

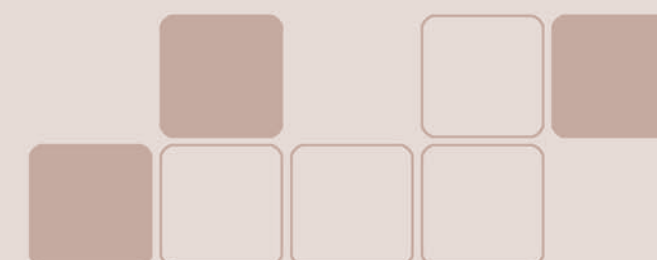
**KIATNAKIN FINANCE  
PUBLIC COMPANY LIMITED**

**ANNUAL REPORT 2004**

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED

ANNUAL REPORT 2004

บริษัทเงินทุน เคียตนาकिन จำกัด (มหาชน)  
KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
ชั้น 17 ถนนรัชดาภิเษก 500 ถนนเพลินจิต เขตปทุมวัน กรุงเทพฯ 10330 โทร. 0 2680 3333  
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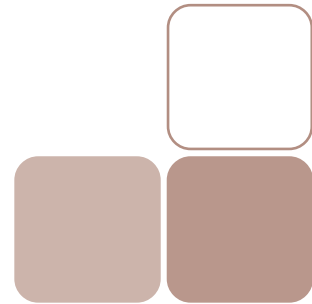


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## VISION:

To become a reputable commercial bank in our area of expertise with the goal of providing highest quality service to our customers through in depth knowledge of customers' businesses and industries as well as through development of innovative products while adhering to the principles of good corporate governance.



## VALUE:

Our values are as follows:

### *Discipline*

- Determined to perform our job in an orderly manner

### *Integrity*

- Honesty and adherence to the code of ethics

### *Expertise*

- Determined to acquire great knowledge and skills

### *Team Work*

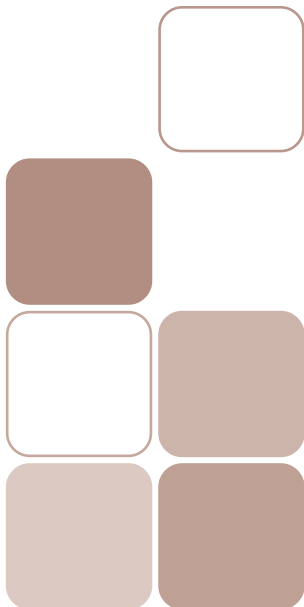
- Determined to work as a team

### *Entrepreneurship*

- Determined to drive the business and contribute to the bottom line.

### *Dynamic*

- Adaptable to changes



# List of Information required by the Office of the Securities and Exchange Commission

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## Financial Highlights

Operation Results (Million Baht)	Consolidated			Company		
	2004	2003	2002	2004	2003	2002
Total Assets	57,454	42,671	37,851	58,078	41,142	37,628
Total Loans	38,042	24,304	14,085	37,436	22,949	13,960
Total Liabilities	42,971	29,805	27,913	43,623	28,307	27,725
Total Borrowings	34,418	19,748	20,952	35,624	19,780	21,002
Shareholders' Equity	14,483	12,866	9,938	14,455	12,835	9,903
Total Revenue	6,049	6,340	4,398	5,390	5,654	3,643
Total Expenses	3,839	4,270	2,930	3,182	3,589	2,237
Minority Interest, NET	(2)	(5)	(62)	-	-	-
Net Profit (Loss)	2,208	2,065	1,406	2,208	2,065	1,406
Unrealized loss in Financial Claim Recorded in Shareholder's Equity	406	745	(499)	406	745	(499)

Financial Ratio						
Return on Equity (%)	16.15%	18.11%	14.32%	16.18%	18.16%	15.47%
Return on Asset (%)	4.41%	5.13%	3.73%	4.45%	5.24%	3.78%
Earning per share (Baht)	4.77	5.74	4.25	4.77	5.74	4.25
Book Value (Baht)	30.74	34.21	28.36	30.68	34.13	28.36
Tier 1 and Tier 2 Capital Ratio (%)	25.80%	32.10%	30.32%	25.80%	32.10%	30.32%
Dividend (Baht)				Under consideration	2.25	2.00

## ● Message from Chairman

The Thai economy continues to expand in 2004, although at a lower rate of 6.3% than in previous year of 6.9%. There were several problems, which lingered on from the previous year such as the bird flu (avian influenza), the Southern unrest, the oil price and the rising inflation rate. These issues adversely affected the consumer confidence and consumption. However, there were several positive factors, which helped to spur on the Thai economy to a relatively high level. These factors include (1) unexpectedly high economic growth for Thailand's trading partners (2) the rise in private sector investments which led to increased lending activities by commercial banks, causing the prevailing excess liquidity to reduce (3) early allocations of the additional portions of the budget in the middle of the year (4) a 23% growth in exports of goods and services with total value of USD 96,064 million in 2004.

Regarding Thailand's financial position, the interest rate marginally increased in 2004. The official interest rates were adjusted three times in 2004 from 1.25% to 2.0%. The value of the Thai Baht fluctuated from 38.87 to 41.70 Baht per USD with an average of 40.28 Baht per USD. This represents an appreciation of 3% from 2003 and was a direct result of the revaluations of other currencies in the region as well as fresh foreign investments in the Stock Exchange of Thailand (SET). In 2004, deposits at commercial banks were up slightly at 2.6% as the general public withdrew funds to invest in the Savings Bonds and other types of investments. Credit extensions from commercial banks (add back debt provisions and assets transferred to asset management company) rose 9.8% as a result of the higher demand in private sector investments.

The Company's main business areas that had received the greatest impact in 2004 were the residential project loans and hire purchase loans. The details of the business impacts are described as follows:

- As the whole, the real estate sector continued to grow during 2004. The outstanding residential project loans extended by commercial banks grew substantially from Baht 341,260 million to Baht 401,161 million as at the end of 2003 and Q3/2004 respectively. Despite the higher cost of construction materials due to higher production costs, the rise in residential prices had not increased significantly because of the intensified competition and a rise in supply of residential estates in prime locations.
- The hire purchase industry continued to expand. New car purchases reached 626,026 units, representing an increase of 17% from previous year. The growth can be partly attributed by the fall of car prices following the new vehicle tax structure. As a result, hire purchase loans grew substantially, ending at Baht 175,337 million in 2004 compared to Baht 137,203 million in 2003, representing an increase of 28%.

The Company's 2004 financial result is considered to be a great success for the second consecutive year. The highlights are summarized as follows:

- Total assets stood at Baht 57,455 million, up by another 35% as a result of the 57% combined growth of various types of credit whose value was Baht 38,582 million. The credit growth can be attributed to:
  - A 129% growth in hire purchase loans which has an outstanding amount of Baht 18,097 million.
  - A 64% growth in residential project loans which has an outstanding amount of Baht 13,326 million.
- Revaluation of investments in financial claims under resale agreements rose from Baht 9,464 million to Baht 11,501 million in 2004. A major part of the increase came from additional investments obtained from the Legal Execution Department. Since 2003, the Company was able to win more than Baht 5,300 million worth of investments.

- Total liabilities amounted to Baht 42,971 million, representing an increase of 44%. Borrowings in the form of promissory notes increased by 56% and stood at Baht 40,853 million.
- The 2004 financial results yielded a net profit of Baht 2,208 million for the Company, which is an increase of Baht 143 million from the 2003 results of Baht 2,065 million. However, there was a Surplus of fair value revaluation of investments which Reduced by Baht 399 million from 2002 and 2003.
- As of the end of 2004, the Company's capital was Baht 14,455 million, up by Baht 1,620 million, as a result of conversion of warrants and higher quarterly profits. This increase in capital caused the Company's BIS Ratio to rise to 25.80%, which is 8% higher than the regulatory requirement.
- The highlight of the Company's other key financial figures are (1) non-performing loans which fell from 12.82% in 2003 and finished at 11.16% at year end (2) Basic earnings per share in 2004 was Baht 4.77 compared to Baht 5.74 per share in previous year (3) Diluted earnings per share in 2004 came in at Baht 4.01 while previous year's was Baht 4.15.
- The Company has changed the structure of the Board of Directors to be in line with the Bank of Thailand's regulation on the credentials of applicants wishing to upgrade to a commercial bank. The number of managing directors on the Board was reduced to three person and two more independent directors were added, namely Ms. Nawaaporn Ryanskul and Assistant Professor Mr. Manop Bongsadadt. As a result, the total number of independent directors and non-managing directors now makes up 2/3 of the directors on the Board, which is in line with the principle of good corporate governance.
- The Company received an upgrade of its credit rating from BBB+ to A- from TRIS which reflects our Company's stronger financial position.
- The Thai Institute of Directors Association (IOD)'s investor survey voted the Company as one the 50 companies that has good corporate governance.
- The Company was one of the three companies nominated for Best Performance Award in the Finance Institution Sector. This is the second year in which the Stock Exchange of Thailand has given out the award.
- The Treasury Stock buy back program was introduced which will be used as a tool to manage the Company's finance in the event that the share price falls below the Company's fundamentals.
- The Board authorized the payment of interim dividends of Baht 1 per share to ordinary shareholders based on the Financial results from 1 January to 30 June 2004.

The economic trends in 2005 are expected to continue to expand from 2004 mainly due to several factors (1) huge government's expenditure due to a number of major infrastructure projects (2) rise in private sector investments because the industrial production output is close to reaching its full capacity (3) demand for credit and loans to expand production capacity (4) greater political stability (5) effective economic policies (6) continued growth for exports. The risk factors, which are expected to impact the economy, are rising oil price, rising interest rate, prevailing bird flu issue, and the unrest of the three Southern provinces.

The year 2005 will be the first year that the Company will operate as a commercial bank under the Company's policy to become a reputable commercial bank in our area of expertise. This change will bring about the opportunity to greatly expand our business. For this reason, the Company plans to raise the total assets to Baht 80,000 million which represents a growth of at least 30%, by emphasizing credit to small businesses and retail credit in order to balance out the portfolio of loans. Housing and hire purchase loans will be allowed to grow, focusing on the quality of the credit and expanding to other new markets.

Deposits - The Company will continue to maintain our policy to raise long-term funds to reduce the interest rate volatility, progressively broadening our depositor base to prepare for the imminent establishment of the Deposit Insurance Scheme.

Management - The Company is prepared to raise the quality and efficiency of our management to be able to support the expanded scope and rapid growth of the business as we upgrade to a commercial bank. The Company plan to introduce the Balance Score Card system in 2005 as a tool to link the plans from different business units to the Company's targets and strategy, enabling results from different units to be measures.

Human Resources Management - The Company hired Hewitt Associates LLC as a consultant to conduct surveys on our employee's opinion. After the results of the survey are analyzed, it will be used to make improvements on the current human resources services and system in order to enhance work efficiency and create a greater level of job satisfaction for our employee.

"Kiatnakin Bank" Brand Building - The Company hired Lowe Thailand to analyze the Company's image in order to develop appropriate advertising campaign and public relations plan. The goals are to create a positive image of the Company and become widely recognized and accepted in the market. With the new brand, we expect to gain additional business opportunities, especially at the outset of the formal upgrade to a commercial bank.

Banking Systems and Information Technology - The Company hired IBM Corporation to help set up the core banking and information technology system to enable the Company to offer a high quality commercial banking services to our customers. The system is expected to be in place by the mid-2005.

Risk management - The Company is confident that we will be able to successfully implement the risk management system to handle all types of risks associated with our business within this year.

The Company plans to establish the "Kiatnakin Foundation" in 2005. One of its main objectives is to enable the Board of Directors and employees to participate in social activities together. The foundation intends to continue the work of the Better People for a Better Nation project which has been run at Kiatnakin for the past four years. The project provides urgent assistance to society when natural disasters occurs, such as helping those affected by the Tsunami Disaster by authorizing emergency measures for hire purchase loan cases. These measures include debt suspension for those hard hit by the disaster and total debt cancellations for those who have lost their lives as soon as the associated car is brought back to the Company. The Foundation also donated funds in excess of Baht 3.2 million under the name Kiatnakin Group to help alleviate the sufferings of those affected by the disaster.

Finally, on behalf of the Board of Directors, the management, and employees, we would like to extend our sincere thanks to all our shareholders, clients and other related parties for your on-going support. We pledge to continually strive to develop and improve the quality of our services.

(Supol Wattanavekin)  
Chairman



## Report from the Audit Committee

Dear Shareholders,

The Audit Committee was appointed on 15 November 2002 as per the Board of Directors' resolution at the 10/45 meeting. Each member has a three-year term as stipulated by the Stock Exchange of Thailand. The Audit Committee is bounded by its charter, which clearly describes the extent of committee's authority to ensure good corporate governance as well as effective and efficient performance. The committee consists of three independent directors and one senior executive from Internal Audit Office who is also the secretary of the committee. The committee is required to meet at least once every quarter; however, additional meetings can be held as necessary.

The responsibilities of the Audit Committee are as follows:

- To report the audit procedures to the Board of Directors.
- To provide accurate, complete and reliable disclosure of financial reports.
- To propose the name and remuneration of an external auditor to the Board of Directors in order to obtain approval for an appointment at the Annual Shareholders meeting.
- To ensure that the activities comply with the applicable laws and regulations.
- To coordinate with the Risk Management Committee and make sure that the operations adhere to all risk management policies.
- To ensure that there are no conflicts of interests.
- To supervise and provide recommendations as well as notifications on the operations of the Internal Audit Office.
- To examine and approve the internal audit's annual inspection plan.

During 2004, the Audit Committee held 5 meetings and an additional 3 meetings were held with the external auditor. The committee places great emphasis on the audit of loan operations, risk management operations as per Bank of Thailand's recommendation as well as information and computer systems. The committee also encourages the development of departmental boundaries in order to allow each unit to manage themselves.

In 2004, the Audit Committee has reviewed the practice of various departments with respect to following areas: (1) the internal control system (2) compliance with the laws, regulations, and announcements (3) audit of the financial reports. All of the departments fully cooperated with the committee in determining specific ways to improve their internal control system and its coverage. The main focus is to increase the level in which each department manages and monitor itself. Together, they should look for ways to prevent problems from occurring, solve existing problems, and/or ensure that the existing problem does not spread and cause damage to the Company. This new approach to work should increase the effectiveness in managing and operating the business. In addition, the Audit Committee has developed a manual as a reference for all staff members and for executives to allow stakeholders, namely clients and employees, a channel their concerns or provide suggestions on how to improve the operations in the most rapid, convenient, and reasonable manner.

The Company's performance in 2004 was satisfactory. There were no irregular activities or areas which required significant amendments. The Audit Committee's quarterly reports were prepared for the Board of Directors and are disclosed in the Company's annual report. Moreover, the company's main focus in 2004 was on the preparation to convert to commercial bank.



(Ms. Nawaaporn Ryanskul)  
Chairman of the Audit Committee

## 1. General Information

### 1.1 General Information / Other References

Company	Kiatnakin Finance Public Company Limited
Nature of Business	Finance - has all required operating licenses from the Ministry of Finance
Registration Number	172
Address	12 <sup>th</sup> Floor, Amarin Tower, 500 Ploenchit Road, Pathumwan, Bangkok 10330 Tel. 0-2680-3333 Fax. 0-2256-9933 www.kiatnakin.co.th
No. of ordinary shares sold	471,101,192 shares as of December 31, 2004
Registrar	Thailand Securities Depository Company Limited 4 <sup>th</sup> Floor, 6-7 Stock Exchange of Thailand Building, 62 Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. 0-2229-2800, 0-2654-5599 Fax. 0-2359-1259 Call Center: 0-2229-2888
Auditor	Suchart Luengsurawat Price Water House Cooper ABAS Ltd. 15 <sup>th</sup> Floor, Bangkok City Tower 179/74-80 South Sathorn Road, Bangkok 10120 Tel. 0-2286-9999 Fax. 0-2286-5050
Legal Adviser	None
Consultant / Manager under None Contract Audit Committee	None

### 1.2 Companies in which Kiatnakin holds 10% or more of the total registered shares

Name and Address	Business Type	% Shares owned by the company	No. of ordinary shares issued
Chiengmai Yarnyon 1993 Company Limited 244/1 Wuaalaai Road, Haiya, Amphur Muang, Chiang Mai 50100 Tel. 0-5328-1836 Fax. 0-5320-2815	Car Dealer	10	6,500
BTM Leasing (Thailand) Company Limited 4 <sup>th</sup> Floor, Harindhorn Tower, 54 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2266-3060 Fax. 0-2266-3067	Leasing	10	600,000

Name and Address	Business Type	% Shares owned by the company	No. of ordinary shares issued
Attakorn Company Limited 4 <sup>th</sup> Floor, Juldis Hadyai Plaza, 200 Niphat Uthit 3 Road, Hadyai, Songkhla 90110 Tel. 0-7435-4334-5 Fax. 0-7435-4336	Hire purchase	10	800,000
Kiatnakin Securities Company Limited 7 <sup>th</sup> Floor, Amarin Tower, 500 Ploenchit Road, Pathumwan, Bangkok 10330 Tel. 0-2680-2222 Fax. 0-2256-9787	Securities	99.99	65,000,000
Radanatun Finance Public Company Limited 10 <sup>th</sup> Floor, President Tower Building, Room Number 123, 971, 972 Ploenchit Road, Pathumwan, Bangkok 10330 Tel. 0-2652-1166 Fax. 0-2652-1177	Finance	99.99	15,000,000
Kiatnakin Fixed Income Fund Tisco Asset Management Company Limited 9 <sup>th</sup> Floor, Tisco Tower, 48/16-17 North Sathorn, Sathorn, Bangkok 10120 Tel. 0-2633-777 Fax. 0-2633-7300	Unit trust	10.34	7,221,224
Asia Recovery 1 Fund Thai Farmers Asset Management Company Limited 31 <sup>st</sup> Floor, Maungthai-Patra Tower, 252/6 Rachadaphisek Road, Huaykwang, Bangkok 10310 Tel. 0-2693-2300 Fax. 0-2693-2320	Unit trust	99.95	125,947,412
Asia Recovery 2 Fund Thai Farmers Asset Management Company Limited 31 <sup>st</sup> Floor, Maungthai-Patra Tower, 252/6 Rachadaphisek Road, Huaykwang, Bangkok 10310 Tel. 0-2693-2300 Fax. 0-2693-2320	Unit trust	99.59	187,239,308
Asia Recovery Fund 3 Thai Farmers Asset Management Company Limited 31 <sup>st</sup> Floor, Maungthai-Patra Tower 1, 2526 Rachadaphisek Road, Huaykwang, Bangkok 10310 Tel. 0-2693-2300 Fax. 0-2693-2320	Unit trust	99.97	190,832,895

Name and Address	Business Type	% Shares owned by the company	No. of Ordinary Share Issued
Thai Restructuring Mutual Fund One Asset Management Company Limited 24 <sup>th</sup> Floor, Siam Tower Building, 989 Rama 1 Road, Pathumwan, Bangkok 10330 Tel. 0-2659-8888 Fax. 0-2659-8860-1	Unit trust	98.91	78,698,484
Asia Recovery Property Fund 1 One Asset Management Company Limited 24 <sup>th</sup> Floor, Siam Tower Building, 989 Rama 1 Road, Pathumwan, Bangkok 10330 Tel. 0-2659-8888 Fax. 0-2659-8860-1	Unit trust	99.50	24,418,404
Asia Recovery Property Fund 3 One Asset Management Company Limited 24 <sup>th</sup> Floor, Siam Tower Building, 989 Rama 1 Road, Pathumwan, Bangkok 10330 Tel. 0-2659-8888 Fax. 0-2659-8860-1	Unit trust	98.77	93,340,500
Ayudhya Tuntawee 5 Fund One Asset Management Company Limited 12 <sup>th</sup> Floor, Ploenchit Tower Building, 898 Ploenchit Road, Pathumwan, Bangkok 10330 Tel. 0-2657-5757 Fax. 0-2263-0199	Unit trust	57.27	5,000,000
Kiatnakin - K-ASSET Equity Fund Thai Farmers Asset Management Company Limited 31 <sup>st</sup> Floor, Maungthai-Patra Tower 1, 2526 Rachadaphisek Road, Huaykwang, Bangkok 10310 Tel. 0-2693-2300 Fax. 0-2693-2320	Unit trust	34.88	5,012,500
M V Property Estate Company Limited 3 <sup>rd</sup> Floor, Jewelry Trade Center Tower, 919/468 Silom Road, Bangrak, Bangkok 10330 Tel. 0-2657-5757 Fax. 0-2263-0199	Real Estate	10	100,000

## 2. Nature of Business

### 2.1 Important Business Characteristics

The nature of the business of Kiatnakin's group is categorized into 3 types as follows:

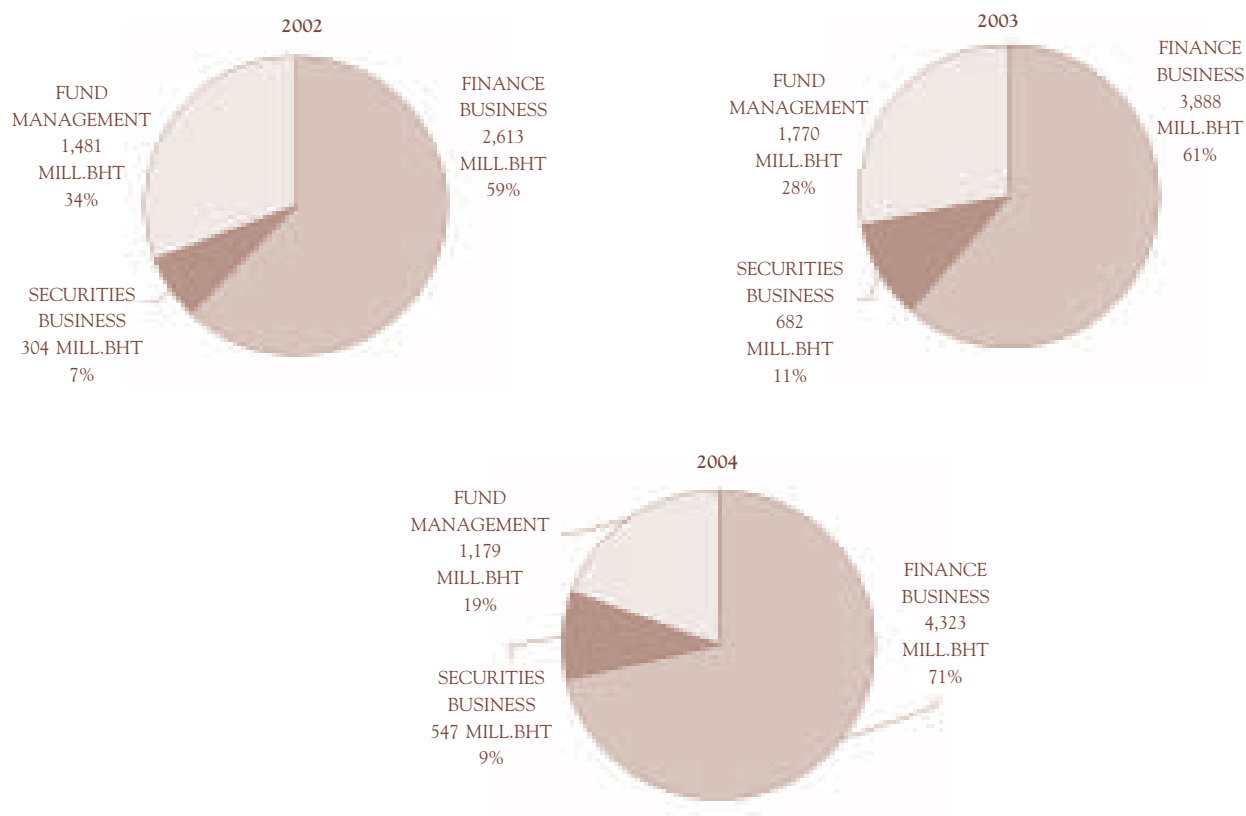
- 1) **Finance business** - consists of Kiatnakin Finance Public Company Limited (KKF) and Radanatun Finance Public Company Limited (RT)
- 2) **Securities business** - consists of Kiatnakin Securities Company Limited (KKS), which is listed as broker number 19 in the Stock Exchange of Thailand.
- 3) **Investment of Mutual Funds** - consists of investments in six mutual funds as follows: Asia Recovery 1 Fund, Asia Recovery 2 Fund, Asia Recovery Fund 3, Thai Restructuring Mutual Fund, Asia Recovery Property Fund 1 and Asia Recovery Property Fund 3.

Kiatnakin Finance Public Company Limited (KKF) has two subsidiaries:

- Kiatnakin Securities Company Limited (KKS) - Operates the securities business
- Radanatun Finance Public Company (RT) - Operates the finance business

### 2.2 Revenue Structure

Kiatnakin Finance Public Company Limited has the following revenue structures and shareholding in its subsidiary companies:



## 2.3 Summary of Significant Changes in 2004

- Received consent from the Ministry of Finance to establish a commercial bank.
- Reorganized the structure of the Board of Directors by reducing the number of managing directors down to 3 and increased the number of independent directors by 2, namely Ms. Nawaaporn Ryanskul and Mr. Manop Bongsadatt. The total number of independent directors and non-managing directors now makes up 2/3 of the directors on the Board. This structure in line with the principle of good corporate governance.
- Received an upgrade in credit rating from BBB+ to A- from TRIS.
- Has been voted as one of the 50 companies with good corporate governance by investors through a survey by Thai Institute of Directors Association (IOD).
- Was one of the three companies nominated for Best Performance Award in the Finance Institution Sector given by the Stock Exchange of Thailand for 2 consecutive years.
- The treasury stock buy back program was introduced which will be used as a tool to manage the company's finance in the event that the share price falls below the company's fundamentals.
- The board authorized the payment of interim dividends of baht 1 per share to ordinary share holders based on the financial results from 1 January to 30 June 2004.
- Acquired Baht 12,120 million of assets through auction from the Legal Execution Department.

## 2.4 Competition, Industry Trends and Future Competitiveness

### Finance Business

As at year-end 2004, there were 18 finance companies with assets worth Baht 365,932 million including total deposits worth than Baht 241,370 million and outstanding credits worth Baht 258,991 million. The top five finance companies ranked by their assets are Thanachart Finance Company Limited, Tisco Finance Company Limited, Kiatnakin Finance Company Limited, Industrial Fund Finance Company Limited, and AIG Finance Company Limited. Their combined assets represent 85% of all the finance companies and 5% of all commercial banks.

More than 60% of total outstanding assets booked by finance companies continued to be loans related to auto hire purchase. At the end of 2004, the total outstanding credits of this type were Baht 175,336 million. The top five finance companies with hire purchase are Thanachart Finance Company Limited, Tisco Finance Company Limited, and Kiatnakin Finance Company Limited, which represent 70% of the whole system.

### Competitive Position and Strategy

All financial institutions must be prepared to make major adjustments in line with the Financial Master Plan. In order to strengthen the financial system, finance companies and credit foncier companies have been encouraged and supported by the authorities to merge among themselves in order to upgrade their status to commercial banks. The Thai financial institutions will only have two types of commercial banks in operation. They are as follows:

1) Universal bank (full banking services) - Include commercial banks that extend services to all segments of customers and permitted to carry almost all types of banking facilities with an exception of underwriting, brokering and trading (e.g. securities trading and insurance underwriting) because these are businesses which are undertaken by licensed securities brokers and insurance companies.

2) Retail bank - Include commercial banks that extend credits and banking services to SME businesses and/or low-income customers. Main services include housing loans, leasing and SME credits.

Once all the financial institutions have been upgraded to commercial banks, the number of commercial banks are expected to rise to no less than 39 banks from 30 existing banks. As a result of the expanded business scope, it is expected that competition in the existing finance businesses will intensify, including leasing. The main reason is that there is still potential growth in the auto leasing business and its return on investment remains good. In addition, there is likely to be a rise in demand for high calibre and experienced personnel who can help the newly formed banks succeed and a need to invest in developing sound business processes and modern technology to support the new businesses.

### Securities Business

Currently there are a total of 40 securities companies with a brokerage-operating license, of which 37 brokers are listed as members of the Stock Exchange of Thailand (SET). In 2004, investments in the SET continued to be good, based on trading volume that increased 8.3% from Baht 4,670 million in 2003 to Baht 5,059 million in 2004.

Throughout 2004, rivalry amongst securities companies continued to be intense. There were 3 newly registered company, which are Airport of Thailand Public Company Limited, MCOT Public Company Limited, and Thai Oil Public Company Limited, which helped build a good investment climate. Meanwhile liquidity in the financial system continued to be high, causing the interest rate to remain low which, in turn, encouraged investors to continue investing in the stock market. The authorities have also promoted investment in the stock market by providing valuable knowledge to investors through various media channels and arranging public exhibitions. The positive response from investors and securities companies helped boost the total trading volume in 2004 to be higher than 2003's volume.

## 3. Risk Factors

### Risk Management

In order to raise the effectiveness of our risk management operation, we have made an adjustment to the organization by creating an independent Risk Management Unit, which reports directly to the Risk Management Committee. The Unit is responsible in setting risk management policies, developing strategic plans and advocating risk protection measures in order to reduce the existing and expected risks. Five major risk factors have been identified and are describe below:

#### Strategic Risk

The Company continued to maintain the policy on extending credits to those industry sectors which requires high level of skills and to the new sectors which have been thoroughly researched by the staff. The Company placed great importance in developing expertise for the staff in order to hone their skills in risk management. The Company continued to work hard to build shareholders and investors confidence and has succeeded by maintaining a much higher risk asset capital fund than the industry average. As of 31 December, 2004, the Company's risk asset capital funds was Baht 14,326 million, equivalent to 25.80%, which is above the 8% minimum requirement by the Bank of Thailand.

#### Credit Risk

The Company continued to develop and improve upon customers' quality assessment technique and risk models, which were used as tools to measure and control the credit risk to be within an acceptable risk and return level. They have also been used to effectively manage portfolios which improved our ability to handle impacts from external changes.

Risk reports have been enhanced and given more substance. It is able to reflect the real risks faced by the Company in a timely manner and allow management to make appropriate decisions for the risks factors associated with the events. Aside from this, the Risk Management Unit closely conducts reviews of the quality of each credit customer, particularly large customers and those whose credit quality has fallen below the Company's standard.

At present, the Company's credits consist of 47% leasing credits, 37% real estate credits and 16% corporate credits. Doubtful credits amount to Baht 4,244 million or equivalent to 11.16% of total credits.

### **Market Risk**

Under the current situation, the interest rate trend is likely to slowly increase, which may have a direct impact on assets and liabilities and thus, the net interest income. The Company successfully implemented the policy on interest rate risk reduction which was similar to previous years. Loans granted, which represented the Company's major assets, were based on floating interest rates. As of 31 December, 2004, the outstanding loans and debtors with floating rates amounted to Baht 23,000 million or 40% of total credits, representing a substantially high proportion when compare with the outstanding credit which will be expired within 1 year. It is approximate to be 32% of total asset. Therefore, the interest rate volatility should not severely impact the Company. Calculations of the impact showed that a 1% change in the interest rate changes the Company's net interest income by about Baht 2.6 million or 0.09%, which is considered to be a low level when compared to the Company's standard of 10%.

With respect to the pricing risk, investments in net securities as of 31 December, 2004 which amounted to Baht 2,714 million, were spread among various types of securities in accordance with the Company's investment policy. In evaluating the pricing risk, the Company used daily market-to-market price to reflect the actual positions of the investments. In addition, the Company has instigated a "Stop Loss Limit" in order to Prevent the impact of a reduction of Securities prices which may affect the Company's Capital Funds.

### **Liquidity Risk**

The Company has a policy in place to secure long-term funds in order to appropriately correspond with the Company's strategy, business plans and investment plans. As of 31 December, 2004, the Company had Baht 24,300 million of funds or 59% of total outstanding loans with average maturities in excess of one year. The Company realizes the risks of being dependent on the money market and large depositors and thus, decided to reduce the risks by expanding the customer base in order to reduce the concentration risk. Continuing from the efforts made since 2003, the year 2004 finishes with a total of 5,700 customer accounts, with an average of Baht 6 million per account. The risk has been further reduced by maintaining a liquidity position of at least 7% of borrowed funds, which is higher than the 6% required by the law. At the end of 2004, the Company maintained liquid assets about 7.78%. To continually minimize the liquidity risk, the Company put in place various processes to monitor, follow-up and evaluate the liquidity periodically. The Company concentrated on the monitoring of incoming and outgoing cash for both short-term and long-term periods. In addition, the Company has also set up an advance warning system and an emergency plan to handle a liquidity crisis which would be triggered by a warning signal installed in various systems of the Company.

### **Operational Risk**

The Company believes that effective operational risk management through improvement of operational procedures and systems together with developing skills, knowledge and capability of the staff can increase shareholders' value. In addition, it would also reduce operational losses and improve the Company's reputation for operational excellence. To obtain this competitive advantage, the Company developed policies, framework **and strategies** in managing operational risks that are consistent with its policies, goals and risk management concepts under the principles of corporate governance.



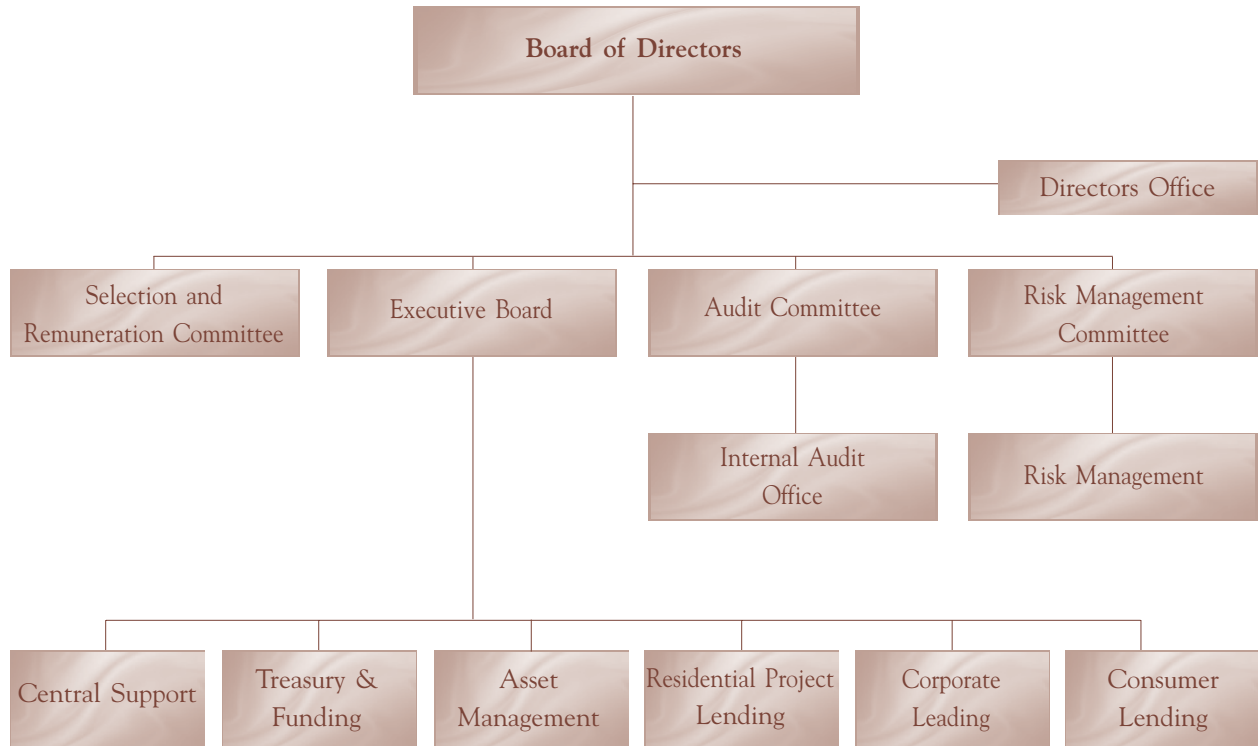
In 2004 the Company has taken a number of steps to enhance the management of operational risks in different business units in order to ensure that each business unit recognizes and manages risks in the same manner. The goal is to effectively identify, assess and determine appropriate means to manage the risks.

The Company realizes that the guideline and management process of risk management are of fundamental importance for the preparation of upgrading the Company's status to a commercial bank. Therefore, a series of projects to manage operational risks has been set up and are explained below:

1. **Risk Control Self Assessment (RCSA) Project** - The purpose of the project is to perform a company wide self assessment of risks. Each business unit identifies the risk areas, quantify the potential damage and outline steps to manage and control the risks. The information allows the Company to better analyze the effects the risks have on the quality of service.
2. **Loss Database Project** - The purpose of the project is to develop a database of information on the potential operational losses if one or more risks occur. The information allows the Company to better analyze the risk quantitatively.
3. **Key Risk Indicators Project** - The purpose of the project is to identify key indicators that can measure risks and can be used as an early warnings signal to protect and minimize losses in a timely manner.
4. **Incident Report and Near Miss Report** - This report contains description of events that caused or almost caused any loss or damage, including conducts that violate the Company's rules and regulations.

#### 4. Shareholding and Management Structure

The company has no major shareholders or groups of shareholders as defined by the SEC.



## List of 10 Largest Shareholders (as of August 20, 2004)

Name	Number of shares	Percentage
Ms. Panida Thepkanchana	37,164,079	7.90
State Street Bank And Trust Company	23,251,690	4.94
Thai NVDR Company Limited	22,986,769	4.88
Ms. Thitinan Wattanavekin	22,173,008	4.71
Ms. Vansamorn Wannamethee	16,374,377	3.48
HSBC (Singapore) Nominees Pte., Ltd.	14,327,600	3.04
Trinya Company Limited	13,973,149	2.97
N.C.B. Trust Limited-General UK Resident-Treaty A/C Client	12,799,500	2.72
Ms. Chansamorn Wattanavekin	12,747,640	2.71
Mr. Sukakarn Wattanavekin	11,913,322	2.53

Source: Top 20 Major Shareholder's Report, Thailand Securities Depository Company Limited.

### Jurasite Person

Name	Address	Shareholders
1. State Street Bank And Trust Company	C/O STANDARD CHARTERED BANK, CUSTODY AND CLEARING SERVECES DEPT. 100 North Sathorn Rd., Silom Bangrak, BKK 10500	N.A.
2. Thai NVDR Company Limited	7 <sup>th</sup> Stock exchange of Thailand BLDG, 62 Ratchada Pisek Rd., Klongtoey, BKK	N.A.
3. HSBC (Singapore) Nominess Pte Ltd	6 <sup>th</sup> HONGKONG BANK BLDG, 64 Silom Rd., Bangrak BKK 10500	N.A.
4. Trinya Company Limited	78 Charoenkrung Rd., Bangrak, BKK 10500 Eastern Sugar Company Limited	1. Ms. Chansamorn Wattanaveki 73.99% 2. Eastern Sugar Company Limited 26%
5. N.C.B. Trust Limited-General UK Resident-Treaty A/C Client	CITIBANK N.A. SECRTITIES SERVICES 16 <sup>th</sup> FLOOR 82 North Sathorn Rd., Silom, Bangrak, BKK 10500	N.A.

## 4.1 The Management

### 1) The Management Structure

The Company's structure is made up of five major panels as follows: Board of Directors, Audit Committee, Executive Board, Risk Management Committee and Selection and Remuneration Committee.

#### □ Board of Directors

As representatives of our shareholders, the Board of Directors has a role, duty and responsibility to operate the Company and to achieve stability with integrity and avoid problems related to conflicts of interest. For these reasons, certain limitations to the authorities and responsibilities of the Board has been set and are described below:

- Set key policies and strategic goals of the Company. Consider and approve strategy recommended by the Executive Board. Supervise and monitor the Executive Board in running the Company, ensuring that the Management has followed the approved plans efficiently and effectively.

- Set up regulations to ensure good supervision in accordance with the principles of corporate governance in matters related to professional ethics of each Executive Board and staff members. The purposes of good supervision are to ensure good role model within the organization; to consistently maintain a fair and high level of business ethics as well as responsibility of each related party; and to raise awareness and avoid issues that may occur from conflicts of interest.
- Arrange internal audits and ensure that there are sufficient reports and information for the Board of Directors, including the Company's past results and the future performance trends.
- Supervise the Risk Management Committee to set up policies, procedures and control measures on management of various types of risks. Such supervision includes credit risk, investment risk, market risk, liquidity risk and operational risk.
- Consider authorizing and limiting power of each management officer upwards to the Chairman as well as each member of the five Committees. This will ensure supervision of management of the set policies are carried out by the Audit Committee, the Selection and Remuneration Committee, the Risk Management Committee and the Executive Board.
- Give consent to annual financial reports which have been examined by the auditor and reviewed both by the Executive Board and the Audit Committee. This would enable confirmation to be sought from the shareholders meeting and the Management Letter as an acknowledgement from the auditor and an opinion from the Executive Board.
- Conduct the business in accordance with the laws, the Articles of the Association, and the Memorandum of Association of the Company, including the resolutions passed in the Shareholder's Annual Meeting.

In addition, the Board of Directors may seek further professional opinion from external consultant related to conducting the business, which would be payable by the Company. The Executive Board is to meet at least once every 3 months. In each meeting, there must be at least half of the number of the directors present out of the total Committee members. Resolutions from each meeting require the majority votes of all the Committee members present in each meeting.

The Board of Directors consists of nine directors and a secretary to the Board of Directors.

These are:

Mr. Supol	Wattanavekin	Chairman
Ms. Nawaaporn	Ryanskul	Independent Director
Mr. Manop	Bongsadadt	Independent Director
Mr. Tarnin	Chirasootorn	Independent Director
Mr. Pichai	Dachanapirom	Independent Director
Mr. Somboon	Chaidechsuriya	Independent Director
*Mr. Pravit	Varutbangkul	Director
*Mr. Tawatchai	Sudtikitpisan	Director
Mr. Suraphol	Kulsiri	Director
Ms. Mayuree	Puangkanok	Secretary

\*have authority in company

q Audit Committee

The Audit Committee has been assigned the following duties as authorized by the Board of Directors:

- Ensure that the Company produces accurate and sufficient financial reports.

- Ensure that the Company has appropriate and efficient internal control and internal audit in place.
- Ensure that the Company has conducted its business in accordance with the securities laws, the Stock of Exchange regulations and the relevant laws related to the Company's businesses.
- Consider, select and recommend the Company's auditor for hiring and recommend the auditor's remunerations.
- Review all disclosures of the Company's information where connected transactions have taken place or where there may be conflicts of interest in order to ensure their accuracy and completeness.
- Report on the supervision of the Audit Committee by disclosing the information in the Company's Annual Report, which should be duly signed off by the Chairman of the Audit Committee.
- Consider, select, rotate, transfer and terminate Internal Audit Officers.
- Report on the Audit Committee's operations and make recommendations to the Executive Board.
- Coordinate with the Risk Management Committee to ensure that the operations adhered to the Company's risk management policies.
- Take on other tasks, which the Board of Directors has assigned and which have been supported by the Audit Committee.

The Audit Committee has the authority to inspect or to question any relevant personnel regarding any issues related to the Company's internal matters in order to ensure that responsibilities and authority have not been breached. The Audit Committee is authorized to hire or bring in specialists to assist with the auditing process. The Audit Committee is also empowered to question and examine the Company's matters as it deems appropriate.

The Audit Committee is required to meet at least four times per year or more if necessary. It may invite the Management Team or any connected person(s) to join the meeting to give additional information related to the matter being audit. Each meeting held by the Audit Committee must have at least half of its members present and the meeting's resolutions must be based on the majority of the votes from the members present at each meeting.

Ms. Nawaaporn	Ryanskul	Chairman
Mr. Pichai	Dachanapirom	Director
Mr. Somboon	Chaidechsuriya	Director
Mr. Kriengsak	Sukhanaphorn	Secretary

#### □ Executive Board

The Executive Board has been appointed by the Board of Directors to set the strategy, develop a business plan, efficiently and effectively supervise the Management Team according to the business plan. Thus, the Board of Directors has decided to set the following authorities and responsibilities for the Executive Board:

- Efficiently set the strategy, business plans, annual budget to be in line with the policy and goals which have been approved by the Board of Directors and which comply with the required rules and regulations.
- Set the organization's structure for all business units under the Executive Board's responsibility. Set limits for the authority and responsibilities for the Company's management officers from the position of the deputy managing director downwards.
- Set limits to approve credit lines, investments, purchasing and expenses while complying with the respective laws of these functions to maximize the Company's benefit.

- Efficiently set work procedures, rules, operational processes and internal control system.
- Consider and approve credit line, authorize sales of foreclosed assets and set prices of foreclosed assets to be purchased from the market. Use authority to raise objections in accordance to the set limits.
- Supervise and manage the Company in line with the risk framework set by the Risk Management Committee, which includes strategic risk, credit risk, market risk, investment risk, liquidity risk, operational risk, legal risk and risk related to the Company's reputation.
- Supervise the Management Team and staff members to ensure that they comply with the regulations related to the business code of ethics and professional ethics.
- Appoint one or more committees or sub-committees to scrutinize, consider and approve specialized work according to the agreement on behalf of the Board of Directors.
- Prepare quarterly Management Reports for the Board of Directors to report on the Company's progress and results of work executed.

In addition, the Executive Board may seek further professional opinion from external consultant related to Company's business conducts. Any expense incurred is payable by the Company. The Executive Board must meet at least once a month. Each meeting must have at least half of its members present and the meeting's resolutions must be based on the majority of the votes from the members present at each meeting.

**The Executive Board consists of:**

Mr. Supol	Wattanavekin	Chairman
Mr. Chet	Pattrakornkul	Head of Consumer Lending
Mr. Pracha	Chumnarnkitkosol	Head of Risk Management
Mr. Pravit	Varutbangkul	Head of Central Support
Mr. Sarawut	Charuchinda	Head of Asset Management
Mr. Tawatchai	Sudtikitpisan	Head of Residential Project Lending and Head of Corporate Lending
Ms. Thitinan	Wattanavekin	Head of Treasury and Funding
Ms. Sineenath	Tejagupta	Deputy Managing Director - Asset Management
Mr. Thanawat	Neamsub	Deputy Managing Director - Consumer Lending
Ms. Mayuree	Puangkanok	Secretary

**□ Risk Management Committee**

The Risk Management Committee has the following authorities and committee members:

- Set the overall risk management policy for the Company, which covers important types of risks such as strategic risk, credit risk, market risk, liquidity risk, operational risk, legal risk and risk related to the Company's reputation.
- Set strategies that are consistent with the Company's risk management policies and principles on provisioning of doubtful assets, which enables the Company to assess, monitor and control risks to be within an acceptable level.
- Review the adequacy, effectiveness and practicality of the existing policies and systems which control risks.
- Regularly report the results of the operations to the Board of Directors in order to make further improvements and corrections and remain in line with the risk management policies and principles. Periodically inform the Audit Committee of the status.

The Risk Management Committee must meet at least once every three months. Each meeting must have at least half of its members present and the meeting's resolutions must be based on the majority of the votes from the members present at each meeting.

The Risk Management Committee consists of eight directors as follows

Mr. Supol	Wattanavekin	Chairman
Mr. Chet	Pattrakornkul	Director
Mr. Pracha	Chumnarnkitkosol	Director
Mr. Pravit	Varutbangkul	Director
Mr. Tawatchai	Sudtikitpisan	Director
Ms. Thitinan	Wattanavekin	Director
Ms. Sineenath	Tejagupta	Director
Mr. Kriengsak	Sukhanaphorn	Director
Ms. Upsorn	Sinswade	Secretary

#### □ Selection and Remuneration Committee

The Selection and Remuneration Committee has the following authorities:

- Set the policy, principles and procedures for searching and selecting qualified candidates for directors and senior executives from the deputy managing director level upwards. The selected candidates are proposed to the Board of Directors for approval.
- Screen and propose candidates with suitable qualifications for the following positions in the Company:
  - Directors
  - Directors for the committees which would receive authorization and direct responsibilities from the Executive Board
  - Senior executives from the deputy managing directors upwards.
- **Ensure that the number of Company's Management team is sufficient and appropriate for the Company, paying special attention to the quality of the Board of Directors whose members must have appropriate knowledge, capability and experience.**
- Disclose the selection policy as well as the detailed procedures involved in the Company's Annual Report.
- Set the remuneration policy and other benefits for directors and senior executives from the deputy managing directors upwards.
- Set the guidelines on performance appraisal for directors and senior executives from the deputy managing directors upwards in order to appropriately adjust the annual remuneration package. The performance appraisal takes into consideration the responsibility, associated risks and ability to increase long-term shareholder values.
- Disclose the remuneration policy and available options, the development of remuneration reports and comments from the Remuneration Committee in the Company's Annual Report.

The Selection & Remuneration Committee must meet at least twice a year. Each meeting must have at least half of its members present and the meeting's resolutions must be based on the majority of the votes from the members present at each meeting.

The Selection and Remuneration Committee consists of three directors as follows:

Mr. Tarnin	Chirasoonorn	Chairman
Mr. Manop	Bongsadadt	Director
Mr. Suraphol	Kulsiri	Director
Mr. Pornchai	Saengaroon	Secretary

Details of company directors, executives and controlling authorities (educational background and training)

## Profiles of Kiatnakin's Directors and Executives

### 1. Mr. Supol Wattanavekin\*

<b>Position</b>	Chairman
<b>Education</b>	Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn University
<b>Certificate</b>	Chairman 2000, Thai Institute of Directors (IOD)
<b>Experience</b>	1986 - Present Chairman, Kiatnakin Finance Public Company Limited

### 2. Ms. Nawaaporn Ryanskul

<b>Position</b>	Independent Director, Chairman of the Audit Committee
<b>Education</b>	Master of Business Administration (ECON), University of California at Los Angeles, U.S.A.
<b>Certificate</b>	Directors Certificate Program (DCP1/2000), Thai Institute of Directors (IOD)
<b>Experience</b>	2004 - Present Independent Director, Chairman of the Audit Committee, Kiatnakin Finance Public Company Limited 2000 - Present Appeals Committee, The Stock Exchange of Thailand 1999 - Present Director, Sub-committee for Public Relations on Corporate Governance of the Corporate Governance Committee in Thailand, The Stock Exchange of Thailand

### 3. Mr. Tarnin Chirasoontorn

<b>Position</b>	Independent Director Chairman of the Selection and Remuneration Committee
<b>Education</b>	Bachelor of Law, Ramkhamhaeng University
<b>Certificate</b>	Directors Certificate Program (DCP10/2001), Thai Institute of Directors (IOD)
<b>Experience</b>	2004 - Present Independent Director, Chairman of the Selection and Remuneration Committee, Kiatnakin Finance Public Company Limited 1998 - 2004 Independent Director, Chairman of the Audit Committee, Kiatnakin Finance Public Company Limited 1993 - 1998 Managing Director, Prof. Kamthon Panlab Law Company Limited

### 4. Mr. Manop Bongsadatt

<b>Position</b>	Independent Director, Member of the Selection and Remuneration Committee
<b>Education</b>	Master of Regional Planning, Kansas State University Institute of Social Studies, The Netherlands
<b>Certificate</b>	Directors Accreditation Program (DAP 8/2004), Thai Institute of Directors (IOD)
<b>Experience</b>	2004 - Present Member of the Selection and Remuneration Committee and Independent Director, Kiatnakin Finance Public Company Limited 1998 - Present Committee of Property office, Chulalongkorn University Director, Institute of Environment, Chulalongkorn University Members of Planning Board, Ministry of Interior Member of Planning Board, B.M.A. Member of Building Codes & Controlled Board, Ministry of Interior



## 5. Mr. Pichai Dachanapirom

**Position** Independent Director, Member of the Audit Committee  
**Education** Bachelor of Accountancy, Thammasart University  
**Experience** 1994 - Present Member of the Audit Committee and Independent Director,  
Kiatnakin Finance Public Company Limited  
1986 - Present Director and Managing Director, Dharmaniti Auditing Company Limited

## 6. Mr. Somboon Chaidechsuriya

**Position** Independent Director, Member of the Audit Committee  
**Education** Bachelor of Law, Thammasart University  
**Experience** 1989 - Present Member of the Audit Committee and Independent Director,  
Kiatnakin Finance Public Company Limited  
1998 - Present Member of the Audit Committee and Independent Director, Amarin Plaza  
Public Company Limited

## 7. Mr. Suraphol Kulsiri\*\*

**Position** Director  
**Education** Bachelor of Marketing, Bangkok University  
**Certificate** Directors Certificate Program (DCP13/2001), Thai Institute of Directors (IOD)  
**Experience** 2004 - Present Director, Kiatnakin Finance Public Company Limited  
2003 - Present Chief Executive Officer, Kiatnakin Securities Company Limited  
1999 - 2003 Managing Director, Kiatnakin Securities Company Limited

## 8. Mr. Chet Pattrakornkul

**Position** Head of Consumer Lending  
**Education** Master of Marketing (Certificate program), Thammasart University  
**Certificate** Directors Certificate Program (DCP9/2001), Thai Institute of Directors (IOD)  
**Experience** 2002 - Present Head of Consumer Lending  
2000 - 2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited

## 9. Ms. Thitinan Wattanavekin\*

**Position** Head of Treasury and Funding  
**Education** Master of Management, Sasin Graduate Institute of Business Administration of Chulalongkorn  
University  
**Certificate** Directors Certificate Program (DCP1/2000), Thai Institute of Directors (IOD)  
**Experience** 2002 - Present Head of Treasury and Funding  
1987 - 2002 Director and Assistant Managing Director, Kiatnakin Finance Public Company  
Limited

## 10. Mr. Tawatchai Sudtikitpisan

**Position** Head of Resident Project Lending and Head of Corporate Lending  
**Education** Master of Business Administration, Master of Science in Electrical Engineering,  
The University of Texas at Austin, Texas, U.S.A.  
**Certificate** Directors Certificate Program (DCP31/2000), Thai Institute of Directors (IOD)  
**Experience** 2005 - Present Head of Corporate Lending  
2002 - Present Head of Residential Project Lending, Kiatnakin Finance Public Company  
Limited



2001 - 2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited  
1999 - 2001 Executive Director, Asia Recovery Management Company Limited

**11. Mr. Pracha Chumnarnkitkosol\*\*\***

**Position** Head of Risk Management  
**Education** Master of Business Administration (Finance) University of Texas Arlington, U.S.A.  
**Experience** 2005 - Present Head of Risk Management  
2004 - 2004 Head of Credit Committee, Kiatnakin Finance Public Company Limited  
1999 - 2004 Managing Director, Asia Recovery Management Company Limited

**12. Mr. Pravit Varutbangkul**

**Position** Head of Central Support  
**Education** Master of Business Administration (Operations Research) University of Santa Clara, California, U.S.A.  
**Certificate** Directors Certificate Program (DCP5/2000), Thai Institute of Directors (IOD)  
**Experience** 2002 - Present Head of Central Support  
1993 - 2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited  
1998 - 1992 Vice President and Country Operation Officer, Bank of America Bangkok Branch

**13. Mr. Sarawut Charuchinda**

**Position** Head of Asset Management  
**Education** Master of Business Administration, University of Mississippi, Mississippi, U.S.A.  
**Certificate** Directors Certificate Program (DCP31/2000), Thai Institute of Directors (IOD)  
**Experience** 2002 - Present Head of Asset Management  
2000 - 2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited  
1996 - 1998 Managing Director, Mae Ping Leasing Company Limited

**14. Mr. Thanawat Neamsub**

**Position** Deputy Managing Director - Consumer Lending Group  
**Education** Bachelor of Law, Ramkhamhaeng University  
**Experience** 2002 - Present Deputy Managing Director  
1998 - 2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited

**15. Ms. Sineenath Tejagupta**

**Position** Deputy Managing Director - Asset Management  
**Education** Master of Business Administration, Mississippi University for Women, Mississippi, U.S.A.  
**Experience** 2002 - Present Deputy Managing Director  
1991 - 2002 Assistant Managing Director, Kiatnakin Finance Public Company Limited

**16. Mr. Visut Sattabudsutthi**

**Position** Assistant Managing Director - Treasury and Funding  
**Education** Master of Account, Thammasart University  
**Certificate** FINNEX # 7  
**Experience** 2002 - Present Deputy Managing Director, Kiatnakin Finance Public Company Limited  
1981 - 2002 Assistant Managing Director, Industrial Finance Corporation of Thailand (IFCT)

### 17. Mr. Somkiat Pongjunyakul

<b>Position</b>	Assistant Managing Director - Central Support
<b>Education</b>	Master of Science in Statistics, National Institute of Development Administration (NIDA)
<b>Experience</b>	2005 - Present Assistant Managing Director - Central Support
	2001 - 2004 Senior Vice President, Kiatnakin Finance Public Company Limited
	1999 - 2001 Senior Vice President, Kiatnakin Securities Company Limited
	1991 - 1999 Senior Vice President, Patthathanakit Finance Public Company Limited

### 18. Ms. Somlak Artamnoyvipas

<b>Position</b>	Senior Vice President - Treasury and Funding
<b>Education</b>	Bachelor of Accounting, Chulalongkorn University
<b>Certificate</b>	Young Banker's Executive Development Program # 9
<b>Experience</b>	1994 - Present Senior Vice President, Kiatnakin Finance Public Company Limited

### 19. Ms. Suree Harnpinisak

<b>Position</b>	Senior Vice President - Accounting Department
<b>Education</b>	Master of Accounting, Chulalongkorn University.
<b>Certificate</b>	Young Banker's Executive Development Program # 9
<b>Experience</b>	2002 - Present Senior Vice President
	1991 - 2001 Vice President, Kiatnakin Finance Public Company Limited

#### Remark:

- \* Do not have authority in the subsidiary company, Kiatnakin Securities Company Limited, as a Director
- \*\* Have authority in subsidiary company, Kiatnakin Securities Company Limited, as the Chief Executive Officer, Kiatnakin Securities Company Limited
- \*\*\* The Directors were nominated since February 1, 2005.

None of the executive at Kiatnakin Finance Public Company Limited has a history of illegal conduct, none has ever declared bankruptcy, nor criminal offenses in the past ten years.

(History of executives as of 31 December, 2004)

#### 2) Selection Procedures for Directors

The process of selecting directors begins with the nomination of name and background of candidates by the shareholders, directors and senior executives. The Selection and Remuneration Committee evaluate each candidate's qualifications and suitability, determine appropriate remuneration, and then make a proposal at the Board of Directors meeting. The Board of Directors makes final recommendations and obtains final approval at the Shareholders meeting. This procedure must be governed by the Following company's rules and regulations.

- One share entitles the holder one vote.
- Each shareholder must exercise all votes, granted under rule number 1, to select one or more directors, but the vote cannot be divided.
- The persons receiving the highest number of votes are in descending order, appointed directors in a number equal to the number of directors to be elected at that time. In the case of a tie for the final available appointment, the chairman has the final vote.

#### 3) Executive's Remuneration

- Financial Remuneration
- Other Remuneration  
(Details are shown in the Corporate Governance section)

#### 4) Auditor's Remuneration

The Company has paid Baht 1,037,400 and Baht 5,362,600 to the Company's auditors as audit fees for the Company and for the Company's subsidiaries, respectively. In addition, consultation fee of Baht 6,000,000 were paid for the revision of risk management system and the preparation of the plan to upgrade to a commercial bank.

#### 5) Corporate Governance

Details to appropriately supervise various aspects of the business are as follows:

### Shareholders and Stakeholders

#### Equal Rights for Shareholders

The Company's policy stipulates that the ordinary shareholders meeting must be held once a year and within four months from the date of the accounting year end. The Company sends out meeting invitations and agenda to all the shareholders at least 10 working days prior to the meeting dates. Each agenda item includes the opinion of the Board of Director, which was recorded accurately, completely and sufficiently for the shareholders to utilize in decision making.

#### Rights for Stakeholders

The Company places great emphasis on the rights of each group of stakeholders through our policies which looks after all stakeholders, both externally and internally, such as employees and executives from the Company and its subsidiaries, and give them the assurance that they would be protected when business transactions takes place between the Company and individuals and/or related businesses. The Company's guidelines for handling such transactions are clear, fair, transparent and auditable. In addition, the Company publishes the details of such transactions in our annual report. We realized that strong stakeholders' support can enhance the Company's competitiveness, which ultimately leads to our long term success.

#### Shareholders meetings

It is the Company's policy to invite the Company's Chairman, Chairman of the Audit Committee, and Chairman of all other sub-committee, and the Auditor to join every Shareholders Meeting in order to provide additional information and answer queries from our shareholders. In the past years, the Company's Chairman and those chairmen heading each sub-committee all attended the meeting. In addition, the Chairman of the Meeting has duly given equal opportunities to all shareholders to audit the Company's operations, pose questions, share their opinion and make various suggestions including recommendations for new directors.

### Directors

#### Corporate Governance Policy

The Company's Board of Directors places great significance on good corporate governance, in order to raise the level of transparency and business capability, thereby boosting the confidence of our shareholders, investors and all related parties. They have established a policy on corporate governance which directs the Company's business operations while emphasizing the Company's control system and internal audit. Its goals are to ensure Company's executives effectively adhere to the policy within the legal limitations and business ethics and to allow their performance to be assessed internally, and to enable internal controls to be reviewed by the directors. In addition, the Risk Management Committee and the Selection and Remuneration Committee have been appointed to maintain good corporate governance.

### - Leadership and Vision

The Company's Board of Directors sets and takes part in the Company's vision, mission, strategies, goals, business plans and budget as well as supervision in order to ensure that the Company's executives effectively and efficiently operate the business in accordance with the set business objectives and budget. The Board of Directors established a sound system for internal control, corporate governance and risk management. Additionally, all of the Company's directors have received training from the Thai Institute of Directors Association (IOD).

The Company's Board of Directors and Executive Board have responsibilities according to their duties toward the shareholders. There is a system which clearly separates the roles and responsibilities between the Board of Directors and Executive Board and between the Board of Directors and shareholders. All the details are provided in The Management Structure section of the annual report.

### - Balance of Power for Directors not on the Executive Board

The Board of Directors has 9 members, consisting of 6 non-Executive Board members and 3 Executive Board members. Out of the 6 non-Executive Board members, 5 are independent directors, 3 are on Audit Committee, and 2 are on the Selection and Remuneration Committee.

### - Consolidation or Separation of the Director's Position

The Company's Chairman is not the same person as the Company's Managing Director; therefore, there is a clear division of responsibilities between policy setting and day-to-day operations.

The Company's definition of an independent director is as follows:

#### Such director:

- Can hold no more than 5% of the total number of voting shares that belongs to the Company, its subsidiary companies, joint-ventures or a person that may have conflicts of interest (including a person that is involved according to Section 258 of the Securities and Exchange Act BE 2535).
- Not involved with the management of the Company.
- Is not a person that provides professional service to the Company or its subsidiary companies, such as an external auditor, lawyer (including lawyers who are not Company's employee), consultants who receive monthly income from the Company, a person that has authority over the Company, its subsidiary companies or joint ventures, or a person that has conflicts with the Company. Such person must not receive any gain or suffer loss from providing such service to the Company as mentioned above for at least 1 year.
- Has no business relationship or receives any benefits, whether gain or loss or directly or indirectly, from the financial and managerial position of the Company, its subsidiary companies, joint-ventures, or a person that may have conflicts of interest that cause lack of independence or loss of business relationship.
- Is not a close relative.
- Does not hold a management position.
- Is not a major shareholder of the Company, its subsidiary companies, joint-bentures and is not person who may have other conflicts of interest and subsequently prohibited from being appointed to look after the interest of the Company's directors and major shareholders.

### Other Committees

The Company's Board of Directors has appointed the Audit Committee, the Risk Management Committee and the Selection and Remuneration Committee to assist Company's executives in supervising the business. Details on the committee's responsibilities and authorities are described in the Management Structure section.

## - The Board of Director's Report

The Board of Directors is responsible for the consolidated financial statements of the Company and its subsidiaries as well as the financial information which appear in the Annual Report. The financial information was prepared in accordance with the Generally Accepted Accounting Principles (GAAP). An appropriate accounting policy was chosen and consistently maintained, using the most prudent of discretion and best judgment. Financial statements were also prepared based on full disclosure of essential information in the Notes to Financial statement section.

The Board of Directors has put in place an effective and credible internal control system in order to ensure that all accounting records are accurate, complete and sufficient enough to facilitate the Company in maintaining its assets. The system helps the Company in identifying any potential weaknesses and prevents fraud or significant mismanagement of business operations.

Accordingly, the Board of Directors has appointed the Audit Committee which consists of directors that are not responsible for supervising the quality of the financial reports and internal control system. The opinion of the Audit Committee related to these matters appears in the Report from the Audit Committee section in the Company's Annual Report.

In the Board of Directors' opinion, the Company's overall internal control system is satisfactory and able to confidently and credibly reflect the financial statements as of 31 December, 2004 for the Company and its subsidiary companies.

## Selection and Remuneration Committee's Reports

The Company has set a clear and transparent policy for the directors' remuneration that is in line with the financial and securities industry. The remuneration is sufficiently high to attract and maintain directors with desirable qualities. Our shareholders' permission have been duly sought and granted at the shareholders meeting.

The executive's remuneration is in accordance with the principles and policies specified by the Board of Directors, and it ties in with the company's performance as well as the performance of each executive. In 2004, the company has made various remuneration payments to the directors and the executives. The payment details are as follows:

- Total remuneration which included salaries and 2004 bonus received in 2005, of the 11 senior executives starting from the assistant managing director positions, was Baht 80.97 million.
- Remuneration for Company's directors including the 4 that have since left their post are as follows:

(Unit: Baht)

Name	Position	Remuneration
Mr. Supol Wattanavekin	Chairman	1,500,000
*Ms. Nawaaporn Ryansakul	Chairman of the Audit Committee	140,000
Mr. Tarnin Chirasontorn	Chairman of the Selection and Remuneration Committee (Chairman of the Audit Committee from January 1,2004 - May 31,2004)	1,290,000
*Mr. Manop Bongsadadt	Member of the Selection and Remuneration Committee	140,000
Mr. Pichai Dachanapirom	Member of the Audit Committee	840,000
Mr. Somboon Chaidechsuriya	Member of the Audit Committee	615,000
Mr. Tawatchai Sudtikitpisan	Director	450,000
Mr. Pravit Varutbangkul	Director	600,000
*Mr. Suraphol Kulsiri	Independent Director	140,000

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KIATNAKIN FINANCE  
PUBLIC COMPANY LIMITED

Name	Position	Remuneration
**Mr. Vichien Jerkjirm	Vice-Chairman	850,000
**Ms. Thitinan Wattanavekin	Director	600,000
**Mr. Chet Pattrakornkul	Director	450,000
**Mr. Sarawut Charuchinda	Director	750,000
Total		8,065,000

\*The committee was nominated since June 1, 2004

\*\*The committee was Resigned since June 1, 2004

#### Number of Ordinary Shares Held by Executives in 2004

Name	Position	Number of Shares	Changes in 2004
Mr. Supol Wattanavekin	Chairman	8,543,808	increase 3,108,092 shares
Mr. Chet Pattrakornkul	Head of Consumer Lending	-	no change
Mr. Pracha Chumnarnkitkosol	Head of Risk Management	-	no change
Mr. Pravit Varutbangkul	Head of Central Support	100,000	no change
Mr. Tawatchai Sudtikitpisan	Head of Residential Project Lending and Head of Corporate Lending	-	no change
Ms. Thitinan Wattanavekin	Head of Treasury and Funding	22,223,008	increase 4,617,208 shares
Mr. Sarawut Charuchinda	Head of Asset Management	-	decrease 20,000 shares
Ms. Sineenath Tejagupta	Deputy Managing Director	25,000	increase 5,000 shares
Mr. Thanawat Neamsub	Deputy Managing Director	15,000	decrease 6,000 shares
Mr. Somkiat Pongjunyakul	Assistant Managing Director	37,500	increase 12,500 shares
Mr. Visut Sattabudsutthi	Assistant Managing Director	-	no change
Ms. Somlak Artamnoyvipas	Senior Vice President	7,000	increase 5,000 shares
Ms. Suree Harnpinijak	Senior Vice President	25,000	increase 12,500 shares

#### The Board Meeting

The Board of Directors schedules the Board Meeting in advance with a clearly defined agenda. The Secretary of the Board of Directors is responsible for arranging the meeting and sending meeting invitations along with the agenda to members of the Board at least seven days in advance, in order to allow sufficient time for the directors to consider matters prior to attending the meeting. In 2004, the Board of Directors held 10 meetings, which lasts approximately three hours per meeting. Formal written minutes of the meeting are prepared, endorsed by the Board, and made available for the Board as well as any related parties to examine.

Name	Position	Number of Meetings Attended
Mr. Supol Wattanavekin	Chairman	10
*Ms. Nawaaporn Ryansakul	Independent Director	5
Mr. Tarnin Chirasootorn	Independent Director	9
*Mr. Manop Bongsadadt	Independent Director	4
Mr. Pichai Dachanapirom	Independent Director	10
Mr. Somboon Chaidechsuriya	Independent Director	5

Name	Position	Number of Meetings Attended
Mr. Pravit Varutbangkul	Director	10
Mr. Tawatchai Sudtikitpisan	Director	10
*Mr. Suraphol Kulsiri	Director	5

\* The Committee was nominated since June 1, 2004

#### Conflicts of Interest

In order to prevent any conflicts of interest, the Board of Directors exercised utmost care in monitoring transactions which may potentially cause conflicts. They formally set up policies and procedures for the approval of related transactions and stipulate that Company's executives report any changes of their securities holding to the Securities and Exchange Commission (SEC), as per Article 59 of the Securities and Exchange Act (B.E. 2535).

The Stock Exchange of Thailand's regulation on conflicts of interest has also been strictly followed, while applying the principle of arm's length price and conditions. The transaction details, transaction values, and name of counterparties has been included in the Annual Report as well as in Form 56-1.

### Internal Control and Internal Audit Systems

The Company places great significance on having efficient internal control system both at the management and the operational level. Authority has been clearly and formally defined and set for operational staff and for executives. Control has been instigated to ensure that all assets are used to create benefits in the most optimal way. The duties of the operational staffs, supervisors, and authorized personnel have been separated in order to create an appropriate checks and balance system and proper audit capability. Financial reports also have their own control system and the reports are regularly submitted to the responsible executive.

The Company has an Internal Audit Office to maintain the confidence that our major work and key financial activities have been carried out effectively and as designated. Our Audit Office also conducted auditing work in line with both internal and legal requirement. To maintain its independence and a system of checks and balance for our Internal Audit unit, the Board of Directors has instructed the Internal Audit Office to report the audit findings directly to the Audit Committee and the Board of Directors.

The Board of Directors places great importance on risks management. The Risk Management Committee and Risk Management Unit have set up protective measures and the steps in managing the risks. These measures are closely monitored to ensure compliance with the related laws and regulations. Appropriate reports have also been duly prepared to record all risks related matters.

### Disclosure of Information and Transparency

#### Investor Relations

Another matter important matter listed on top of the Board of Directors' agenda is the information disclosure which must be accurate, complete, transparent and comprehensive, covering financial as well as general information including important details which may have an impact on the Company's share price. The Company disseminates convey such information and news to keep all related parties informed via the Stock Exchange of Thailand's channel of communications and the Company's website. In addition, the Company has set up an Investor Relations Unit to provide information and news about the Company's various activities to investors, shareholders, analysts and the general public. Investors are able to contact our Investor Relations Unit via phone



Tel. 0-2680-3160-1, website : www.kiatnakin.co.th and/or E-mail : investor\_relation@kiatnakin.co.th. In addition, the Company periodically arranges meetings with security analysts, in cooperation with the Securities Analyst Association, in order to directly disseminate company related information.

## Business Ethics

The Company has issued the Code of Professional Ethics to serve as a guideline for proper conduct and developed set of preferred practices related professional ethics for executives. It is our goal that all related parties use it as a guideline when conducting their duties for the Company so that everyone acts with honesty, integrity and fairness towards the Company and other stakeholders. The Company regularly communicates this message to all employees and follows up to ensure that everyone abides by it.

### 6) Policies and Methods to Monitor Executives on Usage of Internal Information

To ensure against misuse of internal information, which has not been disclosed to the general public, for personal gains, the Company has instructed the directors and the executives to prepare a report on their respective shareholdings of the Company's securities within three business days, starting from the date of the purchase or sale of such securities. The shareholding report must include shares that belong to employee's spouses and children under legal age of the persons as well as individuals affiliated with to the Company's director and executives. The Company also emphasized honesty and integrity by prohibiting Company's directors and staff members to use their position and power or opportunity at work for personal benefit which may contradict the business ethics, code of conducts, professionalism, work rules and regulations, or the Company's best interest.

The Internal Audit Office has been empowered to review the use of internal information and adherence to the Code of Professional Ethics. Any breaches or misconducts are reported to the Audit Committee and the Board of Directors for further consideration of the punishment in accordance with the Company's regulations.

### 7) Internal Control

The Company has a system to assess the internal control system in accordance with the principles of good governance. The system consists of 5 major factors as follows:

#### Control Environment

The Company promotes awareness among all employees of the necessity in having an internal control system. The Company helps create good control environment by

- setting clear and measurable mission and goals
- having formal policies and operational rules
- emphasizing honesty, integrity and ethics when conducting business
- having appropriate organization structure.

#### Risk Assessment

The Company has assessed the fundamental risks associated with the business according to both internal and external risk factors. The Company's Risk Management Committee and Risk Management Unit manage and monitor various risks for the Company.

#### Control Activities

The Company's provides sufficient control activities by clearly defining authorities and approval levels for transactions; establishing measures to protect assets against fraud and techniques to recover lost asset which includes inspecting and counting assets; separating work duties; and examines transactions to ensure that they comply with the laws and related regulations.



### ● Information and Communication

The Company provides information that is up-to-date and sufficient for timely decision making. The information has been completely organized to facilitate ease and thoroughness of understanding. In addition, all of the Company's internal communications are clear and are able to fully reach all parts of the organization.

### ● Monitoring and Evaluation System

The Company has established a monitoring and evaluation system to create assurance that the internal control system is continuously functioning and receiving appropriate modifications to reflect the changing situations and fix previous shortcomings.

### 8) Dividend Policies

The company's policy on dividend payment is no more than 60 percent of the net income while the dividend payment policy of the subsidiaries is decided by the Directors on case by case basis.

### 9) Personnel Policy

The Company recognizes the importance of developing our human resources to raise their competence level and effectiveness. It is our policy to have all of the Company's directors complete the Directors Certificate Program (DCP) held by the Thai Institute of Directors Association (IOD). In addition, a great emphasis has been placed on increasing the skills of all level of employees that are in the company's core businesses through the development of a Training Road Map. In-house as well as external trainings have been arranged in order to enhance knowledge and expertise and to enable our staff to consistently keep up with all the changes. All training courses are evaluated through pre-course and post-course tests as well as through continuous tracking of productivity improvement after the training. Moreover, the Company plans to implement a system to reward employees in accordance with their performance and market conditions.

In addition to gaining new knowledge and developing higher level of expertise to increase work effectiveness, the Company also wants all employees to develop an appropriate attitude so that their conducts are consistent with the Company's core values. We also want to instil ethics into everyone so that every employee takes part in creating good corporate governance.

## 5. Related Party Transactions

(Details regarding related persons and businesses are described in Note # 31 in the Financial Statements)

## 6. Analysis of the Company's Financial Situation and Operating Performance

### Operating Results

As of 31 December 2004, the Company's net profit before tax and net profit after tax were Baht 2,363 million and Baht 2,208 million, respectively. This represents an improvement of 13.30% and 6.90% from the previous year. There was a loss of Baht 339 million of revaluation/unrealized gains of investments, Baht 327 million of which was due to the revaluation of investments in equities while Baht 12 million was from the revaluation of the investments in financial claims.

### Business Performance

The Company continued to pursue its five main business products, which are investments in financial claims, general loans, residential project loans, hire purchase loans and securities brokerage.

### 1) Investments in Financial Claims

Investment in Financial Claims	Unit: Baht Million		
	2004	2003	2002
From FRA, in Funds	4,869	5,308	6,646
Investment in Property Funds	696	809	-
From FRA, in Kiatnakin	1,481	1,840	5,146
From Loan Execution Department, in Kiatnakin	4,455	1,507	-
<b>Total</b>	<b>11,501</b>	<b>9,464</b>	<b>11,792</b>

The Company has made good progress in managing its investments in financial claims and successfully won additional amount of Baht 12,120 million from the Loan Execution Department at a cost of Baht 3,890 million. As a result, the total outstanding investments in financial claims rose from Baht 9,464 million in 2003 to Baht 11,501 million in 2004.

### 2) General Loans

These loans are mostly current outstanding loans that were made prior to the 1997 crisis. All the problem loans that continue to get managed out are a part of these general loans. The Company intends to obtain additional loans as these are considered to be one of the core products of the total portfolio. During 2004, the Company has booked additional loans worth about Baht 1,000 million. All financial claims that were successfully restructured as well as all commercial loans are also a part of this portfolio. However, residential project loans and hire purchase loans are excluded.

### 3) Residential Project Loans

This product has been developed through the experience and knowledge gained from managing the acquired financial claims. The Company has started to build up a loan portfolio, which consisted of refinanced loans from other financial institutions. These loans were generally made to partly finished housing projects in the beginning phase. Since most of these projects were completed in 2003, the Company is now focused on financing of new projects in 2004. The responsible loan unit was given a mandate to build up a residential project finance portfolio that covers all provinces in Thailand. By the end of 2004, the Company was able to secure a portfolio of about Baht 15,000 million, of which about Baht 1,000 million were booked in the form of two property funds.

### 4) Hire Purchase Loans

With an on-going strategy of obtaining profitability instead of growing assets, the Company continued to utilize its expertise in the used car market together with its long-term relationships with the dealers in increasing both new and used car hire purchase (H/P) loans. The major focus was to create a network of fifteen branches and strategically locate them in various provinces all over the country. At the end of 2004, the total hire purchase loans amounted to Baht 18,097 million, a growth of more than 129% from Baht 7,904 million at the end of 2003.

### 5) Securities Brokerage Service

The Company continued to concentrate on retail customers through the 22 branches throughout the country. The market share of the retail business has increase slightly from 2.94% last year to 3.11%. Margin loans facilities are still being discouraged; thus, the risk exposure in this area remains low.

The numbers of internet user accounts have grown about 100% in 2004 with volume growth of about 40% in the same period. Kiatnakin Securities has also recently received the Best SET Trade Broker **Award from** the Stock Exchange of Thailand.

## Financial Statement Analysis

### 1) Interest and Dividend Income

Interest and Dividend Income	Unit: Baht Million		
	2004	2003	2002
Loans and Deposits	1,795	1,895	701
Hire Purchase	1,490	856	669
Securities	138	139	151
Investment in Financial Claims	1,027	1,283	2,203
<b>Total</b>	<b>4,450</b>	<b>4,173</b>	<b>3,724</b>

Total interest revenues as of 31 December, 2004 was Baht 4,450 million. The increase from Baht 4,173 million in 2003 was mainly from the interest revenue from hire purchase loans which went up from Baht 856 million to Baht 1,489 million, or 74% over the year. This growth was a direct result of a 129% rise in hire purchase loans. The interest revenue for other loan products fell slightly due mainly to a rather large one-off income of about Baht 450 million of loan booked in 2003. If such revenue is excluded, then there would be a 24% increase in the interest revenue over the previous year.

### 2) Interest Expense

Total interest expenses and discounts were up slightly from Baht 956 million to Baht 961 million, or 0.5% over last year, despite the substantial increase in deposits and total borrowings to fund the overall loan growth. Total deposits increased from Baht 19,748 million to Baht 34,418 million, or 74% in 2004.

### 3) Loan Recoveries/Loan Loss Provision

Provisions for Doubtful Accounts	Unit: Baht Million		
	2004	2003	2002
Total Allowance, 1 January	3,112	459	212
Recoveries	47	109	287
Provisions for bad debt and doubtful accounts	625	2,557	(34)
Charged off	(173)	(13)	(6)
<b>Total Allowance, 31 December</b>	<b>3,611</b>	<b>3,112</b>	<b>459</b>

As of 31 December, 2004 the company had an additional Baht 499 million for loan loss provision when compared to year end 2003. It continues to maintain a conservative loan loss provision policy, in which Baht 3,611 million has been set aside while Bank of Thailand only required Baht 2,360 million.

### 4) Non-Interest Income

As of 31 December, 2004 the non-interest revenues were down from Baht 2,167 million to Baht 1,600 million from previous year. This is due mainly to the large one-off earnings from sales of foreclosed assets booked last year.



Core Business	Unit: Baht Million		
	2004	2003	2002
Investment in Financial Claims	11,501	9,464	11,792
Investment in Property Funds	213	301	1,526
Loans to Finance Business	37,417	22,926	13,957
Allowance for Doubtful Accounts	(3,611)	(3,112)	(459)
Properties Foreclosed	4,950	4,273	4,805
<b>Total Core Assets</b>	<b>50,470</b>	<b>33,852</b>	<b>31,621</b>

### 1) Net investment in Securities

Investment in securities decreased from Baht 3,708 million in 2003 to Baht 2,714 million in 2004. The Company continued to invest in government bonds as part of our cash reserve requirements set by the Bank of Thailand. According to the present regulation, the Company must maintain a 6% cash reserve based on total borrowings and deposits, and up to 4.5% of it can be put in government bonds or debt securities issued by various states enterprises.

In 2003, the company has started to show a meaningful portfolio of proprietary investment of Baht 805 million. In 2004, the portfolio size has grown to Baht 908 million.

### 2) Investments in Financial Claims

Investment in Financial Claims	Unit: Baht Million		
	2004	2003	2002
<b>From FRA, set up in funds</b>	<b>5,565</b>	<b>6,117</b>	<b>6,646</b>
Investment in Property Funds	696	809	-
Restructured	1,855	1,359	2,068
Non-Restructured	3,014	3,949	4,578
<b>From FRA, set up in KK</b>	<b>1,481</b>	<b>1,840</b>	<b>5,146</b>
Restructured	-	-	2,175
Non-Restructured	1,481	1,840	2,971
<b>From Loan Execution Dept. set up in KK</b>	<b>4,455</b>	<b>1,507</b>	<b>-</b>
Restructured	-	-	-
Non-Restructured	4,455	1,507	-
<b>Total</b>	<b>11,501</b>	<b>9,464</b>	<b>11,792</b>

During the year, we were able to manage down the total investment claims that were booked in the form of mutual funds from a total of Baht 6,117 million in 2003 to Baht 5,565 million in 2004, or about 9%. At the same time, those that were booked in the company's financial statement were managed down from Baht 1,840 million in 2003 to Baht 1,481 million in 2004, or about 20%. This reduction in outstandings represents the success achieved in restructuring the assets. There are four methods for restructuring: (1) cash settlement (2) installment payments over the next three years (3) give up the collaterals in lieu of cash (4) a combination of the previous methods. While installment payments are still being treated as part of the investment for those loans that were

booked under the funds, they will be reclassified to loans for those that were booked in the company. Settlement by collateral in lieu of cash has been booked under foreclosed assets.

Total outstanding of investments in financial claims, in turn, increased in 2004 from Baht 9,464 million to Baht 11,501 million. This was due mainly to new loan acquisitions through the bidding process of the Loan Execution Department. The Company was able to acquire an additional amount of Baht 12,120 million at a cost of Baht 3,890 million

### 3) Loans to Finance Business

Finance Business Loans	Unit: Baht Million		
	2004	2003	2002
General Loans	5,994	6,878	4,360
Reclassified from Restructured Inv. Claims	2,173	2,484	-
Old Loans	2,686	4,101	4,360
New Loans	1,135	293	-
Residential Project Loans	13,326	8,144	4,819
Hire Purchase Loans	18,097	7,904	4,778
<b>Total</b>	<b>37,417</b>	<b>22,926</b>	<b>13,957</b>

The Company has been successful in growing its finance loans in 2004. Total loans grew from Baht 22,926 million in 2003 to Baht 37,417 million, or 63.20% over the year. We have divided the Total Finance Business Loans into these three categories: general loans, residential project loans and hire purchase loans.

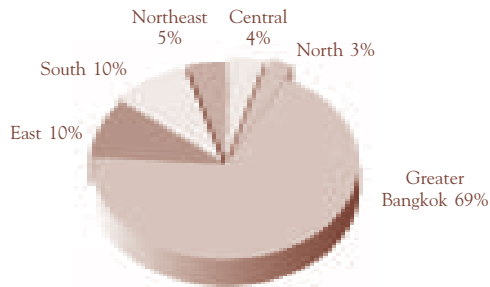
#### General Loans

Most of the general loans are the loans created prior to the financial crisis. The company has been managing these loans by either improving the quality through restructuring process and maintaining them as normal loans or liquidating them through a settlement process. Continuous progress has been made in restructuring problem loans during the year, and a small amount of new loans have also been booked. Collections on loans reclassified from restructured financial claims were made while taking in new one. As a result, general loans decreased slightly over the period from Baht 6,878 million to Baht 5,994, or about 12.8%.

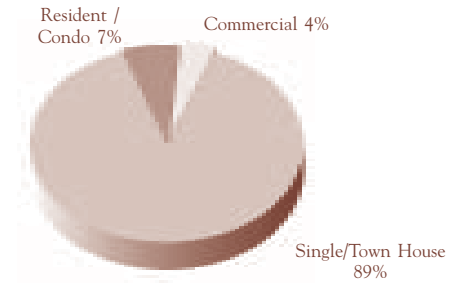
#### Residential Project Loans

We continue to finance new residential projects, frequently to the same operator. At the end of 2004 we were able to support more than 240 projects and recorded a total of Baht 13,326 million for this type of loans plus another Baht 696 million booked in two property funds. While these projects were financed strategically throughout the country, 69% were made in the greater Bangkok area. Most of these projects are medium size consisting of single house, townhouse units, and condominiums. Following are two charts illustrating the amount by locations and type of projects.

Classified by Location



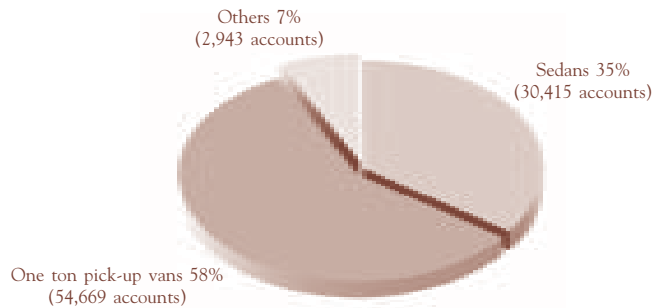
Classified by Types



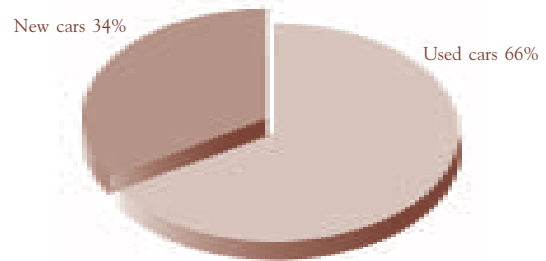
### Hire Purchase Loans

Hire purchase loans have also achieved a rather impressive growth rate. At year end 2004, the Company booked Baht 18,097 million, a 129% a growth of Baht 10,193 million from Baht 7,904 million in 2003. Since the Company has put greater emphasis on profit generation rather than pursuing a policy of high growth rate, a large percentage of its hire purchase loans were still in the used car business. Following are two charts illustrating the amount by vehicle types and new vs. used status.

Classified by type



Classified by new/used cars



### 4) Classified Loans

At the end of the second quarter of 2004, the Bank of Thailand has introduced a new guideline and redefined loan classification. Formerly, loans were classified according to the past performance or ability to repay the loan, which is normally the duration of past due payment for both the interest as well as the principal amount. The Company complied by setting the loan loss provision according the past due period. Under the new guideline, loans are classified according to the future performance of each loan account, in that, any loan that is questionable on the ability to service the interest or principal payment becomes doubtful in the next three to six month are considered to be “classified” loan. As a result of the Company having strictly followed this new guideline, a much higher number of classified loans have emerged compared to 2003 as shown in the table below:

Classified Londs	Unit: Baht Million		
	2004	2003	2002
<b>General Loans</b>			
Reclassified from Restructured Inv. Claims	1,098	431	309
Old Loans	2,119	2,030	2,442
New Loans	58	40	4
Residential Project Loans	2,185	338	195
Hire Purchase Loans	693	243	161
<b>Total</b>	<b>6,153</b>	<b>3,082</b>	<b>3,111</b>

#### 5) Allowance for Possible Loan Losses

The increased amount of classified loans does not have a material effect on the Company's loan provision because the Company has always maintained a higher level of loan provision than the Bank of Thailand's requirement.

In fact, the Company regularly conducts a review of the loan classification and the corresponding loan provision. As shown in the table below, our loan provision have consistently been at a significantly higher level than the Bank of Thailand's requirements

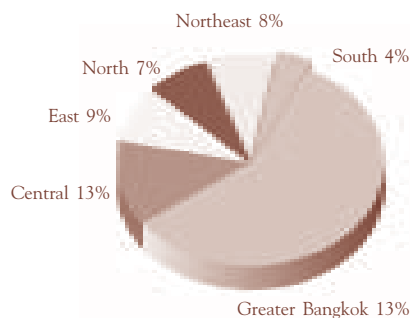
Allowance for Doubtful Accounts	Unit: Baht Million		
	Actual	Required	Excess
<b>General Loans</b>			
Reclassified from Restructured Inv. Claims	525	471	54
Old Loans	1,435	1,316	119
New Loans	22	15	7
Residential Project Loans	943	76	867
Hire Purchase Loans	651	482	168
<b>Total</b>	<b>3,576</b>	<b>2,360</b>	<b>1,213</b>

#### 6) Foreclosed Property

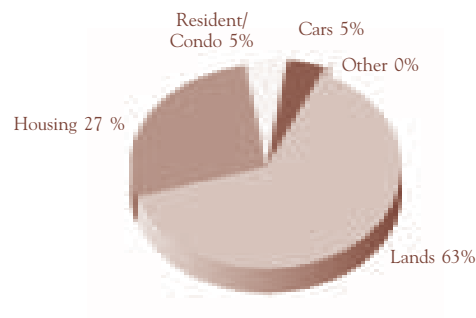
We have made a good progress in 2004 and sold a total amount of Baht 878 million of assets at a very attractive price. The total outstanding property foreclosed at the end of 2004 was Baht 4,950 million which is an increase of 15.8% from Baht 4,273 million for 2003. The increase represented the Company's ability to acquire assets through the litigation process or negotiations for a settlement in lieu of cash in the amount of Baht 1,555 million. The majority of these assets are land and residential houses in the greater Bangkok area. The followings chart shows the breakdown by location and type.



Classified by location



Classified by type



## Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	Unit: Baht Million		
	2004	2003	2002
Deposits	34,418	19,748	20,952
Debentures	6,435	6,435	5,807
<b>Total Borrowings and Deposits</b>	<b>40,853</b>	<b>26,183</b>	<b>26,759</b>
Capital	7,167	5,924	5,598
Retain Earnings	6,882	6,166	4,804
Unrealized Gain/(Loss) on Invest in Fin. Claims	365	377	(575)
Unrealized Gain/(Loss) on Invest in Securities	41	368	76
<b>Total Shareholders' Equity</b>	<b>14,455</b>	<b>12,835</b>	<b>9,903</b>

### 1) Deposits and Borrowing

It is still our strategy to expand our deposit base as well as to decrease the concentration of the deposit amount. The company was successful in increasing the deposit base by increasing the number of accounts by 20% over the year. To support the loan growth, the total Borrowings and deposits at year-end increased from Baht 26,183 million in 2003 to Baht 40,853 million, or 56%. A conservative gap between the company's assets and liabilities is being managed closely to maintain a reasonable level of liquidity risk as well as to put in place measures to deal with any unexpected upward fluctuations in the interest rate. At the end of 2004, almost 59% of total funds carried a maturity profile over 12 months.

## 1.1) Shareholders' Equity

Equity	Unit: Baht Million		
	2004	2003	2002
Beginning of the year	12,835	9,903	8,270
Dividends payment	(1,492)	(703)	(606)
Conversion of warrants	1,243	326	579
Net profit	2,208	2,065	1,406
Improvement/(Deterioration) of unrealized Profit/(loss) in investment in financial claims	(12)	952	257
Improvement/(Deterioration) of unrealized Profit/(loss) in investment in securities	(327)	292	(3)
<b>Ending of the year</b>	<b>14,455</b>	<b>12,835</b>	<b>9,903</b>

The shareholders' equity increased by Baht 1,620 million, or about 12.6%, from Baht 12,835 at the end of 2003 to Baht 14,455 million in 2004. The increased was mainly due to three reasons: (1) warrants conversions during the year (2) net profit generated for the year and some pay out of dividend during the year (3) deterioration in revaluation of investment in financial claims as well as an deterioration in unrealized gain of investment in securities. At year-end 2004, our BIS ratio stood at 25.80%.

## AUDITOR'S REPORT

### To the Shareholders of Kiatnakin Finance Public Company Limited

I have audited the accompanying consolidated and company balance sheets as at 31 December 2004 and 2003, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the years then ended of Kiatnakin Finance Public Company Limited and its subsidiaries and of Kiatnakin Finance Public Company Limited. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the consolidated and company financial statements referred to above present fairly, in all materials respects, the consolidated and company financial position as at 31 December 2004 and 2003 and the consolidated and company results of operations and cash flows for the years then ended of Kiatnakin Finance Public Company Limited and its subsidiaries and of Kiatnakin Finance Public Company Limited in accordance with generally accepted accounting principles.

(Mr. Suchart Luengsuraswat)  
Certified Public Accountant  
(Thailand) No. 2807  
PricewaterhouseCoopers ABAS Limited

Bangkok  
4 February 2005

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
BALANCE SHEETS  
AS AT 31 DECEMBER 2004 AND 2003

	Notes	Consolidated		Company	
		2004 Baht	2003 Baht	2004 Baht	2003 Baht
<b>ASSETS</b>					
Cash and deposits at financial institutions	4	1,138,568,555	2,594,309,329	650,269,482	827,503,264
Loans to financial institutions, net	4	37,850,001	–	163,363,151	285,036,986
Securities purchased under resale agreements		1,070,000,000	260,000,000	920,000,000	260,000,000
Investment in securities, net	5	2,713,891,056	3,708,375,244	11,968,998,074	12,943,826,148
Investment in loans, net	6	11,501,483,308	9,463,851,777	5,936,356,475	3,347,248,224
Investment in properties, net		213,044,504	300,657,213	–	–
Trading transactions with securities companies		14,152,742	66,361,327	–	–
Loans, receivables and accrued interest receivable	7				
Finance business loans and receivables		37,416,687,625	22,926,304,208	37,416,912,196	22,927,213,425
Securities business receivables		625,232,736	1,377,958,996	18,608,090	22,167,938
Total loans and receivables		38,041,920,361	24,304,263,204	37,435,520,286	22,949,381,363
Accrued interest receivable		540,083,013	276,181,949	538,003,648	274,251,584
Total loans, receivables and accrued interest receivable		38,582,003,374	24,580,445,153	37,973,523,934	23,223,632,947
Less: Allowance for doubtful accounts	8	(3,498,293,023)	(2,924,905,364)	(3,463,737,290)	(2,886,276,210)
Allowance for troubled debt restructuring	9	(112,482,017)	(187,110,455)	(112,482,017)	(187,110,455)
Net loans, receivables and accrued interest receivable		34,971,228,334	21,468,429,334	34,397,304,627	20,150,246,282
Properties foreclosed, net	10	4,949,903,062	4,134,219,472	3,422,752,153	2,728,131,958
Premises and equipment, net	11	378,349,896	236,145,338	210,317,164	157,378,078
Other intangible assets, net	12	20,483,699	16,002,596	7,370,364	5,829,294
Other assets, net	13	445,347,146	422,569,380	400,445,685	436,490,129
Total assets		57,454,302,303	42,670,921,010	58,077,177,175	41,141,690,363

The notes to the consolidated and company financial statements are an integral part of these financial statements.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
BALANCE SHEETS (CONT'D)  
AS AT 31 DECEMBER 2004 AND 2003

	Notes	Consolidated		Company	
		2004 Baht	2003 Baht	2004 Baht	2003 Baht
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Borrowings and deposits	14				
From public		31,571,740,185	18,552,517,082	32,871,740,185	18,682,998,046
From banks		741,593,147	1,632,926	621,302,252	–
From financial institutions		2,049,369,997	1,190,292,661	2,075,500,000	1,093,600,000
From foreign sources		55,352,642	3,858,397	55,352,641	3,858,397
Total borrowings and deposits		<u>34,418,055,971</u>	<u>19,748,301,066</u>	<u>35,623,895,078</u>	<u>19,780,456,443</u>
Trading transactions with securities companies		97,823,529	186,756,318	–	–
Securities business payables		270,690,752	1,004,879,679	–	–
Unsecured and senior bonds	15	6,435,000,000	6,435,000,000	6,435,000,000	6,435,000,000
Other liabilities	16	1,749,360,527	2,430,058,560	1,563,665,733	2,091,224,305
Total liabilities		<u>42,970,930,779</u>	<u>29,804,995,623</u>	<u>43,622,560,811</u>	<u>28,306,680,748</u>
Shareholders' equity					
Share capital	17				
Registered		<u>7,154,600,300</u>	<u>7,154,600,300</u>	<u>7,154,600,300</u>	<u>7,154,600,300</u>
Issued and fully paid-up		4,711,011,920	3,760,776,520	4,711,011,920	3,760,776,520
Warrants	17	90,315,082	222,902,274	90,315,082	222,902,274
Share premium		2,365,185,571	1,940,134,360	2,365,185,571	1,940,134,360
Fair value reserves on investment in loans		365,052,985	377,030,512	365,052,985	377,030,512
Fair value reserves on available-for-sale securities		40,966,159	368,146,955	40,966,159	368,146,955
Retained earnings					
Appropriated					
Legal reserve	19	448,312,407	345,069,027	448,312,407	345,069,027
General reserve		380,000	380,000	380,000	380,000
Unappropriated		<u>6,433,392,240</u>	<u>5,820,569,967</u>	<u>6,433,392,240</u>	<u>5,820,569,967</u>
Total share capital		<u>14,454,616,364</u>	<u>12,835,009,615</u>	<u>14,454,616,364</u>	<u>12,835,009,615</u>
Minority interests		28,755,160	30,915,772	–	–
Total shareholders' equity		<u>14,483,371,524</u>	<u>12,865,925,387</u>	<u>14,454,616,364</u>	<u>12,835,009,615</u>
Total liabilities and shareholders' equity		<u>57,454,302,303</u>	<u>42,670,921,010</u>	<u>58,077,177,175</u>	<u>41,141,690,363</u>
<b>OFF-BALANCE SHEET ITEMS - CONTINGENCIES</b>					
Guarantees on loans	25	631,938,615	420,838,166	631,938,615	420,838,166
Interest rate swap		1,000,000,000	3,500,000,000	1,000,000,000	3,500,000,000
Aval on bills		62,054,644	382,000,000	62,054,644	382,000,000

The notes to the consolidated and company financial statements  
are an integral part of these financial statements.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	Notes	Consolidated		Company	
		2004 Baht	2003 Baht	2004 Baht	2003 Baht
Interest and dividend income					
Interest on loans and deposits		1,795,254,494	1,895,033,974	1,783,775,516	1,884,998,416
Hire-purchase and financial lease income		1,489,800,162	856,480,473	1,489,826,416	856,510,688
Interest and dividend on securities		138,438,005	138,713,177	123,018,784	120,624,153
Interest on investment in loans		1,026,491,339	1,282,687,956	162,308,420	14,933,818
Total interest and dividend income		<u>4,449,984,000</u>	<u>4,172,915,580</u>	<u>3,558,929,136</u>	<u>2,877,067,075</u>
Interest expenses					
Interest and discounts on borrowings		952,510,604	948,674,679	965,190,005	963,861,796
Fees and charges on borrowings		8,165,441	6,067,213	8,165,441	6,067,213
Total interest expenses		<u>960,676,045</u>	<u>954,741,892</u>	<u>973,355,446</u>	<u>969,929,009</u>
Net interest and dividend income		3,489,307,955	3,218,173,688	2,585,573,690	1,907,138,066
Bad debts and doubtful accounts (addition)		(641,620,368)	(1,410,339,727)	(630,745,525)	(1,350,558,914)
(Loss) on troubled debt restructuring transactions	29	(40,244,656)	(6,189,478)	(40,244,656)	(6,189,478)
Net interest and dividend income after bad debts and doubtful accounts and loss on troubled debt restructuring		<u>2,807,442,931</u>	<u>1,801,644,483</u>	<u>1,914,583,509</u>	<u>550,389,674</u>
Non-interest income					
Share of net profit in subsidiaries		-	-	1,068,141,339	1,706,317,474
Brokerage fees		529,618,843	517,503,627		
Gain on disposal investment in securities		311,375,875	150,893,751	301,809,904	51,704,776
Gain on revaluation of investment		284,538,381	992,218,840	347,530,203	1,316,215,759
Loss on impairment investment in loans	6	(398,402,812)	(961,117,677)	(398,402,812)	(961,117,677)
Fees and services income		214,368,921	161,691,775	214,006,226	195,148,323
Other income	20	658,193,489	1,306,258,265	299,320,836	469,198,361
Total non-interest income		<u>1,599,692,697</u>	<u>2,167,448,581</u>	<u>1,832,405,696</u>	<u>2,777,467,016</u>

The notes to the consolidated and company financial statements  
are an integral part of these financial statements.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
STATEMENTS OF INCOME (CONT'D)  
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	Notes	Consolidated		Company	
		2004 Baht	2003 Baht	2004 Baht	2003 Baht
Non-interest expenses					
Personnel expenses		761,939,215	743,091,239	474,847,081	431,389,517
Premises and equipment expenses		201,327,378	149,681,483	92,968,505	75,182,487
Taxes and duties		121,394,645	137,529,579	119,605,316	131,770,493
Directors' remuneration	32	10,706,667	6,830,000	8,125,000	5,206,667
Other expenses	21	948,889,180	846,117,233	710,855,881	619,439,926
Total non-interest expenses		2,044,257,085	1,883,249,534	1,406,401,783	1,262,989,090
Income before income tax and minority interest		2,362,878,543	2,085,843,530	2,340,587,422	2,064,867,600
Income tax	22	(152,124,422)	(16,139,338)	(132,097,452)	-
Net income before minority interest		2,210,754,121	2,069,704,192	2,208,489,970	2,064,867,600
Minority interest, net		(2,264,151)	(4,836,592)	-	-
Net income for year		2,208,489,970	2,064,867,600	2,208,489,970	2,064,867,600
Basic earnings per share	23	4.77	5.74	4.77	5.74
Diluted earnings per share	23	4.01	4.15	4.01	4.15

The notes to the consolidated and company financial statements  
are an integral part of these financial statements.

**KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003**

	Consolidated									
	Issued and paid-up share capital Baht	Warrants Baht	Share premium Baht	Fair value reserves on investment in loans Baht	Fair value reserves on available-for-securities Baht	Legal reserve Baht	General reserve Baht	Unappropriated retained earnings Baht	Minority interest Baht	Total Baht
Opening Balance as at 1 January 2004	3,760,776,520	222,902,274	1,940,134,360	377,030,512	368,146,955	345,069,027	380,000	5,820,569,967	30,915,772	12,865,925,387
Fair value reserve	-	-	-	(11,977,527)	(327,180,796)	-	-	-	(4,424,763)	(343,583,086)
Net profit	-	-	-	-	-	-	-	2,208,489,970	2,264,151	2,210,754,121
Legal reserve (Note 33)	-	-	-	-	-	103,243,380	-	(103,243,380)	-	-
Dividend paid (Note 33)	-	-	-	-	-	-	-	(1,492,424,317)	-	(1,492,424,317)
Ordinary shares (Note 17)	950,235,400	-	425,051,211	-	-	-	-	-	-	1,375,286,611
Warrants (Note 17)	-	(132,587,192)	-	-	-	-	-	-	-	(132,587,192)
Closing Balances as at 31 December 2004	4,711,011,920	90,315,082	2,365,185,571	365,052,985	40,966,159	448,312,407	380,000	6,433,392,240	28,755,160	14,483,371,524
Opening Balance as at 1 January 2003	3,491,748,460	267,842,376	1,838,500,772	(575,045,651)	75,632,523	274,038,685	380,000	4,529,653,991	35,433,648	9,938,184,804
Fair value reserve	-	-	-	952,076,163	292,514,432	-	-	-	(9,354,468)	1,235,236,127
Net profit	-	-	-	-	-	-	-	2,064,867,600	4,836,592	2,069,704,192
Legal reserve	-	-	-	-	-	71,030,342	-	(71,030,342)	-	-
Dividend paid	-	-	-	-	-	-	-	(702,921,282)	-	(702,921,282)
Ordinary shares	269,028,060	-	101,633,588	-	-	-	-	-	-	370,661,648
Warrants	-	(44,940,102)	-	-	-	-	-	-	-	(44,940,102)
Closing Balances as at 31 December 2003	3,760,776,520	222,902,274	1,940,134,360	377,030,512	368,146,955	345,069,027	380,000	5,820,569,967	30,915,772	12,865,925,387

The notes to the consolidated and company financial statements are an integral part of these financial statements.



**KIATNAKIN FINANCE PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003**

	Company									
	Issued and paid-up share capital Baht	Warrants Baht	Share premium Baht	Fair value reserves on investment in loans Baht	Fair value reserves on available-for-securities Baht	Legal reserve Baht	General reserve Baht	Unappropriated retained earnings Baht	Minority interest Baht	Total Baht
Opening Balance as at 1 January 2004	3,760,776,520	222,902,274	1,940,134,360	377,030,512 (11,977,527)	368,146,955 (327,180,796)	345,069,027	380,000	5,820,569,967	-	12,835,009,615 (339,158,323)
Fair value reserve	-	-	-	-	-	-	-	-	-	2,208,489,970
Net profit	-	-	-	-	-	103,243,380	-	2,208,489,970	-	2,208,489,970
Legal reserve (Note 33)	-	-	-	-	-	-	-	(103,243,380)	-	-
Dividend paid (Note 33)	-	-	-	-	-	-	-	(1,492,424,317)	-	(1,492,424,317)
Ordinary shares (Note 17)	950,235,400	-	425,051,211	-	-	-	-	-	-	1,375,286,611
Warrants (Note 17)	-	(132,587,192)	-	-	-	-	-	-	-	(132,587,192)
Closing Balances as at 31 December 2004	4,711,011,920	90,315,082	2,365,185,571	365,052,985	40,966,159	448,312,407	380,000	6,433,392,240	-	14,454,616,364
Opening Balance as at 1 January 2003	3,491,748,460	267,842,376	1,838,500,772	(575,045,651) 952,076,163	75,632,523 292,514,432	274,769,741	380,000	4,528,922,935	-	9,902,751,156 1,244,590,595
Fair value reserve	-	-	-	-	-	-	-	2,064,867,600	-	2,064,867,600
Net profit	-	-	-	-	-	70,299,286	-	(70,299,286)	-	-
Legal reserve	-	-	-	-	-	-	-	(70,299,286)	-	(70,299,286)
Dividend paid	-	-	-	-	-	-	-	(702,921,282)	-	(702,921,282)
Ordinary shares	269,028,060	-	101,633,588	-	-	-	-	-	-	370,661,648
Warrants	-	(44,940,102)	-	-	-	-	-	-	-	(44,940,102)
Closing Balances as at 31 December 2003	3,760,776,520	222,902,274	1,940,134,360	377,030,512	368,146,955	345,069,027	380,000	5,820,569,967	-	12,835,009,615

The notes to the consolidated and company financial statements are an integral part of these financial statements.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	Consolidated		Company	
	2004 Baht	2003 Baht	2004 Baht	2003 Baht
Cash flows from operating activities				
Net income for year	2,208,489,970	2,064,867,600	2,208,489,970	2,064,867,600
Adjustments to reconcile net profit to cash received (paid) from operating activities:				
Depreciation and amortisation	189,205,055	187,975,305	120,028,868	93,155,953
Bad debt and doubtful accounts	673,843,926	1,460,203,575	677,917,347	1,459,743,800
Provision for diminution in value of securities	53,382,804	(51,109,025)	–	–
Provision for diminution in value of properties foreclosed	30,874,475	76,336,963	108,750,712	174,639,371
(Gain) loss on revaluation of investment in loans and properties	(28,532,167)	342,639,996	–	–
Impairment loss on investment in loans	335,803,219	961,117,676	335,803,219	961,117,676
Loss (gain) from transferring investment in loans to loans	318,659,100	(1,295,858,912)	(318,659,100)	(1,295,858,912)
(Gain) on disposal of securities	(121,463,572)	(95,953,539)	(121,463,572)	(40,465,932)
(Gain) on disposal of equipment	(5,111,276)	(5,006,444)	(3,764,454)	(4,910,476)
Share of net profit in subsidiaries	–	–	(1,068,141,339)	(1,706,317,474)
Share of net profit in subsidiaries to minority interest	2,264,151	4,836,592	–	–
Profit from operations before changes in operating assets and liabilities	3,657,415,685	3,650,049,787	1,938,961,651	1,705,971,606
(Increase) decrease in operating assets				
Deposits under commitments	15,000,000	–	15,000,000	–
Investment in trading and available-for-sale securities	136,181,139	241,113,147	(190,293,747)	568,966,384
Investment in loans	(1,331,973,363)	(2,381,841,741)	(4,031,500,473)	(2,633,285,666)
Investment in property	100,579,768	1,159,959,428	–	–
Trading transactions with securities companies	52,208,585	(43,985,695)	–	–
Loans and receivables	(16,964,392,620)	(4,900,400,990)	(14,790,298,980)	(3,485,970,576)
Accrued interest receivable and dividend	(241,976,635)	20,355,726	(118,089,519)	(57,187,461)
Properties foreclosed	821,840,951	1,996,302,663	712,256,185	1,526,425,216
Intangible assets	(9,593,787)	(7,478,140)	(3,090,699)	(1,906,313)
Other assets	(104,509,187)	317,710,885	(169,401,259)	(178,432,077)

The notes to the consolidated and company financial statements  
 are an integral part of these financial statements.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
STATEMENTS OF CASH FLOWS (CONT'D)  
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	Consolidated		Company	
	2004 Baht	2003 Baht	2004 Baht	2003 Baht
Increase (decrease) in operating liabilities				
Borrowings from public	13,008,223,103	(1,452,051,952)	14,188,742,139	(1,356,053,746)
Borrowings from banks and financial institutions	1,610,037,557	253,003,929	1,603,202,253	139,431,391
Borrowings from foreign sources	51,494,244	(4,459,336)	51,494,243	(4,459,336)
Trading transaction with securities companies	(88,932,789)	186,756,318	–	–
Securities business payables	(734,188,927)	904,082,700	–	–
Accrued interest expenses	78,620,450	(28,129,769)	78,541,192	(27,321,496)
Accrued corporate income tax	108,312,120	15,427,034	123,595,128	–
Other liabilities	(867,630,603)	1,389,649,411	(729,694,892)	1,201,883,687
Net cash (used in) provided by operating activities	(703,284,309)	1,316,063,405	(1,320,576,778)	(2,601,938,387)
Cash flows from investing activities				
Cash paid for purchase of investment in securities	(1,146,273,512)	(1,205,053,819)	(1,049,892,082)	(1,234,716,559)
Proceeds from sales of investment in securities	1,713,520,177	605,194,983	2,116,720,705	2,385,212,924
Purchase of premises and equipment	(212,161,158)	(102,718,831)	(85,320,606)	(49,994,329)
Proceeds from sales of equipment	6,682,928	10,687,042	4,272,255	10,148,705
Dividend received	–	–	962,287,623	1,750,576,808
Net cash provided by (used in) investing activities	361,768,435	(691,890,625)	1,948,067,895	2,861,227,549

The notes to the consolidated and company financial statements  
are an integral part of these financial statements.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
STATEMENTS OF CASH FLOWS (CONT'D)  
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	Consolidated		Company	
	2004 Baht	2003 Baht	2004 Baht	2003 Baht
Cash flows from financing activities				
Proceeds from increase in share capital	817,648,209	224,087,958	817,648,209	224,087,958
Proceeds from share premium	425,051,211	101,633,588	425,051,211	101,633,588
Proceeds from bond issuing	–	3,000,000,000	–	3,000,000,000
Cash paid for bond / convertible bond redemption before maturity	–	(1,065,000,000)	–	(1,065,000,000)
Cash paid for bond redemption	–	(1,307,221,890)	–	(1,307,221,890)
Cash paid for dividend	(1,492,424,319)	(702,921,282)	(1,492,424,319)	(702,921,282)
Net cash (used in) provided by financing activities	(249,724,899)	250,578,374	(249,724,899)	250,578,374
Net (decrease) increase in cash and cash equivalents	(591,240,773)	874,751,154	377,766,218	509,867,536
Cash and cash equivalents at beginning of year	2,837,829,830	1,963,078,676	1,357,503,264	847,635,728
Cash and cash equivalents at end of year	2,246,589,057	2,837,829,830	1,735,269,482	1,357,503,264
<b>Additional cash flows information</b>				
<b>Cash and cash equivalents at end of     year comprise:</b>				
Cash and deposits at financial institutions	1,138,568,555	2,594,309,329	650,269,482	827,503,264
Loans to financial institutions	39,500,001	–	165,000,000	285,000,000
Securities purchased under resale agreements	1,070,000,000	260,000,000	920,000,000	260,000,000
Less: Deposit under commitments	(1,479,499)	(16,479,499)	–	(15,000,000)
	2,246,589,057	2,837,829,830	1,735,269,482	1,357,503,264
<b>Cash paid during year</b>				
Interest expense	882,055,595	982,871,661	885,875,897	997,250,504
Income tax expense	43,812,302	712,304	8,502,324	–
<b>Non cash transactions</b>				
Transfer assets for loan settlement	1,668,399,016	1,540,637,850	1,515,627,092	1,356,899,564
Transfer investments in loans to be loans	1,066,242,641	3,075,409,346	1,066,242,641	3,075,409,346
Write back debts which had been fully written off	–	1,205,983,233	–	1,205,983,233

The notes to the consolidated and company financial statements  
are an integral part of these financial statements.

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## 1. General information

Kiatnakin Finance Public Company Limited (“the company”) incorporated in Thailand. The address of its registered office is as follows:

12<sup>th</sup> Floor, Amarin Tower, 500, Ploenchit Road, Patumwan, Bangkok, 10330.

The company is listed on the Stock Exchange of Thailand.

The principal business operations of the company and the subsidiaries (“the group”) are financing services, securities brokering and investing advisory.

The group employs 1,176 staff (31 December 2003 : 1,131 staff), with 15 branches (31 December 2003 : 10 branches).

## 2. Basis of preparation and presentation of the consolidated and company financial statements

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standard issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission and the Bank of Thailand.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries. The accompanying consolidated and company financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with countries other than Thailand. Consequently, these consolidated and company financial statements are only addressed to those who are informed about Thai generally accepted accounting principles and practices.

The consolidated and company financial statements have been prepared under the historical cost except for investment which used fair value as disclosure in Note 3.

For the convenience of the user, an English translation of the consolidated and company financial statements has been prepared from the statutory financial statements that are issued in the Thai language.

## 3. Significant accounting policies

### a) Use of estimates

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Actual results may differ from those estimates.

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**b) Income and expenses recognition**

**Interest on loans and deposits**

Interest on loans and deposits is recognised as income on the accrual basis, except in the case of interest on loans which is over three months past due from the due date where interest is recognised on collection basis. The company reverses accrued interest income on loan when its principal or interest payment has become over three months past due to comply with the Bank of Thailand's notification dated 24 December 1998. The company continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

**Hire purchase and financial lease income**

Hire purchase income is calculated by the "sum of the installment digits" method and recognised on the accrual basis, except in the case of interest on hire purchase which is over three months past due from the due date where interest is recognized on collection basis. The company reverses accrued interest income on hire purchase when its principal or interest payment has become over three months past due to comply with the Bank of Thailand's notification dated 24 December 1998. The company continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest has been paid.

Lease contracts are recorded by financial lease method. Income from financial lease contracts is recognised on the effective interest method over the year of contracts.

**Interest and dividend income**

Interest on investment is recognised as income on accrual basis except in the case of interest on debt securities which is over three months past due from the due date where interest is recognised on collection basis. Dividend income is recognised when dividend is declared.

**Income from investment in loans**

Interest on investment in loans is recognized as income on the collection basis based on the outstanding loans multiplied by the effective yield according to contract or new agreement.

**Fees and services income**

Fees and services are recognised as income when services are rendered.

**Expenses and dividend recognition**

Expenses are recognised on an accrual basis. Dividend are recorded in the consolidated and company's financial statements in the period in which they are approved by the shareholders.

**c) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

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**d) Investment in securities**

**d.1) Basis of investment classification**

Investments other than investments in subsidiaries and interest in joint ventures are classified into the following four categories: trading, held-to-maturity, available-for-sale and general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in short-term investments. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in long-term investments, except for maturities within 12 months from the balance sheet date, which are classified as short-term investments. Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; and are included in long-term investments unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in short-term investments. Investments in non-marketable equity securities are classified as general investments.

**d.2) Book value of investments**

**Trading and available-for-sale investments** are stated at fair value. The fair value of debt securities traded in the established market is based on the quoted prices or yields of the debt securities at the balance sheet date, or the latest trading date prior to the balance sheet date if there was no trading on that date. If the debt securities are not traded in the established market, the fair value is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium. The fair value of equity securities is based on the last bid price quoted by the Stock Exchange of Thailand at the balance sheet date. The fair value of unit trusts is determined from the net assets value (NAV) published by mutual fund management companies as the fund managers.

Unrealised gain or losses resulting from changes in fair value of trading investments are recognised in the statements of income.

Unrealised gain or losses resulting from changes in fair value of available-for-sale investments are recognised as a net amount in a separate component of shareholders' equity, except where the securities are sold out, the realised gain or losses will be recognised in the statements of income.

**General investments** are stated at cost less allowance for impairment in value.

**Investments in subsidiaries** are reported by using the equity method of accounting in the company financial statements.

Subsidiaries are companies in which Kiatnakin Finance Public Company Limited has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, significant accounting

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policies for subsidiaries have been changed to ensure consistency with the policies adopted by the company. Separate disclosure is made for minority interests in the consolidated balance sheet and consolidated statement of income.

**Investment in joint venture** According to enter in joint venture of subsidiary with Devonshire Capital Pte Limited to establish the Company named Devonshire Kiatnakin Company Limited with interests at 50% of registered capital, the group's interests in jointly controlled entities is accounted for by the proportionate consolidation. Under this method the group includes its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows in the relevant components of the financial statements. In the company financial statements the equity method is applied for interests in joint ventures.

A list of the subsidiaries is set out in Note 5.

A test of impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying amount of the investment is higher than its recoverable amount, impairment loss is charged to the statements of income.

**d.3) Income recognition relative to investment**

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income.

When partly disposing of a particular investment in debt or equity securities, the carrying amount of disposed part is determined by the weight average carrying amount of the total holding of the investment.

**e) Valuation of investment in loans**

The investment in loans is the investment in commercial and hire-purchase loans with and without collateral. These commercial and hire-purchase loans have no readily ascertainable market values available and, therefore, are reported at estimated fair value as determined by the company management committee. The values assigned to the investment portfolio are based upon available information and assumptions and do not necessarily represent amounts which might ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values might differ from the values that would have been used had a ready market for the investments existed.

Unrealised gain or losses resulting from changes in fair value of investment in loans of the company are reported as a net amount in a separate component of shareholders' equity, except where the investments are sold out, the realised gain or losses will be recognised in the statements of income.

The subsidiaries, which are mutual funds, recognise the changes in fair value of investment in loans in the statements of income.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of income.

The investment in loans of the parent company will be transferred to loans account to comply with the Bank of Thailand's notification no. Thor Por Tor. Sor Nor Sor. (31) Wor. 2775/2545 Re: Accounting procedures regarding purchasing or taking of transfer of loan debtors and supervision guidelines. The fair value was adopted for transfer. The different between net book value and fair value is recognized as gain on revaluation in the statement of income.



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**f) Valuation of investment in property**

The investment in property is the investment in real estate business of the subsidiaries, which are mutual funds. These investments generally have no readily ascertainable market values available and, therefore, are reported at estimated fair value as determined by the company management committee. The values assigned to the investment portfolio are based upon available information and assumptions and do not necessarily represent amounts which might ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values might differ from the values that would have been used had a ready market for the investment existed.

Unrealised gain or losses resulting from changes in fair value of investment in property are reported in the statements of income.

**g) Allowance for doubtful accounts**

The company classifies its loan portfolios into categories and sets allowance for doubtful accounts for finance business loans and receivables in accordance with the Bank of Thailand's notification dated 23 August 2004 and with the management estimation over the allowance for doubtful accounts from the ending balance of finance business loans and receivables. The year that a loan is past due and the ability to repay the debt are the principal criteria utilised in classifying a loan. The maximum collateral value used in calculating the required allowance for doubtful accounts is based on the type of collateral and the date of the most recent revaluation. Allowance for doubtful accounts on loans and receivable is made for the estimated loss that might be incurred where the debts are not fully secured and/or full recoveries of principals and interest are doubtful.

Allowance for doubtful accounts on hire-purchase loan is provided by based on the aging analysis.

Allowance for doubtful accounts for securities business receivables has been determined on the basis in accordance with the requirements of the Securities Exchange Commission's notification dated 15 February 2001.

Bad debts are written off during the year in which they are identified.

**h) Troubled debt restructuring**

The company accounts for troubled debt restructuring in accordance with guidelines approved by the Bank of Thailand. The company records the assets or equities transferred to the company for debt settlements at the lower of fair values of the assets, less estimated selling expenses, or the amount of investment in receivables (including non-accrued interest income at the restructuring date).

In case that the debt restructuring involves modifications of terms of receivables, the fair value of investment in receivables after restructuring is based on the net present value of the expected future cash flows, using the Minimum Lending Rates (MLR) prevailing at the restructuring date.

Losses arising from restructuring by waiver of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the statement of income when incurred.

**i) Properties foreclosed**

Properties foreclosed represent land and/or construction, leasehold, condominium and repossessed vehicles. The repossessed land and/or construction, leasehold and condominium are stated at the lower of the outstanding loan principal including accrued interest or net present value of expected cash inflow from sales within 1 year by

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discounted with suitable rate regarding to the risk. The repossessed vehicles are stated at the lower of the outstanding loan principal including accrued interest or the appraisal by experts.

The subsidiaries, which are mutual funds, record the properties foreclosed at the net present value of the expected future cash flows, which from disposal of such assets in the proper time frame, discounted by the appropriated risk premium.

#### **j) Premises and equipment and depreciation**

Land is stated at historical cost. Buildings and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset except for land, which is considered to have an indefinite life, to its residual value over its estimated useful life as follows:

Buildings	10 - 20 years
Other fixed assets	5 years
Leasehold right	Leasehold period (1 - 3 years)

Gains and losses on disposal of fixed assets determined by comparing proceeds with the carrying amount and are included in operating profit.

Expenditure for additions, renewals and betterment, which result in substantial increase in an asset's current replacement value, are capitalised. Repair and maintenance costs are recognised as expenses when incurred.

#### **k) Foreign currency transactions**

Foreign currencies transactions are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht using the reference rates of exchange of the Bank of Thailand ruling as of that date.

Gains and losses on exchange resulting from the settlements and the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

#### **l) Commercial papers sold**

Sales with recourse of commercial papers without bank's or finance company's acceptance or aval are recorded as liabilities under the caption of "Liabilities under commercial papers sold". Sales with recourse of commercial papers with bank's or finance company's acceptance or aval are presented as off-balance sheet contingencies.

#### **m) Related companies**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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**n) Accounting for lease**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the year of the lease.

When an operating lease is terminated before the lease year has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the year in which termination takes place.

**o) Deferred income taxes**

The group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

**p) Earnings per share**

Basic earnings per share amount is computed by dividing the net income (loss) for year by the weighted-average number of paid-up ordinary shares in issue during the year. The diluted earnings per share is therefore computed by dividing the net income for year which adjusted by expense (after tax effect) saved from the conversion of dilutive potential ordinary shares, by the weighted-average number of ordinary shares (included potentially dilutive shares).

**q) Provident fund**

The group operates a provident fund, the assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and by the relevant group companies. Contributions to the provident fund are charged to the statement of income in the year to which they relate.

**r) Post employment benefit**

The company provides for post employment benefits, payable to employees in the future depend on the salary and the maximum years of service of the respective employees. The liability is recorded in the present value of estimated future cash outflows using interest rates of deposit which have terms to maturities approximating the terms of the related liabilities.

**s) Financial risk management**

Financial assets carried on the balance sheet include cash and deposits at financial institutions, securities purchased under resale agreements, investments and receivables. Financial liabilities carried on the balance sheet include borrowings and deposits, securities sold under repurchased agreement and bonds. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by a treasury department and risk management department under policies approved by the Board of Directors. The Board provides written principles

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for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The group is also party to financial instruments that reduce exposure to fluctuations in interest rates. These instruments are interest rate swap agreements which are not recognised in the financial statements on inception.

Interest rate swap agreements protect the group from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to the statement of income.

Disclosures about financial instruments to which the company is a party are provided in Note 28.

## 4. Cash and deposits at and loans to financial institutions

### 4.1 Cash and deposits at financial institutions

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Cash	4,363,299	99,386,504	2,898,299	2,177,525
Deposits held at call with banks	1,131,511,256	2,477,237,187	647,369,541	810,324,113
Fixed deposits	2,694,000	17,685,638	1,642	15,001,626
Total cash and deposits at financial institutions	1,138,568,555	2,594,309,329	650,269,482	827,503,264

As at 31 December 2004, the company has fixed deposits at bank used for the issuance of guarantee, amounted to Baht 1.48 million for consolidated financial statement and nil for company financial statement (31 December 2003 : Baht 1.48 million and nil, respectively). As at 31 December 2003, the company has fixed deposits at bank amounts to baht 15 million for consolidated and company financial statement for guarantee on interest rate swap. During the year, such amounts was received with interest since the contract matured.

### 4.2 Loans to financial institutions

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
On demand	-	-	85,000,000	185,000,000
Terms loan	39,500,001	-	80,000,000	100,000,000
Total	39,500,001	-	165,000,000	285,000,000
Add: Interest receivable	-	-	13,151	36,986
Less: Allowance for doubtful accounts	(1,650,000)	-	(1,650,000)	-
Total loans to financial institutions, net	37,850,001	-	163,363,151	285,036,986

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## 5. Investment in securities

	31 December 2004			
	Consolidated		Company	
	Cost/ Net book value Baht	Fair value Baht	Cost/ Net book value Baht	Fair value Baht
<b>Short-term investment</b>				
<b>Trading securities</b>				
<b>Equity securities</b>				
Listed securities	185,815,441	179,057,568	-	-
Less: Provision for change in value of investments	(6,757,873)	-	-	-
Net equity securities	179,057,568	179,057,568	-	-
Net trading securities	179,057,568	179,057,568	-	-
<b>Available-for-sale securities</b>				
<b>Debt instruments</b>				
Corporate debt instruments	84,988,405	84,991,349	-	-
Government and state enterprise securities	20,948,767	20,950,644	20,948,767	20,950,644
Total	105,937,172	105,941,993	20,948,767	20,950,644
Add: Provision for changes in value of investments	4,821	-	1,877	-
Net debt instruments	105,941,993	105,941,993	20,950,644	20,950,644
<b>Equity securities</b>				
Listed securities	966,052,930	874,241,605	809,464,019	795,705,041
Unit trusts	100,295,896	112,645,241	100,225,000	112,540,435
	1,066,348,826	986,886,846	909,689,019	908,245,476
Less: Provision for changes in value of investments	(79,461,980)	-	(1,443,543)	-
Net equity securities	986,886,846	986,886,846	908,245,476	908,245,476
Net available-for-sale securities	1,092,828,839	1,092,828,839	929,196,120	929,196,120
<b>General investment</b>				
Equity securities	404,172,442		404,172,442	
Net short-term investment	1,676,058,849		1,333,368,562	

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5. Investment in securities (cont'd)

	31 December 2004			
	Consolidated		Company	
	Cost/ Net book value Baht	Fair value Baht	Cost/ Net book value Baht	Fair value Baht
<b>Long-term investment</b>				
<b>Available-for-sale securities</b>				
<b>Debt instruments</b>				
Corporate debt instruments	26,954,143	20,454,346	20,502,257	20,454,346
Government and state enterprise securities	351,767,075	348,646,452	321,321,241	315,617,133
Total	378,721,218	369,100,798	341,823,498	336,071,479
Less: Provision for changes in value of investments	(9,620,420)	-	(5,752,019)	-
Net debt instruments	369,100,798	369,100,798	336,071,479	336,071,479
<b>Equity securities</b>				
Listed securities	134,733,836	137,573,100	-	-
Unit trusts	10,035,000	10,035,000	-	-
Total	144,768,836	147,608,100	-	-
Add: Provision for changes in value of investments	2,839,264	-	-	-
Net equity securities	147,608,100	147,608,100	-	-
Net available-for-sale securities	516,708,898	516,708,898	336,071,479	336,071,479
<b>Held to maturity securities</b>				
Government and state enterprise securities	494,810,062		494,810,062	
<b>General investment</b>				
Equity securities	26,303,247		12,232,126	
Unit trusts	10,000		10,000	
Total general investment	26,313,247		12,242,126	
<b>Investment in subsidiaries</b>				
Equity securities	-		965,022,667	
Unit trusts	-		8,827,483,178	
Total investment in subsidiaries	-		9,792,505,845	
Net long-term investment	1,037,832,207		10,635,629,512	
Net investment in securities	2,713,891,056		11,968,998,074	

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**5. Investment in securities (cont'd)**

	31 December 2003			
	Consolidated		Company	
	Cost/ Net book value Baht	Fair value Baht	Cost/ Net book value Baht	Fair value Baht
<b>Short-term investment</b>				
<b>Trading securities</b>				
<b>Equity securities</b>				
Listed securities	155,805,876	172,278,600	-	-
Add: Provision for change in value of investments	16,472,724	-	-	-
Net equity securities	172,278,600	172,278,600	-	-
Net trading securities	172,278,600	172,278,600	-	-
<b>Available-for-sale securities</b>				
<b>Debt instruments</b>				
Corporate debt instruments	251,966,865	251,966,865	-	-
Government and state enterprise securities	244,587,678	244,923,527	54,965,883	55,425,503
Total	496,554,543	496,890,392	54,965,883	55,425,503
Add: Provision for changes in value of investments	335,849	-	459,620	-
Net debt instruments	496,890,392	496,890,392	55,425,503	55,425,503
<b>Equity securities</b>				
Listed securities	299,223,716	358,808,852	138,448,598	222,262,645
Unit trusts	50,100,000	70,454,366	50,100,000	70,421,476
Total	349,323,716	429,263,218	188,548,598	292,684,121
Add: Provision for changes in value of investments	79,939,502	-	104,135,523	-
Net equity securities	429,263,218	429,263,218	292,684,121	292,684,121
Net available-for-sale securities	926,153,610	926,153,610	348,109,624	348,109,624
<b>General investment</b>				
Equity securities	804		-	
Net short-term investment	1,098,433,014		348,109,624	

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5. Investment in securities (cont'd)

	31 December 2003			
	Consolidated		Company	
	Cost/ Net book value Baht	Fair value Baht	Cost/ Net book value Baht	Fair value Baht
<b>Long-term investment</b>				
<b>Available-for-sale securities</b>				
<b>Debt instruments</b>				
Corporate debt instruments	6,497,885	25,656	46,000	25,656
Government and state enterprise securities	205,452,805	197,672,605	174,776,171	162,564,681
Total	211,950,690	197,698,261	174,822,171	162,590,337
Less: Provision for changes in value of investments	(14,252,429)	-	(12,231,834)	-
Net debt instruments	197,698,261	197,698,261	162,590,337	162,590,337
<b>Equity securities</b>				
Listed securities	679,577,312	879,127,610	530,859,840	682,046,810
Unit trusts	10,000	10,000	-	-
Total	679,587,312	879,137,610	530,859,840	682,046,810
Add: Provision for changes in value of investments	199,550,298	-	151,186,970	-
Net equity securities	879,137,610	879,137,610	682,046,810	682,046,810
Net available-for-sale securities	1,076,835,871	1,076,835,871	844,637,147	844,637,147
<b>Held to maturity securities</b>				
Government and state enterprise securities	1,493,606,928		1,493,606,928	
<b>General investment</b>				
Equity securities	39,489,431		24,944,615	
Unit trusts	10,000		10,000	
Total general investment	39,499,431		24,954,615	
<b>Investment in subsidiaries</b>				
Equity securities	-		1,372,505,226	
Unit trusts	-		8,860,012,608	
Total investment in subsidiaries	-		10,232,517,834	
Net long-term investment	2,609,942,230		12,595,716,524	
Net investment in securities	3,708,375,244		12,943,826,148	



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**5. Investment in securities (cont'd)**

Outstanding available-for-sale and held to maturity debt instruments can be analysed as follows:

	31 December 2004			
	Consolidated			
	On demand Baht	Mature within 1 year Baht	Mature within 2-5 years Baht	Total Baht
<b>Available-for-sale debt instruments</b>				
Corporate debt instruments	6,451,885	–	20,502,257	26,954,142
Government and state enterprise securities	–	20,948,767	351,767,075	372,715,842
Total	6,451,885	20,948,767	372,269,332	399,669,984
Add (less): Provision for changes in value of investment	(6,451,885)	1,877	(3,168,534)	(9,618,542)
	–	20,950,644	369,100,798	390,051,442
<b>Held to maturity debt instruments</b>				
Government and state enterprise securities	–	404,172,442	494,810,062	898,982,504
Net debt securities	–	425,123,086	863,910,860	1,289,033,946
	31 December 2004			
	Company			
	Mature within 1 year Baht	Mature within 2-5 years Baht	Total Baht	
<b>Available-for-sale debt instruments</b>				
Corporate debt instruments	–	20,502,257	20,502,257	
Government and state enterprise securities	20,948,767	321,321,241	342,270,008	
Total	20,948,767	341,823,498	362,772,265	
Add (less): Provision for changes in value of investments	1,877	(5,752,018)	(5,750,141)	
	20,950,644	336,071,480	357,022,124	
<b>Held to maturity debt instruments</b>				
Government and state enterprise securities	404,172,442	494,810,062	898,982,504	
Net debt securities	425,123,086	830,881,542	1,256,004,628	

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5. Investment in securities (cont'd)

	31 December 2003				
	Consolidated				
	On demand Baht	Mature within 1 year Baht	Mature within 2-5 years Baht	Mature within 6-10 years Baht	Total Baht
<b>Available-for-sale debt instruments</b>					
Corporate debt instruments	6,451,885	251,966,865	46,000	–	258,464,750
Government and state enterprise securities	–	244,587,678	30,676,634	174,776,171	450,040,483
Total	6,451,885	496,554,543	30,722,634	174,776,171	708,505,233
Add (less): Provision for changes in value of investment	(6,451,885)	335,849	4,410,946	(12,211,490)	(13,916,580)
	–	496,890,392	35,133,580	162,564,681	694,588,653
<b>Held to maturity debt instruments</b>					
Government and state enterprise securities	–	–	922,716,652	570,890,276	1,493,606,928
Net debt securities	–	496,890,392	957,850,232	733,454,957	2,188,195,581

	31 December 2003			
	Company			
	Mature within 1 year Baht	Mature within 2-5 years Baht	Mature within 6-10 years Baht	Total Baht
<b>Available-for-sale debt instruments</b>				
Corporate debt instruments	–	46,000	–	46,000
Government and state enterprise securities	54,965,883	–	174,776,171	229,742,054
Total	54,965,883	46,000	174,776,171	229,788,054
Add (less): Provision for changes in value of investment	459,620	(20,344)	(12,211,490)	(11,772,214)
	55,425,503	25,656	162,564,681	218,015,840
<b>Held to maturity debt instruments</b>				
Government and state enterprise securities	–	922,716,652	570,890,276	1,493,606,928
Net debt securities	55,425,503	922,742,308	733,454,957	1,711,622,768

The subsidiaries incorporated in the consolidated accounts are Kiatnakin Securities Company Limited, Ratanatun Finance Public Company Limited, Asia Recovery Fund 1, 2 and 3, Thai Restructuring Fund and Asia Recovery Property Fund 1 and 3.

As at 29 August 2003, the subsidiary named Asia Recovery Property Fund 5 was liquidated and repaid the outstanding balance of investments and benefits to the company.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
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**5. Investment in securities (cont'd)**

As at 31 December 2004, the company deposited government and state enterprise securities at Bank of Thailand, amounted to Baht 852 million (31 December 2003 : Baht 1,482 million) for the guarantee of securities with repurchase agreement in Bank of Thailand market. There is no government and state enterprise securities used to guarantee the swap contract (31 December 2003 : Baht 78 million).

Investment in securities where the company holds 10% or more of the issued shares of the investees are as follows:

	31 December 2004		
	Principal activities	Investment amount Baht	Percentage of holding
<b>Other companies</b>			
Chiangmai Yarnyon 1993 Co., Ltd.	Car trading	650,000	10.00
BTM Leasing Co., Ltd.	Leasing	3,085,200	10.00
Attakorn Co., Ltd.	Hire purchase	-	10.00
M.V. Property Estate Co., Ltd.	Real estate	100,000	10.00
<b>Fund (which is not a legal corporate entity)</b>			
Kiatnakin Fixed Income Fund	Investing business in bonds and promissory	-	10.33
Kiatnakin Finance K-Asset Equity Fund	Investing business in debt and equity securities	50,125,000	34.88
Ayudhya Tuntawee Fund 5	Investing business in debt and equity securities	50,000,000	57.27
<b>31 December 2003</b>			
	Principal activities	Investment amount Baht	Percentage of holding
<b>Other companies</b>			
Chiangmai Yarnyon 1993 Co., Ltd.	Car trading	650,000	10.00
BTM Leasing Co., Ltd.	Leasing	3,085,200	10.00
Attakorn Co., Ltd.	Hire purchase	-	10.00
<b>Fund (which is not a legal corporate entity)</b>			
Kiatnakin Fixed Income Fund	Investing business in bonds and promissory	-	10.33

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### 5. Investment in securities (cont'd)

The followings are details of the company's subsidiaries.

31 December 2004

	Principal activities	Relationship	Paid-up capital/ outstanding capital Baht	Cost method Baht	Equity method Baht	Investment proportion		Dividend paid by subsidiaries Baht	
						Amount at par			Percentage of holding
						Baht			
Company									
Kiatnakin Securities Co., Ltd.	Securities	Ordinary shareholder	650,000,000	649,999,930	796,821,919	649,999,930	99.99	-	
Ratanatun Finance Public Co., Ltd.	Financing	Ordinary shareholder	150,000,000	415,499,709	168,200,748	149,999,850	99.99	-	
Asia Recovery 1 Fund	Unit trust*	Unit holder	1,259,474,124	1,300,337,966	1,750,653,632	1,258,841,522	99.95	-	
Asia Recovery 2 Fund	Unit trust*	Unit holder	1,872,393,082	1,961,941,249	2,170,148,061	1,864,642,561	99.59	267,752,211	
Asia Recovery 3 Fund	Unit trust*	Unit holder	1,908,328,946	2,014,395,044	2,391,849,343	1,907,786,584	99.97	106,866,421	
Thai Restructuring Fund	Unit trust*	Unit holder	786,984,835	778,863,948	1,246,257,752	778,413,713	98.91	274,616,057	
Asia Recovery Property Fund 1	Unit trust**	Unit holder	244,184,036	255,966,954	284,641,121	242,963,061	99.50	13,640,000	
Asia Recovery Property Fund 3	Unit trust***	Unit holder	933,405,003	941,000,000	983,933,269	921,954,695	98.77	235,700,000	
				8,318,004,800	9,792,505,845	7,774,601,916			

Radanatun Finance Public Co., Ltd. was registered for capital reduction from Baht 500 million to Baht 150 million with the Ministry of Commerce on 3 September 2004.

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**5. Investment in securities (cont'd)**

31 December 2003

	Principal activities	Relationship	Paid-up capital/ outstanding capital Baht	Cost method Baht	Equity method Baht	Investment proportion		Dividend paid by subsidiaries Baht
						Amount at par	Percentage of holding	
						Baht		
Company								
Kiatnakin Securities Co., Ltd.	Securities	Ordinary shareholder	650,000,000	649,999,930	815,796,228	649,999,930	99.99	-
Ratanatun Finance Public Co., Ltd.	Financing	Ordinary shareholder	500,000,000	1,385,000,000	556,708,998	499,999,850	99.99	-
Asia Recovery 1 Fund	Unit trust*	Unit holder	1,259,474,124	1,300,337,966	1,301,817,010	1,258,841,522	99.95	262,449,708
Asia Recovery 2 Fund	Unit trust*	Unit holder	1,872,393,082	1,961,941,249	2,261,110,282	1,864,642,561	99.59	738,987,247
Asia Recovery 3 Fund	Unit trust*	Unit holder	1,908,328,946	2,014,395,044	2,390,017,505	1,907,786,584	99.97	190,564,834
Thai Restructuring Fund	Unit trust*	Unit holder	786,984,835	778,863,948	1,407,646,646	778,413,713	98.91	454,090,250
Asia Recovery Property Fund 1	Unit trust**	Unit holder	341,027,809	357,483,852	378,579,153	339,322,594	99.50	113,225,036
Asia Recovery Property Fund 3	Unit trust***	Unit holder	933,405,003	941,000,000	1,120,842,012	921,954,694	98.77	-
				9,389,021,989	10,232,517,834	8,220,961,448		

\* Investment in commercial loans auction from FRA.

\*\* Investment in loans, which have properties as collateral or properties

\*\*\* Investment in loans or properties

The Group did not disclose the group's share of the assets and liabilities and sales and expenses of the joint venture which included in the balance sheets and statements of income because of immateriality.

KIATNAKIN FINANCE PUBLIC COMPANY LIMITED  
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## 6. Investment in loans

The details of bidding receivables from the Financial Restructuring Authority (FRA), the Legal Execution Department (LED) and purchasing receivables are as follows:

As of 31 December 2004

Purchase date	Number of customers	Outstanding balance per prior and renew agreements Baht	Outstanding balance Baht	Fair value Baht
<b>Kiatnakin Finance Public Company Limited</b>				
Receivables auction from FRA				
30 September 1999	520	3,588,476,580	1,524,758,604	935,137,826
15 December 1999	280	1,088,513,063	281,184,936	248,957,029
Receivables purchased				
January 2000 - December 2000	1	44,810,160	35,226,196	13,814,745
Investment in hire purchase loans transferred from RT-KK				
	836	127,341,488	9,708,918	-
Receivables auction from LED	1,768	17,123,201,343	5,017,345,732	4,738,446,875
<b>Total</b>	<b>3,405</b>	<b>21,972,342,634</b>	<b>6,868,224,386</b>	<b>5,936,356,475</b>
<b>Subsidiaries (unit trust)</b>				
	3,189	13,068,311,109	3,963,875,325	5,565,126,833
	6,594	35,040,653,743	10,832,099,711	11,501,483,308

As of 31 December 2003

**Kiatnakin Finance Public Company Limited**

Receivables auction from FRA				
27 April 1999	1	186,092,912	106,525,332	139,569,684
30 September 1999	632	4,444,687,880	2,055,507,066	1,357,968,053
15 December 1999	310	1,164,411,150	360,781,777	328,129,724
Receivables purchased				
January 2000 - December 2000	2	46,010,290	36,137,371	14,238,472
Investment in hire purchase loans transferred from RT-KK				
	1,561	187,848,660	15,105,641	-
Receivables auction from LED	706	5,509,483,691	1,357,278,201	1,507,342,291
<b>Total</b>	<b>3,212</b>	<b>11,538,534,583</b>	<b>3,931,335,388</b>	<b>3,347,248,224</b>
<b>Subsidiaries (unit trust)</b>				
	3,534	15,600,876,543	4,530,917,154	6,116,603,553
	6,746	27,139,411,126	8,462,252,542	9,463,851,777

During the year, the impairment charge of Baht 398,402,812 for investment in loans was made as a result of the doubtful in the abilities to repay these balances (31 December 2003 : Baht 961,117,677).

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## 7. Loans, receivables and accrued interest receivable

### a) Classified by type of business

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
<b>Finance business loans and receivables</b>				
Loans	19,319,529,702	15,022,813,975	19,319,529,702	15,022,813,975
Hire purchase receivables*	18,097,157,923	7,903,490,233	18,097,382,494	7,904,399,450
Total finance business loans and receivables	37,416,687,625	22,926,304,208	37,416,912,196	22,927,213,425
Add: Accrued interest receivable	538,002,577	274,251,584	538,003,648	274,251,584
Less: Allowance for doubtful accounts	(3,446,072,168)	(2,869,601,517)	(3,446,072,168)	(2,869,601,517)
Allowance for troubled debt restructuring	(112,482,017)	(187,110,455)	(112,482,017)	(187,110,455)
Net finance business loans and receivables and accrued interest receivable	34,396,136,017	20,143,843,820	34,396,361,659	20,144,753,037
<b>Securities business receivables</b>				
Cash accounts	408,362,301	1,150,184,642	18,608,090	–
Margin accounts	216,870,435	227,774,354	–	22,167,938
Total securities business receivables	625,232,736	1,377,958,996	18,608,090	22,167,938
Add: Accrued interest receivable	2,080,436	1,930,365	–	–
Less: Allowance for doubtful accounts	(52,220,855)	(55,303,847)	(17,665,122)	(16,674,693)
Net securities business receivables and accrued interest receivable	575,092,317	1,324,585,514	942,968	5,493,245
Net loans and receivables and accrued interest receivable	34,971,228,334	21,468,429,334	34,397,304,627	20,150,246,282

\* Hire-purchase receivables are shown net of unearned income in the consolidated and company financial statements amount of Baht 3,459,363,388 (31 December 2003 : Baht 1,681,470,751).

All loans are in Thai Baht currency

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7. Loans, receivables and accrued interest receivable (cont'd)

b) Classified by term of contract

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
On demand or become due	53,517,525	32,438,768	48,453,421	22,167,938
Less than one year	2,350,734,191	3,079,582,390	1,780,103,252	1,770,476,758
Over one year	36,177,751,658	21,468,423,995	36,144,967,261	21,430,988,251
Total loans, receivables and accrued interest receivables	38,582,003,374	24,580,445,153	37,973,523,934	23,223,632,947

c) Classified by maturity

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
On demand or become due	1,739,981,079	1,809,885,863	1,733,748,386	1,798,204,624
Less than one year	7,415,842,838	4,701,784,843	6,856,662,661	3,392,679,211
Over one year	29,426,179,457	18,068,774,447	29,383,112,887	18,032,749,112
Total loans, receivables and accrued interest receivables	38,582,003,374	24,580,445,153	37,973,523,934	23,223,632,947



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7. Loans, receivables and accrued interest receivable (cont'd)

d) Classified by industry and classification

	31 December 2004					
	Consolidated					
	Normal debts Baht	Specially mentioned debts Baht	Sub-standard debts Baht	Doubtful debts Baht	Possible loan loss Baht	Total Baht
Agriculture and mining	63,061,643	–	396,229	28,607,290	12,522,196	104,587,358
Manufacturing and commerce	692,738,601	291,120,710	92,373,156	231,097,727	964,186,962	2,271,517,156
Property development and construction	11,029,750,623	693,929,331	1,932,297,056	624,967,771	610,904,980	14,891,849,761
Public utility and services	290,147,266	206,942,604	10,571,496	154,295,395	155,294,443	817,251,204
Housing loans	52,215,580	3,542,852	2,167,308	2,810,237	90,772,526	151,508,503
Hire purchase loans	15,118,281,333	2,286,364,272	423,242,982	142,193,301	127,076,035	18,097,157,923
Others	1,079,770,044	43,549,764	78,648,641	95,505,385	410,574,622	1,708,048,456
Total loans and receivables	<u>28,325,965,090</u>	<u>3,525,449,533</u>	<u>2,539,696,868</u>	<u>1,279,477,106</u>	<u>2,371,331,764</u>	<u>38,041,920,361</u>
Accrued interest receivables	<u>444,494,409</u>	<u>48,199,408</u>	<u>38,626,743</u>	<u>2,269,371</u>	<u>6,493,082</u>	<u>540,083,013</u>
	31 December 2004					
	Company					
	Normal debts Baht	Specially mentioned debts Baht	Sub-standard debts Baht	Doubtful debts Baht	Possible loan loss Baht	Total Baht
Agriculture and mining	63,061,643	–	396,229	28,607,290	12,522,196	104,587,358
Manufacturing and commerce	692,738,601	291,120,710	92,373,156	231,097,727	964,186,962	2,271,517,156
Property development and construction	11,029,750,623	693,929,331	1,932,297,056	624,967,771	610,904,980	14,891,849,761
Public utility and services	290,147,266	206,942,604	10,571,496	154,295,395	155,294,443	817,251,204
Housing loans	52,215,580	3,542,852	2,167,308	2,810,237	90,772,526	151,508,503
Hire purchase loans	15,118,505,904	2,286,364,272	423,242,982	142,193,301	127,076,035	18,097,382,494
Others	509,992,711	43,549,764	75,131,302	62,175,411	410,574,622	1,101,423,810
Total loans and receivables	<u>27,756,412,328</u>	<u>3,525,449,533</u>	<u>2,536,179,529</u>	<u>1,246,147,132</u>	<u>2,371,331,764</u>	<u>37,435,520,286</u>
Accrued interest receivables	<u>443,640,803</u>	<u>48,199,408</u>	<u>38,626,743</u>	<u>1,043,612</u>	<u>6,493,082</u>	<u>538,003,648</u>

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7. Loans, receivables and accrued interest receivable (cont'd)

d) Classified by industry and classification (cont'd)

	31 December 2003					
	Consolidated					
	Normal debts Baht	Specially mentioned debts Baht	Sub-standard debts Baht	Doubtful debts Baht	Possible loan loss Baht	Total Baht
Agriculture and mining	125,348,661	62,187	21,227,594	1,486,174	2,422,364	150,546,980
Manufacturing and commerce	1,570,905,888	590,674,262	57,200,673	99,716,076	793,253,624	3,111,750,523
Property development and construction	6,596,388,085	2,262,747,748	281,160,666	152,672,747	627,597,158	9,920,566,404
Public utility and services	399,285,713	23,976,314	33,776,671	58,529,074	77,628,914	593,196,686
Housing loans	51,885,214	5,064,640	3,383,714	10,662,959	150,601,947	221,598,474
Hire purchase loans	6,763,365,681	898,017,903	134,348,249	42,650,466	66,017,151	7,904,399,450
Others	1,808,639,524	78,546,165	94,829,510	61,220,889	358,968,599	2,402,204,687
<b>Total loans and receivables</b>	<b>17,315,818,766</b>	<b>3,859,089,219</b>	<b>625,927,077</b>	<b>426,938,385</b>	<b>2,076,489,757</b>	<b>24,304,263,204</b>
Accrued interest receivables	211,425,079	38,916,376	356,864	1,336,659	24,146,971	276,181,949

	31 December 2003					
	Company					
	Normal debts Baht	Specially mentioned debts Baht	Sub-standard debts Baht	Doubtful debts Baht	Possible loan loss Baht	Total Baht
Agriculture and mining	125,348,661	62,187	21,227,594	1,486,174	2,422,364	150,546,980
Manufacturing and commerce	1,570,905,888	590,674,262	57,200,673	99,716,076	793,253,624	3,111,750,523
Property development and construction	6,596,388,085	2,262,747,748	281,160,666	152,672,747	627,597,158	9,920,566,404
Public utility and services	399,285,713	23,976,314	33,776,671	58,529,074	77,628,914	593,196,686
Housing loans	51,885,214	5,064,640	3,383,714	10,662,959	150,601,947	221,598,474
Hire purchase loans	6,763,365,681	898,017,903	134,348,249	42,650,466	66,017,151	7,904,399,450
Others	501,147,714	78,546,165	84,842,874	23,817,494	358,968,599	1,047,322,846
<b>Total loans and receivables</b>	<b>16,008,326,956</b>	<b>3,859,089,219</b>	<b>615,940,441</b>	<b>389,534,990</b>	<b>2,076,489,757</b>	<b>22,949,381,363</b>
Accrued interest receivables	210,720,474	38,916,376	356,864	110,899	24,146,971	274,251,584

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7. Loans, receivables and accrued interest receivable (cont'd)

e) Classified by classification

Debt classification	31 December 2004			
	Consolidated			
	Loan outstanding and interest receivable Baht	Loan net of collateral Baht	% of allowance	Allowance for doubtful account Baht
Normal debts	27,771,548,232	16,408,096,411	1	164,080,964
Specially-mentioned debts	3,537,538,292	2,752,004,550	2	55,040,091
Sub-standard debts	2,578,825,238	627,656,003	20	125,531,200
Doubtful debts	1,249,039,566	661,295,054	50	330,647,527
Possible loan loss	2,412,892,469	1,450,202,465	100	1,450,202,465
Total	<u>37,549,843,797</u>	<u>21,899,254,483</u>		<u>2,125,502,247</u>
Additional allowance for some doubtful accounts				1,485,272,793
Total				<u>3,610,775,040</u>

Debt classification	31 December 2004			
	Company			
	Loan outstanding and interest receivable Baht	Loan net of collateral Baht	% of allowance	Allowance for doubtful account Baht
Normal debts	27,771,548,232	16,408,096,411	1	164,080,964
Specially-mentioned debts	3,537,538,292	2,752,004,550	2	55,040,091
Sub-standard debts	2,578,825,238	627,656,003	20	125,531,201
Doubtful debts	1,249,039,566	661,295,054	50	330,647,527
Possible loan loss	2,378,336,736	1,415,646,732	100	1,415,646,732
Total	<u>37,515,288,064</u>	<u>21,864,698,750</u>		<u>2,090,946,515</u>
Additional allowance for some doubtful accounts				1,485,272,793
Total				<u>3,576,219,308</u>

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7. Loans, receivables and accrued interest receivable (cont'd)

e) Classified by classification (cont'd)

Debt classification	31 December 2003			
	Consolidated			
	Loan outstanding and interest receivable Baht	Loan net of collateral Baht	% of allowance	Allowance for doubtful account Baht
Normal debts	16,016,027,696	9,767,317,478	1	97,673,175
Specially-mentioned debts	3,865,085,746	1,880,513,164	2	37,610,263
Sub-standard debts	617,825,456	295,096,262	20	59,019,252
Doubtful debts	390,309,780	154,928,458	50	77,464,229
Possible loan loss	2,139,574,738	1,163,235,151	100	1,163,235,151
Total	<u>23,028,823,416</u>	<u>13,261,090,513</u>		<u>1,435,002,070</u>
Additional allowance for some doubtful accounts				<u>1,677,013,749</u>
Total				<u>3,112,015,819</u>

Debt classification	31 December 2003			
	Company			
	Loan outstanding and interest receivable Baht	Loan net of collateral Baht	% of allowance	Allowance for doubtful account Baht
Normal debts	16,016,027,696	9,767,317,478	1	97,673,175
Specially-mentioned debts	3,865,085,746	1,880,513,164	2	37,610,263
Sub-standard debts	617,825,456	295,096,262	20	59,019,252
Doubtful debts	390,309,780	154,928,458	50	77,464,229
Possible loan loss	2,100,945,583	1,124,605,997	100	1,124,605,997
Total	<u>22,990,194,261</u>	<u>13,222,461,359</u>		<u>1,396,372,916</u>
Additional allowance for some doubtful accounts				<u>1,677,013,749</u>
Total				<u>3,073,386,665</u>

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**7. Loans, receivables and accrued interest receivable (cont'd)**

Loans, receivables and interest receivable from which recognition of income has been discontinued and are classified as required by the Bank of Thailand's notification are as follows:

	Consolidated			
	31 December 2004		31 December 2003	
	Principal Baht	Interest receivable Baht	Principal Baht	Interest receivable Baht
Loans and bills receivables	3,480,240,860	10,608,851	2,816,781,384	24,614,065
Securities business receivables	51,576,741	1,225,759	55,156,868	1,225,760
Hire-purchase receivables	692,512,319	2,173	243,015,866	669
Total loans and receivables from which recognition of income has been discontinued	<u>4,224,329,920</u>	<u>11,836,783</u>	<u>3,114,954,118</u>	<u>25,840,494</u>

	Company			
	31 December 2004		31 December 2003	
	Principal Baht	Interest receivable Baht	Principal Baht	Interest receivable Baht
Loans and bills receivables	3,480,240,860	10,608,851	2,816,781,384	24,614,065
Securities business receivables	18,608,090	-	22,167,938	-
Hire-purchase receivables	692,512,319	2,173	243,015,866	669
Total loans and receivables from which recognition of income has been discontinued	<u>4,191,361,269</u>	<u>10,611,024</u>	<u>3,081,965,188</u>	<u>24,614,734</u>

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8. Allowance for doubtful accounts

	31 December 2004					
	Consolidated					
	Normal debts	Specially mentioned debts	Sub-standard debts	Doubtful debts	Possible loan loss	Total
Baht	Baht	Baht	Baht	Baht	Baht	
At beginning of year	1,201,524,331	289,997,279	97,792,683	103,793,498	1,231,797,573	2,924,905,364
Add: Allowance for doubtful accounts (reversal)	(694,334,238)	(217,859,762)	671,742,248	375,566,571	611,707,545	746,822,364
Less: Bad debt written off	–	–	–	–	(173,434,705)	(173,434,705)
Allowance for doubtful accounts at end of year	507,190,093	72,137,517	769,534,931	479,360,069	1,670,070,413	3,498,293,023

	31 December 2004					
	Company					
	Normal debts	Specially mentioned debts	Sub-standard debts	Doubtful debts	Possible loan loss	Total
Baht	Baht	Baht	Baht	Baht	Baht	
At beginning of year	1,201,524,331	289,997,279	97,792,683	103,793,498	1,193,168,419	2,886,276,210
Add: Allowance for doubtful accounts (reversal)	(694,334,238)	(217,859,762)	671,742,248	375,566,571	615,780,966	750,895,785
Less: Bad debt written off	–	–	–	–	(173,434,705)	(173,434,705)
Allowance for doubtful accounts at end of year	507,190,093	72,137,517	769,534,931	479,360,069	1,635,514,680	3,463,737,290

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8. Allowance for doubtful accounts (cont'd)

	31 December 2003					
	Consolidated					
	Normal debts Baht	Specially mentioned debts Baht	Sub-standard debts Baht	Doubtful debts Baht	Possible loan loss Baht	Total Baht
At beginning of year	161,537,870	13,032,464	23,360,240	29,402,390	219,474,912	446,807,876
Add: Allowance for doubtful accounts	977,364,438	139,666,701	74,432,443	74,391,108	19,410,957	1,285,265,647
Less: Bad debt written off	-	-	-	-	(13,151,392)	(13,151,392)
Add: Written-back allowance for doubtful account*	62,622,023	137,298,114	-	-	1,006,063,096	1,205,983,233
Allowance for doubtful accounts at end of year	<u>1,201,524,331</u>	<u>289,997,279</u>	<u>97,792,683</u>	<u>103,793,498</u>	<u>1,231,797,573</u>	<u>2,924,905,364</u>

	31 December 2003					
	Company					
	Normal debts Baht	Specially mentioned debts Baht	Sub-standard debts Baht	Doubtful debts Baht	Possible loan loss Baht	Total Baht
At beginning of year	161,537,870	13,032,464	23,360,240	29,402,390	181,305,533	408,638,497
Add: Allowance for doubtful accounts	977,364,438	139,666,701	74,432,443	74,391,108	18,951,182	1,284,805,872
Less: Bad debt written off	-	-	-	-	(13,151,392)	(13,151,392)
Add: Written back allowance for doubtful account*	62,622,023	137,298,114	-	-	1,006,063,096	1,205,983,233
Allowance for doubtful accounts at end of year	<u>1,201,524,331</u>	<u>289,997,279</u>	<u>97,792,683</u>	<u>103,793,498</u>	<u>1,193,168,419</u>	<u>2,886,276,210</u>

\*In 2003, the company wrote back the doubtful debts where 100% of provision had been set up according to the Bank of Thailand's requirements amounted to Baht 1,205,983,233. This has resulted to the increase of loans and allowance for doubtful accounts in the same amount.

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## 9. Allowance for troubled debt restructuring

	Consolidated and Company	
	31 December 2004 Baht	31 December 2003 Baht
At beginning of year	187,110,455	12,172,527
Increase (decrease) during year	(74,628,438)	174,937,928
At end of year	112,482,017	187,110,455

## 10. Properties foreclosed

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Properties foreclosed	4,953,703,159	4,107,145,094	4,050,844,835	3,247,473,928
Add (less): Provision for diminution in value of properties foreclosed	(3,800,097)	27,074,378	(628,092,682)	(519,341,970)
Net properties foreclosed	4,949,903,062	4,134,219,472	3,422,752,153	2,728,131,958

Properties foreclosed are acquired by assets transferred, by auction and by the repossession for the debt settlement.

	31 December 2004		
	Consolidated		Total
	Immovable assets Baht	Movable assets Baht	Baht
At beginning of year	4,004,936,701	102,208,393	4,107,145,094
Additions	1,202,152,283	466,246,733	1,668,399,016
Disposals	(502,873,176)	(318,967,775)	(821,840,951)
At end of year	4,704,215,808	249,487,351	4,953,703,159
Add (less) : Provision for diminution in value of properties foreclosed	20,726,751	(24,526,848)	(3,800,097)
Net properties foreclosed	4,724,942,559	224,960,503	4,949,903,062



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**10. Properties foreclosed (cont'd)**

	31 December 2004		
	Company		
	Immovable assets Baht	Movable assets Baht	Total Baht
At beginning of year	3,145,265,536	102,208,393	3,247,473,929
Additions	1,049,380,358	466,246,733	1,515,627,091
Disposals	(393,288,410)	(318,967,775)	(712,256,185)
At end of year	3,801,357,484	249,487,351	4,050,844,835
Less : Provision for diminution in value of properties foreclosed	(603,565,834)	(24,526,848)	(628,092,682)
Net properties foreclosed	3,197,791,650	224,960,503	3,422,752,153

	31 December 2003		
	Consolidated		
	Immovable assets Baht	Movable assets Baht	Total Baht
At beginning of year	4,509,508,572	53,301,332	4,562,809,904
Additions	1,368,590,819	172,047,034	1,540,637,853
Disposals	(1,873,162,690)	(123,139,973)	(1,996,302,663)
At end of year	4,004,936,701	102,208,393	4,107,145,094
Add (less): Provision for diminution in value of properties foreclosed	33,934,042	(6,859,664)	27,074,378
	4,038,870,743	95,348,729	4,134,219,472

	31 December 2003		
	Company		
	Immovable assets Baht	Movable assets Baht	Total Baht
At beginning of year	3,363,698,249	53,301,331	3,416,999,580
Additions	1,184,852,530	172,047,034	1,356,899,564
Disposals	(1,403,285,243)	(123,139,973)	(1,526,425,216)
At end of year	3,145,265,536	102,208,392	3,247,473,928
Less : Provision for diminution in value of properties foreclosed	(512,482,306)	(6,859,664)	(519,341,970)
	2,632,783,230	95,348,728	2,728,131,958

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**11. Land, premises and equipment, net**

	Consolidated					Total Baht
	Land Baht	Building Baht	Office equipment Baht	Furniture and fixtures Baht	Motor vehicle Baht	
As at 31 December 2003						
Cost	57,799,544	42,445,552	360,752,891	172,975,706	90,123,104	724,096,797
Less: Accumulated depreciation	-	(20,244,300)	(283,199,869)	(140,211,317)	(44,295,973)	(487,951,459)
Net book amount	57,799,544	22,201,252	77,553,022	32,764,389	45,827,131	236,145,338
For the year ended 31 December 2004						
Opening net book amount	57,799,544	22,201,252	77,553,022	32,764,389	45,827,131	236,145,338
Additions	24,234,402	793,000	59,197,488	80,460,656	47,475,613	212,161,159
Disposals	-	-	(308,504)	(3,405)	(1,259,743)	(1,571,652)
Depreciation charge	-	(1,847,550)	(31,254,702)	(17,005,762)	(18,276,935)	(68,384,949)
Closing net book amount	82,033,946	21,146,702	105,187,304	96,215,878	73,766,066	378,349,896
As at 31 December 2004						
Cost	82,033,946	43,238,552	401,868,940	214,344,157	123,555,779	865,041,374
Less: Accumulated depreciation	-	(22,091,850)	(296,681,636)	(118,128,279)	(49,789,713)	(486,691,478)
Net book amount	82,033,946	21,146,702	105,187,304	96,215,878	73,766,066	378,349,896
	Company					Total Baht
	Land Baht	Building Baht	Office equipment Baht	Furniture and fixtures Baht	Motor vehicle Baht	
As at 31 December 2003						
Cost	57,799,544	36,463,616	140,592,311	60,557,517	67,643,615	363,056,603
Less: Accumulated depreciation	-	(14,262,365)	(107,008,909)	(50,714,472)	(33,692,779)	(205,678,525)
Net book amount	57,799,544	22,201,251	33,583,402	9,843,045	33,950,836	157,378,078
For the year ended 31 December 2004						
Opening net book amount	57,799,544	22,201,251	33,583,402	9,843,045	33,950,836	157,378,078
Additions	24,234,402	793,000	20,011,188	15,414,343	24,867,673	85,320,606
Disposals	-	-	(280,864)	-	(226,938)	(507,802)
Depreciation charge	-	(1,847,550)	(13,705,212)	(4,101,583)	(12,219,373)	(31,873,718)
Closing net book amount	82,033,946	21,146,701	39,608,514	21,155,805	46,372,198	210,317,164
As at 31 December 2004						
Cost	82,033,946	37,256,616	147,127,182	72,999,148	84,416,521	423,833,413
Less: Accumulated depreciation	-	(16,109,915)	(107,518,668)	(51,843,343)	(38,044,323)	(213,516,249)
Net book amount	82,033,946	21,146,701	39,608,514	21,155,805	46,372,198	210,317,164

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## 12. Intangible assets

	Consolidated			
	Software Baht	Leasehold right Baht	License fee Baht	Total Baht
At 31 December 2003				
Cost	49,719,101	5,832,790	–	55,551,891
Less: Accumulated amortisation	(36,425,902)	(3,123,393)	–	(39,549,295)
Net book value	13,293,199	2,709,397	–	16,002,596
For the year ended 31 December 2004				
Opening net book value	13,293,199	2,709,397	–	16,002,596
Addition	9,504,084	–	89,703	9,593,787
Amortisation charge	(4,663,047)	(429,594)	(20,043)	(5,112,684)
Closing net book value	18,134,236	2,279,803	69,660	20,483,699
At 31 December 2004				
Cost	59,223,185	5,832,790	99,999	65,155,974
Less: Accumulated amortisation	(41,088,949)	(3,552,987)	(30,339)	(44,672,275)
Net book value 31 December 2004	18,134,236	2,279,803	69,660	20,483,699
	Company			
	Software Baht	Leasehold right Baht	License fee Baht	Total Baht
At 31 December 2003				
Cost	36,422,487	555,789	–	36,978,276
Less: Accumulated amortisation	(30,830,787)	(318,195)	–	(31,148,982)
Net book value	5,591,700	237,594	–	5,829,294
For the year ended 31 December 2004				
Opening net book value	5,591,700	237,594	–	5,829,294
Addition	3,090,699	–	–	3,090,699
Amortisation charge	(1,312,035)	(237,594)	–	(1,549,629)
Closing net book value	7,370,364	–	–	7,370,364
At 31 December 2004				
Cost	39,513,186	555,789	–	40,068,975
Less: Accumulated amortisation	(32,142,822)	(555,789)	–	(32,698,611)
Net book value 31 December 2004	7,370,364	–	–	7,370,364

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### 13. Other assets, net

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Interest and other income receivables	19,645,898	26,090,304	19,248,337	25,707,507
Dividend receivables	651,337	169,875	–	110,810,704
Other income receivables	9,041,456	15,808,895	7,725,647	19,036,643
Deferred expenses				
– commission on hire purchase	252,468,647	129,864,857	252,468,647	129,864,857
– underwriting fee on bonds	9,274,740	17,555,190	9,274,740	17,555,190
Prepaid output tax for hire purchase receivables	25,272,345	11,955,288	25,272,345	11,955,288
Other receivables, net	1,152,550	92,130,393	367,440	238,250
Refundable deposit	28,051,090	25,997,152	18,381,661	18,985,900
Withholding tax	25,037,861	69,862,873	24,041,342	66,607,920
Receivables from trading securities	198,720	591,613	922,778	591,613
Receivables - subsidiary	–	–	1,039,275	31,096,784
Receivables - Revenue Department	23,647,029	–	23,647,029	–
Others	50,905,473	32,542,940	18,056,444	4,039,473
<b>Total other assets</b>	<b>445,347,146</b>	<b>422,569,380</b>	<b>400,445,685</b>	<b>436,490,129</b>
Commission expense on hire purchase	84,772,337	54,442,403	84,772,337	54,442,403
Underwriting fee expense on bond	3,403,493	4,430,878	3,403,493	4,430,878

Interest other income receivable and other receivable as at 31 December 2004 are shown of Baht 111,299 in the consolidated and company financial statements (31 December 2003: Baht 81,368).

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## 14. Borrowings and deposits

### a) Classified by source of borrowing and deposits

	31 December 2004			
	Consolidated			
	Promissory note Baht	NCD Baht	Others Baht	Total Baht
From public	29,234,864,455	36,875,730	2,300,000,000	31,571,740,185
From banks	710,000,000	-	31,593,147	741,593,147
From financial institutions	1,879,369,997	-	170,000,000	2,049,369,997
From foreign sources	55,352,642	-	-	55,352,642
Total borrowings and deposits	31,879,587,094	36,875,730	2,501,593,147	34,418,055,971

	31 December 2004			
	Company			
	Promissory note Baht	NCD Baht	Others Baht	Total Baht
From public	30,534,864,455	36,875,730	2,300,000,000	32,871,740,185
From financial institutions	590,000,000	-	31,302,252	621,302,252
From foreign sources	1,905,500,000	-	170,000,000	2,075,500,000
Total borrowings and deposits	55,352,641	-	-	55,352,641
	33,085,717,096	36,875,730	2,501,302,252	35,623,895,078

	31 December 2003			
	Consolidated			
	Promissory note Baht	NCD Baht	Others Baht	Total Baht
From public	17,631,255,311	921,261,771	-	18,552,517,082
From banks	-	-	1,632,926	1,632,926
From financial institutions	915,600,000	8,000,000	266,692,661	1,190,292,661
From foreign sources	3,858,397	-	-	3,858,397
Total borrowings and deposits	18,550,713,708	929,261,771	268,325,587	19,748,301,066

	31 December 2003			
	Company			
	Promissory note Baht	NCD Baht	Others Baht	Total Baht
From public	17,761,736,275	921,261,771	-	18,682,998,046
From financial institutions	915,600,000	8,000,000	170,000,000	1,093,600,000
From foreign sources	3,858,397	-	-	3,858,397
Total borrowings and deposits	18,681,194,672	929,261,771	170,000,000	19,780,456,443

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14. Borrowings and deposits (cont'd)

b) Classified by maturity

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
On demand or become due	774,882,348	245,754,618	665,591,514	119,121,692
Less than one year	15,767,378,628	3,398,370,075	17,082,508,570	3,557,158,378
Over one year	17,875,794,995	16,104,176,373	17,875,794,994	16,104,176,373
Total borrowings and deposits	34,418,055,971	19,748,301,066	35,623,895,078	19,780,456,443

15. Unsecured and senior bonds

	Consolidated and company	
	2004 Baht	2003 Baht
At beginning of year	6,435,000,000	5,700,000,000
Less : Redemption during year	-	(2,265,000,000)
Add : Issuing during year	-	3,000,000,000
At end of year	6,435,000,000	6,435,000,000

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**15. Unsecured and senior bonds (cont'd)**

The details of unsecured and senior bonds are as follows:

	Interest rate (percentage)	Par value (Baht)	Unit : share			Term of interest payment	Due for redemption
			31 December 2003	Redemption during year	Issuing during year		
KK069A	6.25 - 6 month fixed deposit interest rate per annum for year 2003 and 2004 and 4.15 per annum for year 2005 and 2006	1,000	1,500,000	-	-	1,500,000	2 <sup>nd</sup> of March and September 2006
KK079A	4.40 per annum	1,000	1,000,000	-	-	1,000,000	2 <sup>nd</sup> of March and September 2007
KK073A	4.00 per annum	1,000	935,000	-	-	935,000	16 <sup>th</sup> of March and September 2007
KK087A	2.40 per annum	1,000	3,000,000	-	-	3,000,000	17 <sup>th</sup> of January and July 2008
			6,435,000	-	-	6,435,000	

The company entered into interest rate swap agreement for KK079A. The details of interest rate swap agreement have been disclosed in note 28.

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## 16. Other liabilities

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Accrued interest expenses	246,954,186	168,333,736	247,683,201	169,142,009
Other accounts payable	343,744,530	286,331,382	352,261,110	189,358,597
Stocks subscription payable	218,570,228	950,824,646	218,570,228	950,824,646
Accrued bonus	254,496,006	319,317,873	202,114,978	197,696,308
Accrued fee and other expenses	83,986,260	154,441,435	19,373,215	132,257,603
Income tax payable	124,209,871	15,897,751	123,595,128	-
Specific business tax payable	50,469,056	50,033,868	50,319,589	49,815,773
Value added tax payable	2,111,696	19,859,763	8,563	13,622,624
Up-front fee	303,054,646	364,488,827	303,054,646	364,488,827
Others	121,764,048	100,529,279	46,685,075	24,017,918
Total other liabilities	<u>1,749,360,527</u>	<u>2,430,058,560</u>	<u>1,563,665,733</u>	<u>2,091,224,305</u>

## 17. Share capital

### Ordinary shares

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Registered				
715,460,030 ordinary shares of Baht 10 each (31 December 2003: 715,460,030 ordinary shares)	<u>7,154,600,300</u>	<u>7,154,600,300</u>	<u>7,154,600,300</u>	<u>7,154,600,300</u>
Issued and fully paid-up				
471,101,192 ordinary shares of Baht 10 each (31 December 2003: 376,077,652 ordinary shares)	<u>4,711,011,920</u>	<u>3,760,776,520</u>	<u>4,711,011,920</u>	<u>3,760,776,520</u>



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**17. Share capital (cont'd)**

	31 December 2003					Decrease during the year					31 December 2004			
	Unit	Price per unit (Baht)	Amount (Baht)	Increase during the year (Unit)	Cancel (Unit)	Exercise (Unit)	Amount (Baht)	Exercise rate to purchase ordinary share per 1 unit of warrant	Share capital issued during year (Share)	Exercise price (Baht)	Amount (Baht)	Unit	unit (Baht)	Amount (Baht)
KK#2	11,873,277	-	-	-	-	11,357,014	-	1,29217	14,675,192	10.00	146,751,920	516,263	-	-
KK#3	96,914,032	2.30	222,902,274	-	-	57,646,605	132,587,192	1.13362	65,349,344	12.35	807,064,398	39,267,427	2.30	90,315,082
KK#4	135,805,426	-	-	-	-	13,963,803	-	1.00000	13,963,803	19.53	272,713,072	121,841,623	-	-
ESOP														
Warrant	1,950,500	-	-	154,000	35,000	1,035,250	-	1.00000	1,035,250	15.62	16,170,605	1,034,250	-	-
	246,543,235		222,902,274	154,000	35,000	84,002,672	132,587,192		95,023,589		1,242,699,995	162,659,563		90,315,082

Warrant KK#2 can be exercised on the 30<sup>th</sup> of every quarter ended starting from 30 December 1998 to 30 September 2008.

Warrant KK#3 can be exercised on the 30<sup>th</sup> of every quarter ended starting from 31 December 1999 to 30 March 2009.

Warrant KK#4 can be exercised on the 30<sup>th</sup> of every quarter ended starting from 30 March 2001 to 30 December 2010.

ESOP warrant which offered to the management, to directors and employees of the company and of its subsidiaries can be exercised on the 30th of every quarter ended throughout the 4 years, from 2003 to 2005.

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## 18. Capital funds

The capital fund maintained by the company under Section 4 of the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business, B.E. 2522 are as follows:

	Company	
	31 December 2004 Baht	31 December 2003 Baht
Issued and paid-up capital	4,711,011,920	3,760,776,520
Warrants	90,315,082	222,902,274
Share premium	2,365,185,571	1,940,134,360
Legal reserve	448,312,407	345,069,027
General reserve	380,000	380,000
Unappropriated retained earnings	6,565,489,691	5,820,569,967
Unrealised loss on investment in equity securities	(1,443,543)	(6,624,517)
Total tier 1 capital	14,179,251,128	12,083,207,631
Tier 2 capital	279,365,482	278,036,431
Total capital fund	14,458,616,610	12,361,244,062

## 19. Legal reserve

Under the public companies Act 1992, the company allocates not less than 5 percent of its annual net profit less the accumulated loss brought forward (if any) to a reserve until this fund attains an amount not less than 10 percent of the registered share capital.

## 20. Other income

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Penalty income	26,390,394	26,998,630	25,235,418	26,345,302
Profit from sales of foreclosed assets	444,133,928	1,084,564,033	210,604,141	371,060,093
Gain from revaluation foreclosed assets	97,931,079	98,302,408	-	-
Profit from sales fixed assets	5,239,320	5,006,444	3,764,454	4,910,476
Profit from interest rate swap	48,893,144	52,252,124	48,893,144	52,252,124
Other income	35,605,624	39,010,141	10,823,679	14,507,102
Total other income	658,193,489	1,306,133,780	299,320,836	469,075,097

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## 21. Other expenses

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Commission expense on hire-purchase contracts	85,903,679	54,442,403	85,903,679	54,442,403
Contribution to the Financial Institution Development Fund	84,577,879	95,700,059	84,577,879	95,700,059
Loss from revaluation and sale of foreclosed assets	196,786,389	188,927,009	189,698,606	188,927,009
Fee on fund management	147,537,219	117,639,596	-	-
Fee on investment in loan	47,535	146,607,399	13,046	145,844,323
Goodwill amortisation	-	49,247,260	-	-
Repossessed cars repair expenses	144,870	144,933	144,870	144,933
Court and legal fee	8,397,775	(7,210,524)	7,556,767	(7,792,129)
Other expenses	425,493,834	200,619,098	342,961,034	142,173,328
<b>Total other expenses</b>	<b>948,889,180</b>	<b>846,117,233</b>	<b>710,855,881</b>	<b>619,439,926</b>

## 22. Income tax

	Company	
	For the year ended 31 December	
	2004 Baht	2003 Baht
Income before income tax	2,340,587,422	2,064,867,600
Income not subject to tax	(1,061,351,429)	(1,488,264,244)
Expenses not deductible for tax purposes	471,591,103	1,181,723,787
Unutilised tax losses brought forward	(1,310,502,258)	(3,068,829,401)
<b>Taxable income (loss)</b>	<b>440,324,838</b>	<b>(1,310,502,258)</b>
Corporate income tax	132,097,452	-

Income tax, which presented in consolidated financial statements for the year ended 31 December 2004 and 2003 included the income tax of subsidiaries at Baht 20.08 million and Baht 16.14 million, respectively.

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## 23. Earnings per share

	Consolidated and Company		
	31 December 2004		
	Income available Baht	Ordinary shares	Per share Baht
<b>Basic earnings per share</b>			
Net profit available to ordinary shareholders	2,208,489,970	463,343,924	4.77
<b>Effect of assumed conversion</b>			
Warrants	–	87,309,365	
<b>Diluted earnings per share</b>			
Net profit available to ordinary shareholders plus assumed conversions	2,208,489,970	550,653,289	4.01
	Consolidated and Company		
	31 December 2003		
	Income available Baht	Ordinary shares	Per share Baht
<b>Basic earnings per share</b>			
Net profit available to ordinary shareholders	2,064,867,600	359,467,672	5.74
<b>Effect of assumed conversion</b>			
Warrants	–	138,096,322	
<b>Diluted earnings per share</b>			
Net profit available to ordinary shareholders plus assumed conversions	2,064,867,600	497,563,994	4.15

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## 24. Commitments

- a) The company has operating lease commitments in respect of office space, payable from the balance sheet date as follows:

	Consolidated		Company	
	31 December 2004 Baht	31 December 2003 Baht	31 December 2004 Baht	31 December 2003 Baht
Within one year	28,851,632	29,910,261	8,298,111	12,227,743
Within two years	11,191,620	12,362,144	1,070,316	1,853,750
Over three years	5,471,555	1,823,444	388,105	395,000
	45,514,807	44,095,849	9,756,532	14,476,493

- b) The company has commitments in respect of assets received in satisfaction of trouble debts restructuring. The company has granted an option to debtors for repurchasing the assets within 1 - 5 years. The company has recorded the referred assets in financial statements under "Foreclosed assets". The details of such assets classified by outstanding term of contract are as follows:

	31 December 2004 Baht	31 December 2003 Baht
Less than 2 months	2,585,277	27,893,108
2 - 12 months	276,155,670	329,427,496
Over 12 months but less than 24 months	28,651,345	83,631,538
Over 24 months but less than 36 months	34,276,541	26,987,979
Over 36 months but less than 60 months	21,331,476	43,744,528
	363,000,309	511,684,649

## 25. Contingent liabilities

	Consolidated and company	
	31 December 2004 Baht	31 December 2003 Baht
Guarantee – Loans	631,938,615	410,338,166
– Others	–	10,500,000
Total	631,938,615	420,838,166
Aval bills of exchange	62,054,644	382,000,000
Commitments on interest rate swap contract	1,000,000,000	3,500,000,000

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## 26. Segment information

(Baht'million)

	Consolidated		
	For the year ended 31 December 2004		
	Finance business	Securities business	Total
Net interest and dividend income after bad debts and doubtful accounts	2,795.92	11.52	2,807.44
Non-interest income	1,081.17	518.52	1,599.69
Total income	3,877.09	530.04	4,407.13
Non-interest expenses	(1,564.51)	(479.75)	(2,044.26)
Income tax	(132.24)	(19.88)	(152.12)
Total expenses	(1,696.75)	(499.63)	(2,196.38)
Income before minority interests	2,180.34	30.41	2,210.75
Less : Share in net income to minority interests	(2.26)	-	(2.26)
Net income for year	2,178.08	30.41	2,208.49

(Baht'million)

	Consolidated		
	For the year ended 31 December 2003		
	Finance business	Securities business	Total
Net interest and dividend income after bad debts and doubtful accounts	1,839.72	(38.08)	1,801.64
Non-interest income	1,509.60	657.85	2,167.45
Total income	3,349.32	619.77	3,969.09
Non-interest expenses	(1,435.61)	(447.64)	(1,883.25)
Income tax	(0.36)	(15.78)	(16.14)
Total expenses	(1,435.97)	(463.42)	(1,899.39)
Income before minority interests	1,913.35	156.35	2,069.70
Less : Share in net income to minority interests	(4.84)	-	(4.84)
Net income for year	1,908.51	156.35	2,064.86

(Baht'million)

	Consolidated		
	31 December 2004		
	Finance business	Securities business	Total
Net investment in securities	2,336.78	377.11	2,713.89
Net loans, receivables and accrued interest receivable	34,387.19	584.04	34,971.23
Net investment in loans	11,501.48	-	11,501.48
Net investment in properties	213.04	-	213.04
Other assets	7,489.64	565.02	8,054.66
Total assets	55,928.13	1,526.17	57,454.30

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## 26. Segment information (Cont'd)

(Baht'million)

	Consolidated		
	31 December 2004		
	Finance business	Securities business	Total
Net investment in securities	3,148.00	421.94	3,569.94
Net loans, receivables and accrued interest receivable	20,145.09	1,323.33	21,468.42
Net investment in loans	9,463.85	-	9,463.85
Net investment in properties	300.66	-	300.66
Other assets	7,008.93	859.12	7,868.05
Total assets	40,066.53	2,604.39	42,670.92

The company operates only in Thailand and no segment information by geographical area is presented accordingly.

## 27. Staff provident fund

The company paid to provident fund for the year ended 31 December 2004 amount of Baht 6,088,332 (31 December 2003 : Baht 5,466,294).

## 28. Financial instruments

Risks relating to significant financial instruments held by the company are summarised below.

### *Credit risk*

The Group has policies in place to ensure that loans are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any client or financial institution.

Concentration of credit risk relative to the company's loans and receivables summarised by type of industry is as follows:

	31 December 2004		31 December 2003	
	Consolidated Bht' 000	Company Bht' 000	Consolidated Bht' 000	Company Bht' 000
Agriculture and mining	104,587	104,587	150,547	150,547
Manufacturing and commerce	2,271,517	2,271,517	3,111,751	3,111,751
Real estate and constructions	14,891,850	14,891,850	9,920,566	9,920,566
Utilities and services	817,251	817,251	593,197	593,197
Housing loans	151,509	151,509	221,598	221,598
Hire purchase - automobile	18,097,158	18,097,382	7,904,399	7,904,399
Others	1,708,048	1,101,424	2,402,205	1,047,323
Total loans and receivables	38,041,920	37,435,520	24,304,263	22,949,381

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## 28. Financial instruments (cont'd)

### *Interest Rate Risk and Liquidity Risk*

The matching of the long-term source of funds and investment or long-term loans is the fundamental of the company's liquidity risk management. In addition, the management over liabilities with the proper maturity and low funding cost is also the company's fundamental. It is unusual for the company ever to be completely matched since business transacted is often of uncertain term and of different types. The company has the committee to control over interest rate risk and liquidity risk by having weekly meeting to completely match, at an acceptable cost.

### *Interest rate risk*

Most of the company's assets are subject to fluctuations in interest rate in the market. Interests on loans and receivables are mainly based on floating rates, linked to, for examples, Minimum Lending Rate (MLR) plus or Minimum Overdraft Rate (MOR) plus. Loans and receivables as at 31 December 2004 summarised under fixed and floating interest rate classifications are as follows:

	31 December 2004		31 December 2003	
	Consolidated Bht' 000	Company Bht' 000	Consolidated Bht' 000	Company Bht' 000
Loans and receivables with fixed interest rate	34,579,463	34,579,688	20,282,904	20,282,904
Loans and receivables with floating interest rate	3,462,457	2,855,832	4,021,359	2,666,477
Total loans and receivables	38,041,920	37,435,520	24,304,263	22,949,381

The average balances of significant performing financial assets and financial liabilities, including the average interest and dividend income are summarised as follows:

	Company		
	For the year ended 31 December 2004		
	Average outstanding balances Bht' 000	Interest and dividend income Bht' 000	Average rate %
<i>Significant performing financial assets</i>			
Cash and deposits at banks	427,358	641	0.15
Net investment in securities	12,848,378	1,191,160	9.27
Net investment in loans	4,841,293	162,308	3.35
Loans and receivables	30,927,185	3,257,159	10.53
Securities purchased under resale agreements	916,667	15,802	1.72
	49,960,881	4,627,070	9.26
<i>Significant financial liabilities</i>			
Borrowings and deposits	28,424,094	736,757	2.59
Debentures and convertible debentures	6,435,000	228,433	3.55
	34,859,094	965,190	2.77



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28. Financial instruments (cont'd)

	Consolidated		
	For the year ended 31 December 2004		
	Average outstanding balances Bht' 000	Interest and dividend income Bht' 000	Average rate %
<i>Significant performing financial assets</i>			
Cash and deposits at banks	1,077,958	10,469	0.97
Net investment in securities	3,316,030	138,438	4.17
Net investment in loans	9,467,639	1,026,491	10.84
Loans and receivables	32,796,708	3,254,771	9.92
Securities purchased under resale agreements	950,000	19,815	2.09
	<u>47,608,335</u>	<u>4,449,984</u>	<u>9.35</u>
<i>Significant financial liabilities</i>			
Borrowings and deposits	28,443,907	724,078	2.55
Debentures and convertible debentures	6,435,000	228,433	3.55
	<u>34,878,907</u>	<u>952,511</u>	<u>2.73</u>
	Company		
	For the year ended 31 December 2003		
	Average outstanding balances Bht' 000	Interest and dividend income Bht' 000	Average rate %
<i>Significant performing financial assets</i>			
Cash and deposits at banks	447,724	1,458	0.33
Net investment in securities	14,623,787	1,826,941	12.49
Net investment in loans	2,832,292	14,934	0.53
Loans and receivables	19,615,559	2,730,794	13.92
Securities purchased under resale agreements	308,333	9,257	3.00
	<u>37,827,695</u>	<u>4,583,384</u>	<u>12.12</u>
<i>Significant financial liabilities</i>			
Borrowings and deposits	21,755,196	720,928	3.31
Securities sold under repurchased agreement	244,167	5,250	2.15
Debentures and convertible debentures	5,595,185	237,684	4.25
	<u>27,594,548</u>	<u>963,862</u>	<u>3.49</u>

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28. Financial instruments (cont'd)

	Consolidated		
	For the year ended 31 December 2003		
	Average outstanding balances Bht' 000	Interest and dividend income Bht' 000	Average rate %
<i>Significant performing financial assets</i>			
Cash and deposits at banks	1,484,353	6,152	0.41
Net investment in securities	2,990,981	138,713	4.64
Net investment in loans	9,166,399	1,282,688	13.99
Loans and receivables	20,805,717	2,728,436	13.11
Securities purchased under resale agreements	762,500	16,927	2.22
	<u>35,209,950</u>	<u>4,172,916</u>	<u>11.85</u>
<i>Significant financial liabilities</i>			
Borrowings and deposits	20,490,059	705,741	3.44
Securities sold under repurchased agreement	180,000	5,250	2.92
Debentures and convertible debentures	<u>5,314,167</u>	<u>237,684</u>	<u>4.47</u>
	<u>25,984,226</u>	<u>948,675</u>	<u>3.65</u>

*Liquidity risk*

Significant assets and liabilities of the company analysed by relevant maturity groupings are as follows:

	Company			(Baht'000)
	As at 31 December 2004			Total
	On demand	Within 1 year	Over 1 year	
<i>Significant assets</i>				
Cash and deposits at banks	650,267	2	–	650,269
Loans to financial institutions	84,150	79,213	–	163,363
Securities purchased under resale agreements	–	920,000	–	920,000
Net investment in securities	–	1,333,369	10,635,629	11,968,998
Net investment in loans	–	–	5,936,356	5,936,356
Hire purchase receivables	–	13,305	18,084,078	18,097,383
Loans and bills receivable	48,452	1,621,640	17,668,045	19,338,137
Total financial assets	<u>782,869</u>	<u>3,967,529</u>	<u>52,324,108</u>	<u>57,074,506</u>
<i>Significant liabilities</i>				
Borrowings and deposits	656,171	9,221,257	25,746,467	35,623,895
Debentures and convertible debentures	–	–	6,435,000	6,435,000
Total financial liabilities	<u>656,171</u>	<u>9,221,257</u>	<u>32,181,467</u>	<u>42,058,895</u>

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**28. Financial instruments (cont'd)**

	Consolidated			(Baht'000)
	As at 31 December 2004			
	On demand	Within 1 year	Over 1 year	Total
<i>Significant assets</i>				
Cash and deposits at banks	1,135,875	2,694	–	1,138,569
Securities purchased under resale agreements	–	37,850	–	37,850
Net investment in securities	150,000	920,000	–	1,070,000
Net investment in loans	–	1,676,059	1,037,832	2,713,891
Net investment in properties	–	3,851,015	7,650,468	11,501,483
Hire purchase receivables	–	13,305	18,083,854	18,097,159
Loans and bills receivable	53,516	2,191,417	17,699,828	19,944,761
<b>Total financial assets</b>	<b>1,339,391</b>	<b>8,692,340</b>	<b>44,471,982</b>	<b>54,503,713</b>
<i>Significant liabilities</i>				
Borrowings and deposits	765,462	7,906,127	25,746,467	34,418,056
Debentures and convertible debentures	–	–	6,435,000	6,435,000
<b>Total financial liabilities</b>	<b>765,462</b>	<b>7,906,127</b>	<b>32,181,467</b>	<b>40,853,056</b>
	Company			(Baht'000)
	As at 31 December 2003			
	On demand	Within 1 year	Over 1 year	Total
<i>Significant assets</i>				
Cash and deposits at banks	812,501	2	15,000	827,503
Loans to financial institutions	185,000	100,037	–	285,037
Securities purchased under resale agreements	–	260,000	–	260,000
Net investment in securities	–	348,110	12,595,716	12,943,826
Net investment in loans	–	–	3,347,248	3,347,248
Hire purchase receivables	–	18,065	7,886,334	7,904,399
Loans and bills receivable	22,168	1,659,237	13,363,577	15,044,982
<b>Total financial assets</b>	<b>1,019,669</b>	<b>2,385,451</b>	<b>37,207,875</b>	<b>40,612,995</b>
<i>Significant liabilities</i>				
Borrowings and deposits	119,122	3,557,158	16,104,176	19,780,456
Debentures and convertible debentures	–	–	6,435,000	6,435,000
<b>Total financial liabilities</b>	<b>119,122</b>	<b>3,557,158</b>	<b>22,539,176</b>	<b>26,215,456</b>

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28. Financial instruments (cont'd)

	Consolidated			(Baht'000)
	As at 31 December 2003			
	On demand	Within 1 year	Over 1 year	Total
<i>Significant assets</i>				
Cash and deposits at banks	2,576,620	2,689	15,000	2,594,309
Securities purchased under resale agreements	-	260,000	-	260,000
Net investment in securities	172,279	789,588	2,608,072	3,569,939
Net investment in loans	-	588,533	8,875,319	9,463,852
Net investment in properties	-	-	300,657	300,657
Hire purchase receivables	-	18,065	7,886,334	7,904,399
Loans and bills receivable	32,439	2,967,639	13,399,786	16,399,864
Total financial assets	2,781,338	4,626,514	33,085,168	40,493,020
<i>Significant liabilities</i>				
Borrowings and deposits	245,755	3,398,370	16,104,176	19,748,301
Debentures and convertible debentures	-	-	6,435,000	6,435,000
Total financial liabilities	245,755	3,398,370	22,539,176	26,183,301

*Fair values*

The carrying amounts of financial assets and financial liabilities approximate to their fair values.

*Interest rate swaps*

The company has entered into interest rate swap contracts to reduce interest rate risk for long-term bonds which has fixed interest rate.

The company has entered into interest rate swap contracts for KK079A bonds with fixed interest rate that entitle it to receive interest at floating rates on notional amounts and oblige it to pay interest at fixed rate on the same amounts. Under the interest rate swaps, the company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts. At 31 December 2004, the notional principal amounts is Baht 1,000 million, the fixed rate is 4.40% per annum and the floating rate is linked to MLR 4 bank average - 3.60% per annum. The interest rate swaps will be matured on 2 September 2007.

The net fair value of the interest rate swap was

	31 December 2004 Baht	31 December 2003 Baht
Favourable interest rate swap contract	35,373,426	41,264,044
Unfavourable interest rate swap contract	-	-

The fair value of interest rate swap has been calculated using rate quoted by the banker to terminate the contract at the balance sheet date.

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## 29. Troubled debts restructuring

As at 31 December 2004, the company has completed the troubled debts restructuring and loss incurring with 10 debtors (31 December 2003 : 5 debtors) who have the outstanding balance before restructuring amount of Baht 161.60 million (31 December 2003 : 78.64 million). The company has recognised a loss on a restructuring for the year amount of Baht 40.24 million (31 December 2003 : 6.19 million) in the statement of income under "Loss on troubled debt restructuring".

## 30. Information on quality of assets

The quality of assets classified in accordance with the guidelines of the Securities Exchange Commission as at 31 December 2004 are as follows:

### a) Investment in securities

The company has investment in debt instruments in companies, which were ordered to discontinue their operations and defaulted their debts as follows:

		Consolidated and Company			
		(Baht'million)			
Type of investment	Numbers	Cost	Market Value	Provision	
Financial institutions whose operations have been close down	Unsecured debenture	3	-	-	-
Financial institutions whose operations have been close down	Senior debenture	1	-	-	-
Non-listed companies which have default on interest payment	Senior debenture	4	-	-	-
Non-listed companies which have default on interest payment	Convertible debenture	3	-	-	-
		-	-	-	-

The company has recognised impairment loss on such debt instruments to the statement of income in the year when incurred.

### b) Loans, receivables and accrued interest receivable

The company has given loans, receivables and accrued interest receivables to companies who face the financial difficulties and provided related allowance for doubtful accounts in the consolidated and company financial statements as follows:

		Consolidated and Company			
		(Baht'million)			
	Numbers	Total debts	Collateral	Allowance for doubtful accounts	
Listed company which is under restructuring plan	4	343	92	252	

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### 31. Related parties transactions

The following material transactions were carried out with related parties

#### a) Income

For the year ended	Company	
	31 December 2004 Baht'million	31 December 2003 Baht'million
<b>Fee and services income</b>		
Asia Recovery Fund 1	1.22	5.56
Asia Recovery Fund 2	1.60	31.20
Asia Recovery Fund 3	1.20	-
Thai Restructuring Fund	2.90	8.40
	<u>6.92</u>	<u>45.16</u>
<b>Income under commitment agreement of securities business receivable</b>		
Kiatnakin Securities Co., Ltd.	-	59.79
	<u>-</u>	<u>59.79</u>
<b>Brokerage/other income</b>		
Kiatnakin Securities Co., Ltd.	4.81	5.05
	<u>4.81</u>	<u>5.05</u>
<b>Interest, dividend income and gain on repurchasing of unit trust</b>		
Kiatnakin Securities Co., Ltd.	2.95	1.07
Devonshire Kiatnakin Co., Ltd.	0.03	0.03
Asia Recovery Fund 1	114.93	264.47
Asia Recovery Fund 2	266.64	750.90
Asia Recovery Fund 3	106.84	234.50
Thai Restructuring Fund	227.50	449.14
Asia Recovery Property Fund 1	21.50	107.47
Asia Recovery Property Fund 3	232.81	-
Asia Recovery Property Fund 5	-	2.21
	<u>973.20</u>	<u>1,809.79</u>

The consolidated financial statements for the year ended 2004 included the brokerage income received from Kiatnakin Finance Public Company Limited and the directors and management at the position of department head and above amounting to Baht 3.72 million and Baht 5.06 million, respectively (2003 : 1.50 million and 3.32 million).

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**31. Related parties transactions (cont'd)**

**b) Expenses**

	Company	
	31 December 2004	31 December 2003
	Baht'million	Baht'million
For the year ended		
<b>Interest and discounts on borrowing</b>		
Kiatnakin Securities Co., Ltd.	1.80	1.07
Asia Recovery Fund 1	1.15	0.88
Asia Recovery Fund 2	4.48	5.75
Asia Recovery Fund 3	2.26	0.95
Thai Restructuring Fund	0.59	1.29
Asia Recovery Property Fund 1	0.36	1.68
Asia Recovery Property Fund 3	3.91	0.95
Asia Recovery Property Fund 5	-	3.93
Directors and management at the position of department head including their related person have control or significant influences	3.52	2.14
	18.07	18.64
<b>Rental and services expenses</b>		
Amarin Plaza Co., Ltd.	23.07	19.95
<b>Other expenses</b>		
Devonshire Kiatnakin Co., Ltd.	0.19	1.00

**c) Outstanding balances**

	Company	
	31 December 2004	31 December 2003
	Baht'million	Baht'million
<b>Loans to financial institutions / Other receivables / Other assets</b>		
Kiatnakin Securities Co., Ltd.	166.78	316.13
Devonshire Kiatnakin Co., Ltd.	0.22	0.91
Asia Recovery Fund 1	-	116.20
Thai Restructuring Fund	-	0.70
	167.00	433.94

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31. Related parties transactions (cont'd)

c) Outstanding balances (cont'd)

	Company	
	31 December 2004	31 December 2003
	Baht'million	Baht'million
<b>Other liabilities - Accrued interest expenses</b>		
Kiatnakin Securities Co., Ltd.	10.87	4.92
Asia Recovery Fund 1	0.07	-
Asia Recovery Fund 2	0.16	-
Asia Recovery Fund 3	0.09	-
Asia Recovery Property fund 1	0.01	-
Asia Recovery Property fund 3	0.13	0.38
Thai Restructuring Fund	0.01	-
	<u>11.34</u>	<u>5.30</u>

	Company			
	Weighted Average		Balance	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
	Baht' million	Baht' million	Baht' million	Baht' million
<b>Borrowings and deposits</b>				
Kiatnakin Securities Co., Ltd.	365.54	60.30	15.13	28.27
Asia Recovery Fund 1	355.50	76.76	200.00	-
Asia Recovery Fund 2	1,265.36	477.81	438.00	-
Asia Recovery Fund 3	669.71	97.51	253.00	-
Thai Restructuring Fund	159.18	119.20	40.00	-
Asia Recovery Property Fund 1	76.51	141.33	20.00	-
Asia Recovery Property Fund 3	1,115.49	88.13	360.00	130.48
Asia Recovery Property Fund 5	-	299.08	-	-
Director and management at the position of department head including their related person have control or significant influences	<u>766.91</u>	<u>90.81</u>	<u>35.90</u>	<u>62.30</u>
	<u>4,774.20</u>	<u>1,450.93</u>	<u>1,362.03</u>	<u>221.05</u>

As at 31 December 2004, close members of directors are co-guarantors for loans amounted to Baht 54.4 million (31 December 2003 : Baht 34.0 million).



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### 31. Related parties transactions (cont'd)

#### d) Pricing policies

Transactions between the company and related parties have been priced as follows:

- Fee and services income, which the funds paid to the company calculated at the rate specified in service agreement.
- Income under commitment agreement under securities business receivables received on outstanding balance, which the company could not claim from securities business receivables.
- Other income based on actual cost incurred.
- Interest income based on market price.
- Dividend income received as the rate declared by the fund.
- Gain on repurchasing of unit trust is calculated from net asset value of unit trust at the repurchased date deducted by the carrying value.
- Brokerage commission charges at the same rate given to third parties
- Interest and discounts on borrowing based on market price

### 32. Benefits paid to directors and executives

Monetary remunerations paid to directors are as follow:

	Consolidated		Company	
	2004 Baht	2003 Baht	2004 Baht	2003 Baht
Monetary directors' remunerations	10,706,667	6,830,000	8,125,000	5,206,667

### 33. Dividend

At the Ordinary Shareholders' Meeting no. 34 held on 9 April 2004, the shareholders resolved that dividends be paid from the operating results of 2003 at Baht 2.25 per share. Total dividends amount of Baht 1,021,717,650 was paid on 30 April 2004. Consequently an amount of Baht 103,243,380 was approved to transfer to the legal reserve.

At the Board of Director's Meeting no. 7/2547 held on 6 August 2004, the board resolved that the interim dividends be paid from the operating results as of 1 January - 30 June 2004 at Bath 1.00 per share. Total dividend amount of Baht 470,706,667 was paid on 3 September 2004.

### 34. The Financial Sector Master Plan

Following the Financial Sector Master Plan (the Plan), jointly collaborated by the Ministry of Finance and the Bank of Thailand and submitted to the cabinet on 6 January 2004, aims to improve efficiency, stability and competition within the financial institutions system, and to broaden accessibility of financial services to all potential users. As at 15 December 2004, the company granted an approval for commercial bank realignment from the Ministry of Finance to process as the plan within 1 year after the approval date.

## FINANCE OFFICES

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