliance & Internal Control	<i>Mrs. Kanitta Chavalitumrong</i> <i>Ms. Aunchana Grisa-ard</i> <i>Ms. Porntip Thavillarp</i>
Other Business : Payroll Processing Services	<i>Mrs. Suwandee Khaolaorr</i>

Asset Management Business Heads

Provident Fund Business Mutual Fund Business	<i>Ms. Araya Thirakomen</i> <i>Mr. Ekachai Chongvisal</i> <i>Ms. Teerin Suvarnatemiya (Deputy)</i>
Private Fund Business Investment Operations & Fund Operations Risk Analysis & Control	<i>Mr. Theeranart Rujimethapass</i> <i>Mrs. Duangrat Kittivittayakul</i> <i>Mr. Suthas Ruangmanamongkol</i> <i>(Acting)</i>
Electronic Resources Internal Control & Compliance	<i>Mr. Siri Prasansantikul</i> <i>Mrs. Supaporn Aramtiantamrong</i>

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Corporate Governance

Being well aware of the importance of good corporate governance, the Company has formulated a Corporate Governance Policy in full conformity with the SET's Code of Best Practices to ensure that the Company and its subsidiaries carry out their duties with maximum accountability, transparency, and equitable treatment for all stakeholders. The policy aims to promote managerial integrity, effectiveness, and efficiency, as well as bolster enduring business growth in line with corporate planning and strategy.

The Company's Corporate Governance Policy, as jointly adopted by the Board of Directors and management, is outlined as follows:

1. Corporate Governance Guidelines

The Corporate Governance Guidelines assist the Board of Directors in effectively carrying out their duties in compliance with regulatory policy, the Company's legal responsibilities, and business ethics. The Corporate Governance Guidelines embrace all key issues of the code of best practices for directors, including the role 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 a code of conduct and compliance manual to be applied at the managerial and operational level.

Since the Corporate Governance Guidelines are as crucial to directors as they are to the operational level, the Company has ascertained that all employees must be kept well aware of the guidelines, which reflect the basic principles of corporate governance. Accordingly, the compliance manual is in place to provide guidelines for employees in dealing with such matters as customer complaints, conflicts of interest, control of internal information, confidentiality, and related issues such as securities trading by employees.

2. Shareholders : Rights and Equitable Treatment

The Company's shareholders, majority or minority, individual or institutional, are assured of their right to receive equitable treatment and fair access to all necessary company information in a correct and timely fashion, and for participation in meetings of company shareholders. To protect shareholder interests, all necessary information is disclosed in an accurate, timely, and transparent manner to allow the general public to make informed investment decisions. Adequate systems are established to support effective communications and management of shareholder relations.

The annual general meeting of shareholders is held by the Board of Directors within 4 months of the date ending the accounting period of the Company, with the agenda made public more than 1 month in advance. The Company will begin considering the agenda of the shareholders' meeting at the end of January. The agenda and all relevant documents will be proposed to the Board of Directors for consideration. The order of the agenda at the Shareholders' Meeting is to be in an appropriate sequence as set by the Company's Articles of Association. In addition, each agenda item will state clearly whether it is a matter proposed for acknowledgement, for approval or for consideration, including the opinions of the board in said matters. To allow adequate time for the shareholders to study all of 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. In 2004, the Shareholders' Ordinary General Meeting was convened on April 28, 2004 and the notice was delivered to the shareholders at least 14 days prior. The notice calling for the meeting was also published in a newspaper for 3 consecutive days and at least 3 days prior to the date of the meeting.

The Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board, so long as the requirement that due notice thereof be given as provided in the Company's Articles of Association is

followed. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number sold may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholders numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of shares sold, may also request an extra-ordinary meeting. In such cases, the Board of Directors must set the date, time and place of the meeting within one month of the date of receiving the notice.

At the shareholders' meeting, the Chairman shall conduct the meeting to be in accordance with the order of agenda as arranged in the notice of the meeting, unless the meeting resolves to change order of the agenda with votes not less than two-third of the number of shareholders present. The shareholders holding an aggregate number of shares not less than one-third of the total number of shares sold may request the meeting to consider other matters in addition to those specified in the notice of the meeting. In addition, on the appointment of new director, minority shareholder could recommend the candidates through the Company's Nomination Committee.

The Company also facilitates alternative arrangements for shareholders unable to attend meetings by preparing power of attorney for shareholders to authorize 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 shareholders and investors, depositors and creditors, management and employees, 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 carefully considers the differing stakeholders' legal rights, and ensures that those rights are

protected and treated with care. Co-operation between the Company and various groups of stakeholders is promoted in order to secure profits and business stability.

The Company has provided channels for receiving customer complaints and resolving problems fairly and carefully. The Company pledges to keep customer information confidential, honor agreements made with trading partners, approach competition fairly and with integrity, treat employees fairly and equally, and take its social responsibility seriously. The Company's policy to protect the rights and interests of all stakeholders is disclosed in the Compliance Manual, which is posted on "mytisco", an intranet system to which all employees have access.

4. Shareholder's Meeting

In the shareholders' meeting, the chairman of the meeting allocates appropriate time and encourages equal opportunities for shareholders to express their opinions and raise questions in relation to the agenda and the issues presented.

The Company ensures that shareholders receive equitable treatment. The Company conducts shareholder meetings in accordance with stipulated laws and regulations with regard to calling meetings, the submission of advance notice, notification of agenda topics, as well as the provision of all necessary information to be used by shareholders' when making investment decisions. Moreover, the Company assigns its Corporate Secretary to prepare the minutes of the meeting in which all information, such as queries, opinions, and resolutions are recorded and reported. The minutes of the meetings are kept at the office.

At the Shareholder's Ordinary General Meeting 2004, six directors, the Chairman (who at that time also chaired the Audit Committee and Nomination Committee), two members of the Audit Committee and three executive directors, attended the meeting. All independent directors were present. However, three foreign directors were unable to attend since they reside in foreign countries. The Company's senior management, namely the Chief Financial Officer, Chief Governance Officer and Head of Retail Business, also attended this meeting. In the future, the Company shall endeavor to ensure that every director attends.

5. Leadership and Vision

The Board of Directors is composed of a broad range of experts who possess competency, knowledge and experience for running the business. 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 leadership, vision, and independent decision-making capabilities for the best interests of the company and its shareholders. It is also imperative that the Board possesses a general understanding of the overall business of the company, and is able to ensure that management carries out company policy effectively and efficiently.

When a new director is appointed to the Board, senior management will provide such director the information regarding the Company's business operations and past performance in order to create understanding and help the performing of director's duties.

The Board oversees the development of a long-term strategic plan, which is reflected in its general business direction and vision, and short-term business plans with measurable targets. It approves policies and procedures developed by management in areas of crucial importance, and communicates clear standards of performance in implementing them. It also establishes the norm of periodically reviewing policy and business performance of the company and internal audit operations. The Company conducts periodic evaluations of the board's performance to increase its effectiveness and transparency in managing the Company.

6. Conflict of Interest

To prevent issues of conflict of interest, the Board has laid down the structure and composition of committees and sub-committees in accordance with the Corporate Governance Guidelines to ensure that the code of ethical practice is implemented at all significant levels.

Under the Company's Corporate Governance Guidelines, employees must comply with stipulated laws and regulations,

conduct their duties honestly, and consider the Company's interests above their own. The Company has compiled business guidelines, relevant regulations and a code of conduct to be included in the compliance manual published on the Company's intranet system, or "mytisco". This manual includes relevant criteria and a resolution system to protect against conflict of interest.

The Company has no policy to encourage transactions between related parties. Should any such transactions occur, the conditions would be the same as those governing normal business transactions by the Company and its subsidiaries. In addition, persons with vested interests shall not be entitled to vote for the approval of said transactions. Disclosure of such information shall also be made in a forthright manner.

Furthermore, the Company has set out rules regarding securities trading by employees, stating that all employees must only open trading accounts with subsidiary TISCO Securities Co. Ltd. Also, employees are required to seek the approval of their supervisors and the Compliance Unit before executing trades. Moreover, the Company also prohibits management and insiders from trading the Company's shares from the last working day of the month until the day the Company's monthly financial statements are published, with penalties prescribed for any breaches. Finally, directors must notify the Audit Committee of their shareholdings at the end of each quarter.

7. Business Ethics

The Company has introduced a code of business ethics as part of the compliance manual for management and employees at all levels to assist them in performing their duties in line with corporate planning, and to ensure honesty and fairness to the Company, stakeholders and the public. The Company requires compliance with these regulations, and will impose serious penalties for any violations. The Compliance Department is charged with monitoring performance in accordance with the code of business ethics.

Directors shall carry out their duties with care and loyalty, with the full knowledge that they are jointly liable for any damage to the Company caused by breach of responsibility. "Duty of care" means that directors should take reasonable steps to be in a position to monitor the Company's affairs and maintain a sufficient

understanding of the business of the Company. "Duty of loyalty" means that directors must act honestly to preserve the interests of the Company and comply with the Company's Articles of Association as well as applicable laws.

8. Balance of Power for Non-Executive Directors

The Board's compliance roles include ensuring that appropriate systems providing accountability and transparency are set up and implemented by management. The Board of Directors itself has been structured to ensure accountability, and that no single individual or group has unfettered power. As a principle to promote a healthy balance of power, the Board is comprised of at least 9 directors, one-fourth of whom are independent, with a minimum of 3. The independent directors should possess the qualification standards as mentioned on page 46.

The independent directors are expected to demonstrate their independence and objectivity to prevent any conflicts of interest. The number of management directors is limited to a maximum of 3; the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer.

The Chief Executive Officer chairs the Executive Board, but his position is separate from the Chairman of the Board of Directors. This is to ensure a balance of power and authority and to avoid a situation where a single individual has unfettered power in decision-making.

9. Aggregation and Segregation of Positions

The Board of Directors is accountable for clearly defining and separating the roles and responsibilities of the Board of Directors, the Audit Committee, the Nomination Committee, the Compensation Committee, the Executive Board and the Management Committee.

Apart from the Chairman of the Board of Directors, who is neither part of the Company's senior management nor a member of the Audit Committee, 2 top executive positions were established to jointly oversee comprehensive managerial tasks and to further promote managerial effectiveness. The Chief Executive Officer (CEO), who is also the Chairman of Executive Board, oversees long-term corporate strategies, policies, and shareholder wealth creation and protection. The

Chief Operating Officer (COO), who reports to the CEO and is 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 has been set by the Company subject to the principle that it should be appealing enough to attract and retain quality directors, but without being excessive. Remuneration for non-executive directors should be comparable to generally accepted practice by the industry with regard to work experience and commitment, as well as the benefits to the Company that each director brings. Executive directors and management should receive remuneration linked to Company performance. Remuneration policy for directors shall be transparent and receive approval from 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 SEC rules. Details of the remuneration are shown on page 48.

11. Board of Director's Meeting

Board meetings are regularly scheduled in advance. During meetings, the Chairman of the Board promotes prudent consideration and allocates adequate time for management to present issues, with enough time set aside for directors to broadly discuss important matters. The Company's Corporate Secretary sends out documents relating to matters to be ratified or approved at the meeting to every director together with a written notice.

In relation to the Company's Articles of Association, Board of Directors' meetings are held by the Company at least once every three months except in special cases to protect the Company's interests. The Company ensures that written notice is sent to the Board at least 7 days before the date of the meeting. The minutes of meetings containing all details are prepared and put in order for auditing purposes.

In 2004, 7 board meetings were convened, surpassing the requirement in the Company's Articles of Association. Six meetings were regularly scheduled while another meeting was called for a special matter. The details of directors' attendance are shown on page 40.

12. Committee

To achieve its high standards of performance, the Board delegates 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, the Risk Management Committee and others are, if necessary, entitled to make decisions on the Board's behalf or submit recommendations for consideration, depending on the sub-committee's specific charter. The composition and responsibilities of sub-committees is detailed on page 39-40.

In any particular decision, the Executive Board can also authorise management or sub-committees such as the Credit Committee, Problem Loan Committee, and others, to make a detailed review of certain matters on their behalf.

13. Control System and Internal Audits

The Board delegates its day-to-day operational oversight to the Executive Board and Senior Management. The Executive Board prepares an annual assessment of the Company's internal control system and reports its findings to the Audit Committee for verification and further recommendation to the Board of Directors. In fulfilling its compliance role, the Board is responsible for monitoring operations by being aware and kept up-to-date regarding the Company's operating environment. To ensure high standards of compliance, the Board delegates day-to-day compliance oversight to the Audit Committee, which serves the Board in monitoring compliance with the Board's policies, and internal and statutory regulations. The Audit Committee is composed solely of independent directors. Internal Audit functions directly report to the Audit Committee.

14. Director's Report

The Board shall also provide a report indicating the performance of the Company and important business activities over the course of the year to shareholders. Moreover, the Board is responsible for assessing the Company's internal control system, which is carried out by the Executive Board and reviewed by the Audit Committee, and for certifying the accuracy of information in financial statements. The Board assigns the Audit Committee to review the financial statements of the Company and ensure that they are presented

in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner to allow investors to make informed investment decisions. The Board provides the above-mentioned reports, while the Audit Committee provides reports on audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report are included in the annual report.

15. Relations with Investors

A dedicated corporate secretariat and investor relations function was established to represent the Company in communications with all investors, analysts, and regulatory agencies concerned as well as for carrying out good governance practices on behalf of the shareholders. The Company is dedicated to transparency and the equitable information disclosure to shareholders. Press conferences chaired by the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer are held with the aim of keeping investors, analysts, fund managers and interested parties informed on the Company's performance and allowing them to make any inquiries that they wish.

The Company, which is registered in the SET 50 Index, discloses Company information to investors and the public through various channels, including its own web site (www.tisco.co.th) and those operated by the SET and the SEC. From July to December of 2004, the Company's web site recorded 83,659 hits. In addition, the Company arranges Analyst and Press Meetings to disclose Company information to domestic stock analysts and the press at least once every quarter. To assist foreign stock analysts and investors, the Company also arranges one-on-one meetings to provide them with Company information. In 2004, there were 25 such meetings.

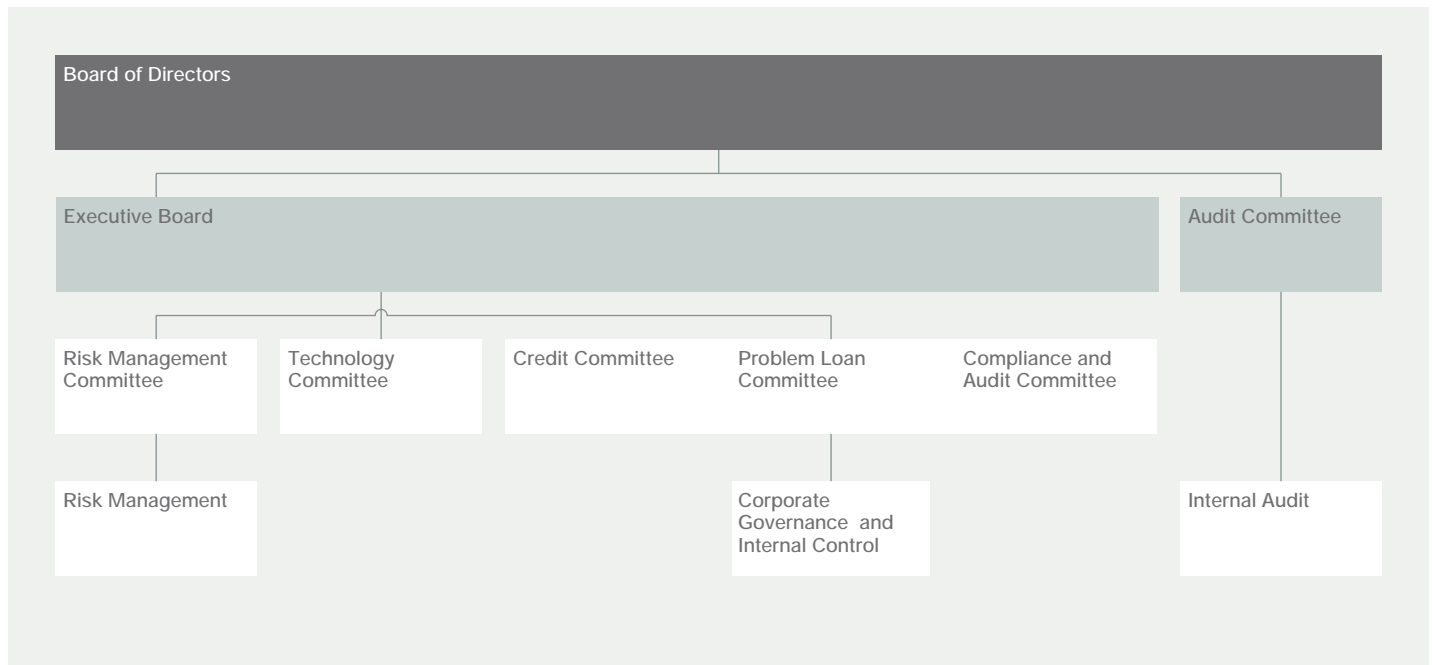
Since the Company has foreign shareholders, and its stock has caught the interest of many foreign investors, management joined a number of road shows in 2004 aimed at providing Company information. The Chief Executive Officer and the Chief Financial Officer provided Company information directly to foreign investors in England, Scotland, Hong Kong and Singapore. The Company also joined Thailand Focus 2004, organized by the Stock Exchange of Thailand on September 20-24, 2004.

Control of Internal Information

The Company's compliance manual acts as a set of guidelines to help employees perform their duties fairly and honestly, comply with applicable laws and regulations, avoid conflicts of interest, and not seek to benefit from insider information. Business guidelines, regulations, and the code of conduct have all been compiled to create the Company's compliance manual. With respect to Company's regulations governing employee securities trading, the Company requires management and employees to open trading accounts with TISCO Securities Co. Ltd., its subsidiary. In this regard, he or she must, however the case may be, seek approval from supervisors before executing trades or report to supervisors and the Compliance function after execution. Furthermore, the Company also prohibits management and insiders from trading the Company's shares from the last working day of the month until the day the Company's monthly financial statements are published. Penalties shall be imposed for any breaches.

Internal Control Overview

The importance of an internal control system has always been a key focus of the Company. Special emphasis is placed on the adequacy and appropriateness of the internal control system on all business operations, with the ability to protect company assets from any damage or misconduct on the part of employees or management. Meanwhile, recommendations on internal controls 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, an operating compliance manual and an IT user manual have been put into place to create thorough understanding and compliance to the rules and regulations of the Company.



The Board of Directors oversees all of the internal control system through the Executive Board and the Audit Committee, with the following organizational structure :

1. The Executive Board oversees all the internal control systems of the Company through delegated sub-committees, namely : the Risk Management Committee, the Credit Committee, the Problem Loan Committee and the Technology Committee. Effective policies and guidelines for internal controls and risk management have been set up with clearly-defined roles and responsibilities and are 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. The Risk Management function supports the committee in assessing and monitoring company risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, 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 the transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Office supports the committees in assessing and controlling the credit approval process of each transaction. In addition, the Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.
- The Compliance and Audit Committee is responsible for reviewing internal control guidelines and processes, as well as following up and detecting issues and compliance related to internal controls, to ensure that operational risks are thoroughly addressed.
- The Corporate Governance and Internal Control division, which is comprised of credit offices, internal control, compliance and legal function, is responsible for reviewing and monitoring the internal control system at the transaction level and reporting 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 laws and regulations.

- The Technology Committee is responsible for setting up an effective IT technology policy and prudent operating guidelines to ensure 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 assess that all business operations have adequate internal controls and are in compliance with laws and regulations.

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

Related Party Transactions

The Company has no transactions with related parties. However, the connected transactions between the Company and its subsidiaries are disclosed in the Notes to Financial Statements under same subject page 118-119.

Measures or Procedures for Approval of Related Party Transactions

- All transactions between related parties shall be done on the same basis and conditions as applied to external parties. Information will be disclosed in a transparent manner to satisfy the Company's good governance rules and all related regulations.

Future Related Transaction Policy - The Company puts strong 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 transactions for the Company and its subsidiaries.

Report of the Audit Committee

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

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

In the year 2004, Mr. Vudhiphol Suriyabhivadh resigned from the Board of Directors on October 29, 2004. The Board of Directors then unanimously approved the appointment of Mrs. Manimai Vudthitornetiraks as an independent director and a member of the Audit Committee in succession of Mr. Vudhiphol Suriyabhivadh.

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 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.

The Audit Committee held five meetings, with full attendance of committee members in every meeting. The conclusions and resolutions adopted at the meetings can be summarized as follows :

- Reviewing quarterly, semi-annual and annual financial statements reported by the certified public accountant before submitting to the Board of Directors for endorsement.
- Reviewing results of assessment by the certified public accountant towards efficiency of the Internal Audit Department, related company transactions and irregular transaction, sharing views with internal auditors and the certified public accountant concerning obstacles and cooperation received from the Company, and assessing the extent of independence of internal auditors and the certified public accountant.

- Reviewing and endorsing annual audit plan, strategy, and key performance indicators of the Internal Audit Department, acknowledging the results of audit and the compliance reports and following-up on observations and recommendations made by the Audit Committee.
- Meeting with TRIS Rating Company Limited in evaluating credit rating of the Company.
- Considering the External Auditor Selection Guideline 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 conduct an evaluation of Corporate Governance Policy accomplishment by comparing the Company's practice with the policy and international standards and to perform audit assignments on a risk-based approach to determine whether the operations of business units achieve the desired objectives and correspond to the annual business plans, especially on the strategic issues. Also, the Audit Committee has consistently followed up on the progress on bank upgrading concerning the preparation for office infrastructure, operational and information system, and personnel recruitment and training.

The Audit Committee is determined in promoting the Company to have a good corporate governance system. 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 and efficient internal control system, and has properly followed all necessary rules and regulations imposed by the Bank of Thailand, the Office of the Securities Exchange Commission and the Stock Exchange of Thailand.

Dr. Phisit Pakkasem
Chairman of the Audit Committee

Risk Factors & Risk Management

Overview of Risk Management - TISCO places great importance on effective risk management and controls. By establishing an overall risk management framework, including policy objectives for all risk-related transactions, the Company is able to increase awareness, accountability and efficiency in enterprise-wide risk management as well as maintain best practice standards and high-quality corporate governance. In addition, the Company aims to maximize sustainable risk-adjusted returns over the long run.

Risk Management Policy

Overall risk management policy encompasses the following structures:

1. Consolidated and Centralized Risk Management

Risk management infrastructure is centralized by consolidating risk exposure from all subsidiaries through careful risk assessment and the establishment of appropriate risk guidelines and procedures.

2. Business Line Accountability, Independent Risk Oversight

Each business line is accountable for managing its own risks in the best interests of TISCO while complying with risk management policies, guidelines, and procedures. Independent risk oversight and check-and-balance system have been established to ensure that risks are adequately monitored and controlled.

3. Comprehensive Risk Assessment

Risk assessment is performed comprehensively in all key activities. Risk assessment methodologies may range from basic approaches such as expert judgments to more advanced approaches such as quantitative and statistical analysis, depending on the size and complexity of the risks involved. These assessments are in turn supplemented by fundamental risk analysis and stress testing of extreme risk events.

4. Capital Management Based on Standardized Risk Tools

Capital represents the ultimate interests of the shareholders.

All risk exposures are quantified into a standardized risk measure called Value-at-Risk (VaR) which can relate risks to the amount of capital required to protect against them according to predefined risk limits. Risk capital enables management and business line managers to understand the level of risks being taken in a meaningful manner. Risks from different levels are integrated to produce an overall risk picture of the Company, which is used for capital adequacy planning and strategic capital allocation both at the corporate and business unit level.

5. Adequate Return for Risk and Risk-Adjusted Performance Management

To promote shareholder value creation, risk components are incorporated into business performance measurements with the objective of maximizing risk-adjusted returns for shareholders. Product pricing takes into account varying risks to ensure overall profitability. Business expansion is advocated in the areas where marginal risk-adjusted returns are in excess of the marginal risks.

6. Portfolio Management, Diversification and Hedging

Risk diversification is a key risk management principle in all TISCO business activities. Diversification is considered and adopted by management and business line managers both at the portfolio and transaction levels as an effective approach to reducing the aggregate level of risks in accordance with certain guidelines and limits.

7. Regulatory Best Practice

TISCO has adopted risk management policies and guidelines that comply with all regulations and best practice standards of the Bank of Thailand, the Securities and Exchange Commission and other regulatory bodies.

Risk Management Framework

In accordance with enterprise-wide risk management policies and objectives, an effective management process has been

established for assessing and managing all firm-wide risk exposures at both the portfolio and transactional levels to ensure the financial soundness and safety of the company. Senior Management and relevant business advisory committees oversee the entire risk management framework and strategy for all business areas supported by planning and budgeting functions. Risk Management Committee, supported by risk management functions, is set up to oversee that enterprise-wide risk management of the group is undertaken according to the same standard. Specific-area risk authorities are then established to manage in-depth, transaction-level risks in each particular area, such as the Credit Committee, Problem Loan Committee, Investment Committee, and Chief Credit Officer. These mechanisms are in turn supported by the Office of the Credit Committee and functions governing internal controls, compliance, and legal issues. Business lines are fully accountable for managing their own risks within the policy guidelines established by the Risk Management Committee. The roles and responsibilities of senior management and the relevant risk management authorities are described as follows:

- **Senior Management**

The Board of Directors has assigned senior management to oversee and monitor risk management activities by reviewing and approving relevant policies and guidelines on an annual basis. This is achieved by setting risk limits and risk appetites, and ensuring the establishment of effective risk management systems and procedures in accordance with the standard practices of risk identification, assessment, monitoring and control, all of which are in line with the Audit Committee standards.

- **Risk Management Committee**

Risk Management Committee has been delegated from the Management Committee in charge of the formulation and implementation of enterprise-wide risk strategies and action plans in connection with Risk Management Policies and Guidelines. Risk Management functions support the

Risk Management Committee in setting up and monitoring Risk Management Policies and Guidelines and performing enterprise-wide risk management activities through a risk research and reporting process.

- **Specific-Area Risk Authorities**

Specific-area risk authorities are set up to address in-depth risk management and controls at the transaction level. Key specific-area risk authorities include the Credit Committee, Problem Loan Committees, and Chief Credit Officer, which are in turn supported by the Office of the Credit Committee in overseeing credit approval and risk management. Board of Directors' oversight is conducted in all specific risk areas on a monthly basis.

Risk Factors

1. 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 by defaulting on a loan agreement. Credit risk, if it occurs without pledged assets, requires the Company to maintain higher provisions for loan losses, which will then adversely affect net income and the Company's capital.

TISCO uses Credit Risk Management Guidelines that are comprehensively applied to all credit-related functions both at the portfolio and transaction levels. At the portfolio level, the 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 internal guidelines. Moreover, the Problem Loan Committee has been set up to monitor and manage problem loan accounts and foreclosed assets. Credit risk factors are explained in detail as follows:

1.1 Default Risk

Non-performing loans can be classified into substandard, doubtful, and probable loss according to the definitions of the Bank of Thailand (BoT). Due to the restructuring of corporate loans and improvements in credit quality, non-performing loans held by the Company and its subsidiaries declined from 3,410.01 million baht in 2003 to 3,303.78 million baht in 2004, representing 5.8% of total loans and receivables.

It may be seen that NPLs of the Company and its subsidiaries decreased both in terms of amount and as a percentage of the total loan portfolio. Furthermore, compared to the total NPLs of 7.7% and 11.0% of all finance companies and commercial banks in the system respectively, the Company's NPL level stood below the industry average due to improved loan restructuring methods and low level of new NPLs.

Most of the Company's NPLs came from commercial real estate loans and hire purchase credit. While there was a large increase in NPLs in the hire purchase portfolio, it constituted only a small portion of overall lending in light of

the rapid growth seen in that segment, which increased from 29,154.27 million baht in 2003 to 38,573.79 million baht in 2004. Increased NPLs in the real estate portfolio were the result of intense competition together with low growth in demand when compared with expansive investment in the sector. In 2004, the Company signed debt-restructuring agreements totaling 2,176.02 million baht, mostly through the revision of lending terms & conditions. Restructured NPLs that failed to meet the agreed obligations stood at 253.38 million baht, representing 8.4% of total restructured loans, down 529.62 million baht from the previous year.

As a safeguard against losses from existing and new NPLs, debt restructuring costs, and deterioration in collateral value, at the end of 2003 the Company and its subsidiaries set aside a total reserve allowance for covering doubtful accounts and losses on debt restructuring of 4,288.37 million baht. This could be further broken down into 3,590.55 million baht for the Company, and 697.82 million baht for subsidiaries. The Company and subsidiaries' total reserve allowance as a percentage of all NPLs was 130.0%.

Year-end NPL Breakdown for 2003 and 2004

Type of Business	December 31, 2003			December 31, 2004			% Change
	% of Total Credit	Amount (Million Baht)	%	% of Total Credit	Amount (Million Baht)	%	
Commercial Lending	2.4	1,153.86	33.8	1.8	1,009.82	30.6	(12.48)
Manufacturing and Commerce	1.3	658.32	19.3	0.7	417.24	12.6	(36.62)
Real estate and Construction	0.7	355.77	10.4	1.0	590.67	17.9	66.02
Other Business	0.3	139.67	4.1	0.0	1.91	0.1	(98.63)
Retail Lending	2.9	1,416.71	41.5	2.7	1,566.36	47.4	10.56
Car hire purchase	0.9	434.77	12.7	1.3	719.52	21.8	65.49
Mortgage loans	0.9	452.80	13.3	0.7	375.63	11.4	(17.04)
Securities	1.1	529.14	15.5	0.8	471.21	14.3	(10.95)
Consumption Loans	1.7	839.54	24.6	1.3	727.60	22.0	(13.33)
Total	7.0	3,410.01	100.0	5.8	3,303.78	100.0	(3.12)

Out of the Company's 3,590.55 million baht in total allowances, 2,766.27 million baht represented reserves required by the Bank of Thailand. Given a conservative provisioning policy, the company's total reserves were 129.8% of BoT requirements. The excess provisioning amount will be used to absorb unexpected losses in the future, with the implication that if NPLs do not significantly increase, the requirement for reserve allowances should become stable at a normal level to sufficiently support business expansion.

1.2 Concentration Risk

As of December 31, 2004, hire purchase and commercial loans represented 69.2% and 19.6% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 38,573.79 million baht outstanding and an average loan size per account of 191,052 baht. Top-10 borrower exposure stood at 177.12 million baht, or 0.5% of the total hire purchase portfolio, or equal to 0.3% of the total credit portfolio.

For the commercial loan portfolio, there was no substantial concentration in any specific industrial sector. The portfolio was diversified into three different sectors: manufacturing and commerce, 5,525.07 million baht; real estate and construction, 3,500.24 million baht; and public utilities and services, 1,744.45 million baht. Lending to the above industrial sectors represented 50.6%, 32.0%, and 16.0% of the total commercial loan portfolio, and 9.9%, 6.3%, and 3.1% of the total credit portfolio, respectively. However, as top-10 borrower exposure accounted for 36.1% of the total credit portfolio, or 3,938.95 million baht, portfolio credit quality was closely monitored and sufficient collateral was required to ensure that risks were kept within a manageable level.

1.3 Collateral Risk

About 93.3% of the total lending portfolio was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by the Company. In case the borrowers of hire purchase loans cannot meet the terms and conditions, the Company can follow up and seize the underlying assets immediately. The process of repossession and asset liquidation can be completed within one month.

A major risk factor in the hire purchase business depends on the market value of used cars. A substantial decrease in the market value of a used vehicle results in credit loss, which directly affects the net income and capital of the Company. Market prices for used cars depend on such diverse factors as market demand, type, brand and tax regulations.

However, judging by past records, the recovery rate for asset liquidation in the secondary market was somewhat high at 70-90% of the remaining net financing amount, which helped in absorbing losses from defaulted loans. The Company has attempted to minimize credit risk by regularly updating its information regarding trends in the used car market, requiring high-value collateral, sufficient down payment, and favoring well-known brands in the secondary market.

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to BoT regulations on an annual basis by both independent and internal appraisers. The collateral value used in loan loss provisioning is generally the lower of the two appraised values. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 27.8% of the total outstanding NPLs.

Generally, the risk of real estate value changes depends on economic conditions. A recession in the Thai economy might result in lower values, which would require the Company to reserve higher loan loss provisions. Moreover, the legal process of collateral acquisition through related laws and enforcement is both costly and time consuming. However, all pending cases are closely monitored on a regular basis.

1.4 Property Risk from Foreclosed Assets

Outstanding assets in the process of liquidation held by TISCO Group as of December 31, 2004 were worth 1,230.36 million baht, or 1.9% of total assets. Allowances for impairment stood at 7.07% of total foreclosed assets. In the year 2004, the Company sold foreclosed assets amounting to 753.15 million baht, representing 57.2% of the total assets to be liquidated.

2. Market Risk

Market risk stems from adverse changes in securities prices and interest rates, which directly affect net income, capital, asset value, and liabilities of the Company.

TISCO uses a financial analysis tool, called Value at Risk (VaR), for assessing and controlling market risk. VaR is measured to determine the impact of unexpected market events on our capital position and financial performance. Using the VaR concept, the Company's investment strategy is developed to maximize risk-adjusted returns on capital. Important market risk factors are provided as follows:

2.1 Equity Price Volatility

As of December 31, 2004, the equity portfolio of TISCO Group stood at 4,212.25 million baht, of which 3,370.53 million was listed equity in current market value and 841.72 million baht was non-listed equity in book value.

The Company obtained a profit from equity investment of 567.10 million baht. There was also an unrealized gain of 373.83 million baht in the available-for-sale portfolio, which have not been realized as income in the financial performance during the year.

2.1.1 Listed Equity Risk

Listed equity investment portfolio in available-for-sale book stood at 3,370.53 million baht in which a change in its value will impact the Company's equity through unrealized gains or losses. At year-end 2004, unrealized gains from available-for-sale investments equaled 373.83 million baht, which is considered part of the Company's capital reserves for covering investment risk in case of a substantial drop in equity prices.

The Company calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. Daily VaR at a 99% confidence level, as of December 31, 2004, was 112 million baht, down from 122

million baht in 2003 as a direct result of the decline in the SET index during the year. 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.

2.1.2 Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at 841.72 million baht, decreased from 1,181.62 million baht in 2003. The increased value was mainly the result of debt-to-equity conversions in debt restructuring and sales of non-listed equity during the year. As of December 31, 2004, the outstanding allowance for investment impairment stood at 234.11 million baht, down 37.87 million baht from the previous year.

Presently, our investment strategy is not to increase the size of the non-listed equity portfolio. The Company is instead seeking opportunities to liquidate them, while at the same time closely monitoring portfolio quality on a regular basis.

2.2 Interest Rate Risk

Interest rate risk can be classified into two types; namely risk from the Company's interest-bearing assets and liabilities profile, and fixed-income risk.

2.2.1 Risk from Interest-Bearing Assets and Liabilities Profile

Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. A movement in the level of interest rates may lead to higher borrowing costs when compared to earnings, resulting in lower interest rate income, which in turn influences 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 an appropriate level. TISCO's interest-bearing assets and liabilities structure, as of December 31, 2004, is provided in the following table.

(Unit : Million Baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 month	Changed within 1-2 year	Changed after 2 year	Total
Assets	10,448	14,580	11,337	29,931	66,296
Liabilities	15,142	17,727	7,469	13,377	53,715
Net Gap	(4,694)	(3,147)	3,868	16,554	12,581

According to the interest rate re-pricing mismatch structure, the Company was exposed to a small interest rate rise. If interest rates increase by 100 basis points, one-year net interest income would drop 82 million baht, compared to net income from interest, and dividends, of 2,830.38 million baht in 2004.

2.2.2 Fixed Income Risk

Fixed-income risk is the result of a decrease in the value of fixed-income instruments when interest rates increase. As yields in the market go up, the value of fixed-income instruments decreases to maintain yields at the same level.

TISCO Group's fixed-income portfolio as of December 31, 2004 stood at 993.39 million baht, showing a reduction of 2,471.61 million baht compared to 2003. This was due to the Company's strategy of reducing its exposure to the rising interest rate trend. Most fixed-income positions were held to maintain liquidity, according to the BoT's requirements. Average day-to-maturity of the portfolio was 0.53 years, while average duration was 0.46 years. Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves.

3. Liquidity Risk

Liquidity risk is the possibility that the Company might not be able to meet its obligations to repay debts when they come due, whether as a result of a failure in cash management or an inability to raise funds to meet demand in time. Liquidity risk comes from internal and external factors. Internal factors are maturity mismatches in the assets and liabilities profile which affect the level of liquid assets, while market liquidity and depositor confidence represent external factors affecting liquidity risk.

As of December 31, 2004, the value of TISCO Group's liquid assets, comprised of cash and deposits at financial institutions, was 1,485.24 million baht, up from 1,193.45 million at the end of 2003. Loans to financial institutions and repurchase agreements were worth 2,142.83 million, compared to last year's outstanding

total of 638.12 million baht. Short-term investments in government and state enterprise bonds amounted to 390.81 million baht, compared to 2,257.04 million baht during the previous year, while corporate fixed-income securities stood at 196.38 million baht, compared to 2003's total of 709.69 million baht.

Currently, liquidity risk from the maturity mismatch is moderate once adjustments for the historical behavior of creditors and debtors such as loan defaults or rollovers are taken into account. Cash inflows from earning assets are sufficient to service all debts within 1 year. The maturity mismatch profile after behavioral adjustment is shown as follows.

(Unit: Million Baht)

Contractual Period	<= 1 Yr	> 1 Yrs	Total
Assets	17,567	44,427	61,994
Liabilities	(15,202)	(41,608)	(56,810)
Net Gap	2,365	2,819	5,184

Information from Maturity Mismatch Report Based on BoT Standard

Liquidity risk is overseen by the Risk Management Committee, which is responsible for ensuring the formulation and implementation of asset & liability strategies, the management of liquidity reserves and funding risk profiles, and analyzing fund-raising procedures. Liquidity reserves, funding concentration, amounts of daily withdrawals, and residual cash flow as a result of mismatches between maturing assets and liabilities, is regularly monitored by the Risk Management Committee to ensure that funding risks are contained within the acceptable risk tolerance level. Moreover, there is also a liquidity management contingent plan to handle a liquidity crisis situation with clearly stated procedures and guidelines.

4. Operational Risk

Operational risk comes in the form of operational losses caused by the failure or inadequacy of internal processes, people, systems, non-compliance to laws and regulations or external factors. These include both financial and non-financial damages

to the Company, by potentially affecting its reputation and future business opportunities.

Since TISCO Group undertakes a wide variety of business and financial activities, operational risks are different for each operation. Consequently, operational risks are managed and controlled through prudent control processes and a well-structured organization with an integrated check-and-balance system.

The Risk Management Committee oversees and periodically assesses a firm-wide framework for operational risk management. At each business level, the Chief Governance Officer is accountable for managing the operational risks of each business line, within an established risk policies and guidelines. All internal control processes are examined by the Audit Committee, which directly reports to the Board of Directors. The Company is in the process of organizing an operational risk self-assessment workshop for all business lines and collecting necessary data for further risk assessment, in accordance with the best practice guidelines of the BoT and the Basle Committee on Banking Supervision.

5. Strategic Risk

Strategic Risk is a form of uncertainty stemming from the possibility that the Company might make an adverse business decision, or improper implementation of a decision in relation to the external business and regulatory environment that may affect the Company's earnings and capital.

The Company manages strategic risk by setting up 3-year strategic plans to provide a clear business direction together with operating budgets. The plans are reviewed on an annual rolling basis and used to compare actual performance on a monthly basis.

5.1 Risk from Economic Conditions and Business Competition

Although the Company diversifies its businesses in areas of high potential, most of them are influenced by changes in economic conditions. For hire purchase businesses, growth and credit quality are directly affected by the state of the economy, levels of competition and growth in public consumption. Strong economic growth results in faster growth in asset size and revenues of the company, and vice-versa. Strong market share and competitive advantage,

however, make the Company less vulnerable to negative economic factors.

As our major investments are in the stock market, the economic outlook, capital market performance and investor sentiment is crucial to the company's financial performance. In a bullish economy, equity prices tend to increase significantly, resulting in improved Company profit and capital. Conversely, unexpected events, such as terrorist attacks and natural disasters may cause a substantial drop in equity values, adversely affecting the Company's financial performance. While the brokerage and underwriting business also depends on the condition of the stock market, most income is derived from trading volumes, with the result that the impact of price levels may not be substantial. In effect, the Company has adopted a variable cost structure in the brokerage business, which minimizes the impact of unfavorable market conditions.

The asset management business is dependent only to a minor degree on economic conditions as fee income is based on the net asset value of funds under management. Profit and loss from investments does not directly affect the Company's financial results. However, higher competition on pricing structure is a major risk factor in this business.

5.2 Risk from Capital Adequacy

As of December 31, 2004, the Company's capital adequacy ratio stood at 19.6%, well above the BoT requirement of 8.0%. As an internal risk measurement of capital adequacy, the required risk-based capital requirement stood at 6,054.54 million baht, accounting for only 44.9% of the total capital base of 13,495.32 million baht. Additionally, the Company maintained provisions against potential loan losses 56.4% higher than BoT requirements.

5.3 Risk from Upgrading to Commercial Bank

After obtaining approval from the Ministry of Finance regarding a proposed commercial bank upgrade on October 22, 2004, the Company established working committees responsible for forthcoming bank operations including building, branch operations, accounting, risk management, human resources, product development and information technology. The integrated commercial bank will tentatively be opened in the third quarter of 2005.

With respect to the potential commercial bank upgrade, the Company will progressively expand products and services in commercial banking areas through a bank distribution platform effectively supported by the BoT's clearing system.

For potential risk factors, TISCO will be obliged to compete intensively with existing commercial banks in providing banking products and services. However, the Company's strategy is to emphasize vital and reputable business areas including hire purchase and commercial loans, with business in other areas to be developed by focusing on human resources development and an effective IT system. In addition, the Company will also take into account the potential operational risk arising from the commercial bank upgrade, which will require highly sophisticated management processes to support the massive amount of transactions in the future. Under these circumstances, even a trivial mistake might have the potential to injure the reputation of the whole banking system and cause financial losses for customers. To overcome this problem, the Company has stressed prudent workflow reviews and effective use of IT systems to ensure sound banking operations.

5.4 Risk from TISCO Affiliates' Financial Performance

Revenue from affiliates accounts for 28.0% of total revenue, which significantly affects the overall Company's income. Revenue from affiliates can be broken down into three streams: 16.8% from brokerage, 11.5% from investment banking and asset management, and 13.1% from interest and dividend incomes.

While affiliate businesses are influenced by market activity and overall economic conditions, the impact of risk from securities and asset management businesses will have a significant effect only on Company profitability, without having a severe impact on capital as the major focus is on services rather than lending or investment.

Internal control and risk management of subsidiaries is centralized, with the Company applying a universal set of standards and guidelines for all. The Company sends its representatives to serve as directors at subsidiaries for at least half of the total directors. In this way, the Company participates in establishing important business policies. Furthermore, the annual business plans of subsidiaries require approval by the Company.

6. Other Risks

Risk Concerning the Rights from Holding Securities - As of December 31, 2004, the Company's paid-up capital was divided into 533,591,820 common shares and 181,127,680 preferred shares. Preferred shareholders will receive rights and interest privileges beyond those of common shareholders as detailed below.

Preferred shares can be converted into common shares on a 1:1 basis and have the same rights and benefits as those of common shareholders except:

- (1) Preferred shareholders will receive a dividend of 1 baht per share prior to common shareholders. In addition, the Company may pay dividends to preferred shareholders without making payment to common shareholders.
- (2) Preferred shareholders have the first right to claims, in the case of bankruptcy, prior to common shareholders.
- (3) Preferred shareholders have the right to reduce capital after the common shareholders in the event of a capital decrease to eliminate retained losses.

The above rights of preferred shares will expire on June 30, 2009. More detailed information is presented in Capital Structure Section.

Important Financial Ratios

		2002	2003	2004
Profitability Ratio				
Gross Profit Margin	(%)	74.13	79.50	83.29
Net Profit Margin	(%)	34.49	41.13	41.30
Return on Average Shareholders' Equity	(%)	15.92	20.40	19.09
Interest Income Ratio	(%)	7.84	7.32	6.94
Interest Expense Ratio	(%)	3.23	2.90	2.29
Interest Spread	(%)	4.61	4.42	4.65
Return on Investment	(%)	14.25	11.41	11.63
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.37	4.29	4.47
Return on Average Assets	(%)	2.40	3.45	3.52
Total Asset Turnover (Times)	(Times)	0.11	0.11	0.10
Financial Ratio				
Debt to Equity Ratio (Times)	(Times)	5.30	4.62	4.27
Total Loans to Total Borrowing and Deposits	(%)	119.16	128.54	127.65
Total Loans to Public Borrowing	(%)	131.94	144.47	141.68
Public Borrowing to Total Liabilities	(%)	74.74	68.45	74.88
Dividend Payout Ratio	(%)	0.00	34.31	n.a.
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans	(%)	11.49	9.37	7.51
Bad Debt and Doubtful Account to Total Loans	(%)	1.14	0.54	0.31
Non-Accrued Loans ^{†1} to Total Loans	(%)	9.66	6.74	5.82
Loan Loss Provision to Non-Performing Loans	(%)	122.26	134.67	129.80
Accrued Interest Receivable to Total Loans	(%)	0.27	0.22	0.21
Other Ratio				
Securities Business Receivables to Finance Business Loans and Receivables	(Times)	0.03	0.08	0.02
Capital Funds to Risk Weighted Asset (BIS)	(%)	19.45	21.42	19.57
Net Capital Rule (TISCO Securities)	(%)	254.32	35.10	56.50

^{†1} According to Bank of Thailand's Definition

Management Discussion & Analysis

The overall Thai economy in 2004 showed a slight slowdown with a decrease in GDP growth from 6.9% in 2003 to 6.1%, according to the Bank of Thailand. The tsunami disaster which struck 6 southern provinces of Thailand on Dec 26, 2004, is expected to continue having an impact on the Thai economy in 2005. In terms of financial markets, due to continuing inflationary pressure and the upward trend in interest rates, the Bank of Thailand raised its policy rate three times in 2004 from 1.25% at the end of 2003 to 2.00%.

Comparative Analysis of Operating Performance and Financial Position in 2004 and 2003.

Operating Results

The Company and subsidiaries' net profit increased by 17.7% to 2,224.27 million baht. Total net income increased by 17.2% to 5,385.03 million baht, contributed by a 27.5% increase in net interest and dividend income, after bad debts and doubtful accounts, from 2,083.40 million baht to 2,655.57 million baht, and an 8.6% increase in non-interest income from 2,512.57 million baht to 2,729.46 million baht.

Diluted EPS for 2004 was 3.05 baht compared with 2.60 baht of 2003. The average annualized ROE was 19.1%.

Consolidated Revenue Structure

Type of Revenue	2003		2004		% Change
	Amount (Million Baht)	%	Amount (Million Baht)	%	
Interest and Dividend Income					
Loan and Deposits	837.15	18.2	749.57	13.9	(10.5)
Hire Purchase and Financial Lease	2,410.06	52.4	2,957.02	54.9	22.7
Securities	318.11	6.9	206.77	3.8	(35.0)
Expenses on Borrowings	1,216.16	26.5	1,082.98	20.1	(11.0)
Net Interest and Dividend Income	2,349.17	51.1	2,830.38	52.6	20.5
Bad Debts and Doubtful Accounts	(265.76)	(5.8)	(174.81)	3.2	(34.2)
Interest and Dividend Income - Net of					
Bad Debts and Doubtful Accounts	2,083.40	45.3	2,655.57	49.3	27.5
Non-interest Income					
Brokerage Fees	824.86	17.9	902.78	16.8	9.4
Fee and Charges	1,046.12	22.8	1,098.65	20.4	5.0
Gain on Trading Securities	496.27	1.8	567.10	10.5	14.3
Others	145.32	3.2	160.93	3.0	10.7
Total Non-interest Income	2,512.57	54.7	2,729.46	50.7	8.6
Total - The Company And Subsidiaries	4,595.97	100.0	5,385.03	100.0	17.2

Net Interest and Dividend Income

Net interest and dividend income after bad debts and doubtful accounts for the year 2004 rose by 27.5% y-o-y to 2,655.57 million baht, contributed mainly by continued growth of the hire purchase portfolio, the decrease in funding cost resulting from declining interest rates, and improvement in asset quality. The ratio of net interest and dividend income to total income was 49.3%, increased from 45.3%.

Interest Spread (Excluding Dividend Income From Securities)

	2003	2004
	%	%
Yield	7.32	6.94
Cost of Fund	2.90	2.29
Spread	4.42	4.65

In 2004 the interest spread was 4.65%. This was due to a decrease in yield to 6.94%, while the cost of funding also decreased from 2.90% in 2003 to 2.29% in 2004.

Non-Interest Income

Non-interest income grew by 8.6% to 2,729.46 million baht, the result of an increase in commissions income from brokerage following rising market turnover and market share, and the increase in fees and services income from investment banking. Furthermore, in October and November, the Company divested 24.34 million shares of Thai Oil Plc. through its IPO, contributing to the total gain from investments of 567.10 million baht.

Operating Expenses

With a goodwill write-off of 833.48 million baht in 2003, the operating expense for 2004 was significantly lower than that of 2003. However, if the effect of goodwill write-off was excluded, the operating expenses of the Company and subsidiaries increased by 12.9% to 2,646.32 million baht, lower than the growth in net income of 17.5%.

While direct expenses such as sales promotional expenses rose 20.8% to 721.02 million baht with the increased business activities, normal operating and administrative expenses increased 10.1% from 1,748.02 million baht to 1,925.31 million baht, consisting of 1,259.00 million baht of personnel expenses, which grew by only 5.9% from the previous year, and 666.31 million baht of non-personnel expenses, which rose by 19.2%. The high growth of non-personnel expenses was contributed by the acceleration of expense recognition for investment in preparation for bank upgrade.

Corporate Income Tax

In 2003, there was a tax benefit of 515.98 million baht due to the tax loss carried forward, while in 2004 corporate tax amounted to 478.93 million baht, or a 17.5% effective rate.

Financial Position

• Assets

The Company and subsidiaries' total assets increased by 10.0% from 60,263.25 million baht to 66,296.04 million baht as the loan portfolio expanded by 22.4% to 55,759.84 million baht. Hire purchase loans expanded by 32.3% to 38,573.79 million baht while corporate loans grew by 13.0% to 10,924.18 million baht. Net investments in securities decreased by 2,883.41 million baht from the end of 2003, following the decrease of investment in fixed-income securities.

Investment in Securities

At the end of 2004, total investment in securities decreased from the end of 2003 by 35.6% to 5,212.17 million baht. Investment in equity increased 0.3% to 4,211.16 million baht, due mainly to a marked market gain, while the increase in fixed income investment was due to the anticipation of an upward interest rate trend.

Investment in Securities Breakdown

Type of Securities	December 31, 2003		December 31, 2004		% Change
	Amount (Million Baht)	%	Amount (Million Baht)	%	
Fixed Income	3,891.12	48.1	994.48	19.1	(74.4)
Equity	4,197.93	51.9	4,211.16	80.8	0.3
FRA	6.53	0.1	6.53	0.1	0.0
Total – The Company and Subsidiaries	8,095.58	100.0	5,212.17	100.0	(35.6)

Loans and Receivables

As described hereunder, total loans and receivables at the end of 2004 was 55,759.84 million baht, representing 84.1% of total assets increased from 75.6% of total assets.

Loans and Receivables Breakdown¹

Type of Business	December 31, 2003		December 31, 2004		% Change
	Amount (Million Baht)	%	Amount (Million Baht)	%	
Commercial Lending	9,667.53	21.2	10,924.18	19.6	13.0
Manufacturing and Commerce	4,903.81	10.8	5,525.07	9.9	12.7
Real Estate and Construction	2,578.56	5.7	3,500.24	6.3	35.7
Public Utilities and Services	2,072.38	4.5	1,744.45	3.1	(15.8)
Others	112.79	0.2	154.43	0.3	36.9
Retail Lending	31,699.97	69.6	40,971.27	73.5	29.2
Hire purchase	29,154.27	64.0	38,573.79	69.2	32.3
Housing	2,545.70	5.6	2,397.48	4.3	(5.8)
Consumption Loans	4,196.68	9.2	3,864.39	6.9	(7.9)
Total - The Company and Subsidiaries	45,564.18	100.0	55,759.84	100.0	22.4

¹ The criteria for loan categorization has been changed from types of loans to the businesses of the borrowers since June 2004. The 2003 data was adjusted accordingly.

Loans Classified by Remaining Periods of Contracts

	December 31, 2003		December 31, 2004		% Change
	(Million Baht)	%	(Million Baht)	%	
Finance Business Loans and Receivable					
At Call (included contracts which are due	2,057.23	4.5	2,428.06	4.5	18.0
Not over 1 year	4,519.38	9.9	4,540.75	9.9	0.5
Over 1 year	38,987.56	85.4	48,791.03	85.4	25.1
Total Finance Business Loans and Receivable	45,564.18	99.8	55,759.84	99.8	22.4
Accrued Interest Receivable	106.29	0.2	117.39	0.2	10.4
Total Finance Business Loans and Receivable and Accrued Interest Receivable	45,670.47	100.0	55,877.23	100.0	22.3

An increase in loans and receivables was mainly due to the expansion of the hire purchase and commercial lending portfolio. In the 4th quarter of 2004, hire purchase and commercial loans significantly expanded from the 3rd quarter by 9.0% and 5.5%, respectively.

In 2004, securities business receivable, mainly from cash account clients for which the payment of securities must be made within the next 3 business days, increased from 3,428.00 million baht to 1,224.89 million baht.

Non-Performing Loans

The Company and subsidiaries' NPLs to total loans ratio decreased from 7.0% at the end of 2003 to 5.8%, following expansion of the loan portfolio and improvement in asset quality.

The Company and subsidiaries' NPLs decreased by 106.23 million baht to 3,303.78 million baht, (2,628.15 million baht for the Company and 675.63 million baht for subsidiaries). The main reasons for the decrease in NPLs were improvements in asset quality and acceleration of the debt restructuring process. In determining NPLs, the Company has taken into account both qualitative and quantitative criteria according to the Bank of Thailand's requirements. From the BoT's auditing of the Company in May 2004, the change in provisioning guidelines had no effect on the Company and subsidiaries' provisioning, as it had set aside reserve provisions significantly higher than the BoT requirement. In addition, the new BoT guidelines concerning collateral would mainly affect mortgage loans, of which the Company had only a small portion compared to other loans. Therefore, no additional reserve provisioning was required.

NPL Breakdown by Area

Type of Business	December 31, 2004			December 31, 2004			% Change
	% NPL	(Million Baht)	%	% NPL	(Million Baht)	%	
Commercial Lending	11.9	1,153.86	33.8	9.2	1,009.82	30.6	(12.5)
Retail Lending							
Car hire purchase	1.5	434.77	12.7	1.9	719.52	21.8	65.5
Mortgage loans	17.8	452.80	13.3	15.7	375.63	11.4	(17.0)
Securities	15.4	529.14	15.5	38.5	471.21	14.3	(10.9)
Consumption Loans	20.0	839.54	24.6	18.8	727.60	22.0	(13.3)
Total – The Company and Subsidiaries	7.0	3,410.01	100.0	5.8	3,303.78	100.0	(3.1)

Allowance for Doubtful Accounts and Losses on Debt Restructuring

The Company and its subsidiaries' allowance for doubtful accounts and losses on debt restructuring was 4,288.37 million baht, and the ratio of the allowance for doubtful accounts and losses on debt restructuring to NPLs ratio was 129.8%. From the total amount of allowance, the Company's allowance was 3,590.55 million baht, consisting of 2,766.27 million baht of specific reserves and 824.28 million baht of general reserves, which was greater than the minimum requirement of the BoT of 2,350.99 million baht. This follows a conservative provisioning policy aimed at protecting the Company from potential risks to its operations. The Company will consider recognizing these excess provisions as income when customer loan repayment capabilities become clearer.

Property Foreclosed-Net

As of December 31, 2004, net property foreclosed decreased by 13.0% from 1,414.21 million baht to 1,230.36 million baht, representing 1.9% of total assets. The decrease was due to selling them out.

• Liabilities

The source of funds to support loan growth was mainly from borrowings and deposits, totaling 44,640.35 million baht, an increase of 17.1%, with an emphasis on fund raising from public deposits. The proportion of borrowings and deposits to total liabilities increased from 76.9% to 83.1%. The ratio of loans (excluding accrued interest) to total deposits and borrowings stood at 127.6%.

Liabilities Breakdown by Area

Type of Borrowings	December 31, 2003		December 31, 2004		% Change
	Amount (Million Baht)	%	Amount (Million Baht)	%	
Public borrowings	33,911.94	68.5	40,219.47	74.9	18.6
Debentures	5,941.00	12.0	5,941.00	11.1	0.0
Banks and financial institutions borrowings	4,201.96	8.5	4,420.88	8.2	5.2
Others	5,487.25	11.1	3,133.79	5.8	(42.9)
Total – The Company and Subsidiaries	49,542.15	100.0	53,715.14	100.0	8.4

• Shareholders' Equity

Shareholder's equity increased from 10,721.10 million baht to 12,580.90 million baht, an increase of 17.3%. The change was mainly contributed by 2004's annual net profit of 2,224.27 million baht, the dividend payment of 648.53 million baht in the month of April, and an increase in revaluation surplus after a tax adjustment of 222.47 million baht resulted from changes in the surplus value of equity investment (tax-adjusted), which increased from 1,032.91 million baht to 1,255.38 million baht at the end of 2004.

The BIS capital adequacy ratio of the Company remained solid at 19.6% compared to the minimum of 8.0% required by the BOT. The net capital ratio (NCR) of TISCO Securities stood at 56.5% compared with the minimum of 7.0% required by the SEC.

Business Performance by Area

Finance Business Finance business comprises of corporate and retail lending, operated by TISCO Finance Plc and its subsidiaries; TISCO Leasing Co., Ltd., Hi-Way Co., Ltd., Thai Commercial Auto Co., Ltd., Hi-Way Co., Ltd., Thai Commercial Auto Co., Ltd., and VLT Leasing Co., Ltd.

• Commercial Finance

The corporate loan portfolio of the Company and subsidiaries amounted to 10,924.18 million baht, an increase of 13.0%. There was a strong expansion in the corporate loan portfolio in the 4th quarter of 2004, which rose by 5.5% from the 3rd quarter. The NPL ratio declined from 11.9% to 9.2%, resulting from the strong expansion of the corporate loan portfolio and improved asset quality.

• Retail Finance

Retail finance business was comprised of car and motorcycle hire purchase, mortgage loans, and other consumption loans. Hire purchase loans accounted for 94.1% of total retail lending. The outstanding hire purchase portfolio was 38,573.79 million baht, a 32.3% increase from the end of 2003. New loans extended in 2004 amounted to 24,976.46 million baht, following 17.3% growth in car industry sales for 2004 compared to that of the previous year, coupled with the company's aggressive expansion strategy to increase market share. The penetration rate for 2004 was 7.6% compared to 6.6% at the end of 2003.

Hire Purchase Portfolio Breakdown by Company

Company	December 31, 2003		December 31, 2004		% Change
	Amount (Million Baht)	%	Amount (Million Baht)	%	
The Company	24,386.40	83.6	32,758.43	84.9	34.3
Thai Commercial Auto	2,833.02	9.7	2,290.31	5.9	(19.2)
Hi-Way	1,214.80	4.2	2,053.45	5.3	69.0
TISCO Leasing	720.06	2.5	1,386.59	3.6	92.6
VLT Leasing ¹	-	-	85.02	0.2	-
Total	29,154.28	100.0	38,573.79	100.0	32.3

¹ VLT Leasing was incorporated in April 2004.

The NPL ratio of hire purchase portfolio increased from 1.5% to 1.9%, adjusting to the normal condition as the extraordinary high level of new loan proportion in the portfolio, resulted from super strong growth over the past 2 –3 years, started to return to normal level. The occurrence of hire purchase NPLs will normally spread through out the 3-5 years contract maturities. When the loan growth returns to the constant level, the NPL ratio shall also return to the constant level as the quality of assets remains high.

Securities Business Securities business comprises of securities brokerage and investment banking which are operated under TISCO Securities Co., Ltd. (TISCOSec) and asset management which is operated by TISCO Asset Management Co., Ltd. (TISCOAsset).

- **Securities Brokerage**

TISCOSec's trading volume increased by 12.7%, following the increase in market turnover and continued expansion in its customer base, both from the institutional and retail segments. As a result, its market share rose from 3.36% to 3.52% and commission fees increased from 759.32 million baht to 854.66 million baht.

- **Investment Banking Business**

TISCOSec still maintained its lead position in the business, as evidenced in the company's being appointed as financial advisor and underwriter for several securities offerings and listings such as TPI Polene Plc., Pacific Pipe Plc., Syrus Securities Plc., and Thainox Stainless Plc. Fees and services income consequently increased 127.4% to 360.93 million baht.

- **Asset Management**

TISCOAsset, which provides provident funds, private funds, mutual funds and retirement mutual fund services. Total assets under management was 67,704.15 million baht, an increase of 19.9% from 56,459.42 million baht, following the increase in the funds' NAV, additional investments from investors, and growth in the customer base. The basic fee in 2004 was 206.79 million baht, an increase from 165.06 million baht, while there was no incentive fee income from fund performance sharing due to the sluggish stock market.

Total market share of TISCOAsset as of December 2004 was 7.3%, or 4th ranked in the market. Market share in provident funds was 2nd overall at 13.9%, private funds were 2nd with 13.8%, and mutual funds ranked 13th with 1.4%.

Assets under Management Breakdown by Type of Fund

Type of Fund	December 31, 2003		December 31, 2004		% Change
	Amount (Million Baht)	%	Amount (Million Baht)	%	
Provident Fund	37,805.26	67.0	42,471.28	62.7	12.3
Private Fund	13,762.01	24.4	18,458.16	27.3	34.1
Mutual Fund	4,892.15	8.6	6,774.71	10.0	38.5
Total	56,459.42	100.0	67,704.15	100.0	19.9

Liquidity

As of December 31, 2004, The Company and its subsidiaries' cash was 1,485.24 million baht, an increase of 291.79 million baht. This was mainly comprised of 2,699.15 million baht in net cash flows from investing activities, of which a major source came from net cash received from the disposal of investments in securities held for investment. Nevertheless, there was a decrease in net cash flows from financing activities of 619.02 million baht, contributed mainly by the Company's dividend payment in April 2004, and a decrease in net cash flows from operating activities of 1,784.26 million baht, chiefly caused by hire purchase expansion and an increase in securities purchased under resale agreement.

Commercial Bank Upgrade Project

Details as presented in "Future Project" Section page 10.

Auditor's Fee

Audit Fee - The Company and subsidiaries paid the audit fee for the year 2004 of 5,604,890 baht to Ernst & Young Office Limited.

Non-Audit Fee - The Company and two of Company's subsidiaries which were Thai Permsap Finance Company Limited and TISCO Securities Hong Kong Ltd. paid the non-audit fee for the year 2004 of 297,640 baht to Ernst & Young Office Limited. These non-audit fees were for special audit under the requirement of the Bank of Thailand and for taxation service, respectively.

Report of Independent Auditor

To the Board of Directors and Shareholders of TISCO Finance Public Company Limited

I have audited the accompanying consolidated balance sheets of TISCO Finance Public Company Limited and its subsidiaries as at 31 December 2004 and 2003, the related consolidated statements of earnings, changes in shareholder's equity and cash flows for the years then ended, and the separate financial statements of TISCO Finance Public Company Limited for the same periods. 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 audits.

I did not audit the financial statements for the year ended 31 December 2003 of one subsidiary company, Thai Permsap 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 for the year 2003. 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 related to the amounts pertaining to this subsidiary which were included in the consolidated financial

statements for the year ended 31 December 2003, was based solely on the report of that other auditor.

I conducted my audits 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 audits 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 audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial positions of TISCO Finance Public Company Limited and its subsidiaries and of TISCO Finance Public Company Limited as at 31 December 2004 and 2003, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.



Supachai Phanyawattano
Certified Public Accountant (Thailand) No. 3930

Balance Sheets

As at 31 December 2004 and 2003

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2004	2003	2004	2003
Assets					
Cash and deposits at financial institutions	4	1,485,237,724	1,193,449,580	395,252,369	234,741,704
Loans to financial institutions	5	37,837,980	601,124,746	-	-
Securities purchased under resale agreements	6	2,105,000,000	37,000,000	2,105,000,000	37,000,000
Investment in securities	7,8,11				
Current investment - net		647,498,882	3,609,638,817	561,924,228	2,968,620,467
Long-term investment - net		4,564,668,591	4,456,098,003	2,867,786,440	4,238,265,167
Investment in subsidiaries and associated companies - net		-	29,845,846	4,625,683,969	4,356,447,228
Net investments		5,212,167,473	8,095,582,666	8,055,394,637	11,563,332,862
Trading transactions with securities companies		159,025,845	730,192,296	-	-
Loans, receivable and accrued interest receivable	9,11				
Finance business loans and receivable		55,759,842,707	45,564,175,944	49,808,256,279	40,258,728,320
Securities business receivable		1,224,893,843	3,428,002,051	-	-
Total loans and receivable		56,984,736,550	48,992,177,995	49,808,256,279	40,258,728,320
Accrued interest receivable		117,390,139	106,291,259	81,287,821	80,123,473
Total loans, receivable and accrued interest receivable		57,102,126,689	49,098,469,254	49,889,544,100	40,338,851,793
Less : Allowance for doubtful accounts	10	(3,928,871,936)	(4,267,841,247)	(3,231,048,656)	(3,549,845,263)
Less : Allowance for loss on debt restructuring	10	(359,502,073)	(331,789,594)	(359,502,073)	(331,789,594)
Net loans, receivable and accrued interest receivable		52,813,752,680	44,498,838,413	46,298,993,371	36,457,216,936
Property foreclosed - net	12	1,230,358,055	1,414,206,927	1,238,019,799	1,408,720,212
Land, premises and equipment - net	13	1,440,706,920	1,291,037,925	899,983,914	815,333,149
Deferred tax assets	24	831,145,923	623,152,945	683,855,879	494,544,206
Receivables from sales of securities	30	-	-	1,485,465,721	-
Other assets	14	980,807,526	1,778,668,610	784,723,682	2,126,166,611
Total assets		66,296,040,126	60,263,254,108	61,946,689,372	53,137,055,680

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

Balance Sheets (Continued)

As at 31 December 2004 and 2003

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2004	2003	2004	2003
Liabilities and shareholders' equity					
Borrowings and deposits	15				
From public		40,219,472,961	33,911,944,411	39,205,137,225	33,235,112,965
From banks		2,196,406,920	2,316,529,825	582,132,808	842,055,444
From financial institutions		2,110,860,000	1,785,987,834	3,569,860,000	2,686,987,834
From foreign countries		113,612,829	99,434,806	113,612,829	99,434,806
Total borrowings and deposits		44,640,352,710	38,113,896,876	43,470,742,862	36,863,591,049
Trading transactions with securities companies		130,994,931	864,587,451	-	-
Securities business payable		1,382,248,514	3,299,166,871	-	-
Liabilities under commercial papers sold		510,000,000	211,000,000	510,000,000	211,000,000
Accrued interest payable		189,973,464	185,536,386	180,307,848	177,816,489
Debentures	16	5,941,000,000	5,941,000,000	5,131,000,000	5,131,000,000
Other liabilities	17	920,574,408	926,960,353	504,643,898	476,282,127
Total liabilities		53,715,144,027	49,542,147,937	49,796,694,608	42,859,689,665
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					
184,123,480 preference shares of Baht 10 each (2003 : 181,127,680 preference shares of Baht 10 each)		1,841,234,800	1,811,276,800	1,841,234,800	1,811,276,800
533,907,520 ordinary shares of Baht 10 each (2003 : 530,591,820 ordinary shares of Baht 10 each)		5,339,075,200	5,305,918,200	5,339,075,200	5,305,918,200
		7,180,310,000	7,117,195,000	7,180,310,000	7,117,195,000
Share premium					
Share premium of preference shares		23,206,450	7,811,540	23,206,450	7,811,540
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	1,255,383,557	1,032,910,120	1,255,383,557	1,032,910,120
Translation adjustments		98,315,392	102,400,755	98,315,392	102,400,755
Retained earnings					
Appropriated - statutory reserve	20	254,600,000	143,300,000	254,600,000	143,300,000
Unappropriated		3,301,679,365	1,837,248,600	3,301,679,365	1,837,248,600
Equity attributable to Company's shareholders		12,149,994,764	10,277,366,015	12,149,994,764	10,277,366,015
Minority interest - equity attributable to minority shareholders of subsidiaries		430,901,335	443,740,156	-	-
Total shareholders' equity		12,580,869,099	10,721,106,171	12,149,994,764	10,277,366,015
Total liabilities and shareholders' equity		66,296,040,126	60,263,254,108	61,946,689,372	53,137,055,680
Off-balance sheet items - contingencies					
Aval to bills	32	232,669,751	190,000,000	232,669,751	190,000,000
Guarantees of loans and others		501,692,945	516,957,183	501,692,945	516,957,183

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

Statements of Earnings

For the years ended 31 December 2004 and 2003

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2004	2003	2004	2003
Interest and dividend income					
Loans and deposits		749,571,927	837,151,783	728,099,442	821,462,874
Hire purchase and financial lease		2,957,022,258	2,410,065,484	2,135,038,847	1,684,702,388
Investments in securities		206,767,640	318,115,339	193,617,523	318,245,960
Total interest and dividend income		3,913,361,825	3,565,332,606	3,056,755,812	2,824,411,222
Expenses on borrowings					
Interest and discounts		1,082,981,430	1,211,613,217	995,808,896	1,101,021,745
Fees and charges		-	4,551,250	-	-
Total expenses on borrowings		1,082,981,430	1,216,164,467	995,808,896	1,101,021,745
Net interest and dividend income		2,830,380,395	2,349,168,139	2,060,946,916	1,723,389,477
Bad debt and doubtful accounts		(174,805,899)	(263,084,804)	(112,619,601)	(198,623,699)
Loss on debt restructuring		-	(2,682,388)	-	(2,682,388)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		2,655,574,496	2,083,400,947	1,948,327,315	1,522,083,390
Non - interest income					
Brokerage fees		902,779,413	824,863,318	-	-
Gain on investments	22	567,097,140	496,269,948	577,595,379	336,205,441
Fees and charges		1,098,649,010	1,046,123,995	481,103,006	414,614,498
Fees and gain (loss) on forward exchange		2,317,328	7,449,645	(577,308)	(377,452)
Share of profit (loss) of subsidiary and associated companies					
Share of profit from operating results		-	2,433,011	731,559,051	919,609,715
Goodwill written-off	8	-	-	-	(791,354,526)
Other income		158,616,285	135,426,290	138,830,074	123,552,770
Total non-interest income		2,729,459,176	2,512,566,207	1,928,510,202	1,002,250,446
Total net income		5,385,033,672	4,595,967,154	3,876,837,517	2,524,333,836
Operating expenses					
Personnel expenses		1,259,001,411	1,189,024,976	625,519,552	540,075,539
Premises and equipment expenses		351,531,582	313,574,662	243,072,327	199,157,155
Taxes and duties		72,852,780	71,418,894	65,432,456	64,306,533
Directors' remuneration	23	7,065,000	6,620,000	6,165,000	5,680,000
Goodwill					
Amortisation		-	42,121,244	-	-
Written-off	8	-	791,354,526	-	-
Other expenses		955,872,664	764,063,166	574,558,588	497,555,962
Total operating expenses		2,646,323,437	3,178,177,468	1,514,747,923	1,306,775,189
Earnings before income tax and minority interest		2,738,710,235	1,417,789,686	2,362,089,594	1,217,558,647
Corporate income tax / income tax benefits	24	(478,925,856)	515,982,731	(137,824,049)	672,722,435
Earnings before minority interest		2,259,784,379	1,933,772,417	2,224,265,545	1,890,281,082
Minority interest in net earnings in subsidiary companies		(35,518,834)	(43,491,335)	-	-
Net earnings for the year		2,224,265,545	1,890,281,082	2,224,265,545	1,890,281,082
Earnings per share	28				
Basic earnings per share		4.18	3.59	4.18	3.59
Diluted earnings per share		3.05	2.60	3.05	2.60

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

Statements of Changes in Shareholders' Equity

As at 31 December 2004 and 2003

(Unit : Baht)

Consolidated

	Issued and Paid-up Share Capital		Share Premium		Surplus from Changes in the Value of Investment	Translation Adjustments	Statutory Reserve	Unappropriated Retained Earnings	Minority Interest Equity Attributable to Minority Shareholders	Total
	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares						
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
Increase in fair value of investments	-	-	-	-	222,473,437	-	-	-	-	222,473,437
Decrease in translation adjustments	-	-	-	-	-	(4,085,363)	-	-	-	(4,085,363)
Net earnings for the year	-	-	-	-	-	-	-	2,224,265,545	-	2,224,265,545
Dividend paid (Note 25)	-	-	-	-	-	-	-	(648,534,780)	-	(648,534,780)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	111,300,000	(111,300,000)	-	-
Warrants converted to preference shares	63,115,000	-	15,394,910	-	-	-	-	-	-	78,509,910
Preference shares converted to ordinary shares	(33,157,000)	33,157,000	-	-	-	-	-	-	-	-
Increase in minority interest	-	-	-	-	-	-	-	-	(12,838,821)	(12,838,821)
Balance as at 31 December 2004	1,841,234,800	5,339,075,200	23,206,450	36,500,000	1,255,383,557	98,315,392	254,600,000	3,301,679,365	430,901,335	12,580,896,099

The Company Only

	Issued and Paid-up Share Capital		Share Premium		Surplus from Changes in the Value of Investment	Translation Adjustments	Statutory Reserve	Unappropriated Retained Earnings	Total	
	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares						
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
Increase in fair value of investments	-	-	-	-	222,473,437	-	-	-	-	222,473,437
Decrease in translation adjustments	-	-	-	-	-	(4,085,363)	-	-	-	(4,085,363)
Net earnings for the year	-	-	-	-	-	-	-	2,224,265,545	-	2,224,265,545
Dividend paid (Note 25)	-	-	-	-	-	-	-	(648,534,780)	-	(648,534,780)
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-	-	-	111,300,000	(111,300,000)	-	-
Warrants converted to preference shares	63,115,000	-	15,394,910	-	-	-	-	-	-	78,509,910
Preference shares converted to ordinary shares	(33,157,000)	33,157,000	-	-	-	-	-	-	-	-
Balance as at 31 December 2004	1,841,234,800	5,339,075,200	23,206,450	36,500,000	1,255,383,557	98,315,392	254,600,000	3,301,679,365	-	12,149,994,764

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

Statements of Cash Flows

For the years ended 31 December 2004 and 2003

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Cash flows from operating activities				
Net earnings	2,224,265,545	1,890,281,082	2,224,265,545	1,890,281,082
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	35,518,834	43,491,335	-	-
Share of profit from operating results of subsidiary and associated companies	-	(2,433,011)	(731,559,051)	(199,609,715)
Goodwill written off	-	791,354,526	-	791,354,526
Depreciation and amortisation	175,155,002	189,737,722	107,918,801	82,763,953
Bad debt and doubtful accounts	224,033,546	276,785,793	154,675,582	210,486,198
Unrealised loss on revaluation of investment	20,608,044	163,879,434	20,608,044	163,879,434
Provision for revaluation of property foreclosed	1,276,794	6,815,840	82,732	7,820,231
Loss from troubled debt restructuring	-	2,682,388	-	2,682,388
Gain on disposal of investments	(592,393,555)	(500,084,874)	(598,183,634)	(500,084,874)
Gain on disposal of fixed assets	(3,331,989)	(1,043,993)	(1,383,743)	(721,844)
Unrealised loss (gain) on decrease (increase) of securities held for trading	22,634,240	(21,199,090)	-	-
Loss (gain) from disposal of property foreclosed	72,407,364	(18,379,580)	15,683,854	(18,379,580)
Decrease (increase) in deferred tax assets	119,495,416	(797,724,332)	137,824,049	(672,722,435)
Decrease (increase) in accrued interest and dividend receivable	15,967,799	6,500,515	745,910,635	(714,170,554)
Decrease (increase) in accrued income	99,476,843	(124,335,413)	4,266,501	(38,235,532)
Increase (decrease) in accrued interest payable	(4,183,504)	(1,350,186)	2,491,359	(3,228,871)
Increase (decrease) in accrued expenses	(58,849,820)	21,052,119	9,814,471	2,690,690
Earnings from operating activities before changes in operating assets and liabilities	2,352,080,559	1,926,030,275	2,092,415,145	1,004,805,097
Decrease (increase) in operating assets				
Loans to financial institutions	563,286,766	134,080,951	-	-
Negotiable certificates of deposit	-	35,684,404	-	-
Securities purchased under resale agreements	(2,068,000,000)	(37,000,000)	(2,068,000,000)	(37,000,000)
Investment in securities - held for trading	475,806,861	(485,716,950)	-	-
Trading transactions with securities companies	571,166,451	(644,290,970)	-	-
Finance business loans and receivable	(10,925,060,885)	(6,554,962,860)	(10,299,495,295)	(6,010,985,411)
Securities business receivable	2,203,108,208	(2,328,399,260)	-	-
Property foreclosed	412,735,811	134,846,812	318,399,059	130,475,759
Other assets	696,138,408	(314,879,726)	624,377,605	(367,287,175)

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

Statements of Cash Flows (Continued)

For the years ended 31 December 2004 and 2003

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	6,307,528,550	2,769,763,305	5,970,024,260	2,773,533,160
Borrowings and deposits from banks and financial institutions	(30,262,581)	1,067,649,563	622,949,530	2,326,238,329
Borrowings and deposits from foreign countries	14,178,023	46,050,788	14,178,023	46,050,788
Trading transactions with securities companies	(733,592,520)	437,698,753	-	-
Liabilities under commercial paper sold	299,000,000	(146,000,000)	299,000,000	(146,000,000)
Securities business payable	(1,916,918,357)	2,867,718,214	-	-
Other liabilities	(5,451,975)	314,551,693	(26,211,776)	129,220,555
Net cash flows used in operating activities	(1,784,256,681)	(777,175,008)	(2,452,363,449)	(150,948,898)
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(6,519,090,161)	(17,530,697,348)	(6,021,101,238)	(17,423,416,602)
Cash received from disposal of investment in securities held for investment	9,392,491,569	17,944,574,438	9,292,075,017	17,715,002,884
Cash paid for purchase of equipment	(144,448,145)	(50,308,360)	(92,595,848)	(29,329,368)
Cash received from disposal of equipment	12,201,795	1,568,378	4,521,053	1,150,873
Cash paid for purchase of a subsidiary company (note 2 d)	(42,000,000)	-	-	(219,848,681)
Net cash flows from investing activities	2,699,155,058	365,137,108	3,182,898,984	43,559,106
Cash flows from financing activities				
Dividend paid	(697,534,780)	(35,000,000)	(648,534,780)	-
Cash received from issuance of debentures	-	810,000,000	-	-
Cash received from issuance of preference shares	78,509,910	58,476,645	78,509,910	58,476,645
Net cash flows from (used in) financing activities	(619,024,870)	833,476,645	(570,024,870)	58,476,645
Translation adjustment	(4,085,363)	(24,918,167)	-	-
Net increase (decrease) in cash and cash equivalents	291,788,144	396,520,578	160,510,665	(48,913,147)
Cash and cash equivalents at beginning of the year	1,193,449,580	796,929,002	234,741,704	283,654,851
Cash and cash equivalents at end of the year (note 29)	1,485,237,724	1,193,449,580	395,252,369	234,741,704
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	1,085,055,972	1,210,803,511	993,317,537	1,104,250,616
Corporate income tax	405,425,215	213,175,985	26,846,233	21,202,703
Non-cash transactions				
Conversion of preference shares to ordinary shares	33,157,000	398,940,000	33,157,000	398,940,000
Transfer of property foreclosed to land, premises and equipment	152,183,652	220,100,000	73,311,066	220,100,000
Transfer of assets from troubled debt restructuring	76,276,200	-	76,276,200	-

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

Notes to Financial Statements

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 14 provincial offices in Thailand.

1.2 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.

On 22 October 2004, the Ministry of Finance gave consent for the Company to upgrade its status to commercial bank. The Company is in the process of implementing its plan for such upgrade.

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	
	2004	2003	2004	2003	2004	2003	2004	2003
Subsidiaries directly owned by the Company								
TISCO Securities Hong Kong Limited	100.00	100.00	1.66	2.78	1.22	1.29	(0.52)	(0.59)
TISCO Securities Co., Ltd.	99.99	99.99	3.75	6.94	22.99	18.81	24.72	32.46
TISCO Asset Management Co., Ltd.	99.99	99.99	0.41	0.61	4.29	6.85	3.98	11.39
TISCO Leasing Co., Ltd.	99.99	99.99	2.81	2.83	2.63	2.19	1.60	5.97
Hi-Way Co., Ltd.	99.99	99.99	3.21	2.04	10.66	7.46	5.32	6.99
Thai Information Technology Co., Ltd.	99.99	99.99	0.03	0.03	0.24	0.31	(3.47)	(4.97)
Thai Commercial Auto Co., Ltd.	50.00	50.00	3.63	4.90	3.44	3.91	3.64	5.01
Thai Permsap Finance Co., Ltd.	99.99	99.99	0.12	0.12	0.05	-	0.04	(0.04)
Subsidiaries indirectly owned by the Company								
TISCO Global Investment Holdings Limited	100.00	100.00	-	-	0.01	0.22	0.03	0.71
TISCO Securities UK Limited (In the process of liquidation)	100.00	100.00	-	-	-	0.04	-	(0.63)
TISCO Securities Singapore Pte. Ltd. (Formerly known as "GIH & CO Pte. Ltd.")	100.00	100.00	-	-	-	0.01	(0.04)	0.02
VL T Leasing Co., Ltd. (Formerly known as "Volkswagen Leasing Thailand Limited")	50.00	-	0.18	-	0.46	-	0.77	-

- 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 TISCO Securities Singapore Pte. Ltd. (Formerly known as "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, TISCO Securities Singapore Pte. Ltd. (Formerly known as "GIH & CO Pte. Ltd."), was prepared by the management of the subsidiary company and not audited by its auditor. As at 31 December 2004, this subsidiary company has aggregate assets included in the consolidated financial statements of approximately Baht 1 million, and aggregate net loss for the year then ended of approximately Baht 0.8 million. 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 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.

- c) 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.
- d) On 1 April 2004, a subsidiary company (Thai Commercial Auto Company Limited) entered into an agreement to acquire 960,000 ordinary shares of VLT Leasing Company Limited (Formerly known as "Volkswagen Leasing Thailand Company Limited") from the existing shareholders for a total of Baht 42 million, payable on 30 April 2004. The share acquisition resulted in a change in the status of VLT Leasing Company Limited from an associated company to a subsidiary company.

The acquisition was approved by the annual general meeting of the subsidiary company's shareholders on 18 March 2004.

- e) 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 (ICAAAT), 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 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. 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 and its subsidiaries present loans and receivables at principal balances, excluding accrued interest receivables. Unrecognised deferred income/diskont 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	
	2004	2003	2004	2003
Cash	3,765,946	3,628,258	1,841,478	1,819,690
Cash at banks	1,481,471,778	1,189,821,322	393,410,891	232,922,014
Total cash and deposits at financial institutions	1,485,237,724	1,193,449,580	395,252,369	234,741,704

As at 31 December 2004, cash deposits at banks of the Company and its local subsidiaries of approximately Baht 10 million (the Company only : Nil) (2003 : Baht 10 million and Nil, respectively) were pledged with the banks to secure facilities provided for use as working capital.

As at 31 December 2004, approximately Baht 91 million (2003 : Baht 92 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	
	2004	2003	2004	2003
Call loans	37,587,020	540,645,737	-	-
Term loans	-	60,002,876	-	-
Total loans	37,587,020	600,648,613	-	-
Add : Accrued interest receivable	250,960	476,133	-	-
Net loans to financial institutions	37,837,980	601,124,746	-	-

6. Securities Purchased Under Resale Agreements

As at 31 December 2004, the balance of securities purchased under resale agreements comprises Baht 2,105 million of Bank of Thailand securities (2003 : Baht 37 million).

7. Investments in Securities

(Unit : Baht)

	Consolidated			
	2004		2003	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investment				
Trading securities				
Equity securities :				
Domestic marketable equity securities	712	805	55,712,569	78,346,750
Add (less) : Allowance for changes in value	93		22,634,181	
Net equity securities	805		78,346,750	
Total trading securities	805		78,346,750	
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	314,140,564	314,131,446	2,187,093,075	2,193,294,514
Debt securities of private sector	196,383,179	133,133,799	709,686,747	653,231,170
Total	510,523,743	447,265,245	2,896,779,822	2,846,525,684
Add (less) : Allowance for changes in value	(2,844,498)		10,159,862	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities - net	447,265,245		2,846,525,684	
Equity securities :				
Domestic marketable equity securities	318,518,375	123,566,762	274,720,209	185,361,957
Other securities - unit trusts	-	-	429,453,930	429,453,930
Total	318,518,375	123,566,762	704,174,139	614,815,887
Add (less) : Allowance for changes in value	9,259,557		114,852,918	
Less : Allowance for impairment	(204,211,170)		(204,211,170)	
Net equity securities	123,566,762		614,815,887	
Total available-for-sales securities	570,832,007		3,461,341,571	
Held-to-maturity debt securities-due within 1 year				
Government and state enterprise securities	76,666,070		69,950,496	
Total held-to-maturity debt securities-due within 1 year	76,666,070		69,950,496	
Net current investments	647,498,882		3,609,638,817	

(Unit : Baht)

	Consolidated			
	2004		2003	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Long-term investment				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	125,894,304	125,725,435	202,037,254	203,313,593
Add (less) : Allowance for changes in value	(168,869)		1,276,339	
Debt securities - net	125,725,435		203,313,593	
Equity securities :				
Domestic marketable equity securities	2,756,406,863	3,112,243,764	1,246,676,948	2,702,031,612
Other securities - unit trusts	125,986,445	134,717,219	131,392,608	17,392,069
Total	2,882,393,308	3,246,960,983	1,378,069,556	2,719,423,681
Add (less) : Allowance for changes in value	364,567,675		1,341,354,125	
Net equity securities	3,246,960,983		2,719,423,681	
Total available-for-sales securities	3,372,686,418		2,922,737,274	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	337,248,342		338,728,051	
Debt securities of private sector	6,485,340		6,485,340	
Total held-to-maturity debt securities	343,733,682		345,213,391	
Other investment				
Equity securities :				
Domestic non-marketable equity securities	1,075,835,309		1,453,605,925	
Investment in receivables	6,529,247		6,529,247	
Less : Allowance for impairment	(234,116,065)		(271,987,834)	
Total other investment	848,248,491		1,188,147,338	
Net long-term investments	4,564,668,591		4,456,098,003	
Investment in subsidiaries and associated companies				
Investment in associated companies	-		29,845,846	
Net investments	5,212,167,473		8,095,582,666	

(Unit : Baht)

	The Company Only			
	2004		2003	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investment				
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	303,386,922	303,379,072	2,122,410,424	2,128,589,386
Debt securities of private sector	196,383,179	134,978,394	709,686,747	655,080,724
Total	499,770,101	438,357,466	2,832,097,171	2,783,670,110
Add (less) : Allowance for changes in value	(998,635)		11,986,939	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities - net	438,357,466		2,783,670,110	
Equity securities :				
Domestic marketable equity securities	318,518,375	123,566,762	272,838,609	184,950,357
Total	318,518,375	123,566,762	272,838,609	184,950,357
Add (less) : Allowance for changes in value	9,259,557		116,322,918	
Less : Allowance for impairment	(204,211,170)		(204,211,170)	
Net equity securities	123,566,762		184,950,357	
Net available-for-sales securities	561,924,228		2,968,620,467	
Net current investments	561,924,228		2,968,620,467	
Long-term investment				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	126,986,090	126,817,221	203,129,040	204,405,379
Add (less) : Allowance for changes in value	(168,869)		1,276,339	
Debt securities - net	126,817,221		204,405,379	
Equity securities :				
Domestic marketable equity securities	1,271,834,559	1,619,473,130	1,250,426,171	2,566,977,020
Other securities - unit trusts	11,896,279	11,954,452	17,302,442	17,392,069
Total	1,283,730,838	1,631,427,582	1,267,728,613	2,584,369,089
Add (less) : Allowance for changes in value	347,696,744		1,316,640,476	
Net equity securities	1,631,427,582		2,584,369,089	
Total available-for-sales securities	1,758,244,803		2,788,774,468	
Held-to-maturity debt securities				
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 held-to-maturity debt securities	341,481,340		341,481,340	
Other investment				
Equity securities :				
Domestic non-marketable equity securities	995,647,115		1,370,067,946	
Investment in receivables	6,529,247		6,529,247	
Less : Allowance for impairment	(234,116,065)		(268,587,834)	
Total other investment	768,060,297		1,108,009,359	
Net long-term investments	2,867,786,440		4,238,265,167	
Investment in subsidiaries and associated companies				
Investment in subsidiaries	4,625,683,969		4,356,447,228	
Net investments	8,055,394,637		11,563,332,862	

- 7.1 As at 31 December 2004, held-to-maturity debt securities amounting to Baht 335 million (2003 : 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 2004, the Company has a commitment not to sell marketable equity securities totaling Baht 122 million (2003 : Baht 222 million) for the period, as a condition of troubled debt restructuring agreement made with restructured receivables.
- 7.3 As at 31 December 2004, the Company has pledged other investment of approximately Baht 13 million (2003 : Baht 13 million) as a security against short-term loan from a company.
- 7.4 As at 31 December 2004, the Company and its subsidiaries have invested Baht 4 million (the Company only : Baht 3 million) (2003 : Baht 4 million and Baht 3 million, respectively) in government debt securities, which were pledged as security for electricity usage. In addition, investments in government bonds amounting to Baht 73 million (2003 : 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 33.2.
- 7.5 Investment in debt securities of the Company and its subsidiaries as at 31 December 2004, 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	314,140,564	-	-	314,140,564
Debt securities of private sector	83,514,958	88,736,090	150,026,435	322,277,483
Total	397,655,522	88,736,090	150,026,435	636,418,047
Add (less) : Allowance for changes in value	143,037	(2,704,059)	(452,345)	(3,013,367)
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	337,384,559	86,032,031	149,574,090	572,990,680
Held-to-maturities debt securities				
Government and state enterprise securities	76,666,070	337,145,400	102,942	413,914,412
Debt securities of private sector	-	4,000	6,481,340	6,485,340
Total	76,666,070	337,149,400	6,584,282	420,399,752
Total debt securities	414,050,629	423,181,431	156,158,372	993,390,432

(Unit : Baht)

	The Company Only			Total
	Maturity			
	1 year	Over 1-5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	303,386,922	-	-	303,386,922
Debt securities of private sector	84,606,744	88,736,090	150,026,435	323,369,269
Total	387,993,666	88,736,090	150,026,435	626,756,191
Add (less) : Allowance for changes in value	144,305	(859,464)	(452,345)	(1,167,504)
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	327,723,971	87,876,626	149,574,090	565,174,687
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	-	335,000,000	6,481,340	341,481,340
Total debt securities	327,723,971	422,876,626	156,055,430	906,656,027

7.6 As at 31 December 2004, 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 changes in Value ⁽¹⁾
Companies having problems with debt repayment or in default	266,484,200	-	266,484,200

⁽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					
	2004			2003		
	Book value	Unpaid amount	Percentage of holding	Book value	Unpaid amount	Percentage of holding
			%			%
Insurance :						
GITC Co., Ltd.	13,200,000	-	40	13,453,200	-	40
AXA Insurance Plc.	58,887,016	-	11	58,887,015	-	11
Services :						
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
Leasing and hire purchase :						
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
VLT Leasing Co., Ltd. (Formerly known as "Volkswagen Leasing Thailand Limited")	-	-	-	29,845,846	40,000,000	20
Trading import and export :						
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	3,918,000	-	10
Real estate :						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	11,400,000	-	10	12,844,500	-	10
Sathorn Sombat Co., Ltd.	-	-	-	-	-	22
Industrial :						
Siam Art Ceramic Co., Ltd.	13,970,000	-	10	13,222,000	-	10
Holding :						
Interthai Holdings Ltd. (Preference shares)	-	-	-	250,000	750,000	10
Agricultural :						
Thai Agro Exchange Co., Ltd.	76,848,000	-	4	192,120,000	-	10

(Unit : Baht)

Name	The Company Only					
	2004			2003		
	Book value	Unpaid amount	Percentage of holding	Book value	Unpaid amount	Percentage of holding
			%			%
Insurance :						
GITC Co., Ltd.	13,200,000	-	40	13,453,200	-	40
AXA Insurance Plc.	58,887,016	-	11	58,887,015	-	11
Services :						
TISCO Securities Hong Kong Ltd.	244,937,730	-	100	260,007,052	-	100
TISCO Securities Co., Ltd.	1,732,398,319	-	99.99	1,544,352,350	-	99.99
TISCO Asset Management Co., Ltd.	249,975,933	-	99.99	300,695,932	-	99.99
Thai Information Technology Co., Ltd.	34,022,388	-	99.99	42,092,503	-	99.99
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
Leasing and hire purchase :						
Thai Commercial Auto Co., Ltd.	430,778,155	100,000,000	50	443,617,224	100,000,000	50
Hi-Way Co., Ltd. (ordinary shares and preference shares)	581,621,926	-	99.99	469,875,601	-	99.99
TISCO Leasing Co., Ltd.	1,281,001,766	-	99.99	1,224,156,306	-	99.99
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
Trading import and export :						
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	3,918,000	-	10
Real estate :						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	11,400,000	-	10	12,844,500	-	10
Sathorn Sombat Co., Ltd.	-	-	-	-	-	22
Industrial :						
Siam Art Ceramic Co., Ltd.	13,970,000	-	10	13,222,000	-	10
Holding :						
Interthai Holdings Ltd. (Preference shares)	-	-	-	250,000	750,000	10
Thai Permsap Finance Co., Ltd.	70,947,752	-	99.99	71,650,260	-	99.99
Agricultural :						
Thai Agro Exchange Co., Ltd.	76,848,000	-	4	192,120,000	-	10

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 holds 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.

8. Investment in Subsidiary Companies

The Company's investment in its subsidiaries as at 31 December 2004 and 2003 are summarised below.

(Unit : Million Baht)

Company's name	Nature of business	Paid-up share capital		Cost method		Equity method ⁽¹⁾		Dividend income ⁽²⁾ received for the years ended 31 December	
		2004	2003	2004	2003	2004	2003	2004	2003
Subsidiary companies directly held by the Company									
TISCO Securities Hong Kong Limited	Services	HKD 20 million	HKD 20 million	66	66	245	260	-	-
TISCO Securities Co., Ltd.	Services	1,500	1,500	1,500	1,500	1,732	1,544	300	720
TISCO Asset Management Co., Ltd.	Services	100	100	220	220	250	301	100	200
TISCO Leasing Co., Ltd.	Leasing	890	890	864	864	1,281	1,224	-	-
Hi-Way Co., Ltd.	Hire purchase	100	100	273	273	581	470	-	-
Thai Information Technology Co., Ltd.	Services	20	20	44	44	34	42	-	-
Thai Commercial Auto Co., Ltd.	Hire purchase	800	800	434	434	431	444	58	35
Thai Permsap Finance Co., Ltd.	Finance	150	150	150	150	71	71	-	-
						<u>4,625</u>	<u>4,356</u>	<u>458</u>	<u>955</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.

During the year 2003, 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 year 2003. 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.

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

9. Loans, Receivable and Accrued Interest Receivable

9.1 Classified by loan type

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Finance business loans and receivable :				
Loans	11,150,259,917	11,313,582,149	11,098,904,210	11,283,631,471
Notes receivable	1,674,745,011	1,123,699,502	1,674,745,011	1,123,699,502
Hire-purchase and financial lease receivable	42,934,837,779	33,126,894,293	37,034,607,058	27,851,397,347
Total finance business loans and receivable	55,759,842,707	45,564,175,944	49,808,256,279	40,258,728,320
Add : Accrued interest receivable	117,390,139	106,291,001	81,287,821	80,123,473
Less : Allowance for doubtful accounts	(3,440,301,145)	(3,733,295,905)	(3,231,048,656)	(3,549,845,263)
Less : Allowance for loss on debt restructuring	(359,502,073)	(331,789,594)	(359,502,073)	(331,789,594)
Net finance business loans and receivable and accrued interest receivable	<u>52,077,429,628</u>	<u>41,605,381,446</u>	<u>46,298,993,371</u>	<u>36,457,216,936</u>

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Securities business receivable :				
Customer's accounts	753,687,545	2,897,091,893	-	-
Other receivable :-				
Overdue customers' accounts	313,624	994,297	-	-
Receivables under litigation	66,159,960	118,348,722	-	-
Receivables which are enforced by courts	309,456,601	306,805,627	-	-
Installment receivable	95,276,113	104,761,512	-	-
Total securities business receivable	1,224,893,843	3,428,002,051	-	-
Add : Accrued interest receivable	-	258	-	-
Less : Allowance for doubtful accounts	(488,570,791)	(534,545,342)	-	-
Net securities business receivable and accrued interest receivable	736,323,052	2,893,456,967	-	-
Net loans, receivable and accrued interest receivable	52,813,752,680	44,498,838,413	46,298,993,371	36,457,216,936

9.2 Classified by remaining periods of contracts

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Finance business loans and receivable				
At call (included contracts which are due)	2,428,065,396	2,057,230,558	2,342,294,822	2,150,902,053
Not over 1 year	4,540,748,861	4,519,382,004	3,426,326,179	3,399,381,981
Over 1 year	48,791,028,450	38,987,563,382	44,039,635,278	34,708,444,286
Total finance business loans and receivable	55,759,842,707	45,564,175,944	49,808,256,279	40,258,728,320
Add : Accrued interest receivable	117,390,139	106,291,001	81,287,821	80,123,473
Total finance business loans and receivable and accrued interest receivable	55,877,232,846	45,670,466,945	49,889,544,100	40,338,851,793

9.3 Classified by type of business

(Unit : Baht)

Consolidated as at 31 December 2004								
	The Company Only					Subsidiaries	Total	
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts			Total
Agricultural and mining	152,753,271	1,184,580	487,300	-	-	154,425,151	-	154,425,151
Manufacturing and commerce	4,974,714,205	85,097,432	98,980,159	8,902,356	309,360,437	5,477,054,589	48,013,852	5,525,068,441
Real estate and construction	2,878,751,505	30,823,031	2,753,958	257,311,392	330,600,399	3,500,240,285	-	3,500,240,285
Public utilities and services	1,731,329,461	11,695,405	241,320	1,183,037	-	1,744,449,223	-	1,744,449,223
Personal use								
Hire-purchase	30,987,603,862	1,252,381,965	292,548,269	172,435,543	53,457,907	32,758,427,546	5,815,362,439	38,573,789,985
Housing loans	1,961,263,171	60,584,342	16,872,122	4,726,599	354,033,914	2,397,480,148	-	2,397,480,148
Securities	-	-	-	-	-	-	1,224,893,843	1,224,893,843
Others	3,029,139,278	22,782,928	8,815,554	17,329,261	698,112,316	3,776,179,337	88,210,137	3,864,389,474
Total finance and securities								
business loans and receivable	45,715,554,753	1,464,549,683	420,698,682	461,888,188	1,745,564,973	49,808,256,279	7,176,480,271	56,984,736,550
Add : Accrued interest receivable	60,533,395	20,754,426	-	-	-	81,287,821	36,102,318	117,390,139
Total finance and securities								
business loans and receivable								
and accrued interest receivable	45,776,088,148	1,485,304,109	420,698,682	461,888,188	1,745,564,973	49,889,544,100	7,212,582,589	57,102,126,689

(Unit : Baht)

The Company Only as at 31 December 2004						
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts	Total
Agricultural and mining	152,753,271	1,184,580	487,300	-	-	154,425,151
Manufacturing and commerce	4,974,714,205	85,097,432	98,980,159	8,902,356	309,360,437	5,477,054,589
Real estate and construction	2,878,751,505	30,823,031	2,753,958	257,311,392	330,600,399	3,500,240,285
Public utilities and services	1,731,329,461	11,695,405	241,320	1,183,037	-	1,744,449,223
Personal use						
Hire-purchase	30,987,603,862	1,252,381,965	292,548,269	172,435,543	53,457,907	32,758,427,546
Housing loans	1,961,263,171	60,584,342	16,872,122	4,726,599	354,033,914	2,397,480,148
Others	3,029,139,278	22,782,928	8,815,554	17,329,261	698,112,316	3,776,179,337
Total finance and securities						
business loans and receivable	45,715,554,753	1,464,549,683	420,698,682	461,888,188	1,745,564,973	49,808,256,279
Add : Accrued interest receivable	60,533,395	20,754,426	-	-	-	81,287,821
Total finance and securities						
business loans and receivable						
and accrued interest receivable	45,776,088,148	1,485,304,109	420,698,682	461,888,188	1,745,564,973	49,889,544,100

(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	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
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

9.4 As at 31 December 2004, the Company had loans and receivable of approximately Baht 2,645 million (2003 : Baht 2,587 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 5,099 million (2003 : Baht 5,686 million), with Baht 4,311 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 2004, the local subsidiaries had securities business loans and receivable, hire-purchase receivable, financial lease receivable and other loans and receivables totaling Baht 676 million, on which the recognition of income had been suspended (2003 : Baht 720 million), with Baht 509 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 5,321 million (the Company only : Baht 4,196 million) is presented as a deduction against finance business loans and receivable (2003 : Baht 4,170 million and the Company only : Baht 3,375 million).

9.5 As at 31 December 2004, the Company's loans and receivable include restructured loans and receivables amounting to approximately Baht 1,178 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 32 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 49 million has been provided for.

9.6 Troubled Debt Restructuring

During the year, the Company entered into troubled debt restructuring agreements with 110 debtors, with aggregate loan balance (before restructuring) of approximately Baht 2,176 million.

As at 31 December 2004, the number of debtors which were subjected to debt restructuring amounted to 1,110 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	23	2,600	Land	20
			Land and premises	2,468
Transfer of equity securities	4	770	Equity securities	414
Transfer of assets and equity securities and modification of terms	3	898	Land	198
			Equity securities	14
Transfer of equity securities and modification of terms	44	3,871	Machinery	22
			Equity securities	1,218
Transfer of assets and modification of terms	12	2,191	Debt securities	21
			Land and premises	465
			Equity securities	190
Modification of terms	1,024	20,994	Air conditioners	2
Total	1,110	31,324		5,032

The balance of the restructured debts as at 31 December 2004 amounted to approximately Baht 3,420 million (2003 : Baht 3,748 million).

During the year ended 31 December 2004, the Company recognised interest income on restructured receivables totaling Baht 36 million, received repayments of principal and interest from the restructured receivables totaling Baht 1,654 million and there was no loss from restructuring (2003: Baht 104 million, Baht 3,097 million and Baht 3 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 2004						
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	547,175,766	28,657,396	74,830,763	122,248,327	2,440,576,565	1,054,352,430	4,267,841,247
Increase (decrease) in allowance for doubtful accounts during the year	254,546,708	9,710,555	133,025,354	211,869,559	(307,210,754)	(140,794,880)	161,146,542
Bad debt written - off	(38,245,384)	-	(103,524,480)	(38,862,627)	(303,131,243)	(16,352,119)	(500,115,853)
Balance - end of year	<u>763,477,090</u>	<u>38,367,951</u>	<u>104,331,637</u>	<u>295,255,259</u>	<u>1,830,234,568</u>	<u>897,205,431</u>	<u>3,928,871,936</u>

(Unit : Baht)

	The Company Only as at 31 December 2004						
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	498,421,164	23,953,018	60,090,729	94,400,724	1,890,798,541	982,181,087	3,549,845,263
Increase (decrease) in allowance for doubtful accounts during the year	243,938,691	5,873,597	123,612,168	213,571,145	(344,049,168)	(141,550,333)	101,396,100
Bad debt written-off	(38,190,526)	-	(103,519,411)	(36,965,406)	(225,165,245)	(16,352,119)	(420,192,707)
Balance - end of year	<u>704,169,329</u>	<u>29,826,615</u>	<u>80,183,486</u>	<u>271,006,463</u>	<u>1,321,584,128</u>	<u>824,278,635</u>	<u>3,231,048,656</u>

(Unit : Baht)

	Consolidated as at 31 December 2004						
	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	<u>547,175,766</u>	<u>28,657,396</u>	<u>74,830,763</u>	<u>122,248,327</u>	<u>2,440,576,565</u>	<u>1,054,352,430</u>	<u>4,267,841,247</u>

(Unit : Baht)

	The Company Only as at 31 December 2004						
	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	<u>498,421,164</u>	<u>23,953,018</u>	<u>60,090,729</u>	<u>94,400,724</u>	<u>1,890,798,541</u>	<u>982,181,087</u>	<u>3,549,845,263</u>

10.2 Allowance for loss on debt restructuring

(Unit : Baht)

	The Company Only	
	2004	2003
Balance - beginning of year	331,789,594	462,267,957
Increase during year	137,059,163	141,416,567
Written-off	(109,346,684)	(271,894,930)
Balance - end of year	359,502,073	331,789,594

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 2004 of approximately Baht 2,265 million (2003 : Baht 2,639 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 3,590 million (2003 : Baht 3,882 million), or Baht 1,325 million (2003 : Baht 1,243 million) more than the required amount.

The allowance for doubtful debts of Baht 3,590 million, as mentioned above, consists of allowance for doubtful debts of Baht 2,112 million set aside for the unsecured portion of loans amounting Baht 4,311 million at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,478 million set up for the other loans and receivables.

As at 31 December 2004, the Company had outstanding non-performing loans and receivables of approximately Baht 2,629 million, against which an allowance for doubtful debts of Baht 1,664 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 2004 and 2003, the investment in securities of the Company included the following :-

- With respect to investment of approximately Baht 60 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.
- 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⁾	
	2004	2003	2004	2003	2004	2003
Debt instruments - debentures	60	60	-	-	60	60
Equity instruments – ordinary shares	205	205	-	-	205	205
Equity instruments – preferred shares	2	-	-	-	2	-

⁽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 2004 and 2003, 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 after net off collateral		Percentage required by BOT ⁽³⁾	Allowance for doubtful accounts			
	2004	2003	2004	2003		Amounts to be provided under BOT's guidelines		Amounts already set up by the Company	
						2004	2003	2004	2003
Loans and receivable ^{(1) (2)}									
Pass	45,715	36,527	37,181	28,639	1	363	285	704	499
Special mention	1,464	1,042	1,358	954	2	27	17	30	24
Substandard	421	244	392	184	20	76	54	80	60
Doubtful	462	147	202	128	50	136	85	271	94
Bad debts	1,746	2,299	1,304	1,734	100	1,303	1,866	1,321	1,891
Total	49,808	40,259	40,437	31,639		1,905	2,307	2,406	2,568
Loss on receivable under troubled debt restructuring	-	-	-	-		360	332	360	332
Total	49,808	40,259	40,437	31,639		2,265	2,639	2,766	2,900
General reserve								824	982
Total								3,590	3,882
Investment in securities									
Bad debts									
Debt instruments	62	64	62	64	100	62	64	62	64
Equity instruments	510	497	510	497	100	510	497	510	497
Total	572	561	572	561		572	561	572	561
Investment in receivables									
Bad debts	7	7	-	-	100	-	-	-	-
Properties foreclosed									
Land	86	86	86	86	100	86	86	86	86
Total classified assets	50,473	40,913	41,095	32,286		2,923	3,286	4,248	4,529

⁽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 accordance with BOT guidelines, provisioning rates for normal debt and special mention debt are 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 normal debt and special mention debt at rates of at least 1 or 2 percent, respectively.

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 2004 and 2003, in accordance with the BOT's guidelines, the Company has provided an allowance amounting to Baht 4,248 million and Baht 4,529 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	
	2004	2003	2004	2003	2004	2003	2004	2003
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Companies vulnerable to delisting	3	3	81	97	34	33	81	97
2. Non - listed companies with similar operating results and financial positions to the companies vulnerable to delisting	14	23	818	988	243	317	575	605
3. Listed companies of which shares have been suspended for trading	-	2	-	14	-	-	-	14
4. Listed companies under rehabilitation	9	14	372	584	36	153	316	339
5. Companies having loan default problem	24	30	1,398	2,111	733	1,228	800	854
6. Companies having going concern issue as cited in auditors' report	2	5	22	351	2	158	20	139
Total	52	77	2,691	4,145	1,048	1,889	1,792	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 2004 and 2003, a local subsidiary operating in the securities business in Thailand classified its securities business receivable and accrued interest receivable, and provided related allowances for doubtful accounts, in accordance with the notification of the Office of the Securities and Exchange Commission (SEC) as follows.

(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	
	2004	2003	2004	2003	2004	2003
Substandard	55	69	-	-	-	-
Doubtful	416	462	416	462	416	462
Total	471	531	416	462	416	462
General reserve					73	73
Total					489	535

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 2004 and 2003, 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)

	Debt balances		Allowance for doubtful accounts provided in the accounts	
	2004	2003	2004	2003
Current or overdue less than 90 days	5,738	5,250	67	40
Overdue				
91 - 365 days	170	141	48	43
More than 1 year	56	44	56	44
Debtors under litigation	38	44	38	44
Total	6,002	5,479	209	171

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 2004 and 2003 are as follows :-

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Foreclosed assets :				
Immovable assets				
Balance - beginning of the year	1,544,756,342	1,428,938,261	1,494,064,517	1,378,246,436
Addition	76,276,200	220,100,000	92,456,200	220,100,000
Disposal	(309,821,964)	(104,281,919)	(263,500,139)	(104,281,919)
Balance - end of the year	<u>1,311,210,578</u>	<u>1,544,756,342</u>	<u>1,323,020,578</u>	<u>1,494,064,517</u>
Movable assets				
Balance - beginning of the year	1,061,603	27,331,922	572,322	22,451,670
Addition	448,530,208	337,638,240	227,351,758	116,526,396
Disposal	(443,327,867)	(363,908,559)	(227,105,020)	(138,405,744)
Balance - end of the year	<u>6,263,944</u>	<u>1,061,603</u>	<u>819,060</u>	<u>572,322</u>
Allowance for impairment :				
Balance - beginning of the year	131,611,018	139,455,401	85,916,627	92,736,701
Increase	4,887,289	11,605,440	336,432	11,605,440
Decrease	(49,381,840)	(19,449,823)	(433,220)	(18,425,514)
Balance - end of the year	<u>87,116,467</u>	<u>131,611,018</u>	<u>85,819,839</u>	<u>85,916,627</u>
Property foreclosed - net	<u>1,230,358,055</u>	<u>1,414,206,927</u>	<u>1,238,019,799</u>	<u>1,408,720,212</u>

As at 31 December 2004, the Company had obligations with regard to properties foreclosed which were received in repayment of debts amounting to Baht 723 million. (2003 : Baht 710 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 2003	425,277,624	813,111,414	468,449,874	269,057,177	73,222,442	2,049,118,531
Translation adjustment	-	-	608,136	-	-	608,136
Addition/Transfer in	42,541,253	112,369,677	106,618,706	24,164,025	36,958,500	322,652,161
Disposal/Transfer out	-	-	(78,965,644)	(989,897)	(21,825,358)	(101,780,899)
31 December 2004	467,818,877	925,481,091	496,711,072	292,231,305	88,355,584	2,270,597,929
Accumulated depreciation :						
31 December 2003	-	164,944,660	386,929,860	166,452,416	39,753,670	758,080,606
Translation adjustment	-	-	776,180	-	-	776,180
Depreciation charge for the year	-	51,504,763	55,520,401	16,432,440	17,482,622	140,940,226
Disposal	-	-	(55,886,408)	(922,496)	(13,097,099)	(69,906,003)
31 December 2004	-	216,449,423	387,340,033	181,962,360	44,139,193	829,891,009
Net book value :						
31 December 2003	425,277,624	648,166,754	81,520,014	102,604,761	33,468,772	1,291,037,925
31 December 2004	467,818,877	709,031,668	109,371,039	110,268,945	44,216,391	1,440,706,920
Depreciation charge included in earnings statements for the years ended 31 December :						
2003						123,590,401
2004						140,940,226

(Unit : Baht)

	The Company Only					Total
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	
Cost :						
31 December 2003	281,091,687	547,608,438	177,538,307	191,959,069	40,270,502	1,238,468,003
Addition/Transfer in	21,402,956	51,908,110	51,489,853	16,174,788	31,113,226	172,088,933
Disposal/Transfer out	-	-	(25,107,403)	(249,548)	(10,002,829)	(35,359,780)
31 December 2004	302,494,643	599,516,548	203,920,757	207,884,309	61,380,899	1,375,197,156
Accumulated depreciation :						
31 December 2003	-	155,632,797	143,609,016	101,357,429	22,535,612	423,134,854
Depreciation charge for the year	-	30,229,215	25,462,725	10,895,890	11,531,012	78,118,842
Disposal	-	-	(20,715,649)	(249,386)	(5,075,419)	(26,040,454)
31 December 2004	-	185,862,012	148,356,092	112,003,933	28,991,205	475,213,242
Net book value :						
31 December 2003	281,091,687	391,975,641	33,929,291	90,601,640	17,734,890	815,333,149
31 December 2004	302,494,643	413,654,536	55,564,665	95,880,376	32,389,694	899,983,914
Depreciation charge included in earnings statements for the years ended 31 December :						
2003						64,305,689
2004						78,118,842

14. Other Assets

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Value added tax - net	379,814,340	988,544,860	369,068,999	916,502,171
Accrued interest receivable	20,949,252	55,475,241	20,956,832	48,031,850
Fee receivable	150,241,529	355,497,040	85,958,549	198,639,836
Dividend receivable	-	-	-	720,000,000
Prepaid income tax	67,949,098	107,578,226	53,848,251	68,718,577
Deferred computer system development cost - net	40,737,595	35,548,301	27,835,864	32,291,903
Deposits	13,503,606	8,335,558	2,591,399	3,774,216
Other receivables	168,500,455	79,038,005	161,853,548	71,165,683
Other assets	139,111,651	148,651,379	62,610,240	67,042,375
Total other assets	<u>980,807,526</u>	<u>1,778,668,610</u>	<u>784,723,682</u>	<u>2,126,166,611</u>

15. Borrowings and Deposits

15.1 Classified by source of borrowings and deposits

(Unit : Baht)

	Consolidated					
	2004			2003		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	31,609,867,745	8,609,605,216	40,219,472,961	31,534,505,116	2,377,439,295	33,911,944,411
From banks	775,000,000	1,421,406,920	2,196,406,920	632,000,000	1,684,529,825	2,316,529,825
From financial institutions	2,110,860,000	-	2,110,860,000	1,785,987,834	-	1,785,987,834
From foreign countries	113,612,829	-	113,612,829	99,434,806	-	99,434,806
Total borrowings and deposits	<u>34,609,340,574</u>	<u>10,031,012,136</u>	<u>44,640,352,710</u>	<u>34,051,927,756</u>	<u>4,061,969,120</u>	<u>38,113,896,876</u>

(Unit : Baht)

	The Company Only					
	2004			2003		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	31,627,615,480	7,577,521,745	39,205,137,225	31,782,068,044	1,453,044,921	33,235,112,965
From banks	500,000,000	82,132,808	582,132,808	620,000,000	222,055,444	842,055,444
From financial institutions	3,569,860,000	-	3,569,860,000	2,686,987,834	-	2,686,987,834
From foreign countries	113,612,829	-	113,612,829	99,434,806	-	99,434,806
Total borrowings and deposits	<u>35,811,088,309</u>	<u>7,659,654,553</u>	<u>43,470,742,862</u>	<u>35,188,490,684</u>	<u>1,675,100,365</u>	<u>36,863,591,049</u>

15.2 Classified by the remaining period of contract

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
At call	2,797,741,573	2,053,014,330	4,151,096,462	2,849,102,877
Not over 1 year (included contracts which are due)	32,052,090,231	26,567,968,624	29,561,234,889	24,600,125,130
Over 1 year	9,790,520,906	9,492,913,922	9,758,411,511	9,414,363,042
Total borrowings and deposits	44,640,352,710	38,113,896,876	43,470,742,862	36,863,591,049

16. Debentures

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Subordinated debentures	331,000,000	331,000,000	331,000,000	331,000,000
Unsubordinated unsecured debentures	5,610,000,000	5,610,000,000	4,800,000,000	4,800,000,000
	5,941,000,000	5,941,000,000	5,131,000,000	5,131,000,000

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 :-

- 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.
- 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.
- 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	
	2004	2003	2004	2003
Corporate income tax payable	139,914,245	146,863,467	-	-
Withholding income tax and other tax payable	168,173,261	110,033,395	82,822,767	30,963,979
Accrued insurance premium	287,484,326	262,386,034	231,121,253	222,837,240
Other liabilities	325,002,576	407,677,457	190,699,878	222,480,908
Total other liabilities	920,574,408	926,960,353	504,643,898	476,282,127

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 2004, 433,707,520 preference shares had been converted into ordinary shares, and such conversion registered with the authorities.

As at 31 December 2004, there remained a total of 184,123,480 preference shares which are eligible for conversion to ordinary shares.

b) The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that the holders of preference shares receive dividend for each of the year that the Company pays dividend prior to the holders of ordinary shares at the rate of 1 Baht per share. Additionally, the holders of preference shares are entitled to share the leftover dividend with the holders of ordinary shares. In the year that the Company does not declare dividend payment to the holders of ordinary shares, the Company may declare dividend payment at the above-mentioned rate to the holders of preference shares. The holders of preference 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. Since 30 June 2009, the rights and benefits of the preference shareholders shall be equal to the holders of ordinary shares.

c) 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 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.

On 28 April 2004, the annual general meeting of the Company's shareholders passed a resolution approving the allocation of 5,317,000 warrants to the directors and employee of the Company and its subsidiaries. These warrants, consist of 753,000 warrants received from resigned employees and 4,564,000 un-allotted warrants. These conditions were approved by the Office of the Securities and Exchange Commission on 19 August 2004.

Up to 31 December 2004, the Company allocated 30,000,000 warrants, and employees who had been allocated warrants had exercised their rights to purchase a total of 8,775,000 preference shares, at an exercise price of Baht 10 each, amounting to Baht 87,750,000 and 4,410,000 preference shares at an exercise price of Baht 11.31 each, a total of Baht 49,877,100 and 3,173,500 preference shares at an exercise price of Baht 13.20 each, a total of Baht 41,890,200 and 1,472,500 preference shares at an exercise price of Baht 14.94 each, amounting to Baht 21,999,150 of which 17,831,000 preference shares registered with the Ministry of Commerce.

As at 31 December 2004, 12,169,000 warrants remained unexercised.

19. Capital Fund

As at 31 December 2004 and 2003, 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	
	2004	2003
Tier I		
Issued and fully paid up share capital	7,180,310	7,117,195
Premium on share capital	59,707	44,311
Statutory reserve	254,600	143,300
Retained earnings - unappropriated	2,512,295	1,837,249
Total Tier I	10,006,912	9,142,055
Tier II		
Subordinated debentures	331,000	331,000
Reserve for loans classified as pass	704,169	498,421
Reserve for revaluation of equity securities – available for sales	158,818	450,119
Total Tier II	1,193,987	1,279,540
Less : Investments in debentures at value of which the banks, who are the debenture issuers, recognize as capital fund	-	(51,091)
Total capital fund	11,200,899	10,370,504

The capital ratios of the Company are as follows :-

	The Company Only			
	2004		2003	
	Company	Requirement	Company	Requirement
Tier I capital to risk assets	17.48%	4.00%	18.78%	4.00%
Total capital to risk assets	19.57%	8.00%	21.42%	8.00%
Total capital to issued and paid-up share capital	155.99%	75.00%	145.71%	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 be used for dividend payment.

21. Surplus on Changes in the Value of Investments

(Unit : Baht)

	Consolidated / The Company Only	
	2004	2003
Balance - beginning of the year	1,472,433,142	58,797,600
Increase (decrease) in changes in the value of securities during the year	(107,013,662)	1,413,635,542
	1,365,419,480	1,472,433,142
Less : The effect of income tax liabilities	(110,035,923)	(439,523,022)
Balance - end of the year	1,255,383,557	1,032,910,120

22. Gain on Investments

Gain on investments for the years ended 31 December 2004 and 2003 consist of the following :-

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Unrealised loss on investments	(43,242,133)	(142,581,866)	(20,608,045)	(163,879,434)
Realised gain on investments	610,339,273	638,851,814	598,203,424	500,084,875
Total	567,097,140	496,269,948	577,595,379	336,205,441

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 2004 and 2003 were arrived at as follows:

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Income tax payable on taxable profit for the year	961,080,557	656,367,656	601,650,117	374,626,055
Add (less) : Net decrease (increase) in deferred tax on temporary differences	119,495,416	(797,724,332)	137,824,049	(672,722,435)
Less : Utilisation of income tax benefits on tax loss carried forward	(601,650,117)	(374,626,055)	(601,650,117)	(374,626,055)
Income tax expenses – net / income tax benefits	478,925,856	(515,982,731)	137,824,049	(672,722,435)

In the year 2003, the Company and its subsidiary companies have reviewed the deferred tax benefits resulting from temporary differences occurring in the past until 31 December 2003, and have recognised deferred tax assets and deferred tax liabilities with an effect to the earnings statements of the year 2003, amounting to Baht 119 million (the Company only : Baht 138 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 2004 and 2003, deferred tax assets and deferred tax liabilities arose from the following temporary differences:

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Allowance for doubtful accounts (general reserve)	1,033,531	1,165,632	824,278	982,181
Allowance for doubtful accounts for VAT receivables	27,305	20,129	-	-
Allowance for impairment of investments	547,832	533,264	547,781	533,213
Allowance for impairment of property foreclosed	87,142	86,185	85,820	85,917
Non - accrual of interest income	1,170,652	1,505,268	1,119,418	1,468,856
Depreciation of assets	52,644	19,162	37,726	15,035
Financial leases	207,421	184,258	-	-
Revaluation surplus on changes in the value of investment	(366,786)	(1,442,213)	(351,760)	(1,442,213)
Others	10,745	5,492	16,256	5,492
	<u>2,770,486</u>	<u>2,077,177</u>	<u>2,279,519</u>	<u>1,648,481</u>
Deferred tax assets (30%)	<u>831,146</u>	<u>623,153</u>	<u>683,856</u>	<u>494,544</u>
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>-</u>	<u>14,180</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities (30%)	<u>-</u>	<u>4,254</u>	<u>-</u>	<u>-</u>

25. Dividend Payment

On 28 April 2004, the annual general meeting of the Company's shareholders passed a resolution approving the payment of a dividend of Baht 1.65 per share for the preference shares and of Baht 0.65 per share for the ordinary shares, a total of Baht 649 million. The dividend was paid on 26 May 2004.

26. 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 2004, Baht 41 million has been contributed to the funds by the Company and its subsidiaries (the Company only : Baht 21 million).

27. Number of Employees

	Consolidated		The Company Only	
	2004	2003	2004	2003
Number of employees at the end of year (persons)	1,327	1,274	667	609

28. Reconciliation of Diluted Earnings per Share

	For the years ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	2004	2003	2004	2003	2004	2003
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net earnings	2,224,266	1,890,281	531,754	526,276	4.18	3.59
Effect of dilutive securities						
Preference shares (including 12.2 million warrants to purchase preference shares) (2003 : 13.9 million warrants)	-	-	198,446	199,360		
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of preference shares to ordinary shares	2,224,266	1,890,281	730,200	725,636	3.05	2.60

29. 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 2004 and 2003 consist of the following :-

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Cash	3,765,946	3,628,258	1,841,478	1,819,690
Cash at banks and financial institutions	1,481,471,778	1,189,821,322	393,410,891	232,922,014
Cash and cash equivalents	1,485,237,724	1,193,449,580	395,252,369	234,741,704

30. Related Party Transactions

During the years ended 31 December 2004 and 2003, 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)

	The Company Only			Balance-end of the year
	Balance-beginning of the year	Increase	Decrease	
Outstanding balance as at 31 December 2004				
Subsidiary companies				
Receivables from sales of securities:				
TISCO Securities Co., Ltd.	-	1,485,466	-	1,485,466
Borrowing and deposits from financial institutions and public:				
TISCO Securities Co., Ltd.	900,000	555,000	-	1,455,000
Hi-Way Co., Ltd.	67,540	-	(67,540)	-
TISCO Leasing Co., Ltd.	150,023	-	(150,023)	-
Other subsidiary companies	31,000	-	(9,252)	21,748

(Unit : Thousand Baht)

	Consolidated		The Company Only		Terms and pricing policy (For the year 2004)
	2004	2003	2004	2003	
Transactions occurred during the years ended 31 December					
Subsidiary companies					
Risk, financial and human resources management fee income	-	-	30,296	35,800	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
Accounts receivable management fee income and office administration fee income	-	-	45,570	-	Reference to the terms and price as charged to other customers
Other income	-	-	5,816	7,695	Reference to the terms and price as charged to other customers
Computer system advisory services expenses and office administration expenses	-	-	45,521	53,630	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	-	-	5,600	1,567	Reference to the terms and price as charged to other customers
Associated company					
Interest expense	-	1,106	-	-	Reference to the terms and rate as charged to other customers
Accounts receivable management fee income and office administration fee income	-	12,189	-	-	Reference to the terms and price as charged to other customers

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

Year 2003

- 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.
- 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(b) to the 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 :-

	Million Baht
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>1,459</u>

Year 2004

- a) The Company acquired investments in listed securities amounting to Baht 33 million from a subsidiary company. This subsidiary company recorded gain from this sales of investments amounting to Baht 15 million.
- b) The Company sold property foreclosed, which are office condominium units (net book value amounting to Baht 79 million), to a subsidiary company at a price of Baht 91 million. The Company recorded a gain from disposal of such office condominium units amounting to Baht 12 million.
- c) On 25 November 2004, the Company entered into an agreement to transfer assets and liabilities with a subsidiary, whereby the conditions for the Company's receipt of assets and liabilities from that subsidiary company are in accordance with the Letter of consent from the Ministry of Finance approving the Company's application to upgrade its status to a commercial bank. Assets transferred to the Company consist of investments in securities, property foreclosed and computer equipment with a total value amounting to Baht 17 million.
- d) The Company sold investments in listed securities with net book value amounting to Baht 490 million to a subsidiary company at a price of Baht 1,485 million (market value). The Company recorded a gain on the disposal of such investments amounting to Baht 995 million.

Gains or loss from the above mentioned related party transactions between the Company and its subsidiary companies have been eliminated in consolidated financial statements and the financial statements of the Company under equity method.

As at 31 December 2004, 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	9,434	9,434

As at 31 December 2004, 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 2004, 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.

31. Financial Information by Segment

Financial information relating to the finance business, securities business and other business segments as of 31 December 2004 and 2003 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net interest and dividend income after bad debt and doubtful accounts	3,083	2,792	39	249	-	(3)	(467)	(955)	2,655	2,083
Non-interest income	2,347	968	1,506	1,338	94	116	(1,218)	90	2,729	2,512
Operating expenses	(1,983)	(1,658)	(763)	(788)	(103)	(154)	203	(578)	(2,646)	(3,178)
Corporate income tax/income tax benefits	(242)	692	(237)	(176)	-	-	-	-	(479)	516
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	(35)	(43)	(35)	(43)
Net earnings	3,205	2,794	545	623	(9)	(41)	(1,517)	(1,486)	2,224	1,890

(Unit : Million Baht)

	As at 31 December									
	Finance business		Securities business		Other business		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Investments in securities	7,050	10,851	1,947	969	1	-	(3,786)	(3,725)	5,212	8,095
Loans, receivable and accrued interest receivable - net	52,127	41,779	736	2,893	-	-	(50)	(174)	52,813	44,498
Other assets	8,334	5,973	2,853	3,481	39	51	(2,955)	(1,835)	8,271	7,670
Total assets	67,511	58,603	5,536	7,343	40	51	(6,791)	(5,734)	66,296	60,263

32. Commitments and Contingent Liabilities

32.1 Aval to bills and other guarantees

(Unit : Baht)

	Consolidated and the Company Only	
	2004	2003
Aval to bills	232,669,751	190,000,000
Guarantees - others	501,692,945	516,957,183
Total contingent liabilities and obligations	734,362,696	706,957,183

32.2 Litigation

The Company and its subsidiaries were defendant in certain lawsuits involving compensation of approximately Baht 342 million. As at 31 December 2004, the cases were not yet final; nevertheless, the Company and its subsidiary company's management believe they will not suffer material losses (if any) from these suits.

32.3 Commitments under interest rate swap agreement

As at 31 December 2004, the Company has commitments under interest rate swap agreements covering nominal principal of Baht 5,600 million (as discussed in Note 33.2 to the financial statements).

32.4 Capital commitment

As at 31 December 2004, a subsidiary company has outstanding commitments of approximately Baht 100 million in respect of the uncalled portion of an investment in another subsidiary.

32.5 Other commitments

- 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.
- c) The Company has commitments in relation to computer service agreement, whereby it is to pay both fixed fee and service fees which vary according to the quantity and type of service, as stipulated in the agreements.

33. 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 2004, the Company and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

33.1 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.

33.2 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	946	11	528	1,485
Loans to financial institutions	-	38	-	38
Securities purchased under resale agreements	-	2,105	-	2,105
Investments in securities - net	193	808	4,211	5,212
Trading transactions with securities companies - receivable	-	-	159	159
Loans and receivable	6,324	48,116	2,662	57,102
	<u>7,463</u>	<u>51,078</u>	<u>7,560</u>	<u>66,101</u>
Financial liabilities				
Borrowings and deposits	-	44,482	158	44,640
Trading transactions with securities companies - liabilities	-	-	131	131
Securities business payable	588	-	794	1,382
Debentures	-	5,941	-	5,941
	<u>588</u>	<u>50,423</u>	<u>1,083</u>	<u>52,094</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	-	393	395
Securities purchased under resale agreements	-	2,105	-	2,105
Investments in securities - net	193	720	7,142	8,055
Loans and receivable	6,202	41,780	1,908	49,890
	<u>6,397</u>	<u>44,605</u>	<u>9,443</u>	<u>60,445</u>
Financial liabilities				
Borrowings and deposits	-	43,376	95	43,471
Debentures	-	5,131	-	5,131
	<u>-</u>	<u>48,507</u>	<u>95</u>	<u>48,602</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)

Transactions	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	-	-	10	-	-	1	11	0.4773
Loans to financial institutions	38	-	-	-	-	-	38	1.7276
Securities purchased under resale agreements	-	2,105	-	-	-	-	2,105	0.9688
Investments in securities - net	-	391	-	404	13	-	808	2.7947
Loans and receivable	1,490	6,330	14,142	24,081	1,676	397	48,116	8.0548
	<u>1,528</u>	<u>8,826</u>	<u>14,152</u>	<u>24,485</u>	<u>1,689</u>	<u>398</u>	<u>51,078</u>	
Financial liabilities								
Borrowings and deposits	2,652	22,555	9,498	9,777	-	-	44,482	2.0963
Debentures	-	-	-	5,941	-	-	5,941	4.0326
	<u>2,652</u>	<u>22,555</u>	<u>9,498</u>	<u>15,718</u>	<u>-</u>	<u>-</u>	<u>50,423</u>	

(Unit : Million Baht)

Transactions	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								
Securities purchased under resale agreements	-	2,105	-	-	-	-	2,105	0.9688
Investments in securities - net	-	303	-	404	13	-	720	2.8639
Loans and receivable	1,292	5,264	11,598	21,950	1,676	-	41,780	6.4257
	<u>1,292</u>	<u>7,672</u>	<u>11,598</u>	<u>22,354</u>	<u>1,689</u>	<u>-</u>	<u>44,605</u>	
Financial liabilities								
Borrowings and deposits	4,069	21,783	7,779	9,745	-	-	43,376	2.0264
Debentures	-	-	-	5,131	-	-	5,131	4.1610
	<u>4,069</u>	<u>21,783</u>	<u>7,779</u>	<u>14,876</u>	<u>-</u>	<u>-</u>	<u>48,507</u>	

33.3 Liquidity risk

The periods to maturity dates of financial instruments held as of 31 December 2004, counting from the balance sheet date, are as follows :-

(Unit : Million Baht)

Transactions	Consolidated							Non performing loans	Total
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified			
Financial assets									
Cash and deposits at financial institutions	1,451	23	10	-	-	1	-	1,485	
Loans to financial institutions	38	-	-	-	-	-	-	38	
Securities purchased under resale agreements	-	2,105	-	-	-	-	-	2,105	
Investments in securities – net	3,253	416	60	426	162	895	-	5,212	
Trading transactions with securities companies – receivable	-	159	-	-	-	-	-	159	
Loans and receivable	1,195	7,218	14,969	27,588	2,811	-	3,321	57,102	
	<u>5,937</u>	<u>9,921</u>	<u>15,039</u>	<u>28,014</u>	<u>2,973</u>	<u>896</u>	<u>3,321</u>	<u>66,101</u>	
Financial liabilities									
Borrowings and deposits	2,797	22,555	9,498	9,777	-	13	-	44,640	
Trading transactions with securities companies – liabilities	-	131	-	-	-	-	-	131	
Securities business payable	591	791	-	-	-	-	-	1,382	
Debentures	-	-	-	5,941	-	-	-	5,941	
	<u>3,388</u>	<u>23,477</u>	<u>9,498</u>	<u>15,718</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>52,094</u>	
Off - balance sheet items									
Aval to bills	-	232	-	-	-	-	-	232	
Guarantees of loans and others	500	2	-	-	-	-	-	502	

(Unit : Million Baht)

Transactions	The Company Only							Non performing loans*	Total
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified			
Financial assets									
Cash and deposits at financial institutions	395	-	-	-	-	-	-	395	
Securities purchased under resale agreements	-	2,105	-	-	-	-	-	2,105	
Investments in securities - net	1,755	328	-	423	162	5,387	-	8,055	
Loans and receivable	1,104	5,374	12,483	25,473	2,811	-	2,645	49,890	
	<u>3,254</u>	<u>7,807</u>	<u>12,483</u>	<u>25,896</u>	<u>2,973</u>	<u>5,387</u>	<u>2,645</u>	<u>60,445</u>	
Financial liabilities									
Borrowings and deposits	4,151	21,783	7,779	9,745	-	13	-	43,471	
Debentures	-	-	-	5,131	-	-	-	5,131	
	<u>4,151</u>	<u>21,783</u>	<u>7,779</u>	<u>14,876</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>48,602</u>	
Off balance sheet items									
Aval to bills	-	232	-	-	-	-	-	232	
Guarantees of loans and others	500	2	-	-	-	-	-	502	

* Non performing loans according to the BoT's guidelines

33.4 Foreign exchange risk

As at 31 December 2004, the Company did not have any financial instruments in foreign currencies except for its investment in a subsidiary company amounting to Baht 245 million.

33.5 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 2004, 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.

34. 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.

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