

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR 3-MONTH PERIOD ENDED MARCH 31, 2004**

The economy in the first quarter of 2004 did not seem to be affected materially by the bird flu epidemic and the unrest situation in the southern part of Thailand. Private Consumption and Investment in February 2004 were still healthy, and the Fiscal Policy Office revised upward the projected growth rate of the Thai economy in 2004 from 7.5% to 7.7-8.1%. The economic expansion has been driven especially by domestic demand. The private consumption and investment play the crucial role in the economic expansion. The Private Consumption Index of February 2004 was 105.2 points, decreasing from 107.5 points from January 2004. Car and motorcycle sales in February 2004 were reported by the Bank of Thailand to grow 23.6%, and 15.0% y-o-y respectively.

In respect to capital market, the slow growth of stock market was evidence compared to the strong growth of the stock market at the end of 2003. However, the constancy of low interest rate and the healthiness of the overall Thai economy attracted capital inflow to the stock market. The Stock Index increased to close at 647.30 points by the end of March 31, 2004 compared with 364.55 points at the same period of 2003. The market daily turnover surged from B5,963.54m at the first quarter of 2003 to B28,756.55m at the same period of 2004.

OPERATING RESULTS FOR 3-MONTH PERIOD ENDED MARCH 31, 2004

The performance analysis for 3-month period ended March 31, 2004 was compared with that of the same period of last year.

TISCO and its subsidiaries consolidated net profit was B602.24m, an increase of 65.4%. The major contribution to the net profit rise was the continuing strong growth in brokerage and investment banking businesses. While brokerage commissions, and fees and services income rose by 276.0% to B316.98m, and 111.8% to B401.02m, respectively, its non-interest income rose by 105.2% to B725.22m. Meanwhile, hire purchase and financial lease grew 22.3% to B680.14m. Diluted EPS were 0.83 baht, representing 62.7% growth. An average annualized ROE (excluding minority interest) was 23.1%

Revenue structure of TISCO and its subsidiaries for 3-month period ended March 31, 2003 and 2004 was illustrated below.

Table 1: Consolidated Revenue Structure

Type of Revenue	Jan – Mar 2003		Jan – Mar 2004		% Change
	Amount (Bm)	%	Amount (Bm)	%	
TISCO					
Interest and dividend income					
Loan and deposits	228.56	24.3	249.04	17.8	9.0
Hire purchase and financial lease	377.13	40.1	500.23	35.7	32.6
Investment in Securities	83.63	8.9	69.20	4.9	(17.3)
Expenses on borrowings	(283.92)	(30.2)	(242.04)	(17.3)	(14.8)
Net interest and dividend income	405.40	43.2	576.43	41.1	42.2
Bad debts and doubtful accounts	31.48	3.4	(61.05)	(4.4)	(293.9)
Interest and dividend income - net of bad debts and doubtful accounts	436.88	46.5	515.38	36.8	18.0
Non-interest income					
Fee and charges	58.22	6.2	97.96	7.0	68.3
Gain(loss)on trading securities	19.61	2.1	(14.19)	(1.0)	(172.4)
Others	21.13	2.2	22.24	1.6	5.3
Total non-interest income	98.96	10.5	106.01	7.6	7.1
Total – TISCO	535.84	57.0	621.39	44.3	16.0
Subsidiaries					
Interest and dividend income					
Loans and deposits	5.17	0.6	3.90	0.3	(24.6)
Hire purchase and financial lease	178.85	19.0	179.91	12.8	0.6
Investment in Securities	4.26	0.5	6.71	0.5	57.5
Expense on borrowings	(23.66)	(2.5)	(21.21)	(1.5)	(10.4)
Net interest and dividend income	164.62	17.5	169.31	12.1	2.8
Bad debts and doubtful accounts	(15.33)	(1.6)	(7.35)	(0.5)	(52.1)
Interest and dividend income – net of bad debts and doubtful accounts	149.29	15.9	161.96	11.6	8.5
Non-interest income					
Brokerage fees	84.30	9.0	316.98	22.6	276.0
Fee and charges	131.08	13.9	303.06	21.6	131.2
Gain(loss)on trading securities	31.65	3.4	(15.77)	(1.1)	(149.8)
Others	7.50	0.8	14.92	1.1	99.1
Total non-interest income	254.53	27.1	619.19	44.2	143.3
Total – Subsidiaries	403.82	43.0	781.15	55.7	93.4
Total – TISCO and Subsidiaries	939.66	100.0	1,402.54	100.0	49.3

Remarks: The data shown was after the adjustment of inter-company transactions.

Net Interest and Dividend Income

Net interest and dividend income before provision rose by 30.8% to B745.75m. This was mainly due largely to a 22.3% expansion of hire purchase and financial lease to B680.14m. In addition, expenses on borrowings declined by 14.4%. Net interest and dividend income after provision rose by 15.6%. This was because TISCO and its subsidiaries have written back loan loss for 1Q03 while the allowance for 1Q04 was provided according to normal business expansion.

Non-Interest Income

Non-interest income increased by 105.2% to B725.22m. This was largely due to an increase in brokerage fees of 276.0%, following a higher trading volume of stock continuing from end of last year. Trading volume of TISCO Securities Company Limited ("TISCO Securities") increased by 319.4% to B125,053.51m.

TISCO and its subsidiaries fees and services income increased by 111.8% to B401.02m due to an increase of fee from investment banking businesses. Loss on securities trading was B29.96m due to a decline in the SET index in 1Q04.

Operating Expenses

In an attempt to reduce operating risk, TISCO managed to turn fixed cost into variable cost including personnel expenses. Personnel expenses therefore grew 36.8%, in tandem with an increase in business volume, to B299.19m. This policy has a merit to protect the Group's profit margin in the face of fast changing business environment in financial industry. TISCO and its subsidiaries operating expenses increased by 17.5% to B603.78m.

Corporate Income Tax

TISCO and its subsidiaries recognized corporate income tax expenses from taxable income of B193.43m. After utilizing income tax benefits on tax loss carried forward of B36.24m, TISCO and its subsidiaries corporate income tax was B157.19m. In addition, TISCO and its subsidiaries recorded deferred income tax on temporary differences of B29.14m. (see details in "Deferred Tax Assets"). As a result, TISCO and its subsidiaries corporate income tax was B186.34m.

FINANCIAL POSITION AS OF MARCH 31, 2004

The financial position analysis as of March 31, 2004 was compared with that as of December 31, 2003.

Assets

Total assets increased 1.6% to B61,223.99m (B50,931.92m for TISCO and B10,292.07m for subsidiaries), driven by 7.3% expansion of hire purchase portfolio from B32,619.36m to B34,996.13m. Investment in securities decreased by 15.0% to B6,879.46m.

Investment in Securities

Total investment in securities declined by 15.0% to B6,879.46m. Investment in equity and in fixed income drifted 9.1% to B3,817.68m and 21.5% to B3,055.25m, respectively. This was mainly due to a selling of the investment in securities, and the decline in investment in equity, caused by mark to market loss.

Table 2: Investment in Securities Breakdown

Type of Securities	December 31, 2003		March 31, 2004		% Change
	Amount (Bm)	%	Amount (Bm)	%	
TISCO					
Fixed income	3,324.71	41.1	2,833.95	41.2	(14.8)
Equity	3,876.64	47.9	3,581.02	52.1	(7.6)
FRA	6.53	0.1	6.53	0.1	0.0
<i>Total – TISCO</i>	<i>7,207.88</i>	<i>89.0</i>	<i>6,421.50</i>	<i>93.3</i>	<i>(10.9)</i>
Subsidiaries					
Fixed income	566.41	7.0	221.3	3.2	(60.9)
Equity	321.29	4.0	236.66	3.4	(26.3)
<i>Total- Subsidiaries</i>	<i>887.70</i>	<i>11.0</i>	<i>457.96</i>	<i>6.7</i>	<i>(48.4)</i>
Total – TISCO and Subsidiaries	8,095.58	100.0	6,879.46	100.0	(15.0)

Remarks: The data shown was after the adjustment of inter-company transactions.

Loans

TISCO and its subsidiaries loans rose by 8.5% to B49,416.33m. Loans to total assets was 80.7%. Hire purchase, which was a main portion of the port, was 70.8% of total loans. Hire purchase portfolio continuously expanded to B34,996.13m, or 7.3% increase. The detail of loans breakdown is as follows:

Table 3: Loans Breakdown

Type of Business	December 31, 2003		March 31, 2004		% Change
	Amount (Bm)	%	Amount (Bm)	%	
TISCO					
Commercial Lending					
Manufacturing and commerce	3,262.36	7.2	4,189.73	8.5	28.4
Real estate and construction	1,666.21	3.7	1,869.86	3.8	12.2
Public utilities and services	1,559.92	3.4	1,550.58	3.1	(0.6)
Others	2,612.78	5.7	2,742.77	5.6	5.0
Retail					
Hire purchase	27,851.48	61.1	30,335.93	61.4	8.9
Housing	2,431.38	5.3	2,455.50	5.0	1.0
Others	874.60	1.9	1,055.06	2.1	20.6
<i>Total – TISCO</i>	<i>40,258.73</i>	<i>89.4</i>	<i>44,199.43</i>	<i>89.4</i>	<i>9.8</i>
Subsidiaries					
Commercial Lending					
Manufacturing and commerce	21.59	0.0	24.99	0.1	15.7
Retail					
Hire purchase	4,767.88	10.5	4,660.20	9.4	(2.3)
Others	515.98	1.1	531.71	1.1	3.0
<i>Total – Subsidiaries</i>	<i>5,305.45</i>	<i>10.6</i>	<i>5,216.90</i>	<i>10.6</i>	<i>(1.7)</i>
Total – TISCO and Subsidiaries	45,564.18	100.0	49,416.33	100.0	8.5

Remarks: The data shown was after the adjustment of inter-company transactions.

Non-performing Loans (NPLs)

Although TISCO and its subsidiaries total loans increased, their NPLs to total loans decreased to 7.2%, compared to 7.5%. TISCO NPLs to total loans decreased to 6.4%, compared to 6.7%.

Table 4: NPL Breakdown by Area

	December 31, 2003		March 31, 2004		% Change
	Amount (Bm)	%	Amount (Bm)	%	
TISCO					
Commercial	1,739.50	50.9	1,824.31	51.3	4.9
Retail					
Mortgage loans	624.12	18.3	603.10	17.0	(3.4)
Car hire purchase	287.42	8.4	357.16	10.0	24.3
Others	38.83	1.1	45.52	1.3	17.2
<i>Total – TISCO</i>	<i>2,689.87</i>	<i>78.8</i>	<i>2,830.00</i>	<i>79.6</i>	<i>5.2</i>
<i>NPL to total loans – TISCO (%)</i>	<i>6.7</i>		<i>6.4</i>		
Subsidiaries					
Retail					
Car hire purchase	32.08	0.9	19.05	0.5	(40.6)
Motorcycle hire purchase	148.24	4.3	168.03	4.7	13.3
Others	545.23	16.0	539.52	15.2	(1.0)
<i>Total – Subsidiaries</i>	<i>725.55</i>	<i>21.2</i>	<i>726.60</i>	<i>20.4</i>	<i>0.1</i>
<i>NPL to total loans – Subsidiaries (%)</i>	<i>13.7</i>		<i>13.9</i>		
Total – TISCO and Subsidiarie	3,415.42	100.0	3,556.60	100.0	4.1
<i>NPL to total loans – TISCO and Subsidiaries (%)</i>	<i>7.5</i>		<i>7.2</i>		

Remarks: The data shown was after the adjustment of inter-company transactions.

Allowance for Doubtful Account and Loss on Debt Restructuring

TISCO and its subsidiaries' allowance for doubtful account and loss on debt restructuring was B4,667.53m (B3,947.37m for TISCO and B720.16m for subsidiaries). TISCO and its subsidiaries allowance for doubtful account and loss on debt restructuring to NPLs ratio was 131.2%.

TISCO allowance was B3,947.37m. It included B2,958.37m, the reserve required by BOT and B989.00, the general reserve. With conservative provisioning policy, TISCO and its subsidiaries allowance for doubtful account and loss on debt restructuring was 133.4% of the reserve required by BOT.

Deferred Tax Assets

In accordance with the international accounting standard, TISCO and its subsidiaries provide for deferred income tax resulting from temporary differences in income and expenses recognized for financial reporting and income tax reporting purposes. Accordingly, the income tax applicable to income, which is not currently recognized, or to expenses, which are not currently deductible for income tax purposes, is set up as "Deferred income tax" in the balance sheets. This will be allocated to future periods when the income is realized, or expenses provided for are actually incurred and considered deductible for income tax purposes. TISCO and its subsidiaries recognize tax benefits as assets in their book of account if it is highly probable that TISCO and its subsidiaries will generate sufficient profits from their future operations to utilize these benefits. Consequently, deferred tax assets stood at B711.68m. It was largely because TISCO

stopped recognizing the interest income sooner, and reserved for allowance for doubtful account greater than the requirements of BOT.

Liabilities

Total liabilities of TISCO and its subsidiaries were B50,169.11m, 1.3% increase. Most of liabilities were Public borrowings, totaling B37,500.00m or 74.7% of total liabilities. To manage the interest rate risk, TISCO and its subsidiaries issued debentures as another sources of funds, representing 11.8% of total liabilities.

Table 5: Liabilities Breakdown by Area

Type of Borrowings	December 31, 2003		March 31, 2004		% Change
	Amount (Bm)	%	Amount (Bm)	%	
TISCO					
Public borrowings	32,987.55	66.6	36,699.98	73.2	11.3
Debenture	5,131.00	10.4	5,131.00	10.2	0.0
Banks and financial institutions borrowings	2,628.05	5.3	1,667.99	3.3	(36.5)
Other liabilities	964.48	1.9	1,189.18	2.4	23.3
<i>Total – the Company</i>	<i>41,711.08</i>	<i>84.2</i>	<i>44,688.15</i>	<i>89.1</i>	<i>7.1</i>
Subsidiaries					
Public borrowings	924.39	1.9	800.03	1.6	(13.5)
Debenture	810.00	1.6	810.00	1.6	0.0
Banks and financial institutions borrowings	1,474.47	3.0	1,274.56	2.5	(13.6)
Securities Business Payable	3,299.16	6.7	1,990.31	4.0	(39.7)
Other liabilities	1,323.05	2.7	606.06	1.2	(54.2)
<i>Total – Subsidiaries</i>	<i>7,831.07</i>	<i>15.8</i>	<i>5,480.96</i>	<i>10.9</i>	<i>(30.0)</i>
Total – TISCO and Subsidiaries	49,542.15	100.0	50,169.11	100.0	1.3

Remarks: The data shown was after the adjustment of inter-company transactions.

Shareholders' Equity

Shareholder's equity of TISCO and its subsidiaries increased from B10,721.11m to B11,054.88m. It was largely due to the net profit of B602.24m, and the decline in revaluation surplus on changes in the value of investment in equity, following the fall of the SET Index..

The BIS capital adequacy ratio of TISCO remained solid at 20.9% comparing with the minimum of 8.0% required by BOT. The net capital ratio (NCR) of TISCO Securities stood at 106.7% comparing with the minimum of 7.0% required by SEC.

BUSINESS PERFORMANCE BY AREA

The performance analysis for 3-month period ended March 31, 2004 was compared with that of the same period of last year. While the analysis of business volume was compared with that as of December 31, 2003. Details are presented below.

Finance Business

Commercial Lending

TISCO and its subsidiaries commercial lending expanded to B10,377.93m, representing 13.8% increase. Commercial lending NPLs to total commercial lending was 17.6%, a decline from 19.1%.

Mortgage Loan

TISCO mortgage loan rose to B2,455.50m, representing 1.0% increase. Mortgage loan NPLs to total mortgage loan was 24.6%, a decline from 25.7%.

Hire Purchase

TISCO and its subsidiaries, including TISCO Leasing Co., Ltd., Hi-Way Co., Ltd, and Thai Commercial Auto Co., Ltd, operate hire purchase business. TISCO and its subsidiaries hire purchase portfolio expanded 7.3% to B34,996.13m. Hire purchase NPLs to total hire purchase was 1.6%, an increase from 1.4%. The breakdown of hire purchase business is as follows:

Table 6: Hire Purchase Portfolio Breakdown by Company

Company	December 31, 2003		March 31, 2004		% Change
	Amount (Bm)	%	Amount (Bm)	%	
TISCO	27,851.48	85.4	30,335.93	86.7	8.9
Thai Commercial Auto	2,833.02	8.7	2,629.48	7.5	(7.2)
Hi-Way	1,214.80	3.7	1,294.14	3.7	6.5
TISCO Leasing	720.06	2.2	736.58	2.1	2.3
Total	32,619.36	100.0	34,996.13	100.0	7.3

Securities Business

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

Securities Brokerage

TISCO Securities focuses on providing quality service and research to both institutional and private investors. TISCO Securities entered into a cooperative arrangement with Deutsche Securities to jointly build a high quality equity research so as to expand distribution channel and reach the broader international markets. TISCO Securities' market share was 3.6%, and the brokerage volume was B125,053.51m, a 319.4% increase. The increase in brokerage volume caused the brokerage fee of TISCO Securities to increase by

317.0% to B300.40m. Although not a significant change, TISCO Securities Hong Kong's brokerage fee also increased.

Investment Banking

TISCO Securities has maintained its lead position in Investment Banking. TISCO Securities was appointed to be a financial advisor, and an underwriter for several companies. TISCO Securities fee and service income surged to B228.09m, representing 342.4% increase. This primarily came from TPI Polene public offering. Moreover, in 1Q04, TISCO was appointed to be a financial advisor for Syrus securities PLC initial public offering.

Asset Management

Asset management business is operated under TISCO Asset Management Co., Ltd. It offers fund management services for provident fund, private fund and mutual fund (including Retirement Mutual Fund) with a range of investment choices. It managed total assets of B60,964.72m which increased by 8.0% from B56,459.42m. This contributed the fees and services income of B53.49m, a decrease of 4.8%.

Table 7: Asset under Management Breakdown by Type of Fund

Type of Fund	December 31, 2003		March 31, 2004		% Change
	Amount (Bm)	%	Amount (Bm)	%	
Provident Fund	37,805.26	67.0	39,525.88	64.8	4.6
Private Fund	13,762.01	24.4	16,947.51	27.8	23.1
Mutual Fund	4,892.15	8.6	4,491.33	7.4	(8.2)
Total	56,459.42	100.0	60,964.72	100.0	8.0

Other Business

Thai Information Technology Co.,Ltd. is a TISCO's subsidiary providing IT services to TISCO and its subsidiaries. TISCO Global Investment Holding Ltd. was set up in Hong Kong to act as a holding company for investment in aboard. TISCO acquired Thai Permsap Finance Co., Ltd. in 2001 as part of its plan to upgrade the status to a restricted bank. As the Financial Master Plan has been announced, Thai Permsap will be merged with TISCO following the rules of Ministry of Finance to establish a commercial bank.

RISK MANAGEMENT

In the first quarter of 2004, the capital base of the company increased to B11,058m, implying higher risk absorption capability. When comparing with the company's capital at risk of B5,242m, estimated from internal risk measurement models, the company had available capital that in excess of the risk requirement by as much as 53.0%. This means the company will be able to further expand a lot of businesses without the need for capital increase in the short run. In terms of regulatory measure, the company's Capital Adequacy Ratio (BIS ratio) stood as high as 20.9%, higher than the minimum requirement of 8.0% by the Bank of Thailand. In addition, the provision for loan loss was 33.4% higher than the amount required by the Bank of Thailand

Management's Discussion & Analysis

The aggregate risk of the company increased slightly from credit risk. The credit risk rose by 8.3% in the first quarter of 2004, due mainly to the continuing expansion of car hire purchase loan. On the other hand, the market risk has declined by 4.2% during the period as a result of reduction in the amount of equity investment. Meanwhile, interest rate risk was maintained within an appropriate level, with the average time differences in interest re-pricing between interest-bearing assets and liabilities increased slightly.

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