

(Translation)

**TISCO Finance Public Company Limited
Annual Registration Statements 2003 (Form 56-1)**

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Part 1

Executive Summary (Report from the Board of Director)

The strong economic momentum of 2003 ended the year with a GDP growth of 6.5% and a 117% rise of the SET index, regardless of the SARS outbreak during the year. Over the year, most of TISCO core businesses achieved good performances both for the bottom lines and business volumes, thanks to the robust activities in the equity market, consumer spending, and alternative investments markets. With the success of our strategic focus and operational excellence, the overall net profit for the year 2003 grew significantly by 64% to the record-high level of 1,890 million baht while the return on equity surged to 21.4%.

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

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

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

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

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

the banking platform. However, the company will have to adapt and prepare itself for entering new business areas in which it has no previous expertise with more intense competition.

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

The Board is aware of its responsibility in governing all aspects of the company’s activities, including the capability to manage risks and the accuracy and completeness of financial reports. In the past year, as regularly carried out on annual basis, the board performed assessment on the adequacy of company’s internal controls system in all areas and reviewed the financial reports of the company and subsidiaries. The Board viewed that the internal controls system is adequate and appropriate to the risk positions of the company. The consolidated financial statements for the year 2004 of the company and subsidiaries, which have been reviewed by the Audit Committee together with the management and the external auditor, were fairly presented with accuracy, completeness, reliability, and reasonableness, and conforming with the generally accepted accounting principles. Accounting policies were appropriate and consistent, and sufficient information disclosures are made, in compliance to related laws and regulations.

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

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

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

Part 2

Listed Company

Company Name : TISCO Finance Public Company Limited
Type of Business : Finance Business
Address : TISCO Tower 48/2 North Sathorn Road, Silom, Bangrak,
Bangkok 10500
Registration Number : Bor Mor Jor 618
Home Page : www.tisco.co.th
Telephone : (66) 2633 6000
Fax : (66) 2633 6800

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 Public Company Limited (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 Ltd.
TISCO Tower 8th Floor, 48/14-15 North Sathorn Road, Silom,
Bangrak, Bangkok 10500
Tel. 0 2266 6677 Fax. 0 2266 6688

1. Risk Factors

1.1 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 to default on loan agreement. Credit risk if occurs without asset pledged requires the company to maintain higher provision for loan losses, which will then adversely affect net income and capital of the company.

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

1.1.1 Default Risk

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

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

NPL Breakdown at the year end of 2002 and 2003

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

Most of company's NPLs were contributed from commercial and mortgage loans while there was only a small portion of NPLs in the hire purchase portfolio, which is TISCO's largest loan portfolio. In 2003, restructured NPLs that failed to meet the obligations as agreed, stood at

783 million baht, represented 18.25% of total restructured loan. The company signed debt restructuring agreements totaling 2,233 million baht mostly by method of revision of restructured terms & conditions.

In order to cushion for potential losses from the existing and potential NPLs, debt restructuring, and deterioration of collateral value, at the end of 2003, the company and its subsidiaries has a total reserve allowance for doubtful account and loss on debt restructuring of 4,599.63 million baht (3,881.63 million baht for the company and 718.00 million baht for subsidiaries). The company and its subsidiaries' total reserve allowance to total NPLs ratio was 134.7%.

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

1.1.2 Concentration Risk

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

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

1.1.3 Collateral Risk

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

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

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

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

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

1.1.4 Property Risk from Foreclosed Assets

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

1.2 Market Risk

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

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

1.2.1 Equity Price Volatility

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

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

(1) Listed Equity Risk

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

The company calculates VaR for risk assessment purpose and reports to management in charge and Risk Management Committee on a daily basis. VaR is a maximum potential loss

at a pre-defined confidence level and time horizon. Daily VaR at 99% confidence level, as of December 31, 2003, was 122 million baht. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

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

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

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

1.2.2 Interest Rate Risk

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

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

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

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

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

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

(2) Fixed Income Risk

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

TISCO Group's fixed-income portfolio as of December 31, 2003 stood at 3,465 million baht. Most of fixed-income position was held to maintain liquidity according to the BoT's requirements. Average day-to-maturity of the portfolio was 0.81 years while its average

duration was at 0.49 years. Fixed-income risk was relatively low as a result of short-term investment period for the purpose of maintaining liquidity reserve.

1.3 Liquidity Risk

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

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

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

(unit: million baht)

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

Information from Maturity Mismatch Report based on BoT standard

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

1.4 Operational Risk

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

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

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

each business line by self-assessment method, following the best practice of BoT and the Basle Committee of Banking Supervision.

1.5 Strategic Risk

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

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

1.5.1 Risk from Economic Conditions and Business Competition

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

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

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

1.5.2 Risk from Capital Adequacy

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

1.5.3 Risk from Regulatory Change

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

1.5.4 Risk from TISCO Affiliates' Financial Performance

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

Businesses conducted by affiliates are influenced by market activities and overall economic condition. However, risk from the securities and asset management businesses will

mainly impact profitability of the company but will have no severe impact on the capital as the businesses focus on services rather than lending or investment.

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

1.6 Other Risks

1.6.1 Risk Concerning the Rights from Holding Securities

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

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

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

The above rights of preferred shares will be expired on June 30, 2009. More detailed information is presented in part 2 section 8 Capital Structure.

2. Overview of TISCO Business

2.1 History and major developments

The company is established in 1969 by co-founders comprising (1) Banker Trust New York Corporation with a holding of 60%, (2) Bancom Development Corporation with a holding of 20%, and (3) Kasikorn Bank with a holding of 20%. The company started its finance and securities operations providing the first investment bank service in Thailand in 1969. Major shareholders had changed in 1972, when Dai Ichi Kangyo Bank Ltd, (later called Mizuho Corp Bank Ltd) had bought all the shares from Bancom Development Corporation. In 1974, the company established a subsidiary called “Thai Securities Company Limited (TSC) to provide securities brokerage service. The company was listed on the SET in 1983. In 1996, TSC was merged with the company, so that securities operations were managed under one company, and the new company was established under the same name of TISCO Finance and Securities Public Company Limited. Following the Bank of Thailand’s rule, in 1998 the two businesses and licences were separated and were operated under two companies; TISCO Finance Public Company Limited (TISCO Finance Plc) operates finance businesses, and TISCO Securities Co., Ltd operates securities businesses.

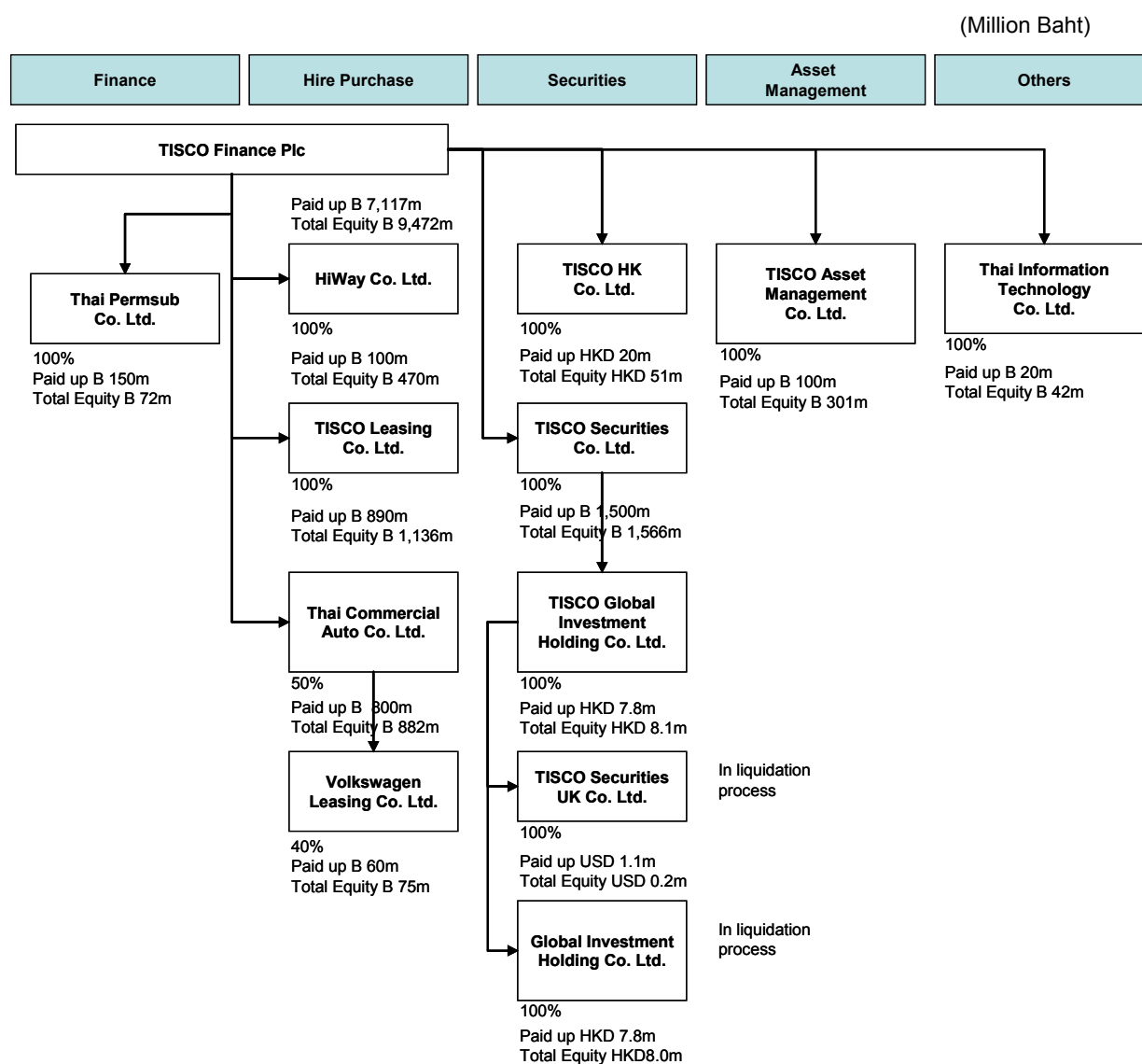
In 1999, the Ministry of Finance approved the participation of the company in the Tier 1 Capital Program, for which 600 million preferred shares of the company with a total worth of 6,000 million baht were issued at 10 baht apiece. 300 million preferred shares worth a total of 3,000 million baht were sold to the Ministry of Finance, and the remaining 300 million shares worth another 3,000 million baht were sold to other investors. This operation reduced the proportion the Banker’s Trust shareholding from 52% to 7.44%. Conversely, the Finance Ministry’s shareholding was up to 42.84%. Meanwhile, the Ministry of Finance issued 3-year warrants to investors, with an option to purchase its preferred shares. At the maturity of these warrants on May 31, 2002, the warrant exercise reduced the Ministry of Finance holding to 319,000 shares or 0.05%. As a result, by April 2003, the holding structure of the company was well diversified with more than 10,000 shareholders. The largest three of which were (1) CDIB & Partners Investment Holding (Cayman) Ltd with the holding of 16.8%, (2) Mizuho Corporate Bank Ltd. with a holding of 7.6%, and (3) Deutsche Bank with 5.2% following its merging with Banker Trust.

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

2.2 Businesses of the company and subsidiaries

2.2.1 An overview of the businesses of the company and its subsidiaries

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



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

2.3 Revenue structure

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

(unit: million baht)

Business Area	2001		2002		2003	
	Revenue	Percent	Revenue	Percent	Revenue	Percent
Finance	1549	36.8	2293	44.7	1698	27.9
<i>TISCO Finance PLC</i>	1549	36.8	2293	44.7	1698	27.9
Hire Purchase	1747	41.5	2032	39.6	2704	44.5
<i>TISCO Finance PLC</i>	912	21.7	1315	25.6	1880	30.9
<i>Hi-Way Co., Ltd.</i>	491	11.7	356	6.9	453	7.5
<i>TISCO Leasing Co., Ltd.</i>	86	2.0	105	2.0	134	2.2
<i>Thai Commercial Co., Ltd.</i>	187	4.4	216	4.2	237	3.9
<i>Tru-Way Co., Ltd.</i>	72	1.7	40	0.8	-	-
Securities	603	14.3	561	10.9	1238	20.4
<i>TISCO Securities Co., Ltd.</i>	494	11.7	508	9.9	1143	18.8
<i>TISCO Securities Hong Kong Co., Ltd.</i>	87	2.1	34	0.7	78	1.3
<i>TISCO Global Investment Holding Co., Ltd</i>	22	0.5	10	0.2	14	0.2
<i>TISCO Securities UK Co., Ltd.</i>	0	0.0	9	0.2	2	0.0
Asset Management	233	5.5	225	5.3	416	6.8
<i>TISCO Asset Management Co., Ltd.</i>	233	5.5	225	5.3	416	6.8
Others	78	1.9	19	0.4	22	0.4
Total Revenue	4210	100.0	5130	100.0	6078	100.0

Remark: The details of policies for investment in securities are described in Part 2 Section 3 Business Operation by Area and Section 5 Operating Assets.

3. Business Operation by Area

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

- 3.1 Finance Business
- 3.2 Hire Purchase Business
- 3.3 Securities Business
- 3.4 Asset Management Business

3.1 Finance business

3.1.1 Area of Services

TISCO Finance Public Co. Ltd has been granted a licence no. 1/2539 from the Ministry of Commerce to operate 4 finance businesses namely;-

1. Commercial finance
2. Development Finance
3. Consumer finance
4. Mortgage Finance.

With the finance business licence, the company offers related financial services comprising (1) Deposit (2) Lending (3) Treasury and (4) Custodian services, with details as follows

(1) Deposit: The company offers various saving facilities to customers. These include promissory notes both on call and in fixed terms; bills of exchange; and Negotiable Certificate Deposit (NCD). The company plans to provide fixed deposit account with passbook in the near future.

(2) Lending:

- Commercial Loan: The company provides various loan facilities for commerce and development purposes. This includes working capital financing; project financing; long-term loans; loan arrangement, guarantee, and aval.
- Retail Loan: The company provides various forms of consumer loans. This includes all-purposed loan, loan against auto licence, insurance premium finance, and others.
- Mortgage Loan: The company provides mortgage loans to homeowners; developers; and for SME's residential and commercial building projects.

Credit Granting and Collateral Policies

The company has a policy to emphasize prudent growth in commercial and retail lending. In new credit approval, the company will thoroughly consider the borrowers' business potential, opportunities, capability to repay, and collaterals, and also the rate of return that justifies the risk of each borrower. The company focuses on expanding business into markets with acceptable risks/returns in which it has sufficient expertise. When entering new markets, especially those with higher risks, the company will perform market testing sufficiently to understand all key characteristics of risks, opportunities, costs, and other related factors before expanding the business.

The company grant loans through the head office and 10 provincial loan offices in Chiang Mai, Phitsanulok, Nakon Sawan, Nakhon Ratchasima, Khon Kaen, Udon Thani, Chon Buri, Chantaburi, Phuket, and Songkla. The company also plans to open 4 new provincial loan offices in 2004. All loan extensions are subject to credit guidelines with clearly-defined delegations of approval authorities to appropriate business managers.

The collateral policies vary, depending on the type of credit. In general, commercial loans granting will require good quality collateral. However, the company may selectively grant loans without collateral to certain borrowers considered to have high creditworthiness on a case by case basis. The company also employs, in several of its commercial loan facilities, certain procedures to control that collateral value are maintained above the loan outstanding at any time to reduce credit risks.

For retail lending, mortgage loan facilities will require full collateral on the approval date, and subject to the regulations of the Bank of Thailand. Meanwhile, other retail loans comprise both loans with and without collaterals, the latter of which normally require higher interest rate to offset the higher risk being assumed.

For the appraisal of collateral value, the company has a policy to have the collaterals appraised by an independent appraiser or the internal asset appraisal unit before any loan can be drawn down. The company has the Appraisal Committee responsible for approving the appraisal value proposed by the internal unit and the independent appraisers under the company's guidelines in compliance with the regulations of the Bank of Thailand.

Debt Restructuring Policies

The objective of debt restructuring is to resolve the problems of loans, which are affected by economic downturn or the borrower's financial difficulties. Under the company's procedures on debt restructuring, there are various methods such as relaxing of payment conditions, debt to assets conversion, debt to financial instrument conversion, and debt to equity conversion.

Debt restructuring can be conducted with every types of borrower either defaulted or non-defaulted. Corporate Lending function is responsible for the debt restructuring process, including the decision to select borrowers for restructuring. The delegated officers will evaluate the borrower's credit qualities and related financial and operating environments, and perform projections on repayment possibilities. In case of non-defaulted borrower, the analysis and recommendation on debt restructuring along with debt repayment schedule will be proposed to the Credit Committee for approval. Meanwhile, the debt restructuring of defaulted borrower will be proposed to the Problem Loan Committee. The Office of Credit Committee will report a summary of approved debt restructuring to the Executive Board, for acknowledgement.

For the debt restructuring case related to, both directly and indirectly, company's director, related person to company's director, or the management, the borrower's status, repayment ability and cash flow status of borrower need to be evaluated by an independent financial institution or third-party who has no conflict of interest with the company and the borrower.

Under the regulation of Bank of Thailand, all restructured loans shall be reclassified, provisioned, and recalculate the impairment loss. The calculation of impairment loss is not required for non-defaulted restructured loans.

Credit Approval, Control, and Collection Policies

The Credit Committee, which is composed of senior managements of related business lines, is delegated the authority to consider credit request, approve credit line, and review credit line as well as controlling risk at each credit transaction, such as, following up on all investment and business activities of the borrower that may have an impact on its financial position.

The company has established a prudent credit approval and control procedure which is monitored by the Office of Credit Committee for compliance to the guidelines and conditions set forth by the Credit Committee.

Additionally, the Office of Credit Committee is also responsible to

1. file the complete sets of borrowing documents,
2. follow up the appraisal of the collateral value as required by the Bank of Thailand,
3. prepare quarterly reports for the Bank of Thailand concerning credit extension,
4. review borrowers' status and the value of the foreclosed assets for setting the provision for losses and impairments,
5. review the credit line and obligations according to the guidelines of the Bank of Thailand and present the report to the Credit Committee and the Problem Loan Committee.

The Credit Committee meet on weekly basis. Additional meetings may be called for in case urgent matters arise. The Office of the Credit Committee acts as the secretary who prepares minutes of the meeting.

Credit Approval and Collection

The Executive Board approves credit policies and guidelines, within which the Credit Committee uses in considering credit approval and control. The Credit Committee further sets up the policies and guidelines for credit approval of retail loans, together with delegating certain approval authorities to the responsible management in the business line. Approved credit facilities are reported to the Executive Board on a monthly basis. Loan facilities considered material and large in size, comparing with the portfolio of each loan class, are also approved by the Executive Board.

The company continuously performs credit review of the loan portfolio and regularly monitor problem accounts. The Credit Committee will closely co-ordinate with credit departments in following up of accounts with potential problems right after the loan begin missing repayment. Also the Problem Loan Committee meeting will be called for to review the status of borrowers, set up debt collection and follow-up procedures, pursue legal actions, and set aside provisions for loan losses. In the follow-up procedures, the Credit Officer must report to the Problem Loan Committee on all restructuring cases on a quarterly basis.

Credit Risk Management

The Risk Management Committee, comprising senior management from key business lines, is delegated the authority to set up policies, guidelines and procedures for overall credit risk management. Meanwhile, the Credit Committee and Chief Credit Officer are in charge of the loan approval processes of each credit transaction and will set up guidelines for delegation of approval authorities at different levels for different types of facilities. The Problem Loan

Committee is set up to monitor and follow up on problem loans and set up appropriate provisions for potential loan losses.

The Risk Management Committee has set up the Credit Risk Management guidelines, which are reviewed on an annual basis and must be approved by the Executive Board. The Credit Risk Management guidelines specify that all credit exposures and related risk factors be reported to the Risk Management Committee and relevant business managers on a monthly basis. The guidelines also specify key risk limits, such as, credit risk capital limits and concentration limits, in order to control credit risks within an acceptable level.

Important tools used in managing credit risk of commercial loan include the credit rating systems, which have been enhanced for better effectiveness. The credit ratings are segregated into 3 types, namely, Borrower Credit Rating representing the creditworthiness of borrower to repay, Facility Credit Rating representing the creditworthiness of borrower to fulfill the obligations as specified in each facility, and Facility Risk Rating representing the final financial risk to loss of each loan facility factored in with assumptions on recovery from collateral liquidation in case of credit default. Information from the credit rating will be used to assist in monitoring and control of credit risk, and also used as an input into the credit risk model to assess risk from unexpected credit loss for comparing with capital adequacy requirement.

In controlling risk from credit concentration, the company has set up a concentration limit which is a maximum credit exposure for each individual borrower or borrowing group. Moreover, concentration in a single sector is also controlled within an acceptable level, considering in combination with the sector exposure of equity investment.

In addition, the company also complies with the regulations of the Bank of Thailand concerning single lending limit as follows;

1. Lending to any person and/or investing in any business of that person in total must not exceed 25% of Tier-I capital¹.
2. Undertaking contingent liabilities for any person in total must not exceed 25% of Tier-I capital.
3. Lending to any person and/or investing in any business of that person, and undertaking contingent liabilities for that person in total must not exceed 35% of Tier-I capital.

In controlling credit risk at transaction level, the Credit Committee and Chief Credit Officer will review the status of borrower and collateral value on a quarterly basis and set up a Credit Review Plan, which must be approved by the Executive Board on an annual basis. The Problem Loan Committee is responsible for the collection and follow up processes, including effective debt restructuring, and liquidation of collateral at the highest possible value.

(3) Treasury

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

¹ Tier-I Capital under the notification of the Bank of Thailand: Stipulation on Maintenance of Capital Funds in Proportion to Assets and Contingent Liabilities of Finance Company, dated as of May 2, 2003.

(4) Custodian Service

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

3.1.2 Market environment

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

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

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

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

Business strategy

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

3.1.3 Resources

(1) Source of Fund

Apart from the company's capital, most of the company's source of fund comes from public deposits through issuances of promissory notes and debt instruments as follows;

Sources of fund as of 31 December 2001, 2002, and 2003

(Unit: million baht)

	2001	2002	2003
Total Borrowings and Deposits	37,144	31,748	36,863
Securities Sold with Repurchase Agreement	100	0	0
Commercial Papers	195	357	211
Subordinate Debenture (Tier II)	331	331	331
Unsecured Debenture	0	4,800	4,800
Other Liabilities	447	540	654
Total Source of Fund from Liabilities	38,217	37,776	42,859
Capital	6,255	7,379	10,277
Total Source of Fund	44,472	45,155	53,137

The source of fund as of December 31, 2003 of 53,137 million baht has been used in finance business for an amount of 13,366 million baht. The remaining fund has been used in hire purchase business, liquidity reserve, securities investments, and other operating assets.

(2) Funding or borrowing through any person related to management of the company or major shareholder (if any)

None

(3) Capital Adequacy

The company has a policy to maintain capital that is adequate to cushion against company risks in the long run, taking into account long-term solvency within the economic uncertainties and the adequacy of regulatory capital to risk asset ratios as required by law. Currently, the Bank of Thailand sets the capital adequacy ratio for finance company at 8%, where Tier-I Capital must be maintained by at least 4% of risk assets.

The year-end Capital Adequacy Ratios for 2001, 2002, and 2003 have been maintained above the regulatory requirements with details as follows;

(Unit: percentage)

Capital Adequacy Ratio as of December 31	2001	2002	2003	Regulatory Requirement
Tier-I Capital to Risk Assets	15.53	17.40	18.78	4
Total Capital to Risk Assets	16.82	19.45	21.42	8

(4) Liquidity Management Policy

The Risk Management Committee acts as an Assets and Liabilities Management Committee (ALCO) in monitoring, and determining the assets-liabilities directions, and funding structure in details. The committee also establishes various liquidity limits to serve as early warning triggers such as liquid asset, contractual maturity mismatch, funding concentration and daily deposit withdrawal level. Besides, a liquidity contingency plan has been established for outlining clear procedures and responsibilities in details for liquidity management in times of crisis.

Risk Management function supports the Risk Management Committee in monitoring liquidity position through the liquidity report on a daily basis. The Risk Management Committee's meeting is arranged at least on a quarterly basis to consider liquidity position and trend, including the assets and liabilities structure. The company also emphasizes on monitoring funding concentration through preparing and reporting of large depositors' information on a daily basis as part of the daily liquidity report. In addition, the Maturity Mismatch report under the regulation of Bank of Thailand has been prepared on a monthly basis, which is more stringent than the quarterly reporting requirement of Bank of Thailand. The maturity mismatch information is presented in Section 1 on Risk Factor, to illustrate the relationship between sources and uses of funds on a contractual basis.

Meanwhile, Treasury Function is responsible for daily liquidity management. It will project the cash flow requirements by 1 to 14 days ahead, in order to prepare for securing the sources and uses of fund as required. Treasury Function is also responsible to manage the company's liquidity position to comply with the internal guidelines and regulatory requirements of the Bank of Thailand under the notification on Prescription on Maintenance of Liquid Asset by Finance Company as follows;

- The finance company shall maintain liquid assets on average no less than 6 percents of the total of all types of deposit and the total of foreign borrowings, which shall mature within one year.
- The liquid assets must consist of deposits with the Bank of Thailand no less than 0.5 percent, unencumbered securities no less than 4.5 percent, and deposit to commercial bank residing in Thailand.

The liquid assets as stated above must be maintained as weekly average, with Friday as the starting date and Thursday is the last date for each week.

3.2 Hire purchase business

3.2.1 Area of Service

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

Credit Granting and Collateral Policies

The company has a policy to expand hire purchase business in this high-growth market with justified risk-adjusted return. In 2003, the growth of automobile hire purchase continued soaring and the trend is expected to continue in 2004. With the policy to competitively expand while still maintaining good loan quality comparing with the competitors, the company's credit criteria are set to be more stringent than the industry average, such as the conditions on down payment, age of car for hire purchase and guarantor requirement etc.

In addition, the company has adopted the credit scoring tool to assist in loan approval process. The credit scoring system has been developed from our large internal database as the company has been in the hire purchase business for more than 30 years. From the database, relationships between customer characteristics and credit worthiness can effectively be assessed.

As a general guideline, the hirers for automobile and motorcycle hire purchase loans must have Thai nationality, secured occupation, stable and consistent income that is reasonable in relation to installment, permanent residence, and not be in the black list. The hire purchase assets must be appropriately insured with terms and conditions reasonable to the collateral value and credibility of borrower.

Debt Restructuring Policies

Similar to the policy stated in the finance section.

Credit Approval, Control and Collection Policies

The Executive Board approves credit policies and guidelines, within which the Credit Committee uses in considering credit approval and control. The Credit Committee further sets up the policies and guidelines for credit approval of retail loans, including hire purchase loans, together with delegating certain approval authorities to the responsible management in the business line. Approved credit facilities by Credit Committee are reported to the Executive Board on a monthly basis. Loan facilities considered material and large in size, comparing with the portfolio of each loan class, are also approved by the Executive Board.

In addition, the company had continuously improve the strategies and procedures for debt collection and follow-up, in line with the economic condition and related laws and regulations, particularly those from the notification of the Office of Consumer Protection. The main collection and follow up process can be outlined as follows;

1. Collection

The emphasis of collection process is the debt collection through computerized telephone systems which record meeting appointment between customers and the collection officer regarding the payment date. Additionally, the automated task prioritizing system used for contacting customers provides a faster, more accurate, and effective debt collection process.

2. Follow Up and Asset Repossession

It is emphasized that the number of follow-up officers must be managed to adequately handle problem accounts. Negotiation and direct contact with customers are normally emphasized. In the case of asset repossession, expert outsource services are used for operations in all regions.

3. Legal Process and Legal Enforcement

The company hires lawyers with expertise and experiences in the field to ensure quick legal processes. The legal enforcement team will take immediate legal action, when a customer yet refuses to repay after the court ruling.

Risk Management of Hire Purchase

Risk Management of hire purchase business is also overseen by the Risk Management Committee, Credit Committee and Problem Loan Committee as stated in the Finance Business section. All hire purchase businesses of the subsidiaries are aggregated for centralized risk management and control at the company.

As hire purchase loans are retail loans with small transaction size, but large number of transactions, various risk management tools have been applied to analyze and monitor credit quality of the loan portfolio, including credit scoring technique, static pool analysis by origination date, static pool analysis by credit grade, etc. Profiles of the customer groups are regularly monitored and reported to the Risk Management Committee and relevant business heads on a monthly basis. A monthly summary of risk position is also reported on a monthly basis to the Executive Board, who will further report to the Board of Director every 2 months.

Retail Credit function is responsible for monitoring and control of loan quality at transactional level by verifying accuracy of the loan documents, monitoring the status of each borrower, and collecting information on default loans to evaluate the credit approval criteria. When customers begin to overdue, the credit officer will immediately review the case and inform the debt collection officer to follow up.

3.2.2 Market environment

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

Marketing strategy

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

Considering the economic environment, industry growth, and internal strengths; hire purchase remains to be the Group's area of focus. The emphasis will be put on service quality and product diversification rather than price competition. Its targets are customers with stable income stream with the age in between 20 to 70 years old. The Group's major distribution channel is through dealers, with smaller portion through direct sales.

3.2.3 Resources

(1) Source of Fund

The source of fund from finance business as stated in Section 3.1.3 was also used in the hire purchase business. As hire purchase loan has relatively long maturity, the company partly secured funds from long-term debentures and deposits for use in this business. The maturity mismatch presented in the risk factors section has the combined results of funding mismatch from both finance and hire purchase businesses.

For the hire purchase business in subsidiaries, the major sources of fund are from debenture and bill of exchange issuance. The sources of fund from subsidiaries are summarized in the following table.

Year-end sources of fund classified by lender type from 2001 - 2003

Million bath as of December 31	2001	2002	2003
Total of TISCO Leasing	746	933	1,767
- Loan from Financial Institution	187	11	9
- Commercial Papers	0	0	0
- Other Liabilities	353	717	623
- Capital	206	205	1,135
Total of Hiway	733	1,135	1,470
- Loan from Financial Institution	273	252	18
- Commercial Papers	0	0	400
- Other Liabilities	202	539	582
- Capital	258	344	470
Total of Thai Commercial Auto	1,806	2,787	2,950
- Loan from Financial Institution	864	1,810	1,437
- Commercial Papers	0	0	500
- Other Liabilities	73	112	131
- Capital	869	865	882
Total of All Subsidiaries	3,285	4,855	6,187
<i>Total Source of Fund from Liabilities</i>	<i>1,952</i>	<i>3,441</i>	<i>3,700</i>
<i>Total Source of Fund from Capital</i>	<i>1,333</i>	<i>1,414</i>	<i>2,487</i>

(Source: Financial statements of subsidiaries)

(2) Funding or borrowing through any person related to management of the company or major shareholder (if any)

None

(3) Capital Adequacy

Hire purchase loan and investment in subsidiaries operating in hire purchase business, have been incorporated in the risk assets for the calculating Capital Adequacy Ratio under the regulation of Bank of Thailand. Details are presented in Finance Business section.

(4) Liquidity Management Policy

The cash flows from hire purchase business and investments in subsidiaries operating hire purchase business, have been incorporated in the overall liquidity management as detailed in Finance Business section. Meanwhile, the subsidiary companies secured liquidity from its operating cash flow, and loans from the financial institution and money market

3.3 Securities business

3.3.1 Area of Services

Securities businesses that TISCO Securities Co. Ltd. (TISCO Securities) are authorized by the Securities and Exchange Commissions to operate are in the following areas;

1. Brokerage service
2. Trading business
3. Investment Advisory service
4. Financial Advisory and Underwriting service
5. Securities Borrowing and Lending service
6. Registrar service

(1) Brokerage Services:

Stock brokerage services are operated at TISCO Securities Co., Ltd., which is a member of the Stock Exchange of Thailand. It has four branches locating in Chiangmai, Nakorn Pathom, Nakorn Ratchasima, and Udorn Thani.

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

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

(a) Policy for account opening and brokerage credit limit approval

The company focuses on quality customers and providing good knowledge and understanding of securities trading to the customers. In considering credit limit approval, the company will provide limits that are appropriate to the creditworthiness and financial status of the customers together with the collaterals. The Executive Board delegates its approval authority to the Credit Committee. The Credit Committee will consider to approve high-value credit line and will further delegate its authorities to the responsible management in the business line, within the given policy and guidelines set up by the Credit Committee.

(b) Policy for setting trade margin

Presently, all company’s customers carry out transactions on cash basis. However, the company has a policy to introduce a credit balance system in the future, for which a policy for setting trade margin will be further set up.

(2) Trading business:

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

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

Investment in securities must also follow the policies and guidelines established by the Risk Management Committee. Meanwhile, the Equity and Debenture Committee, which comprise management of key business areas, has established specific investment policies on acquisition and divestment of investments as follows.

- The Equity and Debenture Investment Committee shall set up investment limits for securities listed in the Stock Exchange of Thailand or for other securities known to have secondary market prices.
- All acquisition and divestment of investment in securities not listed in the Stock Exchange of Thailand must be approved by the Equity and Debenture Investment Committee.

(3) Investment Advisory Service:

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

(4) Financial Advisory and Underwriting Service:

TISCO Securities provides financial advisory services including merger and acquisition, financial restructure, privatization, project analysis, initial public offering, and underwriting.

(5) Stock Borrowing and Lending Business:

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

(6) Registrar Business:

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

3.3.2 Market and Competition

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

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

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

Business Strategy

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

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

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

TISCO Securities' Brokerage Market Share and Turnover

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

Source: The Stock Exchange of Thailand

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

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

Source: The Stock Exchange of Thailand

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

3.3.3 Resources
(1) Source of Fund

According to the nature of securities business, the funding requirement is not as high as that of finance business. The major funding sources are from operating cash flow, and loans from financial institution for the working capital purpose.

(2) Net Capital Rule

The Net Capital Rule (NCR) ratio of TISCO Securities as of December 31, 2003 is 35.1 % comparing with the regulatory requirement of 7% by the Securities Exchange Commissions (SEC).

For TISCO Securities Hong Kong, the liquid capital as of December 31, 2003 was at 34.5 million HKD higher than the minimum regulatory requirement of 8.22 million HKD according to the Financial Resource Rules.

3.4 Asset Management Business

3.4.1 Area of Service

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

(1) Mutual Fund

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

(2) Private Fund

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

(3) Provident Fund

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

TISCO Asset distribution channel is through direct sales with an exception in mutual funds where it also sales mutual fund units through agents such as banks, finance, and securities companies.

3.4.2 Market and Competition

(1) Mutual Fund

The mutual fund market size in Thailand was B720,027 million baht as of 31 December 2003, representing 65% growth from the previous year. The breakdown of fund type is shown below.

(Unit: million baht)

Mutual fund market size:	NAV Dec 2001	NAV Dec 2002	NAV Dec 2003
General mutual fund	141,667	197,442	438,344
Resolving financial institution problems fund	248,173	238,274	281,684
Total	389,840	435,716	720,028

As of 31 December 2003, there were 18 mutual funds with net asset value of 4,892 million baht under management of TISCO Asset. The breakdown of fund type is shown as follows;

(Unit: million baht)

TISCO Asset mutual fund	NAV: Dec 2001	NAV: Dec 2002	NAV: Dec 2003
Open-ended fund	1,350	3,447	4,584
Close-ended fund	1,636	122	308
Total	2,986	3,569	4,892

(2) Private Fund

The private fund market size in Thailand was 121,290 million baht as of 31 December 2003, representing 36.26% growth from in the previous year.

(Unit: million baht)

Private fund market size	NAV: Dec 2001	NAV: Dec 2002	NAV: Dec 2003
Private fund	71,799	89,017	121,290

As of 31 December 2003, there were 44 private funds with net asset value of 13,762 million baht under management of TISCO Asset, representing a market share of 11.35%. The breakdown of fund type is shown as follows;

(Unit: million baht)

TISCO Asset private fund	NAV: Dec 2001	NAV: Dec 2002	NAV: Dec 2003
Juristic person	2,152	3,678	13,044
Individual	205	328	718
Total	2,357	4,006	13,762

(3) Provident Fund

The provident fund market size in Thailand was 287,329 million baht as of 31 December 2003, representing 17.36% growth from in the previous year.

(Unit: million baht)

Provident fund market size	NAV: Dec 2001	NAV: Dec 2002	NAV: Dec 2003
Provident fund	222,901	244,823	287,329

As of 31 December 2003, there were 60 provident funds under management of TISCO Asset. There were 1,351 companies, comprising 244,703 members in total, with net asset value of 37,805 million baht, representing a market share of 13.16%. Based on the net asset value, TISCO Asset was ranked number 2 in the market. The breakdown of TISCO Asset fund type is shown as follows;

(Unit: million baht)

TISCO Asset provident fund	NAV: Dec 2001	NAV: Dec 2002	NAV: Dec 2003
Single fund	7,252	8,047	9,766
Pooled fund	9,605	11,422	13,630
State Enterprise Fund	19,839	12,274	14,410
Total	36,696	31,743	37,806

Strategy

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

3.4.3 Resources

(1) Source of Fund

According to the nature of asset management business, the funding requirement is not as high as that of finance business. The major funding sources are from capital, operating cash flow, and loan from financial institution for working capital proposes.

4. Research and Development

Research and development are not applicable to businesses of the Group which provide financial services to serve fast changing needs of customers. The company therefore continuously gears products and services to cater for customer needs and to ensure good service quality.

5. Operating Assets

5.1 Major Fixed Assets

Land, Premises, and equipment - Net

Land and premises for company and subsidiaries as of December 31, 2002 that are as follows. These assets are free from any obligations.

Type of Assets	Baht
Land and building	
1. Office of TISCO Finance Plc. At TISCO Tower, North Sathorn Road, Bangkok	758,606,513
2. Office condominium for subsidiaries at TISCO Tower, North Sathorn Road, Bangkok	386,133,695
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road, Chiang Mai	6,137,662
4. Brokerage branch – Nakhon Pathom 386,388 Petchkasem Road, Tambon Prapatone, Nakhon Pathom	8,105,689
Total land and building (net)	1,158,983,559
Office improvement	16,984,077
Office furniture and improvement	81,601,516
Others	33,468,772
Total (net)	1,291,037,925

Long term rental contracts

Long term rental contract of the company's subsidiaries for head office and branch as of 31 December 2003 are as follows;

Type of Assets	Period	Balance(Baht)
Brokerage office – 40/8 Kudun Road, Muang District Nakorn Ratchsima	11 Sep. 91 - 23 Jan. 04	6,185,920
Office of Hi-Way company on Petchburi road, Huay Kwang, Bangkok	1 Sep. 89 – 31 Aug 04	1,273,383

Rental contracts between the company and subsidiaries

There are office suit rental contracts between the company and subsidiaries in TISCO Tower building. The contract terms are within one to three years, and the rental rates charged are comparable to market rates. These contracts are illustrated as follows;

Type of Assets	Renter	Owner
48/7,8,9,52 TISCO Tower Office condominium	TISCO Securities Co., Ltd	TISCO Leasing Co., Ltd
48/16-17 TISCO Tower Office condominium	TISCO Asset Management Co., Ltd	TISCO Finance Plc.
48/12 TISCO Tower Office condominium	Thai Information Technology Co., Ltd	TISCO Leasing Co., Ltd
48/25 TISCO Tower Office condominium	TISCO Leasing Co., Ltd	TISCO Finance Plc.
48/13 TISCO Tower Office condominium	Thai Commercial Auto Co., Ltd	TISCO Finance Plc.

Other rentals

In order to manage fixed cost and increase flexibility, the Group has a policy to rent office spaces rather than buying them so that costs will be more variable to business environment. As of 31 December 2003, the Group had office spaces under rentals with the terms between one to three years as follows;

- 10 loan offices of TISCO Finance Public Co.,Ltd.
- 1 brokerage office of TISCO Securities Co.,Ltd.
- 3 provincial offices of TISCO Leasing Co.,Ltd.
- 1 office of TISCO Securities Hong Kong Ltd.

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

The company has a conservative provisioning policy as it will not write back provisions on problem loan cases that had gone through debt restructuring even though the loan qualities are classified to be improved. With this policy, the company's reserves as at 31 December 2003 was 3,882 million baht, or 147% of what was required by the Bank of Thailand. The Company's assets and allowances according to the guidelines of the Bank of Thailand, and the Securities and Exchange Commission were as follows;

(Unit : Million Baht)

	Debt balance		Debt balance		Percentage required by BOT ⁽³⁾	Allowance for doubtful accounts			
			after net off collateral			Amounts to be provided Under BOT's guidelines		Amounts already set up By the Company	
	2003	2002	2003	2002		2003	2002	2003	2002
<u>Loans and receivable⁽¹⁾⁽²⁾</u>									
Pass	36,527	30,932	28,639	21,331	1	285	213	499	676
Special mention	1,042	743	954	632	2	17	13	24	18
Substandard	244	140	184	104	20	54	21	60	38
Doubtful	147	558	129	331	50	85	165	94	279
Bad debts	2,299	2,405	1,734	1,313	100	1,866	1,313	1,890	1,327
Total	40,259	34,778	31,640	23,711		2,307	1,725	2,567	2,338
Loss on receivable under troubled debt restructuring	-	-	-	-		332	462	332	462
Total	40,259	34,778	31,640	23,711		2,639	2,187	2,900	2,800
General reserve (Reserve in excess of the BoT requirements)								982	1,064
Total								3,882	3,864
<u>Investment in securities</u>									
Bad debts									
Debt instruments	64	61	64	61	100	64	61	64	61
Equity instruments	497	202	497	202	100	497	202	497	202
Total	561	263	561	263		561	263	561	263
<u>Investment in receivables</u>									
Bad debts	7	7	-	-	100	-	-	-	-
<u>Properties foreclosed</u>									
Land	86	93	86	93	100	86	93	86	93
Total classified assets	40,913	35,141	32,287	24,067		3,286	2,543	4,528	4,220

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

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

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

Asset Classification Policy

The company defines asset classifications according to the Notification of the Bank of Thailand regarding Worthless or Irrecoverable Assets and Doubtful Assets that may be Worthless or Irrecoverable as follows;

(1) Assets classified as Loss are claims where there is no possibility of repayment due to death, disappearance, bankruptcy or dissolved business, or loss from debt restructuring according to the rules and regulations from BOT.

(2) Assets classified as Doubtful to Loss are assets or claims whose entire value are expected to be irrevocable, such as debt claim on the principal and interest overdue more than 12 months from payment date.

(3) Assets classified as Doubtful are assets or claims that are unlikely to be repaid in full, such as debtor with overdue payments more than 6 months from contractual payment date.

(4) Assets classified as Sub-Standard are defined as assets or claims with difficulties of repayment or do not generate a reasonable income, such as debtor owing interest and/or principal payments for cumulative period of over 3 months from contractual due date.

(5) Assets classified as Special Mention are assets or claims whose value is deteriorating, such as debtor owing interest and/or principal payments for cumulative period of over 1 month from contractual due date.

(6) Assets classified as Pass are assets or claims which are not classified as Loss, Doubtful to Loss, Doubtful, Sub-Standard, or Special Mention.

Provision for Loan Loss Policy

The company and its subsidiaries' provisioning policy for bad debt allowances or losses from debt restructuring is in accordance with the regulations of Bank of Thailand and the Securities Exchange Commissions, or the internal provisioning guidelines, which are assessed from debtors' capability to repay, whichever more stringent. The Bank of Thailand has laid down the regulations on classification of assets with guidelines on provisioning requirements, collateral appraisal criteria, as well as classification of restructured debts. The provisioning requirements, for bad debt allowance under the Bank of Thailand regulation can be summarized as follows:

1. Assets classified as Loss shall be written off.
2. Assets classified as Doubtful to Loss requires 100% provisions.
3. Assets classified as Doubtful requires a minimum of 50% provisions.
4. Assets classified as Sub-Standard requires a minimum of 20% provisions.
5. Assets classified as Special Mention requires a minimum of 2% provisions.
6. Assets classified as Pass requires a minimum of 1% provisions.

Besides, the company also has a policy to provide general provisioning for bad debt allowance in order to cushion against any unexpected loan loss in the future. Setting of general provision is based on the economic conditions on the time, and will be considered on a case by case basis.

Policy for Recognition of Interest Income

The company has a more conservative policy for recognition of interest income than the requirement of the Bank of Thailand. Under the company's policy, interest income will be recognized on accrual basis. The company will stop accruing income for loans on which interest payments are overdue by more than 1 month for commercial loans, 2 months for securities business loans, and 3 months for retail loans. The company will reverse all recorded accrued interest of such loans, and only record all income received thereafter on cash basis. Income recognition of such loans will be reinstated to accrual basis only when the total overdue amount is received.

Following the Notification of Bank of Thailand as dated December 24, 1998 on "Regulations on Accounting Principles for Finance Companies and Credit Foncier Companies", finance companies shall not adopt the accrual principal of income recognition in the following cases.

1. Where debtors who have undertaken loan, acted as guarantor, undertaken aval of bills or become obligator of bills have overdue interest payments of over 3 month from the due date set out in the contract.
2. Where the hire-purchase debtor has cumulative overdue interest payments of over 3 months from the due date set out in the contract.
3. Where debtors who have undertaken loan, acted as guarantor, undertaken aval of bills or become obligator of bills have overdue interest payments of 3 month or under but have been classified as Doubtful, Doubtful of Loss, or Loss following the notification of Bank of Thailand on "Worthless or Irrecoverable assets and other doubtful assets which may be worth less or irrecoverable".

Policy for Debt Restructuring

The company and its subsidiaries recognize interest income from restructured loans only on cash basis. Income recognition will be restated to accrual basis only when receiving an approval from the Problem Loan Committee, assuring of status of the borrower in the capacity to repay principles and interests as in the normal situation.

5.3 Investments in Securities

Securities Investments Policy

For investment in listed equities, the company has a policy to invest in good fundamental equities, taking into account the risks, liquidity, expected return and investment concentration. For investment in non-listed equities, the company does not have a policy to expand the current portfolio, but emphasizes on capturing the opportunities to liquidate the current holding at the highest possible value. Meanwhile, investment in securities is segregated into trading portfolio, available-for-sales portfolio and investment portfolio. The investment policies are therefore set up consistently with the specific investment objectives of each portfolio.

Risk Management of Investment Portfolio

The company diversifies its investments in order to avoid high concentration in single securities. Appropriate investment opportunities are emphasized to ensure of proper risk-return trade-off. In addition, the company has set up an integrated risk management system to aggregate all investment risks, where the issues of capital adequacy and the prospect of risk-return from each investment are incorporated to enable timely portfolio adjustment if required.

Allowance for Impairment of Securities

The guidelines to set up allowance for impairment could be summarized as follows:

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 earning.

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 included in determining earning.

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 earning.

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.

5.4 Policies on investment in associate and subsidiaries

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

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

Internal control and risk management of subsidiaries companies are centralized at the company, on which the company will apply the same standard of policies and guidelines.

Details of Investment in Subsidiaries as of December 31, 2003

Company	Address	No. of Outstanding	No. of Holding		Book value	%
			Type	No. of Share		
<u>Finance Business :</u>						
Thai Permsap Finance Co., Ltd.	48/2 TISCO Tower 1 st Floor North Sathorn Road, Silom, Bangrak, Bangkok	1,500,000	Common	1,499,856	71,650,260	100
<u>Hire Purchase Business :</u>						
Hi-Way Co., Ltd.	2046/16 New Petchburi Road, Bangkapi, Huaykwang, Bangkok	5,500	Preferred	5,500	469,875,601	100
TISCO Leasing Co., Ltd.	48/25 TISCO Tower 15 th Floor North Sathorn Road, Silom, Bangrak, Bangkok	994,495	Common	994,495	1,224,156,306	100
Thai Commercial Auto Co., Ltd.	48/13 TISCO Tower 7 th Floor North Sathorn Road, Silom, Bangrak, Bangkok	8,900,000	Common	8,899,994	443,617,224	100
<u>Securities Business :</u>						
TISCO Securities Co., Ltd.	48/8 TISCO Tower 4 th Floor North Sathorn Road, Silom, Bangrak, Bangkok	10,000,000	Common	4,999,996	1,544,352,350	100
TISCO Securities Hong Kong Limited	Room 1221-22, 12F, Two Pacific Place, 88 Queensway, Hong Kong	2,000,000	Common	1,999,999	260,007,052	100
<u>Asset Management Business :</u>						
TISCO Asset Management Co., Ltd.	48/16-17 TISCO Tower 9 th Floor North Sathorn Road, Silom, Bangrak, Bangkok	1,000,000	Common	999,994	300,695,932	100
<u>Other Business :</u>						
Thai Information Technology Co., Ltd.	48/12 TISCO Tower 6 th Floor North Sathorn Road, Silom, Bangrak, Bangkok	200,000	Common	199,994	42,092,503	100

Details of Investment of the company and subsidiaries in Other Companies as of December 31, 2003

Company	Address	No. of Outstanding	No. of Holding		Book value	%
			Type	No. of Share		
Insurance Business :						
GITC Co., Ltd	1168/4 Lumpini Tower 2 nd Floor Rama 4 Road, Sathorn, Bangkok	300,000	Common	120,000	13,453,200	40
AXA (Thailand) Co., Ltd.	1168/67 Lumpini Tower 23 rd Floor Rama 4 Sathorn, Bangkok	3,526,421	Common	390,568	58,887,015	11
Service Business :						
JiJi Press (Thailand) Co., Ltd.	138 Boonmitr Building 8 th Floor, Silom Road, Bangrak, Bangkok	1,000	Preferred	200	1,627,646	20
K line (Thailand) Co., Ltd.	33/29-31 Wall Street Tower 8 th Floor, Surawongse Road, Bangrak, Bangkok	4,000	Common	800		
		10,000	Common	1,000	35,334,990	10
Leasing and Hire Purchase Business:						
Mizuho Corporate (Thailand) Co., Ltd.	48/44 TISCO Tower 19 th Floor North Sathorn Road, Silom, Bangrak, Bangkok	60,000	Common	12,600	1,849,050	21
Volkswagen Leasing Thailand Ltd.	48/13 TISCO Tower 7 th Floor North Sathorn Road, Silom, Bangrak, Bangkok	1,600,000	Common	640,000 ¹	29,845,846	20
Import and Export Business :						
Shin Thai Enterprises Co., Ltd.	1168/53-54 Lumpini Tower 20 th Floor Rama 4 Road, Sathorn, Bangkok	30,000	Common	3,000	5,707,044	10
PDTL (Trading) Co., Ltd.	518/5 Maneeya Building 16 th Floor Ploenchit Road, Lumpini, Patumwan, Bangkok	10,000	Common	1,500	13,904,710	15
Wattana Inter-trade Co., Ltd.	62 Thaniya Building 7 th Floor Silom, Surawongse, Bangrak, Bangkok	300,000	Common	30,000	3,918,000	10

Company	Address	No. of Outstanding	No. of Holding		Book value	%
			Type	No. of Share		
<u>Real Estate Business :</u>						
Prosperity Industrial Estate Co., Ltd.	973 President Tower 6 th Floor Ploenchit, Lumpini, Patumwan, Bangkok	4,739,840	Common	473,984	45,342,186	10
UMI Property Co., Ltd.	65/233 Chamnan Penchart Business Center, Rama 9 Road, Huaykwang, Bangkok	1,500,000	Common	150,000	12,844,500	10
Sathorn Sombat CO., Ltd.	90 North Sathorn Road, Silom, Bangrak, Bangkok	500,000	Common	110,592	-	22
<u>Industrial Business :</u>						
Siam Art Ceramic Co., Ltd.	116/77-9 Nonsri Road, Yannawa, Bangkok	11,000,000	Common	1,100,000	13,222,000	10
<u>Investment :</u>						
Interthai Holding Ltd.	2 Ploenchit Center Tower 12 th Floor, Sukhumvit, Klongtoey, Bangkok.	100,000	Preferred	10,000	250,000	10

/1 indirectly held by Thai Commercial Auto Co., Ltd.

6. Future Project

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

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

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

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

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

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

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

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

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

7. Legal Dispute

As of December 31, 2003, the company and its affiliates had 7 unsettled legal cases arisen from their normal business operation, with a total financial amount of approximately 91 million baht, less than 5 percent of the shareholders' equity. In addition, there are 2 cases that were not arisen from normal business operation as follows:-

1. A case of a contractor suing for damages of approximately 700,000 Baht.
2. A case that a former employee of an affiliate company sued the affiliate and its directors on an offense of insult.

8. Capital Structure

8.1 Share Information

8.1.1 Common Shares and Preferred Shares

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

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

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

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

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

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

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

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

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

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

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

All of the above preferential rights of the holders of preferred shares shall be valid until June 30, 2009. Upon expiration of such term, the rights and benefits of the preferred shareholders shall be equal to the holders of common shares and preferred shares shall be

¹ As of December 31, 2003 the number of unpaid preferred shares reserved for the exercise of warrants granted to the directors and employees of the Company and its subsidiaries was Baht 18,480,500.

converted into common shares whereby the preferred shareholders shall submit applications to the Company for conversion in a form prescribed by the Company together with the preferred share certificates.

The details of total preferred shares held by the management as of December 31, 2003 are described in Attachment 2.

8.1.2 Offerings of Securities and Other Convertibles

Offerings of Securities and Other Convertibles to Thai Trust Fund

None

NVDR

As of December 31, 2003, 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 in total of 29,507,820 units or 4.15% of paid up capital. Although all financial benefits received by NVDRs investors are similar to the benefits from the Company's common shares, NVDR investors shall have no voting right in shareholder meeting except for delisting decision. Therefore, if a lot of company shares are sold to investors under 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 find records of the Company's NVDRs from the website of the SET (www.set.or.th).

8.1.3 Warrants

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

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

1. Warrants to Purchase Preferred Shares – Tranche 1

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

2. Warrants to Purchase Preferred Shares – Tranche 2

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

3. Warrants to Purchase Preferred Shares – Tranche 3

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

4. Warrants to Purchase Preferred Shares – Tranche 4
- | | | |
|-----------------------|---|--|
| Type of Warrants | : | Non-transferable warrants offered to directors and employees of TISCO and its subsidiaries |
| Issuing Date | : | June 20, 2003 |
| Offering Price | : | Baht 0 |
| Unexercised Warrants: | : | 5,420,000 units |
| Exercise Price | : | Baht 14.94 |
| Exercise Ratio | : | 1:1 |
| Tenor | : | 5 years |
| Maturity Date | : | June 20, 2008 |

8.1.4 Debentures

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

The company

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

Type of Offering	:	To offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	:	Baht 1,000,000
Offering Price	:	Baht 1,000,000
Issue Size	:	161 units
Outstanding	:	161 units
Tenor	:	10 years
Issuing Date	:	February 11, 1999
Maturity Date	:	February 11, 2009
Coupon Rate	:	Fixed rate 6% per annum
2. TISCO Finance Public Company Limited 2nd unsubordinated and unsecured debenture with maturity date in 2009

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

-
3. TISCO Finance Public Company Limited 1/2002 #1 fixed rate debenture with maturity date in 2007 (“Tranche 1 Debenture”)
- | | | |
|----------------|---|-----------------------------------|
| Face Value | : | Baht 1,000 |
| Offering Price | : | Baht 1,000 |
| Issue size | : | 2,000,000 units |
| Outstanding | : | 2,000,000 units |
| Tenor | : | 5 years |
| Issuing Date | : | July 29, 2002 |
| Maturity Date | : | July 29, 2007 |
| Security | : | None |
| Coupon Rate | : | Fixed rate 4.25% per annum |
| Rating | : | “A” from TRIS on November 7, 2003 |
4. TISCO Finance Public Company Limited 1/2002 #2 floating rate debenture with maturity date in 2007 (“Tranche 2 Debenture”)
- | | | |
|----------------|---|---|
| Face Value | : | Baht 1,000 |
| Offering Price | : | Baht 1,000 |
| Issue size | : | 1,000,000 units |
| Outstanding | : | 1,000,000 units |
| Tenor | : | 5 years |
| Issuing Date | : | July 29, 2002 |
| Maturity Date | : | July 29, 2007 |
| Security | : | None |
| Coupon Rate | : | 3.5% per annum for the first 2 years |
| | : | Floating rate at the reference rate plus 0.5% per annum in the third to fifth year providing that it shall not be less than 3.75% but no more than 5%, 5.5% and 6% per annum in the third, the fourth and the fifth year, respectively. |
| Rating | : | “A” from TRIS on November 7, 2003 |
5. TISCO Finance Public Company Limited 2/2002 debenture with maturity date in 2007
- | | | |
|----------------|---|--|
| Face Value | : | Baht 1,000 |
| Offering Price | : | Baht 1,000 |
| Issue Size | : | 1,800,000 units |
| Outstanding | : | 1,800,000 units |
| Tenor | : | 5 years |
| Issuing Date | : | October 21, 2002 |
| Maturity Date | : | October 21, 2007 |
| Security | : | None |
| Interest Rate | : | 6% minus the reference rate in the first to third year providing that it shall not be less than 0 %. |
| | : | 3.8% per annum for the fourth to fifth year |
| Rating | : | “A” from TRIS on November 7, 2003 |
-

Subsidiaries

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

Face Value	:	Baht 1,000
Offering Price	:	Baht 1,000
Issue Size	:	400,000 units
Outstanding	:	400,000 units
Tenor	:	3 years
Issuing Date	:	September 2, 2003
Maturity Date	:	September 2, 2006
Security	:	None
Coupon Rate	:	Fixed rate 3.25% per annum
Rating	:	"BBB+" from TRIS on August 14, 2003

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

Face Value	:	Baht 1,000
Offering Price	:	Baht 1,000
Issue size	:	500,000 units
Outstanding	:	500,000 units
Tenor	:	3 years
Issuing Date	:	October 6, 2003
Maturity Date	:	October 6, 2006
Security	:	None
Coupon Rate	:	Fixed rate 3.2% per annum
Rating	:	"BBB+" from TRIS on August 15, 2003

8.1.5 Major shareholders' agreement on the matter affecting share issuance or the Company's management that the Company jointly signed on.

None

8.1.6 Minority interest – equity attributable to minority shareholders of subsidiaries

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

8.2 Shareholders

The list of first 10 major shareholder groups whose names appeared in the share registration book on April 4, 2003 is as follows;

Shareholder Name	Total Share Holding			%
	Common Shares	Preferred Shares	Total	
1. CDIB & Partners Investment Holding	38,530,000	80,000,000	118,530,000	16.8
2. Mizuho Corporate Bank, Ltd	7,505,652	46,000,000	53,505,652	7.6
3. Deutsche Bank	36,580,296	0	36,580,296	5.2
4. Goldman Sachs International	29,412,200	0	29,412,200	4.2
5. Morgan Stanley & Co. International	28,156,660	0	28,156,660	4.0
6. Phatpanichchote Family	15,000,000	12,800,000	27,800,000	3.9
7. Thai Farmer Bank Plc.	20,000,000	0	20,000,000	2.8
8. HSBC (Singapore) Nominee Pte Ltd.	18,405,040	0	18,405,040	2.6
9. Thai NVDR Co.Ltd.	17,209,900	97,100	17,307,000	2.4
10. Government Pension Fund	14,671,300	463,700	15,135,000	2.1
Total	225,471,048	139,360,800	364,831,848	51.6

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

8.3 Dividend Policy

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

Dividend shall be paid equally according to the numbers of shares, unless otherwise specified for the preferred shares in the Article item 8.1.1. Payment of dividend shall be subject to shareholders' approval.

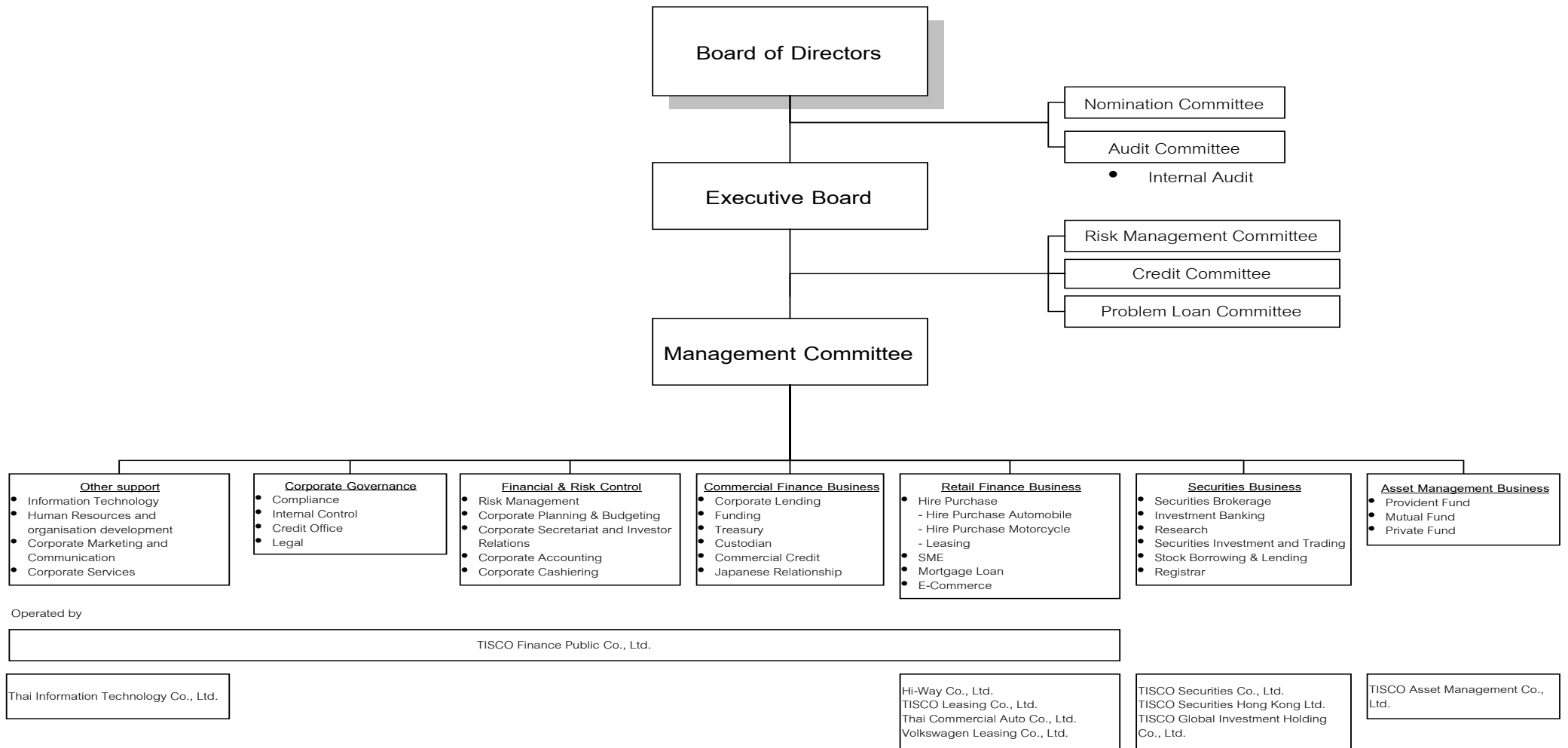
The Board of Directors may from time to time pay interim dividend when they see that the Company has sufficient profit to do so and, after the interim dividend has been paid, they shall report to the next meeting of shareholders.

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

9. Management

9.1 Management Structure

The Board Structure comprises 4 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination Committee. In addition, the Company and subsidiaries also have the Management Committee to oversee and monitor the operations of each business to be in line with policy and plan as approved by the Board of Directors for setting the policy of the Company's and its subsidiaries.



Note: Thai Permsap Finance Co., Ltd. is currently a dormant company,
TISCO Securities UK Co.,Ltd. is in liquidation process,

9.1.1 Board of Directors

As of December 31, 2003, the Board of Directors consists of 9 directors as follows.

Name	Position
1. Dr. Phisit Pakkasem	Chairman and Independent Director
2. Mr. Pliu Mangkornkanok	Director
3. Mr. Pichai Chanvirachart	Director
4. Dr. Joung-Yol Lin ^{/1}	Director
5. Mr. Jerry L. Lu ^{/1}	Director
6. Mr. Yukio Matsunaga ^{/2}	Director
7. Mr. Edouard Fernen Peter ^{/3}	Director
8. Mrs. Krisna Theravuthi	Independent Director
9. Mr. Vudhiphol Suriyabhivadh	Independent Director

^{/1} Representative from CDIB & Partners Investment Holding Corp.

^{/2} Representative from Mizuho Corporate Bank Ltd.

^{/3} Representative from Deutsche Bank, AG

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

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

Authority and Responsibilities of Board of Directors:

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

Such other matters as capitalization, decapitalization, issuance of debentures, sale or transfer of the whole or important parts of the business of the Company to other persons, purchase or acceptance of transfer of the business of other companies, amendment of the Company's Memorandum and Articles of Association as well as occurrence of transactions between related parties and sale and purchase of important parts of the business as per

regulations stipulated by the SET or other governmental agencies, must obtain resolutions from the shareholder meetings.

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

Name	Times of Attendance	Remarks
1. Dr. Phisit Pakkasem	7	
2. Mr. Pliu Mangkornkanok	7	
3. Mr. Pichai Chanvirachart	7	
4. Dr. Joung-Yol Lin	5	
5. Mr. Edouard Fernen Peter	2	
6. Mr. Vudhiphol Suriyabhivadh	7	
7. Mrs. Krisna Theravuthi	7	
8. Mr. Visut Montrivat	3 (out of 6)	Resigned on December 2, 2003.
9. Mr. Keiji Torii	- (out of 3)	Resigned on May 19, 2003.
10. Mr. Yukio Matsunaga	2 (out of 3)	Assumed on June 12, 2003.
11. Dr. T.K. Yang	- (out of 4)	Resigned on July 16, 2003.
12. Mr. Jerry L. Lu	1 (out of 1)	Assumed on October 29, 2003.

9.1.2 Executive Board

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

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

Authority and responsibilities of Executive Board:

1. Determine business strategies, mergers & acquisition activities, new business ventures, and new products.
2. Approve annual budgeting.
3. Approve credit with substantial amount and/or transaction that involve high risks.
4. Supervise Risk Management Committee, Credit Committee, 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's remuneration.

9.1.3 Audit Committee

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

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

Authority and responsibilities of Audit Committee:

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

9.1.4 Nomination Committee

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

Name	Position
1. Dr. Phisit Pakkasem ¹	Chairman of the Nomination Committee
2. Mr. Pliu Mangkornkanok	Member
3. Dr. Joung-Yol Lin	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 the competent candidates for the Company's Director to the Board of Directors for consideration.
3. Study and propose criteria, and procedures in evaluating the Board of Directors' performance.
4. Facilitate the process of Board of Directors' performance evaluation as delegated by the Board of Directors.

9.1.5 Management Committee

The Management Committee members of the Company and its subsidiaries were appointed by the Board of Directors. As of December 31, 2003, the Management Committee comprised 9 members as follows.

Name	Position	Company
1. Mr. Pliu Mangkornkanok	Chief Executive Officer	TISCO Finance Plc.
2. Mr. Pichai Chanvirachart	Chief Operating Officer	TISCO Finance Plc.
3. Mrs. Oranuch Apisaksirikul	Chief Financial Officer	TISCO Finance Plc.
4. Mr. Suthas Ruangmanamongkol	Head of Commercial Finance, Treasury & Funding	TISCO Finance Plc.
5. Mr. Panya Wotticharoenwong	Head of Retail Business	TISCO Finance Plc.
6. Mrs. Chayathip Chuvanichanon ¹	Chief Information Officer	TISCO Finance Plc.
7. Ms. Nattamon Issaradharm	Chief Governance Officer	TISCO Finance Plc.
8. Mr. Vanchai Manosuthi	Managing Director	TISCO Securities Co., Ltd.
9. Mrs. Anchalee Bunnag	Managing Director	TISCO Asset Management Co., Ltd.

¹ Resigned with effect of January 1, 2004

and Ms. Chutintorn Vigasi as a Head of Corporate Accounting.

Authority and Responsibilities of Management Committee:

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

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

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

9.2 Directors and Management Nomination:

9.2.1 Nomination at the Director Level

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

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

remaining Directors, unless, the term of the original director is less than two months. For the purpose thereof, the resolution of the Board of Directors shall be passed by the vote of not less than three-fourth of number of remaining Directors, but any person so appointed shall hold office only for the remainder of the term of the director to whom he has succeeded. If a general meeting of the shareholders remove a director, and appoint another in his stead, the person so appointed shall hold office only for the remainder of the term of the director so removed.

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

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

Directors	Number of Directors
Representatives from shareholders	
CDIB & Partners Investment Holding Corp	2
Mizuho Corporate Bank Ltd.	1
Deutsche Bank , AG	1
Total	4
Independent Director	3
Management	2
Total	9

9.2.2 Nomination at the Management Level

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

9.3 Remuneration of Director and Management Committee

9.3.1 Financial Remuneration

The monthly remuneration as determined by the Company was

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

The details of the Board of Directors' remuneration given during 2003 are as follow.

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

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

In 2003, the total remuneration for 14 members of the Audit Committee, Executive Board and Management Committee (including 1 Management who resigned during the year) were 144,736,992.22 baht. This was paid in the form of monthly compensation, salaries, provident fund and bonus which was varied by Company's performance.

9.3.2 Other forms of Remuneration

In 2000, the annual general meeting of the Company's shareholders passed a resolution approving the allocation to directors and employees of the Company and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Company's preferred shares. The allocation determined by the Allotment Committee with regard to competency and potential of employees must obtain resolution from the general meeting of shareholders. In 2003, the number of warrants granted to the Executive Board and Management Committee was 2,600,000 or 45.98% of the warrants granted in 2003. Since the beginning of the program, the Company has allotted a total of 11,130,000 warrants to the Executive Board and Management Committee, or 43.76 % of total warrant in the program.

9.4 Corporate Governance

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

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

1. Corporate Governance Guideline

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

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

2. Shareholders : Rights and Equitable Treatments

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

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

specifying all the relevant information is sent to the Company's share registrar to be submitted to the shareholders not less than 7 days before the date set for the meeting.

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

3. Various Groups of Stakeholders

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

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

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

4. Shareholders' Meeting

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

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

5. Leadership and Vision

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

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

6. Conflict of Interests

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

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

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

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

7. Business Ethics

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

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

8. Balance of Power for Non-Executive Directors

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

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

9. Aggregation of Segregation of Positions

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

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

10. Remuneration for Directors and the Management

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

annual report its remuneration policy and the amounts set for the directors and executives in accordance with the SEC's rule.

11. Board of Directors' Meeting

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

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

12. Committee

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

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

13. Controlling System and Internal Audit

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

14. Directors' Report

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

provide the report on the audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report were exhibited in the annual report.

15. Relations with Investors

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

9.5 Control of Internal Information

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

9.6 Human Resource

As of December 31, 2003, the total number of employees in the Company and its subsidiaries was 1,672 (excluding management) of which 1,259 are permanent employees and 413 are contract's.

Major Function	No. of Employees
1. Finance	329
2. Hire Purchase	699
3. Securities	242
4. Fund Management	110
5. Others	85
6. Back office and Administration	207
Total	1,672

The number of employees of the Company and its Subsidiaries at the end of 2002 was 1,526, increased from 1,243 at the end of 2001 as the Company started to manage the assets portfolio of Sukhumvit Asset Management in 2002. In 2003, the number of employees further increased by 146, following the business expansion.

For the year 2003, the Company's and its subsidiaries total employee remuneration in form of salary, bonus, and provident fund was Baht 923,327,160.78. In the last 2 years, the Company and its subsidiaries have adjusted their personnel expenses following business performance. The proportion of variable personnel expenses to total personnel expenses in 2002 and 2003 were 25 and 45 percent respectively.

Human Resource Management

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

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

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

Human Resource Development

To support and to be in line with competency based management, all learning and development programs are based on organisational, leadership and functional competencies. The leaders of business and support functions together with HR function have joint role to identify competency gap of each employee and each job function, then customise the training and development programs accordingly.

There is a major change in measurement of training results. The Company focused on how well the knowledge and skills learnt have been transferred to the jobs rather than focusing on the number of training class or number of staff trained.

For a long-term plan, "identifying high flyers" and "leadership development program" shall be put into place. All personnel in HR function will be developed to be internal consultants and business partners to be in line with the Company 's strategic management.

Organisation Development

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

In the year 2001, the Company revised and redefined its business directions to strengthen competitive advantage. The process started from defining all "direction statements" which were vision, mission, values and brand statements in order to direct the employees' work focus and to communicate clearly to all stakeholders. The communication and description of vision, mission and values (VMV) have been emphasised and embedded in work processes and staff activities to foster positive work environment, motivate, attract and retain right talented performers.

Vision	“To be Customer’s First Choice”
Mission	We are a constantly learning organisation that strongly adheres to the highest standards of professionalism and good corporate governance. We are committed to providing competitive and innovative financial solutions that ensure complete customer satisfaction. We are also dedicated to investing in our people and providing them with every opportunity for career development.
Values	<ul style="list-style-type: none"> • Assertive • Add-Value • Sharing/Team Spirit • Broad • Logical • Result-Oriented • Learning • Integrity

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

Due to the newly defined corporate culture and values together with new human resource management systems, Change Management was needed for all executive members and employees. The CEO and senior management focused more on the role of leading the change.

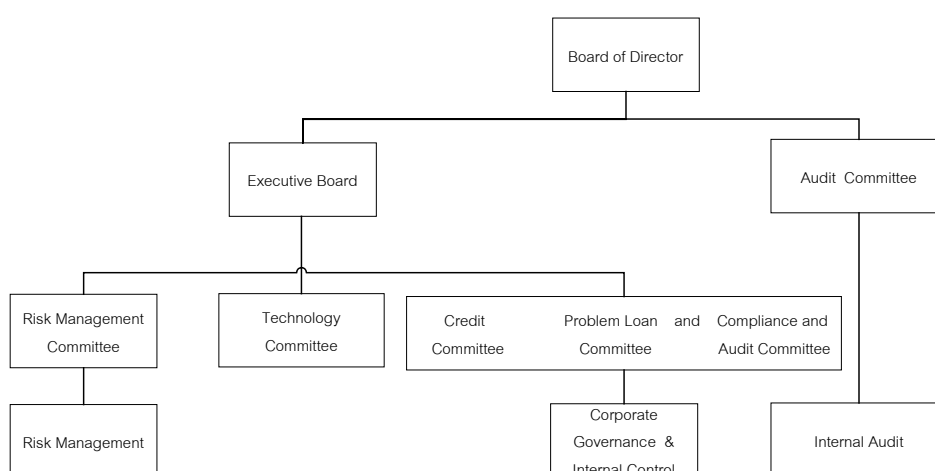
10. Internal Control

10.1 Internal Control Overview

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

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

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



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

- The Risk Management Committee is responsible for setting up effective risk management policies, guidelines and limits. The committee regularly reviews risk positions of the company and subsidiaries to ensure comprehensive and timely risk monitoring and control. Risk Management function supports the committee in assessing and monitoring company risks at portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports the risk positions to Risk Management Committee and relevant business line, and performs risks analyses of new businesses for the company and subsidiaries.

- The Credit Committee and Problem Loan Committee are responsible for setting up credit granting criteria and controlling loan approval procedures at transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Office supports the committees in assessing and controlling credit approval process of each transaction. In addition, Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.
- Compliance and Audit Committee is responsible for reviewing the internal controls guidelines and processes, as well as following up and detecting issues and compliant related to internal controls, to ensure that operational risks are thoroughly addressed.

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

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

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

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

10.2 Audit Committee Report

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. Ms. Krisna Theravuthi | Director |
| 3. Mr. Vudhiphol Suriyabhivadh | Director |

The Audit Committee performs the duties and responsibilities as prescribed by the charter of Audit Committee and carries out its duties independently. There are no restrictions on the Audit Committee's access to information. The Audit Committee appreciates the Management's full co-operation and provisions of resources, whenever requested. The Audit

Committee supports the Company's good corporate governance in accountability, transparency, fairness, integrity, and check & balance, which in turn will serve the best interests of not only shareholders but also employees and stakeholders.

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

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

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

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

Upon taking all foregoing information into consideration, the Audit Committee agrees with the Certified Public Accountant that the Company's financial statements and the disclosure of relevant information are adequate, complete and reliable in accordance with generally accepted accounting principles. The Company has an appropriate internal control system and there is no significant non-compliance with regulations. The Audit Committee views that the

Company Board of Directors and the Management have determination to implement good corporate governance, and in the year 2003, the Company Board of Directors was presented “The Board of the Year Awards – 2002” organized by the National Corporate Governance Committee.

10.3 Board of Directors Report on Internal Control System

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

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

11. Related Party Transaction

The Company had no transactions between related parties.

11.1 The measure or procedure of an approval on related party transaction

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

11.2 Future Related Transaction Policy

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

12. Financial Status and Performance

12.1 Financial Statements

12.1.1 Auditor's Report

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2001 and 2002

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2001 and 2002 was Mr. Narong Puntawong, the Certified Public Accountant (Thailand) No. 3315, of Ernst & Young Office Limited. The conclusion of his report can be described as follows.

The independent auditor did not audit the 2001 and 2002 financial statements of one subsidiary company, Thai Permsap Finance Company Limited. However, on receiving an audit report from the subsidiary's auditor who expressed an unqualified audit opinion on those financial statements (for the year 2001, drew attention to the uncertainty of the economic situation), the independent auditor's opinion was therefore based solely on the report of the other auditor.

Based on the independent auditor's audit and the report of the other auditor, the financial statements presented fairly, in all material respects, the financial position of the Company and its subsidiaries, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

The Consolidated Financial Statements of the Company and its Subsidiaries for the Year Ended December 31, 2003

The independent auditor for the Company's financial statements and the Company's and its subsidiaries' consolidated financial statements for the year ended December 31, 2003 was Mr. Supachai Phanyawattano, the Certified Public Accountant (Thailand) No. 3930, of Ernst & Young Office Limited. The conclusion of his report can be described as follows.

The independent auditor did not audit the 2003 financial statements of one subsidiary company, Thai Permsap Finance Company Limited. However, on receiving an audit report from the subsidiary's auditor who expressed an unqualified audit opinion on those financial statements, the independent auditor's opinion was therefore based solely on the report of the other auditor.

Based on the independent auditor's audit and the report of the other auditor, the financial statements presented fairly, in all material respects, the financial position of the Company and its subsidiaries, the results of the operations, and cash flows in accordance with generally accepted accounting principles.

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

Table Depicting the Consolidated Financial Statements of the Company and its Subsidiaries
**TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
BALANCE SHEETS
AS AT DECEMBER 31**

	Unit: Baht		
	2001	2002	2003
CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS	716,084,574	832,613,406	1,193,449,580
LOANS TO FINANCIAL INSTITUTIONS	135,890,420	735,205,697	601,124,746
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	-	37,000,000
INVESTMENT IN SECURITIES			
Current investment – net	3,331,411,437	2,598,948,561	3,609,638,817
Long-term investment – net	6,008,021,727	3,557,198,956	4,456,098,003
Investment in subsidiaries and associated companies - net	21,898,081	24,981,601	29,845,846
Net investments	9,361,331,245	6,181,129,118	8,095,582,666
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	36,031,079	85,901,326	730,192,296
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE			
Finance business loans and receivable	31,479,321,293	39,726,588,045	45,564,175,944
Securities business receivable	905,717,370	1,099,602,791	3,428,002,051
Total loans and receivable	32,385,038,663	40,826,190,836	48,992,177,995
Accrued interest receivable	201,559,077	112,133,972	106,291,259
Total loans, receivable and accrued interest receivable	32,586,597,740	40,938,324,808	49,098,469,254
Less : Allowance for doubtful accounts	(1,817,393,315)	(4,240,268,089)	(4,267,841,247)
Less : Allowance for loss on debt restructuring	(333,862,492)	(462,267,957)	(331,789,594)
Net Loans, receivable and accrued interest receivable	30,435,341,933	36,235,788,762	44,498,838,413
PROPERTY FORECLOSED – Net	2,236,958,660	1,316,814,782	1,414,206,927
LAND, PREMISES AND EQUIPMENT – Net	1,429,802,681	1,344,448,550	1,291,037,925
DEFERRED TAX ASSETS	256,685,511	260,697,463	623,152,945
GOODWILL	881,650,314	833,475,770	-
OTHER ASSETS	1,401,355,108	1,386,111,305	1,778,668,610
TOTAL ASSETS	46,891,131,525	49,212,186,179	60,263,254,108

**TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
BALANCE SHEETS (CONTINUED)
AS AT DECEMBER 31**

Unit: Baht

	2001	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
BORROWINGS AND DEPOSITS			
From public	35,457,648,500	30,943,746,418	33,911,944,411
From banks	1,159,268,038	2,259,109,462	2,316,529,825
From financial institutions	1,535,437,031	1,005,111,315	1,785,987,834
From foreign countries	57,174,741	53,384,018	99,434,806
Total borrowings and deposits	38,209,528,310	34,261,351,213	38,113,896,876
SECURITIES SOLD AND UNDER REPURCHASE AGREEMENTS	100,000,000	-	-
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	88,035,997	426,888,698	864,587,451
SECURITIES BUSINESS PAYABLE	568,706,778	431,448,657	3,299,166,871
LIABILITIES UNDER COMMERCIAL PAPERS SOLD	195,000,000	357,000,000	211,000,000
ACCRUED INTEREST PAYABLE	139,968,436	186,886,572	185,536,386
SUBORDINATED DEBENTURES	331,000,000	5,131,000,000	5,941,000,000
OTHER LIABILITIES	570,362,146	605,381,294	926,960,353
TOTAL LIABILITIES	40,202,601,667	41,399,956,434	49,542,147,937
SHAREHOLDERS' EQUITY			
Share capital			
Issued and paid up	7,018,650,000	7,065,345,000	7,117,195,000
Share premium			
Share premium of preference shares	36,500,000	36,500,000	36,500,000
Share premium of ordinary shares	-	1,184,895	7,811,540
Preference shares subscription received in advance	350,000	-	-
Revaluation surplus on changes in the value of investment	126,793,564	58,797,600	1,032,910,120
Translation adjustments	136,463,224	127,318,922	102,400,755
Retained earnings			
Appropriated – statutory reserve	48,700,000	48,700,000	143,300,000
Unappropriated (deficit)	(1,112,482,183)	41,567,518	1,837,248,600
Equity attributable to Company's shareholders	6,254,974,605	7,379,413,935	10,277,366,015
Minority interest (equity attributable to minority shareholders of subsidiaries)	433,555,253	432,815,810	443,740,156
TOTAL SHAREHOLDERS' EQUITY	6,688,529,858	7,812,229,745	10,721,106,171
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	47,059,168,486	49,212,186,179	60,263,254,108

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENT OF EARNINGS
FOR THE YEAR ENDED 31 DECEMBER

Unit: Baht

	2001	2002	2003
INTEREST AND DIVIDEND INCOME			
Loans and deposits	1,155,963,549	1,036,470,747	837,151,783
Hire purchase and financial lease	1,393,027,077	1,849,728,024	2,410,065,484
Investment in securities	563,220,073	482,873,228	318,115,339
Total interest and dividend income	3,112,210,699	3,369,071,999	3,565,332,606
EXPENSES ON BORROWINGS			
Interest and discounts	1,338,463,443	1,259,748,447	1,211,613,217
Fees and charges	6,427,841	7,282,756	4,551,250
Total expenses on borrowings	1,344,891,284	1,267,031,203	1,216,164,467
Net interest and dividend income	1,767,319,415	2,102,040,796	2,349,168,139
BAD DEBT AND DOUBTFUL ACCOUNTS	20,192,153	(465,571,909)	(263,084,804)
LOSS ON DEBT RESTRUCTURING	(191,297,230)	(52,168,345)	(2,682,388)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,596,214,338	1,584,300,542	2,083,400,947
NON-INTEREST INCOME			
Brokerage fee	172,504,995	353,341,171	824,863,318
Gain (loss) on investments	200,833,847	624,760,511	496,269,948
Fees and charges	591,937,081	549,936,048	1,046,123,995
Fees and gain (loss) on forward exchange	4,407,438	6,986,384	7,449,645
Share of profit (loss) of subsidiary and associated companies	240,706	1,515,874	2,433,011
Other income	486,903,514	224,784,780	135,426,290
Total non-interest income	1,456,827,581	1,761,324,768	2,512,566,207
Total net income	3,053,041,919	3,345,625,310	4,595,967,154
OPERATING EXPENSES			
Personnel expenses	751,587,026	810,582,819	1,189,024,976
Premises and equipment expenses	352,629,404	350,420,085	313,574,662
Taxes and duties	78,133,490	82,639,834	71,418,894
Directors' remuneration	10,275,365	6,710,000	6,620,000
Goodwill			
Amortisation	-	48,175,512	42,121,244
Written-off	-	-	791,354,526
Other expenses	845,487,539	665,175,333	764,063,166
Total operating expenses	2,038,112,824	1,963,703,583	3,178,177,468
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST	1,014,929,095	1,381,921,727	1,417,789,686
CORPORATE INCOME TAX	(206,272,778)	(190,127,343)	515,982,731
EARNINGS BEFORE MINORITY INTEREST AND LOSS OF A SUBSIDIARY COMPANY PRIOR TO THE ACQUISITION DATE	808,656,317	1,191,794,384	1,933,772,417
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES	(40,328,121)	(37,744,683)	(43,491,335)
NET LOSS OF A SUBSIDIARY COMPANY PRIOR TO THE ACQUISITION DATE	70,257,776	-	-
NET EARNINGS FOR THE YEAR	838,585,972	1,154,049,701	1,890,281,082
Diluted earnings per share	1.17	1.60	2.60

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	2001	2002	Unit: Baht 2003
Cash flows from operating activities			
Net earnings	838,585,972	1,154,049,701	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	40,328,121	37,744,683	43,491,335
Net loss of a subsidiary company prior to the acquisition date	(70,257,776)	-	-
Share of net gain of subsidiary and associated companies	(240,706)	(1,515,874)	(2,433,011)
Goodwill written off	-	-	791,354,526
Depreciation and amortisation	124,796,243	218,507,922	189,737,722
Bad debt and doubtful accounts	88,929,504	507,555,705	276,785,793
Unrealised gain on revaluation of investment	(330,515,204)	(16,755,822)	163,879,434
Provision for revaluation of property foreclosed	34,732,105	8,702,351	6,815,840
Unrealised gain from transfer of investments	(2,109)	-	-
Loss from troubled debt restructuring	191,297,230	52,168,345	2,682,388
Gain on disposal of investments	(60,977,115)	(540,115,940)	(500,084,874)
Gain on disposal of fixed assets	(4,152,652)	(10,091,239)	(1,043,993)
Unrealised loss (gain) on decrease (increase) of securities held for trading	(210,867,486)	136,891,963	(21,199,090)
Gain from disposal of property foreclosed	(45,252,239)	(99,369,285)	(18,379,580)
Decrease (increase) in deferred tax assets	17,896,354	(4,011,952)	(797,724,332)
Decrease (increase) in accrued interest and dividend receivable	(14,798,931)	200,182,740	6,500,515
Decrease (increase) in other receivable	(5,885,931)	(29,150,338)	(124,335,413)
Decrease (increase) in accrued interest payable	(51,129,317)	46,918,136	(1,350,186)
Increase (decrease) in accrued expenses	(33,182,285)	(1,348,865)	21,052,119
Earnings from operating activities before changes in operating assets and liabilities	509,303,778	1,660,362,231	1,926,030,275
Decrease (increase) in operating assets			
Loans to financial institutions	(23,415,292)	(599,315,277)	134,080,951
Negotiable certificates of deposit	(19,046,411)	14,667,332	35,684,404
Securities purchased under resale agreements	-	-	(37,000,000)
Investment in securities – held for trading	195,935,128	219,811,658	(485,716,950)
Trading transactions with securities companies	49,311,698	(49,870,247)	(644,290,970)
Finance business loans and receivable	(5,922,751,636)	(5,543,122,186)	(6,554,962,860)
Securities business receivable	(204,682,145)	(203,309,542)	(2,328,399,260)
Property foreclosed	153,156,365	618,082,698	134,846,812
Other assets	(350,788,447)	(102,419,099)	(314,879,726)
Increase (decrease) in operating liabilities			
Borrowings and deposits from public	4,238,899,539	(4,513,902,082)	2,769,763,305
Borrowings and deposits from banks and financial institutions	479,724,688	608,491,251	1,067,649,563
Borrowings and deposits from foreign countries	(31,992,452)	(3,790,723)	46,050,788
Securities sold under repurchase agreements	100,000,000	(100,000,000)	-
Trading transactions with securities companies	54,443,981	338,852,701	437,698,753
Liabilities under commercial paper sold	(105,000,000)	162,000,000	(146,000,000)
Securities business payable	171,323,217	(118,658,121)	2,867,718,214

	2001	2002	2003
Other liabilities	433,853,115	(116,129,961)	314,551,693
Net cash flows from (used in) operating activities	(271,724,874)	(7,728,249,367)	(777,175,008)
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(15,760,281,206)	(7,822,635,414)	(17,530,697,348)
Cash received from disposal of investment in securities held for investment	16,164,433,498	10,935,364,738	17,944,574,438
Cash paid for purchase of equipment	(92,111,338)	(71,475,740)	(50,308,360)
Cash received from disposal of equipment	29,357,913	19,806,354	1,568,378
Cash paid for purchase of a subsidiary company	(149,810,235)	-	-
Net cash flows from (used in) investing activities	191,588,632	3,061,059,938	365,137,108
Cash flows from financing activities			
Cash received from issuance of debentures	-	4,800,000,000	810,000,000
Cash received from issuance of preference shares	17,000,000	47,529,895	58,476,645
Dividend paid	(40,000,000)	(40,000,000)	(35,000,000)
Net cash flows from (used in) financing activities	(23,000,000)	4,807,529,895	833,476,645
Translation adjustment	5,507,432	(9,144,302)	(24,918,167)
Net increase (decrease) in cash and cash equivalents	(97,628,810)	131,196,164	396,520,578
Cash and cash equivalents at beginning of the year	704,349,224	665,732,838	796,929,002
Add : Cash and cash equivalents at the purchase date of the new acquired subsidiary company	59,012,424	-	-
Cash and cash equivalents at the end of the year	665,732,838	796,929,002	1,193,449,580

12.1.2 Important Financial Ratio

		2001	2002	2003
Profitability Ratio				
Gross Profit Margin	(%)	67.02%	74.13%	79.50%
Net Profit Margin	(%)	27.47%	34.49%	41.13%
Return on Average Shareholders' Equity	(%)	14.76%	16.93%	21.41%
Interest Income Ratio	(%)	7.86%	7.39%	6.63%
Interest Expense Ratio	(%)	3.69%	3.22%	2.90%
Interest Spread	(%)	4.17%	4.17%	3.73%
Return on Investment	(%)	8.65%	14.25%	11.41%
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.03%	4.37%	4.29%
Return on Average Assets	(%)	1.91%	2.40%	3.45%
Total Asset Turnover	(times)	0.10	0.11	0.11
Financial Ratio				
Debt to Equity Ratio	(times)	6.01	5.30	4.62
Total Loans to Total Borrowing and Deposits	(%)	85.64%	121.63%	130.40%
Total Loans to Public Borrowing	(%)	91.90%	132.30%	144.78%
Public Borrowing to Total Liabilities	(%)	88.20%	74.74%	68.45%
Dividend Payout Ratio	(%)	0.00%	0.00%	0.00%
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans	(%)	6.60%	11.49%	9.37%
Bad Debt and Doubtful Account to Total Loans	(%)	-0.06% ¹	1.14%	0.54%
Non-performing loans to loans	(%)	16.37%	19.39%	13.05%
Loan loss provision to Non-performing loans	(%)	85.81%	122.26%	134.67%
Accrued Interest Receivable to Total Loans	(%)	0.62%	0.27%	0.22%
Other Ratio				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.03	0.03	0.08
Capital funds to Risk Weighted Asset (BIS)	(%)	16.82	19.45	21.42
Net Capital Rule (TISCO Securities)	(%)	273.08	254.32	35.10

¹Reversal of bad debt and doubtful accounts

12.2 The Explanation and Analysis of Financial status and Performance

12.2.1 Operating Results

Operating Results for the Year 2003

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

(1) Consolidated Revenue Structure

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

Table 1: Consolidated Revenue Structure

Type of Revenue	2002		2003		% Change
	Amount (Bm)	%	Amount (Bm)	%	
The Company					
Interest and dividend income					
Loan and deposits	1,012.36	30.3	818.44	17.8	(19.2)
Hire purchase and financial lease	1,240.37	37.1	1,684.70	36.7	35.8
Securities	467.33	14.0	283.25	6.2	(39.4)
Expenses on borrowings	(1,196.97)	(35.8)	(1,098.72)	(23.9)	(8.2)
Net interest and dividend income	1,523.09	45.5	1,687.67	36.7	10.8
Bad debts and doubtful accounts	(484.46)	(14.5)	(201.30)	(4.4)	(58.4)
Interest and dividend income - net of bad debts and doubtful accounts	1,038.63	31.0	1,486.37	32.3	43.1
Non-interest income					
Fee and charges	193.78	5.8	378.81	8.2	95.5
Gain on trading securities	508.91	15.2	303.74	6.6	(40.3)
Others	185.62	5.5	109.31	2.4	(41.1)
Total non-interest income	888.31	26.6	791.86	17.2	(10.9)
Total – The Company	1,926.94	57.6	2,278.23	49.6	18.2
Subsidiaries					
Interest and dividend income					
Loans and deposits	24.11	0.7	18.71	0.4	(22.4)
Hire purchase and financial lease	609.36	18.2	725.37	15.8	19.0
Securities	15.54	0.5	34.87	0.8	124.4
Expense on borrowings	(70.06)	(2.1)	(117.44)	(2.6)	67.6
Net interest and dividend income	578.95	17.3	661.51	14.4	14.3
Bad debts and doubtful accounts	(33.29)	(1.0)	(64.46)	(1.4)	93.6
Interest and dividend income – net of bad debts and doubtful accounts	545.66	16.3	597.05	13.0	9.4
Non-interest income					
Brokerage fees	353.34	10.6	824.86	17.9	133.4
Fee and charges	356.16	10.6	667.31	14.5	87.4
Gain on trading securities	115.85	3.5	192.53	4.2	66.2
Others	47.67	1.4	36.00	0.8	(24.5)
Total non-interest income	873.02	26.1	1,720.70	37.4	97.1
Total – Subsidiaries	1,418.68	42.4	2,317.75	50.4	63.4
Total – The Company and Subsidiaries	3,345.62	100.0	4,595.98	100.0	37.4

(2) Net Interest and Dividend Income

Net interest and dividend income after provision for 2003 increased by 31.5% y-o-y to Baht 2,083.40m. This was contributed from 30.3% y-o-y increase in hire purchase interest income, together with the decline in provision. The Company and its subsidiaries bad debts and doubtful accounts in 2003 declined by 43.5% y-o-y to Baht263.08m as the Company and its subsidiaries accelerated the allowance in 2002, while the allowance in 2003 was provided according to normal business expansion only. Loss from troubled debt restructuring also declined by 95% y-o-y to Baht 2.68m.

Table 2: Interest spread

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

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

(3) Non-Interest Income

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

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

(4) Operating Expenses

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

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

(5) Corporate Income Tax:

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

Financial Position

(1) Assets

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

(a) Investment in Securities

At the end of 2003, total investment in securities increased from the end of 2002 by 31.0% to Baht 8,095.58m. Investment in equity increased 58.8% to Baht 4,197.93m, due mainly

to a mark to market gain, while the increase in fixed income investment was for liquidity reserve purpose following the business expansion. None of the investment in any security is more than Baht 300m or more than 10% of the value of total portfolio except the rise of its market price.

Table 3: Investment in Securities Breakdown

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

(b) Loans and Receivables

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

Table 4: Loans and Receivables Breakdown

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

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

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

Table 5: Loans Classified by Remaining Periods of Contracts

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

(c) Non-performing Loans

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

Table 6: NPL Breakdown by Area

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

(d) Allowance for Doubtful Account and Loss on Debt Restructuring

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

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

(e) Deferred Tax Assets

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

Due to economic crisis and uncertainty of deferred tax benefits utilization considering net loss during 1997-1999, the Company and its subsidiaries have ceased to recognize the

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

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

(f) Property Foreclosed-Net

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

(g) Goodwill

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

(2) Liabilities

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

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

Table 7: Liabilities Breakdown by Area

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

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

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

(3) Shareholders' Equity

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

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

Business Performance by Area

(1) Finance Business

(a) Commercial Lending

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

(b) Mortgage Loan

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

(2) Hire Purchase

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

Table 8: Hire Purchase Portfolio Breakdown by Company

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

^{/1}The Company absorbed Tru-Way business in 29 December 2003

(3) Securities Business

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

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

(a) Securities Brokerage

TISCO Securities focuses on providing quality service and research to both institutional and private investors. TISCO Securities entered into a cooperative arrangement with Deutsche Securities to jointly build a high quality equity research so as to expand distribution channel and reach the broader international markets. The average market daily turnover surged from Baht 8,356.91m in 2002 to Baht 18,908.02m in 2003. TISCO Securities’ brokerage volume increased accordingly, which caused the brokerage fee increased by 133.4% to Baht 824.86m in 2003. TISCO Securities Hong Kong’s brokerage fee in 2003 also increased. However, TISCO

Securities' market share dropped slightly to 3.4% as the increase in market turnover mainly came from net settlement clients which were not TISCO Securities' focused clients.

(b) Investment Banking

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

(4) Asset Management

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

Table 9: Asset under Management Breakdown by Type of Fund

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

(5) Other Business

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

Liquidity

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

13. Others

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

The TISCO Foundation

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

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

Employee Contribution

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

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

Part 3

Certification of the Accuracy of Information

I have examined the information contained in this annual registration statement and hereby certify that the information contained herein is neither false nor misleading nor are there any factual omissions.

As evidence that all documents that I certified are included herein, I authorize Ms. Pakaporn Punyashtithi to sign every page of each document. If any document does not contain the signature of Ms. Pakaporn Punyashtithi, I will deem that such document is not the document that I certified.

Name	Position	Signature
Dr. Phisit Pakkasem	Chairman of the Board	_____
Dr. Joung-Yol Lin	Director	_____
Mr. Jerry L. Lu	Director	_____
Mr. Yukio Matsunaga	Director	_____
Mr. Edouard Fernen Peter	Director	_____
Ms. Krisna Theravuthi	Director	_____
Mr. Vudhiphol Suriyabhivadh	Director	_____

Name	Position	Signature
Authorised Signatory Ms. Pakaporn Punyashtithi	Head of Corporate Secretariat and Investor Relations	_____

Certification of the Accuracy of Information

I have examined the information contained in this annual registration statement and hereby certify that the information contained herein is neither false nor misleading nor are there any factual omissions. I further certify that:

(1) The financial statements and financial summary in this annual registration statement present fairly, in all material respects, the financial position, the results of the operations and cash flows of the Company and its subsidiaries.

(2) I shall be responsible for providing the Company with sound information disclosure systems to ensure that the Company has accurately disclosed all the Company's and its subsidiaries' material information and that all the procedures of the said systems were followed properly.

(3) I shall be responsible for providing the Company with reliable internal control system and ensure that the Company has comprehensively complied with the said system. Moreover, I have reported the internal control assessment on February 26, 2004 to the auditor and the Audit Committee. The information presented includes errors and significant changes, if any, of the internal control systems as well as any misconduct which might have an effect on the preparation of the Company's and its subsidiaries' financial statements.

As evidence that all documents that I certified are included herein, I authorize Ms. Pakaporn Punyashtiti to sign every page of each document. If any document does not contain the signature of Ms. Pakaporn Punyashtiti, I will deem that such document is not the document that I certified.

Name	Position	Signature
Mr. Pliu Mangkornkanok	Director and Chief Executive Officer	_____
Mr. Pichai Chanvirachart	Director and Chief Operating Officer	_____
Ms. Oranuch Apisaksirikul	Chief Financial Officer	_____

Name	Position	Signature
Authorised Signatory Ms. Pakaporn Punyashtiti	Head of Corporate Secretariat and Investor Relations	_____

1.1 Details of Directors, Management and Controlling Persons as at December 31, 2003

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ¹	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
1. Dr. Phisit Pakkasem Chairman of the Board, Independent Director, Chairman of the Audit Committee, and Chairman of the Nomination Committee	71	-	-	Ph.D. (Development Economics) University of Pittsburgh, USA M.A. (Development Economics) Harvard University, USA B.A. (Economics) Claremont Men's College, USA	2003-Present	Chairman	Thai Smart Card Co.,Ltd.	Smart Card
					2002-Present	Chairman of the Board, Independent Director, Chairman of the Audit Committee, and Chairman of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance
					2002-Present	Vice Chairman	Vinythai Public Co., Ltd.	Import, export and wholesale of petrochemical products
					1995-Present	Executive Advisor	C.P.Group of Companies	Agro-Industries, Retails and Communications
					2001-2003	Chairman	Thai Sugar Millers Corporation Ltd.	Manufacture of Sugar
					1999-2002	Chairman	Vinythai Public Co., Ltd.	Import, export and wholesale of petrochemical products
					1998-2002	Chairman of the Board and Chairman of the Audit Committee	TISCO Finance Public Co., Ltd.	Finance
					1997-2001	Chairman	Thai Sugar Manufacturing Association	Association
					1997-2001	Chairman	Jacobs Engineering (Thailand) Ltd.	Construction

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ¹	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
2. Mr. Pliu Mangkornkanok ² Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer	56	Common 185,700 Preferred 512,700	-	M.B.A (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Chairman 2000 Program Thai Institute of Directors Association Directors Certification Program Thai Institute of Directors Association	2003-Present	Director	Thai Ackro Exchange Co., Ltd.	Fruits & Vegetables Wholesale
					2002-Present	Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer	TISCO Finance Public Co., Ltd.	Finance
					2002-Present	Chairman	Association of Finance Company	Association
					2001-Present	Director and Member of the Audit Committee	Singer (Thailand) Public Co., Ltd.	Manufacture and trading of electrical appliances
					2000-Present	Director	Thai Oil Co., Ltd.	Oil refinery
					1994-Present	Director	Phelps Dodge Thailand Co., Ltd.	Manufacture of wire and cable products
					2001	Vice Chairman, Chairman of the Executive Board and Chief Executive Officer	TISCO Finance Public Co., Ltd.	Finance
					1998-2001	Director	TISCO Securities Co., Ltd.	Securities
					1994-2001	President	TISCO Finance Public Co., Ltd.	Finance

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ^{/1}	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
3. Mr. Pichai Chanvirachart ^{/2} Director, Member of the Executive Board, President and Chief Operating Officer	54	Common 82,136 Preferred 470,000	-	B.B.A (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association	2001-Present	Director, Member of the Executive Board, President and Chief Operating Officer	TISCO Finance Public Co., Ltd.	Finance
					2000-Present	Director	AXA Insurance Public Co., Ltd.	Insurance
					1993-Present	Director	Mizuho Corporate Leasing (Thailand) Co., Ltd.	Leasing
					2001	Director, Member of the Executive Board and Executive Vice President	TISCO Finance Public Co., Ltd.	Finance
					1998-2001	Executive Vice President	TISCO Finance Public Co., Ltd.	Finance
					1998-2001	Director	American Appraisal (Thailand) Ltd.	Valuation consultancy
4. Dr. Joung-Yol Lin ^{/2} Director, Member of the Executive Board and Member of the Nomination Committee	52	-	-	Ph.D. (Finance) University of Iowa, USA M.B.A National Chengchi University, Taiwan B.A Fu-Jen Catholic University, Taiwan	2002-Present	Director, Member of the Executive Board and Member of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance
					2001-Present	President	CDIB & Partners Investment Holding Corp., Taiwan	Investment
					2001-2002	Director and Member of the Executive Board	TISCO Finance Public Co., Ltd.	Finance
					1999-2001	Chairman	Service Corporation Masterlink Securities, Taiwan	Securities

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ^{/1}	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
5. Mr. Jerry L. Lu Director	37	-	-	M.B.A University of Southern California, USA B.S. (Management Science) National Chiao-Tung University, Taiwan	2003-Present	Director	TISCO Finance Public Co., Ltd.	Finance
					1998-Present	Senior Vice President	CDIB & Partners Investment Holding Corp., Taiwan	Investment
					2000-2001	Director	TISCO Finance Public Co., Ltd.	Finance
6. Mr. Yukio Matsunaga ^{/2} Director, Member of the Executive Board and Member of the Nomination Committee	50	-	-	Business and Commerce Keio University, Japan	2003-Present	Director, Member of the Executive Board and Member of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance
					2003-Present	General Manager	Mizuho Corporate Bank, Ltd. Bangkok Branch	Banks
					2002-2003	General Manager, Europe Risk Management Division	Mizuho Corporate Bank, Ltd. London Branch	Banks
					2001-2002	Joint General manager	The Industrial Bank of Japan, Ltd. (IBJ) (London Branch)	Banks
					1999-2001	Senior Deputy General Manager, Osaka Corporate Banking Dept. No. 3	IBJ (Osaka)	Banks

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ^{/1}	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
7. Mr. Edouard Fernen Peter Director	40	-	-	B.A. Carlton College Northfield, USA	2002-Present	Director	TISCO Finance Public Co., Ltd.	Finance
					2001-Present	Managing Director, and Head of Global Equities, Asia Pacific ex-Japan	Deutsche Securities Asia Ltd.	Securities
					1999-2001	Managing Director, and Head of Global Equities, Switzerland	Deutsche Bank AG	Banks
					1998-1999	Managing Director	UBS	Securities
8. Ms. Krisna Theravuthi Independent Director and Member of the Audit Committee	54	Common 12 Preferred -	-	M.B.A (Marketing) University of Wisconsin-Madison, USA B.A. (Accounting) Chulalongkorn University Audit Committee Certification Program, Thai Institute of Directors Association	2002-Present	Independent Director and Member of the Audit Committee	TISCO Finance Public Co., Ltd.	Finance
					1986-Present	Executive Director	Tavornudorn Co., Ltd.	Hotel
					1986-Present	Executive Director	Food Manufacturing Co., Ltd.	Food Industry
					1998-2002	Director, Member of the Audit Committee and Member of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ^{/1}	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
9. Mr. Vudhiphol Suriyabhivadh Independent Director and Member of the Audit Committee	59	Common 203,060 Preferred 50,000	-	B.Com. (Accountancy) University of New South Wales Australia LL.B. Sukothai Thammathiraj University Directors Certification Program Thai Institute of Directors Association	2003-Present	Independent Director	Laguna Resort and Hotel Public Co., Ltd.	Hotel
					1999-Present	Independent Director, and Member of the Audit Committee	TISCO Finance Public Co., Ltd.	Finance
					1999-Present	Chairman	Thai Agri Foods Public Co., Ltd.	Agribusiness
					1999-Present	Independent Director	Bangkok Ranch Public Co., Ltd.	Agribusiness
					1998-Present	Independent Director and Member of the Audit Committee	L.P.N. Development Public Co., Ltd.	Property Development
					1997-Present	Independent Director	East Asiatic (Thailand) Public Co., Ltd.	Commerce
					1996-Present	Independent Director and Member of the Audit Committee	Thai Wah Food Products Public Co., Ltd.	Food & Beverages
					1989-Present	Director	Listed Companies Association	Association
					1986-Present	Director	Fourmains International Co., Ltd.	Import and export

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ^{/1}	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
10. Ms. Oranuch Apisaksirikul Chief Financial Officer	45	Common 80,000 Preferred 862,500	-	M.B.A (Finance) Thammasat University	2001-Present	Chief Financial Officer	TISCO Finance Public Co., Ltd.	Finance
				LL.B. Thammasat University	2001-Present	Director	TISCO Global Investment Holdings Ltd.	Securities
				B.A. (Accounting & Commerce) Thammasat University	2001-Present	Director	TISCO Securities Hong Kong Ltd.	Securities
				Directors Certification Program Thai Institute of Directors Association	2001-Present	Director	TISCO Securities UK Co., Ltd.	Securities
					2001-Present	Member of Risk Management Committee	The Stock Exchange of Thailand	Securities Exchange
					1999-2000	Director	TISCO Asset Management Co., Ltd.	Asset Management
					1999-2000	Executive Vice President & Chief Financial Officer	TISCO Finance Public Co., Ltd.	Finance
					1999-2000	Director	TISCO Global Investment Holdings Ltd.	Securities
	1999-2000	Director	TISCO Securities Hong Kong Ltd.	Securities				

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ^{/1}	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
11. Mr. Suthas Ruangmanamongkol Head of Commercial Finance, Treasury & Funding	42	Common 250,200 Preferred 250,000	-	M.S (Finance & Banking) University of Wisconsin, USA M.B.A (Finance) Western Illinois University, USA B. Eng. (Computer) Chulalongkorn University	2002-Present	Head of Commercial Finance, Treasury & Funding	TISCO Finance Public Co., Ltd.	Finance
					2000-2001	Director and Assistant Managing Director, Securities Investment & Trading	TISCO Securities Co., Ltd.	Securities
					1998-2000	Assistant Managing Director, Securities Investment & Trading	TISCO Securities Co., Ltd.	Securities
12. Mr. Panya Wotticharoenvong Head of Retail Finance, and Head of Special Asset Management	50	Common 100,044 Preferred 100,000	-	M.S (Accounting) Thammasat University B.A (Accounting) Thammasat University LL.B. Thammasat University Graduate Diploma Program in Business Law Thammasat University Directors Certification Program Thai Institute of Directors Association	2002-Present	Head of Retail Finance, and Head of Special Asset Management	TISCO Finance Public Co., Ltd.	Finance
					2001	Managing Director	TISCO Leasing Co., Ltd.	Leasing
					1992-2000	Senior Vice President, Retail Finance Collection & Service	TISCO Finance Public Co., Ltd.	Finance

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ^{/1}	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
13. Ms. Chayathip Chuvanichanon Chief Information Officer	49	Common 296,127 Preferred 100,000	-	M.B.A (Finance) Thammasat University	2002-2003	Chief Information Officer	TISCO Finance Public Co., Ltd.	Finance
				B.S. (Statistics) Chulalongkorn University	2002-2003	IT Management Group Committee	Thailand Management Association	Association
				Directors Certification Program Thai Institute of Directors Association	2001-2003	IT Sub-Steering Committee Member	Stock Exchange of Thailand	Securities Exchange
					2000-2003	Managing Director	Thai Information Technology Co., Ltd.	Information System
					1999-2003	IT Club Committee Member	Association of Securities Companies	Securities
					1998-1999	Executive Vice President, Technology & Infrastructure	TISCO Finance Public Co., Ltd.	Finance
14. Ms. Nattamon Issaradham Chief Governance Officer	50	Common - Preferred 162,000	-	B.A. (Accounting) Chulalongkorn University	2002-Present	Chief Governance Officer	TISCO Finance Public Co., Ltd.	Finance
				Certified Public Accountants (Thailand)	Present	Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC),	Bank of Thailand	Banks
				Directors Certification Program Thai Institute of Directors Association	Present	Representative	Association of Finance Companies	Association
					1997-2001	Senior Vice President, Chief Credit Officer	TISCO Finance Public Co., Ltd.	Finance

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding (shares) ¹	Family Relationship with other Management	Education / Director's Training Course Program	Work Experience within 5 years			
					Period	Position	Company / Organization	Type of Business
15. Mr. Vanchai Manosuthi Managing Director TISCO Securities Co., Ltd.	54	Common 50,000 Preferred 217,500	-	M.B.A. (Finance) Thammasat University B.A. (Accounting) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2002-Present	Managing Director	TISCO Securities Co., Ltd.	Securities
					2000-Present	Director	Association of Securities Company	Association
					2000-2001	Executive Vice President	TISCO Finance Public Co., Ltd.	Finance
					2000-2001	Management Group	Thailand Management Association	Association
					1999	Associate CEO	Paiboon Insurance Co., Ltd.	Insurance
					1998-1999	Executive Director	Thaimex Leasing Co., Ltd.	Leasing
16. Ms. Anchalee Bunnag Managing Director TISCO Asset Management Co., Ltd.	48	Common 130,000 Preferred 377,500	-	M.B.A. (Finance) University of Wisconsin-Madison USA B.A. First Class Honor (Accounting) Chulalongkorn University Directors Certification Program Thai Institute of Directors Association	2001-Present	Director	Fitch Ratings (Thailand) Ltd.	Credit Rating Agency
					1999-Present	Managing Director	TISCO Asset Management Co., Ltd.	Asset Management
17. Ms. Chutintorn Vigasi Head of Corporate Accounting	41	Common 324 Preferred 7,500	-	M.B.A. (Accounting) Thammasat University B.A. (Accounting) Chulalongkorn University	2002-Present	Head of Corporate Accounting	TISCO Finance Public Co., Ltd.	Finance
					1997-2001	Assistant-Head of Accounting	TISCO Finance Public Co., Ltd.	Finance

¹ Including spouse and minor children.

² Authorized Signatory

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

1.2 Details of Directors, Management and Controlling Persons of Subsidiaries as at December 31, 2003

Name	TFIN	TSEC	TASSET	TLEASE	TRUWAY	HIWAY	TISCOHK	TISCOGIH	TISCOUK	THAITECH	THAI PERMSAB	TCA
1. Dr. Phisit Pakkasem	O											
2. Mr. Pliu Mangkornkanok	//											
3. Mr. Pichai Chanvirachart	//											
4. Dr. Joung-Yol Lin	//											
5. Mr. Yukio Matsunaga	//											
6. Mr. Jerry L. Lu	X											
7. Mr. Edouard Fernen Peter	X											
8. Ms. Krisna Theravuthi	X											
9. Mr. Vudhiphol Suriyabhivadh	X											
10. Ms. Oranuch Apisaksirikul	+						X	X	X			
11. Mr. Suthas Ruangmanamongkol	+											
12. Mr. Panya Wotticharoenvong	+											
13. Ms. Nattamon Issaradharm	+											
14. Ms. Chayathip Chuvanichanon	+											
15. Mr. Vanchai Manosuthi		+										
16. Ms. Anchalee Bunnag			+									
17. Ms. Chutintorn Vigasi ¹												

¹ Head of Corporate Accounting

Remarks: O = Chairman X = Director // = Executive Board Member + = Management Committee

Attachment 2

Changes in TISCO Shareholdings by Directors and Management

	Common Shares		Preferred Shared	
	Increase (Decrease) During the Year	As of Year-end	Increase (Decrease) During the Year	As of Year-end
1 Dr. Phisit Pakkasem	0	0	0	0
2 Mr. Pliu Mangkornkanok	(214,700)	185,700	412,700	512,700
3 Mr. Pichai Chanvirachart	0	82,136	370,000	470,000
4 Dr. Joung-Yol Lin	0	0	0	0
5 Mr. Jerry L. Lu	0	0	0	0
6 Mr. Yukio Matsunaga	0	0	0	0
7 Mr. Edouard Fernen Peter	0	0	0	0
8 Ms. Krisna Theravuthi	0	12	0	0
9 Mr. Vudhiphol Suriyabhivadh	0	203,060	50,000	50,000
10 Ms. Oranuch Apisaksirikul	0	80,000	312,500	862,500
11 Mr. Suthas Ruangmanamongkol	0	250,200	0	250,000
12 Mr. Panya Wotticharoenwong	5,000	100,044	100,000	100,000
13 Ms. Chayathip Chuvanichanon	150,000	296,127	(50,000)	100,000
14 Ms. Nattamon Issaradharm	0	0	92,000	162,000
15 Mr. Vanchai Manosuthi	10,000	50,000	117,500	217,500
16 Ms. Anchalee Bunnag	(20,000)	130,000	287,500	377,500
17 Ms. Chutintorn Vigasi	0	324	7,500	7,500

Attachment 3

Details of Directors of Subsidiaries as at December 31, 2003

Name	TSEC ¹	TASSET	TLEASE	TRUWAY	HIWAY	TISCOHK	TISCOGIH	TISCOUK	THAITECH ²	THAI PERMSAB	TCA
Mr. Paiboon Nalinthrangkurn	X										
Mr. Chavalit Chindavanig	X										
Mr. Pairat Srivilairit	X										
Mr. Vanchai Manosuthi	X										
Mr. Sivaporn Dardarananda		X									
Ms. Anchalee Bunnag		X									
Mr. Yuttpong Sriwongjanya			X	X	X						X
Mr. Charnchai Rakanantachai				X	X						
Mr. Oraphan Vanichphat			X	X					X		
Mr. Dejphinun Suthadsanasoung			X	X	X						X
Mr. Charupee Chinapongpaisaln			X								
Mr. Surapong Siwalai					X						
Mr. Supachai Boonsiri					X						X
Mr. Praphant Eurwongpravit						X	X	X		X	
Mr. Ho Chu Lam						X	X	X			
Ms. Oranuch Apisaksirikul						X	X	X			
Ms. Nancy In Peng Wong								X			
Mr. Kriengkrai Mongkolthanit								X			
Ms. Sasinee Phattiyakul									X		
Ms. Suwandee Khaolaorr									X		
Ms. Yutiga Sonthayanavin									X		
Ms. Vanee Uboldejpracharak										X	
Mr. Pisit Sretto											X
Ms. Somsri Kiatchoosakul											X
Mr. Ronnachai Chinwatanaporn											X
Mr. Kyoichiro Kamibayachi											X
Mr. Masami Nakamura											X
Mr. Sutthi Kittivasin											X

¹ The details as of January 12, 2004

² The details as of January 6, 2004

Remarks: X = Director