

▪ Annual Report 2002
TISCO Finance Public Co., Ltd.

TISCO

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Financial Highlights
Company and
Subsidiaries

	2002		2001		2000		1999		1998
	MM baht	Change (%)	MM baht						
Financial Position									
Total Assets	49,212	4.6	47,059	15	40,802	-7	43,727	5	41,844
Loans and Receivables*	40,637	24.3	32,689	18	27,589	2	27,057	-19	33,300
Public Borrowings	30,944	-12.7	35,458	14	31,219	1	30,896	1	30,530
Total Liabilities	41,400	3.0	40,203	15	35,256	-10	39,324	1	38,869
Shareholders' Equity	7,812	16.8	6,689	21	5,546	26	4,403	48	2,975
Operating Results									
Total Revenues	3,346	9.6	3,053	4	4,383	3	4,275	5	4,062
Total Expenses	1,964	-3.6	2,038	4	3,261	-5	3,428	-45	6,234
Profit (Loss) before Bad debt and Doubtful Accounts	1,672	65.5	1,010	7	945	82	519	122	(2,334)
Bad debt and Doubtful Accounts	(518)	-202.9	(171)	188	(59)	-99	(4,993)	229	(1,516)
Net Profit (Loss)	1,154	37.5	839	-5	885	120	(4,474)	-16	(3,850)
Net Profit (Loss) per Share **	1.60	36.8	1.17	-7	1.26	120	(6.39)	83	(38.43)
Book Value per Share**	10.25	7.5	9.53	20	7.92	26	6.29	-79	29.69
Return on Average Assets (%)	2.35	23.0	1.91	-9	2.09	120	-10.50	-30	-8.10
Return on Average Shareholders' Equity (%)	15.9	13.8	13.71	-2.3	17.80	115	-121.29	53	-258.82
Number of Staff ***	1,292	7.8	1,198	19	1,179	72	1,107	475	632
Capital Adequacy									
Capital to Risk-Weighted Assets (BIS) (%)	19	11.8	17	5	16	11	14	81	8
Net Capital -Securities Business (NCR) (%)	254	-7.0	273	53	178	152	71	-73	262

* Including Loans to Financial Institutions

** Calculated on fully diluted basis.

*** Number of staff in 1997-1998 did not include Tru-Way Group.

Message from the Board

The year 2002 witnessed broad-based economic improvements across various sectors, regardless of the Middle East conflict that heightened in the second half of the year. Low interest rate encouraged a deviation from saving deposits to domestic consumption and investments. Search for alternative investments expanded into the stock market, asset management, and housing sectors. TISCO responded well to these shifting economic conditions, and so posted an overall very good performance. Net profit grew significantly by 37.5%, to 1,154 million baht in 2002. Return on equity was satisfactory at 16%.

Regardless of a heightened competitiveness in consumer financing, especially in automobile hire purchase, TISCO maintained the leading position in the business, a credit to its long-standing expertise. While total car sales grew by 38% in 2002, comparatively TISCO's car hire purchase portfolio expanded by 49%. In the stock brokerage business, implementation of the minimum fee regulation boosted income, and a review of customer segmentation and profitability helped us achieve a better mix of clientele. The business alignment with Deutsche Securities was fruitful, contributing to a significant part of TISCO business. In 2002, trading volume at TISCO grew by 78%, and the market share increased. In terms of volume, we were ranked seventh in the market.

For our dedication to better serve clients, in May 2002 TISCO was awarded "The Best Domestic Equity House" by Asiamoney Magazine. The selection was based on our success in IPO underwriting and outstanding brokerage research. TISCO was voted by international fund managers to have the second most improved research among international houses.

In 2002, TISCO issued five-year unsecured debentures worth 4.8 billion baht. This allowed us to better manage cost of funding and asset / liability duration. As a result, direct cost declined, overall spread increased from the previous year's, all at a reduced interest rate risk. We also focused on asset quality during the year, and the status of non-performing loans for both corporate and housing improved consistently. Achievements through the past year have confirmed that our strategic focus in various business areas were in the right direction.

Along with implementing new business strategies, TISCO continued with improving its internal operations. Emphasis on human resource development carried forward from past years. In order to establish a result-oriented culture, a performance management program was initiated, and the "Balanced Scorecard" concept was employed to tie operation and performance with strategy throughout the Group. A "Broad Banding System" has been established to determine accurate employee compensation competitive to the market and commensurate with staff competency so as to attract and retain the best-in-their-class professionals. A highflier program and a succession plan are in the

pipeline to assist the identification of successful employees and ensure smooth operational transition during human resource shifts. External consultation has been sought in the implementation of several human resource development programs to ensure their effectiveness.

Back office processes were continually improved to timely and effectively respond to customer demands, and an internal pricing policy was refined to promote cost awareness. With these efforts, operating expenses declined over the year while business expanded.

Recognizing that IT support is a key to operational efficiency, in 2002 TISCO hired external consultant to review IT strategy. A schedule of improvements has been drawn to integrate IT strategy so that it can best assist TISCO in terms of promoting operational efficiency and business expansion. With the blue print in place, we will implement the plan in order to support business strategy.

After the business consolidation and reassessment during the crisis years when only short-term plans were in focus, TISCO is now in a good position to monitor businesses on a longer-term basis, and to this effect a three-year rolling plan was established. In the next twelve months, we are confident that TISCO's core business expansion, specifically in retail finance, will continue. In the intermediate term, market liberalization, heightened competition in the retail finance market, deposit insurance, and stock market fee liberalization may exert challenges to the company. Conversely, consistent consumption growth, the low interest rate climate, the currently low stock market index, and mandatory provident fund will provide opportunities.

In order to deal with the challenges and maximize on the opportunities lying ahead, we look to further increase internal cost effectiveness to better attend an increasingly competitive environment. We also look to increase profitability via geographic expansion, increase in distribution channels, product innovation and diversification. We will accomplish this through the continued development of effective management, operational process, human resources and supporting technologies.

TISCO corporate governance will continue to be accorded great importance. Everyone at TISCO strongly adheres to the highest professional and ethical standards of corporate practices. To ensure good corporate governance, policies are set proactively at the Board level, and this systematically progresses to all businesses and supporting units. We are confident that with the business and operation models now properly implemented and with the continued adherence to high corporate governance standards, we will be able to deliver a sustained earnings growth well into the future.

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

Board of Directors

Organization Development

TISCO recognized that for long-term sustainable growth the company must continually evolve performance to maximize on opportunities. With the aim to strengthen long-term competitiveness, "direction statements" on vision, mission and values were revised and refined.

External consultants were brought in to analyse the company and propose a development plan to help sustain and enhance TISCO's competitive advantage. The refined direction statements were clearly communicated throughout the group. The company reflected on its culture, identifying shortages and promoted values that would accelerate improvements.

TISCO adopted the "Balanced Scorecard System", a management tool that transforms strategic planning into actual work process. It provides feedback from internal business process and external outcomes, so that the company can continuously improve strategic performance and results.

The company defined its "core competencies", derived from the "key success factors" for the different levels, group, leadership and function. The competencies aid in identifying human resource development needed to attain the business objectives.

Importing the "Broad Banding System" in the organization restructure, the company established a clear classification of roles and responsibility for all functions. This system reduces the hierarchy level and facilitates the determination of remuneration and benefits congruent with performance.

The "Performance Management System" formalizes the reward process in relation to achievement of set targets. The company supports this process through training, information and self-improvement programs.

Preparation and partial implementation of the projects has been on going since year 2001, with full effectiveness in 2003. The Board and senior management closely supervised the suitability, introduction and enforcement of new policies into the working environment. A strong foundation was laid and clear directions set for a motivated and competitive organization, and this will eventually effect the company's performance into the future.

Social Responsibilities

As a corporate citizen, we at TISCO take great satisfaction and pride in fulfilling our social responsibilities. Our contributions are made through two channels, the TISCO Foundation, and our employees.

The TISCO Foundation

In 1982, on the company's 10th anniversary, the TISCO Foundation for Charity was established as a non-profit organisation, with a focus to positively effect the long term development of Thailand, by helping its' society's under-privileged. Donations to the fund came mainly from the TISCO group, its' staff and customers, and to some extent, from the general public. This amount has been set aside as investment capital, with the accrued interest used in financing the foundation's main objectives. These include providing:

- nationwide youth scholarships, so that they may have the opportunity to better their own and their community's future
- business start-up capital grants to the needy, thereby, aiding self-reliance.
- medical funding for the infirm.

In 2002, 3,540 scholarships totaling 7,213,780 baht were handed out. Another 52 cases received medical aid and start-up capital grants, amounting to an additional 180,000 baht. Years of continuous service have seen the Foundation conferred a "Public Charity Organisation" status, and with it, the advantage of all donations received being fully tax deductible.

Employee Contribution

Our employees have repeatedly exhibited their social commitment, by both actively participating through the TISCO Foundation, and also by arranging their own paths of charity. A priority issue is the environment, and for over a decade now, the staff's "Earth Group" annually sets out with a green mission, to preserve existing trees as well as to plant new ones in deforested areas. Last

year the staff together helped in planting new trees at the Chulachomklao Royal Military Academy at Khao Changoke, Nakhon Nayok province.

Aside from the regular activities like donating blood to the Red Cross every quarter and tending to matters of environmental significance, our people hosted various other charity events throughout the year.

The Foundation and the staff have a very fulfilling partnership, their full co-operation is extended in all activities.

TISCO Business

The TISCO Group business is divided into five main categories i.e. finance, securities, asset management, hire purchase, and others. These operation categories are perform by :

Finance : TISCO Finance Public Co., Ltd.

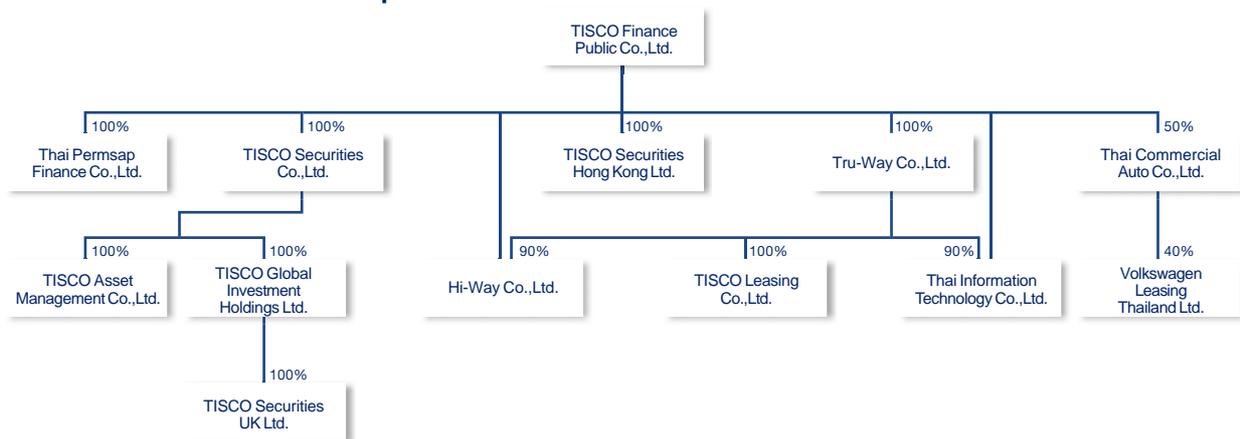
Securities : TISCO Securities Co., Ltd., TISCO Securities Hong Kong Ltd., TISCO Global Investment Holdings Ltd., TISCO Securities UK Ltd.

Asset Management : TISCO Asset Management Co., Ltd.

Hire Purchase : TISCO Finance Public Co., Ltd., Tru-Way Co., Ltd., TISCO Leasing Co., Ltd., Hi-Way Co., Ltd., Thai Commercial Auto Co., Ltd., Volkswagen Leasing Thailand Ltd. (Thai Commercial Auto holds a 40% share.)

Others : Thai Information Technology Co.,Ltd. a subsidiary providing IT services mainly to TISCO Group and Thai Permsap Finance Co., Ltd., a finance company TISCO bought solely to fulfill restricted bank license requirements. This company does not conduct any business operation.

Structure of the TISCO Group



Investment and Management Policy for Subsidiary and Associate Companies

The company has investments in other businesses that effectively enhance TISCO Group's competitiveness by, for example, enlarging customers base and providing business opportunities that generate long-term profits. Prudent risk controls have been implemented in all the subsidiaries.

The company's representatives comprise a minimum of 50% of each subsidiary's board and directly participate in setting business policy. The annual business plan of the subsidiaries requires the company's approval. For associate company, number of TISCO's representative on the board is proportionate to the shareholding.

Finance

Hire Purchase

The company provides automobile and machine loans. Hire purchase services are offered for both new and used automobiles as well as for commercial machinery such as printing machine, copying machine, embroidering machine, forklifts, etc.

Mortgage Loan

The company provides mortgage finance for homebuyers and all purpose loan against collateral.

Personal Loan

The company provides personal loans to serve the different needs of customers including loan against auto license and insurance premium finance.

Provincial Loan

The company provides loans in the provincial areas through ten provincial offices i.e. Chiang Mai, Phitsanulok, Nakhon Sawan, Nakhon Ratchasima, Khon Kaen, Udon Thani, Chon Buri, Chanthaburi, Phuket, and Songkhla.

Corporate Lending

The company fulfills its customers' borrowing requirements for commerce and for development through various types and terms of lending services including working capital financing, project financing, long-term loans, loan arrangements, and guarantees and loan aval.

Treasury

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

Saving Facilities

The company offers services to customers for savings purpose. Instruments include promissory notes both on call, and fixed terms, and bills of exchange.

Custodian Service

The company provides custodian service mainly for provident funds of TISCO Asset Management Co., Ltd., whose fund size is ranked within the top five of the industry. The company also extend this service to other fund management companies.

Market and Competition

The economic recovery continued in 2002, with balanced improvements across the GDP components. Low interest rate, and the government stimulus package encouraged consumer spending, and this grealy supported consumer finance businesses. Signs of improvement was especially clear in housing and personal consumption areas, which grew significantly since the beginning of the year.

Competition in consumer financing was heightened especially in car hire purchase, as players in the market tried to aggressively build their portfolios. Competition also came from non-traditional channels of financing. These non-financial institutions were quite successful at tapping clients of leasing, hire purchase, and other types of consumer credits.

For commercial lending, NPLs continued to be a long-term cause of concern. Its stagnancy limited the banks' loan growth, and liquidity remained high. Meanwhile, credit demands for investment was low as the economy had not yet fully recovered, manufacturers still operating with excess capacity. Interest rates were down further as the policy rate was cut by 50 basis points during the year.

Considering the economic environment and our internal strength, the company targets consumer loan as growth in this area is expected to remain high. The company will emphasize on service quality and product diversification rather than price competition.

For commercial and mortgage loans, the company will focus on asset quality improvement. New loan will be extended on a very selective basis and emphasis will be

put on small and medium sized enterprises (SMEs). Loan approval will be based on project time frame and the borrower's ability to service debt. For mortgage loan credit approval, consideration will be based on the purpose of purchase. Priority will be given to residential rather than commercial property.

On the funding side, the company sources funds mainly by offering promissory notes to public. Again, the company has a policy that stresses on quality service, integrity, and long term customer relationship.

The company has experience in the finance business of more than 30 years. Its strength lies in effective operation, good risk control system, prudent credit policy, and good debt collection system. Furthermore, with well-established customer relationships, an experienced management team, and competent staff; the company is fully prepared for a highly competitive environment.

Securities

Securities businesses that TISCO Securities Co., Ltd. (TISCO Securities) is authorized from the Ministry of Finance and the Securities and Exchange Commissions to operate are as follows:

Brokerage

TISCO Securities provides a full range of brokerage services to a substantial and diversified client base that includes corporations, financial institutions, government, high net worth individuals and retail customers. Besides its head office in Bangkok, TISCO Securities has four branches offering brokerage services upcountry in Chiang Mai, Nakhon Pathom, Nakhon Ratchasima, and Udon Thani.

Internet Trading

TISCO Securities offers on-line trading through the website www.tiscoetrade.com. Registered clients can conduct their own transactions and are allowed to access a package of real time information on stock prices, market trend, chart analysis, etc. including world stock

indices, foreign exchange quotation, and on-line premium quality research materials, for timely investment decision.

Securities Borrowing and Lending

TISCO Securities provides both stock borrowing and stock lending service (SBL). The SBL unit has an extensive client network encompassing a broad range of financial institutions including insurance portfolios, provident funds, government pension funds, mutual funds, and private funds. It maintains strong, well-established relationships with high net worth clients in Thailand to ensure efficient delivery of securities.

Investment Banking

TISCO Securities' outstanding investment banking services have won recognition from clients and financial institutions as one of the most experienced and specialised especially in the areas of privatisation and corporatization of state-owned enterprises, project finance and equity offerings. The full range of financial advisory services include mergers & acquisitions and divestment, valuation and feasibility studies, public takeover bids, equity and debt capital-raising, corporate restructuring, syndication and distribution which includes arrangement and placement roles for debt programs, fundamental and technical advice on debt instruments, underwriting and distribution of public floats, private placements and right issues.

Regional Brokerage Services

TISCO Securities' subsidiary, TISCO Securities Hong Kong Limited (TISCOHK), offers brokerage and investment advisory services, based in Hong Kong. TISCOHK has been granted service license from The Hong Kong Securities Ordinance. Brokerage services cover the global stock markets including the Asia and Europe.

Another securities business subsidiary of TISCO Group, is TISCO Securities UK Limited (TISCOUK). TISCOUK was set up in London to provide stock brokerage services to help institutional investors bridge the gap between Asian and European markets. TISCOUK was granted business license by the Securities and Futures Authority (United Kingdom).

Market and Competition

Trading volume increased significantly in 2002. Average turnover per day increased from 6,440 million baht to 8,357 baht. The SET index increased 17.3% from the previous year to close at 356. TISCO Securities' market share in 2002 increased to 3.9% from 2.9% in 2001, ranking 7th in terms of volume. The increase in market share resulted from the use of the minimum commission as regulated by the Stock Exchange of Thailand (SET) in January. This induced clients to choose quality brokers.

As a result of the SET's policy to upgrade sub-broker to broker status, trading volume for non-member or sub-brokers vanished by the end of 2002. However, the decrease in sub-broker volume had no significant impact on TISCO Securities' brokerage commission earned since the rate charged to sub-brokers were negotiable and very small.

TISCO Securities was awarded "the Best Domestic Equities House" by Asiamoney Magazine. The selection was based on its success in IPO underwriting, brokerage service and outstanding research. TISCO Securities was voted by international funds to have the second most improved reserach among international houses.

TISCO Securities research team co-operates with Deutsche Securities in producing quality research materials to improve services to institutional clients and extending foreign client base in addition to TISCOHK and TISCOUK. Such cooperation brought in a significant business volume to TISCO Securities.

TISCO Securities focuses on the quality of service rather than pricing competition. The main strategy is in being a "Premium house" offering quality research products and precise order execution services to clients. TISCO Securities will expand client base as well as increase distribution channels by promoting Internet trading.

TISCO Securities' Brokerage Market Share and Turnover

Year	Market Share	Turnover (MM Baht)
2001	2.9 %	90,405
2002	3.9 %	160,772

Fund Management

Fund management business of TISCO as operated under TISCO Asset Management Co., Ltd. (TISCOASSET) offering a full range of investment management services as follows:

Mutual Funds

TISCOASSET aims to help clients build wealth over the long-term by implementing a risk-averse investment policy with a disciplined investment approach. To provide suitable funds for different investment needs, TISCOASSET has a variety of mutual funds including equity funds, flexible funds, fixed income funds and specific funds. It provides retirement mutual funds to promote long term retirement savings for which investors are entitled to claim a tax allowance of maximum amount of 300,000 baht.

Private Funds

This service is provided to individuals, group of individuals, or juristic person both local and foreign. To serve specific investment needs of individuals, the fund manager will design a suitable investment policy taking into account the client's risk-return profile, investment objective, and constraints. TISCOASSET's regular portfolio report will keep clients informed about the fund's activities as well as the portfolio performance.

Provident Funds

TISCOASSET has more than 30 years experience in managing provident funds. In 2002, the company had a market share of 13% with asset under management of approximately 31,743 million baht. Provident fund clients range from government agencies, state enterprises, and several local and multi-national corporations. There are over 1,204 companies, whose provident funds are managed by TISCOASSET, together totaling 61 funds under management. TISCOASSET also manages a pooled fund for smaller funds to achieve a higher yield at lower cost for the clients.

Market and Competition

The mutual fund market size in 2002 stood at 436 billion baht, growing 11.8% over the previous year. TISCOASSET managed 19 mutual funds, with an asset size of 3,569 million baht. TISCOASSET is one of the first four asset management companies who offered retirement mutual fund (RMF), enabling investors to benefit from tax savings, introducing a new alternative to saving for retirement. As for private funds, assets under TISCOASSET's management was 4,006 million baht, taking 4.5% of the market share and ranked sixth out of eighteen players. In the provident fund industry, TISCOASSET is still among the leaders as it ranked third among seventeen provident fund managers, with a market share of 13% and total fund size of 31,743 million baht.

Opportuning from lower interest rate and high market liquidity, in 2003 TISCOASSET will launch new funds, increase number of selling agents, and increase distribution channels to expand customer reach. It will also look to increase internal efficiency to cope with a more competitive market.

Hire Purchase

Hire purchase business is also operated by a group of TISCO's subsidiaries. The principles and procedures of operating business by this hire purchase business group are the same in all aspects as in TISCO Finance, except that the type of assets vary among the companies as follows:

Tru-Way Co., Ltd. It focuses on used car hire purchase. Although the net financing amount for used car hire purchase is lower per customer, its yield is higher than that from new car hire purchase.

TISCO Leasing Co., Ltd. It operates automobile, machinery, and equipment leasing services. During the economic crisis, TISCO Leasing had expanded its services to provide debt follow-up and collection services, insurance premium finance, as well as providing other retail business services related to car purchase such as

insurance arrangement and automobile registration service.

Hi-Way Co., Ltd. It operates motorcycle hire purchase business within Bangkok and its vicinity areas. The service focuses on selective brands that are popular, thus having good resale values. Customer target group is full-time employees, with low to medium income level, who need a motorcycle as part of their job.

Thai Commercial Auto Co., Ltd. (TCA) TCA's main business is providing automobile hire purchase service for the Yontrakij Group brands, i.e. Audi, Seat, Citroen, Peugeot, BMW, and KIA. It also provides floor plan service, insurance brokerage service, and other services relating to car purchase.

Market and Competition

As car sale in 2003 is forecasted to expand by 15%, to compete effectively in a highly competitive market, TISCO will continue to improve its quality of services and effectiveness in responding to customers' demand. With cost of funding controlled and even managing to decline, operational efficiency improvements which in turn reduce operating expenses, and a long-standing expertise in the market; TISCO is in a good position to offer competitive services and pricing based on market rate.

To attain customer satisfaction, the company has incorporated technologies in improving services. Automatic call center system has been developed in 2003, to provide hire purchase data for customers 24 hours a day.



Revenue Structure Company and Subsidiaries

Services/Company	Revenue Structure	2002		2001		2000	
		MM Baht	%	MM Baht	%	MM Baht	%
Finance TISCO Finance	Net Interest & Dividend Income	1,039	54	1,042	79	1,193	63
	Fee and Service Income	194	10	117	9	120	6
	Gain on Trading Securities	509	26	(13)	-1	506	27
	Others	186	10	168	13	79	4
	Total Net Revenue	1,927	100	1,314	100	1,898	100
Securities TISCO Securities TISCOHK TISCOGIH TISCOUK	Net Interest & Dividend Income	24	4	39	6	25	9
	Fee and Service Income	423	75	333	55	434	159
	Gain on Trading Securities	111	20	225	37	(190)	-70
	Others	6	1	6	1	4	1
	Total Net Revenue	563	100	602	100	273	100
Fund Management TISCO Asset Management	Net Interest & Dividend Income	9	4	6	3	7	9
	Fee and Service Income	211	94	226	97	59	82
	Gain on Trading Securities	4	2	-	0	6	9
	Others	1	0	0	0	0	0
	Total Net Revenue	225	100	233	100	73	100
Hire Purchase Tru-Way TISCO Leasing Thai Commercial Auto	Net Interest & Dividend Income	511	84	509	62	372	75
	Fee and Service Income	72	12	84	10	-	0
	Gain on Trading Securities	0	0	(10)	-1	37	7
	Others	29	5	243	29	89	18
	Total Net Revenue	612	100	826	100	497	100
Others Thai Information Technology Thai Permsap	Net Interest & Dividend Income	2	13	0	0	-	0
	Fee and Service Income	11	63	8	11	2	48
	Gain on Trading Securities	0	3	(1)	-2	-	0
	Others	4	22	69	90	2	52
	Total Net Revenue	17	100	76	100	3	100
Total Revenue Structure	Net Interest & Dividend Income	1,584	47	1,596	52	1,596	58
	Fee and Service Income	910	27	769	25	616	22
	Gain on Trading Securities	625	19	201	7	359	13
	Others	225	7	487	16	174	6
	Total Net Revenue	3,345	100	3,053	100	2,745	100
Total Group Revenue	Finance	1,927	58	1,314	43	1,898	69
	Securities	563	17	602	20	273	10
	Fund Management	225	7	233	8	73	3
	Hire Purchase	612	18	826	27	497	18
	Others	17	1	76	3	3	0
	Total Net Revenue	3,345	100	3,053	100	2,745	100

The Company Structure

The Board of Directors consist of representatives from major shareholders, independent directors and management as follows:

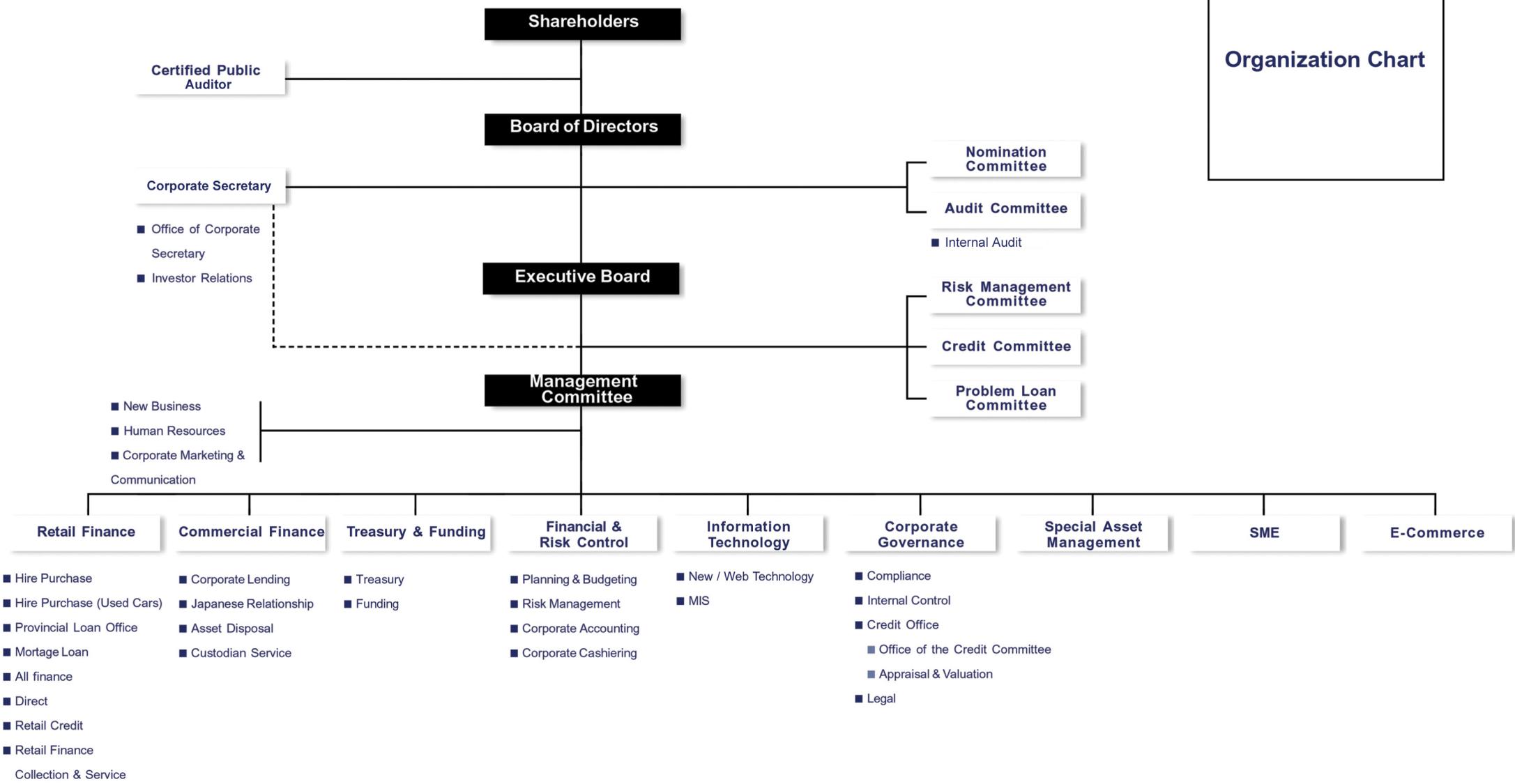
	Number of Director
1. CDIB & Partners Investment Holding Corporation	2
2. Mizuho Corporate Bank Ltd.	1
3. Deutsche Bank AG	1
4. Independent Directors	4
5. Management	2

The managing structure of the company comprises the Board of Directors, the Executive Board, the Audit Committee, and the Management Committee with the following authority and responsibilities:

Board of Directors	<ol style="list-style-type: none"> 1. Prescribe policy and perform duties in accordance with the objectives and Articles of Association of the Company, as well as the resolution of the meeting of shareholders. 2. Assign a director or directors to conduct business on behalf of the Board of Directors. 3. Consider and change the authorized director (s). 4. Appoint Executive Board members. 5. Appoint Audit Committee members.
Executive Board	<p>Oversee and supervise the day-to-day operation and provide directional control for the following activities :</p> <ol style="list-style-type: none"> 1. business strategies, mergers & acquisition, new business ventures and new products, 2. remuneration and compensation, 3. appointment of senior management, 4. annual budgeting, 5. extension of credit line for a substantial amount, or involving a high degree of risk, 6. supervision of the Risk Management Committee, Credit Committee and Problem Loan Committee, 7. business transactions within the scope and policy framework of the company.

<p>Audit Committee</p>	<ol style="list-style-type: none"> 1. Review the company's financial reporting process and disclosure of financial information to ensure it is correct and sufficient. The committee reviews drafted auditors' reports and financial statements quarterly and annually, before filing them with the regulators or releasing them to public. 2. Review to ensure that the company has adequate and effective internal control systems and internal audit systems. 3. Review to ensure that the company follows relevant SEC, SET and BoT regulations as well as other related laws. 4. Consider and makes recommendations on the appointment and fees of the external auditors. 5. Review the disclosure of connected transactions, or those which may lead to a conflict of interest, to ensure it is correct and complete. 6. Produce an Audit Committee report at the end of each fiscal year and discloses it in the annual report. The Audit Committee report is signed by the Chairman of the committee. 7. Perform other activities defined by the Board of Directors, as agreed with the Audit Committee.
<p>Nomination Committee</p>	<ol style="list-style-type: none"> 1. Study and propose criterion and guideline for the selection of directors and senior executive officers. 2. Recommend qualified candidates for nomination as requested by the Board. 3. Study and propose the Board of Directors' performance assessment criteria, methodology and process. 4. Facilitate the assessment of the Board of Directors performance as outlined by the Board. <p>For nomination to positions at the directorial level, the Board of Directors selects and proposes qualified candidates at the shareholders' meeting. The qualified candidate is selected to strengthen the Board's quality and maintain its integrity. The candidate must qualify with a majority of the eligible votes at the shareholders' meeting for the nomination to be accepted.</p> <p>For position at the senior managerial level, the Board authorizes the "Selection Committee" comprising five members of the Board, to select and propose a qualified person to the Executive Board for appointment. The selection criteria of senior management are primarily competency and ability to enhance the company's competitiveness.</p>
<p>Management Committee</p>	<ol style="list-style-type: none"> 1. Formulate corporate strategies. 2. Oversee human resources management including employee compensation, reward and punishment, recruitment and retention. 3. Direct, control, and monitor day-to-day operations of the TISCO Group.

Organization Chart



Board of Directors

Dr. Phisit Pakkasem

Chairman of the Board, Chairman of the Audit Committee, and Chairman of the Nomination Committee



- Education :
- Ph.D. Development Economics, University of Pittsburg, U.S.A.
 - M.A. Development Economics, Harvard University, U.S.A.
 - B.A. Economics, Claremont Men's College, U.S.A.
- Experience :
- Secretary-General, National Economic and Social Development Board (NESDB)
 - Senator
 - Chairman, The State Railway of Thailand
 - Member of the Court of Directors, Bank of Thailand
 - Member of the Board of Directors, Thai Airways International Limited
- Present Position :
- Executive Advisor, CP Group
 - Chairman, Thai Sugar Millers Corporation Limited
 - Vice Chairman, Vinythai Public Co., Ltd.

Mr. Pliu Mangkornkanok

Chairman of the Executive Board, Member of the Nomination Committee, and the Authorized Signatory



- Education :
- M.S. (Industrial Engineering), Stanford University, U.S.A.
 - M.B.A. (Finance), University of California at Los Angeles, U.S.A.
- Special Program :
- Chairman 2000, Thai Institute of Directors Association
 - Directors Certification Program, Thai Institute of Directors Association
- Experience :
- President, TISCO Finance Plc.
 - Assistant Governor - Finance, Petroleum Authority of Thailand
- Present Position :
- Chief Executive Officer, TISCO Finance Plc.
 - Chairman, Association of Finance Companies
 - Director, Phelps Dodge Thailand Co., Ltd.
 - Director, Thai Oil Co., Ltd.
 - Director and Member of the Audit Committee, Singer (Thailand) Plc.

Dr. Joung-Yol Lin

Member of the Executive Board, Member of the Nomination Committee, and the Authorized Signatory



- Education :
- Ph. D. (Finance), University of Iowa, U.S.A.
 - M.B.A., National Chengchi University, Taiwan
 - Business Administration, Fu-Jen Catholic University, Taiwan
- Experience :
- Chairman, Service Corporation Masterlink Securities, Taiwan
 - Chairman, Investment Advisory Corporation, Taiwan
 - Director, Securities & Futures Institute Policy Research, Taiwan
- Present Position :
- President, CDIB & Partners Investment Holding Corporation, Taiwan

Dr. Tze-Kaing Yang**Director**

- Education : ■ Ph.D., Graduate School of Business Administration, National Chengchi University, Taiwan
■ M.B.A., University of Illinois at Urbana-Champaign, U.S.A.
- Experience : ■ Vice Chairman, China United Trust and Investment Corporation, Taiwan
■ Executive Vice President China Development Industrial Bank (CDIB), Taiwan
- Present Position : ■ President, CDIB, Taiwan

Mr. Keiji Torii**Member of the Executive Board, Member of the Nomination Committee, and the Authorized Signatory**

- Education : ■ M.B.A, Centre d'Etude Indestrell, Switzerland
- Experience : ■ Managing Executive Officer and General Manager of the New York Branch and the Cayman Branch, The Dai-ichi Kangyo Bank, Ltd.
- Present Position : ■ Managing Executive Officer, Mizuho Corporate Bank, Ltd., Japan

Mr. Edouard Fernen Peter**Director**

- Education : ■ B.A., Carlton College Northfield, U.S.A.
- Experience : ■ Managing Director and Head of Global Equities, Switzerland, Deutsche Bank AG
■ Managing Director, UBS
■ Executive Director, SBC Warburgs
- Present Position : ■ Managing Director and Head of Global Equities, Asia Pacific Ex-Japan, Deutsche Bank AG

Mr. Visut Montrivat**Director**

- Education : ■ M.B.A , Northern Illinois University, U.S.A.
■ B.A.(Accounting), Chulalongkorn University
■ The National Defense College
- Experience : ■ Director-General, The Treasury Department, Ministry of Finance
■ Deputy Comptroller General, The Comptroller General Department, Ministry of Finance
■ Deputy Director-General, The Treasury Department, Ministry of Finance
- Present Position : ■ Director-General, The Comptroller General Department, Ministry of Finance
■ Director, Thailand Tobacco Monopoly
■ Director, Esso (Thailand) Plc.

Mrs. Krisna Theravuthi

Member of the Audit Committee



- Education : ■ M.B.A., University of Wisconsin Madison, U.S.A.
■ M.B.A., University of Wisconsin Madison, U.S.A.
- Special Program : ■ Audit Committee Certification Program, Thai Institute of Directors Association
- Experience : ■ Vice President, Corporate Lending, TISCO
- Present Position : ■ Executive Director, Tavornudorn Co., Ltd.
■ Executive Director, Food Manufacturing Co., Ltd.

Mr. Vudhiphol Suriyabhivadh Member of the Audit Committee



- Education : ■ B.A. (Accountancy), University of New South Wales, Australia
■ B.A.(Law), Sukothai Thammathiraj University
- Special Program : ■ Directors and Responsibilities According to the Act of Accounting B.E. 2543 Program, Thai Institute of Directors Association
- Experience : ■ Financial Director, the East Asiatic (Thailand) Plc.
- Present Position : ■ Director, the East Asiatic (Thailand) Plc.
■ Director, Thai Agri Foods Plc.
■ Director, Thai Wah Food Products Plc.
■ Director, Bangkok Ranch Plc.
■ Director, L.P.N. Development Plc.
■ Director, Listed Companies Association

Mr. Pichai Chanvirachart

Member of the Executive Board, Member of the Nomination Committee, and the Authorized Signatory



- Education : ■ B.B.A. (Finance), Marshall University, West Virginia, U.S.A.
- Experience : ■ Executive Vice President, Retail Business, TISCO Finance Plc.
- Present Position : ■ President & Chief Operating Office (COO), TISCO Finance Plc.
■ Director, Mizuho Corporate Leasing (Thailand) Co., Ltd.
■ Director, AXA Insurance Plc.

Mrs. Oranuch Apisaksirikul

Secretary to the Board and Secretary to the Executive Board

Directors resigned during the year :

1. Mr. Chungmin Lu March 7, 2002
2. Mr. Takatsugu Murai April 24, 2002
3. Mr. Dhongchai Lamsam September 30, 2002
4. Mr. Rapee Asumpinpong October 25, 2002

Management Committee



Mr. Pliu Mangkornkanok
Chief Executive Officer

- Education :
- M.S. (Industrial Engineering), Stanford University, U.S.A.
 - M.B.A (Finance), University of California, U.S.A
 - B. Eng. (Industrial Engineering), Chulalongkorn University
- Special Program :
- Chairman 2000 Program, Thai Institute of Directors Association
 - Directors Certification Program, Thai Institute of Directors Association
- Experience :
- President, TISCO Finance Plc.
 - Assistant Governor - Finance, Petroleum Authority of Thailand
- Other Position :
- Director and Chairman of the Executive Board, TISCO Finance Plc.
 - Chairman, Association of Finance Companies
 - Director, Phelps Dodge Thailand Co., Ltd.
 - Director, Thai Oil Co., Ltd.
 - Director and Member of the Audit Committee, Singer (Thailand) Ltd.



Mr. Pichai Chanvirachart
President & Chief Operating Officer

- Education :
- B.B.A (Finance), Marshall University, West Virginia, U.S.A
- Experience :
- Executive Vice President, Retail Business, TISCO Finance Plc.
- Other Position :
- Director, TISCO Finance Plc.
 - Director, Mizuho Corporate Leasing (Thailand) Co., Ltd.
 - Director, AXA Insurance Plc.



Mrs. Oranuch Apisaksirikul
Chief Financial Officer &
Corporate Secretary

- Education :
- M.B.A. (Finance), Thammasat University
 - LL.B., Thammasat University
 - B.A. (Accounting & Commerce), Thammasat University
- Special Program :
- Directors Certification Program, Thai Institute of Directors Association
- Experience :
- Executive Vice President & Chief Financial Officer, TISCO Finance Plc.
 - Senior Vice President, Strategic Planning, TISCO Finance Plc.
- Other Position :
- Secretary to the Board of Directors, TISCO Finance Plc.
 - Secretary to the Executive Board, TISCO Finance Plc.
 - Director, TISCO Asset Management Co., Ltd.
 - Director, TISCO Securities Hong Kong Ltd.
 - Director, TISCO Global Investment Holdings Ltd.
 - Director, TISCO Securities UK Ltd.
 - Member of Risk Management Committee, The Stock Exchange of Thailand



Mr. Suthas Ruangmanamongkol
Head of Commercial Finance,
Treasury & Funding

- Education :
- M.S. (Finance & Banking), University of Wisconsin, U.S.A.
 - M.B.A (Finance), Western Illinois University, U.S.A.
 - B. Eng. (Computer), Chulalongkorn University
- Experience :
- Assistant Managing Director, TISCO Securities Co., Ltd.
 - Senior Vice President, Underwriting and Securities Investment & Trading, Thai Investment and Securities Plc.
- Other Position : -



Mr. Panya Wotticharoenvong
Head of Retail Business,
Special Asset Management

- Education :
- M.S. (Accounting), Thammasat University
 - LL.B., Thammasat University
 - B.A. (Accounting), Thammasat University
 - Certified Public Accountants (Thailand)
- Experience :
- Managing Director, TISCO Leasing Co., Ltd.
 - Executive Vice President, Retail Finance Collection & Services, TISCO Finance Plc.
- Other Position : -



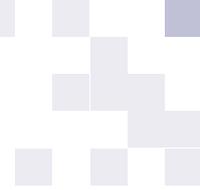
Mrs. Chayathip Chuvanichanon
Chief Information Officer

- Education :
- M.B.A., Thammasat University
 - B.S. (Statistics), Chulalongkorn University
- Experience :
- Managing Director, Thai Information Technology Co., Ltd.
 - Executive Vice President, Information Technology, TISCO Finance Plc.
- Other Position :
- Member of IT Club Committee, Association of Securities Companies
 - Member of IT Sub-Steering Committee, The Stock Exchange of Thailand
 - Member of IT Management Group Committee, Thailand Management Association



Ms. Nattamon Issaradharm
Chief Governance Officer

- Education :
- B.A. (Accounting), Chulalongkorn University
 - Certified Public Accountants (Thailand)
- Special Program :
- Directors Certification Program, Thai Institute of Directors Association
- Experience :
- Senior Vice President, Chief Credit Officer, TISCO Finance Plc.
- Other Position :
- Member of Sub-Committee of the Corporate Debt Restructuring Advisory Committee (CDRAC), Bank of Thailand
 - Representative, Association of Finance Companies



Remuneration for Directors and Management

1. Directors' and Management's Remuneration : In the year 2002, directors' fees for fourteen members of the Board of Directors (including four directors who resigned during the year) totaled 2,880,000 baht. Remuneration for the eleven executive directors and management personnel (including two executive directors who resigned during the year) totaled 75,970,000 baht. This was paid in salaries and bonuses congruent with to the company's performance.

2. Other Forms of Remuneration : 1) Employee Stock Option Program : The Allotment Committee, authorized by the shareholders, has the power to fix the total number of warrants to purchase TISCO preferred shares allocated each year as well as consider and approve its allocation to employees by considering the capability and potential of each employee. The allocation of warrants to directors shall be approved by the shareholders. In the year 2002, warrants given to the company's management (including management directors) accounted for 36 % of total warrants allocated in that year. 2) Company's provident fund contribution : Totalled 3,150,000 baht.

Changes in TISCO Shareholdings by Directors and Management as of Year-end

	Common Shares		Preferred Shares	
	Increase (Decrease) During the Year	As of Year-end	Increase (Decrease) During the Year	As of Year-end
1. Mrs. Krisna Theravuthi	-	12	-	-
2. Mr. Vudhiphol Suriyabhivadh	200,000	200,000	-	-
3. Mr. Pliu Mangkornkanok	150,000	400,400	(200,000)	100,000
4. Mr. Pichai Chanvirachart	80,000	82,136	20,000	100,000
5. Mrs. Oranuch Apisaksirikul	80,000	80,000	350,000	550,000
6. Mr. Suthas Ruangmanamongkol	250,000	250,200	(150,000)	250,000
7. Mr. Panya Wotticharoenvong	(40,700)	95,044	95,000	-
8. Mrs. Chayathip Chuvanichanon	20,000	146,127	80,000	150,000
9. Ms. Nattamon Issaradharm	(6,924)	-	25,000	70,000
10. Ms. Chutintorn Vigasi*	-	314	-	-

* Head of Accounting

Corporate Governance

TISCO Corporate Governance Policy is developed to provide the blueprint for fostering a high standard of corporate governance practices across TISCO group, namely TISCO Finance, the parent company, and all its subsidiary companies within the group. It aims not only to ensure the rights, interests, and equitable treatment to all stakeholders, but also to promote managerial integrity, effectiveness, and efficiency across the firm.

The following outlines corporate governance policy incorporated in the business principles at TISCO:

Corporate Governance Guideline

To effectively carry out good corporate governance practices, the Corporate Governance Guideline was developed to assist TISCO directors and management in carrying out their duties. The guideline serves as a reference of TISCO's Board-endorsed corporate governance practices that should be consulted throughout the course of management and operation. The Corporate Governance Guideline embraces all key issues of best practices in corporate governance including the code of best practice for directors, roles and structure of the board, relationships with stakeholders, information disclosure, and applicable laws and regulations relating to directors.

Rights and the Equitable Treatment of All Shareholders

TISCO's shareholders, majority or minority, individual or institution, shall be ensured of their rights and receive equitable treatment for fair access to material company information and participation in the company shareholders' meeting. Adequate infrastructure and systems were established to support effective communication and management of shareholders relation affairs. At the

shareholders' meeting, chairman of the meeting allocated appropriate time and encouraged equal opportunities for shareholders to express their opinions and raise questions, according to the agenda and the issues presented.

To protect shareholders' interests, all necessary information considered material were disclosed in an accurate, timely, and transparent manner to allow the general public to make informed investment decisions. The Board also provided a report indicating its responsibility to prepare financial statements which also covers important topics of the code of best practice for directors, and had it exhibited alongside the auditor's report in the annual report. A dedicated corporate secretary and on investor relation unit were established to represent the company when communicating with all investors, analysts, and state agencies concerned as well as to carry out good governance practices at the shareholders' meetings.

Protection of Stakeholders' Rights

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

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

Maintaining High Ethical Standards

High ethical and integrity standards are advocated at all levels throughout TISCO. TISCO's directors uphold the high moral and ethical standards, and demonstrate the same management skill, care, and diligence as would be expected first-class director. Code of ethics emphasizing the importance of integrity and honesty in business conduct were established as a Compliance

Manual and implemented throughout the organization.

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

The issues of conflict of interest were removed from all level of the structure and business conduct for the best interest of the company. At the highest level, the structure and composition of the Board and sub-committees was laid down such that the possibility of a conflict of interest is minimized. Code of ethical practices was established and implemented at all significant levels, and independently monitored and reviewed.

Effective Strategy, Policy Formulation and Supervision

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

The Board oversaw the development of a long-term strategic plan, which reflected its general business philosophy and vision, and short-term business plans with measurable targets. It approved policies and procedures developed by the management for areas of crucial importance, and communicated clear standards of performance in implementing these policies. It also

established the norm for periodically reviewing policies and business performances.

A Performing Board

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

Although the Board is ultimately responsible for the conduct of the company's affairs, sub-committees with particular skills and expertise should be established, and the Board is encouraged to delegate a large part of its functions to the sub-committees in order to ensure high standards of performance. Procedures on establishing and defining the roles of sub-committees are well defined.

To ensure high standards of performance, the Board delegated its day-to-day operational oversight to a sub-committee, the Executive Board, that supervises all business performance and risk management issues of the company. The Executive Board is also delegated the responsibility of overseeing the remuneration for directors and management.

Executive directors and management receive remuneration linked to the performance of the company and to that of each director or management. Remuneration policy is transparent and approved by the shareholders. The Board discloses in the annual report its remuneration policy and the amount set for directors and top executives in accordance with the Securities and Exchange Commission's rule.

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

a member of the Executive Board, oversees the day-to-day operations and short-term business performance.

Effective Accountability and Compliance

The Board's compliance roles include the duty to ensure that appropriate systems that provide accountability and transparency are set up and implemented by management. At the highest level, the Board of Directors itself was structured to ensure accountability and that no single individual or group has unfettered power. As a principle to promoting a good balance of power, the Board contains four independent directors. The independent directors demonstrate their independence and objectivity to prevent any conflicts of interest (and they possess the same qualification standard as that of the Audit Committee in accordance with the Notification of the Stock Exchange of Thailand).

The positions of the Chairman of the Board and the Chief Executive Officer were separated, the Chairman being a non-executive director. This is to ensure a balance of power and authority and to avoid a situation where a single individual has unfettered power in decision making.

Although the Board delegates its day-to-day operational oversight to the Executive Board and Senior Management, in fulfilling its compliance role, the Board is responsible for monitoring operations by being aware and keeping up to date on the operating environment of the company. To ensure high standards of compliance, the Board delegates its day-to-day compliance oversight to the Audit Committee, who serves the Board in monitoring compliance with the Board's policies, and internal and statutory regulations. The Audit Committee is composed solely of independent directors and the Chairman of the Board is also the Chairman of the Audit Committee.

Control of Internal Information

The company's Compliance Manual is a guideline for all staff to perform their duty fairly and honestly, comply with applicable laws and regulations, avoid conflict of interest, and not seek benefits from inside information. According to the company's regulation regarding employees' securities trading, the company has prescribed management

to open trading accounts with TISCO Securities Co., Ltd., its subsidiary. Moreover, trading transactions must receive the approval of supervisors and the Compliance Unit before execution. The company has also prohibited management from trading TISCO shares during the 21 days before its monthly financial statements are published and prescribed penalties for any such breaches.

Internal Control

On February 26, 2003, the Board of Directors' Meeting No., 1/2003 was held and attended by all three members of the Audit Committee. The Board assessed five areas of the company's internal control system i.e. 1) organizational and environment control 2) risk management measures 3) management control activities 4) information and communication measures 5) monitoring by acknowledging and reviewing the information proposed by the Audit Committee.

The Board found that the company implemented adequate internal control system in accordance with applicable laws and regulations. In addition, the annual audit report of the company from the Bank of Thailand proposed to the Board at the Meeting No. 5/2002 held on September 30, 2002 stated that the company has sufficiently maintained its internal control system and this was suitable for its size and business risk.

Related Party Transaction

The company and its subsidiaries have no policy to encourage transactions between related parties. Should any such transaction occur, the conditions would be the same as that for other normal business transactions and would not be approved by related persons. In the year 2002, related party transactions of the company and its subsidiaries are disclosed in the Notes to Financial Statements No. 29 which were audited by an external auditor.

Report of the Audit Committee

The Audit Committee of TISCO Finance Public Company Limited comprises three independent directors :

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

The Audit Committee has been assigned by the Board of Directors to perform the duties and responsibilities as prescribed by the charter of Audit Committee. The Audit Committee supports the company's good corporate governance on accountability, transparency, fairness, integrity, and check & balance, which is in the best interest of shareholders, employees and stakeholders.

The Audit Committee carries out its duties independently. There are no restrictions on the Audit Committee's access to information. The Audit Committee appreciates the management's full co-operation and provision of resources, whenever it has been requested.

The Audit Committee's meetings are formally structured, with the management occasionally being invited to participate and to provide additional information, as deemed appropriate. The secretary of the Audit Committee keeps minutes of the meetings. Reports on activities of the Audit Committee are presented to the Board of Directors at their meetings, regularly.

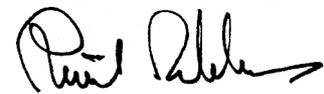
In the year 2002, the Audit Committee held nine meetings. The Audit Committee, together with the management, the Certified Public Accountant and internal auditors reviewed quarterly, semi-annual and audited financial statements, including compliance and audit reports of the Bank of Thailand, the Office of the Securities and Exchange Commission, the Certified Public Accountant and the internal audit department.

The Audit Committee recognizes information technology, human resources and budgeting as central to timely and effective business operations, and so invited an independent consulting firm, PWC Consulting, to discuss IT strategies and performance. The Audit Committee re-emphasized training of human resources to cope with changes in both IT and the business environment, whilst recognizing that the utilization of IT in all activities maximizes productivity, growth, and uplift employees' intrinsic value.

The Audit Committee also met with the Certified Public Accountant, internal auditors and management to discuss audit plan and procedure, to come up with a more effective auditing system for financial, management and operation audits, and to minimize redundancies in auditing procedures. The committee suggested the internal audit department evaluate information systems covering all computerized data processing, and conduct management audit, in addition to operation audit. Management audit will focus on the effectiveness of the organization, including value-added services, to determine efficient and economical utilization of organizational resources, as well as to evaluate conflicts of interest.

The Audit Committee has also proposed the Board of Directors seek further approval from upcoming general shareholders' meeting, for the re-appointment of Ernst & Young Office Limited to another term as the company's Certified Public Accountant for fiscal year 2003.

Upon taking all foregoing information into consideration, the Audit Committee concludes that the company in the last year not only carried out good corporate governance, but also implemented efficient risk management and internal control system. Also, the company properly followed all necessary requirements and regulations, and the disclosure of relevant information in the company's financial statements were adequate, complete and reliable in accordance with generally accepted accounting principles. However, the Audit Committee will continue to put more effort in elevating good corporate governance to international standards.



Dr. Phisit Pakkasem
Chairman of the Audit Committee

Risk Factors

Overall Risk Factors and Risk Management

Risk factors facing the company can be grouped into 5 major categories :

Credit risk : defined as the vulnerability of earnings or business continuity due to an obligor's failure to meet the terms of any contract with TISCO or otherwise failure to perform as agreed, arising mainly from the lending business.

Market risk : defined as the vulnerability of earnings or business continuity due to the movements in interest rates and market prices of securities held by TISCO, arising mainly from investment and trading business.

Funding risk : defined as the vulnerability of earnings or business continuity due to the inability to meet liabilities obligations when they become due as a result of failure in management of the firm's cash flow.

Operational risk : defined as the vulnerability of earnings or business continuity due to operational losses caused by failure of internal processes, people, systems, and unexpected events, arising from all business operations.

Strategic risk : defined as the vulnerability of earnings or business continuity, due to adverse business decisions or improper implementation of those decisions in relation to external business and regulatory environments, arising from changing business and competitive environment.

Among the five risks, credit and market risks are perceived to have the most significant, direct and immediate impact on TISCO. Funding risk is considered moderate

and manageable with the ample liquidity surplus in the financial market. Operational risk is considered small with most risks mitigated through stringent internal control processes. Strategic risk is rising with increased competition in the core businesses.

To better understand and manage risks, the company has set up a system to measure risk into a standardized unit called Risk Capital, employing the value at risk (Var) concept. Risk Capital is equivalent to the amount of capital required to support the unexpected risk that can rarely occur, with only 1% chance over the period of up to 1 year. All credit and market risks have been measured using the Risk Capital framework, while other risks are being assessed and managed by other methods currently more appropriate.

As of December 31, 2002, the Risk Capital quantified from all credit and market risks accounted for only 42% of the total ability to assume risk given TISCO capital base. (To evaluate risk implication, one should compare the Risk Capital amount to the actual available capital of the firm. If the two amounts are equal, then the risk exposure is fair in comparison to the firm's capital capability to absorb the risk. If the Risk Capital is higher, then the firm is taking risk in excess of its capital capability, if the Risk Capital is lower, then the firm is taking risk less than its capital capability.) 54% of this amount comes from credit risk and 46% comes from market risk. This reflects that TISCO financial position is fundamentally very strong as the company takes on risks well below its capacity.

Integrated risk management process has been established at TISCO to maximize risk-adjusted returns to shareholders while protecting the potential downside loss. Risks are managed at both portfolio and transaction level by well documented policies and guidelines. At portfolio level, all material risks, including risks from all affiliated companies, are consolidated to integrally manage at the parent company under the centralized risk

policies and guidelines approved by Risk Management Committee. For areas of high risk, specific-area risk authorities are established to oversee risk management at in-depth transaction level, e.g. Credit Committee, Problem Loan Committee, Chief Governance Officer, etc. Each business line or operating unit is, however, accountable to manage its own risks for the best interest of TISCO within the risk policies, guidelines, and procedures.

Credit Risk

Lending is one of the company's core businesses and credit risk is considered the biggest risk contributor among all types of risk. The Credit Risk Capital of 1,771 million Baht accounts for more than half of the total risk of the firm. The total credit portfolio as of December 2002 has an outstanding of 40,637 million Baht, about 60% of which is in hire purchase lending and 30% of which in commercial lending. Although the credit portfolio expanded by more than 24 % over the year, the overall level of credit risk did not increase as much from the previous year because of the broad-base improvements in asset quality and the ample amount of loan loss reserves.

The NPLs outstanding (Under the BoT's old definition) of 1,764 million baht, decreased from 5.7% of total loan outstanding in 2001 to 4.6 % in 2002. Under the BoT's new definition, this is equivalent to NPLs, which includes all fully-provisioned bad loans, of 3,846 million baht, or 9.4% of total portfolio, also well below the 14.73% industry average of finance companies. Over the year, debt restructuring was continually emphasized to reduce the NPLs with a total loan restructuring amount of 823 million Baht. The loan loss provision as of year-end 2002 stands as high as 173% of the BoT's requirement.

Three Key Credit Risk Areas : Hire Purchase, Commercial Lending, Mortgage Loan

Hire Purchase, Commercial Lending, and Mortgage Loan business are the key credit risk areas as they

together accounts for almost all (97%) of total credit portfolio. With the BOT's new definition, gross loan portfolio and NPLs outstanding of these businesses are presented in the following table,

:million baht

Line of Business	Gross Loan Outstanding	NPLs Outstanding	% of Loan Outstanding
Hire Purchase	24,654	337	1.4
Commercial Lending	11,750	2,068	17.6
Mortgage Loan	3,451	861	25.0

Hire purchase credit portfolio accounts for as much as 60.44% of total loan portfolio, and thus is considered the biggest credit risk area. The NPLs in this area is however only 1.4%, reflecting high quality assets as a result of TISCO's stringent credit policies. The risk to the hire purchase portfolio is therefore largely dependent on external factors including possible systematic downturn of the economy, or deteriorating credit culture in the industry. Specifically, increased competition in this area has increased the general level of risks by means of changes in industry practice such as lowering down payment rate and narrowing profit margin. Nevertheless, credit risks in the hire purchase business is believed to be under good control given the continually high recovery rate, TISCO long experience and expertise in both loan origination and collection, and very low interest rate environment.

Commercial lending credit exposure is the second highest credit risk area with a total loan outstanding of 11,750 million Baht. The 17.6% NPLs are mainly residual defaults since the 1997 crisis while the overall asset quality has been strengthened through aggressive loan restructuring. A more concerned credit risk area of the commercial lending portfolio is concentration risk. By nature, commercial lending tends to have large exposure size and a problem occurring in a particular single loan or sector could result in a large risk impact. TISCO concentration risk in the wholesale portfolio is moderate with key exposures in energy and property sectors of approximately 28% and 21% of total portfolio. The

concentration risk is managed through a well-defined concentration limit processes and credits granted to concentrated sectors are generally protected by sufficient risk mitigation, such as over collateralization, cash flow structuring, guarantee etc. The net effect is thus a manageable level of concentration risk with justifiable returns.

Credit risk in mortgage loan portfolio, a relatively smaller portfolio, is not as high as the NPL level may represent. The 25% NPLs are mainly residual defaults since the past crisis and are mostly covered by collaterals while TISCO business strategy in this area has been focusing on NPL recovery rather than growth. The risk profile is also being improved with the recovering and upbeat property market condition.

Credit risk management in the core lending portfolios is assisted by a sound credit grading process. Risk Management Committee establishes credit grading framework and procedure, as well as, credit risk guidelines and limits to control both quality and concentration risk. Credit Committee and Chief Credit Officer independently serves as the risk authorities to oversee credit approval, credit granting procedures, and credit review for each individual credit transaction. The Problem Loan Committee is established to handle problem loans accounts, including the setting of appropriate provisions for doubtful accounts.

Properties Foreclosed

According to the BoT's regulation, all foreclosed assets from restructuring acquired from January 1, 1997 to December 31, 2003 must be sold within ten years from the receiving date of transfer starting from year five. Any failures to comply with this regulation will be subject to a fine or any other action as permitted by the law. This constraint poses a risk that may cause some difficulties to selling the foreclosed assets at the expected price. However, the process of asset disposals are currently progressing well in compliance with the regulation.

TISCO's foreclosed asset in 2002 declined by 41.1% to 1,316 million baht from year 2001.

Market Risk

Market risk is considered the second most significant class of risks that TISCO assumes, mainly consisting of the price risk from securities investment and trading positions, foreclosed properties, and the interest rate risk in the banking book. As of year-end 2002, the total investment and trading portfolio has an estimated market value of 5,523 million baht, comprising 3,162 million of fixed-income and 2,361 million of equity exposures. The largest market risk contribution comes from the equity position, accounting for almost 70% of the total market risk. The equity portfolio is divided into 56% listed equity, which is subject to daily mark-to-market, and 44% non-listed equity whose book value is reflected.

A notable characteristic of the listed equity portfolio is its relatively low beta. A significant portion of investments is in securities whose prices are not highly correlated to the overall market movement. These securities yet have relatively lower liquidity than the general market. The risk implication in comparison to the overall market is thus lower systematic risk in terms of market value, but slightly higher specific risk when it comes to liquidating the equity holdings to cash.

Equity market risk is managed through a comprehensive risk management framework that emphasizes risk diversification, loss protection, and modern risk measurement techniques such as Value at Risk model etc. Risk limits and investment guidelines are set up to ensure that the overall risk is well contained and investments are made in securities of companies with strong fundamentals.

Concerning market risk from the fixed-income portfolio, although the portfolio size is as high as 3,162

million Baht, more than 7% of total assets, its market risk is very small. The measured Risk Capital stands at only 3% of the exposure value. This is because most of the investments are made in the short-term or short-duration securities that have very low price risk. The average portfolio duration stands at only 0.20 year for bond and 2.4 year for debenture. Most of bond positions held are for the purpose of liquidity reserve rather than proprietary investment.

For the traditional banking book business, i.e. borrowing and lending, the movement of interest rates may affect the company's net interest income through the mismatch between the timing of interest payments and receipts from assets and liabilities. TISCO's interest rate risk position as of the year-end was very low, as most of the differences in interest rate profile have been offset or closed out by portfolio matching, and use of some interest rate swaps.

Finally, there exists a price risk of the possible decline in the market value of the 1,316 million portfolio of properties foreclosed from debt restructuring and/or NPL recovery. The risk is considered small given TISCO conservative appraisal of property value and the recovering property market.

Funding Risk

There is a moderate level of funding risk in the company assets and liabilities portfolio mainly as a result of some concentration in the funding structure. This risk is, however, reduced significantly with ample liquidity surplus in financial market.

Funding risk fundamentally arises from liquidity gap due to the short fall of the amount of cash flows to be received from maturing assets below the amount of cash flows needed to service maturing liabilities. The excess cash outflow required to service maturing liabilities must be financed by new funding sources and there is a risk of

the inability to obtain such financing at a reasonable cost. By contractual terms, TISCO's liquidity gap position has some short fall in the short-term period. However, by adjusting behavior of the clients in terms of rollover and payments of due obligations, the negative short-fall has almost been entirely eliminated. In short, if clients continue the same pattern of behavior in terms of payments and rollovers of due obligations, TISCO is exposed to minimal risks from short-term cash flows mismatch.

Relying on few large funding sources that can effectively be withdrawn anytime can pose some cash flow risk of sudden withdrawal. TISCO funding emphasizes medium size depositors and occasionally large clients. The single-client deposit accounts whose sizes are in excess of 1% of total asset amounting to around 4.6% of total asset value. This level of funding concentration, however, is considered not excessive and manageable.

Funding risk management is overseen by the Risk Management Committee, with delegation of day-to-day management of liquidity position to accountable business lines. Risk limits, trigger limits, and guidelines are systematically put into place to ensure that there is sufficient liquidity reserve to support the cash flow mismatch and funding concentration taking into account the market liquidity. A contingency plan has been established to provide clear step-by-step procedures and accountabilities for managing liquidity in times of emergency situation.

Strategic Risk

Key strategic risk at TISCO concerns with the intense competition in the core business and regulatory changes. The current consumer-led growth economy as well as low interest rate environment produces a favorable climate for TISCO's core businesses, particularly the car hire purchase business. However, this

also attracts more competitions into the industry with high-technology new-comers and increasing price-cutting actions. Some of new-entry companies have advantages of lower cost and close relationship with distributors.

Regulatory changes may also pose threat to the competitive environment. Big competitors, such as, commercial banks and their affiliates, are turning to focus more on consumer finance business. TISCO therefore have to put more efforts to maintaining its market share. TISCO strategy to remain competitive includes building high quality research, expanding distribution channels etc.

Strategic risk is managed through establishing a sound process of strategic planning and management including environment scanning, strategy formulation and implementation, resource allocation, and performance measurement. Additionally, strategic risk from the business portfolio is also reduced by promoting well-diversified business lines and preparing business contingency plan for some key businesses with high downside volatility.

Operational Risk

Although TISCO business operations are vast, operational risk at TISCO is considered small since most risks are mitigated through stringent internal control process. Managing operational risk in each operation is the business lines' accountability which shall conform to the firm's policies and guidelines on operational risks. Dedicated functions including Risk Management, Internal Control, Compliance, and Legal functions, are established to address different aspects of operational risk identification, assessment, and management. Internal Audit function which independently reports to the Audit Committee serves as the final line of protection to oversee the adequacy of internal control systems being implemented.

Conclusion and Future Trend

Ample room is still available for TISCO to assume additional risk to generate additional returns. TISCO's risk proposition is therefore about how to take additional risks that generate value-added returns. With support of our strong, growing capital base, the company's strategy is to expand, and thus take on more risks, in all core business areas in anticipation for quality returns. Development of risk management infrastructures shall be carried forward in good balance to enable the company to manage and control risk effectively, and satisfy all upcoming regulatory requirements.

**Auditor's Report
and Financial
Statements**

Report of Independent Auditor

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

I have audited the accompanying consolidated balance sheets of TISCO Finance Public Company Limited and its subsidiaries as at 31 December 2002 and 2001, the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the years then ended and the separate financial statements of TISCO Finance Public Company Limited for the same periods. These financial statements are the responsibility of the Company's

management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I did not audit the financial statements for the years 2002 and 2001 of one subsidiary company, Thai Permsub Finance Company Limited, which statements reflect total assets as at 31 December 2002 and 2001 of approximately Baht 72 million and Baht 68 million respectively, total revenues for the years ended 31 December 2002 and 2001 of approximately Baht 6 million and Baht 69 million respectively, net earnings for the year ended 31 December 2002 of approximately Baht 5 million and net losses for the year ended 31 December 2001 of approximately Baht 0.09 million. Those amounts were included in the consolidated financial statements. I have however received an audit report from the subsidiary's auditor, who expressed an unqualified audit opinion on those financial statements (2001 : expressed an unqualified audit opinion and drew attention to the uncertainty of the economic situation). My opinion, insofar as it relates to the amounts pertaining to this subsidiary which are included in the consolidated financial statements for 2002 and 2001, is based solely on the report of that other auditor.

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

In my opinion, based on my audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Finance Public Company Limited and its subsidiaries and of TISCO Finance Public Company Limited as at 31 December 2002 and 2001, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.



Narong Puntawong
Certified Public Accountant (Thailand) No.3315

Balance Sheets as at 31 December 2002 and 2001
TISCO Finance Public Company Limited and its Subsidiary Companies

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
ASSETS					
CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS	4	832,613,406	716,084,574	283,654,851	106,557,178
LOANS TO FINANCIAL INSTITUTIONS	5	735,205,697	135,890,420	-	-
INVESTMENT IN SECURITIES	6,7,10				
Current invesment - net		2,598,948,561	3,331,411,437	2,235,283,775	2,691,379,002
Long-term investment - net		3,737,982,258	6,008,021,727	3,623,686,850	5,876,564,011
Investment in subsidiaries and associated companies - net		24,981,601	21,898,081	4,759,602,598	4,246,551,297
Net investments		6,361,912,420	9,361,331,245	10,618,573,223	12,814,494,310
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		85,901,326	36,031,079	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	8,10				
Finance business loans and receivable		39,537,786,346	31,479,321,293	34,589,394,520	28,426,059,855
Securities business receivable		1,099,602,791	905,717,370	-	-
Total loans and receivable		40,637,389,137	32,385,038,663	34,589,394,520	28,426,059,855
Accrued interest receivable		112,133,972	201,559,077	83,757,276	184,535,690
Total loans, receivable and accrued interest receivable		40,749,523,109	32,586,597,740	34,673,151,796	28,610,595,545
Less : Allowance for doubtful accounts	9	(4,232,249,692)	(1,817,393,315)	(3,393,631,652)	(973,183,152)
Less : Allowance for loss on debt restructuring	9	(462,267,957)	(333,862,492)	(462,267,957)	(333,862,492)
Net loans, receivable and accrued interest receivable		36,055,005,460	30,435,341,933	30,817,252,187	27,303,549,901
PROPERTY FORECLOSED - net	11	1,316,814,782	2,236,958,660	1,307,961,405	2,228,951,914
LAND, PREMISES AND EQUIPMENT - net	12	1,344,448,550	1,429,802,681	827,988,049	819,404,196
DEFERRED TAX ASSETS		260,697,463	256,685,511	254,485,565	254,614,373
GOODWILL	2	833,475,770	881,650,314	-	-
OTHER ASSETS	13	1,386,111,305	1,401,355,108	1,045,626,415	944,850,773
TOTAL ASSETS		49,212,186,179	46,891,131,525	45,155,541,695	44,472,422,645

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

Balance Sheets (Continued) as at 31 December 2002 and 2001
TISCO Finance Public Company Limited and its Subsidiary Companies

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY					
BORROWINGS AND DEPOSITS					
	14				
From public		30,943,746,418	35,457,648,500	30,492,497,798	35,330,968,085
From banks		2,259,109,462	1,159,268,038	289,018,870	173,461,730
From financial institutions		1,005,111,315	1,535,437,031	913,786,079	1,583,209,705
From foreign countries		53,384,018	57,174,741	53,384,018	57,174,741
Total borrowings and deposits		34,261,351,213	38,209,528,310	31,748,686,765	37,144,814,261
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS					
	15	-	100,000,000	-	100,000,000
TRADING TRANSACTIONS WITH SECURITIES COMPANIES					
		426,888,698	88,035,997	-	-
SECURITIES BUSINESS PAYABLE					
		431,448,657	568,706,778	-	-
LIABILITIES UNDER COMMERCIAL PAPERS SOLD					
		357,000,000	195,000,000	357,000,000	195,000,000
ACCRUED INTEREST PAYABLE					
		186,886,572	139,968,436	181,045,360	134,366,809
DEBENTURES					
	16	5,131,000,000	331,000,000	5,131,000,000	331,000,000
OTHER LIABILITIES					
	17	605,381,294	570,362,146	358,395,635	312,266,970
TOTAL LIABILITIES					
		41,399,956,434	40,202,601,667	37,776,127,760	38,217,448,040
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
1,000,000,000 preference shares of Baht 10 each and					
100,200,000 ordinary shares of Baht 10 each					
	18	11,002,000,000	11,002,000,000	11,002,000,000	11,002,000,000
Issued and paid up					
215,836,680 preference shares of Baht 10 each					
(2001 : 508,691,200 preference shares of Baht 10 each)					
		2,158,366,800	5,086,912,000	2,158,366,800	5,086,912,000
490,697,820 ordinary shares of Baht 10 each					
(2001 : 193,173,800 ordinary shares of Baht 10 each)					
		4,906,978,200	1,931,738,000	4,906,978,200	1,931,738,000
		7,065,345,000	7,018,650,000	7,065,345,000	7,018,650,000
Share premium					
Share premium of preference shares					
		1,184,895	-	1,184,895	-
Share premium of ordinary shares					
		36,500,000	36,500,000	36,500,000	36,500,000
Preference shares subscription received in advance					
		-	350,000	-	350,000
Revaluation surplus on changes in the value of investment					
	21	58,797,600	126,793,564	58,797,600	126,793,564
Translation adjustments					
		127,318,922	136,463,224	127,318,922	136,463,224
Retained earnings					
Appropriated - statutory reserve					
	20	48,700,000	48,700,000	48,700,000	48,700,000
Unappropriated (deficit)					
		41,567,518	(1,112,482,183)	41,567,518	(1,112,482,183)
Equity attributable to Company's shareholders					
		7,379,413,935	6,254,974,605	7,379,413,935	6,254,974,605
Minority interest - equity attributable to minority shareholders of subsidiaries					
		432,815,810	433,555,253	-	-
TOTAL SHAREHOLDERS' EQUITY					
		7,812,229,745	6,688,529,858	7,379,413,935	6,254,974,605
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		49,212,186,179	46,891,131,525	45,155,541,695	44,472,422,645
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
	31				
Aval to bills					
		771,762,686	1,445,234,274	771,762,686	1,445,234,274
Guarantees of loans and others					
		521,879,371	409,381,026	521,879,371	409,381,026

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

Statements of Earnings for the years ended 31 December 2002 and 2001
TISCO Finance Public Company Limited and its Subsidiary Companies

(Unit : Baht)

Note	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
INTEREST AND DIVIDEND INCOME				
Loans and deposits	1,036,470,747	1,155,963,549	1,030,310,764	1,202,125,019
Hire purchase and financial lease	1,849,728,024	1,393,027,077	1,240,366,889	891,730,359
Investments in securities	482,873,228	563,220,073	507,329,413	552,925,792
Total interest and dividend income	3,369,071,999	3,112,210,699	2,778,007,066	2,646,781,170
EXPENSES ON BORROWINGS				
Interest and discounts	1,259,748,447	1,338,463,443	1,199,609,050	1,306,493,959
Fees and charges	7,282,756	6,427,841	931,074	2,259,247
Total expenses on borrowings	1,267,031,203	1,344,891,284	1,200,540,124	1,308,753,206
Net interest and dividend income	2,102,040,796	1,767,319,415	1,577,466,942	1,338,027,964
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS (BAD DEBT AND DOUBTFUL ACCOUNTS)	(465,571,909)	20,192,153	(432,288,802)	(6,356,035)
LOSS ON DEBT RESTRUCTURING	(52,168,345)	(191,297,230)	(32,636,038)	(191,297,230)
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	1,584,300,542	1,596,214,338	1,112,542,102	1,140,374,699
NON-INTEREST INCOME				
Brokerage fees	353,341,171	172,504,995	-	-
Gain (loss) on investments	22 624,760,511	200,833,847	508,390,150	(12,768,003)
Fees and charges	549,936,048	591,937,081	232,617,850	121,782,131
Fees and gain (loss) on forward exchange	6,986,384	4,407,438	(150,359)	(55,600)
Share of profit of subsidiary and associated companies	1,515,874	240,706	519,543,881	636,171,317
Other income	224,784,780	486,903,514	195,141,411	181,534,479
Total non-interest income	1,761,324,768	1,456,827,581	1,455,542,933	926,664,324
Total net income	3,345,625,310	3,053,041,919	2,568,085,035	2,067,039,023
OPERATING EXPENSES				
Personnel expenses	810,582,819	751,587,026	309,371,353	254,108,779
Premises and equipment expenses	350,420,085	352,629,404	215,469,330	188,108,252
Taxes and duties	82,639,834	78,133,490	75,699,729	72,886,330
Directors' remuneration	23 6,710,000	10,275,365	5,770,000	5,540,000
Other expenses	713,350,845	845,487,539	807,596,114	691,033,902
Total operating expenses	1,963,703,583	2,038,112,824	1,413,906,526	1,211,677,263
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST	1,381,921,727	1,014,929,095	1,154,178,509	855,361,760
CORPORATE INCOME TAX	24 (190,127,343)	(206,272,778)	(128,808)	(16,775,788)
EARNINGS BEFORE MINORITY INTEREST AND LOSS OF A SUBSIDIARY COMPANY PRIOR TO THE ACQUISITION DATE	1,191,794,384	808,656,317	1,154,049,701	838,585,972
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES	(37,744,683)	(40,328,121)	-	-
NET LOSS OF A SUBSIDIARY COMPANY PRIOR TO THE ACQUISITION DATE	2(b) -	70,257,776	-	-
NET EARNINGS FOR THE YEAR	1,154,049,701	838,585,972	1,154,049,701	838,585,972
EARNINGS PER SHARE	27			
Basic earnings per share	3.35	4.61	3.35	4.61
Diluted earnings per share	1.60	1.17	1.60	1.17

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

Statements of Changes in Shareholders' Equity for the years ended 31 December 2002 and 2001

TISCO Finance Public Company Limited and its Subsidiary Companies

(Unit : Baht)

	CONSOLIDATED										
	Issued and paid-up share capital		Share premium		Preference shares	Surplus (deficit)	Translation	Statutory	Unappropriated	Minority interest-	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	subscription received in advance	from changes in the value of investment	adjustments	reserve	retained earnings (deficit)	equity attributable to minority shareholders	
Balance as at 31 December 2000	5,475,182,000	1,526,818,000	-	36,500,000	-	(155,558,483)	130,955,792	48,700,000	(1,951,068,155)	434,743,103	5,546,272,257
Increase in fair value of investments	-	-	-	-	-	282,352,047	-	-	-	-	282,352,047
Increase in translation adjustments	-	-	-	-	-	-	5,507,432	-	-	-	5,507,432
Net earnings for the year	-	-	-	-	-	-	-	-	838,585,972	-	838,585,972
Warrants converted to preference shares	16,650,000	-	-	-	350,000	-	-	-	-	-	17,000,000
Preference shares converted to ordinary shares	(404,920,000)	404,920,000	-	-	-	-	-	-	-	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(1,187,850)	(1,187,850)
Balance as at 31 December 2001	5,086,912,000	1,931,738,000	-	36,500,000	350,000	126,793,564	136,463,224	48,700,000	(1,112,482,183)	433,555,253	6,688,529,858
Decrease in fair value of investments	-	-	-	-	-	(67,995,964)	-	-	-	-	(67,995,964)
Decrease in translation adjustments	-	-	-	-	-	-	(9,144,302)	-	-	-	(9,144,302)
Net earnings for the year	-	-	-	-	-	-	-	-	1,154,049,701	-	1,154,049,701
Warrants converted to preference shares	46,695,000	-	1,184,895	-	(350,000)	-	-	-	-	-	47,529,895
Preference shares converted to ordinary shares	(2,975,240,200)	2,975,240,200	-	-	-	-	-	-	-	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(739,443)	(739,443)
Balance as at 31 December 2002	2,158,366,800	4,906,978,200	1,184,895	36,500,000	-	58,797,600	127,318,922	48,700,000	41,567,518	432,815,810	7,812,229,745

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

Statements of Changes in Shareholders' Equity (Continued) for the years ended 31 December 2002 and 2001
TISCO Finance Public Company Limited and its Subsidiary Companies

(Unit : Baht)

	THE COMPANY ONLY									
	Issued and paid-up share capital		Share premium		Preference shares	Surplus (deficit)	Translation	Statutory	Unappropriated	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	subscription received in advance	from changes in the value of investment	adjustments	reserve	retained earnings (deficit)	
Balance as at 31 December 2000	5,475,182,000	1,526,818,000	-	36,500,000	-	(155,558,483)	130,955,792	48,700,000	(1,951,068,155)	5,111,529,154
Increase in fair value of investments	-	-	-	-	-	282,352,047	-	-	-	282,352,047
Increase in translation adjustments	-	-	-	-	-	-	5,507,432	-	-	5,507,432
Net earnings for the year	-	-	-	-	-	-	-	-	838,585,972	838,585,972
Warrants converted to preference shares	16,650,000	-	-	-	350,000	-	-	-	-	17,000,000
Preference shares converted to ordinary shares	(404,920,000)	404,920,000	-	-	-	-	-	-	-	-
Balance as at 31 December 2001	5,086,912,000	1,931,738,000	-	36,500,000	350,000	126,793,564	136,463,224	48,700,000	(1,112,482,183)	6,254,974,605
Decrease in fair value of investments	-	-	-	-	-	(67,995,964)	-	-	-	(67,995,964)
Decrease in translation adjustments	-	-	-	-	-	-	(9,144,302)	-	-	(9,144,302)
Net earnings for the year	-	-	-	-	-	-	-	-	1,154,049,701	1,154,049,701
Warrants converted to preference shares	46,695,000	-	1,184,895	-	(350,000)	-	-	-	-	47,529,895
Preference shares converted to ordinary shares	(2,975,240,200)	2,975,240,200	-	-	-	-	-	-	-	-
Balance as at 31 December 2002	2,158,366,800	4,906,978,200	1,184,895	36,500,000	-	58,797,600	127,318,922	48,700,000	41,567,518	7,379,413,935

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

Statements of Cash Flows for the years ended 31 December 2002 and 2001
TISCO Finance Public Company Limited and its Subsidiary Companies

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cash flows from operating activities				
Net earnings	1,154,049,701	838,585,972	1,154,049,701	838,585,972
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	37,744,683	40,328,121	-	-
Net loss of a subsidiary company prior to the acquisition date	-	(70,257,776)	-	-
Share of net gain of subsidiary and associated companies	(1,515,874)	(240,706)	(519,543,881)	(636,171,317)
Depreciation and amortisation	218,507,922	124,796,243	90,262,382	77,240,054
Bad debt and doubtful accounts	507,555,705	88,929,504	466,347,855	277,602,450
Unrealised gain on revaluation of investment	(16,755,822)	(330,515,204)	(14,940,861)	(299,551,829)
Provision for revaluation of property foreclosed	8,702,351	34,732,105	7,732,634	34,975,401
Unrealised gain from transfer of investments	-	(2,109)	-	-
Loss from troubled debt restructuring	52,168,345	191,297,230	32,636,038	191,297,230
Gain on disposal of investments	(540,115,940)	(60,977,115)	(500,263,182)	(18,459,649)
Gain on disposal of fixed assets	(10,091,239)	(4,152,652)	(1,514,255)	(1,948,980)
Unrealised loss (gain) on decrease (increase) of securities held for trading	136,891,963	(210,867,486)	-	-
Gain from disposal of property foreclosed	(99,369,285)	(45,252,239)	(99,369,285)	(45,252,239)
Decrease (increase) in deferred tax assets	(4,011,952)	17,896,354	128,808	16,775,788
Decrease (increase) in accrued interest and dividend receivable	200,182,740	(14,798,931)	209,584,381	(3,927,561)
Increase in other receivable	(29,150,338)	(5,885,931)	(31,498,203)	(2,506,071)
Increase (decrease) in accrued interest payable	46,918,136	(51,129,317)	46,678,551	(56,046,010)
Increase (decrease) in accrued expenses	(1,348,865)	(33,182,285)	876,083	(34,531,521)
Earnings from operating activities before changes in operating assets and liabilities	1,660,362,231	509,303,778	841,166,766	338,081,718
Decrease (increase) in operating assets				
Loans to financial institutions	(599,315,277)	(23,415,292)	-	-
Negotiable certificates of deposit	14,667,332	(19,046,411)	-	-
Investment in securities - held for trading	219,811,658	195,935,128	-	-
Trading transactions with securities companies	(49,870,247)	49,311,698	-	-
Finance business loans and receivable	(5,543,122,186)	(5,922,751,636)	(3,778,652,904)	(3,805,830,716)
Securities business receivable	(203,309,542)	(204,682,145)	-	-
Property foreclosed	618,082,698	153,156,365	619,899,046	131,863,096
Other assets	(102,419,099)	(350,788,447)	(207,399,026)	(226,089,269)
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	(4,513,902,082)	4,238,899,539	(4,838,470,287)	4,217,169,607
Borrowings and deposits from banks and financial institutions	608,491,251	479,724,688	(553,866,486)	(24,807,899)
Borrowings and deposits from foreign countries	(3,790,723)	31,992,452)	(3,790,723)	(31,992,452)
Securities sold under repurchase agreements	(100,000,000)	100,000,000	(100,000,000)	100,000,000
Trading transactions with securities companies	338,852,701	54,443,981	-	-
Liabilities under commercial paper sold	162,000,000	(105,000,000)	162,000,000	(105,000,000)
Securities business payable	(118,658,121)	171,323,217	-	-
Other liabilities	(116,129,961)	433,853,115	60,791,568	51,208,339
Net cash flows from (used in) operating activities	(7,728,249,367)	(271,724,874)	(7,798,322,046)	644,602,424

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

Statements of Cash Flows (Continued) for the years ended 31 December 2002 and 2001
TISCO Finance Public Company Limited and its Subsidiary Companies

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(7,822,635,414)	(15,760,281,206)	(7,422,716,546)	(16,097,901,156)
Cash received from disposal of investment in securities held for investment	10,935,364,738	16,164,433,498	10,572,952,831	15,571,824,699
Cash paid for purchase of equipment	(71,475,740)	(92,111,338)	(24,258,053)	(43,010,262)
Cash received from disposal of equipment	19,806,354	29,357,913	1,911,592	4,519,348
Cash paid for purchase of a subsidiary company	-	(149,810,235)	-	(149,810,235)
Net cash flows from (used in) investing activities	3,061,059,938	191,588,632	3,127,889,824	(714,377,606)
Cash flows from financing activities				
Cash received from issuance of debentures	4,800,000,000	-	4,800,000,000	-
Cash received from issuance of preference shares	47,529,895	17,000,000	47,529,895	17,000,000
Dividend paid	(40,000,000)	(40,000,000)	-	-
Net cash flows from (used in) financing activities	4,807,529,895	(23,000,000)	4,847,529,895	17,000,000
Translation adjustment	(9,144,302)	5,507,432	-	-
Net increase (decrease) in cash and cash equivalents	131,196,164	(97,628,810)	177,097,673	(52,775,182)
Cash and cash equivalents at beginning of the year	665,732,838	704,349,224	106,557,178	159,332,360
Add : Cash and cash equivalents at the purchase date of the new acquired subsidiary company	-	59,012,424	-	-
Cash and cash equivalents at end of the year (Note 28)	796,929,002	665,732,838	283,654,851	106,557,178
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	1,210,565,816	1,461,000,792	1,152,930,499	1,362,539,969
Corporate income tax	238,652,241	82,735,281	11,865,821	6,521,759
Non-cash transactions				
Conversion of preference shares to ordinary shares	2,975,240,200	404,920,000	2,975,240,200	404,920,000
Transfer of assets from troubled debt restructuring	-	115,734,643	-	115,734,643

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

Notes to Financial Statements

TISCO Finance Public Company Limited and its Subsidiary Companies

1. General Information

1.1 Company's information

TISCO Finance Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and has been licensed by the Ministry of Finance to operate a finance business. The Company's registered office is located at 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. The Company has 10 provincial offices in Thailand.

1.2 Assumption of preparation of the financial statements

Although Thailand's economic crisis has eased to a certain extent, financial restructuring within the business community is still prevalent and subject to readjustment. The residual effects of the crisis could affect the recoverable value of assets and the collection of loans and receivables. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial positions of the Company and its subsidiaries. Actual results could differ from management's current assessments.

1.3 The Emergency Decree establishing Thai asset Management Corporation

In June 2001 the Government issued an Emergency Decree establishing Thai Asset Management Corporation (TAMC). Under this Emergency Decree, financial institutions may choose whether to join the scheme and transfer those of their non-performing assets which meet the stipulated conditions to TAMC, within the specified timeframe. The assets are to be transferred at a price equal to the value of the collateral or a price stipulated by the Board of TAMC and any future profits and losses from the non-performing assets are to be shared.

The Emergency Decree stipulates that financial institutions which do not enter the scheme must have the value of collateral reappraised and, within a stipulated period, set up a provision for all types of non-performing assets at 100% of their book value after deducting collateral values.

The Company decided not to join the scheme and had the collateral values of those non-performing assets which meet the stipulated conditions for transfer to TAMC reappraised. The Company has set up provision for all types of non-performing assets at 100% of their book value after deducting collateral values.

2. Basis for the Preparation of the Consolidated Financial Statements

The consolidated financial statements include the accounts of TISCO Finance Public Company Limited (the "Company") and its subsidiary companies (the "subsidiaries") after eliminating material intercompany balances and transactions. Those subsidiaries are set out below.

(Unit : Percentage)

	Percentage of shares held by the Company		Subsidiaries' total assets as a percentage to the consolidated total		Subsidiaries' total revenues as a percentage to the consolidated total for the years ended 31 December		Subsidiaries' net earnings (loss) as a percentage to the consolidated total for the years ended 31 December	
	2002	2001	2002	2001	2002	2001	2002	2001
	<u>Subsidiaries directly owned by the Company</u>							
TISCO Securities Hong Kong Limited	100.00	100.00	1.85	1.51	1.15	2.07	(2.31)	(0.45)
TISCO Securities Co., Ltd.	99.99	99.99	2.92	4.19	9.37	11.72	11.66	26.47
Tru-Way Co., Ltd.	99.99	99.99	0.82	1.33	0.77	1.70	0.89	11.69
Thai Commercial Auto Co., Ltd.	50.00	50.00	5.66	3.84	4.21	4.44	7.54	10.17
Thai Permsub Finance Co., Ltd.	99.99	99.99	0.15	0.14	0.11	1.65	0.45	(8.39)
<u>Subsidiaries indirectly owned by the Company</u>								
TISCO Asset Management Co., Ltd.	99.99	99.99	0.67	0.55	4.39	5.54	9.48	14.50
TISCO Global Investment Holdings Limited	100.00	100.00	0.12	0.13	0.19	0.52	0.80	2.15
TISCO Securities UK Limited	100.00	100.00	0.16	0.10	0.18	0.01	(1.74)	(0.58)
TISCO Leasing Co., Ltd.	99.99	99.99	1.90	1.59	2.05	2.14	3.69	0.31
Hi-Way Co., Ltd.	99.99	99.99	2.31	1.54	6.95	11.46	9.34	13.80
Thai Information Technology Co., Ltd.	99.99	99.99	0.28	0.37	0.22	0.21	(9.58)	(14.10)
TW Auto Co., Ltd.	-	99.99	-	-	-	-	-	-

a) The Company and its subsidiaries were all incorporated and operate in Thailand, except TISCO Securities Hong Kong Limited and TISCO Global Investment Holdings Limited, which were incorporated and operate in Hong Kong; and TISCO Securities UK Limited, which was incorporated and operates in the United Kingdom.

b) On 20 November 2001, the Company acquired all ordinary shares of Thai Permsub Finance Company Limited (formerly known as “Thai Sakura Finance Company Limited”) for a consideration of Baht 149.8 million. As of the acquisition date, the cost of this investment was Baht 82 million higher than the fair value of the subsidiary’s net assets value. The excess was recorded as “Goodwill” in the consolidated balance sheets.

In preparing the consolidated earnings statement for the year 2001, the Company incorporated the revenues and expenses of this subsidiary for the entire year in the consolidated totals. However, in order for the earnings statement to reflect only the post-acquisition earnings, the subsidiary’s operating results prior to the acquisition date (a net loss of approximately Baht 70.2 million) were excluded and presented as a separate item in the consolidated earnings statement for the year 2001.

c) The financial statements of overseas subsidiaries are translated to Thai Baht at the average closing exchange rate as to assets and liabilities, and at the average exchange rate at transaction dates as to revenues and expenses. The resultant difference has been shown under the caption of “Translation adjustments” within shareholders’ equity.

3. Significant Accounting Policies

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand (ICAAAT), which are effective under the Accounting Act B.E. 2543, and in accordance with the Notifications of the Bank of Thailand and the Office of the Securities and Exchange Commission.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below :-

3.1 Revenue recognition

a) Interest and discounts on loans

Interest is recognised as income on an accrual basis and is based on principal outstanding. Hire-purchase and financial lease income are recognized over the installment period, using the effective interest rate.

For loans and receivables on which interest payments have been defaulted for more than one month, it is the policy of the Company and its subsidiaries to cease accruing income on such loans and receivables. For hire purchase and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased. The recorded accrued interest will be reversed from the Company and its subsidiaries' accounts and interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is recognised on a cash basis.

The accounts will be reinstated to "accrual basis" when the overdue amount are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment is recognised as income on an accrual basis. Dividends from securities are recognised as income when the dividends are declared.

c) Commissions and brokerage

Brokerage on securities trading is recognised as income on the transaction dates.

d) Gain (loss) on trading in securities

Gain (loss) on trading of investment in securities are recognised as income/expense on the transaction dates.

e) Fees and service income

Fees and service income are recognised as income on an accrual basis.

3.2 Interest expenses

Interest expenses are charged to earnings on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

3.3 Investments in securities

Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in the determining earnings.

Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, the changes are then included in determining earnings.

Investments in debt securities, both due within one year or expected to be held to maturity, are determined at cost after amortisation.

The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt instruments is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Dealing Center or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

Losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining earnings.

The moving average method is used for computation of the cost of investment.

In the event the Company and its subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining earnings or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

3.4 Investments in receivables purchased or transferred in and allowance for impairment of investments

Investments in receivables are recognised as other investments and shown at their acquisition cost net of allowance for impairment (if any). Impairment losses are presented in the earnings statements.

Allowance for impairment in the value of investments in receivables acquired is set up in accordance with the guidelines and regulations of the Bank of Thailand, together with analysis of the payment ability and status of each receivable acquired. The Company also uses experience to consider the level of risk and the value of collateral.

The Company classifies investments in receivables and sets up allowance for impairment based on the guidelines laid down by the BOT on provisioning rates for doubtful debt and the appraisal of collateral. Such provisioning is to be made with reference to the overdue period starting from the acquisition of investments and the value of collateral.

3.5 Investment in subsidiary and associated companies

Investments in subsidiary and associated companies are accounted for by the equity method. Under this method investment are initially recorded at cost, with the excess of the cost of the investment over the net book value at the acquisition date are amortised over a period of twenty years (after the change of estimate as discussed in the second paragraph). In each period after the purchase, investments are adjusted for the share of earnings from the operations of the subsidiaries, these amounts are in proportion to the investment.

During the third quarter of 2001, the Company changed an estimate of the useful life of goodwill arising from its investment in Tru-Way Company Limited and TISCO Asset Management Company Limited from 5 years to 20 years. Based on the projection of future benefits to be derived from these investments, the Company believes that the investments will generate benefits to the Company over a period longer than the 5 years originally estimated. The Company has therefore changed the period of amortisation of the goodwill from 5 years to 20 years, effective from the third quarter of 2001 onwards.

3.6 Loans and receivables

The Company presents loans and receivables at principal balances, excluding accrued interest receivables. Unrecognised deferred income/discount on loans are deducted from loans.

3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

The Company and its subsidiaries provide allowances for doubtful accounts and losses from troubled debt restructuring in accordance with the notifications of the Bank of Thailand ("BOT") or the Office of the Securities and Exchange Commission ("SEC") and adjust the additional amount by which they expected not to be collectible. Judgment on the adequacy of the amount of allowance for doubtful accounts is based on the results of an evaluation of the current status of the debtors, in conjunction with the criteria laid down by the BOT or SEC in relation to the classification of loans, provisioning rates, valuation of collateral and reclassification of restructured loans.

An allowance for doubtful accounts for the hire-purchase and financial lease receivable of the subsidiaries is based on a percentage of the outstanding balance, net of unearned interest income. At the balance sheet date, the adequacy of the allowance for doubtful accounts is reviewed taking into consideration the current status of debtors. Accounts considered as uncollectible are written off as bad debts.

3.8 Troubled debt restructuring

The Company records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring" as pronounced by the Institute of Certified Accountants and Auditors of Thailand. The assets and equities was transferred to the Company for debt settlement at lower of fair values of the assets, less estimated selling expenses, or the amount of investment in receivables (excluding non-accrued interest income at the restructuring date).

In case where the debt restructuring involves modifications of terms of receivables, the fair value of investment in receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates (MLR) prevailing at the restructuring date. The Company recorded the difference between the fair value of investment in receivables, and the amount of investments in receivables as of restructuring date as expenses in the earnings statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the statement of earnings when incurred.

3.9 Property foreclosed

Property foreclosed is stated at the lower of cost or net realisable value.

3.10 Financial lease

The Company and its subsidiaries record assets under financial leases as assets and liabilities at the fair value of leased assets on the commencing date of the lease or at the present value of the minimum payments stipulated in the lease agreement, whichever is lower. The Company and its subsidiaries use the interest rate specified in the lease agreement as the discount rate for calculating the present value of minimum payments. Interest is recorded throughout the lease period based on the outstanding amount payable in each period.

3.11 Depreciation and amortisation

a) Land, premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by reference to their cost on the straight-line method over the following estimated useful lives (with the exception of the depreciation of computer and communication equipment acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years) :-

Buildings and office condominium units	-	20 years
Office improvements	-	5 years
Furniture, fixtures and equipment	-	5 years
Motor vehicles	-	5 years

No depreciation is provided for land.

b) Leasehold rights are amortised to expenses on a straight-line basis over the lease period of 12, 13.5 and 15 years.

c) Software license fees are deferred and amortised over the period of the license agreements, which are for periods of 5 and 10 years. (with the exception of the amortisation of software licenses acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years).

d) Licenses to trade securities on the Hong Kong Exchange and Clearing Limited (“HKEC”) are stated at cost less amortisation on a straight-line basis over 10 years.

3.12 Deferred tax assets/liabilities

The Company and its subsidiaries provide for deferred income tax resulting from temporary differences in reporting income and expenses for financial reporting compared to income tax reporting. Accordingly, the income tax applicable to income which is not currently recognised, or to expenses which are not currently deductible for income tax purposes are set up as “Deferred income taxes” in the balance sheets. This will be allocated to future periods when the income is realised, or the expenses provided for, are actually incurred and considered deductible for income tax purposes.

However, the Company and its subsidiaries will recognise tax benefits as assets in its books of account if it is highly probable that the Company and its subsidiaries will generate sufficient profits from their future operations to utilise these benefits.

3.13 Sales of commercial paper

The Company records sales of commercial paper purchased at a discount in the manner prescribed by the Bank of Thailand Announcement dated 17 May 1990, which is as follows :-

a) Commercial paper with an aval or acceptance by a bank or another finance company and which was sold at a discount and without recourse, is credited to the debtors account at the face value of the commercial paper purchased. For commercial paper sold at a discount with aval or acceptance of the type described above, and sold with recourse, the outstanding balance from the sale is disclosed as part of “Contingent liabilities”.

b) Commercial paper without an aval or acceptance and with a value of Baht 10 million or more per paper and sold without recourse, is credited to the debtor accounts. If a commercial paper is sold with recourse and has a value of less than Baht 10 million, the transaction is recorded as a liability, under the caption of “Liabilities from commercial paper sold”.

3.14 Foreign currencies

Foreign currency transactions during the year have been translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currencies outstanding on the balance sheet date have been translated into Baht at the rates ruling on the balance sheet date, except those covered by forward exchange contracts have been translated at the contract rates.

Exchange gains and losses are included in determining earnings. Premium on forward contracts is amortised over the contract period.

3.15 Financial instruments

Financial instruments presented in the balance sheets comprise cash and deposits at financial institutions, loans to financial institutions, investments, loans, receivables and accrued interest receivables, trading transactions with securities companies, borrowings and deposits, securities sold under repurchase agreements and securities business payables. The accounting policy for each transaction is separately and individually disclosed.

3.16 Basic earnings per share

Basic earnings per share is calculated by dividing net earnings for the year by the weighted average number of ordinary shares issuing during the year.

Diluted earnings per share is calculated by dividing net earnings for the year by the total sum of the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares to be issued upon conversion of all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

3.17 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in setting up allowances for impairment of investments and property foreclosed, allowance for doubtful accounts and losses from troubled debt restructuring. Making such estimates and assumptions may affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

4. Cash and Deposits at Financial Institutions

Cash and deposits at financial institutions represent cash and all types of Baht and foreign currency deposits at banks and other financial institutions.

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(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Cash	3,927,680	6,560,203	1,546,536	1,348,472
Cash at banks	793,001,322	659,172,635	282,108,315	105,208,706
Negotiable certificates of deposit	35,684,404	50,351,736	-	-
Total	832,613,406	716,084,574	283,654,851	106,557,178

As at 31 December 2002, a Baht 36 million (2001 : Baht 33 million) of the subsidiary's negotiable certificate deposit is stated at its face value less unearned interest income amounting to Baht 0.3 million (2001 : Baht 3 million). During the year, the subsidiary recognized interest income of approximately Baht 2 million (2001 : Baht 2 million).

As at 31 December 2002, cash deposits at banks of the Company and its local subsidiaries of approximately Baht 26 million (the Company only : Baht 16 million) were pledged with the banks to secure facilities provided for use as working capital.

As at 31 December 2002, approximately Baht 100 million (2001 : Baht 102 million) of the foreign subsidiary's cash deposits at banks were pledged with the bank to secure the credit facility.

5. Loans to Financial Institutions

These include all types of loans to local and foreign financial institutions, but exclude the deposits with financial institutions as referred to in Note 4.

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Call loans	381,852,764	58,811,387	-	-
Term loans	352,000,000	75,698,726	-	-
Total loans	733,852,764	134,510,113	-	-
Add : Accrued interest receivable	1,352,933	1,380,307	-	-
Net loans to financial institutions	735,205,697	135,890,420	-	-

6. Investments in Securities

(Unit : Baht)

	Consolidated			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<u>Current investment</u>				
Trading securities				
Equity securities :				
Domestic marketable equity securities	277,993,507	261,591,554	474,335,784	594,271,350
Add (less) : Allowance for changes in value	(16,401,953)		119,935,566	
Net equity securities	261,591,554		594,271,350	
Total trading securities	261,591,554		594,271,350	
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	1,807,660,714	1,808,765,008	1,660,075,995	1,807,041,487
Debt securities of private sector	267,712,811	279,610,295	499,676,213	520,896,556
Total	2,075,373,525	2,088,375,303	2,159,752,208	2,327,938,043
Add (less) : Allowance for changes in value	13,001,778		168,185,835	
Debt securities - net	2,088,375,303		2,327,938,043	
Equity securities :				
Domestic marketable equity securities	243,250,428	217,098,489	468,750,082	397,894,044
Other securities - unit trusts	33,392,099	31,883,215	11,997,490	11,308,000
Total	276,642,527	248,981,704	480,747,572	409,202,044
Add (less) : Allowance for changes in value	(27,660,823)		(71,545,528)	
Net equity securities	248,981,704		409,202,044	
Total available-for-sales securities	2,337,357,007		2,737,140,087	
Net current investments	2,598,948,561		3,331,411,437	
<u>Long-term investment</u>				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	739,043,130	723,999,113	749,620,093	685,699,860
Add (less) : Allowance for changes in value	45,369,983		15,532,167	
Less : Allowance for impairment	(60,414,000)		(79,452,400)	
Debt securities - net	723,999,113		685,699,860	
Equity securities :				
Domestic marketable equity securities	801,883,409	808,492,073	56,262,159	75,228,188
Other securities - unit trusts	293,587,177	289,530,703	349,697,210	345,109,388
Total	1,095,470,586	1,098,022,776	405,959,369	420,337,576
Add (less) : Allowance for changes in value	2,552,190		16,700,481	
Less : Allowance for impairment	-		(2,322,274)	

■ Content ■

(Unit : Baht)

	Consolidated			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Net equity securities	1,098,022,776		420,337,576	
Total available-for-sales securities	1,822,021,889		1,106,037,436	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	338,820,128		3,343,254,996	
Debt securities of private sector	380,437,272		405,529,610	
Total held-to-maturity debt securities	719,257,400		3,748,784,606	
Other investment				
Equity securities :				
Domestic non-marketable equity securities	1,289,378,652		1,286,710,499	
Investment in receivables	195,330,946		235,623,807	
Add (less) : Allowance for changes in value	-		(3,722,263)	
Less : Allowance for impairment	(288,006,629)		(365,412,358)	
Total other investment	1,196,702,969		1,153,199,685	
Net long-term investments	3,737,982,258		6,008,021,727	
Investment in subsidiaries and associated companies				
Investment in associated companies	24,981,601		21,898,081	
Net investments	6,361,912,420		9,361,331,245	

(Unit : Baht)

	The Company Only			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investment				
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	1,743,821,123	1,744,908,777	1,659,970,910	1,806,936,402
Debt securities of private sector	230,912,811	241,393,294	453,676,213	475,240,556
Total	1,974,733,934	1,986,302,071	2,113,647,123	2,282,176,958
Add (less) : Allowance for changes in value	11,568,137		168,529,835	
Debt securities - net	1,986,302,071		2,282,176,958	
Equity securities :				
Domestic marketable equity securities	243,250,428	217,098,489	468,750,082	397,894,044

(Unit : Baht)

	The Company Only			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Other securities - unit trusts	33,392,099	31,883,215	11,997,490	11,308,000
Total	276,642,527	248,981,704	480,747,572	409,202,044
Add (less) : Allowance for changes in value	(27,660,823)		(71,545,528)	
Net equity securities	248,981,704		409,202,044	
Net available-for-sales securities	2,235,283,775		2,691,379,002	
Net current investments	2,235,283,775		2,691,379,002	
<u>Long-term investment</u>				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	739,043,130	723,999,113	749,620,093	685,699,859
Add (less) : Allowance for changes in value	45,369,983		15,532,166	
Less : Allowance for impairment	(60,414,000)		(79,452,400)	
Debt securities - net	723,999,113		685,699,859	
Equity securities :				
Domestic marketable equity securities	802,072,451	810,254,690	10,753,689	10,350,000
Other securities - unit trusts	293,587,177	289,530,703	349,417,436	345,109,388
Total	1,095,659,628	1,099,785,393	360,171,125	355,459,388
Add (less) : Allowance for changes in value	4,125,765		(4,711,737)	
Net equity securities	1,099,785,393		355,459,388	
Total available-for-sales securities	1,823,784,506		1,041,159,247	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	335,000,000		3,331,000,000	
Debt securities of private sector	380,432,467		396,159,171	
Total held-to-maturity debt securities	715,432,467		3,727,159,171	
Other investment				
Non-marketable equity securities :				
At cost	990,828,360		1,056,041,956	
Investment in receivables	195,330,946		235,623,807	
Less : Allowance for changes in value	-		(3,722,263)	
Less : Allowance for impairment	(101,689,429)		(179,697,907)	

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(Unit : Baht)

	The Company Only			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Total other investment	1,084,469,877		1,108,245,593	
Net long-term investments	3,623,686,850		5,876,564,011	
<u>Investment in subsidiaries and associated companies</u>				
Investment in subsidiaries	4,759,602,598		4,246,551,297	
Net investments	10,618,573,223		12,814,494,310	

6.1 As at 31 December 2002, held-to-maturity debt securities amounting to Baht 335 million (2001 : Baht 3,331 million) represent government bonds which the Company has invested pursuant to the agreement made with the Ministry of Finance under the Tier I and Tier II capital support scheme. These bonds are redeemable within a 10-year period, non-negotiable and carry interest at rates of 4% and 5% per annum. In September 2002, the bonds totaling Baht 2,996 million were redeemed before maturity date by the Ministry of Finance.

6.2 As at 31 December 2002, the Company has a commitment not to sell marketable equity securities totalling Baht 52 million (2001 : Baht 168 million) for the period, as a condition of troubled debt restructuring agreement made with restructured receivables.

6.3 As at 31 December 2002, a subsidiary company has pledged other investment of approximately Baht 13 million (2001 : Baht 13 million) as a security against short-term loan from a company.

6.4 Investment in debt securities of the Company and its subsidiaries as at 31 December 2002, classified by due date are summarised below.

(Unit : Baht)

	Consolidated			
	Maturity			Total
	1 year	Over 1-5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	1,803,364,274	-	4,296,440	1,807,660,714
Debt securities of private sector	150,465,872	706,290,069	150,000,000	1,006,755,941
Total	1,953,830,146	706,290,069	154,296,440	2,814,416,655
Add (less) : Allowance for changes in value	1,849,966	53,626,115	2,895,680	58,371,761
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	1,895,266,112	759,916,184	157,192,120	2,812,374,416

■ Content ■

(Unit : Baht)

	Consolidated			
	Maturity			Total
	1 year	Over 1-5 years	Over 5 years	
Held-to-maturities debt securities				
Government and state enterprise securities	-	-	338,820,128	338,820,128
Debt securities of private sector	231,441,537	142,514,395	6,481,340	380,437,272
Total	231,441,537	142,514,395	345,301,468	719,257,400
Total debt securities	2,126,707,649	902,430,579	502,493,588	3,531,631,816

(Unit : Baht)

	The Company Only			
	Maturity			Total
	1 year	Over 1-5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	1,739,524,683	-	4,296,440	1,743,821,123
Debt securities of private sector	150,465,872	669,490,069	150,000,000	969,955,941
Total	1,889,990,555	669,490,069	154,296,440	2,713,777,064
Add (less) : Allowance for changes in value	1,833,324	52,209,116	2,895,680	56,938,120
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	1,831,409,879	721,699,185	157,192,120	2,710,301,184
Held-to-maturities debt securities				
Government and state enterprise securities	-	-	335,000,000	335,000,000
Debt securities of private sector	231,441,450	142,509,677	6,481,340	380,432,467
Total	231,441,450	142,509,677	341,481,340	715,432,467
Total debt securities	2,062,851,329	864,208,862	498,673,460	3,425,733,651

6.5 As at 31 December 2002, the Company and its subsidiaries have the following investment in companies which have weak financial standing or operating results :-

(Unit : Baht)

	Consolidated			The Company Only		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	60,414,000	-	60,414,000	60,414,000	-	60,414,000

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

6.6 The followings are book value (net of allowance for impairment) of investments whereby the Company and its subsidiaries hold not less than 10 percent of the equity of the investees:-

(Unit : Baht)

Name	Consolidated					
	2002			2001		
	Book value	Unpaid amount	Percentage of holding	Book value	Unpaid amount	Percentage of holding
			%			%
<u>Insurance :</u>						
GITC Company Limited (formerly known as "Guardian Insurance (Thailand) Co., Ltd.")	13,905,600	-	40	13,905,600	-	40
AXA Insurance Plc.	58,887,015	-	11	58,887,015	-	11
<u>Services :</u>						
American Appraisal (Thailand) Co., Ltd.	-	-	-	3,212,578	-	20
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	35,334,990	-	10	35,334,990	-	10
<u>Leasing and hire purchase :</u>						
Mizuho Corporate Leasing (Thailand) Co., Ltd. (formerly known as "DKB Leasing (Thailand) Limited")	1,849,050	-	21	1,849,050	-	21
Volkswagen Leasing Thailand Limited	24,981,601	40,000,000	20	21,898,081	40,000,000	20
<u>Trading import and export :</u>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,203,400	-	10	2,850,900	-	10
<u>Real estate :</u>						
JLW (Thailand) Ltd.	-	-	-	-	-	10
PNC (Thailand) Co., Ltd.	-	-	-	-	-	10
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	12,403,500	-	10	12,940,500	-	10
Sathom Sombat Co., Ltd.	-	-	20	-	-	20
Huay Kaew Real Estate Co., Ltd.	-	-	100	-	-	-
<u>Industrial :</u>						
Siam Art Ceramic Co., Ltd.	12,452,000	-	10	11,242,000	-	10
<u>Holding :</u>						
Interthai Holdings Ltd. (Preference shares)	250,000	750,000	10	250,000	750,000	10

(Unit : Baht)

Name	The Company Only					
	2002			2001		
	Book value	Unpaid amount	Percentage of holding	Book value	Unpaid amount	Percentage of holding
			%			%
<u>Insurance :</u>						
AXA Insurance Plc. (another 2% held by subsidiary company)	45,687,045	-	9	45,687,045	-	9
<u>Services :</u>						
TISCO Securities Hong Kong Ltd.	279,424,434	-	100	313,859,912	-	100
TISCO Securities Co., Ltd.	1,795,059,081	-	99.99	1,641,599,323	-	99.99
Thai Information Technology Co., Ltd. (another 90% held by subsidiary companies)	4,684,871	-	10	3,015,548	-	10
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
American Appraisal (Thailand) Co., Ltd.	-	-	-	1,645,410	-	10
K. Line (Thailand) Co., Ltd.	35,334,990	-	10	35,334,990	-	10
<u>Leasing and hire purchase :</u>						
Tru-Way Co., Ltd.	1,994,631,506	-	99.99	1,610,851,052	-	99.99
Thai Commercial Auto Co., Ltd.	410,176,775	-	50	410,977,491	-	50
Hi-Way Co., Ltd. (ordinary shares and preference shares) (another 90% held by subsidiary company)	125,150,777	-	10	116,576,943	-	10
Mizuho Corporate Leasing (Thailand) Co., Ltd. (formerly known as "DKB Leasing (Thailand) Limited") (another 19% held by subsidiary company)	176,100	-	2	176,100	-	2
<u>Trading import and export :</u>						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,203,400	-	10	2,850,900	-	10
<u>Real estate :</u>						
JLW (Thailand) Ltd.	-	-	-	-	-	10
PNC (Thailand) Co., Ltd.	-	-	-	-	-	10
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	12,403,500	-	10	12,940,500	-	10
Huay Kaew Real Estate Co., Ltd.	-	-	100	-	-	-
<u>Industrial :</u>						
Siam Art Ceramic Co., Ltd.	12,452,000	-	10	11,242,000	-	10
<u>Holding :</u>						
Interthai Holdings Ltd. (Preference shares)	250,000	750,000	10	250,000	750,000	10
Thai Permsub Finance Co., Ltd.	150,475,174	-	99.99	149,732,301	-	99.99

6.7 The Company did not record investments in Jiji Press (Thailand) Co., Ltd., Guardian Insurance (Thailand) Co., Ltd., Mizuho Corporate Leasing (Thailand) Co., Ltd. (formerly known as “DKB Leasing (Thailand) Co., Ltd.”), Sathorn Sombat Co., Ltd., and American Appraisal (Thailand) Co., Ltd., in which the Company and its subsidiaries hold not less than 20% of the equity, by the equity method since these investments had been transferred as the result of debt restructuring. The Company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand’s regulations.

6.8 On 28 February 2002, 16,884,994 shares of Huay Kaew Real Estate Company Limited were transferred to the Company at a price of Baht 0.01 each, a total of Baht 168,850. As a result, the Company’s shareholdings in such Company is 100%. The Company has not included the financial statements of such company in the consolidated financial statements and has not recorded its investment in such company under the equity method since the Company holds shares in such company for the purpose of debt restructuring and plans to dispose of such investment when the Company has received full repayment of debt in accordance with the conditions stipulated in the debt restructuring agreement.

7. Investment in Subsidiary Companies

The Company’s investment in its subsidiaries as at 31 December 2002 and 2001 are summarised below.

(Unit : Million Baht)

Company's name	Nature of business	Nature of relationship	Paid-up share capital		Percentage of holding (%)		Cost method		Equity method ⁽¹⁾		Dividend income ⁽²⁾ received for the year ended 31 December	
			2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
<u>Subsidiary companies directly held by the Company</u>												
TISCO Securities Hong Kong Limited	Services	Shareholders	HKD 20 million	HKD 20 million	100	100	66	66	279	314	-	-
TISCO Securities Co., Ltd.	Services	Shareholders	1,500	1,500	99.99	99.99	1,500	1,500	1,795	1,641	-	-
Tru-Way Co., Ltd.	Hire purchase and holdings	Shareholders	1,200	1,200	99.99	99.99	1,078	1,078	2,125	1,731	-	20
Thai Commercial Auto Co., Ltd.	Hire purchase	Shareholders	800	800	50	50	434	434	410	411	40	40
Thai Permsub Finance Co., Ltd.	Finance	Shareholders	150	150	99.99	99.99	150	150	151	150	-	-
									4,760	4,247	40	60

⁽¹⁾ Calculated by including share of profit in subsidiaries in which the Company has indirect holdings.

⁽²⁾ Including dividend received from subsidiary companies which indirectly held by the Company.

8. Loans, Receivable and Accrued Interest Receivable

8.1 Classified by loan type

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
<u>Finance business loans and receivable :</u>				
Loans	13,473,093,877	13,460,431,336	13,303,488,339	14,003,139,762
Notes receivable	2,224,721,967	2,504,441,050	2,274,905,706	2,358,441,050
Hire-purchase and financial lease receivable	23,839,970,502	15,514,448,907	19,011,000,475	12,064,479,043
Total finance business loans and receivable	39,537,786,346	31,479,321,293	34,589,394,520	28,426,059,855
Add : Accrued interest receivable	112,131,704	201,527,318	83,757,276	184,535,690
Less : Allowance for doubtful accounts	(3,697,183,392)	(1,261,937,450)	(3,393,631,652)	(973,183,152)
Less : Allowance for loss on debt restructuring	(462,267,957)	(333,862,492)	(462,267,957)	(333,862,492)
Net finance business loans and receivable and accrued interest receivable	35,490,466,701	30,085,048,669	30,817,252,187	27,303,549,901
<u>Securities business receivable :</u>				
Customer's accounts	560,183,892	337,134,121	-	-
Other receivable :-				
Overdue customers' accounts	343,366	-	-	-
Receivables under litigation	189,156,531	358,039,859	-	-
Receivables which are enforced by courts	236,400,281	71,056,768	-	-
Installment receivable	113,518,721	139,486,622	-	-
Total securities business receivable	1,099,602,791	905,717,370	-	-
Add : Accrued interest receivable	2,268	31,759	-	-
Less : Allowance for doubtful accounts	(535,066,300)	(555,455,865)	-	-
Net securities business receivable and accrued interest receivable	564,538,759	350,293,264	-	-
Net loans, receivable and accrued interest receivable	36,055,005,460	30,435,341,933	30,817,252,187	27,303,549,901

8.2 Classified by remaining periods of contracts

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Finance business loans and receivable				
At call (included contracts which are due)	3,310,855,657	2,456,611,822	3,108,508,281	2,476,797,830
Not over 1 year	5,117,530,094	5,089,903,436	2,863,604,354	3,435,610,011
Over 1 year	31,109,400,595	23,932,806,035	28,617,281,885	22,513,652,014
Total finance business loans and receivable	39,537,786,346	31,479,321,293	34,589,394,520	28,426,059,855
Add : Accrued interest receivable	112,131,704	201,527,318	83,757,276	184,535,690
Total finance business loans and receivable and accrued interest receivable	39,649,918,050	31,680,848,611	34,673,151,796	28,610,595,545

8.3 Classified by type of business

(Unit : Baht)

	Consolidated as at 31 December 2002							
	The Company Only						Subsidiaries	Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts	Total		
Agricultural and mining	-	-	-	-	14,857,022	14,857,022	-	14,857,022
Manufacturing and commerce	2,756,091,873	17,813,076	11,534,682	294,205,116	557,296,691	3,636,941,438	30,943,185	3,667,884,623
Real estate and construction	2,530,861,395	15,075,363	18,794,336	-	515,345,637	3,080,076,731	-	3,080,076,731
Public utilities and services	2,556,974,505	-	-	-	52,636,731	2,609,611,236	-	2,609,611,236
Personal use								
Hire-purchase	17,919,044,321	607,052,136	68,490,591	45,429,603	31,426,579	18,671,443,230	4,802,527,575	23,473,970,805
Housing loans	2,058,434,636	64,851,137	26,546,988	9,737,718	505,938,401	2,665,508,880	-	2,665,508,880
Securities	-	-	-	-	-	-	1,099,602,791	1,099,602,791
Others	2,871,671,677	37,731,907	14,837,994	209,368,854	727,161,812	3,860,772,244	165,104,805	4,025,877,049
Total finance and securities business loans and receivable	30,693,078,407	742,523,619	140,204,591	558,741,291	2,404,662,873	34,539,210,781	6,098,178,356	40,637,389,137
Add : Accrued interest receivable	68,411,713	15,345,563	-	-	-	83,757,276	28,376,696	112,133,972
Total finance and securities business loans Receivable and accrued interest receivable	30,761,490,120	757,869,182	140,204,591	558,741,291	2,404,662,873	34,622,968,057	6,126,555,052	40,749,523,109

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(Unit : Baht)

	The Company only as at 31 December 2002					
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts	Total
Agricultural and mining	-	-	-	-	14,857,022	14,857,022
Manufacturing and commerce	2,756,091,873	17,813,076	11,534,682	294,205,116	557,296,691	3,636,941,438
Real estate and construction	2,530,861,395	15,075,363	18,794,336	-	515,345,637	3,080,076,731
Public utilities and services	2,607,158,244	-	-	-	52,636,731	2,659,794,975
Personal use						
Hire-purchase	17,919,044,321	607,052,136	68,490,591	45,429,603	31,426,579	18,671,443,230
Housing loans	2,058,434,636	64,851,137	26,546,988	9,737,718	505,938,401	2,665,508,880
Securities	-	-	-	-	-	-
Others	2,871,671,677	37,731,907	14,837,994	209,368,854	727,161,812	3,860,772,244
Total finance business loans and receivable	30,743,262,146	742,523,619	140,204,591	558,741,291	2,404,662,873	34,589,394,520
Add : Accrued interest receivable	68,411,713	15,345,563	-	-	-	83,757,276
Total finance business loans and receivable and accrued interest receivable	30,811,673,859	757,869,182	140,204,591	558,741,291	2,404,662,873	34,673,151,796

(Unit : Baht)

	Consolidated as at 31 December 2001							
	The Company Only						Subsidiaries	Total
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts	Total		
Agricultural and mining	28,770,686	-	-	-	8,100,000	36,870,686	-	36,870,686
Manufacturing and commerce	3,853,671,658	35,608,041	-	62,538,644	298,022,674	4,249,841,017	33,822,195	4,283,663,212
Real estate and construction	2,125,218,699	27,916,910	9,217,808	-	591,549,433	2,753,902,850	-	2,753,902,850
Public utilities and services	3,008,207,987	-	-	-	7,770,057	3,015,978,044	-	3,015,978,044
Personal use								
Hire-purchase	11,461,725,277	339,683,496	55,249,748	24,019,970	-	11,880,678,491	3,031,106,148	14,911,784,639
Housing loans	2,262,738,875	77,513,820	32,243,748	16,605,066	485,847,111	2,874,948,620	-	2,874,948,620
Securities	-	-	-	-	-	-	905,717,370	905,717,370
Others	2,804,069,161	20,816,908	8,951,287	12,755,506	186,832,164	3,033,425,026	568,748,216	3,602,173,242
Total finance and securities business loans and receivable	25,544,402,343	501,539,175	105,662,591	115,919,186	1,578,121,439	27,845,644,734	4,539,393,929	32,385,038,663
Add : Accrued interest receivable	161,499,269	23,022,303	10,119	4,001	-	184,535,692	17,023,385	201,559,077
Total finance and securities business loans Receivable and accrued interest receivable	25,705,901,612	524,561,478	105,672,710	115,923,187	1,578,121,439	28,030,180,426	4,556,417,314	32,586,597,740

(Unit : Baht)

	The Company only as at 31 December 2001					
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts	Total
Agricultural and mining	28,770,686	-	-	-	8,100,000	36,870,686
Manufacturing and commerce	3,853,671,658	35,608,041	-	62,538,644	298,022,674	4,249,841,017
Real estate and construction	2,125,218,699	27,916,910	9,217,808	-	591,549,433	2,753,902,850
Public utilities and services	3,095,971,366	-	-	-	7,770,057	3,103,741,423
Personal use						
Hire-purchase	11,461,725,277	339,683,496	55,249,748	24,019,970	-	11,880,678,491
Housing loans	2,262,738,875	77,513,820	32,243,748	16,605,066	485,847,111	2,874,948,620
Securities	-	-	-	-	-	-
Others	3,296,720,903	20,816,908	8,951,287	12,755,506	186,832,164	3,526,076,768
Total finance business loans and receivable	26,124,817,464	501,539,175	105,662,591	115,919,186	1,578,121,439	28,426,059,855
Add : Accrued interest receivable	161,499,269	23,022,303	10,118	4,000	-	184,535,690
Total finance business loans and receivable and accrued interest receivable	26,286,316,733	524,561,478	105,672,709	115,923,186	1,578,121,439	28,610,595,545

8.4 As at 31 December 2002, loans and receivable include debts of approximately Baht 50 million receivable from the subsidiary companies as a result of restructuring of debts owed by certain related companies (2001 : Baht 431 million). All these debts are classified as normal loans due to regular servicing of interest and loan principals. Most of these receivables are not collateralised.

8.5 As at 31 December 2002, the Company had loans and receivable of approximately Baht 3,247 million (2001 : Baht 1,707 million) on which the recognition of interest income would be ceased under the Bank of Thailand's guidelines (i.e. accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date). However, the total loans and receivables on which the Company has actually ceased accruing interest (as discussed in Note 3.1 a), in accordance with its accounting policy, amounted to approximately Baht 7,231 million (2001 : Baht 4,640 million), with Baht 5,375 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account-by-account basis.

As at 31 December 2002, the local subsidiaries had securities business loans and receivable, hire-purchase receivable, financial lease receivable and other loans and receivables totalling Baht 708 million, on which the recognition of income had been suspended (2001 : Baht 693 million), with Baht 610 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided.

Unearned interest income totalling Baht 3,263 million (the Company only : Baht 2,192 million) is presented as a deduction against finance business loans and receivable (2001 : Baht 2,595 million and the Company only : Baht 1,534 million).

8.6 As at 31 December 2002, the Company's loans and receivable include restructured loans and receivables amounting to approximately Baht 2,332 million (net of collateral values). As a result of restructuring, the due date for the first repayment of these restructured loans and receivable has been rescheduled. In addition, the Company has another approximately Baht 653 million of loans and receivable (net of collateral values) which are in the process of being restructured, against which an allowance for possible loan loss of approximately Baht 585 million has been provided for.

8.7 Troubled Debt Restructuring

During the year, the Company entered into troubled debt restructuring agreements with 219 debtors, with aggregate loan balance (before restructuring) of approximately Baht 4,546 million.

As at 31 December 2002, the number of debtors which were subjected to debt restructuring amounted to 852 as summarised below.

Type of restructuring	Number of receivables	Outstanding loan balance before restructuring	Type of assets transferred	Fair value of transferred assets
		Million Baht		Million Baht
Transfer of assets	20	2,205	Land and premises	2,197
Transfer of equity securities	4	770	Equity securities	409
Transfer of assets and equity securities and modification of terms	3	898	Land	198
			Equity securities	14
			Machinery	22
Transfer of equity securities and modification of terms	39	3,459	Equity securities	1,218
Transfer of assets and modification of terms	12	2,191	Debt securities	6
			Land and premises	465
			Equity securities	190
			Air conditioners	2
Modification of terms	774	17,392		
Total	852	26,915		4,721

The balance of the restructured debts as at 31 December 2002 amounted to approximately Baht 6,337 million (2001 : Baht 6,867 million).

During the year ended 31 December 2002, the Company recognized interest income on restructured receivables totaling Baht 164 million, received repayments of principal and interest from the restructured receivables totaling Baht 3,672 million and recorded losses from restructuring totaling Baht 33 million (2001 : Baht 448 million, 3,851 million and 191 million, respectively).

9. Allowance for Doubtful Accounts / Allowance for Loss on Debt Restructuring

9.1 Allowance for doubtful accounts

(Unit : Baht)

	Consolidated as at 31 December 2002						
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
<i>Allowance for doubtful accounts⁽¹⁾ :</i>							
Balance-beginning of year ⁽¹⁾	189,767,724	13,846,927	29,549,848	72,886,048	773,641,970	737,700,798	1,817,393,315
Increase (decrease) in allowance for doubtful accounts during the year	60,972,978	8,033,165	12,183,995	29,793,666	198,195,815	350,718,251	659,897,870
Bad debts written-off	-	-	-	-	(49,913,572)	-	(49,913,572)
	250,740,702	21,880,092	41,733,843	102,679,714	921,924,213	1,088,419,049	2,427,377,613
Allowance for doubtful accounts for written-off account receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines	461,353,354	1,054,293	8,697,508	195,270,516	1,138,496,408	-	1,804,872,079
Balance-end of year	712,094,056	22,934,385	50,431,351	297,950,230	2,060,420,621	1,088,419,049	4,232,249,692

(1) The allowance for doubtful accounts include that made by the subsidiary companies, which as from the third quarter of 2002, has been reflected in the above table according to the classification of those subsidiaries' loans instead of being shown as the general reserve, as was previously the case. The reclassification did not affect the previously reported consolidated balance.

(Unit : Baht)

	The Company only as at 31 December 2002						
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General Reserve	Total
<i>Allowance for doubtful accounts :</i>							
Balance-beginning of year	159,321,757	9,213,691	13,830,553	64,832,501	-	725,984,650	973,183,152
Increase (decrease) in allowance for doubtful accounts during the year	46,913,464	7,987,743	15,017,086	19,104,046	205,948,447	337,585,980	632,556,766
Bad debts written-off	-	-	-	-	(16,980,345)	-	(16,980,345)
	206,235,221	17,201,434	28,847,639	83,936,547	188,968,102	1,063,570,630	1,588,759,573
Allowance for doubtful accounts for written-off account receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines	461,353,354	1,054,293	8,697,508	195,270,516	1,138,496,408	-	1,804,872,079
Balance-end of year	667,588,575	18,255,727	37,545,147	279,207,063	1,327,464,510	1,063,570,630	3,393,631,652

(Unit : Baht)

	Consolidated as at 31 December 2001						
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	129,650,663	5,318,712	39,093,836	55,613,903	-	1,460,531,767	1,690,208,881
Increase (decrease) in allowance for doubtful accounts during the year	59,671,094	3,894,979	(25,263,283)	9,218,598	249,688,802	110,271,738	407,481,928
Bad debt written - off	(30,000,000)	-	-	-	(249,688,802)	(608,692)	(280,297,494)
Balance – end of year	159,321,757	9,213,691	13,830,553	64,832,501	-	1,570,194,813	1,817,393,315

(Unit : Baht)

	The Company only as at 31 December 2001						
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	129,650,663	5,318,712	39,093,836	55,613,903	-	554,394,812	784,071,926
Increase (decrease) in allowance for doubtful accounts during the year	59,671,094	3,894,979	(25,263,283)	9,218,598	249,688,802	171,589,838	468,800,028
Bad debt written - off	(30,000,000)	-	-	-	(249,688,802)	-	(279,688,802)
Balance – end of year	159,321,757	9,213,691	13,830,553	64,832,501	-	725,984,650	973,183,152

During the first quarter of 2002, the Bank of Thailand announced new guidelines for the classification of debtors and provisioning for doubtful debt according to the class of debtor. These included no longer writing off the portion of receivables classified as bad debt for which 100 percent provision has been set up. For the purpose of efficient control and management of non-performing loans, the Company still makes provision for doubtful debt based on the previous rates and in the first quarter of 2002 has ceased writing off the portion of loans classified as bad debt for which full provision has been made. From the second quarter of 2002, the Company has recorded all loans which were previously written off as bad debts, together with a 100 percent provision. This is being done for the purpose of control efficiency and has no impact on the operations of the Company.

9.2 Allowance for loss on debt restructuring

(Unit : Baht)

	The Company Only	
	2002	2001
Balance - beginning of year	333,862,492	417,385,934
Increase during year	207,906,927	42,999,246
Written-off	(79,501,462)	(126,522,688)
Balance - end of year	462,267,957	333,862,492

Under the Bank of Thailand's guidelines concerning the loan loss provisioning, the Company would have been required to provide an allowance for doubtful debts as at 31 December 2002 of approximately Baht 2,186 million (2001 : Baht 557 million) against its loans and receivables, including those undergoing debt restructuring. However, the Company has set up an allowance for doubtful debts and allowance for loss on debt restructuring totaling Baht 3,856 million (2001 : Baht 1,307 million), or Baht 1,670 million (2001 : Baht 750 million) more than the required amount.

The allowance for doubtful debts of Baht 3,856 million, as mentioned above, consists of allowance for doubtful debts of Baht 2,348 million set aside for the unsecured portion of loans amounting Baht 5,375 million at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,508 million set up for the other loans and receivables.

As at 31 December 2002, the Company had outstanding non-performing loans and receivables of approximately Baht 3,103 million, against which an allowance for doubtful debts of Baht 1,644 million has been provided.

The Company's management believes that this allowance is sufficient to cover possible losses on debt collection.

10. Classification of Assets

10.1 Investment in securities

As at 31 December 2002 and 2001, the investment in securities of the Company and a subsidiary company included the following :-

a) With respect to investment of approximately Baht 59 million in subordinated debentures issued by a financial institution which the Bank of Thailand ordered closed on 8 December 1997, the Company has made full provision for loss on these securities.

b) Investments in securities of the companies which are vulnerable to delisting, of the companies of which the auditors have expressed their opinion with the going concern issue, or of the companies which have defaulted on their interest payments (including investments in sub debentures, as discussed in Note 10.1.a) are summarised below.

(Unit : Million Baht)

	Cost		Fair Value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	2002	2001	2002	2001	2002	2001
	Debt instruments - debentures	60	69	-	2	60

⁽¹⁾ Allowance for possible losses is determined based on the investment cost less collateral value.

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

As at 31 December 2002 and 2001, the Company classified its assets and made allowances against those assets in accordance with the Bank of Thailand's guidelines. They are summarised below.

(Unit : Million Baht)

	Debt balance		Debt balance after net off collateral		Percentage required by BOT ⁽³⁾	Allowance for doubtful accounts			
						Amount to be provided under BOT's guidelines		Amounts already set up by the Company	
	2002	2001	2002	2001		2002	2001	2002	2001
Loans and receivable^(1/2)									
Pass	30,743	26,134	21,198	15,933	1	212	159	668	159
Special mention	743	502	632	351	2	13	7	18	9
Substandard	140	106	104	59	20	21	12	38	14
Doubtful	558	116	331	89	50	165	45	279	65
Bad debts	2,405	1,578	1,313	-	100	1,313	-	1,327	-
Total	34,589	28,436	23,578	16,432		1,724	223	2,330	247
Loss on receivable under troubled debt restructuring	-	-	-	-		462	334	462	334
Total	34,589	28,436	23,578	16,432		2,186	557	2,792	581
General reserve								1,064	726
Total								3,856	1,307
Investment in securities									
Bad debts									
Debt instruments	61	88	61	88	100	61	88	61	88
Equity instruments	202	198	202	198	100	202	198	202	198
Total	263	286	263	286		263	286	263	286
General reserve								-	88
Total								263	374
Investment in receivables									
Pass	189	229	133	137	1	1	1	8	1
Special mention	-	-	-	-	2	-	-	-	-
Substandard	-	-	-	-	20	-	-	-	-
Doubtful	-	-	-	-	50	-	-	-	-
Bad debts	7	7	-	-	100	-	-	-	-
Total	196	236	133	137		1	1	8	1
Properties foreclosed									
Land	93	109	93	109	100	93	109	93	109
Total classified assets	35,141	29,067	24,067	16,964		2,543	953	4,220	1,791

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

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

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

The assets classified above are presented in accordance with the assets classification report which the Company prepared and submitted to the Bank of Thailand, and include loans, receivable and interest accrued on loans, investment in securities and properties foreclosed. As at 31 December 2002 and 2001, in accordance with the BOT's guidelines, the Company has provided an allowance amounting to Baht 4,220 million and Baht 1,791 million, respectively, against its loans and receivable, investment in securities and properties foreclosed.

The allowance for possible loan losses has been determined after taking into account the value of collateral in accordance with the Bank of Thailand's guidelines, and includes the allowance required against restructured debts.

A portion of the above classified loans and receivable includes debts due from companies with weak financial position and operating results. These amounts and allowance for doubtful accounts are as follows:-

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2002	2001	2002	2001	2002	2001	2002	2001
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Companies vulnerable to delisting	4	2	685	708	544	525	99	137
2. Non - listed companies with similar operating results and financial positions to the companies vulnerable to delisting	24	16	1,797	1,234	1,064	1,011	701	136
3. Listed companies of which shares have been suspended for trading	3	2	69	83	33	56	30	21
4. Listed companies under rehabilitation	11	3	462	178	123	134	303	11
5. Companies having loan default problem	31	10	1,203	593	354	478	800	21
6. Companies having going concern issue as cited in auditors' report	5	3	880	669	307	124	115	24
Total	78	36	5,096	3,465	2,425	2,328	2,048	350

10.3 Classification of assets in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 31 December 2002 and 2001, a local subsidiary operating in the securities business in Thailand classified its securities business receivable and accrued interest receivable as follows, and provided related allowances for doubtful accounts, in accordance with the notification of the Office of the Securities and Exchange Commission (SEC).

(Unit : Million Baht)

	Securities business receivable and accrued interest		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2002	2001	2002	2001	2002	2001
Pass	2	8	-	-	-	-
Substandard	27	24	-	-	-	-
Doubtful	510	537	510	537	510	537
Total	539	569	510	537	510	537
General reserve					25	14
Total					535	551

Substandard debts represent the receivable balances with a value equivalent to that of their collateral.

10.4 Hire-purchase receivable/financial lease receivable and other loan receivable of the subsidiaries

As at 31 December 2002 and 2001, hire-purchase receivable, financial lease receivable and other loan receivable of the subsidiaries are classified by the due date of the contracts as follows :-

(Unit : Million Baht)

	2002	2001
Current or overdue less than 90 days	5,354	3,312
Overdue		
91 - 365 days	104	62
More than 1 year	163	162
Debtors under litigation	61	64
Total	5,682	3,600

11. Property Foreclosed

Property foreclosed represents assets transferred from loans, hire purchase receivable on which the debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of the assets are stated at the lower of the loans balance or market/appraisal value.

Details of the property foreclosed as at 31 December 2002 and 2001 are as follows :-

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Foreclosed assets :				
Immovable assets				
Balance – beginning of the year	2,387,406,968	2,425,239,025	2,335,815,144	2,425,239,025
Addition	-	167,326,467	-	115,734,643

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Disposal	(958,468,707)	(205,158,524)	(957,568,708)	(205,158,524)
Balance – end of the year	1,428,938,261	2,387,406,968	1,378,246,436	2,335,815,144
Movable assets				
Balance – beginning of the year	4,378,084	2,502,100	2,151,180	2,151,180
Addition	201,550,086	104,981,427	68,701,821	21,061,082
Disposal	(178,596,248)	(103,105,443)	(48,401,331)	(21,061,082)
Balance – end of the year	27,331,922	4,378,084	22,451,670	2,151,180
Allowance for impairment :				
Balance – beginning of the year	154,826,392	74,098,010	109,014,410	74,039,009
Increase	20,390,493	88,712,805	19,420,776	42,959,824
Decrease	(35,761,484)	(7,984,423)	(35,698,485)	(7,984,423)
Balance – end of the year	139,455,401	154,826,392	92,736,701	109,014,410
Property foreclosed – net	1,316,814,782	2,236,958,660	1,307,961,405	2,228,951,914

As at 31 December 2002, the Company had obligations with regard to properties foreclosed which were received in repayment of debts amounting to Baht 731 million. The debtors may repurchase these properties at prices and within periods specified in the agreements.

12. Land, Premises and Equipment

(Unit : Baht)

	Consolidated					
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	Total
Cost :						
31 December 2001	419,567,348	844,341,707	406,969,045	342,391,012	62,012,143	2,075,281,255
Translation adjustment	-	-	(611,893)	-	-	(611,893)
Addition	-	95,547	47,868,166	9,565,809	14,140,519	71,670,041
Disposal	(4,591,964)	(14,799,689)	(5,048,896)	(4,953,119)	(2,786,314)	(32,179,982)
31 December 2002	414,975,384	829,637,565	449,176,422	347,003,702	73,366,348	2,114,159,421
Accumulated depreciation :						
31 December 2001	-	177,583,507	321,595,542	133,437,731	12,861,794	645,478,574
Translation adjustment	-	-	(394,561)	-	-	(394,561)
Disposal	-	(13,478,531)	(3,719,879)	(4,904,543)	(11,233)	(22,114,186)
Depreciation charge for the year	-	42,107,542	53,383,383	38,219,343	13,030,776	146,741,044

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(Unit : Baht)

	Consolidated					
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	Total
31 December 2002	-	206,212,518	370,864,485	166,752,531	25,881,337	769,710,871
Net book value :						
31 December 2001	419,567,348	666,758,200	85,373,503	208,953,281	49,150,349	1,429,802,681
31 December 2002	414,975,384	623,425,047	78,311,937	180,251,171	47,485,011	1,344,448,550
Depreciation charge included in earnings statements for the years ended 31 December :						
2001						144,180,828
2002						146,741,044

(Unit : Baht)

	The Company Only					
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	Total
Cost :						
31 December 2001	252,120,864	500,495,893	137,798,281	184,433,799	33,199,482	1,108,048,319
Addition	18,668,583	34,961,317	15,555,276	6,662,725	6,918,000	82,765,901
Disposal	-	-	(472,873)	-	(378,000)	(850,873)
31 December 2002	270,789,447	535,457,210	152,880,684	191,096,524	39,739,482	1,189,963,347
Accumulated depreciation :						
31 December 2001	-	102,391,146	113,347,367	65,200,296	7,705,314	288,644,123
Disposal	-	-	(444,019)	-	(9,519)	(453,538)
Depreciation charge for the year	-	25,063,214	18,558,838	23,137,602	7,025,058	73,784,712
31 December 2002	-	127,454,360	131,462,186	88,337,898	14,720,853	361,975,297
Net book value :						
31 December 2001	252,120,864	398,104,747	24,450,914	119,233,503	25,494,168	819,404,196
31 December 2002	270,789,447	408,002,850	21,418,498	102,758,626	25,018,629	827,988,050
Depreciation charge included in earnings statements for the years ended 31 December :						
2001						68,709,686
2002						73,784,712

13. Other Assets

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Value added tax - net	724,226,365	640,131,860	639,815,777	584,665,194
Accrued interest receivable	53,429,598	156,356,901	49,914,753	153,747,597
Fee receivable	213,039,079	95,972,162	139,110,923	8,724,198
Prepaid income tax	99,062,571	64,863,087	47,515,874	35,650,053
Deferred computer system development cost - net	45,108,876	46,193,816	40,984,180	40,566,441
Deposits	10,183,398	12,023,974	3,170,993	4,546,637
Other receivables	81,041,181	207,059,611	75,730,495	86,522,248
Other assets	160,020,237	178,753,697	49,383,420	30,428,405
Total other assets	1,386,111,305	1,401,355,108	1,045,626,415	944,850,773

14. Borrowings and Deposits

14.1 Classified by source of borrowings and deposits

(Unit : Baht)

	Consolidated					
	2002			2001		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	29,956,478,590	987,267,828	30,943,746,418	34,834,963,810	622,684,690	35,457,648,500
From banks	243,000,000	2,016,109,462	2,259,109,462	101,445,057	1,057,822,981	1,159,268,038
From financial institutions	1,005,111,315	-	1,005,111,315	1,535,209,705	227,326	1,535,437,031
From foreign countries	53,384,018	-	53,384,018	57,174,741	-	57,174,741
Total borrowings and deposits	31,257,973,923	3,003,377,290	34,261,351,213	36,528,793,313	1,680,734,997	38,209,528,310

(Unit : Baht)

	The Company Only					
	2002			2001		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	29,976,478,590	516,019,208	30,492,497,798	34,843,775,366	487,192,719	35,330,968,085
From banks	-	289,018,870	289,018,870	-	173,461,730	173,461,730
From financial institutions	913,786,079	-	913,786,079	1,583,209,705	-	1,583,209,705
From foreign countries	53,384,018	-	53,384,018	57,174,741	-	57,174,741
Total borrowings and deposits	30,943,648,687	805,038,078	31,748,686,765	36,484,159,812	660,654,449	37,144,814,261

14.2 Classified by the remaining period of contract

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
At call	853,905,334	2,748,225,764	866,007,045	2,956,299,633
Not over 1 year (included contracts which are due)	22,705,662,253	31,104,396,729	20,224,096,094	29,844,808,811
Over 1 year	10,701,783,626	4,356,905,817	10,658,583,626	4,343,705,817
Total borrowings and deposits	34,261,351,213	38,209,528,310	31,748,686,765	37,144,814,261

15. Securities Sold under Repurchase Agreements

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Government and Bank of Thailand securities	-	100,000,000	-	100,000,000
Total securities sold under repurchase agreements	-	100,000,000	-	100,000,000

16. Debentures

(Unit : Baht)

	Consolidated / The Company Only	
	2002	2001
Subordinated debentures	331,000,000	331,000,000
Unsubordinated and unsecured debentures	4,800,000,000	-
	5,131,000,000	331,000,000

16.1 Subordinated debentures

During 1999 the Company issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the Company by purchasing the Company's newly issued subordinated debentures in order to increase its Tier II capital fund to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The Company immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

16.2 Unsubordinated and unsecured debentures

On 29 July 2002 and 21 October 2002 the Company issued Baht 4,800 million of unsubordinated and unsecured debentures, maturing in 2007, consisting of :-

■ **Content** ■

a) 2 million debentures with a face value of Baht 1,000 each, totaling Baht 2,000 million. These debentures bear interest at a rate of 4.25 percent per annum.

b) 1 million debentures with a face value of Baht 1,000 each, totaling Baht 1,000 million. These debentures bear interest at a rate of 3.5 percent per annum in the first and second years and thereafter at a floating rate equivalent to the reference rate plus 0.5 percent per annum, which rate shall not be less than 3.75 percent per annum and shall not exceed 5 percent, 5.5 percent and 6 percent per annum in the third, fourth and fifth years, respectively.

c) 1.8 million debentures with a face value of Baht 1,000 each, totaling Baht 1,800 million. These debentures carry interest at a floating rate equivalent to a rate of 6 percent minus the reference rate per annum in the first, second and third years and thereafter at a rate of 3.8 percent per annum.

In respect of the Baht 2,800 million of debentures discussed in (b) and (c) above, on 29 July 2002 and 21 October 2002, respectively, the Company entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.

17. Other Liabilities

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Corporate income tax payable	53,509,173	73,720,762	-	-
Withholding income tax and other tax payable	88,745,649	91,252,069	64,141,583	63,029,602
Accrued insurance premium	163,551,321	149,362,442	129,768,523	108,811,651
Other liabilities	299,575,151	256,026,873	164,485,529	140,425,717
Total other liabilities	605,381,294	570,362,146	358,395,635	312,266,970

18. Share Capital and Warrants

a) The Company has registered preference shares totaling 1,000 million shares of Baht 10 each. The rights and benefits of the preference shares are to be equal to the ordinary shares in all respects, except with regard to dividends and other matters specified in the Company's Articles of Association, such as that the preference shareholders are entitled to receive dividends at the rate of 10% per share before the ordinary shareholders in years in which dividends are declared, and the preference shareholders are not entitled to dividends for the year in which dividends are not declared. The preference shareholders have voting rights in a proportion of 1 share per 1 vote, and on 30 June 2009 will have the same rights and benefits as the ordinary shareholders.

On 6 May 1999, the Company applied for Tier I capital support from the Ministry of Finance whereby the Company would offer Baht 3,000 million of newly issued preference shares to each of the Ministry of Finance and new investors. The Company has used Baht 3,000 million received from the Ministry of Finance reinvested

in government bonds in accordance with the conditions of the Ministry of Finance support scheme. In addition, the investors purchasing the preference shares have an option to buy the shares held by the Ministry of Finance, for up to 3 years, in consideration of which the Ministry of Finance issued derivative warrants to the investors, which can be converted into the preference shares held by the Ministry of Finance at the rate of 1 warrant per 1 preference share. Up to 31 May 2002 (the final day of the exercise period), a total of 299,681,000 derivative warrants had been converted to the preference shares.

b) On 10 April 2000, the annual general meeting of the Company's shareholders passed a resolution approving the allocation to directors and employees of the Company and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Company's preference shares, exercisable in a ratio of 1 warrant to 1 preference share, and passed a resolution approving the establishment an Allotment Committee. Such committee resolved that the warrants would not be allocated to the Company's directors, except for those directors who were qualified by virtue of being the Company employees. The exercise price of the warrants was stipulated at 75 percent of the ten-trading-days average closing price of the Company's preference shares prior to the effective date of the filing, subject to a minimum price of par value. The warrants are to be offered subsequent to the receipt of approval from the Office of the Securities and Exchange Commission. In addition, the annual general meeting passed a resolution approving the un-allocation of 400 million preference shares (including 300 million preference shares which were to be reserved for the conversion of convertible debentures). Thirty million preference shares with a par value of Baht 10 each are to be reserved for the exercise of the warrants to be issued and offered to directors and employees of the Company and its subsidiaries to purchase the Company's preference shares, leaving 370 million unallocated preference shares.

On 24 April 2002, the annual general meeting of the Company's shareholders passed a resolution approving the exercise price of warrants at 75 percent of the ten-trading-days average closing price of the Company's preference shares prior to the date of warrant allocation, subject to a minimum price of par value. In addition, the annual general meeting passed a resolution approving the allocation of 1,100,000 warrants to the directors. These conditions were approved by the Office of the Securities and Exchange Commission on 10 July 2002 and 16 August 2002 respectively.

The Company allocated a total of 14,002,000 warrants during 2001 and 2000 and a total of 5,779,000 warrants during this year. Up to 31 December 2002, employees who had been allocated warrants had exercised their rights to purchase a total of 5,430,000 preference shares at an exercise price of Baht 10 each; and 904,500 preference shares at an exercise price of Baht 11.31 each, a total of Baht 64,529,895. Of such amount, Baht 16,650,000 was registered with the Ministry of Commerce in 2001 and Baht 47,879,895 in 2002.

As at 31 December 2002, 13,446,500 warrants remained unexercised.

c) During the year ended 31 December 2002, the Company registered the conversion of 297,524,020 preference shares to ordinary shares with the Ministry of Commerce.

As at 31 December 2002, there remained a total of 215,836,680 preference shares which are eligible for conversion to ordinary shares.

19. Capital Fund

As at 31 December 2002 and 2001, the capital funds maintained by the Company in accordance with Section 4 of the Act on Undertaking of Finance Business, Finance and Securities Business and Credit Foncier Business B.E. 2522 were as follows :-

(Unit : Thousand Baht)

	The Company Only	
	2002	2001
<u>Tier I</u>		
Issued and fully paid up share capital	7,065,345	7,018,650
Premium on share capital	37,685	36,500
Statutory reserve	48,700	48,700
Net gain (loss) appropriation	41,567	(1,192,462)
Total	7,193,297	5,911,388
<u>Tier II</u>		
Subordinated debentures	331,000	331,000
Reserve for loans classified as pass	516,667	160,595
Total	847,667	491,595
Total capital fund	8,040,964	6,402,983

The capital ratios of the Company are as follows :-

	The Company Only			
	2002		2001	
	Company	Requirement	Company	Requirement
Tier I capital to risk assets	17.40%	4.00%	15.53%	4.00%
Total capital to risk assets	19.45%	8.00%	16.82%	8.00%
Total capital to issued and paid-up share capital	113.81%	75.00%	91.23%	75.00%

20. Statutory Reserve

Under the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5% of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of its registered share capital. The statutory reserve could not use for dividend payment.

21. Surplus on Changes in the Value of Investments

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Balance - beginning of the year	126,793,564	(155,558,483)	126,793,564	(155,558,483)
Increase in changes in the value of securities during the year	(67,995,964)	282,352,047	(67,995,964)	282,352,047
Balance - end of the year	58,797,600	126,793,564	58,797,600	126,793,564

22. Gain (Loss) on Investments

Gain (loss) on investments for the years ended 31 December 2002 and 2001 consist of the following :-

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Unrealised gain (loss) on investments	(127,719,451)	509,392,864	8,126,968	299,551,829
Realised gain (loss) on investments	752,479,962	(308,559,017)	500,263,182	(312,319,832)
Total	624,760,511	200,833,847	508,390,150	(12,768,003)

23. Directors' Remuneration

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to directors who hold executive positions.

24. Corporate Income Tax

Corporate income tax expenses for the years ended 31 December 2002 and 2001 were arrived at as follows:

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Income tax payable on taxable profit for the year	842,641,965	392,206,769	520,296,298	112,951,181
Add (less) : Net decrease (increase) in deferred tax on temporary differences	(4,011,952)	(57,517,545)	128,808	16,775,788
Less : Utilisation of income tax benefits on tax loss carried forward	(648,502,670)	(128,416,446)	(520,296,298)	(112,951,181)
Income tax expenses - net	190,127,343	206,272,778	128,808	16,775,788

The Company and its subsidiaries have certain deferred tax assets relating to their tax loss carry forwards, which have not been recognized in the accounts for prudent reasons. They are recognized in the accounts in the year when the loss carry forwards are actually utilized.

25. Provident Fund

The Company, its seven subsidiaries and their employees have jointly registered provident fund schemes under the Provident Fund Act B.E. 2530. The funds are contributed to by both the employees and the companies at rates of 5-10 percent of their employees' salaries depending on the number of years of service. The funds will be paid to the employees upon termination in accordance with the rules of the funds, and they are managed by the Bangkok Bank Public Company Limited (2001 : the funds are managed by Thai Farmers Asset Management Company Limited). During the year ended 31 December 2002, Baht 34 million has been contributed to the funds by the Company and its subsidiaries (the Company only : Baht 14 million).

26. Number of Employees

	Consolidated		The Company Only	
	2002	2001	2002	2001
Number of employees at the end of year (persons)	1,292	1,198	430	380

27. Reconciliation of Diluted Earnings Per Share

	For the years ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	2002	2001	2002	2001	2002	2001
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net earnings	1,154,050	838,586	344,146	182,001	3.35	4.61
Effect of dilutive securities						
Preference shares (including 13.4 million warrants to purchase preference shares)	-	-	375,835	532,201		
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of preference shares to ordinary shares	1,154,050	838,586	719,981	714,202	1.60	1.17

28. Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash in hand and all types of bank deposits, except certificates of deposit, in accordance with the Notification of the Bank of Thailand regarding the format of the balance sheets and earnings statements of finance companies, finance and securities companies and credit foncier companies, dated 10 May 2001.

Cash and cash equivalents as reflect in the statements of cash flows as at 31 December 2002 and 2001 consist of the following :-

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Cash	3,927,680	6,560,203	1,546,536	1,348,472
Cash at banks and financial institutions	793,001,322	659,172,635	282,108,315	105,208,706
Cash and cash equivalents	796,929,002	665,732,838	283,654,851	106,557,178

29. Related Party Transactions

During the years ended 31 December 2002 and 2001, the Company had significant business transactions with its subsidiary and related companies (related by way of common shareholders and/or common directors). Such transactions have been concluded on the terms and basis as determined by the Company and those companies. Intercompany outstanding balances and transactions are summarised below :-

(Unit : Thousand Baht)

	Consolidated			
	Balance- beginning of the year	Increase	Decrease	Balance-end of the year
<u>Outstanding balance as at 31 December 2002</u>				
Associated company				
Borrowing and deposits from public :				
Volkswagen Leasing (Thailand) Limited	-	600,000	600,000	-

(Unit : Thousand Baht)

	The Company Only			
	Balance- beginning of the year	Increase	Decrease	Balance-end of the year
<u>Outstanding balance as at 31 December 2002</u>				
Subsidiary companies				
Loans to wholly owned subsidiary companies :				
TISCO Leasing Co., Ltd.	171,220	-	171,220	-

■ Content ■

(Unit : Thousand Baht)

	The Company Only			
	Balance- beginning of the year	Increase	Decrease	Balance-end of the year
Hi-Way Co., Ltd.	171,547	-	171,547	-
Thai Information Technology Co., Ltd.	87,763	-	37,580	50,183
Tru-Way Co., Ltd.	-	40,000	40,000	-
Borrowing and deposits from financial institutions :				
TISCO Securities Co., Ltd.	38,000	-	22,000	16,000
TISCO Asset Management Co., Ltd.	10,000	-	8,000	2,000
Other liabilities :				
Tru-Way Co., Ltd.	20,527	13,585	-	34,112

(Unit : Thousand Baht)

	Consolidated		The Company Only		Pricing policy (For the year 2002)
	2002	2001	2002	2001	
<u>Transactions occurred during the years ended 31 December</u>					
Subsidiary companies					
Interest income	-	-	17,955	76,743	At rate determined under the contracts of approximately 3, 7.5 and MOR less 1 percent per annum.
Fees income	-	-	-	45	Fee charged at 1.25 percent of credit line.
Custodian fee	-	-	-	4,620	Fee charged at 0.046 percent of asset value.
Rental income	-	-	12,367	8,479	At rate determined under the contract.
Risk and financial management fee	-	-	28,056		At rate determined under the contract.
Human resources management fee	-	-	9,310		At rate determined under the contract.
Debt collection service expenses	-	-	318,851	322,256	Fee charged at 2 percent of outstanding balances (before November 2001 fee charged at 2.5 percent of outstanding balances)
Computer system advisory services expenses and office administration expenses	-	-	57,875	65,889	Fee charged at 12 percent per annum of the price of installed software.
Car rental expenses	-	-	1,168	3,539	At rate determined under the contract.

■ Content ■

(Unit : Thousand Baht)

	Consolidated		The Company Only		Pricing policy (For the year 2002)
	2002	2001	2002	2001	
Interest expenses	-	-	3,567	1,130	At rate of approximately 1.25 percent per annum
Underwriting fee expenses	-	-	2,000	-	At rate determined under the negotiation.
Sales agent fee expenses	-	-	1,471	-	At rate determined under the negotiation.
Associated company					
Interest expense	8,829	-	-	-	At rate of approximately 2.625 to 3.4 percent per annum
Account receivable management fee expenses and office administration fee expenses	21,034	21,738	-	-	Fee charged at 2 percent of outstanding balances with minimum fee of Baht 500,000 per month (before May 2002 fee charged at average rate of 1.81 percent of outstanding balances).

During the year, a subsidiary repaid a Baht 39 million loan from the Company by transferring an office condominium at its fair value of Baht 58 million, in accordance with a debt restructuring agreement. The Company recorded this office condominium as a part of “Land, premises and equipment” in the balance sheet.

As at 31 December 2002, the Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10% of the common shares of paid up capital are held by the Company, the Company’s directors or management employees, with the exception of the loans to subsidiary and related companies discussed above, and loans to employees under the employee welfare scheme, which are summarised below.

(Unit : Thousand Baht)

	Consolidated	The Company Only
Loans	8,428	8,428

As at 31 December 2002, with the exception of loans to subsidiary companies mentioned in Note 8.4, the Company has neither provided any credit nor made any commitments to companies which have directors in common with the Company in cases where such credit is unsecured or not fully collateralised and therefore would require an approval from the Bank of Thailand.

As at 31 December 2002, the Company and its subsidiaries have no investments in related companies which are related by way of members of the management of the Company or of its subsidiaries being shareholders and/or directors.

30. Financial Information by Segment

Financial information relating to the finance business, securities business and other business segments as of 31 December 2002 and 2001 and for the years ended 31 December 2002 and 2001 is summarised below.

(Unit : Million Baht)

	For the years ended 31 December									
	Finance business		Securities business		Other business		Elimination		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Net interest and dividend income after bad debt and doubtful accounts	1,614	1,557	39	45	(5)	(8)	(63)	(60)	1,585	1,534
Non-interest income	1,363	1,167	786	791	145	161	(533)	(600)	1,761	1,519
Operating expenses	(1,756)	(1,777)	(573)	(523)	(119)	(115)	485	377	(1,963)	(2,038)
Corporate income tax	(93)	(158)	(91)	(37)	(7)	(12)	-	-	(191)	(207)
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	(38)	30	(38)	30
Net earnings	1,128	789	161	276	14	26	(149)	(253)	1,154	838

(Unit : Million Baht)

	As at 31 December									
	Finance business		Securities business		Other business		Elimination		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Investments in securities	9,562	12,209	965	1,313	-	-	(4,165)	(4,161)	6,362	9,361
Loans, receivable and accrued interest receivable - net	36,224	30,666	971	349	-	-	(1,140)	(580)	36,055	30,435
Other assets	4,011	4,683	2,132	1,435	139	173	513	804	6,795	7,095
Total assets	49,797	47,558	4,068	3,097	139	173	(4,792)	(3,937)	49,212	46,891

31. Commitments

31.1 Aval to bills and other guarantees

(Unit : Baht)

	Consolidated and the Company Only	
	2002	2001
Aval to bills	771,762,686	1,445,234,274
Guarantees - others	521,879,371	409,381,026
Total contingent liabilities and obligations	1,293,642,057	1,854,615,300

31.2 Commitment under rental/service contracts

a) The Company has entered into a computer maintenance service and office administration agreement with a subsidiary company, under which it pays annual fees at a rate of 12 percent of the price of installed software. In this regard, the Company pays annual service fees amounting to approximately Baht 55 million.

b) The Company and a subsidiary company have entered into an agreement with another subsidiary company appointing the latter as their representative to collect debts under hire-purchase receivable agreements, for a period of 5 years. In this regard, fees will be paid at 2% of the outstanding balance of principal, with restrictions as stated in the contract.

c) The Company is obliged to make contributions to the Financial Institutions Development Fund, at the rate of 0.2 percent of the total outstanding balance of the Company's deposits, borrowings, and liabilities arising from borrowings, as of the last day of the previous six-month period. Contributions are to be made every 30 June and 31 December.

d) A subsidiary company is required to pay a membership fee to the Stock Exchange of Thailand on a monthly basis, at a rate of 0.005 percent of the trading volume of its stock.

31.3 Litigation

The Company was a defendant in certain lawsuits involving compensation of approximately Baht 331 million. As at 31 December 2002, the cases were not yet final; nevertheless, the Company's management believes that the Company will not suffer material losses (if any) from these suits.

31.4 A subsidiary company has outstanding commitments of approximately Baht 40 million in respect of the uncalled portion of an investment in an associated company.

32. Financial Instrument

Financial instruments are any contracts which gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As at 31 December 2002, the Company and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

32.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfil an obligation causing the Company and subsidiary companies to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the balance sheet and the off-balance sheet transactions of aval and other guarantees.

In addition, the Company and its subsidiary companies manage credit risk by the following means, in through careful consideration of credit approval process, analysis of the risk factors and the ability to service debt of customers and credit review process, which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

32.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will change as a result of future changes in interest rates.

(Unit : Million Baht)

	Consolidated			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
<u>Financial assets</u>				
Cash and deposits at financial institutions	474	80	279	833
Loans to financial institutions	-	735	-	735
Investments in securities - net	467	3,187	2,708	6,362
Trading transactions with securities companies				
- receivable	-	-	86	86
Loans and receivable	7,072	31,134	2,544	40,750
	8,013	35,136	5,617	48,766
<u>Financial liabilities</u>				
Borrowings and deposits	17	33,751	493	34,261
Trading transactions with securities companies				
- liabilities	-	-	427	427
Securities business payable	256	-	175	431
Debentures	-	5,131	-	5,131
	273	38,882	1,095	40,250

■ Content ■

(Unit : Million Baht)

	The Company Only			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash and deposits at financial institutions	38	16	230	284
Investments in securities – net	467	3,146	7,006	10,619
Loans and receivable	7,029	25,662	1,982	34,673
	7,534	28,824	9,218	45,576
Financial liabilities				
Borrowings and deposits	3	31,460	286	31,749
Debentures	-	5,131	-	5,131
	3	36,591	286	36,880

The Company has entered into an interest rate swap agreement to pay fixed rate interest in exchange for receipt of floating rate interest on the nominal principal of Baht 500 million. This agreement will expire in September 2005.

In addition, as discussed in Note 16.2, the Company has entered into an interest rate swap agreement to exchange a floating interest rate on the Baht 2,800 million debentures for a fixed interest rate. The agreement expires in 2007.

The balances of the floating rate and fixed rate loans and receivable shown in the above table include those on which interest recognition has been ceased, and are presented before deducting provisions.

With respect to fixed rate financial instruments, the table show summarises their repricing or maturity date (whichever is the earlier) counting from the balance sheet date.

(Unit : Million Baht)

Transactions	Consolidated								
	Repricing or maturity date						Unspecified	Total	Interest rates
	At call	0-3 months	3-12 months	1-5 years	Over 5 Years				
									%
Financial assets									
Cash and deposits at financial institutions	3	52	10	15	-	-	80	3.9321	
Loans to financial institutions	382	277	76	-	-	-	735	1.8358	
Investments in securities - net	-	1,790	273	534	590	-	3,187	6.0209	

■ Content ■

(Unit : Million Baht)

Transactions	Consolidated							
	Repricing or maturity date					Unspecified	Total	Interest rates
	At call	0-3 months	3-12 months	1-5 years	Over 5 Years			
Loans and receivable	1,903	4,064	8,635	13,176	2,912	444	31,134	% 9.2215
	2,288	6,183	8,994	13,725	3,502	444	35,136	
Financial liabilities								
Borrowings and deposits	651	12,069	9,945	11,086	-	-	33,751	3.2251
Debentures	-	-	-	4,800	331	-	5,131	4.1610
	651	12,069	9,945	15,886	331	-	38,882	

(Unit : Million Baht)

Transactions	The Company Only							
	Repricing or maturity date					Unspecified	Total	Interest rates
	At call	0-3 months	3-12 months	1-5 years	Over 5 Years			
Financial assets								%
Cash and deposits at financial institutions	-	16	-	-	-	-	16	0.2500
Investments in securities - net	-	1,790	273	497	586	-	3,146	5.9989
Loans and receivable	1,592	3,288	6,737	11,133	2,912	-	25,662	7.7748
	1,592	5,094	7,010	11,630	3,498	-	28,824	
Financial liabilities								
Borrowings and deposits	577	11,826	7,969	11,088	-	-	31,460	3.1694
Debentures	-	-	-	4,800	331	-	5,131	4.1610
	577	11,826	7,969	15,888	331	-	36,591	

32.3 Liquidity risk

The periods to maturity dates of financial instruments held as of 31 December 2002, counting from the balance sheet date, are as follows :-

(Unit : Million Baht)

Transactions	Consolidated							
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Non performing loans	Total
Financial assets								
Cash and deposits at financial institutions	616	189	10	15	-	3	-	833
Loans to financial institutions	382	277	76	-	-	-	-	735
Investments in securities – net	1,685	1,790	272	901	503	1,204	7	6,362

■ Content ■

(Unit : Million Baht)

Transactions	Consolidated							
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Non performing loans	Total
Trading transactions with securities companies-receivable	-	86	-	-	-	-	-	86
Loans and receivable	1,427	4,769	9,386	17,106	4,108	6	3,948	40,750
	4,110	7,111	9,744	18,022	4,611	1,213	3,955	48,766
<u>Financial liabilities</u>								
Borrowings and deposits	1,088	12,069	9,945	11,086	50	23	-	34,261
Trading transactions with securities companies-liabilities	-	427	-	-	-	-	-	427
Securities business payable	240	191	-	-	-	-	-	431
Debentures	-	-	-	4,800	331	-	-	5,131
	1,328	12,687	9,945	15,886	381	23	-	40,250
<u>Off - balance sheet items</u>								
Aval to bills	-	763	9	-	-	-	-	772
Guarantees of loans and others	287	35	-	200	-	-	-	522

(Unit : Million Baht)

Transactions	The Company Only							
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Non performing Loans ^(*)	Total
<u>Financial assets</u>								
Cash and deposits at financial institutions	268	16	-	-	-	-	-	284
Investments in securities - net	1,349	1,790	272	864	499	5,838	7	10,619
Loans and receivable	1,266	3,461	7,525	15,067	4,108	6	3,240	34,673
	2,883	5,267	7,797	15,931	4,607	5,844	3,247	45,576
<i>* Loans which ceased accruing interest income according to the BOT's guidelines</i>								
<u>Financial liabilities</u>								
Borrowings and deposits	866	11,826	7,969	11,088	-	-	-	31,749
Debentures	-	-	-	4,800	331	-	-	5,131
	866	11,826	7,969	15,888	331	-	-	36,880
<u>Off balance sheet items</u>								
Aval to bills	-	763	9	-	-	-	-	772
Guarantees of loans and others	287	35	-	200	-	-	-	522

32.4 Foreign exchange risk

As at 31 December 2002, the Company did not have any financial instruments in foreign currencies except investment in a subsidiary company amounting of Baht 279 million.

32.5 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the balance sheet, including cash, deposits at banks and loans and receivable which are considered to approximate their respective carrying value since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions which are traded on an active and liquid market, such as investment in securities, have their fair values determined by the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including borrowings and deposits, are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2002, there are no material differences between the book value of financial instruments and their fair value.

The fair value of off balance sheet items cannot be reasonably determined thus it has not been disclosed.

33. Presentation

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of finance, finance and securities and credit fancier companies dated 10 May 2001.

Certain amounts in the financial statements as presented herein for comparative purposes have been reclassified to conform to the current year classifications, with no effect on previously reported net earnings or shareholders' equity.

Financial Data Company and Subsidiaries

(Baht in million, except per share amounts)

	2002	2001	2000	1999	1998
Operating Results					
Interest and Dividend Income	3,369	3,112	3,234	3,459	4,820
Expenses on Borrowings	1,267	1,345	1,579	2,134	5,002
Net Interest and Dividend Income	2,102	1,767	1,656	1,325	(181)
Bad Debt and Doubtful Account	518	171	59	4,993	1,516
Non-Interest Income	1,761	1,457	1,148	816	(759)
Brokerage Fee and Other Fees Income	903	764	642	982	795
Gain (Loss) on Trading Securities	625	201	359	(2)	1,066
Forward Exchange Premium Cost	7	4	(25)	(244)	(506)
Other Non-Interest Income	225	487	172	81	18
Operating Expenses (exclude minority interest)	1,964	2,038	1,682	1,294	1,264
Personnel Expenses	811	752	676	418	322
Non-Personnel Expenses	1,153	1,287	1,006	876	941
Income (Loss) before Tax and Extraordinary Items	1,382	1,015	1,063	(4,146)	(3,720)
Net Income (Loss)	1,154	839	885	(4,474)	(3,850)
Financial Position					
Total Assets	49,212	47,059	40,802	43,727	41,844
Loans and Receivables	40,637	32,689	27,598	27,058	33,300
Accrued Interest Receivables	112	202	206	259	74
Investment in Securities - Net	6,362	9,361	8,302	12,446	6,153
Public Borrowings	30,944	35,458	31,219	30,896	30,530
Money Market Deposits and Borrowings from Financial Institutions	3,264	2,695	2,215	1,623	3,565
Offshore Borrowings	53	57	89	716	2,989
Shareholders' Equity	7,812	6,689	5,546	4,403	2,975
Non-Performing Loan and Allowance					
Non-Performing Loan*	3,846	2,507	3,831	5,004	14,144
Allowance for Doubtful Accounts*	4,695**	2,151	2,108	1,071	2,902
Off-Balance Sheet					
Securities Brokerage Trading Volume	160,772	90,405	65,782	138,223	71,461
Provident Fund Size under Management	31,743	36,613	42,469	39,443	29,960
Per Share (Fully Diluted)					
Earnings (Loss)	1.60	1.17	1.26	(6.39)	(38.43)
Book Value	10.25	9.53	7.92	6.29	29.69
Market Price - Common Share					
High	30.00	22.75	31.75	61.50	46.50
Low	15.50	9.80	10.25	9.70	3.50
Yearend	22.40	16.20	15.50	30.50	14.25
- Preferred Share					
High	28.00	22.00	28.75	50.00	-
Low	15.30	9.80	10.25	20.50	-
Yearend	22.60	15.60	14.75	28.00	-
Profitability					
Profit (Loss) before Bad Debt and Doubtful Accounts	1,672	1,010	945	519	(2,334)
Net Income (Loss)	1,154	839	885	(4,474)	(3,850)
Return on Average Assets	2.35%	1.90%	2.10%	-10.50%	-8.1%
Capital Ratios					
Capital Funds (TISCO Finance)					
Tier 1 Capital	7,193	5,911	4,962	3,940	2,873
Tier 2 Capital	848	492	885	577	0
Capital to Risk-Weighted Assets (BIS)	19%	17%	16%	14%	8%
Net Capital Rule (TISCO Securities)	254%	273%	178%	71%	262%
Employees***					
	1,292	1,198	1,179	1,107	632

* NPL and Allowance for Doubtful Accounts in 1998-1999 were for TISCO Finance only.

** According to the BoT's new definition.

*** Numbers of staff in 1998 did not include Tru-Way Group.

**Management
Discussion &
Analysis**

The fiscal year 2002 marked of TISCO Group's consistent business expansion as reflected in an increase of total loans and brokerage volume. The restructuring of business and support function strategy with careful monitoring, and the good response to market demand contributed to an expansion of hire purchase business, increase in brokerage market share and gain from securities investment and trading. As a result, the Group's revenues increased in all categories: net interest, fee, and trading income.

Net profit of the company under the cost method increased 217% to 635 million baht from 201 million baht in 2001. This was due mainly to an increase in net interest and dividend income, which grew 17.9% to stand at 1,577 million baht as a result of healthy contribution from a continual increase in automobile hire purchase loan, and a decline in cost of fund by 8.3%. Gain from sale of investment in securities was also substantial amounting to 508 million baht, compared with a loss of 13 million baht in 2001. Net profit of the company and its subsidiaries increased 37.6% to 1,154 million baht due to an increase in revenues in all categories, and decline in direct and operating expenses.

The following analysis of this Management Discussion and Analysis is based on consolidated financial statements of TISCO Finance Company, comprising consolidated balance sheets as of December 31, 2002 and December 31, 2001, and consolidated income statements for twelve months to December 31, 2002 and 2001 under the equity method. The consolidated

financial statements comprised consolidated financial positions and performances of some 12 companies in TISCO Group, namely, TISCO Finance Company Plc., TISCO Securities Co., Ltd., TISCO Securities Hong Kong Ltd., TISCO Asset Management Co., Ltd., Thai Permsap Finance Co., Ltd., TISCO Securities UK Ltd., TISCO Global Investment Holdings Ltd., Tru-Way Co., Ltd., TISCO Leasing Co., Ltd., Thai Commercial Auto Co., Ltd., Hi-Way Co., Ltd., and Thai Information Technology Co., Ltd.

Financial Position

The following analysis was based on the Balance Sheet of fiscal year 2002 compared with fiscal year 2001.

Assets

Total Assets

The company's total asset increased 1.5% to 45,156 million baht in 2002. Although loan portfolio increased 21.7% to 34,589 million baht in 2002, investment portfolio, and foreclosed asset declined as the company liquidated some of the portfolios to realize gain when opportunities arose. With subsidiaries, the Group's total assets grew 4.9% to 49,212 million baht in 2002.

Investment in Securities

Net investment of the company declined 17.1% to 10,619 million baht in 2002 as substantial gains were realized during the year. Net investment of the company and its subsidiaries declined 32% to 6,362 million baht by 2002. While 41% of this was short-term, the rest were long-term investment. The breakdown of investment portfolio in 2002 was :

Table 1 : Investment in Securities Breakdown: Total 6,362 million baht

Securities	% of Investment
Fixed Income	55
Equity	42
FRA	3

Loans and Receivables

The company's loans and receivables increased



21.7% to 34,589 million baht in 2002, when combined with the subsidiaries' grew by 25.5% from 32,385 million baht from 2001 to 40,637 million baht. Loans and receivable to total assets ratio rose from 69% to 82.6%. TISCO has a well-diversified loan portfolio distributed various industries in 2002 as illustrated below.

Table 2 : Loans and Receivables Breakdown: Total 40,637 million baht

Industry	% of Loans and Receivables
Hire Purchase	58
Real Estate & Construction	8
Manufacturing & Commerce	9
Housing	7
Public Utilities & Services	7
Others	11

Accrued Interest Receivables

The company's accrued interest receivables amount was 84 million baht, a 54.6% decline from 185 million baht in 2001. The amount aggregated with the subsidiaries' was 112 million baht, or 0.3% of net loans. Following a conservative interest income policy, we stop accruing interest income, reversed it off the books and recognized interest income on a cash basis for corporate loans, stock borrowing and lending accounts, and consumer loans that were overdue by one, two, and three months respectively.

Non-performing Loans

The Group focused on improving the quality of existing loans in all areas and put great effort into accelerating debt recovery. Using the BoT's old definition, NPLs in 2002 declined 6.8% to an estimated 1,764 million baht. NPL ratio in 2002 was 4.6% of total loan, down from 5.7%. The decline was led by a decline of NPLs in Commercial Lending and in Mortgage Loan. In 2002, loans restructured from Commercial Lending area valued 3,746 million baht, and from Mortgage Loan area valued 567 million baht.

Using the BoT's new definition, NPLs included the bad loans with full reserve in 2002 would be 3,846 million baht, or 9.45% of total portfolio. As additional NPLs are fully provided for, there will be no impact on bad debt

expenses. The Group conformed to the internal policy that reserve position for these bad loans with full reserve would be net out only by cash receipt from repayment. Using the BoT's new definition, the breakdown of the Group's NPL at the end of 2002 is as follows :

Table 3 : NPL Breakdown by Area: Total 3,846 million baht

Business	% of Total NPL
Commercial Lending	53.8
Mortgage Loan	22.4
Car Hire Purchase	5.1
Motorcycle Hire Purchase	3.7
Others	15.1

Allowance for Doubtful Account

Allowance for doubtful account and loss on debt restructuring for the company was 3,856 million baht. 2,792 million baht of which was specific reserve (required by BoT), and the rest of 1,064 million baht was general reserve (applied following an internal prudent policy). This was 82.1% of the Group's allowance of 4,695 million baht. Our provisioning policy was prudent so that reserves would not be reversed until cash was settled for payments. With the conservative policy, the Group's total reserve in 2002 was 173% above the BOT requirement.

Property Foreclosures

The recovery of real estate market resulted in successful sales of our foreclosed assets. The company's foreclosed asset therefore declined by 41.3% to 1,308 million baht. Property foreclosures of the company and subsidiaries declined by 41.1% to 1,316 million baht.

Liabilities

Overall, the company's total liabilities declined by 1.2% to 37,776 million baht. Total liabilities of the company and subsidiaries increased 3% to 41,400 million baht.

Table 4 : Liabilities Breakdown: Total 41,400 million baht

Liabilities	% of Liabilities
Public Borrowings	75
Debenture	12
Banks and Financial Institution Borrowings	8
Others	5

Debenture

The company issued 3,000 million baht, and 1,800 million baht of debentures to institutions and the general public in July and October 2002, respectively. This was planned to increase longer-term liability in order to mitigate interest rate risk. The debentures has brought about the balance of asset and liability durations.

Borrowings

Deposits continued to be the main source of funding for the company. Liquidity from debentures gave the company flexibility to lower promissory note rates, as well as deposit needs. The company's borrowings therefore declined during the second half of the year to stand at 30,492 million baht, 13.7% down from 35,331 million baht in the previous year. The company has a policy to expand retail depositor base to reduce concentration risk. Total borrowings of the company and subsidiaries declined 12.7% in 2002 to 30,944 million baht.

Shareholders' Equity

Shareholder's equity in the company stood at 7,379 million baht, an increase of 18%. Shareholder's equity in the company and subsidiaries increased by 16.8% from 6,689 million baht in 2001 to 7,812 million baht, as a result of a net profit of 1,154 million baht in 2002. The BIS capital adequacy ratio of TISCO Finance remained solid at 19.5% while the net capital adequacy ratio of TISCO Securities was 254% by 2002.

Consolidated Statement of Income Analysis

The following analysis was based on the Income Statement of the fiscal year 2002 compared to 2001. By 2002, The company's total net revenue grew 33.9% to 3,033 million baht. Total net revenues of the company and subsidiaries grew 19.8% to 3,863 million baht. This was contributed by income expansion, and direct cost reduction, both in the company and subsidiaries. A structure of the Group's revenues was illustrated below.

Table 5 : Net Revenue Breakdown: Total 3,863 million baht

Net Revenue	% of Net Revenue
Net Interest & Dividend Income	55
Net Fee Income	23
Net Trading Gain	16
Others	6

Interest and Dividend Income

Net interest and dividend income of the company, grew 17.9% to 1,577 million baht. For revenues of the company and its subsidiaries, gross interest and dividend income increased 8.3% from 3,112 million baht to 3,369 million baht. This arose mainly from an expansion of hire purchase business. As costs of borrowing declined by 5.8% from 1,345 million baht to 1,267 million baht, total net interest and dividend income (before provision) increased by 18.9% from 1,767 million baht to 2,102 million baht.

Bad Debt and Doubtful Accounts

We continue to be conservative in loan provisioning. Management decided to accelerate the provision against any possible loan loss in the future by writing expenses for bad debts and doubtful accounts and allowance for loss on debt restructuring of 465 million baht at TISCO Finance, against 198 million baht in the previous year. Doubtful account of the company and subsidiaries was 518 million baht in 2002, against 171 million baht in 2001.

Non-Interest Income

Non-interest income at the company grew 57.1% in 2002 from 927 million baht to 1,456 million baht due largely to proprietary trading gains from fixed income and equity investment. Non-interest income of the company and subsidiaries increased 20.9% to 1,761 million baht. This was due to a substantial gain from proprietary trading of 625 million baht, a 211.1% increase from the previous year. Brokerage fee income also increased markedly by 104.8% to 353 million baht. Other fee and service income declined slightly from 592 million baht to 550 million baht. This was due partly to a postponement

of some IPO deals at hand, which caused advisory service fee to be lower than expected.

Operating Expenses

While the business expanded satisfactorily, operating expenses of the company and subsidiaries declined by 3.1% to 1,964 million baht from 2,038 million baht. Efficiency improvement from such area as Hire Purchase, Asset Management as well as IT operation, contributed to the decrease.

Net Profit

Following a solid business base expansion, market share improvements, increase in revenues, and declining costs, net profit of the company and subsidiaries for 2002 was 1,154 million baht, a 37.6% increase from 839 million baht in 2001. Fully diluted EPS for 2002 was 1.6 baht, a 36.8% increase from 1.17 baht in the previous year.

Business Performance by Area

We have broken down TISCO performance by business functions as they represent core business activities at TISCO Group. The details are presented below:

Finance Business

Finance business at TISCO Group includes hire purchase, commercial lending, and mortgage finance. Net interest and dividend income (before provision) of this business area rose 21.2% to 983.9 million baht. Fee and services income increased marginally by 2.4% to 338 million baht due to a general expansion of retail business. Gain from proprietary investment portfolio rose 40.7% to 49.5 million baht from 35.2 million baht in the previous year.

Hire Purchase Lending

Aside from TISCO Finance, hire purchase business is also conducted by TISCO's subsidiaries, i.e., Tru-Way

Co., Ltd, TISCO Leasing Co., Ltd., Hi-Way Co., Ltd, and Thai Commercial Auto Co., Ltd. During 2002, industry sale of automobiles rose substantially by 38%. With our skills and business expertise, We expanded business and increased the customer base in hire purchase. The Group's new business grew 38.5% to 17,968 million baht. The portfolio expanded by 48.7% to 24,654 million baht during the year. The breakdown of business among TISCO Finance and subsidiaries in 2002 was as follows :

Table 6 : Hire Purchase Portfolio Breakdown by Company: Total 24,654 million baht

Company	% of Total Hire Purchase Portfolio
TISCO Finance	79.1
Thai Commercial Auto	14.1
Hi-Way	4.7
TISCO Leasing	1.7
Tru-Way	0.4

Commercial Lending

For commercial financing, we focused on accelerating the debt restructuring process to reduce NPLs. In addition, the approval of new loans was granted strictly on a selective basis, mainly to the real economic sectors. Gross loan portfolio of Commercial Lending area in 2002 was 11,750 million baht.

With focus on improving asset quality in 2002, Commercial Lending area accomplished 3,746 million baht of loan restructuring. 3,009 million baht of which was proactive restructuring, and 654 million baht was restructuring of non-performing loans. The rest was restructuring on loan written off during the first quarter of the year. Under the previous BOT's definition of NPL, Commercial finance non-performing loans fell 9% to 756 million baht, or 7.2% of portfolio. With the new definition, non-performing loans were 2,069 million baht, or 17.6% of portfolio. As mentioned above, the new definition of NPL did not affect the Group's income or expenses.

Mortgage Loan

Our strategy in mortgage financing is to focus on asset quality and NPL recovery with less emphasis on

growth as the competition continued to be high and significantly pressured down the margin. Therefore, we were very selective in granting loans to ensure our long-term profitability. Using the BoT's previous definition of NPL, the NPL declined by 15% to 746 million baht, or 21.6% of mortgage loan portfolio. With the new definition, this amount was 861 million baht, or 25% of portfolio. As mentioned above, the new definition of NPL did not affect the Group's income or expenses.

Other Retail Finance Service

The business from this section levers on customer base of hire purchase and other businesses within the Group. Other retail finance portfolio grew 33.5% from a comparatively small base to 349 million baht in 2002.

Securities Business

TISCO Group's securities business covers securities brokerage, investment banking, proprietary trading, and asset management. This area operates under the Group's companies including TISCO Securities Co., Ltd., TISCO Securities Hong Kong Ltd. (TISCOHK), TISCO Global Investment Holdings Ltd. (TISCOGIH) and TISCO Securities UK Ltd. (TISCOUK)

Securities Brokerage

TISCO Securities focused on providing quality service to institutional and private investors. The company entered into a cooperative arrangement with Deutsche Bank, a global bank and equities company, to jointly build a high quality equity research so as to expand distribution channel to reach a broader international market aside from those currently under management of TISCOHK and TISCOUK. At the same time, the company has improved the internet trading business to better service retail client. While TISCO continues to enhance efficiency as well as to maintain good corporate governance, Thai market volume at TISCO increased 78% from 90.4 billion baht in 2001 to 161 billion baht in 2002. This raised TISCO Securities' market share from 2.9% to 3.9%, resulting in an increase in brokerage fee by 188% to 304.4

million baht. Although volume from sub-broker vanished as all sub-brokers upgraded to full brokerage status following the regulation in 2002, our volume continued to increase. Excluding sub-broker volumes, our market share increased from 1.69% in 2001 to 2.47% in 2002. Minimum brokerage fee of 25 basis points imposed by the SET also increased our fee income. Due partly to unfavorable external market condition, foreign operations made a loss of 38 million baht in 2002, following a loss of 9 million in 2001. TISCO brokerage clientele is as follows :

Table 7: Brokerage Volume Breakdown by Client: Total 161 billion baht

Clients	% of Total Brokerage Volume
Private Sales	37
Deutsche Bank & Foreign	18
Local Institution	11
Internet	9
Sub-Brokers & Others	25

Investment Banking

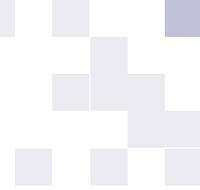
TISCO maintained the leading role in investment banking industry, underwriting several IPOs during 2002. Net fee income for the year was 68 million baht. Mandates in the pipeline look encouraging and this should increase the Group revenue in the following year.

Securities Investment

Following opportunities from the stock market rally during the first half of 2002, and a decline in bond yields during the second half, TISCO Group made profit from the sale of proprietary investment worth 366 million baht, an increase of 98.5% from 184 million baht in 2001.

Fund Management Business

Fund management service is provided by TISCO Asset Management Co., Ltd. (TISCOASSET). It offers a range of investing choice in provident fund, mutual fund, and private fund. With the combined asset under management of 39.3 billion baht, TISCO has been trusted by an increasing number of clients. Efficient back office operation, TISCO fund management service boosted profit



by 73.2 million baht in 2002. The breakdown of funds under management is shown below.

Table 8 : Asset Under Management Breakdown: Total 39.3 billion baht

Funds	% of Total Asset Under Management
Provident Fund	81
Private Fund	10
Mutual Fund	9

TISCOASSET has maintained a strong position in the provident fund industry for over 30 years. It has been trusted by both private and state-owned enterprises to manage their provident funds. As of the end of 2002, total asset of provident fund under management was 31.7 billion baht, with approximately 223,552 members from 1,204 companies.

TISCOASSET has 19 mutual funds under its management. By the end of 2002 the asset of mutual fund under management was 3.6 billion baht, an increase of 19% compared to 2.9 billion baht by the end of 2001. In response to regulators' policy of promoting long-term savings through professional management, TISCOASSET launched 3 new Retirement Mutual Funds during 2002, providing customers with wide choice of investment schemes.

TISCOASSET has been continuing to expand its private fund management service since its inception in 2000. By the end of 2002, private fund under management was approximately 4 billion baht, an increase of over 70% compared to 2.4 billion baht by 2001.

With the market being relatively liquid and low interest at a low rate, TISCOASSET plans to continue expanding its customer base, while maintaining expertise in investment and administrative services to efficiently support an increasing fund base.

Other Business

TISCO acquired Thai Permsap Finance Co., Ltd. in November 2001 as part of its plan to upgrade to become

a restricted bank status in the future. The company has no plans to operate any business under Thai Permsap. As for Thai Information Technology Co., Ltd., it provides technology service mainly to the TISCO group.

Risk Management

Throughout 2002, TISCO has undergone a balanced development in 3 key areas - corporate risk assessment, policy & guideline, and infrastructure. For corporate risk assessment, stress testing of firm-wide risk exposure has been performed and introduced as regular procedure. Sector concentration risk across wholesale credit and equity portfolios was then been comprehensively assessed, after which a sound framework for sector concentration risk control was put in place and revised into the risk management guidelines. For policy & guideline, a contingency liquidity management guideline was also introduced.

On the infrastructure side, key progress were made in 2 areas - information system and development know-how. By the year-end, data warehouse infrastructure to support automation in the credit scoring and loan approval process of retail finance business was completed. Meanwhile, extensive research and study was performed to formulate development strategies for risk and capital regulations.

Going forward, TISCO will continue to improve risk management for the organization and satisfy regulatory requirements. Together with our strong emphasis on achieving adequate returns on risks, we will strengthen the processes of supervisory review, risk-based capital adequacy assessment, and market discipline to achieve the best-practice standard. As of December 31, 2002, TISCO's risk exposure mainly comprised credit and market risks, which were measured into a capital at risk of 1,771 and 1,514 million baht at 99% confidence level over the period up to 1 year. At this level of risk, the capital adequacy level stood at more than 50% surplus.



Supplementary Information

Capital Structure

TISCO Shares

As of December 31, 2002 the company's paid-up capital, comprising issued and offered shares, according to the shareholder register was as follows:

Total shares: 706,534,500 shares, par value at 10 baht, totaling 7,065,345,000 baht
Preferred shares: 215,836,680 shares, par value at 10 baht, totaling 2,158,366,800 baht
Ordinary shares: 490,697,820 shares, par value at 10 baht, totaling 4,906,978,200 baht.

In 1999 as part of re-capitalization supported by the Ministry of Finance's Tier 1 capital program, TISCO issued 600 million convertible preferred shares at par value of 10 baht each. The Ministry of Finance purchased 300 million of these shares. The other 300 million preferred shares with an option to purchase an equivalent number of shares from the Ministry within three years were sold to investors. This option was represented as derivative warrants, issued by the Ministry. Exercise of this option converts the warrants to preferred shares, registered with the Stock Exchange of Thailand. The differences between preferred and ordinary shares are:

1. Preferred shares are entitled to 1 baht per share more in dividend payment than that allocated to ordinary shares. Preferred shares dividend must be paid prior to ordinary shares. The company may declare dividends only for preferred shares and not for ordinary shares, but not vice versa. Preferred shares are entitled to dividend in the years when it is paid, they may not make retroactive claims to dividends for the years when none were allotted.

2. Should the company liquidate, preferred shares will receive a settlement prior to ordinary shares, at par value of the equity. Should the value of asset not cover the total amount due to preferred shares, the assets will be distributed equally among all preferred shareholders, proportionate to their holdings. If there are assets left over after all debt and equity (both preferred and ordinary) payments have been made, then the remaining assets will be distributed among the capital stockholders equally, proportionate to the total number of shares held.

3. Should the company decide to repurchase its' stock, the ordinary shares must be assimilated before the preferred shares may be bought back.

As of December 31, 2009, all outstanding convertible preferred shares will automatically expire and may be converted to ordinary shares. Shareholders should hand in their share certificates and other documentation for this conversion.

Debentures

1. In 1999, as part of the Tier 2 capital program, the company issued corporate unsecured subordinate debentures par at 1 million baht per unit, to the Ministry of Finance.

Date of Issue	Maturity	Outstanding debenture as of December 31, 2003
February 11, 1999	February 11, 1999	161 million baht
May 28, 1999	May 28, 2009	170 million baht

These bear an interest rate of 5% and 6% per annum respectively.

Transfer of Debentures and Transfer Restrictions : Limitations on transfer of debenture as registered with the office of the Registrar of the Stock Exchange of Thailand as of December 21, 1998 are:

- 1) Sale to specified parties - the company will not register or apply to the Registrar of Debentures to register any transfer, should this transfer result in the number of debenture holders exceeding 35 at any point in time, even though the debentures are issued at different dates.
- 2) Sale to institutional investors - the company will not register or apply to the Registrar of Debentures to register any transfer to any party, other than those falling into the category of "institution" as specified.
- 3) Holders of debentures may not enter a shareholding agreement on matters regarding the issuance and sale of securities, and management of the company.

2. In July and October, 2002 the company issued 4,800 million baht of unsubordinated and unsecured debentures, maturing in 2007, consisting of:

- 1) 2 million debentures with a face value of 1,000 baht each, totaling 2,000 million baht. These debentures bear interest at a rate of 4.25 percent per annum.
- 2) 1 million debentures with a face value of 1,000 baht each, totaling 1,000 million baht. These debentures bear interest at a rate of 3.5 percent per annum in the first and second year and thereafter at a floating rate equivalent to the reference rate plus 0.5 percent per annum, which rate shall not be less than 3.75 per annum and shall not exceed 5 percent, 5.5 percent, and 6 percent per annum in the third, fourth and fifth years, respectively.
- 3) 1.8 million debentures with a face value of 1,000 baht each, totaling 1,800 million baht. These debentures carry interest at a floating rate equivalent to a rate of 6 percent minus the reference rate per annum in the first, second and third years and thereafter at a rate of 3.8 percent per annum.

In respect of the 2,800 baht discussed in 2) and 3) above, on the July 29, 2002 and October 21, 2002, respectively, the company entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.

Major Shareholders as of book - close date, March 3, 2003 :

Name	Number of Shares			Percentage
	Common Shares	Preferred Shares	Total	
1. CDIB & Partners Investment Holding (Cayman) Ltd.	41,500,000	80,000,000	121,500,000	17.19
2. Mizuho Corporate Bank, Ltd.	7,505,652	46,000,000	53,505,652	7.57
3. Deutsche Bank	37,895,496	0	37,895,496	5.36
4. Goldman Sachs International	34,877,000	0	34,877,000	4.93
5. Phatpanichchote	15,012,000	12,800,000	27,812,000	3.93
6. HSBC (Singapore) Nominees PTE Ltd.	25,716,000	0	25,716,000	3.64
7. Thai Farmers Bank Plc.	20,000,000	0	20,000,000	2.83
8. Morgan Stanley & Co. International	16,028,100	0	16,028,100	2.27
9. Government Pension Fund	14,993,700	463,700	15,457,400	2.19
10. Thai NVDR Co., Ltd.	15,052,100	319,000	15,371,100	2.17
Total	164,015,907	139,582,700	354,535,480	52.08

Dividend Policy

The company shall consider paying appropriate amount of dividend to shareholders depending on the operating results as well as economic and financial situation.

The company's subsidiaries shall consider paying appropriate amount of dividend to the company depending on the operating results as well as economic and financial situation.

References

Transfer Agent
and Registrar

Thailand Securities Depository Co., Ltd.
The Stock Exchange of Thailand Building,
4,6-7th Floor, 62 Rajdapisek Road, Klongtoey, Bangkok 10110
Tel. 66-2359-1200-1 Fax. 66-2359-1259-63

Auditor

Mr. Narong Puntawong
Certified Public Accountant (Thailand) Registration No. 3315
Ernst & Young Office Limited
33rd Floor, Lake Rajada Office Complex,
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Tel. 66-2264-0777 Fax. 66-2264-0789-90

Financial Adviser
(Warrants to buy
preferred shares)

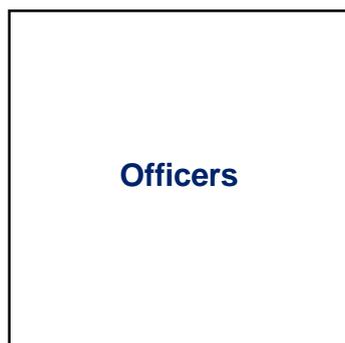
Finansa Ltd.
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48/14-15 North Sathorn Road, Bangkok 10500
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Material Equity Investment

As of December 31, 2002

Company	Address	Business	No. of Outstanding	No. of Holding		%
				Type	No. of shares	
TISCO Securities Co., Ltd.	48/8 North Sathorn Road, Bangkok	Securities Brokerage	150,000,000	Common	149,999,993	100.00
TISCO Securities Hong Kong Limited	Two Pacific Place Hong Kong	Securities Brokerage	2,000,000	Common	2,000,000	100.00
Thai Permsap Finance Co., Ltd.	48/2 North Sathorn Road, Bangkok	Finance Companies	1,500,000	Common	1,499,964	100.00
Hi-Way Co., Ltd.	2046/16 New Petchburi Road, Bangkok	Hire Purchase of	5,500	Preferred	5,500	10.00
		Motorcycles	994,500	Common	94,500	
Huay Kaew Real Estate Co., Ltd.	48/18 North Sathorn Road, Bangkok	Real Estate Developer	16,885,000	Common	16,885,000	100.00
Interthai Holdings Ltd.	2 Sukhumvit Road, Klong Toey, Bangkok	Trading Company	55,000	Preferred	10,000	10.00
			45,000	Common		
JiJi Press (Thailand) Co., Ltd.	138 Silom Road Bangkok	Supplying of Daily News to Companies in Thailand	5,000	Common	1,000	20.00
K Line (Thailand) Ltd.	33/30-31 Surawongse Road, Bangkok	Shipping Agent	10,000	Common	1,000	10.00
PDTL (Trading) Co., Ltd.	518/3 Ploenchit Road, Bangkok	Importer & Distributor of Communication, Electronic and Electrical Equipment	10,000	Common	1,500	15.00
Prosperity Industrial Estate Co., Ltd.	18/8 Sukhumvit Road, Bangkok	Real Estate Developer	4,739,840	Common	473,984	10.00
Shin Thai Enterprises Co., Ltd.	1168/53-54 Rama IV Road, Bangkok	Importer & Exporter of Machinery and etc	30,000	Common	3,000	10.00
Siam Art Ceramic Co., Ltd.	116/77-79, Yannawa, Bangkok	Produce Designed Ceramic Tile and Granit Slab and Tile	11,000,000	Common	1,100,000	10.00
Thai Commercial Auto Co., Ltd.	48/13 North Sathorn Road, Bangkok	Car Hire Purchase	10,000,000	Common	4,999,996	50.00
Thai Information Technology Co., Ltd.	48/12 North Sathorn Road, Bangkok	Information Technology Services	200,000	Common	19,998	10.00
Tru-Way Co., Ltd.	48/25 North Sathorn Road, Bangkok	Car Hire Purchase	20,000	Preferred	20,000	99.83
			11,980,000	Common	11,979,994	
UMI Property Co., Ltd.	65/233 Rama IX Road, Bangkok	Real Estate Developer	1,500,000	Common	150,000	10.00
Watana Inter-Trade Co., Ltd.	62 Silom Road, Bangkok	Importer, Exporter and General Merchants	300,000	Common	30,000	10.00



Officers

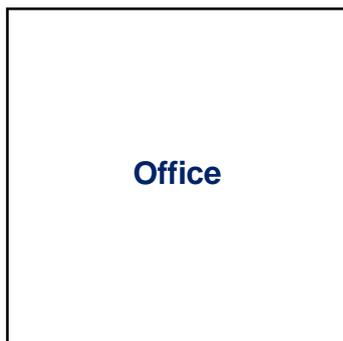
Business Heads

- New Business Development Mr. Pliu Mangkornkanok (Acting)
- Retail Finance
 - Hire Purchase Mr. Panya Wotticharoenvong
 - Hire Purchase Mr. Sakchai Peechapat (Deputy)
 - Hire Purchase (Used Car) Mr. Rungroj Jarasvijitkul
 - Provincial Loan Office Mr. Somsak Wongwachirawanich
 - Mortgage Loan Mr. Chalit Silpsrikul
 - All Finance Ms. Preechaporn Deenarong
 - Direct Ms. Wipa Mettaviharee
- Retail Credit Mr. Sakchai Peechapat (Acting)
- Retail Finance Collection & Service Ms. Penthip Laobooncharoen
- Commercial Finance Mrs. Pornthip Boonrawd
- Corporate Lending 1 Mr. Suthas Ruangmanamongkol
- Corporate Lending 2 Mrs. Prapatsorn Arthachinta
- Corporate Lending 3 Mr. Sammit Sakulwira
- Loan Documentation & Administration Mr. Worapat Sawatronapak
- Japanese Relationship Ms. Rapeeporn Ounchalanon
- Asset Disposal Mr. Eiji Sasaki
- Custodian Service Mr. Suthas Ruangmanamongkol (Acting)
- Mrs. Ladda Kulchatchai

- Treasury & Funding
 - Treasury Mr. Suthas Ruangmanamongkol
 - Funding Ms. Karantarat Vongsa
- Special Asset Management Mrs. Phavadee Chadavadh
- SME Mr. Thanom Chairoondeekul (Deputy)
- E-Commerce Mr. Panya Wotticharoenvong
- Ms. Nipa Mekara (Deputy)
- Mr. Panya Wotticharoenvong (Acting)
- Mr. Pichai Chanvirachart (Acting)

Support Heads

- Financial & Risk Control
 - Planning & Budgeting Mrs. Oranuch Apisaksirikul
 - Risk Management Mr. Krisana Theinthong (Acting)
 - Corporate Accounting Mr. Chatri Chandrangam
 - Corporate Cashiering Ms. Chutintorn Vigasi
- Information Technology Mr. Kittipong Tiyaboonchai
- Corporate Governance Mrs. Chayathip Chuvanichanon
- Compliance Ms. Nattamon Issaradharm
- Internal Control Ms. Sumaree Piyatamvuthikul
- Credit Office Mrs. Dulyarat Taveebhol
- Office of the Credit Committee Ms. Nattamon Issaradharm (Deputy)
- Appraisal & Valuation Mrs. Suthinee Muangman
- Legal Office Mrs. Suthinee Muangman
- Office of Corporate Secretary & Investor Relations Ms. Chantana Srisuwanvilai
- Internal Audit Ms. Nattamon Issaradharm (Acting)
- Human Resources Ms. Pruiitiporn Nakornchai
- Corporate Marketing & Communication Mrs. Thanya Chittikuladilok
- Mrs. Pavilai Buravas
- Mrs. Potchanart Seebungkerd
- Ms. Nartrudee Siwabut



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