

(Translation)

**TISCO Finance Public Company Limited
Annual Registration Statements 2004 (Form 56-1)**

Table of Content

	Page Number
Part 1	Executive Summary (Report from the Board of Directors) S-1 to S-3
Part 2	Listed Company T-1
1	Risk Factors 1-1 to 1-10
2	Overview of Business 2-1 to 2-4
3	Business Operation by Area 3-1 to 3-17
4	Research and Development 4-1 to 4-2
5	Operating Assets 5-1 to 5-4
6	Future Project 6-1 to 6-2
7	Legal Dispute 7-1
8	Capital Structure 8-1 to 8-9
9	Management 9-1 to 9-29
10	Internal Control 10-1 to 10-3
11	Related Parties Transaction 11-1
12	Financial Status and Performance 12-1 to 12-15
13	Others 13-1 to 13-3
Part 3	To Certify the Accuracy of Information C-1 to C-2
Attachment 1	Details of Directors, Management and Controlling Persons
Attachment 2	Changes in TISCO Shareholdings by Directors and Management
Attachment 3	Details of Directors, Management and Controlling Persons of Subsidiaries
Attachment 4	Adequacy of Internal Control Assessment Questionnaire
Attachment 5	Report of The Audit Committee

Part 1

Executive Summary

TISCO Finance Public Company Limited (hereafter “the Company” or “TISCO”) and its subsidiaries are engaged in two main business areas: finance and securities.

The Company and its 4 subsidiaries operate finance businesses comprised of short, medium, and long-term deposit and lending services in response to the needs of customers, both individual and corporate. The financial services offered are commercial lending, project finance, consumption loans, mortgage loans, and car and motorcycle hire purchase. In addition, the Company provides full lending and consultant services. The Company and its subsidiaries provide these services through the head office and 14 provincial loan offices nation-wide.

The Company’s securities arm is subsidiary TISCO Securities Company Limited (TISCO Securities), which is a member No. 2 of the Stock Exchange of Thailand. TISCO Securities operates a brokerage service throughout the country through its head office and 5 branches, with a market share of 3.52% in 2004. TISCO Securities also provides investment advisory and trading services. In overseas markets, TISCO Securities Hong Kong Company Limited, a member of the Hong Kong Stock Exchange, provides securities brokerage and financial advisory services covering 10 countries in Asia. The Company’s fund management business is operated by a subsidiary named TISCO Asset Management Company Limited.

In 2004, the Company and its subsidiaries recorded a net profit of 2,224.27 million baht, an increase of 17.7% from 2003, which translated into 3.05 baht in diluted earnings per share and 19.1% average return on equity. Contributing factors included Thailand’s economy, which continued to expand with growth in Gross Domestic Product (GDP) registering 6.1%, despite internal and external negative factors throughout the year. Fluctuations occurred in both the money and capital markets. The Stock Exchange of Thailand (SET) Index fell by 13.5%, while domestic interest rates began to increase in line with 3 incremental adjustments made in the Bank of Thailand’s interest rate (14-day Repo), up from 1.25% in 2003 to 2.00%.

In addition, net income expansion came not only from the hire purchase business, but also from other businesses such as commercial finance, securities brokerage, asset management, and investment banking. An increase in the Company’s net interest income of 27.5% was the result of 32.3% growth in the hire purchase loan portfolio and 13.0% growth in commercial lending. Securities brokerage commissions and fee income also increased by 9.5% and 5.0%, respectively. At the same time, non-performing loans decreased from 7.0% in the previous year to only 5.8% at the end of 2004. As of December 31, 2004, the Company’s BIS capital adequacy ratio was 19.6%, well in excess of the Bank of Thailand’s minimum requirement of 8.0%. TISCO Securities’ net capital ratio (NCR) stood at 56.5%, far higher than the Securities and Exchange Commission’s minimum requirement of 7.0%. On February 8, 2005, TRIS Rating Company Limited affirmed the rating of TISCO at “A” with a “Positive” outlook.

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

continuous growth generating stable income in the future. Credit demand within the financial institution system also led to growth in commercial credit in 2004.

For the securities business, the Stock Exchange of Thailand (SET) recognized TISCO Securities Co Ltd's excellent service record with 2 awards, for *Best Brokerage Service* and *Best Research House* in 2004. The Company has worked continuously to expand its customer base and securities research, with results seen in market share growth from 3.36% to 3.52%. The Company has demonstrated its leadership in investment banking, with the company appointed as financial advisor and consultant in numerous SET listings, as well as the underwriter of many leading firms' securities. The Company intends to maintain its leadership in the securities business by emphasizing customer value and providing quality and full-cycle services in stock brokerage and investment banking in the future.

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

In response to the Financial Sector Master Plan, the Company submitted a commercial bank upgrade proposal which was approved by the Ministry of Finance in October 2004. TISCO Bank Plc. will commence operations in the second half of 2005. The bank will focus on providing full-cycle financial services to its customers. The bank upgrade will enable TISCO Group to offer a wider range of financial services. A banking operation platform will serve as important infrastructure for enhancing operational efficiency and expansion of marketing channels. To accommodate both internal and environmental changes from the bank upgrade, the company has geared its strategies towards being a customer-centric organization, by focusing on research and development of products and channels that best satisfy customer demand for a full package of financial services, by utilizing the new banking infrastructure.

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

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

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

(Please read more details in part 2, before making investment decision)

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 Rajdapisek 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 Rajdapisek 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

Overview of Risk Management

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

Risk Management Policy

Overall risk management policy encompasses the following structures:

1. Consolidated and centralized risk management

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

2. Business line accountability, independent risk oversight

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

3. Comprehensive risk assessment

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

4. Capital management based on standardized risk tools

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

5. Adequate return for risk and risk-adjusted performance management

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

6. Portfolio management, diversification and hedging

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

7. Regulatory best practice

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

Risk Management Framework

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

- Senior Management

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

- Risk Management Committee

Risk Management Committee has been delegated from the Management Committee in charge of the formulation and implementation of enterprise-wide risk strategies and action plans in connection with risk management policies and guidelines. Risk management functions support the Risk Management Committee in setting up and monitoring risk management policies and guidelines and performing enterprise-wide risk management activities through a risk research and reporting process.

- Specific-Area Risk Authorities

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

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

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

1.1.1 Default Risk

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

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

Year-end NPL breakdown for 2003 and 2004

Type of Business	December 31, 2003			December 31, 2004			% Change
	% of Total Credit	Amount (Btmn)	%	% of Total Credit	Amount (Btmn)	%	
Commercial Lending	2.4	1,153.86	33.8	1.8	1,009.82	30.6	(12.48)
Manufacturing and Commerce	1.3	658.32	19.3	0.7	417.24	12.6	(36.62)
Real estate and Construction	0.7	355.77	10.4	1.0	590.67	17.9	66.02
Other Business	0.3	139.67	4.1	0.0	1.91	0.1	(98.63)
Retail Lending	2.9	1416.71	41.5	2.7	1,566.36	47.4	10.56
Car hire purchase	0.9	434.77	12.7	1.3	719.52	21.8	65.49
Mortgage loans	0.9	452.80	13.3	0.7	375.63	11.4	(17.04)
Securities	1.1	529.14	15.5	0.8	471.21	14.3	(10.95)
Consumption Loans	1.7	839.54	24.6	1.3	727.60	22.0	(13.33)
Total	7.0	3,410.01	100.0	5.8	3,303.78	100.0	(3.12)

Most of the Company's NPLs came from commercial real estate loans and hire purchase credit. While there was a large increase in NPLs in the hire purchase portfolio, it constituted only a small portion of overall lending in light of the rapid growth seen in that segment, which increased from 29,154.27 million baht in 2003 to 38,573.79 million baht in 2004. Increased NPLs in the real estate portfolio were the result of intense competition together with low growth in demand when compared with expansive investment in the sector. In 2004, the Company signed debt-restructuring agreements totaling 2,176.02 million baht, mostly through the revision of lending terms & conditions. Restructured NPLs that failed to meet the agreed obligations stood at 253.38 million baht, representing 8.4% of total restructured loans, down 529.62 million baht from the previous year.

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

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

1.1.2 Concentration Risk

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

For the commercial loan portfolio, there was no substantial concentration in any specific industrial sector. The portfolio was diversified into three different sectors: manufacturing and commerce, 5,525.07 million baht; real estate and construction, 3,500.24 million baht; and public utilities and services, 1,744.45 million baht. Lending to the above industrial sectors represented 50.6%, 32.0%, and 16.0% of the total commercial loan portfolio, and 9.9%, 6.3%, and 3.1% of

the total credit portfolio, respectively. However, as top-10 borrower exposure accounted for 36.1% of the total credit portfolio, or 3,938.95 million baht, portfolio credit quality was closely monitored and sufficient collateral was required to ensure that risks were kept within a manageable level.

1.1.3 Collateral Risk

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

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

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

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

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

1.1.4 Property Risk from Foreclosed Assets

Outstanding assets in the process of liquidation held by TISCO Group as of December 31, 2004 were worth 1,230.36 million baht, or 1.9% of total assets. Allowances for impairment stood at 7.1% of total foreclosed assets. In the year 2004, the Company sold foreclosed assets amounting to 753.15 million baht, representing 57.2% of the total assets to be liquidated.

1.2 Market Risk

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

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

1.2.1 Equity Price Volatility

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

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

(1) Listed Equity Risk

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

The Company calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. Daily VaR at a 99% confidence level, as of December 31, 2004, was 112 million baht, down from 122 million baht in 2003 as a direct result of the decline in the SET index during the year. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

(2) Non-Listed Equity Risk

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

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

1.2.2 Interest Rate Risk

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

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

Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. A movement in the level of interest rates may lead to higher borrowing costs when compared to earnings, resulting in lower interest rate income, which in turn influences company income and capital.

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate risk at an appropriate level. TISCO's interest-bearing assets and liabilities structure, as of December 31, 2004, is provided in the following table.

(unit: million baht)

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

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

(2) Fixed Income Risk

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

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

1.3 Liquidity Risk

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

As of December 31, 2004, the value of TISCO Group's liquid assets, comprised of cash and deposits at financial institutions, was 1,485.24 million baht, up from 1,193.45 million at the end of 2003. Loans to financial institutions and repurchase agreements were worth 2,142.83 million, compared to last year's outstanding total of 638.12 million baht. Short-term investments in government and state enterprise bonds amounted to 390.81 million baht, compared to 2,257.04 million baht during the previous year, while corporate fixed-income securities stood at 196.38 million baht, compared to 2003's total of 709.69 million baht.

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

(unit: million baht)

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

Information from Maturity Mismatch Report based on BoT standard

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

1.4 Operational Risk

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

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

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

1.5 Strategic Risk

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

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

1.5.1 Risk from Economic Conditions and Business Competition

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

revenues of the company, and vice-versa. Strong market share and competitive advantage, however, make the Company less vulnerable to negative economic factors.

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

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

1.5.2 Risk from Capital Adequacy

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

1.5.3 Risk from upgrading to commercial bank

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

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

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

1.5.4 Risk from TISCO Affiliates' Financial Performance

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

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

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

1.6 Other Risks

1.6.1 Risk Concerning the Rights from Holding Securities

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

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

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

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

2. Overview of TISCO Business

2.1 History and major developments

The Company was co-founded in 1969 by three firms: Banker Trust New York Corporation, with a holding of 60%; Bancom Development Corporation, 20%; and KASIKORNBANK, 20%. The Company started finance and securities operations, providing the first investment banking service in Thailand in 1969. Major shareholders changed in 1972, when Dai Ichi Kangyo Bank Ltd, (later called Mizuho Corporate Bank Ltd) bought out Bancom Development Corporation. In 1974, the Company established a subsidiary called Thai Securities Company Limited (TSC) to provide securities brokerage services. The company was listed on the SET in 1983. In 1996, TSC was merged with the Company, putting securities operations under the management of a single company. The new company was named TISCO Finance and Securities Public Company Limited. In 1998, in response to new rules issued by the Bank of Thailand, the two businesses and licenses were separated to create two companies: TISCO Finance Public Company Limited (TISCO Finance Plc), which operates financial services, and TISCO Securities Co. Ltd, which handles securities.

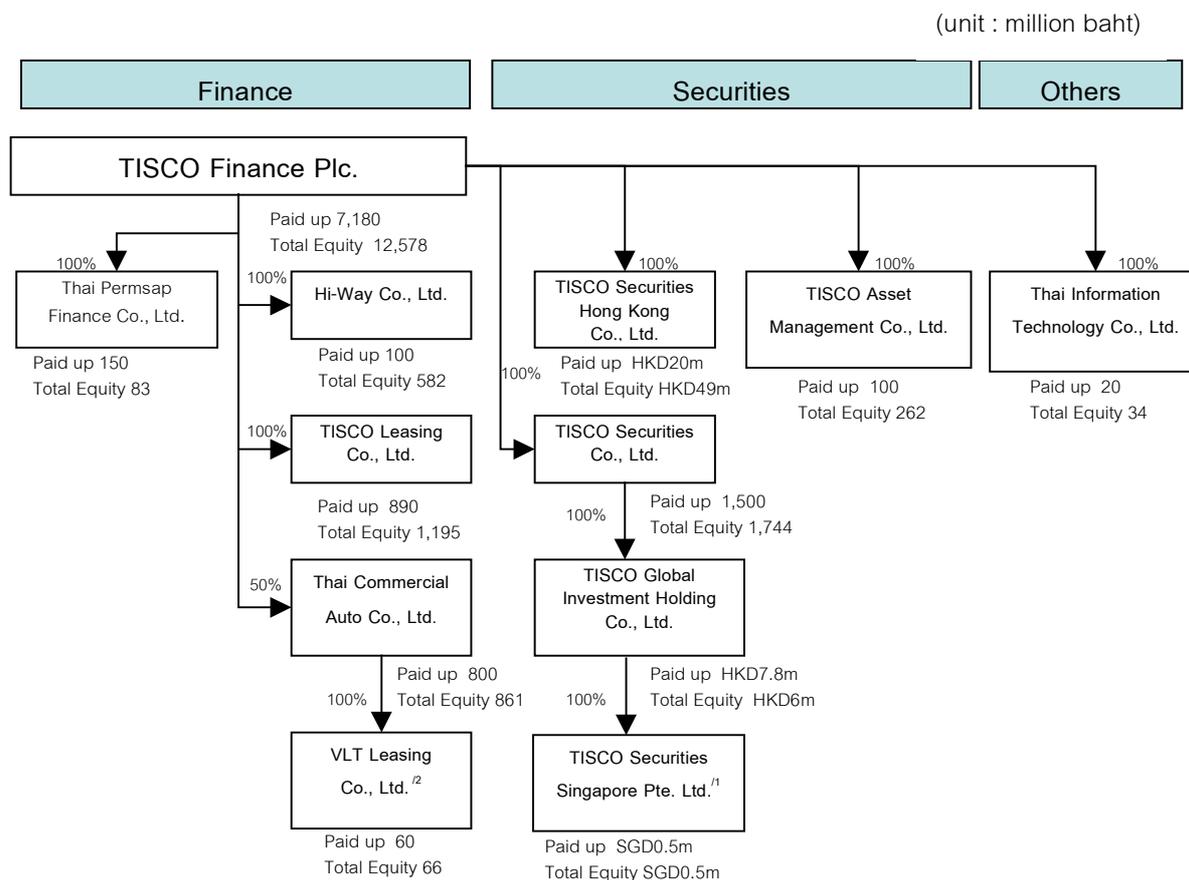
In 1999, the Ministry of Finance approved participation of the Company in the Tier 1 Capital Program, for which 600 million preferred shares of the Company worth a total of 6,000 million baht were issued at 10 baht each. Of the total, 300 million preferred shares worth a total of 3,000 million baht were sold to the Ministry of Finance, and the remaining 300 million shares worth another 3,000 million baht were sold to investors. This operation reduced the proportion of Banker's Trust shareholding from 52% to 7.44%, while raising the Finance Ministry's shareholding to 42.84%. Meanwhile, the Ministry of Finance issued 3-year warrants to investors, with an option to purchase its preferred shares. Upon maturity of these warrants on May 31, 2002, a warrant exercise reduced the Ministry of Finance's holding to 319,000 shares or 0.05%. By November 2004, the holding structure of the Company was well diversified with more than 8,000 shareholders. The largest five of which were CDIB & Partners Investment Holding Corporation, with a holding of 13.6%; Thai NVDR Co. Ltd., 9.5%; Mizuho Corporate Bank Limited, 7.5%; Government of Singapore Investment Corporation, 5.2%; and DB Group, 5.2%.

The Company was granted approval from the Ministry of Finance for upgrading to a full service bank on October 22, 2004, with the added condition that full banking service be provided within 1 year. Full banking service is set to begin in the third quarter of 2005.

2.2 Businesses of the company and subsidiaries

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

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



Thai Information Technology Co., Ltd. is a supporting company providing Information Technology services to the group. As such, its revenue contribution to the group is insignificant.

Thai Permsap Finance Co., Ltd. was acquired by the Company in 2001 according to the plan for upgrading into a restricted bank. It has been merged with TISCO by transferring all its assets and liabilities to TISCO since December 28, 2004 as required by the approval condition of the Ministry of Finance allowing TISCO to upgrade into a commercial bank. It is currently a dormant company.

¹ TISCO Securities Singapore Pte Ltd. is formerly known as GIH & Co Pte. Ltd.

² VLT Leasing Co., Ltd. is formerly known as Volkswagen Leasing Thailand Ltd.

2.3 Revenue structure

The revenue structure of TISCO and its subsidiaries is as follows:

(unit : million baht)

	2002		2003		2004	
	Amount	%	Amount	%	Amount	%
Interest and Dividend Income						
TISCO Finance Plc.	2,720	81.3	2,785	60.6	3,057	56.8
Hi-Way Co. Ltd.	322	9.6	417	9.1	518	9.6
Thai Comercial Auto Co. Ltd.	176	5.3	202	4.4	168	3.1
TISCO Leasing Co. Ltd.	82	2.5	110	2.4	115	2.1
Other Subsidiaries	69	2.1	51	1.1	56	1.0
Total Interest and Dividend Income	3,369	100.7	3,565	77.6	3,913	72.7
Total Expenses on Borrowings	1,267	37.9	1,216	26.5	1,083	20.1
Net Interest and Dividend Income	2,102	62.9	2,349	51.1	2,830	52.6
Reversal of Bad Debt and Doubtful Accounts	466	13.9	263	5.7	175	3.2
Net Loss on Debt Restructuring	52	1.6	3	0.1	0	-
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,584	47.4	2,083	45.4	2,656	49.3
Non-interest Income						
TISCO Securities Co. Ltd.	464	13.9	1,102	24.0	1,214	22.5
TISCO Finance Plc.	888	26.6	792	17.3	1,107	20.6
TISCO Asset Management Co. Ltd.	216	6.5	411	8.9	229	4.2
Other Subsidiaries	191	5.7	205	4.5	180	3.3
Total Non-interest Income	1,760	52.6	2,510	54.6	2,729	50.7
Total interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring and Non-interest income	3,344	100.0	4,594	100.0	5,385	100.0

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

2.4 TISCO Business Strategy

TISCO's general business strategy and planning guidelines for the next three years to cover overall business operations are already in place. However, these strategies and plans will be regularly revised to incorporate changes in the business environment.

Vision, Mission and Values for business operations

To align the goals and direction of business units to match those of TISCO Group, the Company has put in writing clearly defined statements outlining its Vision, Mission and Values.

Vision encompasses the ultimate goal of the Company, whereas Mission outlines instructions and procedures to be strictly followed in the course of all business operations. Values are intrinsic attributes that management and staff apply in achieving goals and objectives.

Our Vision, "To be the Customer's First Choice", also represents our ultimate measure of success as a leading financial institution.

Our Mission: "We are a constantly learning organization 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."

Our Values, which all employees are expected to apply in their respective working environments, are 1) *Assertiveness*, 2) *Value-Added*, 3) *Team Spirit*, 4) *Broadmindedness*, 5) *Logic*, 6) *Results-Oriented*, 7) *Continuous Learning*, and 8) *Integrity*.

Strategic Plan and Strategy Map

In revising the annual strategic plan, external business environments such as the economy, as well as domestic and international politics, are analyzed with regard to their potential impact on market conditions, competitiveness, and the 3-5 year business plan. Not only are external factors incorporated into strategic plan revision, but internal factors are also included, such as our strengths, weaknesses, opportunities, threats, critical success factors and priority issues.

In creating the strategic plan, management will take into consideration and analyze the internal and external factors previously mentioned to determine a Corporate Theme. The Corporate Strategy Map, in accordance with the Corporate Theme, will then be crafted along with Vision, and Mission. To implement strategic planning successfully, the Company has adopted Balanced Scorecard with the aim of achieving balance in strategic planning from four perspectives: financial, customer, internal process and learning. Key Performance Indicators will be determined for all business areas, and linked to performance management to gauge employee performance so that staff may be awarded fair compensation based on merit.

Strategic action for organization

To achieve the organization's goals and objectives as planned, within the Vision and Mission framework, the firm has determined strategic actions as follows:

1. TISCO will capitalize on our strengths and competitiveness in core businesses to expand the customer base and market share, whereas risk factors and business opportunities will be carefully considered.
2. The Company will enhance distribution channels as well as the marketing team in order to reach our customers more fully. In addition, the Company will offer products and services that satisfy customers' needs.
3. The Company is preparing for the bank upgrade by developing company infrastructure, which will enable the Company to launch a full range of banking products and services. As a result, our customers will have a greater variety of products to choose from, as well as better service.
4. The Company will focus on improving information technology as a tool to effectively manage customer relationships. By analyzing demand, our financial products and services can be tailored to meet their needs.

3. Business Operation by Area

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

Finance business: TISCO group offers four main services under its finance license as follows: 1) Commercial Finance 2) Retail Finance 3) Deposits 4) Treasury and Investments, and 5) Distressed Asset Management Services. Financial services are offered through the Company's headquarters and subsidiaries in Bangkok, as well as 14 provincial loan offices covering all regions of Thailand. In the North, the Company's offices are located in Chiang Mai, Phitsanuloke, and Nakhon Sawan. Covering the Northeast are provincial loan offices in Nakorn Ratchasima, Khon Kaen, Udon Thani and Ubon Ratchathani. In the East, they are located in Chonburi, and Chantaburi. The Central region is served by offices in Ratchaburi and Saraburi, while the South is host to the Company's branch offices in Phuket, Songkhla and Surathani. In line with the Company's plans for upgrading to bank status, to be completed in 2005, all provincial loan offices will become bank branches.

Securities business: TISCO group provides four main securities services under its Securities and Asset Management licenses as follows: 1) Securities Brokerage 2) Investment Banking 3) Securities Trading and 4) Asset Management. These businesses are serviced through the headquarters of subsidiaries and five branches in Bangkok, Chiang Mai, Nakorn Pathom, Nakorn Ratchasima, Udon Thani and through the headquarters of TISCO's foreign subsidiary in Hong Kong.

3.1 Area of Services

3.1.1 Finance Business

(1) Commercial Finance

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

- **Working Capital Loans**

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

- **Project Financing Loans**

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

- **Other Commercial Loans**

Other than the two above-mentioned types, the Company also provides credit for other commercial purposes such as loans against deposits or liquid assets with short or medium terms using liquidity assets as collateral. This segment includes loans for investment, which are medium or long-term funds which investors use to buy assets, such as property, which they then use as collateral, with the terms and conditions of the loan set according to the earning ability of that asset.

- **Guarantee and Aval Services**

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

- **Loan Consultancy and Related Services**

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

- **Custodian Services**

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

As of December 31, 2004, the Company had a commercial lending portfolio of 10,924.18 million baht, which accounted for 19.6% of total loans. This indicated a 13.0% increase from 2003's year-end figure of 9,667.53 million baht.

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

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

Customer and Distributions Channels

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

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

(2) Retail Finance

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

- **Hire-Purchase Financing**

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

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

Hire-purchase, as one of the company's major businesses, has experienced continuous growth for years. It recorded 32.3% growth in 2004, with 38,573.79 million baht in loans in the hire-purchase portfolio, up from 29,154.27 million baht in 2003.

(unit: million baht)

Hire-Purchase	December 31, 2003 (Bt mn)	December 31, 2004 (Bt mn)	Growth Rate (%)
Car	27,939.48	36,521.11	30.7
Motorcycle	1214.79	2,052.68	69.0
Total	29,154.27	38,573.79	32.3

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

- **Consumer Loans**

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

- **Mortgage Loans**

Mortgage loans are used to buy residential property, including multipurpose loans which use property as collateral to support the client's liquidity. The repayment terms vary from between three to 30 years with full collateral, with interest rates either floating or fixed in the first one-to-three years and then floated.

Mortgage loans decreased slightly in 2004, falling 5.8% from 2,545.70 million baht in 2003 to 2,397.48 million baht.

- **All-financial loans**

All-financial loans consist of multipurpose lending for individuals such as personal loans, loans against car registration, loans for insurance premiums, and loans for provident fund members. The repayment period is varied from between six to 30 months depending on cash flow and the client's earning ability.

Consumption loans decreased 7.9% from 4,196.68 million baht in 2003 to 3,864.39 million baht in 2004, as illustrated by the following table:

Table shows details of retail finance

Retail Finance	December 31, 2003		December 31, 2004		Change (%)
	Amount (Bt mn)	%	Amount (Bt mn)	%	
Hire-Purchase loans	29,154.27	81.2	38,573.79	86.0	32.3
Mortgage loans	2,545.7	7.1	2,397.48	5.4	(5.8)
Consumption loans	4,196.68	11.7	3,864.39	8.6	(7.9)
Total	35,896.65	100.0	44,835.66	100.0	24.9

Customer and Distribution Channels

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

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

(3) Deposits

The Company provides deposit services by issue mainly promissory notes and some bills of exchange in terms of calls and term deposits in order to support savings and investing by individuals, corporations, and financial institutions. The funding interest rates vary by deposit period. The deposit structure of promissory notes aging by terms as of December 31, 2004, is as follows:

Table shows deposits in terms of promissory notes categorized by term as of December 31, 2004

(unit: million baht)

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

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

served through electronic banking and other technology-oriented systems to maximize efficiency.

(4) Treasury and Investment

The Company has a specific function unit responsible for Asset and Liability Management activities, including the procuring of funding sources from local and foreign financial institutions, and investing and trading bonds in order to maximize returns under the corporate guidelines and risk policy and in compliance with all related rules and regulations. It also manages liquidity according to the Bank of Thailand rules.

In 2004, there was a rising trend in long-term interest rates, so the Company decreased average durations and the size of its debt portfolio to minimize potential interest rate risks. In the second half of 2004, the Company was granted a bond trading license, so non-interest income from bond trading stands to increase in 2005.

In addition, the Company invests in equity securities in both listed and non-listed companies. The investment policy is to invest long-term in good fundamental securities at a reasonable price for both dividend income and capital gains.

The investment portfolio of debt and equity instruments as of December 31, 2004, was 5,212.17 million baht, down 35.6% from 8,095.58 million baht in 2003.

(5) Distressed Asset Management Services

Distressed asset management services are a temporary project to manage the non-performing loans of Sukhumvit Asset Management Co., Ltd, which will be terminated or down-sized when the contract is expired. Most employees are contract staff, some of whom may be transferred to other businesses after the project is finished.

3.1.2 Securities Business

(1) Securities Brokerage

TISCO Securities Company Limited, or “TISCO Securities”, is a member number two on the Stock Exchange of Thailand (SET). TISCO Securities, recognized as the leader in the Thai securities industry, offers brokerage services to both institutional and retail clients through our head office in Bangkok and five branches, including an office at the Emporium shopping center and upcountry locations in Chiang Mai, Nakhon Pathom, Nakhon Ratchasima, and Udon Thani. In order to maintain our reputation as the best brokerage in the country, TISCO Securities’ service foundation is built on quality of service, integrity, and client satisfaction. The company provides trading channels through the Internet, in which clients place orders themselves, and through marketing services in which investors place trading orders with their designated marketing officers.

To expand the customer base into overseas markets, the company acquired TISCO Securities Hong Kong, which is a member of the Hong Kong Stock Exchange authorized to provide brokerage and financial advisory services in 10 countries, including Hong Kong, Thailand, China, Taiwan, Singapore, Malaysia, Indonesia, Korea, Japan, and the Philippines.

The brokerage market share in 2004 of TISCO Securities Co. Ltd. was 3.52%, up from 3.36% in 2003, due to a strategy aimed at expanding the market aggressively, and enhancing the quality of securities research so that it is broadly accepted by investors. The company only provides securities brokerage services for cash accounts, not margin accounts, in order to

reduce operating risk. The customer mostly places orders with marketing officers while Internet trading volume is also constantly growing.

Table shows information on TISCO securities business

(Unit: million baht)

Information of TISCO Securities Business	2002	2003	2004
Trading values categorized by Customer Type			
- Institutions	87,852	134,903	180,229
- Individual	73,495	180,535	175,315
Trading values categorized by nationality of customers			
- Domestic	144,899	224,986	254,127
- Foreign	16,448	90,452	101,417
Trading values classified by types of transactions			
- Cash Account	161,347	315,438	355,544
- Place orders via internet	14,927	30,247	33,734
- Place orders via marketers	146,420	285,191	321,810
- Credit Balance Account	0	0	0
Market Share ¹	3.91%	3.36%	3.52%
Market Position) ¹	7	7	7

¹ SET and MAI

Source: TISCO Securities Co., Ltd.

(2) Financial Advisory and Underwriting Service

TISCO Securities was approved by the Securities and Exchange Commission (SEC) to provide financial advisory services and granted an underwriting license from the Ministry of Finance. With its notable expertise based on competent staff with in-depth industry knowledge and a wealth of experience in equity and debt markets, both domestically and internationally, TISCO Securities provides financial advisory services including public offerings, mergers and acquisitions, financial restructuring, feasibility studies and corporate valuation.

In 2004, TISCO Securities enjoyed an outstanding performance as financial advisor and lead underwriter for the share offerings of four companies, namely, TPI Polene PCL., Syrus Securities PCL., Pacific Pipe PCL. and Thainox Stainless PCL. In addition, TISCO Securities joined the syndication as an underwriter for 32 other securities offerings. Moreover, TISCO Securities was selected to be a financial advisor for Supalai Plc. and Isuzu Motor (Thailand) Co., Ltd. for debenture issues to not more than 10 investors. The Company also acted as a joint-lead arranger and joint bookrunner in the debenture issuance of Tri Petch Isuzu Sales Co., Ltd. to institutional investors. For M&A, TISCO Securities was appointed as financial advisor and tender offer agent by American Standard Inc. in a delisting tender offer for American Standard Sanitaryware (Thailand) Plc., which delisted the shares from the Stock Exchange of Thailand. Apart from corporate clients, TISCO Securities also has been appointed as a financial advisor for the privatization of notable state enterprises including TOT Corporation Plc., the Electricity Generating Authority of Thailand (EGAT), and the Metropolitan Electricity Authority (MEA).

(3) Securities Trading

TISCO Securities Co., Ltd. handles the securities trading business and trades equity securities for company accounts, with the main objective being trading gains. However, securities trading volume in 2004 was insignificant because the company has maintained its investment policy of long-term returns rather than short-term trading gains.

However, the company actively performs securities trading when the stock market is favorable for making short-term profits. The company only invests in proven good performers and fundamental securities to decrease market risk.

(4) Asset Management

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

• Provident funds

TISCO Asset Management Co. Ltd's private fund management license covers advisory services for setting up provident funds, and registrar and advisory services for provident fund committees. Fund investments may cover a wide range of instruments, in line with consent from the respective provident fund committees.

Under management by the company as of December 31, 2004, were 58 provident funds representing 1,481 companies and 268,298 members with a net asset value of 42,471 million baht, accounting for a market share of 13.90% and second-ranked in the overall market based on net asset value. The breakdown of TISCO provident fund types for the 2002, 2003, and 2004 year-ends are shown below:

(Unit: million Baht)

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

• Private funds

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

As at December 31, 2004, there were 81 private funds with net asset value of 18,458 million baht, representing a market share of 13.77%, putting the company in second place in the overall private fund market. The breakdown of TISCO private fund types at year-end for 2002, 2003 and 2004 is shown below:

(Unit: million Baht)

TISCO Asset private fund	2002	2003	2004
Juristic person	3,678	13,044	16,940
Individual	328	718	1,518
Total	4,006	13,762	18,458

- **Mutual funds**

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

Mutual funds under management by the company as of December 31, 2004, numbered 21, with net asset value of 6,775 million baht. The breakdown of mutual fund types at year-end in 2002, 2003, and 2004 is shown below:

(unit: millions baht)

Mutual Fund	2002	2003	2004
Open-ended fund	3,447	4,584	6,362
Close-ended fund	122	308	413
Total	3,569	4,892	6,775

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

(5) Other securities businesses

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

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

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

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

3.2 Market and Competition

3.2.1 Finance Business

(1) Market

The loan volume of commercial banking in the first nine months of 2004 rose 8.0% compared to the same period of 2003, increasing from 4,371,702 million baht to 4,719,540 million baht in line with Thailand's GDP growth. In 2004, GDP is expected at 6.2%, due to the increasing capacity utilization rate of 72.7% and expected domestic investment growth of

13.9%. In addition, rising credit demand amid a steady reduction in excess liquidity will likely drive domestic interest rates higher.

NPLs held by commercial banks declined continually throughout 2004. Bad loans in the system declined to 11.0% at the end of 2004, from 12.9% and 15.8% at the end of 2003 and 2002, respectively. NPLs in 2004 declined at a slower rate after the Bank of Thailand investigated and reevaluated loan quality criteria, which caused many large commercial banks to rate problem loans more strictly. The NPLs of finance companies also decreased continuously throughout 2004. By the end of 2004, finance company NPLs declined to 7.7% from 10.1% in 2003 and 14.0% in 2002.

Excess liquidity at commercial banks continues to decline as credits increase at an accelerated rate compared to deposit growth. However, the most excess liquidity is held by large commercial banks rather than medium and small commercial banks. This has led medium and small commercial banks to raise their deposit rates in order to increase deposit amounts, and adjust their deposit bases towards the long-term in order to benefit from the rising trend in interest rates. Increases in the Bank of Thailand's interest rate will push commercial bank interest rates up in 2005.

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

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

The Company and its subsidiaries maintained a leading market position, and the penetration rate grew from 6.6% in 2003 to 7.6% in 2004, which is in the top three of the overall market. Continuous growth in car sales and credit volume is expected for 2005, in line with projected GDP. However, Thai economic expansion could potentially decrease as domestic consumption growth is expected to fall from 6.0% in 2004 to 4.5% in 2005.

2) Competition

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

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

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

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

3.2.2 Securities Business

1) Market

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

However, market securities trading volume was higher. In 2004, average daily turnover increased 8% to 20,507 million baht from 18,908 million baht in 2003, with the SET index dropping from 772.15 in 2003 to close at 668.10 in 2004. TISCO Securities Co., Ltd's securities trading volume of 315,444 million baht in 2003 increased 12.7% to 355,543 million baht in 2004. Its market share also increased from 3.4% in 2003 to 3.5% in 2004, putting it in seventh place on the SET. The gains resulted in increased securities brokerage fee income over the prior year.

Table shows information on the Stock Exchange of Thailand

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

¹ SET and MAI

Source: the Stock Exchange of Thailand

The asset management market as of December 31, 2004 saw the net asset value of mutual funds decrease 5.4% to 681,356 million baht. Private funds increased 10.6% to 134,091 million baht, and provident funds increased 6.3% to 305,462 million baht. The details of market funds at year-end for 2002, 2003, and 2004 are as follows:

(unit : million baht)

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

2) Competition

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

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

There are 31 competitors in the asset management industry, comprised of asset management companies, commercial banks, securities companies, and insurance companies. However, TISCO Asset remains upbeat on its business outlook, due to its extensive experience, competitive ability and the goodwill derived from the TISCO group's philosophy of maximizing customer satisfaction. TISCO Asset's core strategy is to emphasize providing the highest returns at the appropriate risk level to its clients, while maintaining high standards of good corporate governance.

3.3. Resources

3.3.1 Finance business

(1) Source of Fund

Apart from the Company's capital, most of the Company and its subsidiaries' funds are sourced from public deposits through issuances of promissory notes and debt instruments. The details of sources of funds as of December 31, 2002, 2003, and 2004 are as follows:

(unit : million baht)

	2002	2003	2004
Total Borrowings and Deposits	31,748	36,863	43,471
Securities Sold with Repurchase Agreement	0	0	0
Commercial Papers	357	211	510
Subordinate Debentures (Tier II)	331	331	331
Unsecured Debentures	4,800	4,800	4,800
Other Liabilities	540	654	685
Total Source of Funds from Liabilities	37,776	42,859	49,797
Capital	7,379	10,277	12,147
Total Source of Funds	45,155	53,137	61,944

The source of funds as of December 31, 2004 was 39,205 million baht obtained from public borrowings, which represented 90% of total borrowings and deposits.

(2) Lending

- **Credit granting policy**

Commercial loans

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, ability to repay, collateral, 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. The Company will perform market analysis and key risk characteristics prior to entering new markets.

The collateral policies vary, depending on the type of credit. Prudent collateral policies are employed with effective procedures to stabilize collateral values under the specified conditions and to minimize potential losses. However, the Company may selectively grant loans without collateral to certain borrowers considered to have high creditworthiness on a case-by-case basis. For the appraisal of collateral values, the Company has a policy to have the collateral appraised by an independent appraiser or the internal asset appraisal unit before any loan can be drawn. The Company's Appraisal Committee is responsible for approving the appraisal value proposed by the internal unit and independent appraisers under the company's guidelines in compliance with the regulations of the Bank of Thailand.

The Company has established prudence procedures for all credit approvals to ensure high credit quality while maintaining customer satisfaction. Approved credits are reviewed and controlled in compliance with overall credit policies.

The maximum credit terms are set according to the regulations of the Bank of Thailand. The Company has constructed a pricing policy to align with current market conditions and credit exposures as well as the cost of funds without any price undercutting strategy.

Retail loans

The hire-purchase business covers a large portion of the retail credit portfolio. The Company has a policy to expand its hire-purchase business in this high-growth market with justified risk-adjusted returns. In 2004, the growth of automobile hire-purchase was impressive and the trend is expected to continue in 2005. The Company has a policy to competitively expand while still maintaining good loan quality compared with competitors.

In addition, the Company has established a standard approval process for the hire-purchase portfolio by implementing a credit-scoring system which has been developed from an internal database to effectively control and shorten the loan approval process.

Credit policies have been regularly reviewed to reflect the current market situation and support credit expansion. Meanwhile, the Company has a policy to maintain good credit quality compared to competitors without resorting to a price-undercutting policy. In this respect, the focus on enhancing quality of service and good business relationships is a vital competitive tool. For the collateral policy, hire-purchase assets are supported by adequate secondary markets and appropriate insurance strategies.

For mortgage loans, the approved credits do not exceed 90% of the collateral value with terms and conditions varying with the types of collateral, while other retail loans without collateral require higher interest rates to offset the higher risk being assumed.

- **Credit Approval Limits and Authorities**

The Credit Committee is responsible for overseeing the credit approval process under the credit policies and guidelines set forth by the Executive Board.

In addition, credit approval policies have been clearly stated in terms of credit limits and delegation of authority. All corporate loan transactions must be reviewed and approved by the Credit Committee while loan facilities considered material and large in size must be approved by the Executive Board.

For the retail credit portfolio, which naturally covers small transaction sizes, the credit approval process and delegation of authority varies according to the level of credit limit as controlled by overall credit policies. Large retail credits must be approved by the Credit Committee or the Executive Board after reviewing the types and purposes of loans on a case-by-case basis.

The Company has also implemented a credit-scoring system to assist the loan approval process in which customer characteristics, loan terms and conditions are taken into consideration for the computation of credit scores.

- **Credit Risk Management**

The Risk Management Committee, comprised of senior management from key business lines, has been 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 set up guidelines for the delegation of approval authority 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.

To ensure independence in carrying out the credit approval process and reporting to the Risk Management Committee, credit quality control functions are clearly separated from marketing functions. Moreover, credit review functions assigned by the Internal Control function and the Audit Committee are responsible for reviewing ongoing credit approval processes and ensuring transparency in overall credit granting procedures.

A credit grading system has been adopted in credit risk assessment for both corporate and retail credit portfolios. In accordance with the implementation of the Internal Ratings Based approach (IRB) under the new guidelines of the Basel Committee for banking supervision, historical payment information based on credit rating is being developed and tested to ensure system validity and provide more efficiency in capital utilization.

In controlling risks from credit concentration, the Company has set up a concentration limit which defines the maximum credit exposure for each individual borrower or borrowing group. Moreover, concentration in a single sector is also controlled within an acceptable level, and considered in combination with the sector exposure of equity investment. Furthermore, the company complies with the regulations of the Bank of Thailand concerning single lending limits.

- **Credit Collection**

The Company regularly performs credit reviews of the loan portfolio and monitors problem accounts. The Credit Committee closely co-ordinates with credit departments, and follows up accounts with potential problems promptly after a missing repayment is reported. Also, Problem Loan Committee meetings are arranged to review the status of borrowers, set up debt collection schedules and follow-up procedures, pursue legal action, and set aside provisions for loan losses. In the follow-up procedures, the credit officer reports to the Problem Loan Committee on all restructuring cases on a regularly basis.

For the retail credit portfolio, the Company strives to continuously improve the strategies and procedures for debt collection and follow-up, in line with economic conditions and related laws and regulations, particularly with regard to notification from the Office of Consumer Protection. The main collection and follow-up process includes collection, follow-up and asset repossession, legal process and enforcement.

- **Debt restructuring**

The objective of debt restructuring is to resolve problem loans, which are affected by economic downturns 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-instruments conversion, and debt-to-equity conversion.

Debt restructuring can be conducted with every type of borrower, either defaulted or non-defaulted. The 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.

For debt restructuring cases related to, both directly and indirectly, company directors, persons related to company directors or the management, the borrower's status, repayment ability and cash flow status must be evaluated by an independent financial institution or third party with no conflict of interest with the Company and the borrower. Under the regulations of the Bank of Thailand, all restructured loans are reclassified, provisioned, and recalculated for impairment loss.

(3) Capital Adequacy

The Company has a policy to maintain capital that is adequate to safeguard against company risks in the long run, taking into account long-term solvency within 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 companies at 8%, where Tier-I Capital must be maintained to a level equal to at least 4% of risk assets.

The year-end Capital Adequacy Ratios for 2002, 2003, and 2004 have been maintained above the regulatory requirements with details as follows:

Capital Adequacy Ratio as of December 31	2002	2003	2004	Regulatory Requirement
Tier-I Capital to Risk Assets	17.40	18.78	17.48	4
Total Capital to Risk Assets	19.45	21.42	19.57	8

It can be clearly seen that the capital base of the Company remains strong with the Capital Adequacy Ratio exceeding the requirements of the BoT and fairly sufficient to support the forthcoming regulations concerning debt reclassification and provisions.

(4) Liquidity Management Policy

The Risk Management Committee is responsible for monitoring, and determining assets-to-liabilities direction, and funding structure in detail. The Committee also establishes various liquidity limits to serve as early warning triggers such as liquid assets, contractual maturity mismatches, funding concentration and daily deposit/withdrawal levels. Furthermore, a liquidity contingency plan has been established for outlining clear procedures and responsibilities in detail for liquidity management in times of crisis.

Meanwhile, the Treasury function is responsible for daily liquidity management and preparation for securing sources and the use of funds as required. The Treasury function is also responsible for managing the Company's liquidity position to comply with internal guidelines and the regulatory requirements of the Bank of Thailand under the notification on prescription and maintenance of liquid assets by finance companies as follows:

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

(5) Asset Classification, Provisions and Write-offs

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 losses from debt restructuring according to the rules and regulations of the BoT.

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

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

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

The Company has a conservative provisioning policy, in that it will not write back provisions on problem loan cases that have gone through debt restructuring even though the loan quality has been classified as improved. With this policy, the company's reserves as of December 31, 2004 were 3,676 million baht, or 156% of those required by the Bank of Thailand.

3.3.2 Securities Business

(1) Source of fund

The sources of funds are mainly from equity, operational cash flow and loans from financial institutions for working capital purposes.

(2) Credit approval and authorization

TISCO Securities Co. Ltd. has a credit approval policy to screen qualified customers as well as to provide customers with a good understanding of securities trading. The credit line for a particular customer will be based on the customer's financial status and collateral. The Executive Board of Directors has granted credit approval authority to the Credit Committee. The Credit Committee approves high volume credit lines by itself and has granted lesser authority to the management responsible for approving general credit lines complying with the Credit Committee's guidelines and policy.

(3) Margin trading account

All clients of securities brokerages are cash accounts at present.

(4) Securities research

TISCO Securities Co. Ltd. boasts a securities research department with a remarkably competitive edge. To expand the individual and institutional customer base, the company has continuously developed both the coverage and quality of its research. As a result, Tisco Securities Co. Ltd was chosen for two awards at the SET Award 2003 by the Stock Exchange of Thailand. These included the Best Brokerage Service-Retail Clients Award, which is given to the securities broker providing the best quality of securities brokerage services for retail investors, and the Best Research House Award, which goes to the securities broker providing the best quality of securities research.

At the 2004 SET Awards, TISCO Securities Co. Ltd again won the Best Research House-Retail Clients Award along with the award for Best Brokerage Service-Retail Clients. The former prize is awarded to the securities broker providing the largest coverage and highest quality of securities research, with a special emphasis on customer satisfaction and the usefulness of the advice for investment decision-making. The winner of the latter prize is chosen for customer satisfaction in investment advisory services, the effectiveness of securities

trading systems, attention to investor education and development, good governance and compliance with SET rules and regulations.

(5) Investment Policy

For listed equity, the company's policy is to invest in businesses with strong fundamentals by considering liquidity, risk and return on securities and the diversification of its portfolio. For non-listed equity, the company has no policy to enlarge this portfolio, but will exploit market opportunities for selling the existing securities at the highest price. For debentures, the company holds them only for liquidity reserve purposes. For unit trusts, the company holds them as a long-term investment depending on fund performance. There is no policy to invest in derivative instruments.

Investment policy complies with the guidelines and policies of the Risk Management Committee, which consists of key executives. This committee will determine the investment policy, size of investment portfolio, maximum limit of daily securities trading, and the loss limit.

(6) Capital Adequacy Ability

The Net Capital Rule (NCR) ratio of TISCO Securities Co., Ltd as of December 31, 2004 is 56.5%, well above the 7.0% regulatory requirement of the Securities and Exchange Commission (SEC).

As of December 31, 2004, the liquidity capital of TISCO Securities Hong Kong was HK\$37.82 million higher than the minimum regulatory requirement of HK\$3.00 million, according to the Financial Resources Rules.

4. Research and Development

4.1 Services and Products

TISCO Finance Plc. places a high priority on the development of quality products and services to satisfy our customers. Therefore, the Company is working to continuously enhance our organization's readiness on many fronts, such as information technology, which will be used to facilitate products and services as well as make management more effective. Eventually, the Company hopes to make more services and information available through the customer service center and the Internet.

To improve operating effectiveness and efficiency, the Company has adopted and is enhancing Balanced Scorecard, Key Performance Indicators (KPIs) and Performance Management to assure that the operating system is aligned with corporate strategy. Along with BSC implementation, the firm emphasizes human resources development aimed at tailoring staff competency to provide high quality products and services for our customers. Therefore, the firm will be fully ready for the banking upgrade, which will enable the company to provide a greater variety of products and services, as well as more flexibility.

The Company will focus on providing full-cycle financial services to its customers, with the bank upgrade enabling TISCO to offer a wider range of such services. The banking operation platform will be an important infrastructure element for enhancing operational efficiency and the expansion of marketing channels. To accommodate both internal and environmental changes from the bank upgrade, the company is gearing its strategies towards becoming a customer-centered organization through full utilization of the new banking infrastructure. By focusing on research and development of products and channels to best satisfy customer needs, our financial services will achieve our vision: "To be the Customer's First Choice".

4.2 Human Resources

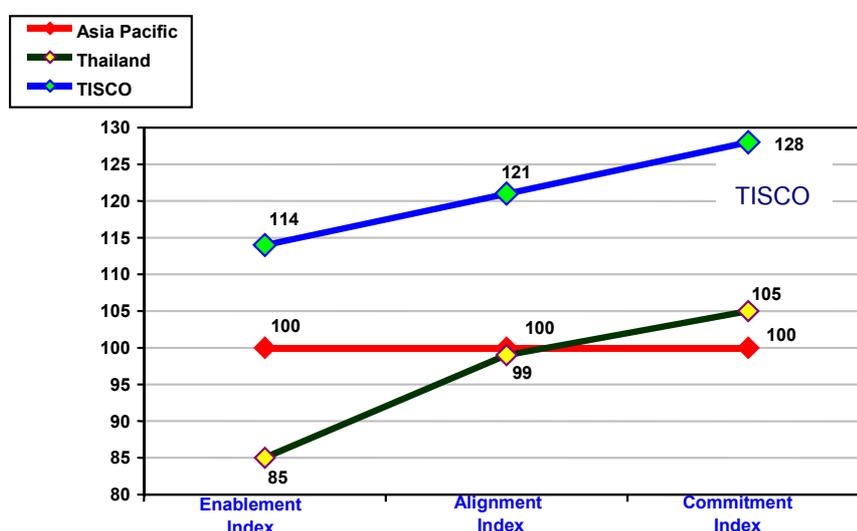
The Company recognises that employee attitudes and opinions about the organisation are an important factor having an impact on the efficiency and effectiveness of staff and the overall organisation, as well as on customer and shareholder satisfaction and the Company's operating performance.

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

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

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

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



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

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

From 2005 onwards, TISCO will move forward in a process of continuous quality improvement of its human resources and organizational performance with a determination to achieve its vision: "to be the Customer's First Choice".

5. Operating Assets

5.1 Major Fixed Assets

Land, premises, and equipment - Net

Land and premises belonging to the Company and its subsidiaries as of December 31, 2004 are as follows. These assets are free from any obligations.

(unit: million baht)

Type of Assets	2002	2003	2004
Land and buildings			
1. Office of TISCO Finance Plc. at TISCO Tower North Sathorn Road, Bangkok	771	759	797
2. Office for subsidiaries at TISCO Tower North Sathorn Road, Bangkok	404	386	447
3. Brokerage branch – Chiang Mai at Hillside Plaza & Condotel, Huay Kaew Road,	7	6	5
4. Brokerage branch – Nakhon Pathom 386,388 Petchkasem Road, Tambon Prapatone, Nakhon Pathom	9	8	9
Total land and buildings (net)	1,191	1,159	1,258
Office improvements	28	17	29
Office furniture and improvements	78	82	106
Others	47	33	48
Total (net)	1,344	1,291	1,441

Long-term contract

1. Contract

The following table shows rental expenses incurred by TISCO subsidiaries and branches in 2004 under the current land and building rental contract for office purposes, excluding rental fees paid by firms to others within the TISCO Group, along with rental obligations due in 2005.

	2004	2005
Domestic offices and branches	5,141,839 Baht	5,900,699 Baht
Office at Hong Kong (TISCO Securities Hong Kong Co., Ltd.)	696,401 HK\$	753,156 HK\$

2. Rental contracts between the company and subsidiaries

Office suite rental agreements between the Company and subsidiaries located at TISCO Tower are based on 1-3 year contracts at normal market prices. These contracts are illustrated as follows:

Type of Assets	Renter	Owner	Area (Square Meter)
TISCO Tower Office	TISCO Securities Co., Ltd	TISCO Leasing Co., Ltd	5,081.65
TISCO Tower Office	TISCO Asset Management Co., Ltd	TISCO Finance Plc.	805.58
TISCO Tower Office	Thai Information Technology Co., Ltd	TISCO Leasing Co., Ltd	1,985.56
TISCO Tower Office	TISCO Leasing Co., Ltd	TISCO Finance Plc.	415.00
TISCO Tower Office	Thai Commercial Auto Co., Ltd	TISCO Finance Plc.	73.00

5.2 Loans

Classification of assets under Bank of Thailand guidelines

Asset Classification in the TISCO Group consists of loans and receivables, investments in securities and foreclosed assets. Our asset classification policies are in compliance with those set by the Bank of Thailand and the Securities and Exchange Commission. The details of asset classification as of December 31, 2004, are shown below.

(unit: million baht)

	Loans and receivables	Investments	Property foreclosed	Other	Total
Pass	45,715	-	-	-	45,715
Special mention	1,464	-	-	-	1,464
Substandard	421	-	-	-	421
Doubtful	462	-	-	-	462
Bad debts	1,746	572	86	7	2,411
Total	49,808	572	86	7	50,473

Provision for Loan Loss Policy

The Company and its subsidiaries' provisioning policy for bad debt allowances or losses from debt restructuring are in accordance with the regulations of the Bank of Thailand and the Securities and Exchange Commission.

The provisioning requirements for bad debt allowances under the Bank of Thailand regulations can be summarized as follows:

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

Apart from this, the Company also has a policy of examining and raising the allowances used as general provisioning measures against suspected bad loans, in order to cushion against unexpected loan losses in the future. Setting of general provisions is based on the economic conditions at the time, and is considered on a case-by-case basis. Furthermore, the Company has a policy of not transferring back provisioning already made for loan losses from non-performing loans, even though the non-performing loan has already been restructured and upgraded.

According to TISCO policy, the company's provisions for loan loss reserves as of December 31, 2004, were 3,590 million baht, or 158% of the minimum requirement for loan loss reserves according to the BOT rules.

Provision of Asset Impairment Policy

The Company will reserve provisioning in cases of asset impairment by considering impairment indicators based on generally accepted accounting standards (GAAP) and by estimating the receivable value of the assets.

Policy of revenue recognition on interest income

The Company has a more conservative policy for recognition of interest income than the requirements of the Bank of Thailand. The Company stops accruing income for loans on which interest payments are overdue by more than 1 month for commercial loans, and 3 months for retail loans, whether or not there is collateral. Furthermore, the Company will reverse all recorded accrued interest on such loans.

Income recognition of such loans will be reinstated to accrual basis only when the total overdue amount is received.

The Company and its subsidiaries recognize interest income from restructured loans only on a cash basis. Income recognition will be restated to accrual basis only when receiving approval from the Problem Loan Committee, and assurance of borrower status regarding the capacity to repay principal and interest normally.

5.3 Investment in Securities

Details of investment in securities will be shown in financial statements as attachments.

Securities Investment Policy

Securities investment policy is described in section 2, "Business Operations by Area," in 3.3.2 (5).

Risk Management of Investment Portfolio

The Company diversifies its investments in order to avoid high concentrations in single securities. Appropriate investment opportunities are emphasized to ensure a 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.

Details of risk management are listed in section 1: "Risk Factors".

Allowance for Impairment of Securities

The guidelines on allowances for impairment are summarized as follows:

The Company sets allowances for impairment of securities according to accounting standards. Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining earnings. Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, after which they are included in determining earnings.

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.

In the event the Company and its subsidiaries reclassify their investments in securities, the investments are adjusted to reflect their fair value on 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 (or deficit) from changes in the value of investments in shareholder equity, depending on the type of investment which is reclassified.

5.4 Policies on investment in associates and subsidiaries

The Company has a policy of investing in businesses that support the Group's competitive capability, with due consideration of business and industry trends, the competitive environment, and the ability to generate long-term profits. The Company also puts a special emphasis on prudent risk control.

The Company manages its subsidiaries by implementing a group management policy on management, risk management, compliance and internal control govern the Company and its subsidiaries, and placing a majority of its own representatives comprising a minimum of 50% of each subsidiary's board. The Company's representatives are then able to actively participate in the formulation of important business policies. The annual business plan of the Company and its subsidiaries are combined as corporate plan to support core strategy and long-term goal of the group. Infrastructure and resources are effectively utilized to support businesses of the group. Also, the annual business plans of subsidiaries are subject to approval from the Company. For associate companies, the Company shall assign representatives to be directors on their boards. The number of the company's representative directors in such cases depends upon the proportion of the stake held by the Company.

Internal control and risk management at subsidiaries is centralized at the Company and conforms to the same policy and guideline standards.

6. Future Project

6.1 Commercial Bank Upgrade Project

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

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

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

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

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

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

6.2 Transformation to holding company structure

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

7. Legal Dispute

As of December 31, 2004, the Company and its affiliates had 10 unsettled legal cases: 9 civil cases and 1 criminal case arising from normal business operations, with a total potential financial liability of approximately 342 million baht, or less than 5 percent of shareholder equity. No cases related to any other matter, apart from normal business operations, has arisen.

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, 2004

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

Total paid-up capital : Baht 7,180,310,000 comprised of 533,907,520 common shares and 184,123,480 preferred shares, both with par value of 10 baht per share.

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

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

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

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

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

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

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

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

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

¹ As of December 31, 2004 the number of unpaid preferred shares reserved for the exercise of warrants granted to employees of the Company and its subsidiaries was 12,169,000 shares.

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

The details of total preferred shares held by management as of December 31, 2004 are described in Attachment 2.

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

Offerings of Securities and Other Convertibles to the Thai Trust Fund

None

NVDR

As of December 31, 2004, Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Company's shares as underlying securities totaling 76,676,520 units, or 10.68% of paid up capital. Although all financial benefits received by NVDR investors are similar to the benefits from the Company's common shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

8.1.3 Warrants

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

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

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

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

- Warrants to Purchase Preferred Shares – Tranche 1

Issuing Date	:	July 20, 2000
Offered Warrants	:	10,000,000 units
Allotted Warrants	:	9,100,000 units
Unexercised Warrants:		325,000 units
Exercise Price	:	Baht 10
Maturity Date	:	March 31, 2005
- Warrants to Purchase Preferred Shares – Tranche 2

Issuing Date	:	June 30, 2001
Offered Warrants	:	5,000,000 units
Allotted Warrants	:	4,902,000 units
Unexercised Warrants:		492,000 units
Exercise Price	:	Baht 11.31
Maturity Date	:	June 30, 2006
- Warrants to Purchase Preferred Shares – Tranche 3

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

4. Warrants to Purchase Preferred Shares – Tranche 4
- | | | |
|-----------------------|---|-----------------|
| Issuing Date | : | June 20, 2003 |
| Offered Warrants | : | 6,000,000 units |
| Allotted Warrants | : | 5,655,000 units |
| Unexercised Warrants: | : | 4,182,500 units |
| Exercise Price | : | Baht 14.94 |
| Maturity Date | : | June 20, 2008 |
5. Warrants to Purchase Preferred Shares – Tranche 5
- | | | |
|-----------------------|---|-----------------|
| Issuing Date | : | August 30, 2004 |
| Offered Warrants | : | 5,317,000 units |
| Allotted Warrants | : | 5,317,000 units |
| Unexercised Warrants: | : | 5,317,000 units |
| Exercise Price | : | Baht 21.88 |
| Maturity Date | : | August 30, 2009 |

8.1.4 Debentures

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

The Company

1. TISCO Finance Public Company Limited unsubordinated and unsecured debentures with maturity date in 2009.
- | | | |
|------------------|---|---|
| Type of Offering | : | For offer to the Ministry of Finance under the Tier II capital support scheme |
| Face Value | : | 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 |
| Payment Date | : | February 11 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
2. TISCO Finance Public Company Limited 2nd unsubordinated and unsecured debentures with maturity date in 2009
- | | | |
|------------------|---|---|
| Type of Offering | : | For offer to the Ministry of Finance under the Tier II capital support scheme |
| Face Value | : | 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
 Payment Date : May 28 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

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

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

Type of Offering : For offer to the Public
 Face Value : 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 at reference rate plus 0.5% per annum in the third to fifth year providing that it shall not be less than 3.75%, but no more than 5%, 5.5% and 6% per annum in the third, fourth and fifth year, respectively.
 Payment Date : January 29 and July 29 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
 Rating : "A" from TRIS on February 8, 2005

5. TISCO Finance Public Company Limited 2/2002 debenture with maturity date in 2007
- | | | |
|------------------|---|---|
| Type of Offering | : | For offer to Institutional Investors |
| Face Value | : | 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. |
| Payment Date | : | April 21 and October 21 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Rating | : | "A" from TRIS on February 8, 2005 |

Subsidiaries

1. Hi-Way Company Limited 1/2003 Debenture with maturity date in 2006
- | | | |
|------------------|---|---|
| Type of Offering | : | For offer to Institutional Investors |
| Face Value | : | 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 |
| Payment Date | : | every 3 months, on March 2, June 2, September 2, and December 2 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day. |
| Rating | : | "BBB+" from TRIS on August 11, 2004 |
2. Thai Commercial Auto Company Limited 1/2003 amortized debenture with maturity date in 2006
- | | | |
|------------------|---|--------------------------------------|
| Type of Offering | : | For offer to Institutional Investors |
| Face Value | : | 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 |

Payment Date	:	every 3 months, on January 6, April 6, July 6, and October 6 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	:	“BBB+” from TRIS on August 23, 2004

8.1.5 Bills of Exchange

Subsidiaries

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

8.1.6 Major shareholder agreements regarding share issuance or Company management

None

8.1.7 Minority-interest equity attributable to minority shareholders of subsidiaries

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

8.2 Shareholders

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

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

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

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 accumulated loss, no dividend shall be paid.

Dividends shall be paid equally according to the number of shares, unless otherwise specified for preferred shares, as in Article 8.1.1. Payment of dividends shall be subject to shareholder approval.

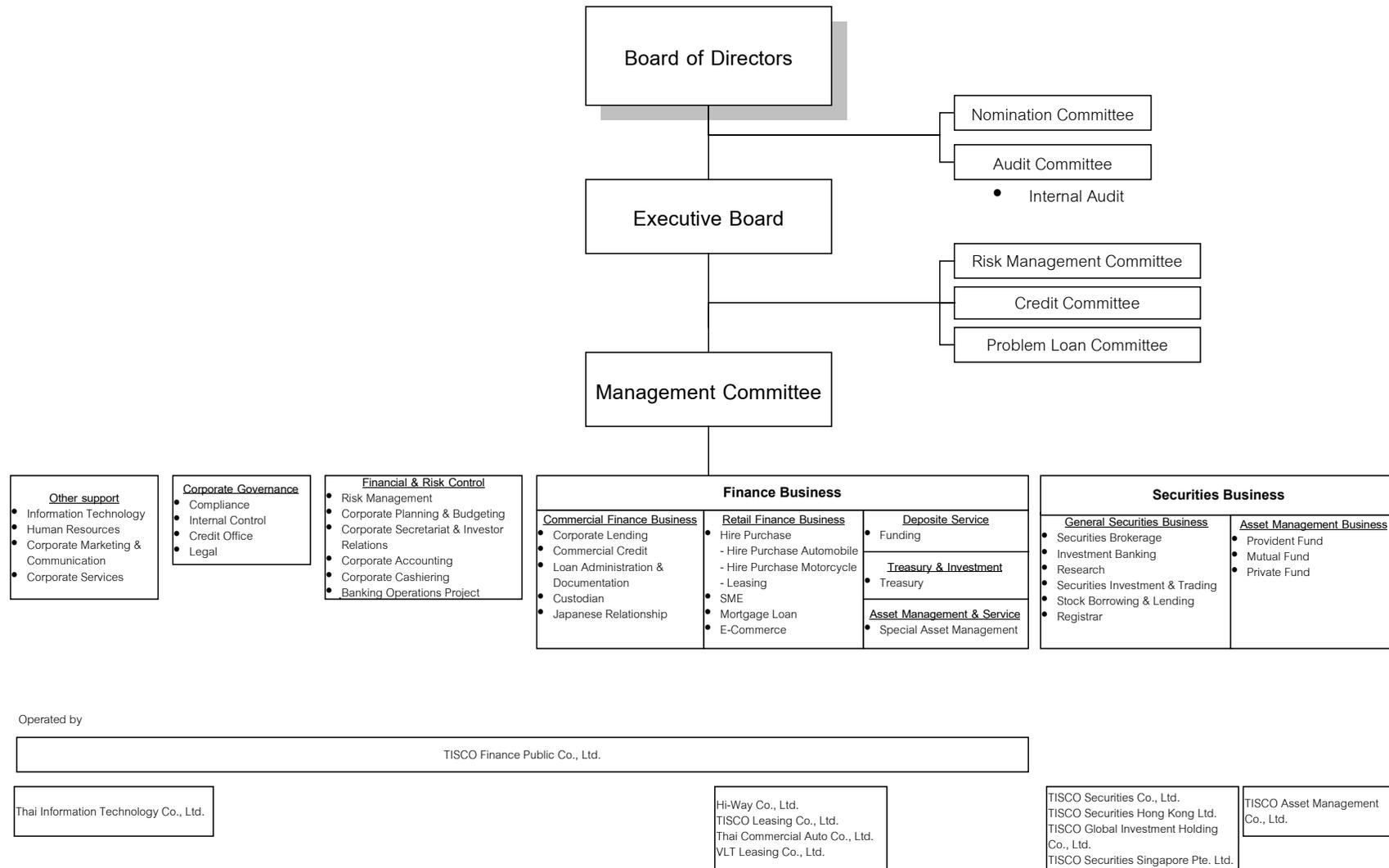
The Board of Directors may from time to time pay interim dividends when they see that the Company has sufficient profit to do so, and, after the interim dividend has been paid, they shall report to the next meeting of shareholders.

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

9. Management

9.1 Management Structure

The Board Structure is comprised of 4 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination Committee. In addition, the Management Committee oversees and monitors the Company and subsidiaries to ensure that all operations are in line with policy and planning as approved by the Board of Directors.



Note: Thai Permsap Finance Co., Ltd. was acquired by the Company in 2001 according to the plan for upgrading into a restricted bank. It has been merged with TISCO by transferring all its assets and liabilities to TISCO since Dec. 28, 2004 as required by the approval condition of the Ministry of Finance allowing TISCO to upgrade into a commercial bank. It is currently a dormant company.
 TISCO Securities UK Co.,Ltd. is in liquidation process.

As of December 31, 2004

9.1.1 Board of Directors

As of December 31, 2004, the Board of Directors consisted of 10 directors as follows:

Name	Position
1. Dr. Phisit Pakkasem	Chairman and Independent Director
2. Mr. Pliu Mangkornkanok	Director
3. Mr. Pichai Chanvirachart	Director
4. Mr. Bing Shen ^{/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 ^{/5}
9. Mr. Sangiam Santad	Independent Director
10. Mrs. Manimai Vudthitornetiraks ^{/4}	Independent Director

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

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

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

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

^{/3} Representative from DB Group

^{/4} Appointed by the Board of Directors' Meeting No. 7/2004 on December 21, 2004, approved by the Bank of Thailand on December 29, 2004 and registered change of director at the Ministry of Finance on January 12, 2005

^{/5} The qualifications of Independent Director prescribed in section 9.3

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

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

Authority and Responsibilities of the Board of Directors:

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

Other matters such as capitalization, de-capitalization, issuance of debentures, sales or transfers of whole or important parts of Company business to other persons; the purchase, acceptance, or transfer of business belonging to other companies; amendments to Company Memoranda and Articles of Association as well as transactions between related parties and sale and purchase of important parts of the business as per regulations stipulated by the SET or other governmental agencies, must obtain resolutions from shareholder meetings.

In 2004 there were 7 Board of Directors' Meetings, surpassing the requirement in the Company's Articles of Association that the Board shall meet once every three months.

9.1.2 Executive Board

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

Name	Position
1. Mr. Pliu Mangkornkanok	Chairman of the Executive Board
2. Mr. Pichai Chanvirachart	Member
3. Mr. Bing Shen	Member
4. Mr. Yukio Matsunaga	Member

Authority and responsibilities of Executive Board:

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

9.1.3 Audit Committee

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

Name	Position
1. Dr. Phisit Pakkasem	Chairman of the Audit Committee
2. Mrs. Krisna Theravuthi	Member
3. Mrs. Manimai Vudthitornetiraks ^{/1}	Member

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

Authority and responsibilities of Audit Committee:

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

9.1.4 Nomination Committee

The Nomination Committee members were appointed by the Board of Directors. As of December 31, 2004, the Nomination Committee comprised 4 directors as follows.

Name	Position
1. Dr. Phisit Pakkasem ¹	Chairman of the Nomination Committee
2. Mr. Pliu Mangkornkanok	Member
3. Mr. Bing Shen	Member
4. Mr. Yukio Matsunaga	Member

¹ Independent Director

Authority and Responsibilities of Nomination Committee:

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

The details of directors' attendance in 2004 are as follows:

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

^{/1} excluded 2 times by teleconference

9.1.5 Management Committee

Management Committee members of the Company and its subsidiaries were appointed by the Board of Directors. As of March 15, 2005, the Management Committee was comprised of 11 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	Senior Executive Vice President Chief Financial Officer	TISCO Finance Plc.
4. Mr. Panya Wotticharoenvong	Executive Vice President Head of Retail Business	TISCO Finance Plc.
5. Ms. Nattamon Issaradharm	Executive Vice President Chief Governance Officer	TISCO Finance Plc.
6. Mr. Sakchai Peechapat ^{/1}	Executive Vice President Head of Human Resources and Organization Development	TISCO Finance Plc.
7. Mr. Metha Pingsuthiwong ^{/1}	Executive Vice President Head of Treasury and Funding	TISCO Finance Plc.
8. Mr. Suthas Ruangmanamongkol	Managing Director	TISCO Asset Management Co., Ltd.
9. Ms. Araya Thirakomen ^{/1}	Deputy Managing Director and Head of Provident Fund Business	TISCO Asset Management Co., Ltd.
10. Mr. Chavalit Chindavanig ^{/1}	Deputy Managing Director acting Managing Director and Head of Investment Banking	TISCO Securities Co., Ltd.
11. Mr. Paiboon Nalinthrangkurn ^{/1}	Deputy Managing Director and Head of Brokerage Equity and Research	TISCO Securities Co., Ltd.

Remark: After December 31, 2004, two Management Committee members; Mrs. Anchalee Bunnag and Mr. Vanchai Manosuthi, resigned from the position on January 31, 2005 and March 9, 2005, respectively

^{/1} appointed on February 24, 2005

and Ms. Chutintorn Vigasi as 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 planning as approved by the Board of Directors. The Management Committee's authority and responsibilities are:

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

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

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 reasons other than expiration of term of office, the Nomination Committee shall, upon contemplating Company need and good corporate governance, identify and propose qualified nominees to the Board of Directors or the shareholders' meeting for replacement consideration. The Nomination Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors. A person to be nominated or appointed as an independent director must meet the requirements of the SEC, SET and the Company's Corporate Governance Policy and Guideline as summarized in section 9.3. The appointment and removal criteria are as follows:

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors, which shall not be less than five, provided that not less than one half of the directors domicile in Thailand. In addition, not less than three fourths of the directors must be Thai nationals, unless an alternative provision in the form of permission from related authorities is granted. (On April 7, 1999, a 10-year exemption effective March 30, 1999, was granted to the Company by the BOT, which allowed the number of the Company's non-Thai directors to exceed 40% but less than 80% of the total.)
2. The general meeting of shareholders shall elect directors in accordance with rules and procedures as follows.
 - (1) Each shareholder shall be entitled to one vote for each share held by him for the election of each director.
 - (2) Each director shall be elected by at least a majority of the votes cast at a meeting of shareholders, by the holders present and entitled to vote in the election. Those nominees who receive the most votes respectively shall be appointed as directors of the Company.
3. The general meeting of shareholders of each calendar year, one-third of the directors, or, if their number is not a multiple of three, then the number nearest one-third must retire from office. The directors who are to retire during the first and the second year following registration of the Company shall be drawn by lots. In every subsequent year, the directors who have been longest in office shall retire. A retiring director is eligible for re-election.

4. A director can be elected or removed only by the shareholders at a general meeting. A Board vacancy occurring for any reason other than rotation or retirement may be filled by the remaining directors, unless the term of the original director was less than two months. For the purpose thereof, the resolution of the Board of Directors shall be passed by a vote of not less than three-fourths the number of remaining Directors, but any person so appointed shall hold office only for the remainder of the term of the director to whom he has succeeded. If a general meeting of the shareholders removes a director, and appoints another in his stead, the person so appointed shall hold office only for the remainder of the term of the director so removed.
5. A general meeting of shareholders may resolve to remove a director before expiration of office with the votes of not less than three-fourths the number of shareholders present and eligible to vote. Such a motion must also represent an agreed number of shares equal to or not less than half the total number held by the shareholders present and eligible to vote.

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

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

9.2.2 Nomination at the Management Level

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

9.3 Qualifications of Independent Director

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

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

company, subsidiary company, associated company and related company more than 5% of the paid-up capital.

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

9.4 Director and Management Remuneration

9.4.1 Director and Management Remuneration Policy

The remuneration of directors has been approved by shareholders. The scale and components of remuneration for directors and management has been set by the Company subject to the principle that such remuneration should be appealing enough to attract and retain quality directors, but avoid excessive pays. Remuneration for directors should be comparable to the general practice in the industry with regard to work experience and commitment, as well as the benefits each director brings.

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

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

9.4.2 Financial Remuneration

Monthly remuneration as determined by the Company was:

Chairman of the Board

January – February 40,000 baht

March – December 60,000 baht

Other Directors

January – February 20,000 baht

March – December 25,000 baht

The details of Board of Director remuneration during 2004 are as follows:

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

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

In 2004, the total remuneration for the Board of Directors, the Executive Board, the Audit Committee and the Management Committee (excluding 5 new management appointed on February 24, 2005) was 147,481,686.66 baht. This was paid in the form of monthly compensation, salaries, provident fund and bonuses, which varied according to the Company's performance.

9.4.3 Other forms of Remuneration

In 2000, the annual general meeting of the Company's shareholders passed a resolution approving the allocation to directors and employees of the Company and its subsidiaries of 30 million, 5-year, non-negotiable warrants to purchase the Company's preferred shares. Allocations determined by the Allotment Committee with regard to the competency and potential of each employee must obtain approval from a general meeting of shareholders. In 2004, the number of warrants granted to the Executive Board and Management Committee was 2,570,000 or 48.34% of the warrants granted in 2004. In 2004, the total amount of warrants has been fully allotted to the amount of 30,000,000. The Company has allotted a total of 14,700,000 warrants to the Executive Board and Management Committee, or 49% of the total warrants in the program.

9.5 Corporate Governance

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

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

1. Corporate Governance Guidelines

The Corporate Governance Guidelines assist the Board of Directors in effectively carrying out their duties in compliance with regulatory policy, the Company's legal responsibilities, and business ethics. The Corporate Governance Guidelines embrace all key issues of the code of best practices for directors, including the role and structure of the board, relationships with stakeholders, information disclosure, and applicable laws and regulations related to directors. In addition, the Board of Directors has endorsed a code of conduct and compliance manual to be applied at the managerial and operational level.

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

2. Shareholders: Rights and Equitable Treatment

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

The annual general meeting of shareholders is held by the Board of Directors within 4 months of the date ending the accounting period of the Company, with the agenda made public more than 1 month in advance. The Company will begin considering the agenda of the shareholders' meeting at the end of January. The agenda and all relevant documents will be

proposed to the Board of Directors for consideration. The order of the agenda at the Shareholders' Meeting is to be in an appropriate sequence as set by the Company's Articles of Association. In addition, each agenda item will state clearly whether it is a matter proposed for acknowledgement, for approval or for consideration, including the opinions of the board in said matters. To allow adequate time for the shareholders to study all of the meeting material, notice of the meeting specifying all the relevant information is sent to the shareholders not less than 7 days before the date set for the meeting. In 2004, the Shareholders' Ordinary General Meeting was convened on April 28, 2004 and the notice was delivered to the shareholders at least 14 days prior. The notice calling for the meeting was also published in a newspaper for 3 consecutive days and at least 3 days prior to the date of the meeting.

The Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board, so long as the requirement that due notice thereof be given as provided in the Company's Articles of Association is followed. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number sold may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholders numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of shares sold, may also request an extra-ordinary meeting. In such cases, the Board of Directors must set the date, time and place of the meeting within one month of the date of receiving the notice.

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

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

3. Various Groups of Stakeholders

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

Since each stakeholder has different objectives and expectations, the Board carefully considers the differing stakeholders' legal rights, and ensures that those rights are protected and treated with care. Co-operation between the Company and various groups of stakeholders is promoted in order to secure profits and business stability.

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

4. Shareholders' Meeting

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

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

At the Shareholders' Ordinary General Meeting 2004, six directors, the Chairman (who at that time also chaired the Audit Committee and Nomination Committee), two members of the Audit Committee and three executive directors, attended the meeting. All independent directors were present. However, three foreign directors were unable to attend since they reside in foreign countries. The Company's senior management, namely the Chief Financial Officer, Chief Governance Officer and Head of Retail Finance & Head of Special Asset Management, also attended this meeting.

5. Leadership and Vision

The Board of Directors is composed of a broad range of experts who possess competency, knowledge and experience for running the business. The Board of Directors is ultimately accountable for the business plan and performance of the company. It shall ensure that the company achieves its goals by charting out effective long-term strategic plans, short-term business plans, and the corporate target. It is thus essential that the Board, and also senior management who support the board, possess leadership, vision, and independent decision-making capabilities for the best interests of the company and its shareholders. It is also imperative that the Board possesses a general understanding of the overall business of the company, and is able to ensure that management carries out company policy effectively and efficiently.

When a new director is appointed to the Board, senior management will provide such director the information regarding the Company's business operations and past performance for clear understanding.

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

6. Conflict of Interest

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

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

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

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

7. Business Ethics

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

Directors shall carry out their duties with care and loyalty, with the full knowledge that they are jointly liable for any damage to the Company caused by breach of responsibility. "Duty of care" means that directors should take reasonable steps to be in a position to monitor the Company's affairs and maintain a sufficient understanding of the business of the Company. "Duty of loyalty" means that directors must act honestly to preserve the interests of the Company and comply with the Company's Articles of Association as well as applicable laws.

8. Balance of Power for Non-Executive Directors

The Board's compliance roles include ensuring that appropriate systems providing accountability and transparency are set up and implemented by management. The Board of Directors itself has been structured to ensure accountability, and that no single individual or group has unfettered power. As a principle to promote a healthy balance of power, the Board is comprised of at least 9 directors, one-fourth of whom are independent, with a minimum of 3. The independent directors should possess the qualifications as mentioned in section 9.3.

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

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

9. Aggregation and Segregation of Positions

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

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

10. Remuneration for Directors and the Management

The scale and components of remuneration for directors and management has been set by the Company subject to the principle that it should be appealing enough to attract and retain quality directors, but without being excessive. Remuneration for non-executive directors should be comparable to generally accepted practice by the industry with regard to work experience and commitment, as well as the benefits to the Company that each director brings. Executive directors and management should receive remuneration linked to Company performance. Remuneration policy for directors shall be transparent and receive approval from the shareholders. The Board shall disclose in the annual report its remuneration policy and the amounts set for the directors and executives in accordance with SEC rules. Details of the remuneration are shown in section 9.3.

11. Board of Directors' Meeting

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

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

In 2004, 7 board meetings were convened, surpassing the requirement in the Company's Articles of Association. Six meetings were regularly scheduled while another meeting was called for a special matter. The details of directors' attendance are shown in section 9.1.1.

12. Committee

To achieve its high standards of performance, the Board delegates the sub-committees to take on tasks that require detailed review or in-depth consideration. Such sub-committees as the Executive Board, the Audit Committee, the Nomination Committee, the Risk Management Committee and others are, if necessary, entitled to make decisions on the Board's behalf or submit recommendations for consideration, depending on the sub-committee's specific charter. The composition and responsibilities of sub-committees is detailed in section 9.1.1.

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

13. Control System and Internal Audits

The Board delegates its day-to-day operational oversight to the Executive Board and Senior Management. The Executive Board prepares an annual assessment of the Company's internal control system and reports its findings to the Audit Committee for verification and further recommendation to the Board of Directors. In fulfilling its compliance role, the Board is responsible for monitoring operations by being aware and kept up-to-date regarding the Company's operating environment. To ensure high standards of compliance, the Board delegates day-to-day compliance oversight to the Audit Committee, which serves the Board in monitoring compliance with the Board's policies, and internal and statutory regulations. The Audit Committee is composed solely of independent directors. Internal Audit functions directly report to the Audit Committee. The Company's internal control system is shown in section 10.

14. Directors' Report

The Board shall also provide a report indicating the performance of the Company and important business activities over the course of the year to shareholders. Moreover, the Board is responsible for assessing the Company's internal control system, which is carried out by the Executive Board and reviewed by the Audit Committee, and for certifying the accuracy of information in financial statements. The Board assigns the Audit Committee to review the financial statements of the Company and ensure that they are presented in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner to allow investors to make informed investment decisions. The Board provides the above-mentioned reports, while the Audit Committee provides reports on audit issues along with the auditor's report. Reports from the Board, the Audit Committee and the auditor's report are included in the annual report.

15. Relations with Investors

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

The Company, which is registered in the SET 50 Index, discloses Company information to investors and the public through various channels, including its own website (www.tisco.co.th) and those operated by the SET and the SEC. From July to December of 2004, the Company's website recorded 83,659 hits. In addition, the Company arranges Analyst

and Press Meetings to disclose Company information to domestic stock analysts and the press at least once every quarter. To assist foreign stock analysts and investors, the Company also arranges one-on-one meetings to provide them with Company information. In 2004, there were 25 such meetings.

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

9.6 Control of Internal Information

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

9.7 Human Resource

As of December 31, 2004, the total number of employees in the Company and its subsidiaries was 1,776 (excluding senior management) of which 1,317 are permanent employees and 459 are contract staff.

Major Function	No. of Employees
1. Finance	273
2. Hire Purchase	836
3. Securities	244
4. Fund Management	131
5. Others	75
6. Back office and Administration	217
Total	1,776

The number of employees of the Company and its Subsidiaries at the end of 2003 was 1,672, increased from 1,459 at the end of 2002 as the Company started to manage the assets portfolio of Sukhumvit Asset Management in 2003. In 2004, the number of employees further increased by 104, following the business expansion.

For the year 2004, the Company's and its subsidiaries total employee remuneration in form of salary, bonus, and provident fund was Baht 925,651,717.80. 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, 2003 and 2004 were 25, 45 and 45 percent respectively.

9.7.1 TISCO Group Registered Provident Fund

TISCO has established a Provident Fund in accordance with Ministerial Regulation 162 (B.E. 2526). The purpose of the fund is to encourage long-term savings among employees for their retirement or in the event of their leaving the company.

The fund, called the "TISCO Group Registered Provident Fund", as per Ministerial Regulation 162 (B.E. 2526), has been registered in compliance with the Provident Fund Act B.E. 2530 since June 21, 1990. Rules and regulations of the fund, including the rights of members for the entire duration of their membership to the fund, have been set up to comply with Provident Fund Act B.E. 2530.

Employee's Contribution: Members shall remit contributions to the fund by granting the Employer permission to make deductions from their monthly salary. Members have two alternatives; to remit contributions at 5% of monthly salary, or at the same rate as the employer's contribution, which can be changed once a year.

Employer's Contribution: Employer is obligated to contribute to the fund on the same day as the employee, and the percentage of the employer's contribution depends on the employee's years of service as follows:

Years of Service	Employer's Contribution (% of salary)
1	5
2	6
3	7
4	8
5	9
≥ 6	10

The fund is supervised by the fund committee, which is comprised of the employee's elected representative(s) and the employer's appointed representative(s). Terms of fund committee members will be valid for two years, and any individual can be re-elected or re-appointed. The fund committee is responsible for the supervision of fund management and investment policy.

In 2002, TISCO established an additional fund to offer Employees an option to better match their desired risk and return profile named "TISCO Group for Savings Registered Provident Fund." Also, the "TISCO Group Registered Provident Fund" was renamed "TISCO Group for Investment Registered Provident Fund." These two funds differ only in investment policy, and members are able to switch between the two funds once a year if so desired.

As of December 2004, the total fund size of "TISCO Group for Investment Registered Provident Fund" was Baht 588,349,358.18 with 1,029 members. The total fund size of "TISCO Group for Savings Registered Provident Fund" was Baht 131,642,061.20 with 249 members.

9.7.2 General Human Resources Policies

To strengthen TISCO's corporate identity and brand personality, the implementation of people-oriented practices is conducted at the same high standards to reflect TISCO's philosophy of human resources management. Although all **human resources policies** and some human resources operations are centralized for work efficiency and consistency, for example, payroll systems and employee data recording, there are decentralized authorities and empowerments embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry. However, it should be kept in mind that the HR contribution aims in the first place at optimizing overall company performance through improving individual performance.

1. Principles of Dealing with People at TISCO

A prerequisite for dealing with people is respect and trust. TISCO preserves the character of professionalism with politeness and humility while exercising corporate values.

TISCO's values describe human behaviors that accommodate the journey of the organization to its success. These values form specific attitudes, which deserve to be outlined in the present policy:

Assertiveness

- Willing to listen, but personal views are expressed in a direct and tactful manner
- Highly enthusiastic and responsive. Ready to react in a helpful way
- Question anything that impedes progress. Ask questions to find out facts, information and others' opinions
- Sincerely give positive and corrective feedback about others' performance
- Coach others in order to support their professional development, and when their performance does not meet expectations

Add-Value

- Persist with passion towards excellence
- Undergo continuous improvements in working processes
- Creative in designing products and solutions
- Foster good customer relationships

Sharing/Team Spirit

- Open-minded. Ideas of others are listened to and valued
- Sincere and persuasive. Influence others to share and buy-into ideas in an honest and appropriate way
- Provide sensible suggestions
- Keep disciplined and dedicated to team goals
- Pro-active and ready to change

Broadminded

- Think holistically
- Emphasize long-term and strategic goals
- Encourage employees to be involved in searching for the right direction
- Be sensitive to the impact of globalization

Logical

- Systematically gather practical, reliable and detailed information
- Make unbiased decisions based on reasoned logic, factual evidence and thorough analysis
- Choose the most practical option before taking action, with strong conviction

Results-Oriented

- Promote a performance-driven culture
- Policy driven, detail-oriented, with customer-driven balance

Learning

- Actively learn and explore new things
- Provide efficient services to customers by learning from past experiences, best practices and external sources, and be able to self-correct and apply these lessons to current situations
- Clearly give employees direction, structure, operational guidelines and roles and responsibilities
- Provide training programs needed to better respond to client needs and promote employees' professional development
- Encourage the development of our employees
- TISCO always seeks people with high competence, intelligence and balanced EQ

Integrity

- Value integrity
- Adhere to the highest standards of good corporate governance
- Conscious of social responsibilities

2. Hiring

In order to serve various business aims while maintaining a uniform corporate culture across the group, hiring of TISCO employees will be based on three sets of competencies: Organizational Core Competencies, Functional Competencies and Leadership Competencies. Organizational and Leadership Competencies will meet the same criteria across the group, whereas Functional Competencies can be varied to fit with each business strategy, business culture and competitive environment.

TISCO will hire employees with the right attitude and professional abilities that enable them to develop a long-term relationship with the company.

To ensure good corporate governance, close relatives and immediate family members of the Board of Directors, the Executive Board and the Management Committee, will not be considered for any job vacancy in the TISCO Group. The same condition will apply to senior employees with managerial authority. Kin and immediate family members of other employees are to be considered on a case-by-case basis by senior management and the human resources function. Every candidate will be assessed to match their competency with the requirements of the position and the potential for growth in future.

HR function is responsible for providing adequate recruitment and selection tools. It is understood that the hiring decision is in the hands of the manager responsible.

Even while promoting employees intensively from within the organization it is the role of management and HR to keep an eye on valuable candidates from outside and to benchmark internal skills with external offers.

It is as important to hire the right person as it is to integrate newcomers into the organization so that their skills and behaviors can merge smoothly with TISCO culture.

3. Employment at TISCO

To uphold the highest standards of Good Corporate Governance, the company has established a **“Business Code of Conduct”** that demonstrates its determination to be a good corporate citizen in society. These principles are to be respected everywhere and under all circumstances. The management will implement the necessary processes to ensure that these principles are enforced at all levels.

Employees who fail to abide with the Business Code of Conduct cannot be maintained in employment and will be asked to leave the organization.

Employees should also inform vendors, suppliers and the providers of outsourced services of our Business Code of Conduct in the issues related to them and they should comply.

TISCO favors a policy of long-term employment. Separations are only for cases violating the company’s principles, business misconduct, retirement, leaving voluntarily, and falling into the separation criteria as stated in the rules and regulations that the company has registered with the Department of Labor. Whenever an operation or business cannot be maintained under TISCO’s umbrella, reasonable steps will be undertaken to avoid overall loss of employment and by fully respecting all related labor laws. Reasonable efforts will be deployed to reduce, as much as possible, the suffering of our employees.

4. People Assessment and Development

4.1 Assessment

Human value creation starts with the quality of the people that fit with TISCO Group’s strategy, culture, technology and environment. Therefore, employee assessments shall be employed in all steps of employee movements from selection of new candidates to promotion, career development and succession planning. The Human Resources function will provide assessment tools at the corporate level, whereas business units will have the freedom to customize assessment tools under corporate HR consultation to suit each business environment while maintaining corporate standards of people quality.

4.2 Development

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

career growth of each employee will reflect their ability to learn and the improvement of his/her competencies that can add value to all stakeholders.

The Human Resources function is responsible for providing knowledge and skills development at the corporate level for corporate competitive advantage. At the Business Unit level, the Human Resources function will provide consultation and advice on development methodology and techniques to maximize learning and development of human capital to add value to the business. Human Resources will also be responsible for the records of organization knowledge and the skills inventory of all business units in TISCO Group.

5. Career Management

To motivate employees and build up the organization's strength, every employee has opportunities for career progression, both vertically and horizontally. TISCO Group emphasizes "***promotion from within***" for available job positions. Should there be no best fit within the organization, hiring from outside then comes into consideration.

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

6. Performance Management

The objective of Performance Management is to build a TISCO workforce committed to the delivery of quality service while building a trustworthy relationship between line managers and job performers. Performance Management will be a key responsibility of every employee who assumes a supervising role. Regular counseling and guidance are the best tools for improving performance and helping people develop their skills. Efficient performance management, emphasizing the achievement of agreed objectives is a prime responsibility for each manager. Candidates for managerial positions should clearly have demonstrated a willingness and ability to apply the performance management system and process. The components of the performance management system and process are outlined in the guidelines and manuals that support this policy and will be developed, updated and maintained by the Human Resources function.

7. Employee Compensation and Benefits

The Company recognizes employees as the utmost important resource and thus places great emphasis on their health, safety and well being. The Company arranges for all employees to have physical checkup annually and sets up several sport facilities for aerobic, yoga, badminton, football, golf, etc., for employees who are keen on exercises. Regarding employee safety, the Company provides life and travel insurance for each employee as well as arranges fire drill annually under the Workplace Safety Committee's supervision. Additionally, the Company also sets up the Employee Welfare Committee to be responsible for monitoring, attending and recommending policies on welfare for employees.

TISCO favors competitive, stimulating and fair remuneration structures offering an overall competitive and attractive compensation package. Various forms of compensation will be designed in combinations to best match the nature of various jobs, as well as supply and demand. Remuneration includes salary, fixed and variable incentives/bonuses, social welfare, health care and other benefits.

TISCO has adopted the **broad banding** system specifically to facilitate the implementation of a flat organizational structure. The system is flexible so as to be able to adapt to the evolution of market conditions. The broad banding structure allows sufficient flexibility to effectively reward high professional insight and performance as well as individual potential in both generalist and specialist employees.

The company will establish a compensation practice based on relevant external compensation levels as well as the requirement of internal fairness. It is the responsibility of each manager to propose, within the framework of the company policy, the remuneration of his/her employees, taking into account the local market, individual performance, skills and potential for development.

It is also the responsibility of each manager, if needed, with the support of the Human Resources function, to communicate properly, clearly and with sufficient transparency, the individual remuneration of each staff member regarding his/her specific responsibilities.

The quality of communication in these matters is an essential part of the dialogue that each manager will have with his/her employees.

It should be realized that, however important remuneration is for each employee, it is not remuneration alone that will stimulate the motivation of staff.

TISCO Group rewards employees in the following aspects:

7.1 Pay for roles and responsibilities

All jobs in TISCO Group are clearly identified by key roles and responsibilities and slotted into the broad banding system. Certain pay levels are determined for each job by market surveys and benchmarking. The jobholders will be rewarded within the pay range of their particular job and band.

Individual remuneration is considered from skills, knowledge, behavior, attitude and potential to contribute to the business. Development of competency level will be valued and rewarded. Line managers have a direct responsibility to assess team members for a fair reward.

7.2 Pay for performance

Performance objectives and targets for each employee are preset and agreed at the beginning of the financial year. Employees who meet their target set are entitled to earn rewards in the form of monetary bonuses or incentives of any form that the company will announce in the future.

Different types of businesses in TISCO Group can have different combinations and methods of pay with senior management agreement and COO/CEO approval in order to drive business success.

8. Human Resources Administration

To be fully in compliance with labor laws and regulations, all HR practices related to labor laws are centralized at the Human Resources function so as to be handled properly. Any policies and/or HR practices that contradict with the national labor laws will be automatically superseded.

Employee data recording is centralized at the Human Resources function for overall and high-level workforce management. Transfers or changes in employee status at all business units across TISCO Group are to be reported and processed according to the corporate HR guidelines and procedures.

9. Succession Planning

To prepare the organization for the future, all key positions are requested to develop successors and put development plans in place. Succession planning is overseen by the CEO and COO with support from the Human Resources function.

For senior management positions, the Executive Board, with authorized delegation from the Board of Directors, will form the committee to screen and assess successors with support from the CEO, COO and the Human Resources function.

9.7.3 Organizational Development

Since TISCO has already embedded and implemented new management tools such as Balanced Scorecard, Strategy Map, Key Performance Indicator (KPI), as well as Direction Statements of Corporate Vision, Mission, and Values which have led the company to undertake many changes and pursue continuous development. In 2004, the company initiated various development programs as follows:

1. Strategy Alignment Program

The company has identified the **Direction Statement**, which is stated in Vision, Mission and Value, as follows:

Vision "To be the customer's first choice."

Mission "We are a constantly learning organization 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."

Value

- **Assertiveness:** We venture to present dynamic approaches, ideas, and actions.
- **Added-value:** We always raise the quality of services for our clients.
- **Sharing/Team Spirit:** We always share and work as a team.
- **Broad-mindedness:** We are broad-minded and accept new ideas.
- **Logical:** We logically assess and seek solutions for each client.
- **Results-Oriented:** We emphasize our clients' progress and satisfaction.
- **Learning:** We encourage learning as an on-going process.
- **Integrity:** We maintain ethical and honest conduct at all times.

In 2004, the Company embarked on its goal of achieving these aims. Along with the support of management, which determined the Strategy Map and developed the Balanced Scorecard (BSC), this vision has been established as the driving principle at the heart of the company, to be embraced and executed in every business line in setting business objectives and Key Success Factors. To achieve the corporate strategy, all business lines must develop action plans in alignment with the above principles, and all employees are required to define individual Key Performance Indicators (KPI) to match their respective business units. Once this process is completed, the company can be assured that 1) the corporate strategy has been communicated to all employees and everyone is moving in the same direction, 2) the corporate strategies have been promptly put into practice, and 3) the KPIs are all aligned across the organization.

One of the objectives of the “Performance Management System (PMS)” application is to encourage communication between supervisors and their subordinates in every process starting from goal setting, work planning, follow-up, feedback/suggestions, performance measurement, and individual development plans for each employee.

However, the important factors creating the atmosphere of a High Performance Workplace are collaboration, support, encouragement, recognition and rewards.

In 2004, to help the employees understand their roles and be able to perform and meet the Company’s expectations, the Company encourages regular communication between supervisors and subordinates through the “Coaching System” and the “Feedback System.”

2. Leadership Development Program

The Company values employees at all levels as the essential foundation in building the Company’s growth and stability. Through this reasoning, the CEO believes in building successors who will drive the Company towards development, advancement, and strength. Organization Development has been fully supported, most notably in Training and Development programs for the management group. For example, a self-development program called “The 7 Habits of Highly Effective People” was especially designed and arranged for 176 department heads.

Moreover, the Human Resources and Organization Development Department has organized various activities based on “The 7 Habits of Highly Effective People” for every manager to practice and apply in their work on a daily basis. Some of these skills include Goal Setting, Experience Sharing, along with Management Interviews in which managers share the secret of their success, such as Time Management, and any other good tips. The company has also formed a group of Highly Effective People, the E-Club, who are selected to act as champions of the 7 Habits for all employees.

3. Effective Development Program

In 2004, the Company increased its support for measures aimed at bolstering effectiveness, with management identifying areas for improvement. Since management recognized a need to change old behaviors in order to make meetings more effective and efficient for each business unit, a special focus was placed on the effectiveness of meetings through a variety of skills development exercises such as Presentation, Brainstorming, Problem Solving, Decision-Making, Leadership, Time Management, and Summarization Techniques, for example. Management has officially announced and introduced a new pattern for meetings of all employees, to be followed up by a consistent monitoring process to ensure best results. The major outcome of this effort has been reduced time spent in meetings and an increased level of satisfaction among management and employees in general.

4. Corporate Culture and Value Enhancement Program

The Company is very proud of its values and culture, which reflect the strengths of its employees. Management has set as a priority the need to embrace and communicate these principles to the new generation and beyond.

The Company supports all activities aimed at enhancing the culture and values of the organization. To this effect, it has formed a special working group called “Corporate Value and Culture Working Group” which consists of 20 people from different functions and business units to arrange activities called “Values Intervention.” The objective of these activities is to cultivate values and good cultural awareness among all employees, starting from the operations level up to the management level. It is also considered a primary corporate goal, and therefore requires participation from all employees. In 2004, the Company organized 3 staff groups of more than 200 employees who are charged with running the activities for approximately 1,000 employees throughout 2005.

The first 3 batches were very successful, with the majority of participants agreeing that the activities gave them a clearer understanding of TISCO’s corporate values and helped in shaping a good attitude towards the organization. The framework of these activities has been especially designed for all employees to learn, understand, connect, and commit to the corporate direction.

5. Internal Communication and HR&OD Homepage Service via Intranet

The Company values the importance of Human Resources services to meet the needs of all employees with the highest level of effectiveness. Employees are to have immediate access to all the information they need. Therefore, the company has initiated an HR and OD Homepage to serve as a Human Resources Database and Knowledge Center for Effective Work. All employees can easily search for information by themselves via the company Intranet system.

The HR Homepage consists of an employee database and updated information, such as HR forms, Information about Compensation and Benefits, a tax calculation program, the latest developments in the Human Resources Management System, Employment Opportunity, Knowledge, Performance Management, etc.

The OD Homepage contains information covering Human Resources Development and Organization Development such as Corporate Strategy Alignment, Corporate Vision, Mission, and Values, Corporate Effectiveness, The 7 Habits of Highly Effective People, The Effective People Club, an Activity Calendar, and more.

9.6.4 HR Development

1. Competency-based approach

Since 2003, the Company has applied a competency-based approach aimed at developing the Human Resources System and Measurements which show the effectiveness and efficiency development of each employee, team, and the organization as a whole.

The company has identified the 3 levels of competencies as follows:

- 1) Organization Core Competencies:** All employees need to strengthen corporate values and culture in order to seriously put these strategies into practice to meet the corporate vision.

2) Leadership Competencies: All leaders need to motivate employees and the organization towards the desired goals and vision.

3) Functional Competencies: All employees in all functions need to have specific competencies in order to achieve their goals.

The Company will follow the competency guidelines in overall HR Management and HR Development such as Recruitment and Selection, Needs of Career Growth, Personal Development Plan (PDP), Development Planning, Succession Planning, and Talent Management.

2. Employee Learning & Development

To align the values of “Continuous Learning”, the Company has designed a training program for employees under the theme of “Learning Experience” in order to encourage desired behavior. It has been applied in selecting training programs, trainers, and measurement of the training results for all levels of employees.

For Training Management, the Company follows the concept of “Every Manager is a Training Manager”. The Company has policies which support employees at the management level in each particular business line in taking responsibility for exercising competency management of their subordinates.

Once the capability of employees at the management level in the areas of Human Resources Management and communications between supervisors and subordinates has increased, the Company will have developed agility in Human Resources Development.

The Company has framed the structure of its Training System and Guidelines for Training Plans into 3 areas:

1) Technical Training: Focus on Professional Presentation Skills and Negotiation Skills.

2) General Training: The Company policy states that all employees must attend Lotus Notes Training, and an Orientation Session for new employees is required to enable them to meet the highest level of communications effectiveness so that they easily adjust themselves to fit within the culture of TISCO.

3) Corporate Training: In 2004, the Company focused on developing communication channels between supervisors and subordinates to allow them to discuss work progress on a regular basis. The training program entitled, “Feedback Skills for Staff”, has been organized for all employees to create a positive attitude towards Feedback, with the goal of establishing a favorable climate for simultaneous communication and constructive suggestions.

3. Succession Planning

The Company values the importance of Career Growth within the organization, including Manpower Management. In 2004, Succession Planning identified 44 key positions of “Successors” at the Department Head level by using the criteria “Performance” and “Potential” in the selection process. Individual Development Plans covering 3-5 years for every position were introduced.

4. Talent Management

As part of the Corporate Plan for 2005, the company will launch a system called “Talent Management” as a tool for Employee Retention by using criteria measuring the Performance and Potential of Employees. The Talent Development Plan for high potential employees will also be executed.

5. Knowledge Support in Human Resources Management

The Company realizes that the success of Human Resources Management requires effort and collaboration not only from the Human Resources Department, but also from employees in all departments. The Company has provided full support for employees to develop their knowledge in Human Resources. In 2002, the Company joined the “Human Capital Management Club”, a renowned association of Human Resources professionals, to allow employees at all levels in the Human Resources and other business functions to attend conferences, seminars, training sessions, and any other activities related to Human Resources Management throughout the year.

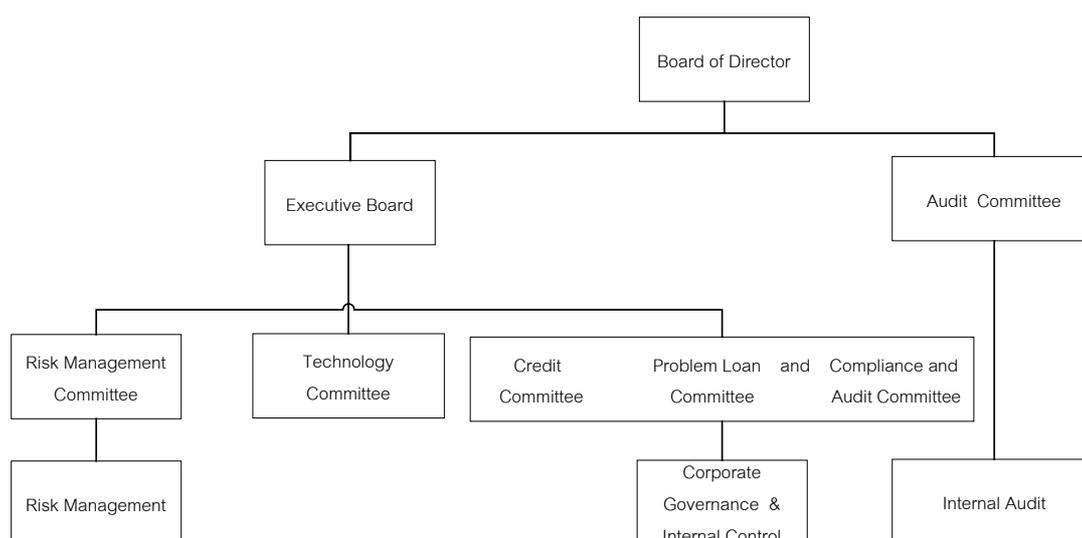
10. Internal Control

10.1 Internal Control Overview

The importance of an internal control system has always been a key focus of the Company. Special emphasis is placed on the adequacy and appropriateness of the internal control system on all business operations, with the ability to protect company assets from any damage or misconduct on the part of employees or management. Meanwhile, recommendations on internal controls from the independent external auditor and the BoT's auditor are seriously taken into consideration.

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

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



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

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

- The Credit Committee and Problem Loan Committee are responsible for setting up credit granting criteria and controlling loan approval procedures at the transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Office supports the committees in assessing and controlling the credit approval process of each transaction. In addition, the Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.
- The Compliance and Audit Committee is responsible for reviewing internal control guidelines and processes, as well as following up and detecting issues and compliance related to internal controls, to ensure that operational risks are thoroughly addressed.
- The Corporate Governance and Internal Control division, which is comprised of credit offices, internal controls, compliance and legal functions, is responsible for reviewing and monitoring the internal controls system at the transaction level and reporting 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 laws and regulations.
- The Technology Committee is responsible for setting up an effective IT technology policy and prudent operating guidelines to ensure accuracy and security of information.

2. The Audit Committee independently reviews the assessment of the adequacy of the company's internal 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 assess that all business operations have adequate internal controls and are in compliance with laws and regulations.

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

10.2 Audit Committee Report

In 2004, the Audit Committee held five meetings, with full attendance of committee members in every meeting. The conclusions and resolutions adopted at the meetings can be summarized as follows:

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

- Reviewing and endorsing annual audit plan, strategy, and key performance indicators of the Internal Audit Department, acknowledging the results of audit and the compliance reports and following-up on observations and recommendations made by the Audit Committee.
- Meeting with TRIS Rating Company Limited in evaluating the credit rating of the Company.
- Considering the External Auditor Selection Guideline and proposing for the appointment of a certified public accountant and the determination of audit fee.

The Audit Committee has suggested the Internal Audit Department to conduct an evaluation of Corporate Governance Policy accomplishment by comparing the Company's practice with the Policy and international standards and to perform audit assignments on a risk-based approach to determine whether the operations of business units achieve the desired objectives and correspond to the annual business plans, especially on the strategic issues. Also, the Audit Committee has consistently followed up on the progress on bank upgrading concerning the preparation for office infrastructure, operational and information system, and personnel recruitment and training.

See the Report of the Audit Committee in the attachment 6.

10.3 Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2005 on February 24, 2005, where all three Audit Committee member 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 of five aspects: Organisational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring, with details provided in Attachment 5.

11. Related Party Transactions

The Company had no transactions between related parties.

11.1 Measures or procedures for approval of related party transactions

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

11.2 Future related transaction policy

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

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, 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, 2002 was Mr. Narong Puntawong, 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 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, 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 and 2004

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 and 2004 was Mr. Supachai Phanyawattano, 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 and 2004 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.

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		
	2002	2003	2004
CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS	832,613,406	1,193,449,580	1,485,237,724
LOANS TO FINANCIAL INSTITUTIONS	735,205,697	601,124,746	37,837,980
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	37,000,000	2,105,000,000
INVESTMENT IN SECURITIES			
Current investment – net	2,598,948,561	3,609,638,817	647,498,882
Long-term investment – net	3,557,198,956	4,456,098,003	4,564,668,591
Investment in subsidiaries and associated companies - net	24,981,601	29,845,846	-
Net investments	6,181,129,118	8,095,582,666	5,212,167,473
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	85,901,326	730,192,296	159,025,845
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE			
Finance business loans and receivable	39,726,588,045	45,564,175,944	55,759,842,707
Securities business receivable	1,099,602,791	3,428,002,051	1,224,893,843
Total loans and receivable	40,826,190,836	48,992,177,995	56,984,736,550
Accrued interest receivable	112,133,972	106,291,259	117,390,139
Total loans, receivable and accrued interest receivable	40,938,324,808	49,098,469,254	57,102,126,689
Less : Allowance for doubtful accounts	(4,240,268,089)	(4,267,841,247)	(3,928,871,936)
Less : Allowance for loss on debt restructuring	(462,267,957)	(331,789,594)	(359,502,073)
Net Loans, receivable and accrued interest receivable	36,235,788,762	44,498,838,413	52,813,752,680
PROPERTY FORECLOSED – Net	1,316,814,782	1,414,206,927	1,230,358,055
LAND, PREMISES AND EQUIPMENT – Net	1,344,448,550	1,291,037,925	1,440,706,920
DEFERRED TAX ASSETS	260,697,463	623,152,945	831,145,923
GOODWILL	833,475,770	-	-
OTHER ASSETS	1,386,111,305	1,778,668,610	980,807,526
TOTAL ASSETS	49,212,186,179	60,263,254,108	66,296,040,126

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

	2002	2003	Unit: Baht 2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
BORROWINGS AND DEPOSITS			
From public	30,943,746,418	33,911,944,411	40,219,472,961
From banks	2,259,109,462	2,316,529,825	2,196,406,920
From financial institutions	1,005,111,315	1,785,987,834	2,110,860,000
From foreign countries	53,384,018	99,434,806	113,612,829
Total borrowings and deposits	34,261,351,213	38,113,896,876	44,640,352,710
TRADING TRANSACTIONS WITH SECURITIES COMPANIES	426,888,698	864,587,451	130,994,931
SECURITIES BUSINESS PAYABLE	431,448,657	3,299,166,871	1,382,248,514
LIABILITIES UNDER COMMERCIAL PAPERS SOLD	357,000,000	211,000,000	510,000,000
ACCRUED INTEREST PAYABLE	186,886,572	185,536,386	189,973,464
SUBORDINATED DEBENTURES	5,131,000,000	5,941,000,000	5,941,000,000
OTHER LIABILITIES	605,381,294	926,960,353	920,574,408
TOTAL LIABILITIES	41,399,956,434	49,542,147,937	53,715,144,027
SHAREHOLDERS' EQUITY			
Share capital			
Issued and paid up	7,065,345,000	7,117,195,000	7,180,310,000
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	23,206,450
Revaluation surplus on changes in the value of investment	58,797,600	1,032,910,120	1,255,383,557
Translation adjustments	127,318,922	102,400,755	98,315,392
Retained earnings			
Appropriated – statutory reserve	48,700,000	143,300,000	254,600,000
Unappropriated (deficit)	41,567,518	1,837,248,600	3,301,679,365
Equity attributable to Company's shareholders	7,379,413,935	10,277,366,015	12,149,994,764
Minority interest (equity attributable to minority shareholders of subsidiaries)	432,815,810	443,740,156	430,901,335
TOTAL SHAREHOLDERS' EQUITY	7,812,229,745	10,721,106,171	12,580,896,099
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	49,212,186,179	60,263,254,108	66,296,040,126

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

	2002	2003	Unit: Baht 2004
INTEREST AND DIVIDEND INCOME			
Loans and deposits	1,036,470,747	837,151,783	749,571,927
Hire purchase and financial lease	1,849,728,024	2,410,065,484	2,957,022,258
Investment in securities	482,873,228	318,115,339	206,767,640
Total interest and dividend income	3,369,071,999	3,565,332,606	3,913,361,825
EXPENSES ON BORROWINGS			
Interest and discounts	1,259,748,447	1,211,613,217	1,082,981,430
Fees and charges	7,282,756	4,551,250	-
Total expenses on borrowings	1,267,031,203	1,216,164,467	1,082,981,430
Net interest and dividend income	2,102,040,796	2,349,168,139	2,830,380,395
BAD DEBT AND DOUBTFUL ACCOUNTS	(465,571,909)	(263,084,804)	(174,805,899)
LOSS ON DEBT RESTRUCTURING	(52,168,345)	(2,682,388)	-
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,584,300,542	2,083,400,947	2,655,574,496
NON-INTEREST INCOME			
Brokerage fee	353,341,171	824,863,318	902,779,413
Gain (loss) on investments	624,760,511	496,269,948	567,097,140
Fees and charges	549,936,048	1,046,123,995	1,098,649,010
Fees and gain (loss) on forward exchange	6,986,384	7,449,645	2,317,328
Share of profit (loss) of subsidiary and associated companies	1,515,874	2,433,011	-
Other income	224,784,780	135,426,290	158,616,285
Total non-interest income	1,761,324,768	2,512,566,207	2,729,459,176
Total net income	3,345,625,310	4,595,967,154	5,385,033,672
OPERATING EXPENSES			
Personnel expenses	810,582,819	1,189,024,976	1,259,001,411
Premises and equipment expenses	350,420,085	313,574,662	351,531,582
Taxes and duties	82,639,834	71,418,894	72,852,780
Directors' remuneration	6,710,000	6,620,000	7,065,000
Goodwill			
Amortisation	48,175,512	42,121,244	-
Written-off	-	791,354,526	-
Other expenses	665,175,333	764,063,166	955,872,664
Total operating expenses	1,963,703,583	3,178,177,468	2,646,323,437
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST	1,381,921,727	1,417,789,686	2,738,710,235
CORPORATE INCOME TAX	(190,127,343)	515,982,731	(478,925,856)
EARNINGS BEFORE MINORITY INTEREST AND LOSS OF A SUBSIDIARY	1,191,794,384	1,933,772,417	2,259,784,379
COMPANY PRIOR TO THE ACQUISITION DATE			
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES	(37,744,683)	(43,491,335)	(35,518,834)
NET EARNINGS FOR THE YEAR	1,154,049,701	1,890,281,082	2,224,265,545
Diluted earnings per share	1.60	2.60	3.05

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

	Unit: Baht		
	2002	2003	2004
Cash flows from operating activities			
Net earnings	1,154,049,701	1,890,281,082	2,224,265,545
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:-			
Minority interest in earnings of subsidiary companies	37,744,683	43,491,335	35,518,834
Share of net gain of subsidiary and associated companies	(1,515,874)	(2,433,011)	-
Goodwill written off	-	791,354,526	-
Depreciation and amortisation	218,507,922	189,737,722	175,155,002
Bad debt and doubtful accounts	507,555,705	276,785,793	224,033,546
Unrealised loss (gain) on revaluation of investment	(16,755,822)	163,879,434	20,608,044
Provision for revaluation of property foreclosed	8,702,351	6,815,840	1,276,794
Loss from troubled debt restructuring	52,168,345	2,682,388	-
Gain on disposal of investments	(540,115,940)	(500,084,874)	(592,393,555)
Gain on disposal of fixed assets	(10,091,239)	(1,043,993)	(3,331,989)
Unrealised loss (gain) on decrease (increase) of securities held for trading	136,891,963	(21,199,090)	22,634,240
Gain from disposal of property foreclosed	(99,369,285)	(18,379,580)	72,407,364
Decrease (increase) in deferred tax assets	(4,011,952)	(797,724,332)	119,495,416
Decrease (increase) in accrued interest and dividend receivable	200,182,740	6,500,515	15,967,799
Decrease (increase) in other receivable	(29,150,338)	(124,335,413)	99,476,843
Decrease (increase) in accrued interest payable	46,918,136	(1,350,186)	(4,183,504)
Increase (decrease) in accrued expenses	(1,348,865)	21,052,119	(58,849,820)
Earnings from operating activities before changes in operating assets and liabilities	1,660,362,231	1,926,030,275	2,352,080,559
Decrease (increase) in operating assets			
Loans to financial institutions	(599,315,277)	134,080,951	563,286,766
Negotiable certificates of deposit	14,667,332	35,684,404	-
Securities purchased under resale agreements	-	(37,000,000)	(2,068,000,000)
Investment in securities – held for trading	219,811,658	(485,716,950)	475,806,861
Trading transactions with securities companies	(49,870,247)	(644,290,970)	571,166,451
Finance business loans and receivable	(5,543,122,186)	(6,554,962,860)	(10,925,060,885)
Securities business receivable	(203,309,542)	(2,328,399,260)	2,203,108,208
Property foreclosed	618,082,698	134,846,812	412,735,811
Other assets	(102,419,099)	(314,879,726)	696,138,408
Increase (decrease) in operating liabilities			
Borrowings and deposits from public	(4,513,902,082)	2,769,763,305	6,307,528,550
Borrowings and deposits from banks and financial institutions	608,491,251	1,067,649,563	(30,262,581)
Borrowings and deposits from foreign countries	(3,790,723)	46,050,788	14,178,023
Securities sold under repurchase agreements	(100,000,000)	-	-
Trading transactions with securities companies	338,852,701	437,698,753	(733,592,520)
Liabilities under commercial paper sold	162,000,000	(146,000,000)	299,000,000
Securities business payable	(118,658,121)	2,867,718,214	(1,916,918,357)
Other liabilities	(116,129,961)	314,551,693	(5,451,975)
Net cash flows from (used in) operating activities	(7,728,249,367)	(777,175,008)	(1,784,256,681)

	2002	2003	2004
Cash flows from investing activities			
Cash paid for purchase of investment in securities held for investment	(7,822,635,414)	(17,530,697,348)	(6,519,090,161)
Cash received from disposal of investment in securities held for investment	10,935,364,738	17,944,574,438	9,392,491,569
Cash paid for purchase of equipment	(71,475,740)	(50,308,360)	(144,448,145)
Cash received from disposal of equipment	19,806,354	1,568,378	12,201,795
Cash paid for purchase of a subsidiary company	-	-	(42,000,000)
Net cash flows from (used in) investing activities	3,061,059,938	365,137,108	2,699,155,058
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	47,529,895	58,476,645	78,509,910
Dividend paid	(40,000,000)	(35,000,000)	(697,534,780)
Net cash flows from (used in) financing activities	4,807,529,895	833,476,645	(619,024,870)
Translation adjustment	(9,144,302)	(24,918,167)	(4,085,363)
Net increase (decrease) in cash and cash equivalents	131,196,164	396,520,578	291,788,144
Cash and cash equivalents at beginning of the year	665,732,838	796,929,002	1,193,449,580
Cash and cash equivalents at the end of the year	796,929,002	1,193,449,580	1,485,237,724

12.1.2 Important Financial Ratios

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

¹ according to Bank of Thailand's definition

12.2 Explanation and Analysis of Financial status and Performance

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

The comparative analysis of operating performance and financial position in 2004 and 2003.

12.2.1 Operating Results

Operating Results for the Year 2004

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

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

(1) Consolidated Revenue Structure

Revenue structure of the Company and its subsidiaries for 2003 and 2004 is illustrated below.

Table 1: Consolidated Revenue Structure

Type of Revenue	2003		2004		% Change
	Amount (Bt mn)	%	Amount (Bt mn)	%	
Interest and dividend income					
Loan and deposits	837.15	18.2	749.57	13.9	(10.5)
Hire purchase and financial lease	2,410.06	52.4	2,957.02	54.9	22.7
Securities	318.11	6.9	206.77	3.8	(35.0)
Expenses on borrowings	1,216.16	26.5	1,082.98	20.1	(11.0)
Net interest and dividend income	2,349.17	51.1	2,830.38	52.6	20.5
Bad debts and doubtful accounts	(265.76)	(5.8)	(174.81)	3.2	(34.2)
Interest and dividend income - net of bad debts and doubtful accounts	2,083.40	45.3	2,655.57	49.3	27.5
Non-interest income					
Brokerage Fees	824.86	17.9	902.78	16.8	9.4
Fee and charges	1,046.12	22.8	1,098.65	20.4	5.0
Gain on trading securities	496.27	1.8	567.10	10.5	14.3
Others	145.32	3.2	160.93	3.0	10.7
Total non-interest income	2,512.57	54.7	2,729.46	50.7	8.6
Total – The Company and Subsidiaries	4,596.97	100.0	5,385.03	100.0	17.2

(2) Net Interest and Dividend Income

Net interest and dividend income after bad debts and doubtful accounts for the year 2004 rose by 27.5% y-o-y to 2,655.57 million baht, contributed mainly by continued growth of the hire purchase portfolio, the decrease in funding cost resulting from declining interest rates,

and improvement in asset quality. The ratio of net interest and dividend income to total income was 49.3%, increased from 45.3%.

Table 2: Interest spread (excluding dividend income from securities)

	2003	2004
	%	%
Yield	7.32	6.94
Cost of fund	2.90	2.29
Interest spread	4.42	4.65

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

(3) Non-Interest Income

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

(4) Operating Expenses

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

While direct expenses such as sales promotional expenses rose 20.8% to B721.02m with the increased business activities, normal operating and administrative expenses increased 10.1% from 1,748.02 million baht to 1,925.31 million baht, consisting of 1,259.00 million baht of personnel expenses, which grew by only 5.9% from the previous year, and 666.31 million baht of non-personnel expenses, which rose by 19.2%. The high growth of non-personnel expenses was contributed by the acceleration of expense recognition for investment in preparation for bank upgrade.

(5) Corporate Income Tax:

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

12.2.2 Financial Position

(1) Assets

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

(a) Investment in Securities

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

Table 3: Investment in Securities Breakdown

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

(b) Loans and Receivables

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

Table 4: Loans and Receivables Breakdown*

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

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

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

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

Table 5: Loans Classified by Remaining Periods of Contracts

	December 31, 2003		December 31, 2004		% Change
	Amount (Bt mn)	%	Amount (Bt mn)	%	
Finance business loans and receivable					
At call (included contracts which are due	2,057.23	4.5	2,428.06	4.5	18.0
Not over 1 year	4,519.38	9.9	4,540.75	9.9	0.5
Over 1 year	38,987.56	85.4	48,791.03	85.4	25.1
Total finance business loans and receivable	45,564.18	99.8	55,759.84	99.8	22.4
Accrued interest receivable	106.29	0.2	117.39	0.2	10.4
Total finance business loans and receivable and accrued interest receivable	45,670.47	100.0	55,877.23	100.0	22.3

(c) Non-performing Loans

The Company and subsidiaries' NPLs to total loans ratio decreased from 7.0% at the end of 2003 to 5.8%, following expansion of the loan portfolio and improvement in asset quality. The Company and subsidiaries' NPLs decreased by B106.23m to 3,303.78 million baht, (2,628.15 million baht for the Company and 675.63 million baht for subsidiaries). The main reasons for the decrease in NPLs were improvements in asset quality and acceleration of the debt restructuring process. In determining NPLs, the Company has taken into account both qualitative and quantitative criteria according to the Bank of Thailand's requirements. From the Bank of Thailand's auditing of the Company in May 2004, the change in provisioning guidelines had no effect on the Company and subsidiaries' provisioning, as it had set aside reserve provisions significantly higher than the BOT requirement. In addition, the new BoT guidelines concerning collateral would mainly affect mortgage loans, of which the Company had only a small portion compared to other loans. Therefore, no additional reserve provisioning was required.

Table 6: NPL Breakdown by Area

Type of Business	December 31, 2003			December 31, 2004			% Change
	% NPL	(Bt mn)	%	% NPL	(Bt mn)	%	
Commercial Lending	11.9	1,153.86	33.8	9.2	1,009.82	30.6	(12.5)
Retail Lending							
Car hire purchase	1.5	434.77	12.7	1.9	719.52	21.8	65.5
Mortgage loans	17.8	452.80	13.3	15.7	375.63	11.4	(17.0)
Securities	15.4	529.14	15.5	38.5	471.21	14.3	(10.9)
Consumption Loans	20.0	839.54	24.6	18.8	727.60	22.0	(13.3)
Total – The Company and Subsidiaries	7.0	3,410.01	100.0	5.8	3,303.78	100.0	(3.1)

(d) Allowance for Doubtful Accounts and Losses on Debt Restructuring

The Company and its subsidiaries' allowance for doubtful accounts and losses on debt restructuring was 4,288.37 million baht, and the ratio of the allowance for doubtful accounts and losses on debt restructuring to NPLs ratio was 129.8%. From the total amount of allowance, the Company's allowance was 3,590.55 million baht, consisting of 2,766.27 million baht of specific reserves and 824.28 million baht of general reserves, which was greater than the minimum requirement of the Bank of Thailand (BoT) of 2,350.99 million baht. This follows a conservative provisioning policy aimed at protecting the Company from potential risks to its operations. The

Company will consider recognizing these excess provisions as income when customer loan repayment capabilities become clearer.

(e) Property Foreclosed-Net

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

(2) Liabilities

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

Table 7: Liabilities Breakdown by Area

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

(3) Shareholders' Equity

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

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

12.2.3 Business Performance by Area

(1) Finance Business

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

(a) Commercial Finance Business

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

(b) Retail Finance Business

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

Table 8: Hire Purchase Portfolio Breakdown by Company

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

*VLT Leasing was incorporated in April 2004.

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

(2) Securities Business

Securities business comprised of securities brokerage and investment banking which is operated under TISCO Securities Co., Ltd, and asset management which is operated by TISCO Asset Management Co., Ltd.,

(a) Securities Brokerage Business

TISCO Securities Co., Ltd's trading volume increased by 12.7%, following the increase in market turnover and continued expansion in its customer base, both from the institutional and

retail segments. As a result, its market share rose from 3.36% to 3.52% and commission fees increased from 759.32 million baht to 854.66 million baht.

(b) Investment Banking Business

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

(c) Asset Management

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

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

Table 9: Assets under Management Breakdown by Type of Fund

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

12.2.4 Liquidity

As of December 31, 2004, The Company and its subsidiaries' cash was 1,485.24 million baht, an increase of 291.79 million baht. This was mainly comprised of 2,699.15 million baht in net cash flows from investing activities, of which a major source came from net cash received from the disposal of investments in securities held for investment. Nevertheless, there was a decrease in net cash flows from financing activities of B619.02m, contributed mainly by the Company's dividend payment in April 2004, and a decrease in net cash flows from operating activities of 1,784.26 million baht, chiefly caused by hire purchase expansion and an increase in securities purchased under resale agreement.

12.2.5 Commercial Bank Establishment

Please see the details in topic 6 "Future Projects"

12.3 Auditor's Fee

(1) Audit Fee

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

(2) Non-audit Fee

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

13. Others

TISCO recognizes sustainable development as an important corporate commitment. Therefore, the company exercises this responsibility through projects that are self-sustaining, have a far-reaching and widespread effect, and are aimed at helping people to help themselves. The broad scope of initiatives and CSR projects undertaken by TISCO include social and cultural affairs, and environmental concerns.

Contributions through the TISCO Foundation

Major contributions by TISCO to society have been made through the “TISCO Foundation for Charity”, a public charity organization founded on the company’s 10th anniversary in 1982 as a declaration of TISCO’s long-term commitment to the nation. The Foundation was set up as an independent identity with investment capital as its basic source of funds. Donations to the fund are mainly made by the TISCO Group, its staff, and with support from its customers and the public. The interest accrued and investment profits are used to serve the Foundation’s charitable objectives which are: 1) nationwide youth scholarships, 2) business start-up capital to aid self reliance, and 3) medical funding for the infirm.

The Chief Executive Officer of TISCO Group is a member of the TISCO Foundation’s Board of Directors. Twenty representatives of TISCO staff voluntarily serve as the Foundation’s working committee members for two-year terms to support its work plans and activities. The committee considers emergency aid for needy cases, while its members help organize the Foundation’s annual scholarship presentation ceremonies in Bangkok and the provinces, join in field trips to follow up on scholarship students in rural areas, and assist in fund-raising activities.

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

The TISCO Foundation, with more than 20 years of continuous community service, has been conferred official status as a “public charity organization” and all donations to it are fully tax deductible.

TISCO Group’s Contribution to the TISCO Foundation in 2004	(unit: bant)
Donations from TISCO Group and its staff to TISCO Foundation	7,093,160
Total funds granted to the underprivileged by TISCO Foundation	8,312,721
• 3,161 Scholarships	8,173,868
• 6 Start-up funds	65,843
• 18 Medical funds	73,010

Our Social Performance

Social Affairs	(unit: bant)
• Donation to fire victims on Soi Suanplu	89,000
• Support “One-Stop Service” project of Thung Mahamek police station to better serve the community	50,000
• Renovate traffic kiosk on Sathorn Road	54,254
• Donation of district maintenance tools & equipment to the Bangrak District	90,796
• Support for the Northeast Center of Welfare activities in Udon Thani province	1,000,000
• Lunch program and donation of basic necessities to the orphanage at Baan Mahamek	
• Lunch program and educational equipment donation to needy students at Chantanaram School in Chantha Buriprovince	
• Lunch program for the elderly at Kao Boh Kaew welfare center in Nakhon Sawan province	
• Donation of 30 used computers to Zonta Club of Bangkok to support its charitable program	
• Donation of 105 used computers to the TISCO Foundation for distribution to needy schools upcountry	
• Blood donor campaign for the Red Cross at TISCO Tower four times a year; more than 250 staff are regular donors	
Aid for Tsunami Victims	(unit: bant)
• Donation to Rajaprachanugroh Foundation	1,000,000
• TISCO Group employees donation to Rajaprachanugroh Foundation	496,411
• TISCO Asset Management Co., Ltd. support for Tsunami Recovery Fund	300,000
• Donation to victims at City Hall emergency aid center, Phang-nga province	80,000
• TISCO Securities Co., Ltd. joined the Association of Securities Companies in donation to tsunami victims through Professor Sangwian Foundation	3,500,000
Culture	(unit: bant)
• Support for Rama IX Art Museum Foundation	150,000
• Support for Thai artists’ exhibitions	60,000

Environment

- Annual reforestation trip by TISCO staff to plant 5,000 trees to preserve the beach forest at Sirindhorn International Environmental Park, Petchaburi province
- Joined “Bangrak Rak Chao Phraya Project” of Bangkok Metropolitan Authority to clean up the Chao Phraya River on National River Preservation Day
- Implemented energy-saving measures in offices by turning off lights and computers during lunch breaks

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. 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 24, 2005 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.

In order to ensure the authenticity and the wholeness of the said documents, I authorize Ms. Pakaporn Punyashthiti to sign every page of each document. If any document does not contain the signature of Ms. Pakaporn Punyashthiti, 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	Senior Executive Vice President Chief Financial Officer	_____

Name	Position	Signature
Authorised Signatory Ms. Pakaporn Punyashthiti	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:

In order to ensure the authenticity and the wholeness of the said documents, 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	_____
Mr. Bing Shen	Director	_____
Mr. Jerry L. Lu	Director	_____
Mr. Yukio Matsunaga	Director	_____
Mr. Edouard Fernen Peter	Director	_____
Ms. Krisna Theravuthi	Independent Director	_____
Mr. Sangiam Santad	Independent Director	_____
Ms. Manimai Vudthitornetiraks	Independent 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:

In order to ensure the authenticity and the wholeness of the said documents, 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. Bing Shen	Director	_____

	Name	Position	Signature
Authorised Signatory	Ms. Pakaporn Punyashtiti	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:

In order to ensure the authenticity and the wholeness of the said documents, 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. Jerry L. Lu	Director	_____

	Name	Position	Signature
Authorised Signatory	Ms. Pakaporn Punyashtiti	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:

In order to ensure the authenticity and the wholeness of the said documents, 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. Yukio Matsunaga	Director	_____

	Name	Position	Signature
Authorised Signatory	Ms. Pakaporn Punyashtiti	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:

In order to ensure the authenticity and the wholeness of the said documents, 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.

	Position	Signature
Mr. Edouard Fernen Peter	Director	_____

	Name	Position	Signature
Authorised Signatory	Ms. Pakaporn Punyashtiti	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:

In order to ensure the authenticity and the wholeness of the said documents, 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
Ms. Krisna Theravuthi	Independent Director	_____

	Name	Position	Signature
Authorised Signatory	Ms. Pakaporn Punyashtiti	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:

In order to ensure the authenticity and the wholeness of the said documents, 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
Ms. Manimai Vudthitornetiraks	Independent 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:

In order to ensure the authenticity and the wholeness of the said documents, 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. Sangiam Santad	Independent Director	_____

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

1.1 Details of Directors, Management and Controlling Persons

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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	72	-	-	Ph.D. (Development Economics) University of Pittsburgh, USA M.A. (Development Economics) Harvard University, USA B.A. (Economics) Claremont Men's College, USA	2002-Present	<u>TISCO Group</u> Chairman of the Board, Independent Director, Chairman of the Audit Committee and Chairman of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance
					1998-2002	Chairman of the Board and Chairman of the Audit Committee	TISCO Finance Public Co., Ltd.	Finance
					2003-Present	<u>Others</u> Chairman	Thai Smart Card Co.,Ltd.	Smart Card
					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
					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 as of December 31, 04 (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	57	Common 185,700 Preferred 1,362,700	-	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	2002-Present	<u>TISCO Group</u> Director, Chairman of the Executive Board, Member of the Nomination Committee and Chief Executive Officer	TISCO Finance Public Co., Ltd.	Finance
					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
					2005-Present	<u>Others</u> Chairman of the Compensation Committee	Singer (Thailand) Public Co., Ltd.	Manufacture and trading of electrical appliances
					2004-Present	Chairman of the Nomination Committee	Singer (Thailand) Public Co., Ltd.	Manufacture and trading of electrical appliances
					2004-Present	Councillor	Thai Management Association	Association
					2003-Present	Director	Thai Agro Exchange Co., Ltd.	Fruits & Vegetables Wholesale
					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
					1994-Present	Director	Phelps Dodge Thailand Co., Ltd.	Manufacture of wire and cable products
					2000-2004	Director	Thai Oil Co., Ltd.	Oil refinery

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (Shares) ^{1/1}	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	55	Common 82,136 Preferred 970,000	-	B.B.A (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association	2001-Present	<u>TISCO Group</u> Director, Member of the Executive Board, President and Chief Operating Officer	TISCO Finance Public Co., Ltd.	Finance
					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
					2000-Present	<u>Others</u> Director	AXA Insurance Public Co., Ltd.	Insurance
					1993-Present	Director	Mizuho Corporate Leasing (Thailand) Co., Ltd.	Leasing
					1998-2001	Director	American Appraisal (Thailand) Ltd.	Valuation consultancy
4. Mr. Bing Shen ² Director, Member of the Executive Board and Member of the Nomination Committee	56	-	-	M.B.A (Finance and International Business) Harvard University, USA Bachelor of Arts (Public and International Affairs) Princeton University, USA	2004-Present	<u>TISCO Group</u> Director, Member of the Executive Board and Member of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance
					2004-Present	<u>Others</u> President	CDIB & Partners Investment Holding Corp., Taiwan	Investment
					1999-2004	Executive Vice President	China Development Industrial Bank	Bank
					1988-1999	Executive Director	Morgan Stanley Asia Ltd.	Consulting

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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	38	-	-	M.B.A University of Southern California, USA B.S. (Management Science) National Chiao-Tung University, Taiwan	2003-Present	<u>TISCO Group</u> Director	TISCO Finance Public Co., Ltd.	Finance
					2000-2001	Director	TISCO Finance Public Co., Ltd.	Finance
					1998-Present	<u>Others</u> Senior Vice President	CDIB & Partners Investment Holding Corp., Taiwan	Investment
6. Mr. Yukio Matsunaga ² Director, Member of the Executive Board and Member of the Nomination Committee	51	-	-	Business and Commerce Keio University, Japan	2003-Present	<u>TISCO Group</u> Director, Member of the Executive Board and Member of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance
					2003-Present	<u>Others</u> Regional Executive for Thailand General Manager	Mizuho Corporate Bank, Ltd. Bangkok Branch	Bank
					2002-2003	General Manager, Europe Risk Management Division	Mizuho Corporate Bank, Ltd. London Branch	Bank
					2001-2002	Joint General manager	The Industrial Bank of Japan, Ltd. (IBJ) (London Branch)	Bank
					1999-2001	Senior Deputy General Manager, Osaka Corporate Banking Dept. No. 3	IBJ (Osaka)	Bank

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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	42	-	-	B.A. Carlton College, Northfield, Minnesota, USA	2002-Present	<u>TISCO Group</u> Director	TISCO Finance Public Co., Ltd.	Finance
					2005-Present	<u>Others</u> Managing Director, Global Markets Head of Asian Equities (ex-Japan)	Deutsche Bank Group	Securities
					2004-Present	Director	K & N Kenanga Holdings Berhad	Securities
					2002-Present	Non-Executive Director	Pi Asia Fund Ltd	Fund Management
					2001-Present	Director	Deutsche Securities Korea	Securities
					2001-Present	Director	Deutsche Regis Partners Inc.	Securities
					2001-Present	Director	Deutsche Securities Asia Ltd.	Securities
					2001-2004	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	Bank
					1998-1999	Managing Director	UBS	Securities
1997 – Present	Director	Antares European Fund Ltd.	Fund Management					

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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
8. Mrs. Krisna Theravuthi Independent Director and Member of the Audit Committee	55	Common 12 Preferred -	-	M.B.A (Marketing) University of Wisconsin-Madison, USA	2002-Present	<u>TISCO Group</u> Independent Director and Member of the Audit Committee	TISCO Finance Public Co., Ltd.	Finance
				B.A. (Accounting) Chulalongkorn University	1998-2002	Director, Member of the Audit Committee and Member of the Nomination Committee	TISCO Finance Public Co., Ltd.	Finance
				Audit Committee Certification Program, Thai Institute of Directors Association				
				Director Accreditation Program, Thai Institute of Directors Association	1986-Present	<u>Others</u> Executive Director	Tavornudorn Co., Ltd.	Hotel
				1986-Present	Executive Director	Food Manufacturing Co., Ltd.	Food Industry	

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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. Sangiam Santad Independent Director	58	-	-	Master of Public Administration National Institute of Development Administration (NIDA)	2004-Present	<u>TISCO Group</u> Independent Director	TISCO Finance Public Co., Ltd.	Finance
				Bachelor's Degree in Law Ramkhamhang University	2004-Present	<u>Others</u> Director	Provincial Electricity Authority	Government
				Director Accreditation Program Thai Institute of Directors Association	2003-Present	Director	Dairy Farming Promotion Organization of Thailand	Government
				Director Certification Program Thai Institute of Directors Association	2002-Present	Legal Advisor	The Office of Permanent Secretary, Ministry of Finance	Government
				Certificate, High Level Executive Training Program (Class 1) Civil Service Training Institute	2001-2002	Director of Regional Customs Bureau 1	Customs Department, Ministry of Finance	Government
				Politics and Governance in Democratic systems for Executive Course (Class 4)	2000 – 2001	Director of Bangkok Port Export Bureau	Customs Department, Ministry of Finance	Government
				King Prajadhipok's Institute	1998 – 2000	Director of Customs Standard Bureau	Customs Department, Ministry of Finance	Government

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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. Mrs. Manimai Vudthitornetiraks Independent Director and Member of the Audit Committee	67	-	-	Master of Science in Economics University of California, Berkeley, California, USA	2005-Present	<i>TISCO Group</i> Independent Director and Member of the Audit Committee	TISCO Finance Public Co., Ltd.	Finance
				Bachelor of Accountancy (Second Class Honor) Chulalongkorn University	2003-Present	<i>Others</i> Audit Committee	National Health Security Office, Ministry of Public Health	Government
				Certificate National Defense College (Class 344), Thailand	2000-Present	Audit Committee	Ministry of Labor	Government
				Certificate, High Level Executive Training Program (Class 4) Civil Service Training Institute	1994-Present	Director	Bangpain Paper Factory Co., Ltd	Paper manufacturing
					1998-2000	Director	Radanasin Bank	Bank
					1998-1999	Deputy Permanent Secretary	Ministry of Finance	Government
					1997-2003	Director	Performance Agreement Committee for State Enterprise	Government
					1997-1999	Director	Mutual Fund Corporation	Government

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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. Mrs. Oranuch Apisaksirikul Senior Executive Vice President and Chief Financial Officer	47	Common 19,000 Preferred 1,175,400	-	M.B.A (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association	2001-Present	<u>TISCO Group</u> Senior Executive Vice President and Chief Financial Officer	TISCO Finance Public Co., Ltd.	Finance
					2000 -Present	Director	TISCO Global Investment Holdings Ltd.	Securities
					2000 -Present	Director	TISCO Securities Hong Kong Ltd.	Securities
					2001-2002	Director	TISCO Securities UK Ltd.	Securities
					1999-2002	Director	TISCO Asset Management Co., Ltd.	Asset Management
					1999-2000	Executive Vice President & Chief Financial Officer	TISCO Finance Public Co., Ltd.	Finance
					2004-Present	<u>Others</u> Member of Risk Management Committee	Small Industry Credit Guarantee Corporation	Specialized Financial Institution
					2001-Present	Member of Risk Management Committee	The Stock Exchange of Thailand	Securities Exchange

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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
12. Mr. Panya Wotticharoenvong Executive Vice President and Head of Retail Finance	51	Common 100,044 Preferred 175,000	-	M.S (Accounting) Thammasat University	2005-Present	<u>TISCO Group</u> Executive Vice President and Head of Retail Finance	TISCO Finance Public Co., Ltd.	Finance
				B.A (Accounting) Thammasat University	2002-2004	Head of Retail Finance, Head of Special Asset Management	TISCO Finance Public Co., Ltd.	Finance
				LL.B. Thammasat University	2001	Managing Director	TISCO Leasing Co., Ltd.	Leasing
				Graduate Diploma Program in Business Law Thammasat University	1992-2000	Senior Vice President, Retail Finance Collection & Service	TISCO Finance Public Co., Ltd.	Finance
				Directors Certification Program Thai Institute of Directors Association Certified Public Accountant C.P.A. Thailand		<u>Others</u> -		
13. Ms. Nattamon Issaradharm Executive Vice President and Chief Governance Officer	51	Common - Preferred 307,000	-	B.A. (Accounting) Chulalongkorn University	2002-Present	<u>TISCO Group</u> Executive Vice President and Chief Governance Officer	TISCO Finance Public Co., Ltd.	Finance
				Certified Public Accountants C.P.A. Thailand	2000-2002	Director	TISCO Asset Management Co., Ltd.	Asset Management
				Directors Certification Program Thai Institute of Directors Association	1997-2001	Senior Vice President, Chief Credit Officer	TISCO Finance Public Co., Ltd.	Finance
					1999-2001	<u>Others</u> Director	Thai Rating and Information Services Co., Ltd.	Credit Rating Agency
					1998-Present	Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC)	Bank of Thailand	Bank
					Present	Representative	Association of Finance Companies	Association

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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
14. Mr. Sakchai Peechapat ³ Executive Vice President and Head of Human Resources and Organisation Development	38	-	-	M.B.A (Accounting) University of Hawaii at Manoa, USA	2005-Present	<u>TISCO Group</u> Executive Vice President	TISCO Finance Public Co., Ltd.	Finance
				B.E. (Civil Engineering) (Honour) Kasetsart Univeristy	2004-Present	Head of Human Resources and Organisation Development	TISCO Finance Public Co., Ltd.	Finance
				Japan-focused Management Program Japan-America Institute of Management Science, USA	2002-2004	Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting)	TISCO Finance Public Co., Ltd.	Finance
				Executive Development Program Commerce and Accountancy Faculty, Thammasat University	2000-2002	Executive Director	Volkswagen Leasing Thailand Limited	Leasing
					1996-2002	Managing Director	Thai Commercial Auto Co., Ltd.	Leasing
			<u>Others</u> -					
15. Mr. Metha Pingsuthiwong ³ Executive Vice President and Head of Treasury And Funding ⁴	38	-	-	M.B.A (Finance) University of Wisconsin – Milwaukee, USA	2005-Present	<u>TISCO Group</u> Executive Vice President and Head of Treasury and Funding	TISCO Finance Public Co., Ltd.	Finance
				B.E. (Electrical Engineering) Chulalongkorn University	2002-2005	Head of Securities Investment and Trading	TISCO Securities Co., Ltd.	Securities
					2001	Deputy Head of Securities Research	TISCO Securities Co., Ltd.	Securities
					1999-2001	Head of Securities Investment and Trading	TISCO Securities Co., Ltd.	Securities
					1999-Present	<u>Others</u> Director	K-Line (Thailand) Co., Ltd.	Transportation
					1998-Present	Director	Sathorn Thani Co., Ltd.	Real Estate

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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
16. Mr. Suthas Ruangmanamongkol Director and Managing Director ^{/4} TISCO Asset Management Co., Ltd.	44	Common 150,200 Preferred 1,405,000	-	M.S (Finance & Banking) University of Wisconsin-Madison, USA M.B.A (Finance) Western Illinois University, USA B. Eng. (Computer) Chulalongkorn University	2005-Present	<u>TISCO Group</u> Director and Managing Director	TISCO Asset Management Co., Ltd.	Asset Management
					2002-2005	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
						<u>Others</u> -		
17. Ms. Araya Thirakomen ^{/3} Deputy Managing Director and Head of Provident Fund Business TISCO Asset Management Co., Ltd.	43	-	-	M.B.A. (Finance) University of New Haven, USA B.A. (Banking & Finance) Chulalongkorn University	2005-Present	<u>TISCO Group</u> Deputy Managing Director	TISCO Asset Management Co., Ltd.	Asset Management
					2003- Present	Head of Provident Fund Business	TISCO Asset Management Co., Ltd.	Asset Management
					1998-2003	Head of Provident Fund – Marketing	TISCO Asset Management Co., Ltd.	Asset Management
						<u>Others</u> -		

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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
18. Mr. Chavalit Chindavanig ³ Director Deputy Managing Director Acting Managing Director ⁶ Head of Investment Banking TISCO Securities Co., Ltd.	42	-	-	M.B.A. (Finance) Eastern Michigan University, Michigan, USA B.E. (Mechanical Engineering) Chulalongkorn University Financial Advisor License The Securities and Exchange Commission	2005-Present	<u>TISCO Group</u> Deputy Managing Director Acting Managing Director	TISCO Securities Co., Ltd.	Securities
					2002-Present	Director and Head of Investment Banking	TISCO Securities Co., Ltd.	Securities
					1999-2002	Senior Vice President – Investment Banking Department	TISCO Securities Co., Ltd.	Securities
					1998-1999	Vice President – Investment Banking Department	TISCO Securities Co., Ltd.	Securities
					2001-Present	<u>Others</u> Member of the Sub-Committee responsible for the amendment of notification regarding the issuance and offering of shares	The Securities and Exchange Commission (SEC)	SEC
1999-Present	Director	Investment Banking Club	Club					
19. Mr. Paiboon Nalinthrangkurn ³ Director, Deputy Managing Director and Head of Brokerage Equity And Research TISCO Securities Co., Ltd.	39	-	-	M.B.A. (Finance) Indiana University at Bloomington, Indiana, USA B.A. (Computer Science) University of California at Santa Cruz, California, USA C.F.A. Association for Investment Management and Research, USA	2005-Present	<u>TISCO Group</u> Director, Deputy Managing Director and Head of Brokerage Equity and Research	TISCO Securities Co., Ltd.	Securities
					2001-2005	Director and Head of Equity and Research	TISCO Securities Co., Ltd.	Securities
					2001	Head of Equity, and Head of Research (Acting)	TISCO Securities Co., Ltd.	Securities
					2000-2001	Head of Research	TISCO Securities Co., Ltd.	Securities
						<u>Others</u> -		

Name of Director, Management and Controlling Person	Age (years)	Total Company Share Holding as of December 31, 04 (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
20. Ms. Chutintorn Vigasi Head of Corporate Accounting	42	Common 324 Preferred 15,000	-	M.B.A (Accounting) Thammasat University	2002-Present	<u>TISCO Group</u> Head of Corporate Accounting	TISCO Finance Public Co., Ltd.	Finance
				B.A. (Accounting) Chulalongkorn University	1997-2001	Assistant-Head of Accounting	TISCO Finance Public Co., Ltd.	Finance
						<u>Others</u> -		

Remarks 1 : The Company's Authorized Signatories comprise Mr. Pliu Mangkornkanok, Mr. Pichai Chanvirachart, Mr. Bing Shen and Mr. Yukio Matsunaga. It is required that Mr. Pliu Mangkornkanok or Mr. Pichai Chanvirachart sign with the seal of the Company affixed or Mr. Yukio Matsunaga and Mr. Bing Shen jointly sign with the seal of the Company affixed.

Remarks 2 : After December 31, 2004, two Management Committee members; Mrs. Anchalee Bunnag and Mr. Vanchai Manosuthi, resigned from the position on January 31, 2005 and March 15, 2005, respectively

¹ Including spouse and minor children

² Authorized Signatory

³ Appointed on February 24, 2005

⁴ Appointed on February 1, 2005

⁵ Subject to the approval from the Bank of Thailand

⁶ The position of Acting Managing Director of a securities company is subject to approval from the Office of Securities and Exchange Commission.

1.2 Details of Directors, Management and Controlling Persons of Subsidiaries

Name	TFIN	Subsidiaries										
		TSEC	TASSET	TLEASE	HI-WAY	TISCOHK	TISCOGIH	TISCOSG	THAITECH	THAI PERMSAB	TCA	VLT Leasing
1. Dr. Phisit Pakkasem	C,A,N,I											
2. Mr. Pliu Mangkornkanok	D,E,N,M											
3. Mr. Pichai Chanvirachart	D,E,M											
4. Mr. Bing Shen	D,E,N											
5. Mr. Jerry L. Lu	D											
6. Mr. Yukio Matsunaga	D,E,N											
7. Mr. Edouard Fernen Peter	D											
8. Mrs. Krisna Theravuthi	A,I											
9. Mr. Sangiam Santad	I											
10. Mrs. Manimai Vudthitornetraks	A,I											
11. Mrs. Oranuch Apisaksirikul	M					D	D					
12. Mr. Panya Wotticharoenvong	M											
13. Ms. Nattamon Issaradharm	M											
14. Mr. Sakchai Peechapat ¹	M ¹											
15. Mr. Metha Pingsuthiwong ¹	M ¹											
16. Mr. Suthas Ruangmanamongkol			D,M ²									
17. Ms. Araya Thirakomen ¹			M ¹									
18. Mr. Chavalit Chindavanig ¹		D,M ¹										
19. Mr. Paiboon Nalinthrangkurn ¹		D,M ¹										
20. Ms. Chutintorn Vigasi ²	AC											

Remarks 1 : After December 31, 2004, two Management Committee members; Mrs. Anchalee Bunnag and Mr. Vanchai Manosuthi, resigned from the position on January 31, 2005 and March 15, 2005, respectively

Remarks 2 : C = Chairman D = Director E = Executive Board Member A = Audit Committee N = Nomination Committee
I = Independent Director M = Management Committee AC = Head of Corporate Accounting

Remarks 3 : TFIN = TISCO Finance Public Co., Ltd. TSEC = TISCO Securities Co., Ltd. TASSET = TISCO Asset Management Co., Ltd.
TLEASE = TISCO Leasing Co., Ltd. TISCOHK = TISCO Securities Hong Kong Co., Ltd. TISCOGIH = TISCO Global Investment Holding Ltd.
TISCOSG = TISCO Securities Singapore Pte. Ltd. THAITECH = Thai Information Technology Co., Ltd. TCA = Thai Commercial Auto Co., Ltd.

¹ Appointed on February 24, 2005

² Appointed on February 1, 2005

Attachment 2

Changes in TISCO Shareholdings by Directors and Management

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

¹ After December 31, 2004, two Management Committee members; Mrs. Anchalee Bunnag and Mr. Vanchai Manosuthi, resigned from the position on January 31, 2005 and March 15, 2005, respectively

Attachment 3

Details of Directors of Subsidiaries

Name	TSEC ^{/1}	TASSET ^{/2}	TLEASE	HI-WAY	TISCOHK	TISCOGIH	TISCOSG	THAITECH	THAI PERMSAB	TCA	VLT LEASING
Mr. Paiboon Nalinthrangkum	X						X				
Mr. Chavalit Chindavanig	X								X		
Ms. Aunchana Grisa-ard	X										
Mr. Suthas Ruangmanamongkol		X									
Mrs. Supaporn Aramtiantamrong		X									
Mrs. Duangrat Kittivitayakul		X									
Mr. Yuttpong Sriwongjanya			X	X						X	X
Mr. Charnchai Rakanantachai				X							
Mrs. Oraphan Vanichphat			X					X			
Mr. Worapan Luanguthai				X							
Ms. Charupee Chinapongpaisal			X								
Mr. Teerayuth Prasertattanadacho			X								
Mr. Surapong Siwalai				X							
Mr. Supachai Boonsiri				X						X	
Mr. Ho Chu Lam					X	X					
Mrs. Oranuch Apisaksirikul					X	X					
Mr. Kriengkrai Mongkolthanit					X	X					
Mr. Christian Norio Sano							X				
Mr. Chong Thian Choy Gregory							X				
Mrs. Sasinee Phattiyakul								X			
Mrs. Suwantee Khaolaorr								X			
Mrs. Yutiga Sonthayanavin								X			
Mrs. Vannee Uboldejpracharak									X		

Name	TSEC ¹	TASSET ²	TLEASE	HI-WAY	TISCOHK	TISCOGIH	TISCOSG	THAITECH	THAI PERMSAB	TCA	VLT LEASING
Mr. Pisit Sretto										X	
Ms. Somsri Kiatchoosakul										X	X
Mr. Ronnachai Chinwatanaporn										X	
Mr. Akaranant Thitasirivit										X	
Mr. Yoshitaga Iwamoto										X	
Mr. Masami Nakamura										X	
Mr. Sutthi Kittivasin										X	

Remarks 1 : TSEC = TISCO Securities Co., Ltd.

TASSET = TISCO Asset Management Co., Ltd.

TLEASE = TISCO Leasing Co., Ltd.

TISCOHK = TISCO Securities Hong Kong Co., Ltd.

TISCOGIH = TISCO Global Investment Holding Ltd.

TISCOSG = TISCO Securities Singapore Pte. Ltd.

THAITECH = Thai Information Technology Co., Ltd.

TCA = Thai Commercial Auto Co., Ltd.

VLT = VLT Leasing Co., Ltd.

Remarks 2 : X = Director

¹Mr. Vanchai Manosuthi resigned from the directorship on March 15, 2005, respectively

² Mr. Sivaporn Dardarananda and Mrs. Anchalee Bunnag resigned from the directorship on January 31, 2005

Adequacy of Internal Control Assessment Questionnaire

TISCO Finance Public Company Limited

February 24, 2005

This questionnaire was completed by the Company's Board of Directors. It reflects the Board's opinion on the adequacy of the Company's internal control system.

Part 1 Organizational Control and Environment Measure

The term “organizational control and environment” refers to a strong organizational structure and environment, which are significant foundations for an effective internal control system. It is necessary to create an environment or factors that help the Company’s internal control system to function as intended. The control environment would encourage staff to realize the importance of the internal control system. The control environment includes management’s emphasis on business ethics, the appropriate organizational structure and clear description of duties as well as written policies and guidelines.

- 1.1 Does the Board ensure that the Company develops clear and measurable operating goals to be used as working guidelines for staff?

Yes No

The board approves the 3-year plan and annual budget prepared by the management on a rolling basis, which will then be the target for the year. Operational goals/milestones are set for staff to follow and the variation from targets is measured and analyzed throughout the year.

- 1.2 Does the Board review the operating goals to ensure that the goals were set circumspectly and all possibilities to achieve the goals were taken into account? Are the staff’s incentive or compensation targets reasonable? Is there undue pressure to achieve unrealistic targets that may lead to fraudulent activities, for example, too high a sales target that may encourage window dressing of the sales amount?

Yes No

There is no undue pressure to achieve unrealistic targets as targets are basically formulated and proposed by operational functions. Therefore the targets were anticipated from the functions to be achievable. TISCO also continue to improve its incentive/compensation system so that rewards are tied with performances. To this external experts were hired to set up the mechanism that promote fair and appropriate compensation according to the best practice standard.

- 1.3 Has the Company’s structure been properly organized to help management operate the Company effectively?

Yes No

The company procured external consultancy service in constructing a proper and effective organizational structure which has been in use since 2003.

- 1.4 Does the Company have a written code of conduct and regulations prohibiting the activities of management and staff that would cause a conflict of interest with the Company? Are there disciplinary procedures for any violations of these regulations?

Yes No

The code of conduct is a part of compliance manual which are distributed /communicated to every employees.

- 1.5 Does the Company develop written policies and guidelines for financial transactions, purchasing and general management transactions? Are they appropriate and able to detect fraud?

Yes No

The Company, the Internal Control function, regularly review the policies and guidelines as appropriate. Internal Audit will audit actual operation in accordance with the policies and guidelines to protect fraud and report results to the management and the Audit Committee of the Company regularly.

- 1.6 Is fairness to counter-parties taken into account in determining the Company's policies and guidelines for the Company's benefit in the long run?

Yes No

The company emphasizes in customer satisfaction in its operation as this builds a long-term customer loyalty following the company's attempt to be customer's first choice. Also, the company assigns Compliance function to handle all complaints from customers independently and report directly to the management.

Part 2 Risk Management Measures

The company faces a variety of business risks from internal to external sources. Examples of internal factors causing risk are lack of integrity and ethics by management; and failure by the working system and monitoring to cope with rapid business expansion. External risk factors include changes in technology or consumer behavior, which erode market share. To deal with these risks, management has to carry out the following duties regularly:

- (1) Identify risks
- (2) Analyze risks, concentrating on various scenarios and their effects.
- (3) Manage risks

2.1 Does the company regularly assess both internal and external risk factors that materially affect the Company's businesses?

- Yes No

Corporate Planning & Budgeting function constantly assesses internal and external risk factors from strategic and business stand point while Risk Management function regularly assesses financial risks, particularly in the areas of credit, market, and funding risks.

2.2 Does the Company analyze its businesses to identify situations that cause risk?

- Yes No

Businesses are analyzed in an ongoing basis in order to identify situations that cause risks. While business strategy and action plan revisit is performed semiannually, risks from business activities are analyzed and reported for Risk Management Committee review in an ongoing basis.

2.3 Does the Company have mechanisms to deal with risks and measures to mitigate them?

- Yes No

Procedures and systems to measure and integrate all risks have been set up in writing, including policies and guidelines to manage the risks according to the economic and business condition each year, with the objective to receive returns that is justified for the controlled risks.

2.4 Does the Company communicate risk management strategy to relevant employees for acknowledgement and action?

- Yes No

The company has documented policies specifying risk management methodologies and strategies which are distributed to relevant employees for acknowledgement and compliance. Employee awareness to comply with the

policies is regularly reinforced with key risk information regularly communicated to relevant employees.

2.5 Does the Company have monitoring systems to ensure that all departments have complied with prescribed risk management procedures?

Yes No

The company follows up compliance to the risk management guidelines and limits on a daily basis. Compliance to the guidelines is also regularly assessed by independent internal auditors through established procedures.

Part 3 Management Control Activities

Management control activities are integral procedures that help ensure management directives are carried out. The control activities include:

- (1) appropriate authorization and approvals
 - (2) segregation of duties
 - (3) Proper procedures for transactions executed with major shareholders, directors, management and related persons to protect the Company from improper transfer of benefits
 - (4) Compliance with applicable laws and regulations
-

3.1 Does the Company have a clear, written scope of authority and approval limits?

- Yes No

The Company has a clear power of attorney and approval limits for employees to act on behalf of the Company. For the loan approval authority, the company has a clear chart of delegation levels of approval authority.

3.2 Is there a complete segregation of the following duties for crossed-checks (1) approval (2) accounting records and information (3) custody of assets?

- Yes No

The duties of approval, accounting records and custody of assets are separately responsible by business function, accounting function and cashier & custodian function, respectively. Moreover there are specific committees to control risk in any aspects, e.g. Risk Management Committee, Credit Committee and Problem Loan Committee, in separation of business function.

3.3 Does the Company have adequate procedures to ensure that transactions with major shareholders, directors, management or related persons are properly approved as required?

- Yes No No such cases

As the Company's transactions with major shareholders, directors, management or related persons are on arm's length basis, they are then processed through the same procedures as other clients are. The Company also discloses such information for transparency in accordance with the principles of good corporate governance. If a director has a personal interest in a matter, the director shall disclose the interest to the board, excuse himself or herself from participation in the discussion and shall not vote on the matter

3.4 Are only persons without conflict of interest authorized to approve the transactions mentioned in 3.3?

- Yes No No such cases
-

3.5 Is approval for transactions in 3.3 made on “an arm’s length” basis and for maximum benefit of the Company?

Yes No No such cases

3.6 Are there measures to ensure that terms and conditions are complied with throughout the contract period (for example, timely loan repayment and revision of contract) in cases where long-term transactions with related persons are approved (for example, purchase and sell agreement, loan and guaranty)?

Yes No No such cases

3.7 Do the procedures for transactions mentioned in 3.3 cover cases whereby major shareholders, directors, management or related persons might have used opportunities or benefits of the Company for themselves?

Yes No No such cases

3.8 Does the Company monitor the operation of subsidiaries and related companies regularly as well as set policy directions for persons nominated by the Company to be directors or management of such companies?

Yes No No such cases

The Company regularly monitors the operation of subsidiaries companies from significant management information and financial statements reported by management of subsidiaries and also sets goals and policy directions for such companies.

3.9 Does the Company have measures to ensure that its operations comply with applicable laws for the purpose of mitigating operational risks and protecting its reputation?

Yes No

The Company assigns Compliance Function to assure the Company’s compliance with all regulations. It shall encourage all business and operational functions in the Company to operate in compliance with all regulations. On top of that the Company also appoint Compliance and Audit Committee to oversee, advise, and settle all compliance issues and customer’s complaints with assistance from Legal Function and Compliance Function.

3.10 Does the Company have preventive and corrective measures to ensure the non-recurrence of activities that were not in compliance with law, in case the Company used to have such activities?

Yes

No

No such cases

As a preventive measure, a standard policy and compliance manual, reviewed by Internal Control Function and Compliance Function, have been developed and implemented to ensure good compliance with law. The Company also has Internal Audit Function to regularly audit all activities and independently report to the Audit Committee. Meanwhile, as a corrective measure, all activities founded not in compliance with law shall be brought to the Compliance and Audit Committee to consider and take necessary action to ensure the non-recurrence of such activities and immediately reported to the Audit Committee.

Part 4 Information and Communication Measures

To carry out their responsibilities carefully, Board members, management, shareholders or other related persons need to make decisions based on accurate and adequate information, both financial and general. Therefore, effective communication with related parties is essential and supports an efficient internal control system.

Information should be:

- (1) instructive
- (2) complete
- (3) up-to-date
- (4) in an easy to understand format
- (5) well-arranged

-
- 4.1 Does the Company provide sufficient and relevant information on issues put before the Board of Directors for their consideration and decisions? (Such information includes details, reasons, effects and options.)

Yes No

The Company has clear procedures that the Executive Board, authorized by the Board of Directors, will monitor business operations of the Company. The Executive Board will then assign Management to perform part of the Executive Board's responsibilities. Management will regularly report their activities and provide adequate information required by the Executive Board for decision making on a monthly basis. The Executive Board will propose the matters to the Board of Directors for acknowledgement or approval.

- 4.2 Do Board members receive advance notice of the meeting and documents, which contain relevant and sufficient details for consideration at the meeting, at least within the minimum number of days required by law?

Yes - average 7 days before meeting No

The Company shall send a notice of meeting and related documents to Board members for consideration not less than 7 days in advance of the date of the meeting with the exception in the case of urgency such as an immediate report from government agencies which the Company receives very close to the meeting date.

- 4.3 Do minutes of the Board's meetings contain sufficient information for the shareholders to oversee the activities of the Board members? The information includes the Board members' inquiries, opinions and observations as well as the opinions of members who do not agree with the proposed recommendations, along with their reasons.

Yes No

The Board members' observations, inquires, opinions and resolutions are always included in the minutes of the Board's meetings.

4.4 Does the Company maintain complete and categorized accounting records and documents? Do the auditors ever report any related deficiency? Have reported deficiencies, if any, been corrected?

Yes

No

The auditors have never reported any deficiency in accounting records.

4.5 Does the Board consider whether the management has already adopts generally accepted accounting principles suitable for the Company's business type and not adopt ones that might cause the Company to report incorrect operating results?

Yes

No

The Board of Directors emphasize that the Company must adopt conservative framework as its principle accounting policy.

Part 5 Monitoring

To operate effectively and efficiently, the Company has to monitor on an ongoing basis to ensure that predefined objectives are achieved, internal controls systems are functioning, improvements are made in association with changing situations and deficiencies are resolved in a timely fashion.

5.1 Does the Board compare the actual operational results with the predefined business plan?

Yes No No such cases

Management constantly presented operating results compared with business plan to the Executive Board monthly, and to the Board every 2 months for consideration.

5.2 Does the Company take corrective and timely action in cases where there is variance between the predefined plan and actual results?

Yes No No such cases

The Executive Board reviews business performance with management/line managers at least monthly so that any significant deviation of the results from plans will be identified, and causes of the deviations will be found. Solutions will be discussed so that any corrective actions can be done in time.

5.3 Have periodic evaluations of internal control systems been conducted?

Yes No

The internal control systems of each business activities have been evaluated by internal auditors periodically, e.g. annually, every two years.

5.4 Do the internal auditors report their audit results directly to the Board or Audit Committee to ensure that internal auditors are able to work independently and report the audit results openly?

Yes No No such cases

The internal auditors report their audit results directly to the Audit Committee. The Audit Committee will then consider the matters and recommend on corrective action to management as well as follow up the disposition and report to the Board.

5.5 Are significant deficiencies, if founded, reported directly to the Board/Audit Committee for corrective and timely action?

Yes No No such cases

The internal auditors shall inform and discuss with the management about their findings and corrective action to be taken. The audit results together with

management's response shall instantly be reported to the Audit Committee for additional advice, if any.

5.6 Does the Company have to report the progress of corrective action taken to the Board/Audit Committee?

Yes No

It is reported to the Audit Committee continuously and systematically. The Audit Committee, in turn, will present report summaries to the Board continuously.

5.7 Does the Company have a policy for management to report immediately to the Board in cases of fraud or suspected fraud, activities that are not in compliance with the law and other abnormal activities which might have a material impact on the Company's reputation or financial position?

Yes No No such cases

The Company will report the significant cases of fraud or suspected fraud, lawsuit filed on the Company and other abnormal activities to the Audit Committee instantly so that the Audit Committee can examine the cases as well as providing corrective actions to the Board immediately.

- Meeting with TRIS Rating Company Limited in evaluating the credit rating of the Company.
- Considering the External Auditor Selection Guideline and proposing for the appointment of a certified public accountant and the determination of audit fee.

The Audit Committee has suggested the Internal Audit Department to conduct an evaluation of Corporate Governance Policy accomplishment by comparing the Company's practice with the Policy and international standards and to perform audit assignments on a risk-based approach to determine whether the operations of business units achieve the desired objectives and correspond to the annual business plans, especially on the strategic issues. Also, the Audit Committee has consistently followed up on the progress on bank upgrading concerning the preparation for office infrastructure, operational and information system, and personnel recruitment and training.

The Audit Committee is determined in promoting the Company to have a good corporate governance system. Upon taking all foregoing information into consideration, the Audit Committee agrees with the certified public accountant that the Company's financial statements and the disclosure of relevant information are adequate, complete and reliable in accordance with generally accepted accounting principles. The Company has an appropriate and efficient internal control system, and has properly followed all necessary rules and regulations imposed by the Bank of Thailand, the Office of the Securities Exchange Commission and the Stock Exchange of Thailand.

Dr. Phisit Pakkasem
Chairman of the Audit Committee