

TISCO Bank



Annual Report 2005 TISCO Bank Public Company Limited

The New Corporate Identity of TISCO

TISCO Bank and its subsidiaries developed the new corporate identity, designed to incorporate the significant change and the new status. The new symbol, a red arrow, was added to the established "TISCO" blue logo, represents the infinite power to move ahead. The red arrow pointing upward to the east, the direction which symbolizes the beginning, the rising, and prospering of lives.

As TISCO today, we are making a bold step forward to better serve our customers.

TISCO Bank

A bold step forward to better services

TISCO Bank, the first upgraded finance company to a full service commercial bank, commenced its banking operation on July 4, 2005.





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Financial Highlights

As of or for the year ended December 31		2003		2004		2005	
TISCO Share Information		TISCO-P	TISCO	TISCO-P	TISCO	TISCO-P	TISCO
Share price	high	36.50	35.25	36.75	37.25	29.50	29.50
	low	15.80	15.70	21.00	20.70	23.20	22.40
	closing	33.00	32.75	24.50	24.30	28.00	27.75
Shares outstanding	end of year (share)	181,127,680	530,591,820	184,123,480	533,907,520	180,947,630	541,020,120
Earnings per share	Basic		2.41		2.85		2.23
	Diluted		2.38		2.79		2.20
Book value per share (Baht)			15.06		17.52		18.12
Operating Results (million baht)							
Total interest and dividend income			3,565		3,913		4,567
Net interest and dividend income			2,354		2,830		3,103
Reversal of bad debt and doubtful accounts and loss on debt restructuring (Bad debt and doubtful accounts and loss on debt restructuring)			(266)		(175)		186
Total non-interest income			2,513		2,729		2,057
Total revenues			6,078		6,642		6,624
Net income			1,890		2,224		1,791
Return on Average Assets			3.45%		3.51%		2.53%
Return on Average Shareholders' Equity			20.40%		19.09%		13.96%
Interest Spread			4.43%		4.65%		4.05%
Balance Sheet Information (million baht)							
Total loans and receivable			48,992		56,985		65,224
Total assets			60,263		66,296		75,283
Total deposits			33,074		39,288		34,451
Total borrowings			6,879		6,986		17,491
Total liabilities			49,542		53,715		62,201
Total shareholder's equity			10,721		12,581		13,082
Capital funds to Risk Weighted Asset (BIS)			21.42%		19.57%		18.63%
Net Capital Rule (TISCO Securities)			35.10%		56.50%		103.04%
Branches			10		14		14
Employees (permanent and contract staff)			1,672		1,776		1,971
Credit Rating							
TRIS Rating Co., Ltd.							
Company Rating			A		A		A
Issue Ratings (Senior debentures)							
TSCO077A: Bt 2,000 million senior debentures due 2007			A		A		A
TSCO077B: Bt 1,000 million senior debentures due 2007			A		A		A
TSCO070A: Bt 1,800 million senior debentures due 2007			A		A		A
Rating outlook			Positive		Positive		Stable
Fitch Ratings (Thailand) Ltd. (unsolicited rating)							
Long - Term National Rating			n.a.		A - (tha)		A (tha)
Short - Term National Rating			n.a.		F2 (tha)		F1 (tha)
Rating Outlook			n.a.		Stable		Stable

Note: Information of 2003 has been restated for the comparison purpose.

Report from the Board of Directors

In 2005, Thailand's economy weathered several negative factors, however, growth continued, albeit at a more moderate pace compared to 2004. The GDP growth in 2005 declined to 4.5%, compared to 6.2% in 2004, adversely affected by both internal and external factors. These included the re-emergence of avian flu, continuing southern unrest, unprecedented tsunami disaster, inflationary pressures, record-high crude oil prices, and a slowdown in the global economy. Interest rates were also on an upward trend following increases in the Bank of Thailand's policy rate which occurred 6 times since 2004 on the heels of an accelerating inflation rate. Although the equity market's main index finished the year off marginally higher than 2004, the market activities markedly declined due to a series of negative sentiments.

In 2005, the Group reported a net profit of 1,791 million baht, declined 19.5% from the previous year mostly due to weaker performance in securities business. Net interest and dividend income showed continuous improvement, with an increase of 273 million baht or 9.6% to 3,103 million baht, largely contributed by gains in hire purchase and leasing income. Non-interest income was however substantially declined by 672 million baht to 2,057 million baht, due to lower advisory and brokerage fee income following the slowdown of the equity market activities whereby the market turnover declined by 19.8%. Meanwhile, non-performing loans continuously declined from 5.8% in the previous year to only 4.5% at the end of 2005.

Significant event in 2005 was notably that occurred in the banking business. With the implementation of the Financial Sector Master Plan aimed at restructuring and strengthening the financial sector, the Ministry of Finance (MoF) had approved the upgrading of several financial institutions to become full commercial banks or retail banks in 2005. Those structural changes coupled with relaxation of certain rules and regulations concerning financial institutions sparked intense competition in the sector among

established banks, newcomers, newly approved banks, and non-bank players. New products and services were introduced by market players to diversify their operations and become more fully integrated while many financial institutions were challenged by the new operating climate.

Under the financial master plan, TISCO Finance was the first finance company to be granted a commercial banking license from the Ministry of Finance. TISCO Bank commenced commercial banking operations on July 1, 2005, and upgraded all its provincial loan offices into full-service bank branches. The Bank has geared its strategies towards becoming a customer-centric organization focusing on product research and development, expansion of distribution channels, enhancement of business scope, together with development and deployment of banking infrastructure and networks. The Bank operates through its headquarters and 14 branches nationwide to provide full range of banking services in response to customer needs.

For other core businesses, TISCO Securities and TISCO Asset Management continued offering a wide range of securities and asset management services on par of international standards to satisfy all customer segments. The Group remained distinguished in the market in terms of business integrity and trustworthiness. Reassuring of the Group's status and reputation in 2005, TISCO Securities, was awarded "Best Local Brokerage 2005" for the second consecutive year from Asiamoney's Poll for Thailand, while TISCO Asset received the prestigious award "Best Asset Management Company" in the general fixed income funds category from the SET Awards 2005.

As the Group is well aware of the significance of good corporate governance and business ethics, Corporate Governance Policy together with complementary guidelines have been formulated and approved by the Board of Directors. These policies and

guidelines, together with the Group's code of business ethics are in place to provide direction for the board, management, and employees as they carry out their duties. In 2005, the Group assigned Thai Rating and Information Services Co., Ltd. (TRIS) to rate its corporate governance practices, and received a score of 8.15, or "very good", ranking 3rd best among all rated companies. The rating reflects the clear shareholding structure of the bank, associated companies and subsidiaries, the Group's system for preventing insider trading, its record of providing correct and reliable information to investors through various channels on an equitable basis, and the high proportion of minority shareholders.

The Board of Directors were recognized in 2005 for their efforts in good corporate governance, winning "Board of the Year for Exemplary Practices 2004/2005", their second such award in as many years, from the Thai Institute of Directors, in collaboration with the SET, the Thai Chamber of Commerce, the Federation of Thai Industries, the Thai Bankers Association and the Listed Companies Association. The Group was also honoured with the award for "Best Corporate Governance Report" and "Best Performance in Financial Sector" at the SET Awards 2005. In addition, to reflect the Group's excellence in management practice, Hi-Way Co., Ltd., a subsidiary operated motorcycle hire purchase business, was awarded "Best Employer in Thailand 2005" & "Highly Commended Best Employer in Asia 2005", by Hewitt Associates, the Sasin Graduate Institute of Business Administration at Chulalongkorn University, and the Bangkok Post.

The Group has also placed significant emphasis on Corporate Social Responsibility (CSR). With the aim of making this concept a part of the Bank's culture, it has developed and promoted CSR activities and encouraged employees to participate in worthy causes such as supporting education for young students and promoting social, environmental and cultural development. The Group mainly

participates in CSR activities through the TISCO Foundation for Charity, which emphasizes long-term projects to develop the potential of under-privileged members of society so that they might become able to support themselves and their families on a sustainable basis. Each year, TISCO Foundation hands out over 3,600 scholarships, of which more than 60% are in the form of long-term programs providing education to needy students. Since the establishment of the foundation, it has handed out total scholarships worth 95 million baht. In addition, 6 million baht has been donated to support business start-ups and as medical assistance funds.

Currently, the Group is undergoing a holding company restructuring process, which will see TISCO Corporation Public Company Limited becoming the new parent company of the Group replacing TISCO Bank. TISCO Corporation will hold shares in all subsidiary companies, including TISCO Bank. Eventually, TISCO Corporation will become a listed company on the SET, taking the place of TISCO Bank. The holding company restructuring will promote business efficiency, flexibility, and growth of the entire Group which will enable TISCO to be highly competitive in the changing financial landscape into the future. The new structure is also well aligned with the Bank of Thailand's policy for consolidated supervision to enhance stability in the financial system. It is expected that approval from the Bank of Thailand and Ministry of Finance will be by April, 2006.

In closing, the board would like to thank TISCO's clients and shareholders for their continued support, and express its sincere appreciation to the management and staff for their hard work and dedication, which is the key to success at TISCO over the years.

Board of Directors

Board of the Year

TISCO Bank Plc. received the "Board of the Year for Exemplary Practices 2004/2005" Award from the Thai Institute of Directors, in collaboration with the Stock Exchange of Thailand (SET), the Thai Chamber of Commerce, the Federation of Thai Industries, the Thai Bankers Association and the Listed Companies Association.



Best Performance Company and Best Corporate Governance Report

TISCO Bank Plc. was selected the winner of the Best Performance Company in Financial Sector and the Best Corporate Governance Report of the SET Awards 2005.

Capital Structure

Share Information

Common Shares and Preferred Shares

Total registered and paid-up capital as of December 31, 2005

Total registered capital : Baht 11,002,000,000
 Total paid-up capital : Baht 7,219,677,500 comprised of
 541,020,120 common shares and
 180,947,630 preferred shares, both
 with par value of 10 baht per share.

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

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

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

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

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

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

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

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

All of the above preferential rights of the holders of preferred shares shall be valid until June 30, 2009. Upon expiration, the rights and benefits of preferred shareholders shall be equal to those of holders of common shares, and preferred shares shall be converted into common shares. Preferred shareholders shall then submit applications to the Bank for conversion in a form prescribed by the Bank together with the preferred share certificates.

The details of total preferred shares held by management as of December 31, 2005 are described on page 60.

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

Offerings of Securities and Other Convertibles to the Thai Trust Fund

None

NVDR

As of December 31, 2005, Thai NVDR Co., Ltd., a subsidiary wholly owned by the SET, issued Non-Voting Depository Receipts (NVDRs) which have the Bank's shares as underlying securities totaling 195,256,082 units, or 27.05% of paid up capital. Although all financial benefits received by NVDR investors are similar to the benefits from the Bank's common shares, NVDR investors shall have no voting rights in shareholder meetings except in case of a delisting decision. Therefore, if a great number of company shares are sold to investors as NVDRs, the number of shares with voting rights will be lessened.

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

Warrants

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

As of April 28, 2004, the Bank allotted fifth-year warrants, which is the last year of the program, to the amount of 5,317,000 units. Therefore, the total amount of warrants, or 30,000,000 units, has been fully allotted as approved by the Securities and Exchange Commission. As of December 31, 2005, the number of exercised

warrants was 21,767,750 units, and the number of unexercised warrants was 7,359,750 units. Details of warrant types are as follows:

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

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

1. Warrants to Purchase Preferred Shares - Tranche 1

Issuing Date	: July 20, 2000
Offered Warrants	: 10,000,000 units
Allotted Warrants	: 9,100,000 units
Unexercised Warrants	: 110,000 units
Exercise Price	: Baht 10
Maturity Date	: March 31, 2005

2. Warrants to Purchase Preferred Shares - Tranche 2

Issuing Date	: June 30, 2001
Offered Warrants	: 5,000,000 units
Allotted Warrants	: 4,902,000 units
Unexercised Warrants	: 85,000 units
Exercise Price	: Baht 11.31
Maturity Date	: June 30, 2006

3. Warrants to Purchase Preferred Shares - Tranche 3

Issuing Date	: September 20, 2002
Offered Warrants	: 5,919,000 units
Allotted Warrants	: 5,779,000 units
Unexercised Warrants	: 865,000 units
Exercise Price	: Baht 13.20
Maturity Date	: September 20, 2007

4. Warrants to Purchase Preferred Shares - Tranche 4

Issuing Date	: June 20, 2003
Offered Warrants	: 6,000,000 units
Allotted Warrants	: 5,655,000 units
Unexercised Warrants	: 2,068,500 units
Exercise Price	: Baht 14.94
Maturity Date	: June 20, 2008

5. Warrants to Purchase Preferred Shares - Tranche 5

Issuing Date	: August 30, 2004
Offered Warrants	: 5,317,000 units
Allotted Warrants	: 5,317,000 units
Unexercised Warrants	: 4,231,250 units
Exercise Price	: Baht 21.88
Maturity Date	: August 30, 2009

Debentures

As of December 31, 2005, the details of outstanding debentures of the Bank and its subsidiaries are as follows:

The Bank

1. TISCO Bank Public Company Limited unsubordinated and unsecured debentures with maturity date in 2009.

Type of Offering	: For offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	: Baht 1,000,000
Offering Price	: Baht 1,000,000
Issue Size	: 161 units
Outstanding	: 161 units
Tenor	: 10 years
Issuing Date	: February 11, 1999
Maturity Date	: February 11, 2009
Coupon Rate	: Fixed rate 6% per annum
Payment Date	: February 11 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

2. TISCO Bank Public Company Limited 2nd unsubordinated and unsecured debentures with maturity date in 2009

Type of Offering	: For offer to the Ministry of Finance under the Tier II capital support scheme
Face Value	: Baht 1,000,000
Offering Price	: Baht 1,000,000
Issue size	: 170 units
Outstanding	: 170 units
Tenor	: 10 years
Issuing Date	: May 28, 1999
Maturity Date	: May 28, 2009
Coupon Rate	: Fixed rate 5% per annum
Payment Date	: May 28 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

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

Type of Offering	: For offer to the Public
Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue size	: 2,000,000 units
Outstanding	: 2,000,000 units
Tenor	: 5 years
Issuing Date	: July 29, 2002
Maturity Date	: July 29, 2007
Security	: None
Coupon Rate	: Fixed rate 4.25% per annum
Payment Date	: January 29 and July 29 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: "A" from TRIS Rating on December 9, 2005

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

Type of Offering	: For offer to the Public
Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue size	: 1,000,000 units
Outstanding	: 1,000,000 units
Tenor	: 5 years
Issuing Date	: July 29, 2002
Maturity Date	: July 29, 2007
Security	: None
Coupon Rate	: 3.5% per annum for the first 2 years
	: Floating at reference rate plus 0.5% per annum in the third to fifth year providing that it shall not be less than 3.75%, but no more than 5%, 5.5% and 6% per annum in the third, fourth and fifth year, respectively.
Payment Date	: January 29 and July 29 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: “A” from TRIS Rating on December 9, 2005

5. TISCO Bank Public Company Limited 2/2002 debenture with maturity date in 2007

Type of Offering	: For offer to Institutional Investors
Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue Size	: 1,800,000 units
Outstanding	: 1,800,000 units
Tenor	: 5 years
Issuing Date	: October 21, 2002
Maturity Date	: October 21, 2007
Security	: None

Interest Rate	: 6% minus the reference rate in the first to third year providing that it shall not be less than 0%.
	: 3.8% per annum for the fourth to fifth year.
Payment Date	: April 21 and October 21 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.
Rating	: “A” from TRIS Rating on December 9, 2005

In addition, as of December 31, 2005, the Bank had unsubordinated and unsecured Short-term debentures, in name certificates, unrepresented by debenture holders, with maturity of net more than 270 days outstanding worth 9,998.

Subsidiaries

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

Type of Offering	: For offer to Institutional Investors
Face Value	: Baht 1,000
Offering Price	: Baht 1,000
Issue Size	: 400,000 units
Outstanding	: 400,000 units
Tenor	: 3 years
Issuing Date	: September 2, 2003
Maturity Date	: September 2, 2006
Security	: None
Coupon Rate	: Fixed rate 3.25% per annum
Payment Date	: every 3 months, on March 2, June 2, September 2, and December 2 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

Rating : “BBB+” from TRIS Rating on February 7, 2006

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

Type of Offering : For offer to Institutional Investors
 Face Value : Baht 1,000
 Offering Price : Baht 1,000
 Issue size : 500,000 units
 Outstanding : 500,000 units
 Tenor : 3 years
 Issuing Date : October 6, 2003
 Maturity Date : October 6, 2006
 Security : None
 Coupon Rate : Fixed rate 3.2% per annum
 Payment Date : every 3 months, on January 6, April 6, July 6, and October 6 of each year during the term of the debenture. If the due date of interest payment is not a business day, it shall be postponed to the next business day.

Rating : “BBB+” from TRIS Rating on February 9, 2006

Bills of Exchange

Subsidiaries

As of December 31, 2005, Hi-Way Company Limited had short-term bills of exchange outstanding worth 1,832,881,503.96 baht, comprised of 490,000,000 baht in the form of a promissory note and 1,342,881,503.96 baht in a bill of exchange. TISCO Leasing Company Limited also had short-term bill of exchange outstanding for 908,624,143.21 baht, comprised of 300,000,000 baht in the form of a promissory note and a 608,624,143.21 baht bill of exchange.

Major shareholder agreements regarding share issuance or Bank management

None

Minority-interest equity attributable to minority shareholders of subsidiaries

As of December 31, 2005, minority-interest equity attributable to minority shareholders of subsidiaries as it appeared on the Bank's and its subsidiaries' balance sheets was 430,968,026 baht.

Shareholders

The list of the top 10 major shareholder groups whose names appeared in the share registration book on November 23, 2005 is as follows:

Shareholder Name	Total Share Holding			%
	Common Shares	Preferred Shares	Total	
1 The Stock Exchange of Thailand	157,543,410	-	157,543,410	21.83
2 CDIB & Partners Investment Holding (Cayman) Ltd. ⁽¹⁾	-	80,000,000	80,000,000	11.08
3 Thai NVDR Co., Ltd.	35,900,000	91,000	35,991,000	4.99
4 Sathinee Co., Ltd.	-	35,893,425	35,893,425	4.97
5 Bankers International Corporation	32,560,296	-	32,560,296	4.51
6 Morgan Stanley & Co. International Limited	20,101,900	-	20,101,900	2.79
7 NORBAX INC., 18	18,436,980	-	18,436,980	2.55
8 Chase Nominees Limited 42	16,807,200	-	16,807,200	2.33
9 HSBC (Singapore) Nominees Pte. Ltd.	15,515,013	-	15,515,013	2.15
10 Government of Singapore Investment Corporation C	11,579,400	-	11,579,400	1.60
Total shareholding of the first 10 major shareholders	308,444,199	115,984,425	424,428,624	58.81
Others	232,575,921	64,744,705	297,320,626	41.19
Total	541,020,120	180,729,130	721,749,250	100.00

⁽¹⁾ CDIB & Partners Investment Holding (Cayman) Ltd. is a Subsidiary of CDIB & Partners Investment Holding Corporation

After the upgrade to commercial bank status on July 1, 2005, the Commercial Banking Act B.E. 2505 was imposed on business operations. According to Section 5 bis. and 5 quinque of the Act, no person shall hold more than 5% of the total amount of a commercial bank's shares sold, and the amount of shares held by persons of Thai nationality shall not be less than three-fourths of the total amount of shares sold. On June 29, 2005, an exemption was granted by the BoT allowing CDIB & Partners Investment Holding Corporation to hold more than 5% of TISCO Bank shares but not greater than 12.85% and not exceeding the amount of 92,450,000 shares until March 30, 2009. Moreover, the Bank is allowed to have the number of shares held by the Bank's non-Thai shareholders to exceed 40%, but less than 80%, of all shares sold. After the exemption period, non-Thai shareholders will be allowed to hold such shares providing that no additional share purchase is made unless the aggregate amount is less than 49% of the total shares sold.

Dividend Policy

The Bank's dividend payment shall be made in accordance with the Bank's Articles of Association, Section 40, which states that no dividend shall be paid out of any money other than profits. In the event that the Bank has an accumulated loss or cannot retain regulatory capital requirements after dividend payment, no dividend shall be paid.

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

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

Dividend policy of subsidiaries is to appropriate dividends to TISCO Bank Public Co., Ltd. based on performance, financial circumstances and the economic situation.

Reference

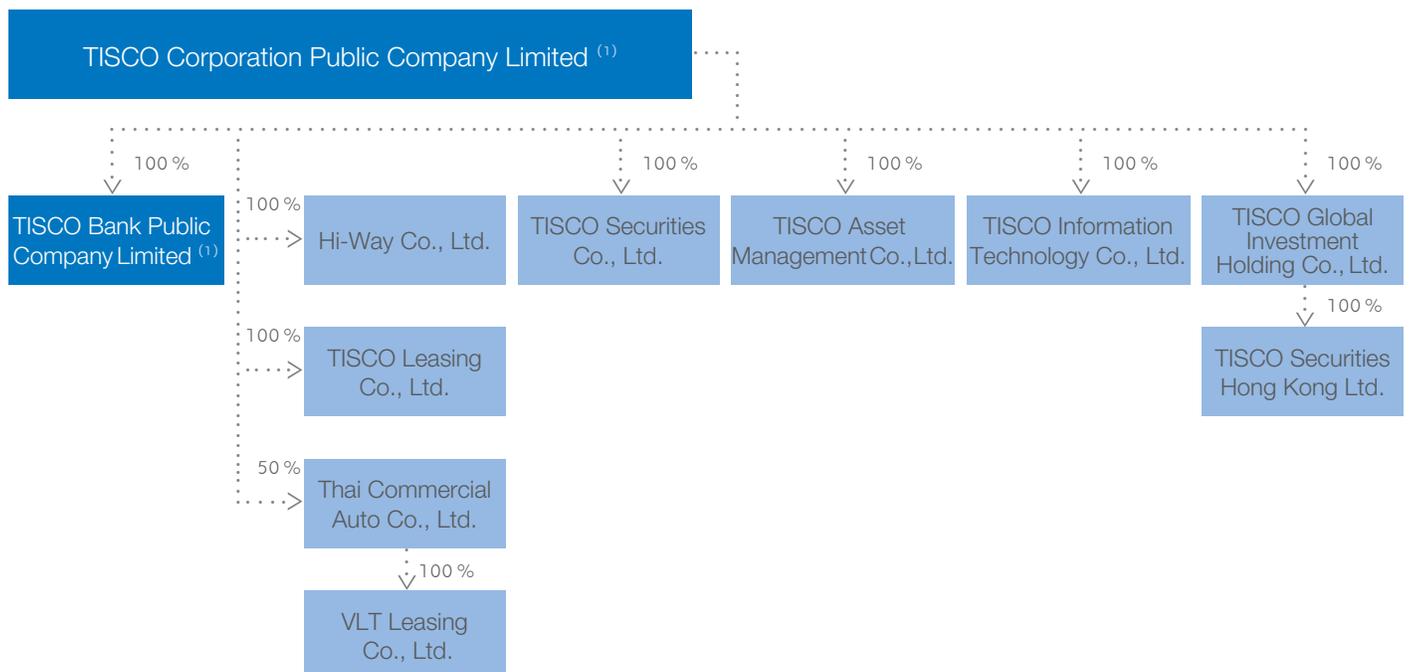
Transfer Agent and Registrar	: Thailand Securities Depository Co., Ltd. Capital Market Academy Building, 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road, Tung Song Hong, Laksi, Bangkok 10210 Tel. 0 2596 9000 Fax. 0 2832 4994-6
Debenture Holder Representative	: Siam Commercial Bank Public Company Limited (Head Office) 9 Rajadapisek Road, Ladyao, Jatujak, Bangkok 10900 Tel. 0 2544 1111 Fax. 0 2937 7748
Debenture Registrar	: TISCO Bank Public Company Limited TISCO Tower, 48/2 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Tel. 0 2633 6898 Fax. 0 2633 6818
Auditor	: Mr. Supachai Phanyawattano Certified Public Accountant (Thailand) Registration No.3930 Ernst & Young Office Limited 33 rd Floor, Lake Rajada Office Complex, 193/136-137 Rajadapisek Road, Bangkok 10110 Tel. 0 2264 0777 Fax. 0 2264 0789-90
Financial Advisor (Holding Company Restructuring)	: Advisory Plus Co., Ltd. 10th Floor, Thanapoom Tower, 1550 New Petchburi Rd., Makasan, Ratthewi, Bangkok 10400 Tel. 0 2652 7858-64 Fax. 0 2652 7867

Future Project

The Bank is in the process of carrying out a restructuring plan, of which the main objective is to more efficiently support good corporate governance and risk management controls for TISCO group under a consolidated supervision concept. This will comply with new Bank of Thailand regulations, which are expected to come into effect in 2006. Under the restructuring plan, TISCO Corporation Public Company Limited ("TISCO Corporation Plc"),

a non-bank public company limited, is set up as a holding company and will acquire all stakeholdings in the group and serve as the parent company. TISCO Corporation Plc will hold shares in all subsidiary companies, including TISCO Bank.

The new shareholding structure will be as follows :



(1) Swap listing status from TISCO Bank to TISCO Corporation

Under the new shareholding structure, TISCO Bank will become a subsidiary company and hold no shares in other subsidiaries within TISCO group. Operating risks from other subsidiaries, which were previously aggregated at TISCO Bank, will be segregated from each other and will no longer overlap. For example, subsidiary losses will have no effect on the bank's capital. Instead, the risk will be limited to the holding company.

Moreover, the new shareholding structure will be synchronized with the upcoming Consolidated Supervision Regulation of the BoT, which aims to build more flexibility and competitiveness among financial institutions. Also, operating risks will be reduced, which enhances the stability of the institutions and the overall market.

In the restructuring process, TISCO Corporation Plc. will make a tender offer for all securities, including common shares, preferred shares, and warrants of TISCO Bank in exchange for newly issued securities of TISCO Corporation Plc. TISCO Corporation Plc., as the offeror, may cancel the tender offer if at the end of tender offer period, the total securities acquired amount to less than 75% of the total.

Progress of the holding company restructuring plan

On November 14, 2005, TISCO Bank submitted its official application for the holding company restructuring plan to the Bank of Thailand (BoT) following consultations with central bank authorities. Later on, the BoT approved to set up TISCO Corporation Plc. as a holding company.

On November 21, 2005, the Stock Exchange of Thailand (SET) granted a preliminary approval for the restructuring plan.

In order to complete the plan, approval from shareholders is required. Therefore, the Shareholders' Extra-Ordinary General Meetings (EGM) No. 1/2005 and No. 2/2005 were convened on December 14, 2005. The resolutions are as follows:

In EGM No. 1/2005, the meeting approved the holding company restructuring, the disposition of shares in subsidiaries, and the listing of TISCO Corporation Public Company Limited on the Stock Exchange of Thailand.

In EGM No. 2/2005, the shareholders approved TISCO Bank's de-listing of its shares from the SET in accordance with the restructuring plan whereby TISCO Corporation Plc. will list its shares on the SET in place of shares of TISCO Bank. Since the resolution did not meet the conditions for voluntary de-listing, as stipulated in the notification of the Stock Exchange of Thailand, the shareholders asked the Bank to process the de-listing within terms and conditions required by the SET after TISCO Corporation Plc. has been listed on the SET.

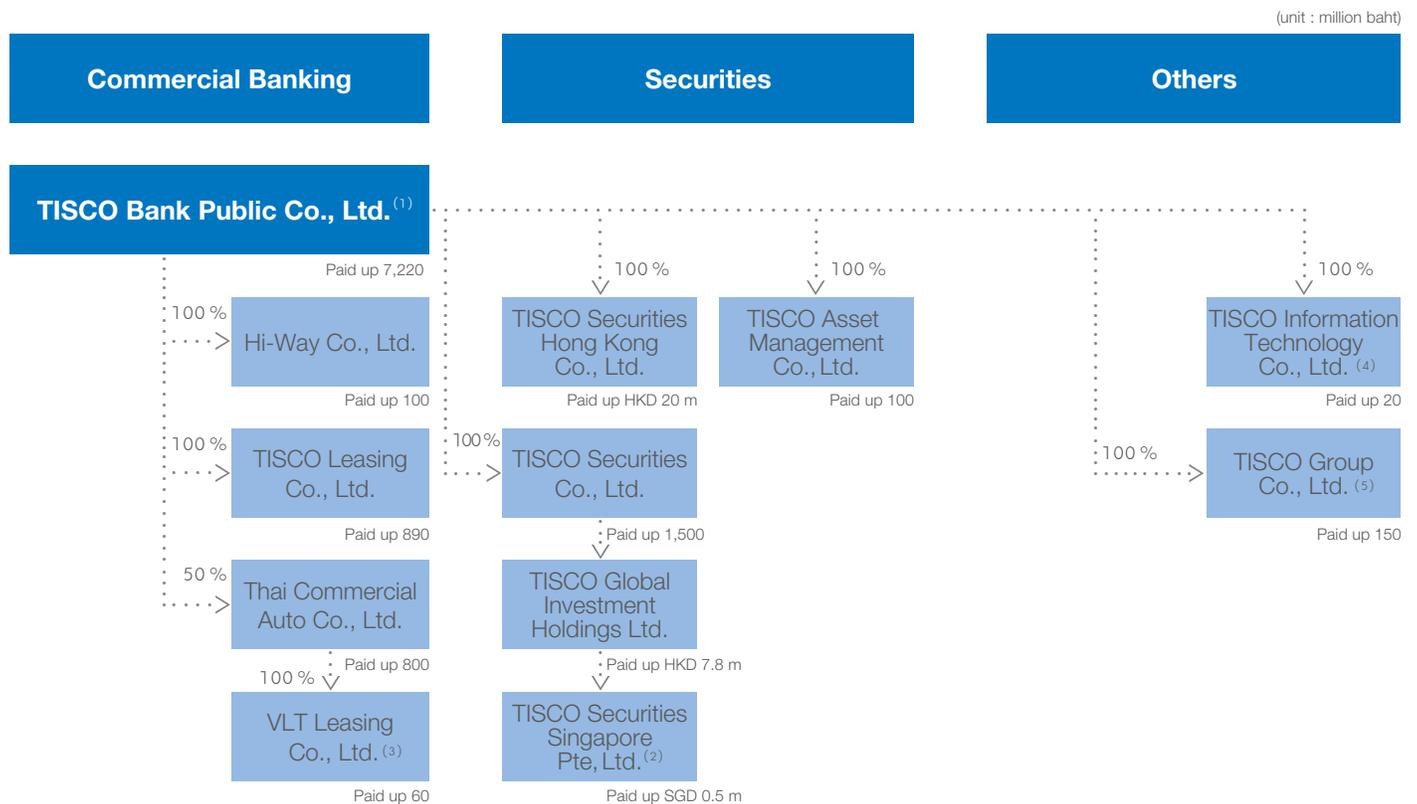
On December 29, 2005, TISCO Corporation Plc. Submitted its application and related documents for the securities offering together with the tender offer to the SEC and submitted its application for the listing of its common and preferred shares to the SET.

Currently, the holding company restructuring plan is under the consideration of the BoT, the MoF, the SEC, and the SET.

Overview of TISCO Businesses

Businesses of the Bank and subsidiaries

The group's businesses can be divided into two main categories: commercial banking business and securities business. As of December 31, 2005, the group's structure is shown below:



⁽¹⁾ Change business operations from finance to banking business. TISCO Bank commenced its banking operation on July 1, 2005.

⁽²⁾ TISCO Securities Singapore Pte. Ltd. was formerly known as GIH & Co Pte. Ltd. The Company is presently in the liquidation process.

⁽³⁾ VLT Leasing Co., Ltd. was formerly known as Volkswagen Leasing Thailand Ltd.

⁽⁴⁾ TISCO Information Technology Co., Ltd. was changed from Thai Information Technology Co., Ltd. on June 24, 2005. The Company is a supporting company providing information technology services to the group.

⁽⁵⁾ TISCO Group Co., Ltd. (formerly named Thai Permsap Finance Co., Ltd.) was acquired by the Bank in 2001 according to the plan for upgrading into a restricted bank. It has been merged with TISCO Bank by transferring all its assets and liabilities to the Bank since December 28, 2004 as required by the approval condition of the Ministry of Finance allowing TISCO Bank to upgrade into a commercial bank. It is currently a dormant company.

Revenue structure

The revenue structure of the Bank and its subsidiaries is as follows.

(unit : million baht)

	2003		2004		2005	
	Amount	%	Amount	%	Amount	%
Interest and dividend Income						
TISCO Bank Plc.	2,785	60.5	3,057	56.8	3,505	65.6
Hi-Way Co., Ltd.	417	9.1	518	9.6	739	13.8
Thai Commercial Auto Co., Ltd.	202	4.4	168	3.1	145	2.7
TISCO Leasing Co., Ltd.	110	2.4	115	2.1	125	2.3
Other Subsidiaries	51	1.1	56	1.0	54	1.0
Total Interest and Dividend Income	3,565	77.5	3,913	72.7	4,567	85.4
Total Expenses on Borrowings	1,211	26.3	1,083	20.1	1,464	27.4
Net Interest and Dividend Income	2,354	51.2	2,830	52.6	3,103	58.0
Bad debts and doubtful accounts (Reversal)	263	5.7	175	3.2	(186)	(3.5)
Net Loss on Debt Restructuring	3	0.1	-	-	-	-
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring	2,088	45.4	2,656	49.3	3,289	61.5
Non-interest Income						
TISCO Securities Co., Ltd.	1,102	24.0	1,214	22.5	644	12.0
TISCO Bank Plc.	792	17.3	1,107	20.6	924	17.3
TISCO Asset Management Co., Ltd.	411	8.9	229	4.2	271	5.1
Other Subsidiaries	208	4.5	180	3.3	218	4.1
Total Non-interest Income	2,513	54.6	2,729	50.7	2,057	38.5
Total interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring and non-interest income	4,601	100.0	5,385	100.0	5,347	100.0

Note : Financial figures for 2003 have been restated to be in the form of the Banks' financial statement for comparison purpose.



Best Asset Management Company

TISCO Asset Management Co., Ltd. was named the Best Asset Management Company in General Fixed Income Funds category of the SET Awards 2005.



Best Local Brokerage in Thailand

TISCO Securities Co., Ltd. was voted Thailand's Best Local Brokerage 2005 for the 2nd consecutive year by Asiamoney Brokers' Poll.



Corporate Profile

TISCO Bank and its subsidiaries operate two main businesses: commercial banking and securities.

Commercial banking business: TISCO group offers financial services under its Commercial Banking Business license as follows: (1) Commercial Finance (2) Retail Finance and SME Banking (3) Deposits (4) Treasury and Investments and 5) Distressed Asset Management Services. Banking services are offered through the Bank's headquarters and subsidiaries in Bangkok, as well as 14 branches covering all regions of Thailand. In the North, the Bank's branches are located in Chiang Mai, Phitsanuloke, and Nakhon Sawan. Covering the Northeast are branches in Nakorn Ratchasima, Khon Kaen, Udon Thani and Ubon Ratchathani. In the East, they are located in Chonburi, and Chantaburi. The Central region is served by the Bank's branches in Ratchaburi and Saraburi, while the South is host to the Bank's branches in Phuket, Songkhla and Surathani.

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

Presently, TISCO Bank transforms its organization to be client-centric. It divides customers into the following segments:

- 1) **Corporate Banking** is responsible for corporate customers. The main products of the group include banking services, cash management services, corporate loans, corporate finance, and custodian and trustee services.
- 2) **Business Banking** is responsible for supervising large, medium and small-sized business owners. The services offered include corporate loans such as project loans, working capital financing, term loans, leasing and hire-purchase of equipment, machinery, automobiles, trucks, and other vehicles, loans for fixed asset acquisition, refinancing, bank deposits, and cash management services.
- 3) **Private Banking** is responsible for high net worth clients who are ready to invest a minimum of 10 million baht. The services offered include bank deposits, cash management services, professional financial and investment advisory as well as management services.
- 4) **Personal Banking** is responsible for retail businesses and individual customers. The head office and 14 Bank branches nation-wide provide financial services including short-and long-term deposits such as current and savings accounts, fixed deposit accounts, and certificates of deposits, and credit facilities for car and motorcycle hire purchase, housing loans, and consumption loans.

Area of Services

Commercial Banking Business

The Bank provides financial services including:

Commercial Finance

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

Working Capital Loans

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

Project and Term Loans

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

Other Commercial Loans

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

Guarantee and Aval Services

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

Loan Consultancy and Related Services

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

Custodian Services

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

As of December 31, 2005, the Bank and its subsidiaries had a commercial lending portfolio of 12,704.69 million baht, which accounted for 19.9% of total loans. This indicated a 16.3% increase from 2004's year-end figure of 10,924.18 million baht.

Type of Business	December 31, 2004		December 31, 2005		Change (%)
	Amount (million baht)	%	Amount (million baht)	%	
Commercial Lending	10,924.18	19.6	12,704.69	19.9	16.3
Manufacturing and commerce	5,525.07	9.9	6,779.39	10.6	22.7
Real estate and construction	3,500.24	6.3	4,148.82	6.5	18.5
Public utilities and services	1,744.45	3.1	1,655.62	2.6	(5.1)
Agriculture and mining	154.43	0.3	120.86	0.2	(21.7)
Retail	40,971.27	73.5	47,248.89	73.9	15.3
Hire purchase	38,573.79	69.2	45,074.07	70.5	16.9
Housing	2,397.48	4.3	2,174.82	3.4	(9.3)
Consumption loans	3,864.39	6.9	3,994.84	6.2	3.4
Total - The Bank and Subsidiaries	55,759.84	100.0	63,948.41	100.0	14.7

Customer and Distribution Channels

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

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

Retail Finance and SME Banking

Retail finance and SME Banking is conducted by offering loan services to retail customers, both individuals and small and medium-sized enterprises (SME), which have specific loan purposes

for either personal consumption or business operations. This segment can be classified by loan purpose as follows:

Hire-Purchase Financing

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

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

Hire-purchase, as one of the Bank's major businesses, has experienced continuous growth for years. It recorded 16.9% growth as of December 31, 2005, with 45,074.07 million baht in loans in the hire-purchase portfolio, up from 38,573.79 million baht at the end of 2004.

Hire Purchase	December 31, 2004 (million baht)	December 31, 2005 (million baht)	Growth rate (%)
Car	36,521.11	42,511.20	16.4
Motorcycle	2,052.68	2,562.86	24.9
Total	38,573.79	45,074.07	16.9

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

Consumer Loans

The Bank provides consumer loans according to market needs with a strong focus on acceptable risk-adjusted

return on capital. The consumer loan segment has two main categories as follows:

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

Mortgage loans as of December 31, 2005 decreased 9.3% from 2,397.48 million baht in 2004 to 2,174.82 million baht.

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

Consumption Loans increased 3.4% from 3,864.39 million baht in 2004 to 3,994.84 million baht in December 31, 2005 as illustrated in the following table:

Table shows details of retail finance

Retail Finance	December 31, 2004		December 31, 2005		Change (%)
	Amount (million baht)	%	Amount (million baht)	%	
Hire purchase loans	38,573.79	86.0	45,074.07	88.0	16.9
Mortgage loans	2,397.48	5.4	2,174.82	4.2	(9.3)
Consumption loans	3,864.39	8.6	3,994.84	7.8	3.4
Total	44,835.66	100.0	51,243.72	100.0	14.3

Bancassurance

TISCO Bank has been granted Insurance Broker License since October 2005 from Department of Insurance, the Ministry of Commerce. The Bank operates as a life and non-life assurance broker which provides life insurance, health insurance, loan protection, motor insurance, fire insurance, and miscellaneous insurance such as personal accident insurance, travel abroad insurance, cancer insurance, etc.

Customer and Distribution Channels

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

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

Deposits

As the bank upgrade on July 1, 2005, the Bank provides deposit services, mainly consisting of current deposits, savings deposits and fixed deposits. The services include financial-related products such as cashier cheques, bill payments and money transfers through its headquarter and branches channels. The Bank's deposit policy is to focus on high-net-worth clients because of lower transaction costs.

Table shows details of deposits, as of December 31, 2005

(unit: million baht)

Deposit Accounts	December 31, 2005	
	Consolidated	The Bank
Current	1,133.87	1,294.34
Savings	259.87	259.87
Term Deposit	14,255.52	14,255.52
Negotiable Certificate of Deposit (NCD)	18,801.54	18,801.53
Total	34,450.80	34,611.26

Treasury and Investment

Treasury department is responsible for asset and liability management activities, including the procuring of funding sources from local and foreign financial institutions, and investing and trading bonds in order to maximize returns under the corporate guidelines and risk policy and in compliance with all related rules and regulations. It also manages liquidity according to the Bank of Thailand regulations.

The Bank invests in long-term debt instruments which generated a higher yield in 2005, and led to the increase in non-interest income for the year. In addition, the Bank invests in equity securities in both listed and non-listed companies. The investment policy is to invest long term in good fundamental securities at a reasonable price for both dividend income and capital gains.

The investment portfolio of debt and equity instruments as of December 31, 2005, was 5,205.37 million baht, down 0.1% from 5,212.17 million baht in 2004.

Distressed Asset Management Services

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

Securities Business

Securities Brokerage

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

To expand the customer base into overseas markets, TISCO Securities Hong Kong, which is a member of the Hong Kong Stock Exchange, is authorized to provide brokerage and financial advisory services in 11 countries, including Hong Kong, Thailand, China, Taiwan, Singapore, Malaysia, Indonesia, Korea, Japan, the Philippines, and the United States of America.

The brokerage market share of TISCO Securities Co. Ltd as of December 31, 2005 was 2.98%, down from 3.52% at the end of 2004, due to lower trading volume. However, the Company's strategy is aimed at expanding the market aggressively, and enhancing the quality of securities research so that it is broadly accepted by investors. The Company only provides securities brokerage services for cash accounts, not margin accounts, in order to reduce operating risk. The customers mostly place orders with marketing officers while Internet trading volume is also constantly growing.

Table shows information on TISCO securities business

(unit: million baht)

Information of TISCO Securities Business

	2003	2004	2005
Trading values categorized by Customer Type			
- Institutions	134,903	180,229	134,424
- Individual	180,535	175,315	106,076
Trading values categorized by nationality of customers			
- Domestic	224,986	254,127	168,583
- Foreign	90,452	101,417	71,918
Trading values classified by types of transactions			
- Cash Account	315,438	355,544	240,501
Place orders via internet	30,247	33,734	30,622
Place orders via marketers	285,191	321,810	209,879
Market Share ⁽¹⁾	3.36	3.52	2.98
Market Position ⁽¹⁾	7	7	12

⁽¹⁾ SET and MAI

Source: TISCO Securities Co.,Ltd.

Financial Advisory and Underwriting Service

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

In 2005, TISCO Securities successfully performed as a lead underwriter for the share offering of Bualuang Securities Plc. and as a financial advisor and tender offer agent for American Standard Inc. to make a delisting tender offer of American Standard Sanitaryware (Thailand) Plc. (ASTL) and delist its shares from the Stock Exchange of Thailand (SET).

In addition, TISCO Securities was appointed by MFEC Plc. (MFEC) to be a financial advisor in acquiring all ordinary shares of Modernform Integration Service Company limited. The Company also acted as a financial advisor for PTT Exploration and Production Plc. (PTTEP) to divest its shares in Thai Oil Power Co., Ltd. to PTT Plc. (PTT). Moreover, TISCO Securities also successfully served as a financial advisor for Ayudhya Investment and Trust Plc. (AITCO) to divest its shares in subsidiary, Ayudhya Securities Plc.

Currently, the Company has been appointed as a financial advisor of Saha Thai Steel Pipe plc. for initial public offerings and the listing of shares on the Stock Exchange of Thailand (SET).

Securities Trading

TISCO Securities Co., Ltd. handles the securities trading business and trades equity securities for company accounts, with the main objective being trading gains. However, securities trading volume in 2005 was insignificant because the company has maintained its investment policy of long-term returns rather than short-term trading gains.

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

Asset Management

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

Provident funds

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

Under management by the Company as of December 31, 2005 were 59 provident funds representing 1,671 companies and 300,262 members with a net asset value of 50,871.16 million baht, accounting for a market share of 14.71% and second-ranked in the overall market based on net asset value. The breakdown of TISCO Asset's provident fund types is shown below:

	(unit : million baht)		
Provident Fund	2003	2004	2005
Single fund	9,766	10,024	11,172
Pooled fund	13,630	15,475	17,989
State Enterprise Fund	14,410	16,972	21,710
Total	37,806	42,471	50,871

Private funds

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

As at December 31, 2005, there were 118 private funds with net asset value of 20,843.48 million baht, representing a market share of 14.62%, putting the Company in second place in the overall private fund market. The breakdown of TISCO Asset's private fund types is shown below:

(unit : million baht)

Private Fund	2003	2004	2005
Juristic person	13,044	16,940	18,111
Individual	718	1,518	2,732
Total	13,762	18,458	20,843

Mutual funds

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

Mutual funds under management by the Company as of December 31, 2005, numbered 27, with net asset value of 10,395.14 million baht. The breakdown of mutual fund types at is shown below:

(unit : million baht)

Mutual Fund	2003	2004	2005
Open-ended fund	4,584	6,362	10,132
Close-ended fund	308	413	263
Total	4,892	6,775	10,395

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

Other Securities Businesses

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

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

The Company also provides registrar services for debt instruments, both corporate debentures and state enterprise bonds. Such services include the preparation of holders' registration, registration of transfers, pledge and attachment, calculation of interest payments and related withholding tax. In 2005, the Company provided registrar services for 9 institutional customers.

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

Market and Competition

Commercial Banking Business

Market

Deposits

In 2004, the banking system recorded deposit growth of around 4.5%. Banks redeemed their SLIP/CAPS in the beginning of the year resulting in deposit inflow of more than 90 billion baht.

In 2005, deposit grew by 8.5% from the previous year. This was mainly the result of rising interest rate environment. The interest rates have increased since the second quarter of 2005. At the end of 2005, average 3-month deposit interest rate at the top five large banks edged up to 2.4% from 1.0% at the end of year 2004.

Table showing movement of average interest rates of Thai commercial banks

(unit: % per year)

	2003	2004	2005
Minimum Lending Rate (MLR) ⁽¹⁾	5.625	5.625	6.550
3-month fixed deposit rate ⁽¹⁾	1.00	1.00	2.40

⁽¹⁾ Average interest rate at the end of each period of five large banks, i.e. Bangkok Bank, Siam Commercial Bank, Krung Thai Bank, KASIKORNBANK and Bank of Ayudhya

Table showing car sales in Thailand during 1999-2005

Unit : cars	1999	2000	2001	2002	2003	2004	2005
Passenger cars	66,858	83,106	104,502	126,353	179,005	209,110	188,211
Commercial cars	151,472	179,083	192,550	283,009	354,171	416,916	515,194
Total	218,330	262,189	297,052	409,362	533,176	626,026	703,405

Source : Automobile Institute

Loans

The loan volume for commercial banking in 2004 rose 8.1% from the end of 2003, increasing from 4.7 trillion baht to 5.1 trillion baht in line with Thailand's GDP growth of 6.2%.

The loan volume for commercial banking in 2005 rose 7.1% from the end of 2004. Loan growth was slower due to the rising interest rate environment, which encouraged savings, as well as more cautious bank lending.

NPLs held by commercial banks continued to decline, representing 8.3% of total loans as of the end of 2005, down from 10.9% and 12.9% as of the end of 2004 and 2003, respectively. The decrease in NPLs was mainly due to the debt restructuring of Thai Petrochemical Industry Plc., or TPI.

Car hire-purchase business expanded in line with automobile industry growth. Industry-wide new car sales grew 17.4% from 533,176 cars in 2003 to 626,026 cars in 2004, and rose 12.4% to 703,405 cars in 2005. The proportion of new passenger car sales to commercial car sales in 2005 was 26.8% to 73.2 %.

In 2005, the Bank and its subsidiaries' penetration rate dropped to 7.0% from 7.3% in 2004. However, TISCO group maintained its leading position in the top three of the market. Meanwhile, continuous growth in car sales and credit volume is expected in 2006.

Competition

In 2005, the loan financing industry was still in a state of heavy competition, especially with regard to terms. Major competitors are large commercial banks which enjoy funding cost advantages. However, the competition is less severe than the year before due to rising lending interest rates. In addition, the rising interest rate environment is still the major factor for loan growth.

For commercial finance, the Bank's strategy focused on improving loan quality and reducing NPLs by accelerating the loan restructuring process and preparing for expected market growth in the following year. Amid the high market competition, the Bank has focused more on quality than quantity and expanding its customer base on account of its over 36 years of business experience, efficient operations and management systems, and high quality services that can respond to varying customer needs in order to maintain long-term relationships.

Competitors in hire-purchase financing number approximately 20 companies which can be divided into two major groups: 1) leasing companies and financial institutions and 2) subsidiary companies of car manufacturers and car dealers (captive finance). At present, hire-purchase competition is even tougher than before. While most players expand their customer base by applying a low-pricing policy, the Bank focuses on providing efficient and high standards of service, and maintaining long-term relationships with agents and dealers. It will decrease prices as necessary to maintain its client base.

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

Securities Business

Market

The SET Index in 2005 picked up from 668.10 points at the end of 2004 to 713.73 points while average daily turnover slid from 20,507.75 million baht to 16,454.04 million baht. There were many internal and external factors that affected the economy market and investor confidence, including oil prices, inflationary pressures, southern unrest, outbreaks of avian flu, lingering effects from the Tsunami, and political uncertainty.

Table showing stock market conditions

(unit : million baht)

	2003	2004	2005
SET index (points)	772.15	668.10	713.73
Market capitalization	4,789,857	4,521,894	5,105,113
Trading value	4,670,281	5,024,399	4,031,241
Average daily turnover	18,908	20,508	16,454
Dividend payout ratio (%)	1.81	2.75	3.37
Price to earnings ratio (times)	13.65	9.40	9.40
Number of listed companies on the SET	407	439	468

Source: The Stock Exchange of Thailand

The asset management market as of December 31, 2005 saw the net asset value of mutual funds increase 59.0% to 771,150 million baht. Private funds increased 6.3% to 142,547 million baht, and provident funds increased 13.2% to 345,896 million baht. The details of market funds at year-end for 2003, 2004, and 2005 are as follows:

(unit : million baht)

Funds	2003	2004	2005
Mutual Funds	438,344	484,993	771,150
Private Funds	121,290	134,091	142,547
Provident Funds	287,329	305,462	345,896

Source: TISCO Asset Management Co., Ltd.

Competition

With 40 securities brokers in the market, each player has to be very competitive to maintain and expand its market share. The more diversified market share shows that there are newcomers continuously appearing. However, pricing competition is limited by the minimum charge rate set by the regulator, so the new competition patterns are instead focused on variety and quality of services. Most of our clients are fundamental investors rather than speculators.

Due to the lower corporate tax policy for listed companies and higher investor interest in the equity market in 2005, the number of Initial Public Offering (IPO) deals in the market was 29 companies.

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



Best Employers in Thailand

TISCO Bank's subsidiary, Hi-Way Co., Ltd., received the "Best Employers in Thailand 2005" and the "Highly Commended Best Employers in Asia" Awards organized by Hewitt Associates.



Human Resources & Organizational Development

To strengthen the group's corporate identity, the implementation of people-oriented practices is conducted to the same high standards in order to reflect TISCO group's philosophy of human resources management. Although all human resources policies and some human resources operations are centralized for work efficiency and consistency, for example, payroll systems and employee data recording, there is decentralized authority and empowerment embedded to allow business lines to execute competitive HR practices for competitive advantage in their own business environment and industry.

People Development

In 2005, TISCO Bank fully implemented the Performance Management System: Goal Setting, Key Performance Indicators (KPI), and Functional Competency based on Development and Performance Evaluation. Employee performance is applied to variable pay in the form of bonuses, and competency appraisal is applied in development and salary reviews.

Tools and methodologies used to develop employees were as follows:

1. Training Course

As TISCO Bank concentrated on preparing for the organization's transformation from finance company to commercial bank, employees were trained in the knowledge, understanding, and skills necessary for banking. This was focused on three levels:

Operating System Course

With regard to the business change, all staff responsible for the operating system have undergone training on a continuous basis to ensure that they would have a good understanding and sufficient ability to execute their jobs from the first day. Banking service systems include deposit accounts, cashiering, cheque systems, money transfers, and the operating system nationwide. Also, they were trained in the use of Lotus Notes, which is the most practical communication channel throughout the group.

Banking Business Knowledge

All TISCO Bank staff were required to attend courses on banking business knowledge as well as related laws and regulations. This was to ensure that staff would serve our customers according to an equally high standard and cooperate with each other in the same "customer-focused" direction. The course consisted of an overview of the banking business, banking laws and anti-money laundering regulations.

Products and Services Training

Due to the fact that the new banking products and services are quite different from the previous array of finance products and services, especially with regard to deposits, staff needed to know and understand the key characteristics of TISCO banking products and services, and to see the scope of banking products and services today and in the near future. Employees who clearly understand each product and service are then able to prepare themselves for the operational changes and deliver banking services effectively.

2. Training Road Map

As for organizational changes, TISCO took the opportunity to prepare a training road map for every function. The objective of the road map was to use it as a guideline for training and developing employees and to ensure that all staff are qualified and perform their jobs with high standards. In 2005, the Bank developed a training road map for all marketing positions, which are considered a key front function of the Bank. Improving the marketing department's knowledge and skills is expected to help drive the group's business in a highly competitive market and assist in retaining staff in the long run.

3. Succession Plan

In 2004, TISCO group adopted a succession planning system at the executive level. TISCO group has since reaped benefits in many ways, including more efficient rotation, promotion and development. Staff with high potential have since then been developed and invited to join in on several key company projects. In 2005, TISCO group continued the succession planning system by reviewing and updating personal development plans for successors to maximize their strengths and competencies for handling TISCO business expansion in the future.

4. Executive Trainee Development Program

Those with high potential are screened to join the Executive Trainee Development Program to enhance their knowledge and understanding of TISCO group's business operations and other important topics. With the goal of becoming a "TISCO Officer", executive trainees learn all aspects of the banking, securities and fund management business including credit management, risk management, as well as relevant legal and governance frameworks.

5. HR for HR and non-HR

TISCO Bank realizes that the success of HR will affect the TISCO group's growth. Therefore, it is necessary for HR staff to develop professionally and acquire new knowledge and skills. To this end, TISCO Bank has joined a number of organizations such as the Thailand Banking and Finance Association Institute, the HRD Club of the Thai Bankers' Association, and the Human Capital Club. These organizations consist of specialists in HR in the Banking business. A number of officers, heads and non-heads from HR, business and supporting units have joined in seminars and activities provided by these organizations over the course of the entire year.

Organizational Development

In 2005, TISCO Bank and its subsidiaries embarked on the goal of achieving these aims. Along with the support of management, which determined the Strategy Map and developed the Balanced Scorecard (BSC), this vision has been established as the driving principle at the heart of the Bank, to be embraced and executed in every business line in setting business objectives and Key Success Factors. To achieve the corporate strategy, all business lines must develop action plans in alignment with the above principles, and all employees are required to define individual Key Performance Indicators (KPI) to match their respective business units.

The Bank also consistently supported enhancing organizational effectiveness. The staff have been developed through a variety of skills development programs such as Effective Business Presentation, Professional Financial Advisor, Three Person Sharing Sessions, and the Effective People Club based on "The 7 Habits of Highly Effective People", for example.

Moreover, the Bank supports all activities aimed at enhancing the culture and values of the organization. To this effect, it has formed a special working group called "Corporate Values and Culture Working Group" which consists of people from different functions and business units arranging activities called "Values Intervention". The objective of these activities is to cultivate values and good cultural awareness among all employees, starting from the operations level up to the management level.

Lastly, it is the Bank's policy to implement a uniform corporate identity in order to support TISCO group brand strategies. Corporate branding is considered one of the key factors for strengthening the TISCO group's competitiveness. With this in mind, Internal Branding seminars have been organized for all levels of staff to enhance their understanding of brand implications and to strengthen the corporate brand covering all prospective customers and the general public.

Social Performance



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Corporate Social Responsibility

Apart from upholding business ethics and good corporate governance, TISCO group also places great importance on its corporate commitment to social responsibility as one of the group's core values. This is undertaken through the participation of employees in annual social activities. CSR projects of TISCO group cover the areas of education, community development, the environment, art and culture.

Educational and Social Supports

TISCO group emphasizes the importance of long-term projects aimed at helping those less fortunate gain the opportunity to develop their potential and achieve self-reliance. Positive social contributions by the group to society have been undertaken through the "TISCO Foundation for Charity" for over 25 years. As a public charity organization, the TISCO foundation was established in 1982 by the finance company with initial registered capital of one million baht. Its objective was mainly to work towards the long term goal of improving society and the nation. Funding largely came from donations by the TISCO group, staff, and support from customers and the public. The interest returns and investment profits are used to nurture the foundation's charitable proposes as follows:

- 1) providing nationwide youth scholarship,
- 2) providing business start-up capital to promote self-reliance, and
- 3) providing medical funding assistance for destitute patients.

The Chief Executive Officer of the TISCO group is a member of the TISCO Foundation's Board of Directors. There are 20 staff representatives voluntarily serving as working members for two-year periods to support the foundation's projects and activities. They help in arranging the annual scholarship presentation ceremony, joining trips to follow up the education progress of the foundation's recipients, and promoting and helping organize fundraising campaigns for the foundation.

The TISCO foundation grants more than 3,600 scholarships to needy students throughout the country every year. More than 60% are long-term scholarships that provide learning opportunities and lifetime development. Since the establishment of the foundation, educational funding of 94,945,112 baht and business start-up and medical supports amounting to 5,742,745 baht have been distributed to those in need.

In 2005, the TISCO group and its staff donated 4,920,985 baht to the TISCO Foundation and held a charitable event called "TISCO Bank Invitational Golf 2005", which promoted TISCO's social activities and raised 1,745,000 baht in donations.

In addition, TISCO group also gave two million baht to two social development charities namely, the Learning Center for Special Children in Satit Kaset, and the Princess Mother's 100th Anniversary Fund for the Faculty of Dentistry, Prince of Songkhla University.

TISCO group's social activities also include a blood donor campaign in support of the Thai Red Cross Society, which has been ongoing since 1998. The bloodmobile makes quarterly visits to TISCO Tower and more than 250 staff members are regular donors.

Community Service and the Environment

In terms of social affairs and community services, TISCO group supported the "Safety Zone" project of the Royal Thai Police and Bangrak District Office in setting up closed-circuit televisions on Sathorn Road to promote community safety.

TISCO group and its staff has embarked on numerous charity ventures focused on preserving the environment. The group recently held its 18th reforestation trip with 200 staff planting 4,000 trees to preserve the coastline forest at Sirindhorn International Park in Petchaburi province.

In response to the government's appeal to the public to conserve energy, TISCO group has undertaken energy saving measures in its office building. The group also appointed a committee to determine methods for saving energy which have been in effect

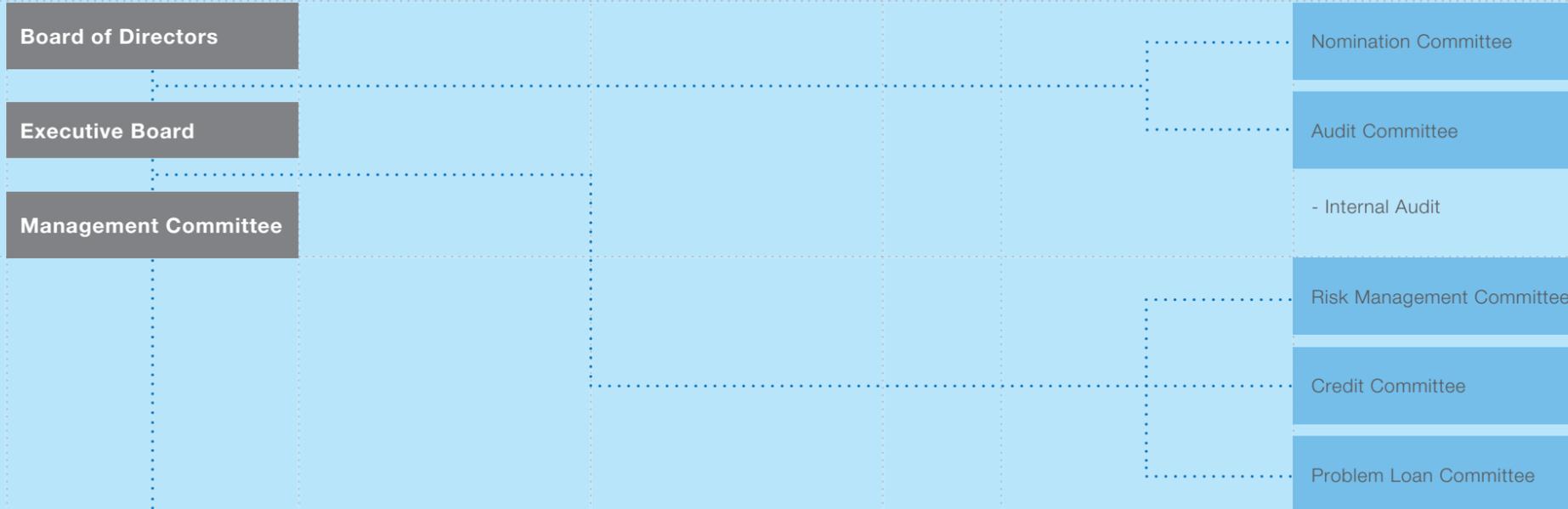
since July 2005. These include turning off lights, air conditioners and computers during lunch breaks. TISCO group was thus able to reduce its electricity consumption by 9.2% at the end of the year as a result. Though the energy saving policy, and with the cooperation of staff, the group expects to decrease its overall energy usage by 15%.

Art and Culture

TISCO group also supported the activities of the Rama IX Art Museum Foundation by producing electronic books of photos taken by His Majesty the King in order to show pride in the King's talents and celebrate the 60th anniversary of HM the King's accession to the throne in 2006.

TISCO group also supported Thai artists by purchasing and exhibiting Thai contemporary and modern art. Furthermore, the group and its staff donated money to build a temple hall for dharma practice at Panyanantaram Temple, Pathumthani province, and participated in the annual "Thot Katin" ceremony at Jamdhevi Temple, Lumphun province and Bangsongroi Temple, Ratchaburi province.

Group Structure



Support & Operation

Finance Business

Securities Business

Other Support
- Information Technology ⁽¹⁾
- Human Resources
- Corporate Marketing & Communication
- Corporate Services

Corporate Governance
- Compliance
- Internal Control
- Credit Office
- Legal

Risk & Financial Control
- Risk Management
- Planning
- Budgeting & Cost Management
- Corporate Accounting
- Financial & Accounting System

Banking Operations
- Cash Management Services
- Central Payment & Settlement
- Branch Operation
- Electronics Banking

Other
- Corporate Secretariat & Investor Relations
- Product Development & Market Research

Commercial Banking
- Commercial Lending
- Commercial Credit
- Loan Administration & Documentation
- Custodian & Trustee Services
- Japanese Relationship

Retail Banking ⁽²⁾
- Hire Purchase
- Hire Purchase Automobile
- Hire Purchase Motorcycle
- Leasing
- Mortgage Loan
- All Finance & Direct
- Bancassurance

Treasury & Private Banking
- Treasury
- Private Banking

SME Banking
- SME Banking

Asset Management & Service
- Special Asset Management

General Securities Business ⁽³⁾
- Securities Brokerage
- Investment Banking
- Research
- Securities Investment & Trading
- Stock Borrowing & Lending
- Registrar

Asset Management ⁽⁴⁾ Business
- Provident Fund
- Mutual Fund
- Private Fund

Operated by
TISCO Bank Public Company Limited

⁽¹⁾ Operated by
TISCO Information
Technology Co., Ltd.

⁽²⁾ Operated by
Hi-Way Co., Ltd.
TISCO Leasing Co., Ltd.
Thai Commercial Auto Co., Ltd.
VLT Leasing Co., Ltd.

⁽³⁾ Operated by
TISCO Securities Co., Ltd.
TISCO Securities HongKong Ltd.
TISCO Global Investment
Holding Co., Ltd.

⁽⁴⁾ Operated by
TISCO Asset
Management Co., Ltd.

Board of Directors



01. Dr. Phisit Pakkasem
02. Mr. Pliu Mangkornkanok
03. Mrs. Krisna Theravuthi
04. Dr. Praipol Koomsup



05. Dr. Angkarat Priebjivat
06. Mr. Sangiam Santad
07. Dr. Kanit Sangsubhan
08. Mr. Mitsunobu Hasegawa



09. Mr. Samuel Shih
10. Mr. Jerry L. Lu
11. Mr. Pichai Chanvirachart
12. Mrs. Oranuch Apisaksirikul

Board and Management

The Board Structure is comprised of 4 boards/committees: (1) Board of Directors, (2) Executive Board, (3) Audit Committee and (4) Nomination Committee. In addition, the Management

Committee oversees and monitors the Bank and subsidiaries to ensure that all operations are in line with policy and planning as approved by the Board of Directors.

Board of Directors

Name	Education / Director's Training Course Program	Work Experience within 5 years
1. Dr. Phisit Pakkasem Independent Director, Chairman of the Board, and Chairman of the Nomination Committee	Ph.D. (Development Economics) University of Pittsburgh, USA M.A. (Development Economics) Harvard University, USA B.A. (Economics) Claremont Men's College, USA	TISCO Group 2005-Present Independent Director, Chairman of the Board, and Chairman of the Nomination Committee, TISCO Bank Plc. 2002-2005 Independent Director, Chairman of the Board, Chairman of the Audit Committee, and Chairman of the Nomination Committee, TISCO Finance Plc. 1998-2002 Chairman of the Board and Chairman of the Audit Committee, TISCO Finance Plc. Others 2003-Present Chairman, Thai Smart Card Co., Ltd. 1995-Present Executive Advisor, C.P. Group of Companies 2002-2005 Vice Chairman, Vinythai Plc. 2001-2003 Chairman, Thai Sugar Millers Corporation Ltd. 1999-2002 Chairman, Vinythai Plc. 1997-2001 Chairman, Thai Sugar Manufacturing Association 1997-2001 Chairman, Jacobs Engineering (Thailand) Ltd.

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>2. Mr. Pliu Mangkornkanok Director, Chairman of the Executive Board, Chief Executive Officer, and Secretary to the Nomination Committee (Authorized Signatory)</p>	<p>M.B.A (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Chairman 2000 Program Thai Institute of Directors Association Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2005-Present Director, TISCO Corporation Plc. 2005-Present Director, Chairman of the Executive Board, Chief Executive Officer, and Secretary to the Nomination Committee, TISCO Bank Plc. 2002-2005 Director, Chairman of the Executive Board, Member of the Nomination Committee, and Chief Executive Officer, TISCO Finance Plc. 2001 Vice Chairman, Chairman of the Executive Board, and Chief Executive Officer, TISCO Finance Plc. 1998-2001 Director, TISCO Securities Co., Ltd. 1994-2001 President, TISCO Finance Plc.</p> <p>Others 2004-Present Councillor, Thai Management Association 2003-Present Director, Thai Agro Exchange Co., Ltd. 1994-Present Director, Phelps Dodge Thailand Co., Ltd. 2001-2005 Director, Chairman of the Compensation Committee, Member of the Audit Committee, and Chairman of the Nomination Committee, Singer (Thailand) Plc. 2002-2005 Chairman, Association of Finance Company 2000-2004 Director, Thai Oil Co., Ltd.</p>
<p>3. Mrs. Krisna Theravuthi Independent Director and Chairperson of the Audit Committee</p>	<p>M.B.A (Marketing) University of Wisconsin-Madison, USA B.A. (Accounting) Chulalongkorn University Effective Audit Committee and Best Practice Program Thai Institute of Directors Association Director Accreditation Program, Thai Institute of Directors Association Director Certification Program, Thai Institute of Directors Association</p>	<p>TISCO Group 2006-Present Independent Director and Chairperson of the Audit Committee, TISCO Corporation Plc. 2005-Present Independent Director and Chairperson of the Audit Committee, TISCO Bank Plc. 2005 Independent Director, TISCO Corporation Plc. 2002-2005 Independent Director and Member of the Audit Committee, TISCO Finance Plc. 1998-2002 Director and Member of the Audit Committee, TISCO Finance Plc.</p> <p>Others 1986-Present Executive Director, Tavornudorn Co., Ltd. 1986-Present Executive Director, Food Manufacturing Co., Ltd.</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>4. Assoc.Prof.Dr. Praipol Koomsup Independent Director and Member of the Audit Committee</p>	<p>Ph.D. (Economics) Yale University Master of Economic Thammasat University B. Econ. University of Western Australia, Australia</p>	<p>TISCO Group</p> <p>2006-Present Independent Director and Member of the Audit Committee, TISCO Corporation Plc.</p> <p>2005-Present Independent Director and Member of the Audit Committee, TISCO Bank Plc.</p> <p>2005 Independent Director, TISCO Bank Plc.</p> <p>Others</p> <p>1993-Present Director, Energy Conservation Fund</p> <p>1993-Present Senior Economic Consultant, Business & Economic Research Associates Co., Ltd. (BERA)</p> <p>1986-Present Economics Advisor, Panya Consultant Co., Ltd.</p> <p>1983-Present Associate Professor, Faculty of Economics Thammasat University</p> <p>1996-2003 Director, Aromatics (Thailand) Plc.</p>
<p>5. Assoc.Prof.Dr. Angkarat Priebjivat ⁽¹⁾ Independent Director and Member of the Audit Committee</p>	<p>Ph.D. (Accounting) New York University MS. (Accounting) Thammasat University B.A. (Accounting) Thammasat University Director Accreditation Program Thai Institute of Directors Association</p>	<p>TISCO Group</p> <p>2006-Present Independent Director and Member of the Audit Committee, TISCO Corporation Plc.</p> <p>2005-Present Independent Director and Member of the Audit Committee, TISCO Bank Plc.</p> <p>Others</p> <p>2004-Present Member of the Consultative Subcommittee on Cost Accounting Development Project, Commission on Higher Education</p> <p>2004-Present Independent Director, Association of Investment Management Companies</p> <p>2002-Present Advisor, The Comptroller General's Department, Ministry of Finance</p> <p>2002-Present Advisor and Audit Committee, TOT Corporation Plc.</p> <p>1997-Present Associate Professor, National Institute of Development Administration (NIDA)</p> <p>1992-Present Advisor-Listing & Disclosure, The Stock Exchange of Thailand</p> <p>2002-2005 Specialist-Financial Institutions Policy Group, The Bank of Thailand</p> <p>2001-2005 Associate Dean of Administrative Affair & Director of the Executive MBA Program, National Institute of Development Administration (NIDA)</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>6. Mr. Sangiam Santad Independent Director</p>	<p>Master of Public Administration National Institute of Development Administration (NIDA) Bachelor's Degree in Law Ramkhamhang University Director Accreditation Program Thai Institute of Directors Association Director Certification Program Thai Institute of Directors Association Certificate, High Level Executive Training Program (Class 1) Civil Service Training Institute Politics and Governance in Democratic systems for Executive Course (Course 4) King Prajadhipok's Institute</p>	<p>TISCO Group 2005-Present Independent Director, TISCO Corporation Plc. 2005-Present Independent Director, TISCO Bank Plc. 2004-2005 Independent Director, TISCO Finance Plc.</p> <p>Others 2005-Present Inspector General, The Office of Permanent Secretary, Ministry of Finance 2004-Present Director, Provincial Electricity Authority 2003-Present Director, Dairy Farming Promotion Organization of Thailand 2002-2005 Legal Advisor, The Office of Permanent Secretary, Ministry of Finance 2001-2002 Director of Regional Customs Bureau 1, Customs Department, Ministry of Finance 2000-2001 Director of Bangkok Port Export Bureau, Customs Department, Ministry of Finance 1998-2000 Director of Customs Standard Bureau, Customs Department, Ministry of Finance</p>
<p>7. Dr. Kanit Sangsubhan ⁽²⁾ Independent Director</p>	<p>Ph.D. (Philosophy) University of Toronto, Canada MA (Economics) Thammasat University BA (Economics) Thammasat University</p>	<p>TISCO Group 2006-Present Independent Director, TISCO Bank Plc.</p> <p>Others 2005-Present Director, Dhanarak Asset Development Co., Ltd. 2005-Present Director, Asia Bond Market Development, Ministry of Finance 2004-Present Member of Advisory Board, Asian Development Bank Institute (ADBI), Tokyo, Japan 2004-Present Honorary advisor, Thailand Investment Service Center (TISC) 2000-Present Director, Fiscal Policy Research Institute 2004 Director, Thanachart Securities Co., Ltd. 1999-2000 Visiting Scholar, Asian Development Institute (ADBI), Tokyo, Japan</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>8. Mr. Mitsunobu Hasegawa ⁽¹⁾ Director, Member of the Executive Board, and Member of the Nomination Committee (Authorized Signatory)</p>	<p>Bachelor of Arts in Economics Keio University</p>	<p>TISCO Group 2005-Present Director, TISCO Corporation Plc. 2005-Present Director, Member of the Executive Board, and Member of the Nomination Committee, TISCO Bank, Plc.</p> <p>Others 2003-Present Managing Director, MHC B Consulting (Thailand) Co., Ltd. 2003-Present Managing Director, Sathinee Co., Ltd. 2001-2002 Senior Manager of Credit Risk Management Division, Mizuho Corporation Bank, Ltd., Japan 1997-2002 Manager of Credit Risk Management Division, Mizuho Corporation Bank, Ltd., Hanoi Branch</p>
<p>9. Mr. Samuel Shih ⁽²⁾ Director, Member of the Executive Board, and Member of the Nomination Committee (Authorized Signatory)</p>	<p>Bachelor of Business (Banking) Tamkang University (Taipei) Associate Degree (Computer Science) Oriental Institute of Technology Directors Certification Program Thai Institute of Directors Association ROC Corporate Directors' Training Program The Registry of Companies</p>	<p>TISCO Group 2006-Present Director, Member of the Executive Board, and Member of the Nomination Committee, TISCO Bank Plc.</p> <p>Others 1999-Present Vice President, China Development Industrial Bank, Taipei 2004-2006 Advisor, Bangkok First Investment & Trust Plc. 1999-2004 Chairman of Executive Committee and Deputy Managing Director, Bangkok First Investment & Trust Plc. 1999-2002 Director of the Board, RHB Leasing SDN., GHD. Kuala Lumpur</p>
<p>10. Mr. Jerry L. Lu Director</p>	<p>M.B.A University of Southern California, USA B.S. (Management Science) National Chiao-Tung University, Taiwan</p>	<p>TISCO Group 2005-Present Director, TISCO Bank Plc. 2003-2005 Director, TISCO Finance Plc. 2000-2001 Director, TISCO Finance Plc.</p> <p>Others 1998-Present Senior Vice President, CDIB & Partners Investment Holding Corp., Taiwan</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>11. Mr. Pichai Chanvirachart Director, Member of the Executive Board, and Chief Operating Officer (Authorized Signatory)</p>	<p>B.B.A (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2005-Present Director, Member of the Executive Board, and Chief Operating Officer, TISCO Bank Plc. 2001-2005 Director, Member of the Executive Board, and Chief Operating Officer, TISCO Finance Plc. 1998-2001 Executive Vice President, TISCO Finance Plc.</p> <p>Others 1993-Present Director, Mizuho Corporate Leasing (Thailand) Co., Ltd. 2000-2006 Director, AXA Insurance Plc. 1998-2001 Director, American Appraisal (Thailand) Ltd.</p>
<p>12. Mrs. Oranuch Apisaksirikul ⁽⁴⁾ Director and Senior Executive Vice President and Chief Financial Officer (Authorized Signatory)</p>	<p>M.B.A (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2005-Present Director, TISCO Corporation Plc. 2005-Present Director and Senior Executive Vice President and Chief Financial Officer, TISCO Bank Plc. 2000-Present Director, TISCO Global Investment Holdings Ltd. 2000-Present Director, TISCO Securities Hong Kong Ltd. 2002-2005 Senior Executive Vice President and Chief Financial Officer, TISCO Finance Plc. 2001-2002 Director, TISCO Securities UK Ltd. 1999-2002 Director, TISCO Asset Management Co., Ltd. 1999-2001 Executive Vice President and Chief Financial Officer, TISCO Finance Plc.</p> <p>Others 2004-Present Member of Risk Management Committee, Small Industry Credit Guarantee Corporation 2001-Present Member of Risk Management Committee, The Stock Exchange of Thailand</p>

⁽¹⁾ Assumed on July 1, 2005
⁽²⁾ Assumed on February 28, 2006
⁽³⁾ Assumed on March 24, 2006
⁽⁴⁾ Assumed on May 13, 2005

Remark: The qualifications of Independent Director prescribed in page 57
Mr. Yukio Matsunaga resigned on June 23, 2005
Mr. Edouard Fernen Peter resigned on June 23, 2005
Mr. Bing shen resigned on August 31, 2005.
Mrs. Manimai Vudthitornetiraks resigned on August 31, 2005

The Bank's authorized signatories are Mr. Pliu Mangkornkanok, Mr. Pichai Chanvirachart, Mr. Mitsunobu Hasegawa, Mrs. Oranuch Apisaksirikul and Mr. Samuel Shih. It is required that Mr. Pliu Mangkornkanok or Mr. Pichai Chanvirachart sign with the seal of the Bank affixed or Mr. Mitsunobu Hasegawa or Mrs. Oranuch Apisaksirikul or Mr. Samuel Shih two persons, jointly sign with the seal of the Bank affixed.

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

Authority and Responsibilities of the Board of Directors:

1. Define overall direction and strategies of the Bank, consider and approve policies and direction of the bank's operations proposed by management, and ensure that they are implemented efficiently and effectively to protect the interests of the Bank and its shareholders.
2. Ensure the institution of internal business codes and ethics, codes of conduct for directors, management and employees.
3. Review the Bank's operations continuously to ensure executive directors' and management's compliance with the laws and approved policies.
4. Ensure competent management of the Bank including appointing senior executives.
5. Ensure the institution of effective systems for internal control and audit.
6. Ensure that management refers significant banking issues to the board.
7. Ensure that management have in place risk management policies, process and control, at least pertaining to credit risks, market risks, investment risks, liquidity risks, operation risks, reputation risks, legal risks, and strategic risks. The board shall be responsible for approval of these policies, and regular review of operations and policies.
8. Appoint Executive Board members, Audit Committee members, Nomination Committee members and/or other committee members to take on tasks that require detailed review or in-depth consideration for the benefit of the Bank.
9. Designate a director(s) to conduct business on behalf of the Board of Directors.
10. Consider and approve functions and responsibilities of committees, changes in their composition as well as changes that significantly affect the committees' work.
11. Ensure that the Bank has policy on loan and investment to related-entities.
12. Ensure that there is a process for prompt submission of management letters from the external auditor and management to the board. The board should receive these letters within 4 months after the end of an accounting period. If there is a long delay, the board should seek reasons for the delay from the management.
13. Ensure that there exists appropriate check and balance in the management and/or major shareholders of the Bank, in particular the proportion or the number of independent directors on the board.
14. Ensure that the board receives sufficient information from the management to discharge its authorities and duties effectively.
15. Require directors to attend at least half of the board meetings every year.
16. Determine and amend authorized signatory.

17. Determine directors' remuneration in compliance with shareholders' approval.

Other matters such as increase or decrease the bank's capital, issuance of debentures, sales or transfers of whole or important parts of bank business to other persons; the purchase, acceptance, or transfer of business belonging to other companies; amendments to Bank Memorandum and Articles of Association as well as transactions between related parties and sale and purchase of important parts of the business as per regulations stipulated by the SET or other governmental agencies, must obtain resolutions from shareholder meetings.

In 2005, there were 8 Board of Directors' Meetings, surpassing the requirement in the Company's Articles of Association that the Board shall meet once every three months.

Executive Board

The Executive Board members were appointed by the Board of Directors. As of March 24, 2006, the Executive Board comprised the following directors:

Authority and responsibilities of Executive Board:

1. Determine business strategies, mergers & acquisition activities, new business ventures, and new products.
2. Approve annual budgeting.
3. Monitor the operations in accordance with the Bank's policies and related laws.
4. Approve transactions under the Bank's business framework.
5. Supervise the Risk Management Committee, Credit Committee and Problem Loan Committee.
6. Have in place risk management policies, process, control, at least pertaining to credit risks, market risks, investment risks, liquidity risks, operation risks, reputation risks, legal risks and strategic risks, and report to the board.
7. Have in place policy on loan and investment to related-entities.

Name

1. Mr. Pliu Mangkornkanok
2. Mr. Pichai Chanvirachart
3. Mr. Samuel Shih ⁽¹⁾
4. Mr. Mitsunobu Hasegawa ⁽²⁾

Position

- Chairman of the Executive Board
Member
Member
Member

⁽¹⁾ Assumed on March 24, 2006

⁽²⁾ Assumed on July 1, 2005

8. Approve credit with substantial amounts and/or transactions that involve high risks.
9. Institute internal control policies, procedures and systems.
10. Report to the board on business performance and management, including risk management, the Executive Board's performance and management control.
11. Conduct the businesses as assigned by the board with approval of the Executive Board.
12. Determine remuneration and compensation of employees.
13. Recommend remuneration and benefit policy as well as amount for the Board and Senior executives with clear and transparent criteria
14. Ensure that the Board and Senior executives remuneration is commensurate with their duties and responsibilities. Board members, who take on extra assignments should be compensated accordingly.

Audit Committee

The Audit Committee members were appointed by the Board of Directors. As of March 24, 2006, the Audit Committee comprises the following independent directors:

Authority and responsibilities of Audit Committee:

1. Review the Bank's financial report to ensure accuracy and adequacy.
2. Review and evaluate the Bank has suitable and efficient internal control system and internal audit.
3. Review the performance of the commercial bank to ensure compliance with the Commercial Banking Act, the securities and exchange law, regulations of the exchange or laws relating to business of the commercial bank.
4. Consider, select, nominate and recommend remuneration of the Bank's external auditor.
5. Consider the disclosure of information of the Bank in case that there is a connected transaction or transaction that may lead to conflict of interest so as to ensure the accurateness and completeness.
6. Prepare a report on monitoring activities of the Audit Committee and disclose it in an annual report.
7. Set up the duties of the Audit Committee including the changing in the composition and the change that significantly affect Audit Committee's performance (with the written papers) as approved by the Board of Directors and inform the shareholder in annual report.

Name

1. Mrs. Krisna Theravuthi
2. Assoc.Prof.Dr. Angkarat Priebjivat ⁽¹⁾
3. Assoc.Prof.Dr. Praipol Koomsup ⁽²⁾

Position

- Chairperson of the Audit Committee
- Member
- Member

⁽¹⁾ Assumed on July 28, 2005

⁽²⁾ Assumed on October 27, 2005

8. Report to the Board of Directors in order that remedial action is taken within the time that the Audit Committee deems appropriate in case the Audit Committee finds or suspects any misconduct as follows;
 - Transaction which causes conflict of interest;
 - Fraud or irregularity or material defect in the internal control system;
 - Infringement of applicable laws. If the Board of Directors or bank executives do not take remedial action within the time that the Audit Committee proposed, the Audit Committee shall disclose such infringement in annual report and report to the Bank of Thailand.
9. Perform any other act as assigned by the Board of Directors with approval of the Audit Committee.
10. Review its duties and determine the term in the office of member in the Audit Committee.

Nomination Committee

The Nomination Committee members were appointed by the Board of Directors. As of March 24, 2006, the Nomination Committee comprised the following directors;

Authority and Responsibilities of Nomination Committee:

1. Formulate policy, criteria, and method for proposing candidates for directors and senior executives to the Board for consideration and appointment, and submit the policy to the Bank of Thailand upon request.
2. Select and propose names of qualified candidates for the following positions to the Board of Directors;
 - Bank directors
 - Members of committees whose functions, responsibilities and authorities are directly given by the Board of Directors
 - Senior executives
3. Recommend size and composition of the Board that is appropriate for the organization and the business environment. Board members shall possess appropriate expertise and experience.
4. Disclose the nomination policy and process in the annual report.
5. Study and propose criteria and procedures for evaluating the Board's performance.
6. Facilitate the process of Board performance evaluation as delegated by the Board of Directors.
7. Meet at least twice a year.

Name

Position

1. Dr. Phisit Pakkasem ⁽¹⁾
2. Mr. Samuel Shih ⁽²⁾
3. Mr. Mitsunobu Hasegawa ⁽³⁾

Chairman of the Nomination Committee
Member
Member

⁽¹⁾ Independent Director

⁽²⁾ Assumed on March 24, 2006

⁽³⁾ Assumed on July 1, 2005

The details of meeting attendance of directors in 2005 are as follows:

Name	Time of Attendance			
	Board of Directors	Executive Board	Audit Committee	Nomination Committee
<i>No. of meetings (times)</i>	8	12	13	3
1. Dr. Phisit Pakkasem	8	-	5 (out of 5 times)	3
2. Mr. Pliu Mangkornkanok	8	12	-	-
3. Mr. Pichai Charvirachart	8	12	-	-
4. Mr. Bing Shen (Resigned on August 31, 2005)	6 (out of 6 times)	8 (out of 8 times)	-	2 (out of 2 times)
5. Mr. Jerry L. Lu	6	-	-	-
6. Mr. Yukio Matsunaga (Resigned on June 23, 2005)	2 (out of 4 times)	4 (out of 6 times)	-	1 (out of 2 times)
7. Mr. Edouard Fernen Peter (Resigned on June 23, 2005)	3 (out of 4 times)	-	-	-
8. Mrs. Krisna Theravuthi	8	-	13	-
9. Mr. Sangiam Santad	8	-	-	-
10. Mrs. Manimai Vudthitornetiraks (Resigned on August 31, 2005)	5 (out of 6 times)	-	5 (out of 7 times)	-
11. Mrs. Oranuch Apisaksirikul (Assumed on May 13, 2005)	5 (out of 5 times)	-	-	-
12. Mr. Mitsunobu Hasegawa (Assumed on July 1, 2005)	3 (out of 4 times)	6 (out of 6 times)	-	1 (out of 1 times)
13. Assoc.Prof.Dr. Angkarat Priebjrivat (Assumed on July 1, 2005)	4 (out of 4 times)	-	8 (out of 8 times)	-
14. Assoc.Prof.Dr. Praipol Koomsup (Assumed on July 1, 2005)	4 (out of 4 times)	-	3 (out of 3 times)	-

Management of TISCO Group



01



02



03

TISCO Bank Plc.

- 01. Mr. Pliu Mangkornkanok
- 02. Mr. Pichai Chanvirachart
- 03. Mrs. Oranuch Apisaksirikul



04



05



06



07

- 04. Mr. Panya Wotticharoenvong
- 05. Ms. Nattamon Issaradharm
- 06. Mr. Sakchai Peechapat
- 07. Mr. Metha Pingsuthiwong



08



09



10



11

TISCO Asset Management Co., Ltd.

- 08. Mr. Suthas Ruangmanamongkol
- 09. Mrs. Araya Thirakomen

TISCO Securities Co., Ltd.

- 10. Mr. Chavalit Chindavanig
- 11. Mr. Paiboon Nalinthrangkurn

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>1. Mr. Pliu Mangkornkanok Director, Chairman of the Executive Board, Chief Executive Officer, and Secretary to the Nomination Committee (Authorized Signatory)</p>	<p>M.B.A (Finance) University of California at Los Angeles, USA M.S. (Industrial Engineering) Stanford University, USA B.Eng. (Industrial Engineering) Chulalongkorn University Chairman 2000 Program Thai Institute of Directors Association Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2005-Present Director, TISCO Corporation Plc. 2005-Present Director, Chairman of the Executive Board, Chief Executive Officer, and Secretary to the Nomination Committee, TISCO Bank Plc. 2002-2005 Director, Chairman of the Executive Board, Member of the Nomination Committee, and Chief Executive Officer, TISCO Finance Plc. 2001 Vice Chairman, Chairman of the Executive Board, and Chief Executive Officer, TISCO Finance Plc. 1998-2001 Director, TISCO Securities Co., Ltd. 1994-2001 President, TISCO Finance Plc.</p> <p>Others 2004-Present Councillor, Thai Management Association 2003-Present Director, Thai Agro Exchange Co., Ltd. 1994-Present Director, Phelps Dodge Thailand Co., Ltd. 2001-2005 Director, Chairman of the Compensation Committee, Member of the Audit Committee, and Chairman of the Nomination Committee, Singer (Thailand) Plc. 2002-2005 Chairman, Association of Finance Company 2000-2004 Director, Thai Oil Co., Ltd.</p>
<p>2. Mr. Pichai Chanvirachart Director, Member of the Executive Board, and Chief Operating Officer (Authorized Signatory)</p>	<p>B.B.A (Finance) Marshall University, USA Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2005-Present Director, Member of the Executive Board, and Chief Operating Officer, TISCO Bank Plc. 2001-2005 Director, Member of the Executive Board, and Chief Operating Officer, TISCO Finance Plc. 1998-2001 Executive Vice President, TISCO Finance Plc.</p> <p>Others 1993-Present Director, Mizuho Corporate Leasing (Thailand) Co., Ltd. 2000-2006 Director, AXA Insurance Plc. 1998-2001 Director, American Appraisal (Thailand) Ltd.</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>3. Mrs. Oranuch Apisaksirikul Director and Senior Executive Vice President and Chief Financial Officer (Authorized Signatory)</p>	<p>M.B.A (Finance) Thammasat University LL.B. Thammasat University B.A. (Accounting & Commerce) Thammasat University Directors Certification Program Thai Institute of Directors Association</p>	<p>TISCO Group 2005-Present Director, TISCO Corporation Plc. 2005-Present Director and Senior Executive Vice President and Chief Financial Officer, TISCO Bank Plc. 2000-Present Director, TISCO Global Investment Holdings Ltd. 2000-Present Director, TISCO Securities Hong Kong Ltd. 2002-2005 Senior Executive Vice President and Chief Financial Officer, TISCO Finance Plc. 2001-2002 Director, TISCO Securities UK Ltd. 1999-2002 Director, TISCO Asset Management Co., Ltd. 1999-2001 Executive Vice President and Chief Financial Officer, TISCO Finance Plc.</p> <p>Others 2004-Present Member of Risk Management Committee, Small Industry Credit Guarantee Corporation 2001-Present Member of Risk Management Sub-Committee, The Stock Exchange of Thailand</p>
<p>4. Mr. Panya Wotticharoenvong Executive Vice President-SME Banking ⁽¹⁾</p>	<p>M.S (Accounting) Thammasat University B.A (Accounting) Thammasat University LL.B. Thammasat University Graduate Diploma Program in Business Law Thammasat University Directors Certification Program Thai Institute of Directors Association Certified Public Accountant C.P.A. Thailand</p>	<p>TISCO Group 2006-Present Executive Vice President-SME Banking, TISCO Bank Plc. 2005-2006 Executive Vice President-Retail Banking, TISCO Bank Plc. 2005 Executive Vice President-Retail Finance, TISCO Finance Plc. 2002-2004 Head of Retail Finance and Head of Special Asset Management, TISCO Finance Plc. 2001 Managing Director, TISCO Leasing Co., Ltd. 1992-2000 Senior Vice President-Retail Finance Collection & Service, TISCO Finance Plc.</p> <p>Others -</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
5. Ms. Nattamon Issaradharm Executive Vice President and Chief Governance Officer	B.A. (Accounting) Chulalongkorn University Certified Public Accountants C.P.A. Thailand Directors Certification Program Thai Institute of Directors Association	TISCO Group 2005-Present Executive Vice President and Chief Governance Officer, TISCO Bank Plc. 2002-2005 Executive Vice President and Chief Governance Officer, TISCO Finance Plc. 2000-2002 Director, TISCO Asset Management Co., Ltd. 1997-2001 Senior Vice President, and Chief Credit Officer, TISCO Finance Plc. Others 1998-Present Sub-Committee Member of the Corporate Debt Restructuring Advisory Committee (CDRAC), The Bank of Thailand 2002-2005 Representative, Association of Finance Companies 1999-2001 Director, Thai Rating and Information Services Co., Ltd.
6. Mr. Sakchai Peechapat ⁽²⁾ Executive Vice President-Retail Banking ⁽³⁾ , and Human Resources and Organization Development (Acting)	M.B.A (International Business) University of Hawaii at Manoa, USA B.E. (Civil Engineering) (Honour) Kasetsart University Japan-focused Management Program Japan-America Institute of Management Science, USA	TISCO Group 2006-Present Executive Vice President-Retail Banking, and Human Resources and Organization Development (Acting), TISCO Bank Plc. 2005-2006 Executive Vice President-Human Resources and Organization Development, TISCO Bank Plc. 2004-2005 Head of Human Resources and Organization Development, TISCO Finance Plc. 2002-2004 Deputy Head of Retail Finance and Head of Special Channel Distribution (Acting), TISCO Finance Plc. 2000-2002 Executive Director, Volkswagen Leasing Thailand Limited 1996-2002 Managing Director, Thai Commercial Auto Co., Ltd. Others 2006-Present Director, AXA Insurance Public Co., Ltd.
7. Mr. Metha Pingsuthiwong ⁽²⁾ Executive Vice President-Treasury and Private Banking	M.B.A (Finance) University of Wisconsin - Milwaukee, USA B.E. (Electrical Engineering) (Honour) Chulalongkorn University	TISCO Group 2005-Present Executive Vice President-Treasury and Private Banking, TISCO Bank Plc. 2005 Executive Vice President-Treasury and Funding, TISCO Finance Plc. 2002-2005 Head of Securities Investment and Trading, TISCO Securities Co., Ltd. 2001 Deputy Head of Securities Research, TISCO Securities Co., Ltd. 1999-2001 Head of Securities Investment and Trading, TISCO Securities Co., Ltd. Others 1999-Present Director, K-Line (Thailand) Co., Ltd.

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>8. Mr. Suthas Ruangmanamongkol Director and Managing Director ⁽⁴⁾</p> <p>TISCO Asset Management Co., Ltd.</p>	<p>M.S (Finance & Banking) University of Wisconsin-Madison, USA</p> <p>M.B.A (Finance) Western Illinois University, USA</p> <p>B. Eng. (Computer) Chulalongkorn University</p>	<p>TISCO Group</p> <p>2005-Present Director and Managing Director, TISCO Asset Management Co., Ltd.</p> <p>2002-2005 Head of Commercial Finance, Treasury and Funding, TISCO Finance Plc.</p> <p>2000-2001 Director and Assistant Managing Director, Securities Investment and Trading, TISCO Securities Co., Ltd.</p> <p>1998-2000 Assistant Managing Directors, Securities Investment and Trading, TISCO Securities Co., Ltd.</p> <p>Others</p> <p>-</p>
<p>9. Ms. Araya Thirakomen ⁽²⁾ Deputy Managing Director and Head of Provident Fund Business</p> <p>TISCO Asset Management Co., Ltd.</p>	<p>M.B.A. (Finance) University of New Haven, USA</p> <p>B.A. (Accounting) Chulalongkorn University</p>	<p>TISCO Group</p> <p>2005-Present Deputy Managing Director, TISCO Asset Management Co., Ltd.</p> <p>2003- 2005 Head of Provident Fund Business, TISCO Asset Management Co., Ltd.</p> <p>1998-2003 Head of Provident Fund - Marketing, TISCO Securities Co., Ltd.</p> <p>Others</p> <p>2006-Present Member of National Pension Sub-Committee, Fiscal Policy Office, Ministry of Finance</p> <p>2004-Present Deputy Chairman, Chairperson of provident Fund Business Group, and Chairperson of Sub Committee - Provident Fund Investment Performance Standard, Association of Investment Management Company ("AIMC")</p> <p>2002-Present Member of Sub Committee on Pension and Provident Fund Reform, Fiscal Policy Officer, Ministry of Finance</p> <p>2002-Present Member of Sub Committee on Consideration of draft Notifications on Supervision of Security Business, The Securities and Exchange Commission (SEC)</p> <p>2002 - 2004 Member of Sub Committee on Consideration of the Amendment to Provident Fund Act., The Securities and Exchange Commission (SEC)</p>

Name	Education / Director's Training Course Program	Work Experience within 5 years
<p>10. Mr. Chavalit Chindavanig ⁽²⁾ Director, Deputy Managing Director Acting Managing Director, and Head of Investment Banking TISCO Securities Co., Ltd.</p>	<p>M.B.A. (Finance) Eastern Michigan University, USA B.E. (Mechanical Engineering) Chulalongkorn University Financial Advisor License The Securities and Exchange Commission</p>	<p>TISCO Group 2005-Present Deputy Managing Director and Acting Managing Director, TISCO Securities Co., Ltd. 2005-Present Director, TISCO Group Co., Ltd. 2002-Present Director and Head of Investment Banking, TISCO Securities Co., Ltd. 2004-2005 Director, Thai Permsup Finance Co., Ltd. 1999-2002 Senior Vice President - Investment Banking Department, TISCO Securities Co., Ltd.</p> <p>Others 2001-Present Member of the Sub-Committee responsible for the amendment of notification regarding the issuance and offering of shares, The Securities and Exchange Commission (SEC) 1999-Present Director & Vice President of the club, Investment Banking Club</p>
<p>11. Mr. Paiboon Nalinthrangkurn ⁽²⁾ Director, Deputy Managing Director, and Head of Brokerage Equity TISCO Securities Co., Ltd.</p>	<p>M.B.A. (Finance) Indiana University at Bloomington, Indiana, USA B.A. (Computer Science) University of California at Santa Cruz, California, USA C.F.A. C.F.A. Institute, USA</p>	<p>TISCO Group 2005-Present Director, Deputy Managing Director, and Head of Brokerage Equity, TISCO Securities Co., Ltd. 2001-2005 Director and Head of Equity and Research, TISCO Securities Co., Ltd. 2001 Head of Equity and Head of Research (Acting), TISCO Securities Co., Ltd. 2000-2001 Head of Research, TISCO Securities Co., Ltd.</p> <p>Others -</p>

⁽¹⁾ Assumed the Job title of Executive Vice President - SME Banking on March 1, 2006.

⁽²⁾ Assumed the position in Management Committee on February 24, 2005.

⁽³⁾ Assumed the Job title of Executive Vice President - Retail Banking on March 1, 2006.

⁽⁴⁾ Assumed the Job title of Managing Director on February 1, 2005.

Authority and Responsibilities of Management Committee:

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

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

Nonetheless, the senior management of each subsidiary shall establish in-depth policy.

Directors and Management Nomination:

Nomination at the Director Level

The Nomination Committee shall, upon contemplating Company's need and good corporate governance, identify and propose qualified nominees to the Board of Directors or the shareholders' meeting for consideration. The Nomination Committee shall consider the recommendation from minority shareholders on the nomination of directors or independent directors. A person to be nominated or appointed as an independent director must meet the requirements of the SEC, SET and the Bank's Corporate Governance Policy and Guideline as summarized in "Qualifications of Independent Director".

The Nomination Committee shall recommend the Board consider the appointment of new director for replacement of any vacancy occurring otherwise than by rotation, or propose the Shareholders the appointment of directors to replace those who retire by rotation or additional directors. The appointment and removal criteria are as follows:

1. The shareholders shall, from time to time, by resolution of a general meeting of shareholders, determine the number of directors, which shall not be less than nine, provided that not less than one half of the directors domicile in Thailand. In addition, the number of directors who are persons of Thai Nationality shall be in compliance with related law.
2. The general meeting of shareholders shall elect directors in accordance with rules and procedures as follows.
 - (1) Each shareholder shall be entitled to one vote for each share for the election of each director.
 - (2) Each director shall be elected by at least a majority of the votes cast at a meeting of shareholders, by the holders present and entitled to vote in the election. Those nominees who receive the most votes respectively shall be appointed as directors of the Bank.
3. The general meeting of shareholders of each calendar year, one-third of the directors, or, if their number is not a multiple of three, then the number nearest one-third must retire from office. The directors who are to retire during the first and the second year following registration of the Bank shall be drawn by lots. In every subsequent year, the directors who have been longest in office shall retire. A retiring director is eligible for re-election.
4. A director can be elected or removed only by the shareholders at a general meeting. A Board vacancy occurring for any reason other than rotation or retirement may be filled by the remaining directors, unless the term of the original director was less than two months. For the purpose thereof, the resolution of the Board of Directors shall be passed by a vote of not less than three-fourths the number of remaining Directors, but any person so appointed shall hold office only for the remainder of the term of the director to whom he has succeeded. If a general meeting of the shareholders removes a director, and appoints another in his stead, the person so appointed shall hold office only for the remainder of the term of the director so removed.

5. A general meeting of shareholders may resolve to remove a director before expiration of office with the votes of not less than three-fourths the number of shareholders present and eligible to vote. Such a motion must also represent an agreed number of shares equal to or not less than half the total number held by the shareholders present and eligible to vote.

In terms of balance of power, it was determined to be in the Bank's interest to have more non-executive directors than executive directors. As of March 24, 2006, the component of the Board of Directors was as follows:

Directors	Number of Directors
Representatives from shareholders	3
Independent Directors	6
Management	3
Total	12

Nomination at the Management Level

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

Qualifications of Independent Director

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

- Holding shares not more than 0.25% of paid-up capital of the Bank, parent company, subsidiary company, associated company or related company, which shall be inclusive of the shares held by related persons.
- Not taking part in the management of being an employee, staff member, advisor who receives a regular salary, or has controlling authority in the Bank, parent company, subsidiary company, associated company, related company or major shareholders, who directly or indirectly hold shares in the Bank, parent company, subsidiary company, associated company and related company more than 5% of the paid-up capital.
- Not having an immediate or legalized relationship to the management, major shareholders, controlling party or a person who is nominated to be management or controlling party of the Bank or subsidiary company. The relationship includes father, mother, spouse, brother, sister, children, son-in-law and daughter-in-law.
- Not having any business relationship with the Bank, parent company, subsidiary company, associated company or any juristic persons who might have a conflict of interest that could be barrier to independent judgment; and not having other characteristics that prevent him/her from giving independent opinions towards the Bank's operation.
- Not having direct or indirect benefit or interest in finance and management of the Bank, parent company, subsidiary company, associated company or major shareholders of the Bank.
- Not having disqualification as prescribed by the Securities and Exchange Commission and the Bank of Thailand.
- Being independent from the major shareholders of the Bank or other shareholders within the group of the Bank.
- Being able to protect equitable interests among shareholders of the Bank.
- Being able to prevent any conflict of interest between the Bank and management, major shareholders or other companies, which have the same group of management and major shareholders.
- Being able to attend the board of directors' meeting to make material decision for the Bank.
- Having educational backgrounds, qualifications, skills, expertise, experiences, leadership and visions which will be beneficial to the Bank's operation.

Director and Management Remuneration

Director and Management Remuneration Policy

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

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

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

Financial Remuneration

Monthly remuneration as determined by the Bank was:

	Remuneration Per Month (Baht)
Board of Directors	
Chairman of the Board	60,000
Member of the Board of Directors	25,000
Executive Board	
Chairman of Executive Board	40,000
Member of Executive Board	35,000
Audit Committee	
Chairman of the Audit Committee	50,000
Member of Audit Committee	40,000

By the adherence with corporate governance best practice, the Board made appropriate revision on directors' remuneration to encourage directors to attend the meetings by adding remuneration in the form of meeting fee of 15,000 baht per meeting for the ordinary board members who are not members in the Audit Committee and the Executive Board, effective from April, 2005 onwards.

The details of Board of Director remuneration during January 1 - December 31, 2005 are as follows:

Name of the Directors	Remuneration (Baht)				
	Board of Directors		Executive Board	Audit Committee	Total
	Total Monthly Remuneration	Meeting Fee			
1. Dr. Phisit Pakkasem	720,000	60,000	-	300,000	1,080,000
2. Mr. Pliu Mangkornkanok	300,000	-	480,000	-	780,000
3. Mr. Pichai Charvirachart	300,000	-	420,000	-	720,000
4. Mr. Bing Shen (Resigned on August 31, 2005)	200,000	-	280,000	-	480,000
5. Mr. Jerry L. Lu	300,000	60,000	-	-	360,000
6. Mr. Yukio Matsunaga (Resigned on June 23, 2005)	150,000	-	210,000	-	360,000
7. Mr. Edouard Fernen Peter (Resigned on June 23, 2005)	150,000	15,000	-	-	165,000
8. Mrs. Krisna Theravuthi	300,000	-	-	540,000	840,000
9. Mr. Sangiam Santad	300,000	90,000	-	-	390,000
10. Mrs. Manimai Vudthitornetiraks (Resigned on August 31, 2005)	200,000	-	-	320,000	520,000
11. Mrs. Oranuch Apisaksirikul (Assumed on May 13, 2005)	200,000	75,000	-	-	275,000
12. Mr. Mitsunobu Hasegawa (Assumed on July 1, 2005)	150,000	-	210,000	-	360,000
13. Assoc.Prof.Dr. Angkarat Priebjrivat (Assumed on July 1, 2005)	150,000	-	-	240,000	390,000
14. Assoc.Prof.Dr. Praipol Koomsup (Assumed on July 1, 2005)	150,000	45,000	-	80,000	275,000
Total	3,570,000	345,000	1,600,000	1,480,000	6,995,000

Changes in TISCO Shareholdings by Directors and Management

	Common Shares		Preferred Shared	
	Increase (Decrease) During the Year	As of December 31, 2005	Increase (Decrease) During the Year	As of December 31, 2005
1. Mr. Phisit Pakkasem	0	0	0	0
2. Mr. Pliu Mangkornkanok	(183,100)	2,600	750,000	2,112,700
3. Mr. Pichai Chanvirachart	(80,000)	2,136	100,000	1,070,000
4. Mrs. Oranuch Apisaksirikul	(19,000)	0	276,500	1,451,900
5. Mr. Jerry L. Lu	0	0	0	0
6. Mr. Mitsunobu Hasegawa	0	0	0	0
7. Mrs. Krisna Theravuthi	0	12	0	0
8. Mr. Sangiam Santad	0	0	0	0
9. Assoc.Prof.Dr. Angkarat Priebjriwat	0	0	0	0
10. Assoc.Prof.Dr. Praipol Koomsup	0	0	0	0
11. Ms. Nattamon Issaradharm	0	0	180,000	487,000
12. Mr. Panya Wotticharoenwong	(100,000)	44	50,000	225,000
13. Mr. Sakchai Peechapat	0	0	0	90,000
14. Mr. Metha Pingsuthiwong	0	0	0	138,000
15. Mr. Suthas Ruangmanamongkol	(150,200)	0	417,500	1,822,500
16. Ms. Araya Thirakomen	0	5,000	35,000	158,000
17. Mr. Chavalit Chindavanig	0	0	45,000	290,000
18. Mr. Paiboon Nalinthrangkurn	0	0	0	120,000
19. Mr. Chatri Chandrangam ⁽¹⁾	0	0	(12,000)	19,000
20. Mr. Chutintorn Vigasi ⁽²⁾	0	324	(7500)	7,500

⁽¹⁾ Mr. Chatri Chandrangam is Financial Controller

⁽²⁾ Ms. Chutintorn Vigasi is Head of Corporate Accounting

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

In 2005, the total remuneration for the Board of Directors, the Executive Board, the Audit Committee and the Management Committee was 183,663,098.78 baht. This was paid in the form of monthly compensation, salaries, meeting fee, provident fund and bonuses, which varied according to the Bank's performance.

Other forms of Remuneration

In 2000, the annual general meeting of the Bank's shareholders passed a resolution approving the allocation to directors and employees of the Bank and its subsidiaries of 30 million, 5-year, non-negotiable warrants to purchase the Bank's preferred shares. Allocations determined by the Allotment Committee with regard to the competency and potential of each employee must obtain approval from a general meeting of shareholders. The total amount of 30,000,000 warrants has been fully allotted since 2004.

Directors of Subsidiaries

Name	TISCO Securities Co., Ltd.	TISCO Asset Management Co., Ltd.	TISCO Leasing Co., Ltd.	HI-WAY Co., Ltd.	TISCO Securities Hong Kong Co., Ltd.	TISCO Global Investment Holding Ltd.	TISCO Securities Singapore Pte.	TISCO Information Technology Co., Ltd.	TISCO Group CO., Ltd.	Thai Commercial Auto Co., Ltd.	VLT Leasing Co., Ltd.
Mr. Paiboon Nalinthrangkurn	/						/				
Mr. Chavalit Chindavanig	/								/		
Ms. Aunchana Grisa-ard	/										
Mr. Suthas Ruangmanamongkol		/									
Mrs. Supaporn Aramtiantamrong		/									
Mrs. Duangrat Kittivitayakul		/									
Ms. Araya Thirakomen		/									
Mr. Ekachai Chongvisal		/									
Mr. Yuttpong Sriwongjanya			/	/						/	/
Mr. Charnchai Rakanantachai				/							
Mrs. Oraphan Vanichphat			/					/			
Mr. Worapan Luanguthai				/							
Ms. Charupee Chinapongpaisal			/								
Mr. Teerayuth Praserttrattanadacho			/								
Mr. Surapong Siwalai				/							
Mr. Supachai Boonsiri				/						/	
Mr. Ho Chu Lam					/	/					
Mrs. Oranuch Apisaksirikul					/	/					
Mr. Kriengkrai Mongkolthanit					/	/					
Mr. Christian Norio Sano							/				
Mr. Chong Thian Choy Gregory							/				
Mrs. Sasinee Phattiyakul								/			
Mrs. Suwande Khaolaorr								/			
Mrs. Yutiga Sonthayanavin								/			
Mrs. Vannee Uboldejpracharak									/		
Mr. Sathit Aungmanee										/	
Ms. Somsri Kiatchoosakul										/	/
Mr. Ronnchai Chinwatanaporn										/	
Mr. Akaranant Thitasirivit										/	
Mr. Yoshitaga Iwamoto										/	
Mr. Masami Nakamura										/	
Mr. Sutthi Kittivasin										/	

Remarks : / = Director

Officers of TISCO Group

Banking Business Heads

Retail Banking

Mr. Sakchai Peechapat
Mr. Chalit Silpsrikul
Mr. Dejphinun Suthadsanasoung

Bangkok Channel

Hire Purchase (New Car) *Mr. Suthep Trivannakij*
Hire Purchase (Used Car) *Mr. Somsak Wongwachirawanich*
Hire Purchase (Commercial Product) *Mr. Rungroj Jarasvijitkul*
All Finance & Direct *Ms. Wipa Mettaviharee*
Mortgage Loan *Mr. Chalit Silpsrikul*
Retail Marketing Support *Mr. Sathian Leowarin*
Bancassurance *Ms. Charupee Chinapongpaisal*

Retail Credit *Ms. Penthip Laobooncharoen*
Retail Collection *Mr. Worapoth Tirakaron*
Retail Follow-up & Legal *Mr. Songsak Niltiean*
Retail Service & Support *Mr. Sukit Sakulwongyai*

Branch Channel *Mr. Chalit Silpsrikul*

Leasing & Hire Purchase (Motorcycle) (TISCO Leasing Co., Ltd. & Hi-Way Co., Ltd.) *Mr. Yuttpong Sriwongjanya*

Commercial Banking

Commercial Lending *Ms. Nipa Mekara*
Ms. Nipa Mekara
Ms. Voranuch Supaibulpipat
Commercial Credit *Mrs. Prapatsorn Arthachinda*
Ms. Sunee Tongsombutpanich
Loan Administration & Documentation *Ms. Rapeeporn Ounchalanon*
Custodian & Trustee Services *Mrs. Ladda Kulchatchai*

SME Banking

Marketing - 1 *Mr. Panya Wotticharoenvong*
Marketing - 2 *Mrs. Pornthip Boonrawd*
SME Credit *Mr. Sommai Ung*
Account Management *Ms. Preechaporn Deenarong*
Ms. Orathip Tangjitkaroon
Mrs. Pornthip Boonrawd

Corporate Governance

Compliance *Ms. Nattamon Issaradharm*
Internal Control *Ms. Sumaree Piyatamvutikul*
Credit Office *Mrs. Dulyarat Taveebhol*
Ms. Nattamon Issaradharm
Mrs. Suthinee Muangman
Office of the Credit Committee *Mrs. Suthinee Muangman*
Appraisal & Valuation *Ms. Chantana Srisuwanvilai*
Legal Office *Mr. Amporn Pittayavipass*

Treasury & Private Banking

Treasury *Mr. Metha Pingsuthiwong*
Ms. Karantar Vongsa
Ms. Rachada Pruksanubal
Private Banking *Mrs. Phavadee Chadavadh*
Mr. Thanom Chairoondeekul

Japanese Relationship *Mr. Eiji Sasaki*
 Special Asset Management *Ms. Nipa Mekara*

Support Heads

Risk & Financial Control *Mr. Chatri Chandrangam*
 Risk Management *Mr. Chatri Chandrangam*
 Planning *Ms. Uphaiporn Asvaraksh*
 Budgeting &
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 Corporate Accounting *Ms. Chutintorn Vigasi*

Banking Operation *Ms. Preeyarat Poomdontri*
Mrs. Saranya Ket-Udom
 Cash Management *Mr. Noppawat Tangburanakij*
 Services
 Central Payment &
 Settlement *Mr. Worawit Rungsiriopas*
 Electronics Banking *Mr. Kittichai Tonnajarn*
 Branch Operation *Ms. Preeyarat Poomdontri*

Corporate Secretariat &
 Investor Relations *Ms. Pakaporn Punyashthiti*
 Product Development &
 Market Research *Mr. Watsakorn Thepthim*

Internal Audit *Mr. Pairat Srivilairit*
Ms. Jiraporn Sawsukpaiboon

Human Resources &
 Organization Development *Mr. Sakchai Peechapat*

Corporate Marketing &
 Communication *Ms. Nartrudee Siwabut*

Corporate Services *Mrs. Sasinee Phattiyakul*
Ms. Rachaneegorn Peepakdee

Information Technology
 (TISCO Information
 Technology Co., Ltd.) *Mrs. Yutiga Sonthayanavin*
Mrs. Penjit Taepaisitphongse

Securities Business Heads

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Securities Brokerage *Mr. Paiboon Nalinthrangkum*
 Research *Mr. Poramet Tongbua*
Mr. Chaipat Thanawattano
 Technical Analysis *Mr. Viwat Techapoonpol*
 Local Institutional Sales *Mr. Pithak Limratadamrong*
 Foreign Institutional
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 Private Sales *Mr. Viwat Techapoonpol*
 Private Sales Platinum
 Clients *Mr. Atthavut Skonthawat*
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 Back Office *Ms. Aunchana Grisa-ard*
 Treasury & Investment *Mrs. Maliwan Sinpermkoon*
 Payroll Processing
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Compliance &
 Internal Control *Ms. Porntip Thavillarp*

Asset Management Business Heads

Mutual Fund Business *Mr. Ekachai Chongvisal*
Ms. Teerin Suvarnatemiya
 Private Fund Business *Mr. Theeranat Rujimethapass*
 Provident Fund Business *Ms. Araya Thirakomen*
 Investment Operations &
 Fund Operations *Mrs. Duangrat Kittivittayakul*

Compliance &
 Internal Control *Mrs. Supaporn Aramtiantamrong*

Risk Analysis and Control *Mr. Suthas Ruangmanamongkol*
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Corporate Governance

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

The Bank has continuously performed its business under good corporate governance principles. As a result, the Bank has been positioned in the top quartile of base lining survey on corporate governance practices of Thai listed companies done by the Thai Institute of Directors Association since its commencement in 2001. Furthermore, in 2005 the Bank has been granted satisfactory score of 8.15 which is in "very good" rating category, rated by Thai Rating and Information Services Co., Ltd.

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

1. Corporate Governance Guidelines

The Corporate Governance Guidelines assist the Board of Directors in effectively carrying out their duties in compliance with regulatory policy, the Bank's legal responsibilities, and business ethics. The Corporate Governance Guidelines embrace all key issues of the code of best practices for directors, including the role and structure of the board, relationships with stakeholders,

information disclosure, and applicable laws and regulations related to directors. In addition, the Board of Directors has endorsed a code of conduct and compliance manual to be applied at the managerial and operational level.

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

2. Shareholders: Rights and Equitable Treatment

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

The annual general meeting of shareholders is convened by the Board of Directors within 4 months of the date ending the accounting

period of the Bank, with the agenda made public more than 1 month in advance. The Bank will begin considering the agenda of the shareholders' meeting at the end of January. The agenda and all relevant documents will be proposed to the Board of Directors for consideration. The order of the agenda at the Shareholders' Meeting is to be in an appropriate sequence as set by the Bank's Articles of Association. In addition, each agenda item will state clearly whether it is a matter proposed for acknowledgement, for approval or for consideration, including the opinions of the board in said matters. To allow adequate time for the shareholders to study all of the meeting material, notice of the meeting specifying all the relevant information is sent to the shareholders not less than 7 days before the date set for the meeting. In 2005, the Shareholders' Ordinary General Meeting was convened on April 26, 2005 and the notice was delivered to the shareholders at least 14 days prior. The notice calling for the meeting was also published in a Thai daily newspaper for 3 consecutive days and at least 3 days prior to the date of the meeting.

The Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board, so long as the requirement that due notice thereof be given as provided in the Bank's Articles of Association is followed. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number sold may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholders numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of shares sold, may also request an extra-ordinary meeting. In such cases, the Board of Directors must set the date, time and place of the meeting within one month of the date of receiving the notice. In 2005, the Bank called the Shareholders' Extra-Ordinary General Meeting No. 1/2005 and No. 2/2005 on December 14, 2005. The Shareholders' Extra-Ordinary General Meeting No. 1/2005 was called to propose the shareholders to consider the holding company restructuring, the disposition of shares in subsidiaries and

the listing of TISCO Corporation Public Company Limited on the Stock Exchange of Thailand. While The Shareholders' Extra-Ordinary General Meeting No. 2/2005 was called to propose the shareholders to consider the delisting of TISCO Bank Public Company Limited from the Stock Exchange of Thailand after the completion of the restructuring process and shares of TISCO Corporation are listed and allowed to be traded in the Stock Exchange of Thailand, in accordance with the Holding Company Restructuring Plan. Since at that time Thai NVDR Co., Ltd., a Stock Exchange of Thailand's nominee vehicle for foreign investors held approximately 26% of total TISCO Bank shares. By law, it could not vote for any resolution except for de-listing. To provide shareholders with equal opportunities to participate and vote in the agenda they are entitled to attend and vote. Thai NVDR is therefore required to attend the Shareholders' Extra-Ordinary General Meeting No. 2/2005.

To protect shareholders' rights in attending the meeting and ensure equitable treatment for shareholders, the Bank assigned officers to check the shareholder's documents or proxies' documents according to the requirements stated in the notice. Moreover, the shareholder could register for meeting attendance 2 hours in advance of the meeting time. The Bank utilized computer and barcode system for registration and printing of voting form for each agenda to facilitate the shareholders. Before the meeting started considering the agenda, the shareholders were informed of their voting rights, voting process including the use of voting form by those who intended to vote "Against", "Abstain" or split the votes on each of the agenda.

At the shareholders' meeting, the Chairman shall conduct the meeting to be in accordance with the order of agenda as arranged in the notice of the meeting, unless the meeting resolves to change order of the agenda with votes not less than two-third of the number of shareholders present. The shareholders holding an aggregate number of shares not less than one-third of the total number of shares sold may request the meeting to

consider other matters in addition to those specified in the notice of the meeting. In addition, on the appointment of new director, minority shareholder could recommend the candidates through the Bank's Nomination Committee.

The Bank also facilitates alternative arrangements for shareholders unable to attend meetings by preparing proxy for shareholders to authorize an Independent Director, of which more than one independent director are proposed for their selection, the Chief Executive Officer, the Chief Operating Officer, or any other person to attend the meeting on behalf of them.

3. Various Groups of Stakeholders

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

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

Shareholders:

The Bank commits the shareholders to our best performance, recognized quality services as well as an ever-expanding scope of opportunities for future achievement.

Employees:

The Bank recognizes and values the dedication and commitment of the staff in carrying out their duties. As an organization built on the solid foundation of good corporate governance, the Bank's goal is to equip the employees with

the education and training they need to serve the customers with the highest standards of professionalism. To ensure that our people are rewarded fairly for their dedication, a performance management system is in place so that all may enjoy the fruits of the Bank's success. All employees are treated fairly and equitably.

Customers:

Customers are the Bank's primary focus. Their needs are the Bank's priority. The Bank derives a professional and practical solution that fulfills our customers' requirement. The Bank raise the quality of client relationship by infusing excellence and integrity into all our dealings. Clients are offered the knowledge base and experience of our integrated resources. In addition, the Bank has provided channels for receiving customer complaints and resolving problems fairly and carefully and the Bank pledges to keep customer information confidential.

Trading partners:

Any conditions with in the agreement made with the trading partners will be served honorably by the Bank.

Competitor:

The Bank executes the business under the fair competition and integrity approaches.

Society:

The Bank recognizes that we have a responsibility to take a leading role in making the society a better place and therefore the Bank exercises this responsibility through a broad array of initiatives aimed at creating opportunities for sustainable development in society, TISCO's charitable work includes scholarships for needy students and donations to support worthy causes. Moreover, the Bank also encourages cultural and environmental activities.

Besides this, The Bank's policy to protect the rights and interests of all stakeholders is disclosed in the Compliance Manual, which is posted on "mytisco", an intranet system to which all employees have access.

4. Shareholders' Meeting

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

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

At the Shareholders' Ordinary General Meeting 2005, eight directors, the Chairman (who at that time also chaired the Audit Committee and Nomination Committee), two members of the Audit Committee, one director representing major shareholders, one independent director and three executive directors, attended the meeting. All independent directors were present. However, one of the Bank's directors was unable to attend since he had a duty overseas.

At the Shareholders' Extra-Ordinary General Meeting No. 1/2005 and No. 2/2005 eight directors, the Chairman, two members of the Audit Committee, one director representing major shareholders, one independent director and three executive directors, attended the meeting. However, two directors were

unable to attend since they were on business trip overseas.

The Bank shall endeavor to ensure that every director attends. Furthermore, the Bank's senior management namely the Executive Vice President and Chief Governance office, the Executive Vice President, Retail Banking, the Executive Vice president, Human Resources and Organization Development and the Executive Vice President, Treasury and Private Banking all attended in the meeting.

5. Leadership and Vision

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

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

The Board oversees the development of a long-term strategic plan, which is reflected in its general business direction and vision, and short-term business plans with measurable targets. It approves policies and procedures developed by management in areas of crucial importance, and communicates clear standards of performance in implementing them. It also establishes the norm of

periodically reviewing policy and business performance of the Bank and internal audit operations. The Bank conducts periodic evaluations of the board's performance to increase its effectiveness and transparency in managing the Bank

In 2005, TISCO Bank's Board of Directors has been awarded "the Board of the Year for Exemplary Practice" from the Thai Institute of Directors Association to honor the board's achievement in effectively and efficiently performing their duties and responsibilities to create long-term shareholders' wealth, and implementing high standard of corporate governance. This is the second consecutive year that TISCO Bank had been awarded in this category.

6. Conflict of Interest

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

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

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

Furthermore, the Bank has set out rules regarding securities trading by employees, stating that all employees must only open trading accounts with subsidiary (TISCO Securities Co., Ltd.) Also, employees are required to seek the approval of their supervisors and the Compliance Unit before executing trades. Moreover, the Bank also prohibits management and insiders from trading the Bank's shares from the last working day of the month until the day the Bank's financial statements or the summary statements of assets and liabilities (C.B. 1.1) are published, with penalties prescribed for any breaches. Finally, directors must notify the Audit Committee of their shareholdings at the end of each quarter.

7. Business Ethics

The Bank has introduced a code of business ethics as part of the compliance manual for management and has ruled the Employee Code of Conduct to assist the employees in performing their duties in line with corporate planning. In which, the Good Corporate Governance Guideline is displayed in the intranet system "mytisco" for the employees to be followed. Additionally, in order to ensure the honesty and fairness performance of the Board and employees to the Bank, stakeholders and the public, the Bank requires compliance with these regulations, and will impose serious penalties for any violations. The Compliance Department is charged with monitoring performance in accordance with the code of business ethics.

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

8. Balance of Power for Non-Executive Directors

The Board's compliance roles include ensuring that appropriate systems providing accountability and transparency are set up and implemented by management. The Board of Directors itself has been structured to ensure accountability, and that no single individual or group has unfettered power. As a principle to promote a healthy balance of power, the Board is comprised of at least 9 directors, one-third of whom are independent, with a minimum of 3. The independent directors should possess the qualifications as mentioned on page 57. On March 1, 2006, the Board of Directors is composed of three executive directors, three non-executive directors and six independent directors, which counts as 50% of the total of the Board of Directors.

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

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

9. Aggregation and Segregation of Positions

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

Apart from the Chairman of the Board of Directors, who is neither part of the Bank's senior management nor a member of the Audit Committee, 2 top executive positions were established to jointly oversee comprehensive managerial tasks and to further promote managerial effectiveness. The Chief Executive Officer (CEO), who

is also the Chairman of Executive Board, oversees long-term corporate strategies, policies, and shareholder wealth creation and protection. The Chief Operating Officer (COO), who reports to the CEO and is also a member of the Executive Board, oversees all day-to-day operations and short-term business performance.

10. Remuneration for Directors and the Management

The scale and components of remuneration for directors and management has been set by the Bank subject to the principle that it should be appealing enough to attract and retain quality directors, but without being excessive. Remuneration for non-executive directors should be comparable to generally accepted practice by the industry with regard to work experience and commitment, as well as the benefits to the Bank that each director brings. Executive directors and management should receive remuneration linked to Bank performance. Remuneration policy for directors shall be transparent and receive approval from the shareholders. The Board shall disclose in the annual report its remuneration policy and the amounts set for the directors and executives in accordance with SEC rules. Details of the remuneration are shown on page 59.

11. Board of Directors' Meeting

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

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

In 2005, 8 board meetings were convened, surpassing the requirement in the Bank's Articles of Association. Six meetings were regularly scheduled while two meetings were called for special matters. The details of directors' attendance are shown on page 49.

12. Other Committees

To achieve its high standards of performance, the Board delegates other committees to take on tasks that require detailed review or in-depth consideration. Such other committees as the Executive Board, the Audit Committee, the Nomination Committee, the Risk Management Committee and others are, if necessary, entitled to make decisions on the Board's behalf or submit recommendations for consideration, depending on the committee's specific charter. The composition and responsibilities of other committees is detailed on page 46.

In any particular decision, the Executive Board can also authorise management or other committees such as the Credit Committee, Problem Loan Committee, and others, to make a detailed review of certain matters on their behalf.

13. Control System and Internal Audits

The Board delegates its day-to-day operational oversight to the Executive Board and Senior Management. The Executive Board prepares an annual assessment of the Bank's internal control system and reports its findings to the Audit Committee for verification and further recommendation to the Board of Directors. In fulfilling its compliance role, the Board is responsible for monitoring operations by being aware and kept up-to-date regarding the Bank's operating environment. To ensure high standards of compliance, the Board delegates day-to-day compliance oversight to the Audit Committee, which serves the Board in monitoring compliance with the Board's policies, and internal and statutory regulations. The Audit Committee is composed solely of independent directors. Internal Audit function directly reports to the Audit Committee. The Bank's internal control system is shown on page 74.

14. Directors' Report

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

15. Relations with Investors

TISCO bank realizes the importance of accurate, complete, transparent, and equitable information disclosure. The dedicated Corporate Secretariat and Investor Relations function was established to represent the Bank in communications with all shareholders, investors, analysts, credit rating agencies, and regulatory agencies concerned as well as for carrying out good governance practices on behalf of the shareholders. Besides, the Bank has set up Analyst Meetings and Press Conferences chaired by the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer with the objective of keeping investors, analysts, fund managers and interested parties well informed on the Bank's operating performance and to provide response to inquires from investors.

As one of the listed companies registered in the SET 50 Index, the Bank's information is publicly disseminated to all investors via various channels, including the website of the SET, the SEC, and the Bank itself (www.tisco.co.th). The record of visits on the Bank's website since July 2005 till the end of 2005 was 218,490 visits. The Bank also arranges Analyst Meetings and the Press

Conferences at least once every quarter. In 2005, the Bank's executives, together with the Investor Relations Unit, met with both local and foreign investors to provide information in the format of one-on-one meetings and/or company visits with a total of 87 meetings.

Due to its large number of foreign shareholders and the high degree of interest shown by foreign investors in the Bank's securities, the Bank's executives have joined in a number of non-deal roadshows with the aim of providing investors with a better understanding of the Bank's corporate business operations and past performance. In 2005, the Chief Executive Officer, and the Chief Financial Officer presented such information at events in the United States, Great Britain, Scotland, the Netherlands, Hong Kong, and Singapore.

In 2005, the Bank finalised plans to restructure the group's organization model in the form of a holding company. The Bank is well aware of the significance of transparent, fair, and equal information as well as the need to give investors a clear understanding of details of the holding company restructuring plan. To further this aim, the Bank scheduled three presentations to analysts, retail and institutional investors, the press, and other interested parties. Two of the presentations took place at the Bank's office, and the other was held at the Stock Exchange of Thailand Building. Also, the Bank in conjunction with its financial advisor, Advisory Plus, Co., Ltd., conducted the presentation to make recommendations in accordance with the SET rules and regulations.

Control of Internal Information

The Bank's compliance manual acts as a set of guidelines to help employees perform their duties fairly and honestly, comply with applicable laws and regulations, avoid conflicts of interest, and not

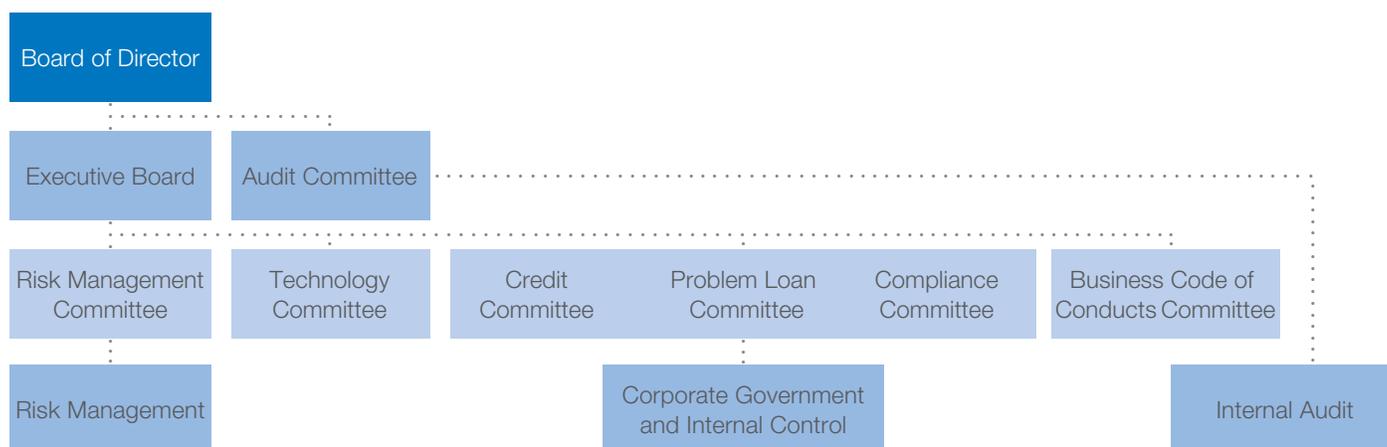
seek to benefit from insider information. Business guidelines, regulations, and the code of conduct have all been compiled to create the Bank's compliance manual. With respect to Bank regulations governing employee securities trading, the Bank requires management and employees to open trading accounts with TISCO Securities Co. Ltd., its subsidiary. In this regard, he or she must, however the case may be, seek approval from supervisors before executing trades or report to supervisors and the Compliance function after execution. Furthermore, the Bank also prohibits management and insiders from trading the Bank's shares from the last working day of the month until the day the Bank's monthly financial statements are published. Penalties shall be imposed for any breaches.

Internal Control Overview

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

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

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



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

The Risk Management Committee is responsible for setting up effective risk management policies, guidelines and limits. The committee regularly reviews risk positions of the Bank and its subsidiaries to ensure comprehensive and timely risk monitoring and control. The Risk Management function supports the committee in assessing and monitoring bank

risks at the portfolio level, under the guidelines and limits approved by the Risk Management Committee. It regularly reports on risk positions to the Risk Management Committee and relevant business lines, and performs risks analyses of new businesses for the Bank and its subsidiaries.

The Credit Committee and Problem Loan Committee are responsible for setting up credit granting criteria and controlling loan approval procedures at the transaction level to ensure comprehensive monitoring and control of credit risk. The Credit Office supports the committees in assessing and controlling the credit approval process of each transaction. In addition, the Credit Review unit regularly reviews compliance to the credit approval guidelines and procedures.

The Compliance Committee is responsible for reviewing internal control guidelines and processes, as well as following up and detecting issues and compliance related to internal controls, to ensure that operational risks are thoroughly addressed.

The Business Code of Conduct Committee is responsible in developing corporate code of conducts and makes decision regarding ethical issues of employees.

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

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

2. The Audit Committee independently reviews the assessment of the adequacy of the Bank's internal control system, as annually prepared by the Executive Board, in relation to the

Bank's risks, and assesses that financial statement reports are transparent and accurate. The committee also reviews the policy and guidelines for internal audit to effectively assess that all business operations have adequate internal controls and are in compliance with laws and regulations.

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

Board of Directors' Report on Internal Control System

At the Board of Directors' Meeting No. 1/2005 on February 20, 2006, where all Audit Committee members and independent directors were present, the Board assessed the Bank's internal control system, as prepared by the Executive Board and reviewed by the Audit Committee.

The Board viewed that the Bank's internal control system is adequate based upon the assessment of five aspects: Organisational Control and Environmental Measures, Risk Management Measures, Management Control Activities, Information and Communication Measures, and Monitoring.

Related Party Transactions

The Bank had no transactions between related parties.

– Measures or procedures for approval of related party transactions

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

– Future related transaction policy

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

Legal Disputes

As of December 31, 2005, the Bank and its subsidiaries had 12, unresolved cases from its regular business operations, comprised of 10 civil and two criminal cases involving an estimated total amount of 354 million baht, which is less than five percent of its shareholders' equity. No cases were incurred from irregular business operations. Of all cases, four cases were incurred from management of debt collections for Sukhumvit Asset Management Co., Ltd. in which the Bank has an indemnification for any damages suffered by it (if any), and two cases already dismissed by the Court of First Instance and/or the Appeal Court. However, the plaintiff may still appeal to the Appeal Court or Dika Court. Six cases have an estimated total value of 142 million baht. For the rest of six cases, they are in the tribunal process and not yet reach judgment. Additional details on legal disputes are presented in Notes to Financial Statements; 3.29.2 Litigation.

Report of the Audit Committee

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

1. Dr. Phisit Pakkasem, Chairperson of the Audit Committee
2. Mrs. Krisna Theravuthi, Director
3. Mrs. Manimai Vudthitornetiraks, Director

Starting October 27, 2005 following the upgrading to TISCO Bank Public Company Limited, the Audit Committee comprised three independent directors namely:

1. Mrs. Krisna Theravuthi, Chairperson of the Audit Committee
2. Assoc.Prof.Dr. Angkarat Priebrivat, Director
3. Assoc.Prof.Dr. Praipol Koomsup, Director

The Audit Committee have performed their duties and responsibilities according to the charter of Audit Committee and as delegated by the Board of Directors. We have carried out our duties independently and without restrictions as to access to information. The Audit Committee support the Bank's good corporate governance in accountability, transparency, fairness, integrity, and check & balance, which will serve the best interests of not only shareholders but also employees and stakeholders.

The Audit Committee held 13 meetings in Year 2005. Major issues considered by the Committee were as follows:

- Reviewing quarterly, semi-annual and annual financial statements reported by the certified public accountant before submitting to the Board of Directors for endorsement with emphasis on major changes in each period and the adequacy of information disclosed in the financial statements and in the notes to financial statements.
- Reviewing the results of assessment by the certified public accountant towards efficiency of the Internal Audit Department, related company transactions and irregular transactions, sharing views with internal auditors and the certified public accountant concerning obstacles and cooperation received from the Bank, and assessing the extent of independence of internal auditors and the certified public accountant.

- Reviewing and endorsing annual audit plan, strategy, key performance indicators, and major achievements of the Internal Audit Department, acknowledging the results of audit and the compliance reports and following-up on observations and recommendations made by the Audit Committee.
- Meeting with management and staff in updating and monitoring on the bank progress, IT security, operational and information system, bank-related laws and regulations, including bank preparation for Basel II, a new capital adequacy framework.
- Meeting with TRIS Rating Company Limited in evaluating the credit rating and with Thai Rating and Information Services Co., Ltd. in evaluation the corporate governance rating of the Bank.
- By the delegation of the Board of Directors, approving the appointment of a financial advisor to TISCO group's restructuring plan and process and reviewing with the Advisor the details and impacts of the restructuring plan as well as the effective communication with all related parties, especially retail investors.
- Issuing opinions to shareholders about the delisting of TISCO Bank shares from the Stock Exchange of Thailand, the impacts to shareholders, and the appropriateness of share swap ratio.

The Audit Committee was determined to promote good corporate governance practices in the Bank. In Year 2005, the Bank was awarded "Best Corporate Governance Report" for the prominence in complying with fifteen principles of good corporate governance as outlined by the Stock Exchange of Thailand, and was rated "Excellent" in Corporate Governance by Thai Rating and Information Services Co., Ltd..

The Audit Committee agreed with the certified public accountant that the Bank's financial statements and the disclosure of relevant information were fairly presented in accordance with generally accepted accounting principles. The Bank had an appropriate and efficient internal control system, and had properly followed all necessary rules and regulations imposed by the related regulators.

Krisna Theravuthi
Chairperson of the Audit Committee

Risk Factors

Overview of Risk Management

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

Risk Management Policy

Overall risk management policy encompasses the following structures:

1. Consolidated and centralized risk management

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

2. Business line accountability, independent risk oversight

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

3. Comprehensive risk assessment

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

4. Capital management based on standardized risk tools

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

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

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

6. Portfolio management, diversification and hedging

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

7. Regulatory best practice

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

Risk Management Framework

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

Senior Management

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

Risk Management Committee

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

Specific-Area Risk Authorities

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

1. Credit Risk

Credit Risk is defined as the possibility of an obligor's failure to meet the terms of any contract with the Bank as agreed or by defaulting on a loan agreement. Credit risk, if it occurs without pledged assets, requires the Bank to maintain higher provisions for loan losses, which will then adversely affect net income and the Bank's capital.

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

Default Risk

Non-performing loans can be classified into substandard, doubtful, and doubtful to loss according to the definitions of the Bank of Thailand (BoT). Due to the restructuring of corporate loans and improvements in credit quality, non-performing loans held by the Bank and its subsidiaries declined from 3,303.78 million baht as of the end of 2004 to 2,912.91 million baht as of December 31, 2005, representing 4.5 % of total loans and receivables.

It may be seen that NPLs of the Bank and its subsidiaries decreased both in terms of amount and as a percentage of the

NPL breakdown as of December 31, 2004 and December 31, 2005

	December 31, 2004			December 31, 2005			% Change
	% NPL	(Bt mn)	%	% NPL	(Bt mn)	%	
Commercial Lending	9.2	1,009.82	30.6	7.8	996.17	34.2	(1.4)
Manufacturing and commerce	7.6	417.24	12.6	5.6	379.22	13.0	(9.1)
Real estate and construction	16.9	590.67	17.9	14.5	601.38	20.6	1.8
Public utilities and services	0.1	1.42	0.0	0.8	14.04	0.5	888.7
Agriculture and mining	0.3	0.48	0.0	1.3	1.53	0.1	212.2
Retail Lending	2.7	1,095.15	33.1	2.5	1,188.01	40.8	8.5
Hire purchase	1.9	719.52	21.8	1.9	874.51	30.0	21.5
Housing	15.7	375.63	11.4	14.4	313.49	10.8	(16.5)
Others	23.6	1,198.81	36.3	13.8	728.73	25.0	(39.2)
Total - The Bank and Subsidiaries	5.8	3,303.78	100.0	4.5	2,912.91	100.0	(11.8)

total loan portfolio. Furthermore, compared to the total NPLs of 8.3% of commercial banks in the system respectively, the Bank's NPL level stood below the industry average due to improved loan restructuring methods and low level of new NPLs.

Most of NPLs came from commercial real estate loans and hire purchase credit. While there was an increase in NPLs in the hire purchase portfolio, it constituted only a small portion of overall lending in light of the rapid growth seen in that segment, which increased from 38,573.79 million baht at the end of 2004 to 45,074.07 million baht on December 31, 2005. Increased NPLs in the real estate portfolio were the result of intense competition together with low growth in demand when compared with expansive investment in the sector. In year 2005, the Bank signed debt-restructuring agreements totaling 1,202.34 million baht, mostly through the revision of lending terms & conditions. Restructured NPLs that failed to meet the agreed obligations stood at 402.12 million baht, representing 13.0% of total restructured loans, down 43.55 million baht from those at the end of 2004.

As a safeguard against losses from existing and new NPLs, debt restructuring costs, and deterioration in collateral value, as of December 31, 2005 the Bank and its subsidiaries set aside a total reserve allowance for covering doubtful accounts and losses on debt restructuring of 3,484.73 million baht. This could be further broken down into 3,169.30 million baht for the Bank, and 315.43 million baht for subsidiaries. The Bank and its subsidiaries' total reserve allowance as a percentage of all NPLs was 119.6%.

Out of the Bank's 3,169.30 million baht in total allowances, 2,276.52 million baht represented reserves required by the Bank of Thailand. Given a conservative provisioning policy, the Bank's total reserves were 139.2% of BoT requirements. The excess provisioning amount will be used to absorb unexpected losses in the future, with the implication that if NPLs do not significantly increase, the requirement for reserve allowances should become stable at a normal level to sufficiently support business expansion.

Concentration Risk

As of December 31, 2005, hire purchase and commercial loans represented 70.5% and 19.9% of the total credit portfolio, respectively. The hire purchase portfolio, of which concentration was very low, had 45,074.07 million baht outstanding. Top-10 borrower exposure stood at 220.57 million baht, or 0.5% of the total hire purchase portfolio, or equal to 0.3% of the total credit portfolio.

For the commercial loan portfolio, there was no substantial concentration in any specific industrial sector. The portfolio was diversified into three different sectors: manufacturing and commerce, 6,779.39 million baht; real estate and construction, 4,148.82 million baht; and public utilities and services, 1,655.62 million baht. Lending to the above industrial sectors represented 53.4%, 32.7%, and 13.0% of the total commercial loan portfolio, and 10.6%, 6.5%, and 2.6% of the total credit portfolio, respectively. There is slight concentration in corporate loan portfolio which has been managed under risk management procedure. In loan approval process, appropriate proportion of collateral value and financing amount is maintained. Additionally, collateral values will be regularly appraised and effective loan drawdown procedure has been implemented.

However, as top-10 borrower exposure accounted for 29.7% of the total commercial loan portfolio, or 3,778.90 million baht, portfolio credit quality was closely monitored and sufficient collateral was required to ensure that risks were kept within a manageable level.

Collateral Risk

About 96.1% of the total lending portfolio was asset backed or with collateral. For the hire purchase portfolio, the underlying asset under the loan agreement itself is still owned by the Bank. In case the borrowers of hire purchase loans cannot meet the terms and conditions, the Bank can follow up and seize the underlying assets immediately. The process of repossession and asset liquidation can be completed within one month.

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

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

For commercial and mortgage loans, most collateral extended as loan guarantees was in the form of real estate, of which the value could be deducted for the purposes of loan loss provisioning. Collateral values were appraised according to BoT regulations. The proportion of collateral value used in deducting the provisioning requirements for NPLs was 26.5% of the total outstanding NPLs.

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

Property Risk from Foreclosed Assets

Outstanding assets in the process of liquidation held by the Bank and its subsidiaries as of December 31, 2005 were worth 1,206.69 million baht, or 1.6% of total assets. Allowances for impairment stood at 4.5% of total foreclosed assets.

2. Market Risk

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

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

Equity Price Volatility

As of December 31, 2005, the equity portfolio stood at 4,019.53 million baht, of which 3,224.72 million baht was listed equity in current market value and 794.81 million baht was non-listed equity in book value.

The Bank and its subsidiaries obtained a profit from equity investment of 334.06 million baht. There was also an unrealized gain of 291.02 million baht in the available-for-sale portfolio, which have not been realized as income in the financial performance during the year.

Listed Equity Risk

Listed equity investment portfolio in available-for-sale book stood at 3,224.72 million baht in which a change in its value will impact the equity through unrealized gains or losses. As of December 31, 2005, unrealized gains from available-for-sale investments equaled 291.02 million baht, which is considered part of capital reserves for covering investment risk in case of a substantial drop in equity prices.

TISCO Bank calculates VaR for risk assessment purposes and files reports to management in charge as well as to the Risk Management Committee on a daily basis. VaR is a maximum potential loss at a predefined confidence level and time horizon. Daily VaR at a 99% confidence level, as of December 31, 2005, was 89.33 million baht, down from 112 million baht as of December 31, 2004 as a direct result of decreasing fluctuation in equity value during 2005. For effective risk management and control, trigger limits were set up to monitor the overall market risk profile according to internal guidelines, such as concentration trigger limit, stop-loss trigger limit, etc.

Non-Listed Equity Risk

Non-listed equity portfolio's book value stood at 794.81 million baht, decreased from 841.72 million baht in December 31, 2004. The decreased value was mainly the result of debt-to-equity conversions in debt restructuring and sales of non-listed equity during the year. As of December 31, 2005, the outstanding allowance for investment impairment stood at 248.08 million baht, increasing 13.97 million baht from the end of 2004.

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

Interest Rate Risk

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

Risk from Interest-Bearing Assets and Liabilities Profile

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

The Risk Management Committee also acts as the Assets and Liabilities Management Committee (ALCO), which is responsible for managing and maintaining interest rate

risk at an appropriate level. The Bank and its subsidiaries' interest-bearing assets and liabilities structure, as of December 31, 2005, is provided below.

According to the interest rate re-pricing mismatch structure, the Bank and its subsidiaries were exposed to a small interest rate rise. If interest rates increase by 100 basis points, one-year net interest income would drop 126.91 million baht, compared to net income from interest and dividends of 3,103.24 million baht in 2005.

Fixed Income Risk

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

TISCO Bank and its subsidiaries' fixed-income portfolio as of December 31, 2005 stood at 1,178.22 million baht, showing an increasing of 184.83 million baht compared to the end of 2004. This was due to an increase in short-term borrowings, as the Bank issued short-term debentures to enhance flexibility and variety of funding structure management, as well as to provide more investment alternatives for public and the Bank's depositors. Most fixed-income positions were held to maintain liquidity, according to the BoT's requirements. Average duration of the portfolio was 0.28 years. Fixed-income risk was relatively low as a result of the short-term investment period for the purpose of maintaining liquidity reserves.

(unit: million baht)

Interest Bearing Assets and Liabilities	Changed within 1 month	Changed within 2-12 months	Changed within 1-2 years	Changed after 2 years	Total
Assets	14,636	20,596	15,009	25,042	75,283
Liabilities	23,956	22,176	8,589	7,480	62,201
Net Gap	(9,320)	(1,580)	6,420	17,562	13,082

3. Liquidity Risk

Liquidity Risk

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

As of December 31, 2005, the value of liquid assets comprised of cash at 203.95 million baht compared to 3.77 million baht in December 31, 2004, net transactions with banks and money market at 1,505.41 million baht compared to 1,519.31 million baht as of December 31, 2004 and net current investment at 826.59 million baht compared to 647.50 million baht in December 31, 2004.

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

(unit: million baht)

Contractual Period	<= 1 Year	> 1 Years	Total
Assets	20,487.43	49,772.59	70,260.02
Liabilities	(22,368.18)	(41,284.46)	(63,652.64)
Net Gap	(1,880.75)	8,488.13	6,607.38

Information from Maturity Mismatch Report based on BoT standard

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

4. Operational Risk

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

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

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

5. Strategic Risk

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

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

Risk from Economic Conditions and Business Competition

Although the Bank diversifies its businesses in areas of high potential, most of them are influenced by changes in economic conditions. For hire purchase businesses, growth and credit quality are directly affected by the state of the economy, levels of competition and growth in public consumption. Strong economic growth results in faster growth in asset size and revenues of the Bank, and vice-versa. Strong market share and competitive advantage, however, make the Bank less vulnerable to negative economic factors.

As our major investments are in the stock market, the economic outlook, capital market performance and investor sentiment is crucial to the Bank's financial performance. In a bullish economy, equity prices tend to increase significantly, resulting in improved Bank profit and capital. Conversely, unexpected events, such as terrorist attacks and natural disasters may cause a substantial drop in equity values, adversely affecting the Bank's financial performance. While the brokerage and underwriting business also depends on the condition of the stock

market, most income is derived from trading volumes, with the result that the impact of price levels may not be substantial. In effect, the Bank has adopted a variable cost structure in the brokerage business, which minimizes the impact of unfavorable market conditions.

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

Risk from Capital Adequacy

As of December 31, 2005, the Bank's capital adequacy ratio stood at 18.64%, well above the BoT requirement of 8.5%. As an internal risk measurement of capital adequacy, the required risk-based capital requirement stood at 6,344.32 million baht, accounting for only 48.5% of the total capital base of 13,081.67 million baht. Additionally, the Bank maintained provisions against potential loan losses 39.2% higher than BoT requirements.

Risk from Subsidiaries' Financial Performance

Revenue from subsidiaries accounts for 40.1% of total revenue, which significantly affects the overall Bank's income. Revenue from subsidiaries can be broken down into three streams: 12.1% from brokerage, 0.5% from investment banking, 5.3% from asset management, and 8.5% from leasing and other business.

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

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

6. Other Risks

Risk Concerning the Rights from Holding Securities

As of December 31, 2005, the Bank's paid-up capital was divided into 541,020,120 common shares and 180,947,630 preferred shares. Preferred shareholders will receive rights and interest privileges beyond those of common shareholders as detailed below.

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

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

The above rights of preferred shares will expire on June 30, 2009. More detailed information is presented on page 7.

Important Financial Ratios

		2003	2004	2005
Profitability Ratio				
Gross Profit Margin	(%)	70.50	72.60	66.16
Net Profit Margin	(%)	41.09	41.30	33.50
Return on Average Shareholders' Equity	(%)	20.40	19.09	13.96
Interest Income Ratio	(%)	7.34	6.94	6.74
Interest Expense Ratio	(%)	2.91	2.29	2.69
Interest Spread	(%)	4.43	4.65	4.05
Return on Investment	(%)	11.27	11.63	11.96
Efficiency Ratio				
Net Interest Income to Total Assets	(%)	4.30	4.47	4.38
Return on Average Assets	(%)	3.45	3.51	2.53
Total Asset Turnover	(times)	0.11	0.10	0.09
Financial Ratio				
Debt to Equity Ratio	(times)	4.62	4.27	4.75
Total Loans to Total Borrowing and Deposits	(%)	114.05	120.50	122.53
Total Loans to Public Borrowing	(%)	137.77	141.93	185.62
Public Borrowing to Total Liabilities	(%)	66.76	73.14	55.39
Dividend Payout Ratio	(%)	36.90	51.60	n.a.
Asset Quality Ratio				
Allowance for Doubtful Account to Total Loans and accrued interest receivable	(%)	9.37	7.51	5.33
Bad Debt and Doubtful Account to Total Loans and accrued interest receivable	(%)	0.06	0.88	0.97
Non-accrued loans ⁽¹⁾ to Total loans	(%)	6.74	5.82	4.09
Loan loss provision to Non-performing loans	(%)	134.67	129.80	119.63
Accrued Interest Receivable to Total Loans	(%)	0.22	0.21	0.17
Other Ratios				
Securities Business Receivables to Finance Business Loans and Receivables	(times)	0.08	0.02	0.02
Capital funds to Risk Weighted Asset (BIS)	(%)	21.42	19.57	18.64
Net Capital Rule (TISCO Securities)	(%)	35.10	56.50	103.04

⁽¹⁾ according to the Bank of Thailand's definition

Management Discussion & Analysis

Movement of Money Market and Capital Market in 2005

Due to the continuing inflationary pressure and the upward trend of interest rate in 2005, the Bank of Thailand raised its policy rate (14-days repurchase) by 2.00% to 4.00%. Meanwhile, Thai stock market showed a slowdown with the daily average turnover in 2005 of 16,454.04 million baht compared with the daily average turnover in 2004 at 20,507.75 million baht. However, the SET Index as of December 31, 2005 closed at 713.73 points higher than 668.10 points at the end of 2004.

The comparative analysis of operating performance and financial position in 2005 and 2004.

Operating Results for the Year 2005

The Bank and its subsidiaries recorded the net profit of 1,790.85 million baht, decreased by 433.42 million baht from 2,224.27 million baht or 19.5% over 2004, mainly due to the reduction of fee income from securities brokerage business i.e. brokerage fees and investment banking fees as a result of the sluggish stock market and gains on investment in securities.

Diluted earnings per share in 2005 were 2.20 baht compared to 2.79 baht in 2004. The average return on equity (ROAE) was 14.0% in 2005 compared to 19.1% in 2004.

Consolidated Revenue Structure

The Bank's and its subsidiaries' consolidated revenue structure in 2005 and 2004 is illustrated below.

Table 1: Consolidated Revenue Structure

Type of Revenue	2004		2005		% Change
	Amount (million baht)	%	Amount (million baht)	%	
Interest and dividend income					
Interest on loans	701.05	13.0	589.70	11.0	(15.9)
Interest on interbank and money market items	48.52	0.9	144.86	2.7	198.6
Hire purchase and financial lease income	2,957.02	54.9	3,544.06	66.3	19.9
Investments	206.77	3.8	288.78	5.4	39.7
Interest expenses	(1,082.98)	(20.1)	(1,464.16)	(27.4)	35.2
Net interest and dividend income	2,830.38	52.6	3,103.24	58.0	9.6
Bad debts and doubtful accounts	(174.81)	(3.2)	186.22	3.5	(206.5)
Interest and dividend income - net of bad debts and doubtful accounts	2,655.57	49.3	3,289.46	61.5	23.9
Non-interest income					
Brokerage Fees	902.78	16.8	621.95	11.6	(31.1)
Gain (loss) on securities	567.10	10.5	334.06	6.2	(41.1)
Fee and services income	1,098.65	20.4	876.86	16.4	(20.2)
Others	160.93	3.0	224.19	4.2	39.3
Total non-interest income	2,729.46	50.7	2,057.06	38.5	(24.6)
Total Net Income	5,385.03	100.0	5,346.52	100.0	(0.7)

Net Interest and Dividend Income

Net interest and dividend income in 2005 continuously improved to 3,103.24 million baht, an increase of 272.86 million baht or 9.6%.

Total interest and dividend income in 2005 increased by 654.04 million baht to 4,567.40 million baht, rose by 16.7%, mainly from the increase of hire purchase and financial lease income amounting to 3,544.06 million baht, up by 19.9% or 587.04 million baht as a result of hire purchase business expansion. Additionally, interest income from interbank and money market increased by 198.6% following the rising short-term interest rate environment.

Considering interest expenses, the Bank and its subsidiaries stated an amount of 1,464.16 million baht increased by 35.2% or 381.18 million baht, owing to an increase of interest expenses on deposits from 726.17 million baht to 1,049.81 million baht, or rose by 44.6%. The increase was resulting from the growth of short-term deposits during the year as well as the upward trend of interest rates. However, the ratio of net interest and dividend income to total income was 60.1%, compared to 50.9% in the previous year.

Total net interest and dividend income after bad debt and doubtful accounts increased by 23.9% to 3,289.46 million baht as the Bank and its subsidiaries recognized income from reversal of bad debts and doubtful account of 477.08 million baht.

In 2004, there was the bad debt written back from stop-accrued interest income as interest income on debt restructuring. This matter should be excluded from 2004 actual yield, which would be then 6.51%. For the year 2005, the cost of fund rose faster than the yield did. Hence, the interest spread narrowed down to 4.05%.

Non-interest Income

Non-interest income in 2005 was 2,057.06 million baht, declined 672.41 million baht or 24.6% mainly contributed by lower advisory and brokerage fee income in brokerage business following the decline in the market trading volume. Moreover, gains on investment in securities also dropped 41.1% or 233.03 million baht to 334.06 million baht as the Bank recorded gains from selling Thai Oil shares through its IPO in 2004. However, the fees contributed by hire purchase business as well as asset management business was growing continuously.

Non-interest Expenses

Non-interest expenses in 2005 were 2,892.84 million baht, up by 9.3% or 246.52 million baht, as direct expenses increased in accordance with higher business volumes and other operating expenses increased by 15.0% due to expenses on bank upgrade. Stripping the bank upgrade expenses out, the operating expenses increased by 4.0%. Whilst personnel expenses declined 53.57 million baht or 4.3% to 1,205.43 million baht proportionately to the business volumes and actual operating results.

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

%	2004	2004 (excl. write back effect)	2005
Yield	6.94	6.51	6.74
Cost of Fund	2.29	2.29	2.69
Interest spread	4.65	4.22	4.05

The cost-to-income ratio in 2005 rose to 56.1% from 47.6% in 2004 because increased operating costs were more than increased income.

Corporate Income Tax

Started from 2005, the Bank and its subsidiaries pay corporate income tax at a normal rate. In 2005 the corporate income tax equaled 635.01 million baht or the effective tax rate of 25.9% higher than last year due to no tax loss carried forward.

Financial Position

1. Assets

The Bank and its subsidiaries' total assets as of December 31, 2005 were 75,282.76 million baht increased by 8,986.72 million baht or 13.6%. The increase contributed mainly from cash and loans. Cash increased from 3.77 million baht to 203.95 million baht and total loans equaled 65,223.68 million baht increased by 8,238.94 million baht or 14.5% caused mainly by the growth of hire purchase loans. The hire purchase portfolio increased by 16.9% from the end of 2004 to 45,074.07 million baht.

Table 3 : Assets Breakdown

Assets	December 31, 2004		December 31, 2005		% Change
	Amount (million baht)	%	Amount (million baht)	%	
Cash	3.77	0.0	203.95	0.3	5,309.8
Interbank and Money Market Items	1,519.31	2.3	1,505.41	2.0	(0.9)
Securities purchased under resale agreements	2,105.00	3.2	2,000.00	2.7	(5.0)
Fixed income	993.39	1.5	1,178.22	1.6	18.6
Equity	4,218.78	6.4	4,027.15	5.3	(4.5)
Corporate Loans	10,924.18	16.5	12,704.69	16.9	16.3
Retail Loans	40,971.27	61.8	47,248.89	62.8	15.3
Other Loans	5,089.28	7.7	5,270.11	7.0	3.6
Allowance	(4,288.37)	(6.5)	(3,484.73)	(4.6)	(18.7)
Other Assets	4,759.43	7.2	4,629.07	6.1	(2.7)
Total - The Bank and Subsidiaries	66,296.04	100.0	75,282.76	100.0	13.6

Investments

At the end of 2005, total investment in securities totaled 5,205.37 million baht, declined 0.1% from the end of 2004. Investment in equity decreased 4.5% to 4,027.15 million baht, due to gain on sales of equity securities, while investment in fixed income increased 18.6% to 1,1778.22 million baht owing to an increase of investment in debt instruments.

Loans and Receivables Breakdown

Total loans and receivables increased by 14.7% to 63,948.41 million baht. They were composed of 19.9% of corporate loans, 73.9% of retail loans, and 6.2% of other loans.

An increase in loans and receivables was mainly due to the expansion of hire purchase portfolio, which grew by 16.9% from 38,573.79 million baht in 2004 to 45,074.07 million baht.

Table 4 : Loans and Receivables Breakdown

Type of Business	December 31, 2004		December 31, 2005		% Change
	Amount (million baht)	%	Amount (million baht)	%	
Commercial Lending	10,924.18	19.6	12,704.69	19.9	16.3
Manufacturing and commerce	5,525.07	9.9	6,779.39	10.6	22.7
Real estate and construction	3,500.24	6.3	4,148.82	6.5	18.5
Public utilities and services	1,744.45	3.1	1,655.62	2.6	(5.1)
Agriculture and mining	154.43	0.3	120.86	0.2	(21.7)
Retail Lending	40,971.27	73.5	47,248.89	73.9	15.3
Hire purchase	38,573.79	69.2	45,074.07	70.5	16.9
Housing	2,397.48	4.3	2,174.82	3.4	(9.3)
Others	3,864.39	6.9	3,994.84	6.2	3.4
Total - The Bank and Subsidiaries	55,759.84	100.0	63,948.41	100.0	14.7

Table 5 : Loans Classified by Remaining Periods of Contacts

Type of Business	December 31, 2004		December 31, 2005		% Change
	Amount (million baht)	%	Amount (million baht)	%	
Loans and receivable					
Not over 1 year (included contract which are due)	6,968.81	12.5	9,167.10	14.3	31.5
Over 1 year	48,791.03	87.3	54,781.31	85.5	12.3
Total loans and receivable	55,759.84	99.8	63,948.41	99.8	14.7
Add : Accrued interest receivable	117.39	0.2	113.99	0.2	(2.9)
Total loans and receivable and accrued interest receivable	55,877.23	100.0	64,062.40	100.0	14.6

Non-performing Loans

As of December 31, 2005, non-performing loans (NPLs) to total loans ratio declined to 4.5%, from 5.8%, despite the continued growth of loan portfolio. NPLs of the bank and its subsidiaries were 2,912.91 million baht (contained Bank's NPLs of 2,493.09 million baht and subsidiaries' NPLs of 419.82 million baht) dropped by 390.87 million baht as a

result of the improvement of the asset quality and the acceleration of debt restructuring process.

In 2005 the Bank and its subsidiaries recorded bad debt written-off of 636.18 million baht, increased from 500.12 million baht in 2004. Additional details are presented in Notes to Financial Statement, 3.7.1 Allowance for doubtful accounts.

Table 6 : NPL Breakdown by Area

	December 31, 2004			December 31, 2005			% Change
	% NPL	(million baht)	%	% NPL	(million baht)	%	
Commercial Lending	9.2	1,009.82	30.6	7.8	996.17	34.2	(1.4)
Manufacturing and commerce	7.6	417.24	12.6	5.6	379.22	13.0	(9.1)
Real estate and construction	16.9	590.67	17.9	14.5	601.38	20.6	1.8
Public utilities and services	0.1	1.42	0.0	0.9	14.04	0.5	888.7
Agriculture and mining	0.3	0.49	0.0	1.3	1.53	0.1	212.2
Retail Lending	2.7	1,095.15	33.1	2.5	1,188.01	40.8	8.5
Hire purchase	1.9	719.52	21.8	1.9	874.51	30.0	21.5
Housing	15.7	375.63	11.4	14.4	313.49	10.8	(16.5)
Others	23.6	1,198.81	36.3	13.1	728.73	25.0	(39.2)
Total - The Bank and Subsidiaries	5.8	3,303.78	100.0	4.5	2,912.91	100.0	(11.8)

Allowance for Doubtful Accounts and Losses on Debt Restructuring

As of December 31, 2005, the Bank and its subsidiaries' allowance for doubtful accounts and revaluation allowance for debt restructured totaled 3,484.73 million baht, and the ratio of the allowance to NPLs was 119.6%. The Bank's allowance was 3,169.30 million baht, consisting of specific reserve of 2,671.81 million baht and general reserve of 497.50 million baht. The Bank's allowance was greater than the minimum requirement of the Bank of Thailand (BoT), which was 2,276.52 million baht. This followed a conservative provisioning policy aimed to protect the Bank from potential risks to its operations. The Bank will consider recognizing these excess provisions as income when it has been certain that customers are constantly capable to fulfill the debt restructuring conditions throughout the contract.

2. Liabilities

Total liabilities as of December 31, 2005 were 62,201.10 million baht, up by 8,485.95 million baht or 15.8%. The expansion was mainly from borrowings which were increased by 10,504.26 million baht or 150.4% to 17,490.54 million baht while the deposits dropped from 39,287.80 million baht to 34,450.80 million baht or 12.3%. This was due to an increase in short-term borrowings, as the Bank issued short-term debentures to enhance flexibility and variety of funding structure management, as well as to provide more investment alternatives for public and the Bank's depositors.

Table 7 : Liabilities Breakdown by Area

Type of Borrowings	December 31, 2004		December 31, 2005		% Change
	Amount (million baht)	%	Amount (million baht)	%	
Deposits	39,287.80	73.1	34,450.80	55.4	(12.3)
Interbank and money market items	4,307.27	8.0	6,415.25	10.3	48.9
Borrowings	6,986.28	13.0	17,490.54	28.1	150.4
Other liabilities	3,133.79	5.8	3,844.51	6.2	22.7
Total - The Bank and Subsidiaries	53,715.14	100.0	62,201.10	100.0	15.8

Shareholders' Equity

Total shareholder's equity as of December 31, 2005 was 13,081.67 million baht, rose by 500.77 million baht or 4.0%. The change was mainly contributed by 2005's annual net profit of 1,790.85 million baht and the dividend payment of 1,147.83 million baht in May 2005. Meanwhile, book value per share (BVPS) at the end of December 31, 2005 was 18.12 baht rose from 17.52 baht at the end of previous year.

Business Segment Performances

Banking Business

Total loans and receivables increased by 14.7% to 63,948.41 million baht. They were composed of 19.9% of corporate loans, 73.9% of retail loans, and 6.2% of other loans.

Corporate lending portfolio of the Bank and its subsidiaries increased by 16.3% to 12,704.69 million baht, mainly resulted from an increase in manufacturing and commerce lending while the NPL ratio decreased from 9.2% at the end of 2004 to 7.8%.

Retail finance business consisted of car, motorcycle, and other hire purchase and mortgage loans. The total hire purchase loans including cars and motorcycles accounted for 95.4% of total retail loans. The outstanding hire purchase portfolio was 45,074.07 million baht, increased by 16.9%. New loan extended in this year amounted to 26,206.46 million baht,

increased by 4.9%. However, in the fourth quarter of 2005, the Bank perceived uncertainty and upward trend of interest rates. Therefore, the Bank expanded business at a lower pace in order to observe the interest rate situation. As a result, the loans growth was slightly lower than the target. Besides, the penetration rate for 2005 stood at 7.0%, fell from 7.3% at the end of 2004.

The loans to deposits ratio at the end of 2005 stood at 185.6%, rose from 141.9% at the end of 2004 as the loans grew at the higher rate than the deposits.

Securities Business

Brokerage business served 26.7% of foreign institutional customers, 26.0% of domestic institution customers, and 47.3% of retail customers. Following a decline in TISCO Securities' trading volume due to lower market turnover, brokerage fee income in 2005 and the fourth quarter of 2005 decreased 31.1% and 37.2% to 621.95 million baht and 133.13 million baht, respectively. In 2005, TISCO Securities gained 2.98% of market share, which was decreased from 3.52% of 2004 market share.

Fees from investment banking in 2005 and the fourth quarter of 2005 amounted to 27.95 million baht and 7.13 million baht, dropped by 92.3% and 93.9%, respectively. The decreases followed unfavorable stock market and hence delay in

securities public offerings and listings. Moreover, in 2004, TISCO Securities gained fee income from financial advisory and underwriting services provided to large listed companies such as TPI Polene Plc., Pacific Pipe Plc., Syrus Securities Plc., and Thainox Stainless Plc.

Asset Management

Asset management business, operated under TISCO Asset Management Co., Ltd., provided provident fund, private fund, mutual fund, and retirement mutual fund services. The total assets under management were 82,109.78 million baht, increased by 14,405.63 million baht or 21.3%, following an increase in funds' NAV, additional investments from investors, and an increase in customer base.

The asset management fees in 2005 was 271.51 million baht increased by 19.5%. as a result of higher numbers of funds and customers. For the forth quarter of 2005, the fees equaled 52.04 million baht declined 18.1% from the same period of previous year.

Total market share of TISCO Asset Management Co., Ltd. as of December 31, 2005 was 6.52%, the 5th rank in the market. The market shares of provident fund and private fund were 14.71% and 14.62% respectively. Both represented the 2nd rank in the market. For mutual fund, the market share was 1.35%, the 13th rank in the market.

Liquidity

As of December 31, 2005, the Bank and its subsidiaries' cash was 203.95 million baht, an increase of 200.19 million baht. This was mainly comprised of 1,453.77 million baht in net cash flows from operating activities, of which a major source came from borrowings amounted to 10,504.26 million baht. Nevertheless, there were a decrease in net cash flows from financing activities of 1,088.54 million baht, contributed mainly by the Bank's dividend payment in May 2005, and a decrease in net cash flows from investing activities of 179.29 million baht, chiefly caused by cash paid for purchase of investment in securities held for investment equaled 9,970.85 million baht and cash paid for purchase of equipment of 237.50 million baht.

Sources and Uses of Funds

As the end of 2005, the funding structure as show in the consolidated financial statement comprised 62,201.10 million baht in liabilities and 13,081.67 million baht in shareholders' equity, resulting in a debt-to-equity ratio of 4.75. The major source of funds on liabilities side was deposits, which accounted for 55.4% of total. Other sources of funds included interbank and money market items and borrowing, which accounted for 10.3% and 28.1% of total, respectively.

Table 8 : Assets Under Management Breakdown by Type of Fund

Type of Fund	December 31, 2004		December 31, 2005		% Change
	Amount (million baht)	%	Amount (million baht)	%	
Provident Fund	42,471.28	62.7	50,871.16	62.0	19.8
Private Fund	18,458.16	27.3	20,843.48	25.4	12.9
Mutual Fund	6,774.71	10.0	10,395.14	12.6	53.4
Total	67,704.15	100.0	82,109.78	100.0	21.3

The Bank and its subsidiaries major use of funds was loans. As of December 31, 2005, loans amounted to 63,948.41 million baht, resulting in a loan-to-deposit ratio of 185.6%. The other uses of funds include interbank and money market items, securities purchased under resale agreements, and investment in securities.

Capital Requirements

During the year 2005, the capital base rose by 4.0% to Bt13,081.67 million baht, comparing with the estimated capital at risk that increased by 4.8% to Bt6,344.32 million baht, due to normal business expansion during the year. Capital surplus remained high at 51.5% of total capital, reflecting a continuously strong capital position to support future business expansion. The regulatory capital adequacy ratio (BIS ratio) remained strong at 18.64%, with a tier-I capital ratio of 17.04%, higher than the 8.5% minimum requirement of the Bank of Thailand. The net capital ratio (NCR) of TISCO Securities Co., Ltd. stood at 103.04% comparing with the minimum of 7.0% required by the SEC. Details of the capital adequacy ratio of the Bank are as follows:

Holding Company Restructuring

Please see the details in "Future Project".

Auditor's Fee

Audit Fee

The Bank and subsidiaries paid the audit fee for the year 2005 of 6,453,146 baht to Ernst & Young Office Limited.

Non-audit Fee

The Bank and TISCO Securities Hong Kong Ltd. paid non-audit fees in 2005 amounted to 365,563 baht to Ernst & Young Office Limited. These fees were for special audit under the requirement of the Bank of Thailand and for taxation service.

Capital Adequacy Ratio	December 31, 2003	December 31, 2004	December 31, 2005
Tier-I Capital	18.78	17.48	17.04
Total Capital	21.42	19.57	18.64

Responsibility of the Board of Directors for Financial Statements

The Board of Directors of TISCO Bank Public Company Limited is responsible for the Bank's financial statements, the consolidated financial statements of the Bank and its subsidiaries, and all financial information presented in the annual report. The financial statements have been prepared in accordance with generally accepted accounting standards in Thailand, which are based on appropriate accounting policies consistently applied and practiced. The financial statements have also been prepared with prudent judgement and the best forecasting method. All material information has been sufficiently disclosed in the notes to financial statements, with due consideration given to the directives of the Bank of Thailand, the regulations of the Securities Exchange Commission and the Stock Exchange of Thailand. Independent auditor has audited and expressed an unqualified audit opinion on those financial statements, therefore, they are presented fairly in the financial position, results of the operations and cash flow which will be useful for all shareholders.

The Board of Directors has established and maintained an effective risk management and internal control system which provide reasonable assurance that accounting records are accurate, complete and adequate to protect the Bank's assets. These controls also identify weaknesses requiring preventive measures against operational risk or other irregularities in the operation.

In this regard, the Board of Directors has appointed the Audit Committee, comprising independent directors, to be responsible for qualitative aspects of financial reporting and internal control system. The opinion of the Audit Committee with regard to these matters appears in the Report of the Audit Committee in this annual report.

The Board of Directors viewed that the Bank's internal control system is satisfactory and provides reasonable assurance as to the reliability of both the Bank's financial statements and the consolidated financial statements of the Bank and its subsidiaries as of December 31, 2005.

Board of Directors

Report of Independent Auditor

To The Board of Directors and Shareholders of
TISCO Bank Public Company Limited
(Formerly known as “TISCO Finance Public Company Limited”)

I have audited the accompanying consolidated balance sheets of TISCO Bank Public Company Limited and its subsidiaries as at 31 December 2005 and 2004, 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 Bank Public Company Limited for the same periods. These financial statements are the responsibility of the Bank'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 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, the financial statements referred to above present fairly, in all material respects, the financial positions of TISCO Bank Public Company Limited as at 31 December 2005 and 2004, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano
Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited
Bangkok : 9 February 2006

Balance Sheets

As at 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
ASSETS					
CASH		203,952,651	3,765,946	202,324,961	1,841,478
INTERBANK AND MONEY MARKET ITEMS	3.2				
Domestic					
Interest bearing		886,954,771	1,110,260,592	125,449	1,732,744
Non-interest bearing		618,458,009	409,049,166	490,008,800	391,678,147
Total interbank and money market items - net		1,505,412,780	1,519,309,758	490,134,249	393,410,891
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	3.3	2,000,000,000	2,105,000,000	2,000,000,000	2,105,000,000
INVESTMENT IN SECURITIES	3.4,3.5,3.8				
Current investment - net		826,593,131	647,498,882	715,779,356	561,924,228
Long-term investment - net		4,378,779,842	4,564,668,591	4,145,861,821	2,867,786,440
Investment in subsidiaries - net		-	-	3,566,055,931	4,625,683,969
Net investments		5,205,372,973	5,212,167,473	8,427,697,108	8,055,394,637
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		61,191,433	159,025,845	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	3.6,3.8				
Loans and receivable		63,948,411,845	55,759,842,707	57,799,317,430	49,808,256,279
Securities business receivable		1,275,269,335	1,224,893,843	-	-
Total loans and receivable		65,223,681,180	56,984,736,550	57,799,317,430	49,808,256,279
Accrued interest receivable		113,987,295	117,390,139	77,532,932	81,287,821
Total loans, receivable and accrued interest receivable		65,337,668,475	57,102,126,689	57,876,850,362	49,889,544,100
Less : Allowance for doubtful accounts	3.7	(3,181,001,341)	(3,928,871,936)	(2,865,571,288)	(3,231,048,656)
Less : Allowance for loss on debt restructuring	3.7	(303,731,217)	(359,502,073)	(303,731,217)	(359,502,073)
Net loans, receivable and accrued interest receivable		61,852,935,917	52,813,752,680	54,707,547,857	46,298,993,371
PROPERTY FORECLOSED - net	3.9	1,206,694,763	1,230,358,055	1,211,258,840	1,238,019,799
LAND, PREMISES AND EQUIPMENT - net	3.10	1,559,496,070	1,440,706,920	1,004,248,203	899,983,914
DEFERRED TAX ASSETS	3.23	682,854,387	831,145,923	499,674,406	683,855,879
RECEIVABLES FROM SALES OF SECURITIES	4.5	-	-	-	1,485,465,721
DIVIDEND RECEIVABLE FROM SUBSIDIARIES		-	-	846,022,234	-
OTHER ASSETS	3.11	1,004,850,554	980,807,526	833,879,355	784,723,682
TOTAL ASSETS		75,282,761,528	66,296,040,126	70,222,787,213	61,946,689,372

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

Balance Sheets (Continued)

As at 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS IN BAHT	3.12	34,450,801,235	39,287,802,319	34,611,262,962	39,305,550,054
INTERBANK AND MONEY MARKET ITEMS					
Domestic - Interest bearing	3.13	6,415,252,821	4,307,266,920	6,231,223,970	4,151,992,808
LIABILITY PAYABLE ON DEMAND		247,287,192	-	247,287,192	-
BORROWINGS	3.14				
Short-term borrowings		12,322,795,836	999,974,076	9,998,000,000	-
Long-term borrowings		5,167,743,812	5,986,309,395	5,144,200,000	5,144,200,000
Total borrowings		17,490,539,648	6,986,283,471	15,142,200,000	5,144,200,000
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		566,490,815	130,994,931	-	-
SECURITIES BUSINESS PAYABLE		1,347,282,618	1,382,248,514	-	-
ACCRUED INTEREST PAYABLE		247,144,460	189,973,464	238,101,787	180,307,848
OTHER LIABILITIES	3.15	1,436,296,502	1,430,574,408	1,102,013,091	1,014,643,898
TOTAL LIABILITIES		62,201,095,291	53,715,144,027	57,572,089,002	49,796,694,608
SHAREHOLDERS' EQUITY					
Share capital					
Registered	2.2	11,002,000	11,002,000	11,002,000	11,002,000
Issued and paid up					
180,947,630 preference shares of Baht 10 each (2004 : 184,123,480 preference shares of Baht 10 each)		1,809,476,300	1,841,234,800	1,809,476,300	1,841,234,800
541,020,120 ordinary shares of Baht 10 each (2004 : 533,907,520 ordinary shares of Baht 10 each)		5,410,201,200	5,339,075,200	5,410,201,200	5,339,075,200
		7,219,677,500	7,180,310,000	7,219,677,500	7,180,310,000
Share premium					
Share premium of preference shares		43,128,630	23,206,450	43,128,630	23,206,450
Share premium of ordinary shares		36,500,000	36,500,000	36,500,000	36,500,000
Revaluation surplus on changes in the value of investment	3.19	1,011,780,646	1,255,383,557	1,011,780,646	1,255,383,557
Translation adjustments		112,560,156	98,315,392	112,560,156	98,315,392
Retained earnings					
Appropriated - statutory reserve	2.3	344,800,000	254,600,000	344,800,000	254,600,000
Unappropriated		3,882,251,279	3,301,679,365	3,882,251,279	3,301,679,365
Equity attributable to Bank shareholders		12,650,698,211	12,149,994,764	12,650,698,211	12,149,994,764
Minority interest - equity attributable to minority shareholders of subsidiary		430,968,026	430,901,335	-	-
TOTAL SHAREHOLDERS' EQUITY		13,081,666,237	12,580,896,099	12,650,698,211	12,149,994,764
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		75,282,761,528	66,296,040,126	70,222,787,213	61,946,689,372
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
Aval to bills and guarantees of loans	3.29	561,000,000	432,669,751	561,000,000	432,669,751
Other commitments		5,085,318,059	5,901,692,945	5,085,318,059	5,901,692,945

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

Statements of Earnings

For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	Note	CONSOLIDATED		THE BANK ONLY	
		2005	2004	2005	2004
INTEREST AND DIVIDEND INCOME					
Loans		589,703,186	701,054,382	583,655,232	700,036,167
Interbank and money market items		144,857,642	48,517,545	100,928,711	28,063,275
Hire purchase and financial lease income		3,544,059,627	2,957,022,258	2,535,591,199	2,135,038,847
Investments		288,778,023	206,767,640	284,507,514	193,617,523
Total interest and dividend income		4,567,398,478	3,913,361,825	3,504,682,656	3,056,755,812
INTEREST EXPENSES					
Deposit		1,049,806,386	726,170,275	1,049,927,580	725,398,353
Interbank and money market items		130,461,116	87,584,270	72,927,476	56,325,612
Short-term borrowings		70,391,099	28,994,867	8,689,919	-
Long-term borrowings		213,500,000	240,232,018	213,500,000	214,084,931
Total interest expenses		1,464,158,601	1,082,981,430	1,345,044,975	995,808,896
Net interest and dividend income		3,103,239,877	2,830,380,395	2,159,637,681	2,060,946,916
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS (BAD DEBT AND DOUBTFUL ACCOUNTS)					
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		186,221,513	(174,805,899)	230,527,483	(112,619,601)
		3,289,461,390	2,655,574,496	2,390,165,164	1,948,327,315
NON-INTEREST INCOME					
Brokerage fees		621,950,517	902,779,413	-	-
Gain on investments	3.20	334,062,523	567,097,140	101,293,640	577,595,379
Share of profit of subsidiary companies		-	-	673,014,334	731,559,051
Fees and service income					
Acceptances, aval and guarantees		2,250,197	3,109,239	2,250,197	3,109,239
Others		874,605,453	1,095,539,771	520,057,553	477,993,767
Fees and gain on exchange		2,284,331	2,317,328	-	(577,308)
Other income	3.21	221,902,068	158,616,285	169,856,202	138,830,074
Total non-interest income		2,057,055,089	2,729,459,176	1,466,471,926	1,928,510,202
Total net income		5,346,516,479	5,385,033,672	3,856,637,090	3,876,837,517
NON-INTEREST EXPENSES					
Personnel expenses		1,205,427,967	1,259,001,411	646,896,834	625,519,552
Premises and equipment expenses		415,841,048	351,531,582	308,686,710	243,072,327
Taxes and duties		73,128,868	72,852,780	63,695,372	65,432,456
Fees and service expenses		588,622,501	537,808,292	368,472,295	310,386,612
Directors' remuneration	2.4	7,185,000	7,065,000	6,915,000	6,165,000
Other expenses	3.22	602,635,872	418,064,372	274,128,742	264,171,976
Total non-interest expenses		2,892,841,256	2,646,323,437	1,668,794,953	1,514,747,923
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST		2,453,675,223	2,738,710,235	2,187,842,137	2,362,089,594
CORPORATE INCOME TAX	3.23	(635,010,183)	(478,925,856)	(396,992,893)	(137,824,049)
EARNINGS BEFORE MINORITY INTEREST		1,818,665,040	2,259,784,379	1,790,849,244	2,224,265,545
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANY		(27,815,796)	(35,518,834)	-	-
NET EARNINGS FOR THE YEAR		1,790,849,244	2,224,265,545	1,790,849,244	2,224,265,545
EARNINGS PER SHARE					
Basic earnings per share	3.26,4.4	2.23	2.85	2.23	2.85
Diluted earnings per share		2.20	2.79	2.20	2.79

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

Statements of Changes in Shareholders' Equity

For the Years Ended 31 December 2005 and 2004

CONSOLIDATED

	Issued and paid-up share capital		Share premium	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
Balance as at 31 December 2003	1,811,276,800	5,305,918,200	7,811,540	36,500,000
Increase in fair value of investments	-	-	-	-
Decrease in translation adjustments	-	-	-	-
Net earnings for the year	-	-	-	-
Dividend paid (Note 4.3)	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	63,115,000	-	15,394,910	-
Preference shares converted to ordinary shares	(33,157,000)	33,157,000	-	-
Decrease in minority interest	-	-	-	-
Balance as at 31 December 2004	1,841,234,800	5,339,075,200	23,206,450	36,500,000
Decrease in fair value of investments	-	-	-	-
Increase in translation adjustments	-	-	-	-
Net earnings for the year	-	-	-	-
Dividend paid (Note 4.3)	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	39,367,500	-	19,922,180	-
Preference shares converted to ordinary shares	(71,126,000)	71,126,000	-	-
Increase in minority interest	-	-	-	-
Balance as at 31 December 2005	1,809,476,300	5,410,201,200	43,128,630	36,500,000

THE BANK ONLY

	Issued and paid-up share capital		Share premium	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
Balance as at 31 December 2003	1,811,276,800	5,305,918,200	7,811,540	36,500,000
Increase in fair value of investments	-	-	-	-
Decrease in translation adjustments	-	-	-	-
Net earnings for the year	-	-	-	-
Dividend paid (Note 4.3)	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	63,115,000	-	15,394,910	-
Preference shares converted to ordinary shares	(33,157,000)	33,157,000	-	-
Balance as at 31 December 2004	1,841,234,800	5,339,075,200	23,206,450	36,500,000
Decrease in fair value of investments	-	-	-	-
Increase in translation adjustments	-	-	-	-
Net earnings for the year	-	-	-	-
Dividend paid (Note 4.3)	-	-	-	-
Transfer unappropriated retained earnings to statutory reserve	-	-	-	-
Warrants converted to preference shares	39,367,500	-	19,922,180	-
Preference shares converted to ordinary shares	(71,126,000)	71,126,000	-	-
Balance as at 31 December 2005	1,809,476,300	5,410,201,200	43,128,630	36,500,000

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

(Unit : Baht)

Surplus from changes in the value of investment	Translation adjustments	Statutory reserve	Unappropriated retained earnings	Minority interest- equity attributable to minority shareholders	Total
1,032,910,120	102,400,755	143,300,000	1,837,248,600	443,740,156	10,721,106,171
222,473,437	-	-	-	-	222,473,437
-	(4,085,363)	-	-	-	(4,085,363)
-	-	-	2,224,265,545	-	2,224,265,545
-	-	-	(648,534,780)	-	(648,534,780)
-	-	111,300,000	(111,300,000)	-	-
-	-	-	-	-	78,509,910
-	-	-	-	-	-
-	-	-	-	(12,838,821)	(12,838,821)
1,255,383,557	98,315,392	254,600,000	3,301,679,365	430,901,335	12,580,896,099
(243,602,911)	-	-	-	-	(243,602,911)
-	14,244,764	-	-	-	14,244,764
-	-	-	1,790,849,244	-	1,790,849,244
-	-	-	(1,120,077,330)	-	(1,120,077,330)
-	-	90,200,000	(90,200,000)	-	-
-	-	-	-	-	59,289,680
-	-	-	-	-	-
-	-	-	-	66,691	66,691
1,011,780,646	112,560,156	344,800,000	3,882,251,279	430,968,026	13,081,666,237

Surplus from changes in the value of investment	Translation adjustments	Statutory reserve	Unappropriated retained earnings	Total
1,032,910,120	102,400,755	143,300,000	1,837,248,600	10,277,366,015
222,473,437	-	-	-	222,473,437
-	(4,085,363)	-	-	(4,085,363)
-	-	-	2,224,265,545	2,224,265,545
-	-	-	(648,534,780)	(648,534,780)
-	-	111,300,000	(111,300,000)	-
-	-	-	-	78,509,910
-	-	-	-	-
1,255,383,557	98,315,392	254,600,000	3,301,679,365	12,149,994,764
(243,602,911)	-	-	-	(243,602,911)
-	14,244,764	-	-	14,244,764
-	-	-	1,790,849,244	1,790,849,244
-	-	-	(1,120,077,330)	(1,120,077,330)
-	-	90,200,000	(90,200,000)	-
-	-	-	-	59,289,680
-	-	-	-	-
1,011,780,646	112,560,156	344,800,000	3,882,251,279	12,650,698,211

Statements of Cash Flows

For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2005	2004	2005	2004
Cash flows from operating activities				
Net earnings	1,790,849,244	2,224,265,545	1,790,849,244	2,224,265,545
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary company	27,815,796	35,518,834	-	-
Share of profit from operating results of subsidiaries	-	-	(673,014,334)	(731,559,051)
Depreciation and amortisation	170,020,564	175,155,002	109,443,852	107,918,801
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts)	(94,434,943)	224,033,546	(146,332,053)	154,675,582
Unrealised loss on revaluation of investment	13,876,397	20,608,044	13,964,083	20,608,044
Allowance for impairment of property foreclosed (reversal)	(34,168,243)	1,276,794	(34,168,243)	82,732
Gain on disposal of investments	(347,938,920)	(592,393,555)	(115,257,723)	(598,183,634)
Gain on disposal of equipment	(8,792,526)	(3,331,989)	(8,677,155)	(1,383,743)
Unrealised loss on valuation of securities held for trading	-	22,634,240	-	-
Loss on disposal of property foreclosed	187,406,361	72,407,364	23,421,852	15,683,854
Decrease in deferred tax assets	176,754,079	119,495,416	210,032,600	137,824,049
Decrease in accrued interest and dividend receivable	8,489,950	15,967,799	8,841,995	745,910,635
Decrease (increase) in other receivable	(3,484,609)	99,476,843	(20,114,610)	4,266,501
Increase (decrease) in accrued interest payable	57,170,996	(4,183,504)	57,793,939	2,491,359
Increase (decrease) in accrued expenses	24,822,687	(58,849,820)	42,361,682	9,814,471
Earnings from operating activities before changes in operating assets and liabilities	1,968,386,833	2,352,080,559	1,259,145,129	2,092,415,145
Decrease (increase) in operating assets				
Interbank and money market items	13,896,978	271,636,406	(96,723,358)	(160,488,877)
Securities purchased under resale agreements	105,000,000	(2,068,000,000)	105,000,000	(2,068,000,000)
Investment in securities - held for trading	-	475,806,861	-	-
Trading transactions with securities companies	97,834,412	571,166,451	-	-
Loans and receivable	(9,796,797,459)	(10,925,060,885)	(8,660,137,387)	(10,299,495,295)
Securities business loans and receivable	(51,472,569)	2,203,108,208	-	-
Property foreclosed	832,148,188	412,735,811	533,541,200	318,399,059
Other assets	(111,558,588)	696,138,408	1,375,570,112	624,377,605
Increase (decrease) in operating liabilities				
Deposits	(4,837,001,084)	6,214,017,476	(4,694,287,092)	5,984,202,283
Interbank and money market items	2,107,985,901	(30,262,581)	2,079,231,162	622,949,530
Liabilities payable on demand	247,287,192	-	247,287,192	-
Short-term borrowings	10,504,256,177	75,579,702	9,998,000,000	-
Trading transactions with securities companies	435,495,884	(733,592,520)	-	-
Securities business payable	(34,965,896)	(1,916,918,357)	-	-
Other liabilities	(26,727,205)	293,548,025	41,283,511	272,788,224
Net cash flows from (used in) operating activities	1,453,768,764	(2,108,016,436)	2,187,910,469	(2,612,852,326)

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

Statements of Cash Flows (Continued)

For the Years Ended 31 December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE BANK ONLY	
	2005	2004	2005	2004
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(9,970,851,702)	(6,519,090,161)	(10,354,125,084)	(6,021,101,238)
Cash received from disposal of investment in securities held for investment	10,011,616,371	9,392,491,569	9,619,900,218	9,292,075,017
Cash paid for purchase of equipment	(237,502,454)	(144,448,145)	(206,903,348)	(92,595,848)
Cash received from disposal of equipment	17,448,612	12,201,795	14,488,878	4,521,053
Cash paid for purchase of a subsidiary	-	(42,000,000)	-	-
Net cash flows from (used in) investing activities	(179,289,173)	2,699,155,058	(926,639,336)	3,182,898,984
Cash flows from financing activities				
Cash received from long-term borrowings	-	32,109,395	-	-
Dividend paid	(1,147,827,330)	(697,534,780)	(1,120,077,330)	(648,534,780)
Cash received from exchange of warrants to purchase preference shares	59,289,680	78,509,910	59,289,680	78,509,910
Net cash flows used in financing activities	(1,088,537,650)	(586,915,475)	(1,060,787,650)	(570,024,870)
Translation adjustment	14,244,764	(4,085,363)	-	-
Net increase in cash and cash equivalents	200,186,705	137,784	200,483,483	21,788
Cash and cash equivalents at beginning of the year	3,765,946	3,628,162	1,841,478	1,819,690
Cash and cash equivalents at end of the year	203,952,651	3,765,946	202,324,961	1,841,478
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	1,407,426,568	1,085,055,972	1,287,251,036	993,317,537
Corporate income tax	419,924,898	405,425,215	116,496,702	26,846,233
Non-cash transactions :-				
Conversion of preference shares to ordinary shares	71,126,000	33,157,000	71,126,000	33,157,000
Transfer of property foreclosed to land, premises and equipment	39,172,584	152,183,652	-	73,311,066
Transfer of assets from troubled debt restructuring	-	76,276,200	-	76,276,200

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

Note to Financial Statements

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act. B.E. 2547, 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 Bank and its subsidiaries are summarised below :-

1.1 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 recognised over the installment period, using the effective interest rate.

For loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank 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 Bank 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.

1.2 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.

1.3 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 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 year 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 Market Association 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 Bank 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.

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

Investments in receivable purchased or transferred in, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in determining earnings.

For investments in receivable purchased or transferred in, who entered into troubled debt restructuring will be transferred to loans and receivable and valued at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of investments in receivable purchased or transferred in, as at transferred date or as at the date of restructuring. Allowance for doubtful debt is based on the Bank of Thailand's guideline with the same as allowance for loans and receivable.

1.5 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. 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.

The Bank does not record investments by the equity method for any investments which had been transferred as the result of debt restructuring, and the Bank holds not less than 20% of the equity. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.

1.6 Loans and receivables

The Bank and its subsidiaries present loans and receivables at principal balances, excluding accrued interest receivables. Unrecognised deferred in come/discount on loans are deducted from loans.

1.7 Allowance for doubtful accounts and losses from troubled debt restructuring

The Bank 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.

1.8 Troubled debt restructuring

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring". The assets and equities was transferred to the Bank 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 Bank 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.

1.9 Recognition and amortisation of customers' deposits assets

Cash which customers have placed with a subsidiary company for securities trading through cash accounts are recorded as assets of the subsidiary company for internal control purposes, but at the balance sheet date the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.10 Borrowing and lending of Securities

A subsidiary company conducts both securities borrowing and securities lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

The subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the balance sheet. At the end of the years, the balance of Securities borrowing payables and Securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand of the last working day of the year. Gains or losses arising from such adjustment are included in determining earnings. The subsidiary company records cash received as collateral for securities borrowing as "Guaranteed deposit payables". Fees for borrowing and lending are recognised on an accrual basis over the term of the lending.

1.11 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.

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

1.12 Financial lease

The Bank 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 Bank 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.

1.13 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.

1.14 Deferred tax assets/liabilities

Accounting policy regarding deferred tax assets/liabilities complies with International Accounting Standards No.12 "Income taxes".

The Bank and its subsidiaries provide for deferred income tax resulting from temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date, and 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 Bank and its subsidiaries will recognise tax benefits as assets in its books of account if it is highly probable that the Bank and its subsidiaries will generate sufficient profits from their future operations to utilise these benefits.

1.15 Sales of commercial paper

Commercial paper, which is sold without recourse, is recorded by crediting the notes receivable account.

Commercial paper without an aval or acceptance, which is sold with recourse, is recorded as a liability under the caption of "Liabilities from sale of commercial paper". Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of "Contingent liabilities".

1.16 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.

1.17 Financial instruments

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.

Financial instruments presented in the balance sheets comprise of cash, interbank and money market items (assets), securities purchased under resale agreements, investments, loans, receivables and accrued interest receivables, trading transactions with securities companies, deposits, interbank and money market items (liabilities), borrowings, securities sold under repurchase agreements and securities business payables. The accounting policy for each transaction is separately and individually disclosed.

1.18 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 Bank 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, interbank and money items (assets), securities purchased under resale agreement, 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 deposits, interbank and money market items (liabilities), liabilities payable on demand and borrowings are considered to approximate their respective carrying values for the same reasons as described above.

1.19 Basic earnings per share

Calculation of earnings per share is summarized below :-

- Basic earnings per share is calculated by dividing net earnings for the year, after deducting the dividend paid to the preference shareholders in preference to the ordinary shareholders, by the weighted average number of ordinary shares and preference shares in issuing during the year.
- Diluted earnings per share is calculated by dividing net earnings for the year, after deducting the dividend paid to the preference shareholders in preference to the ordinary shareholders, by the sum of the weighted average number of ordinary shares and preference shares in issuing during the year plus the weighted average number of ordinary shares to be issued upon conversion of warrants into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the warrants were issued.

1.20 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.

1.21 Basis for the preparation of the consolidated financial statements

The consolidated financial statements include the accounts of TISCO Bank Public Company Limited (the "Bank") and its subsidiary companies (the "subsidiaries") after eliminating material intercompany balances and transactions.

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.

1.22 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 commercial bank 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.

2. GENERAL INFORMATION

2.1 The Bank's information

TISCO Bank Public Company Limited was incorporated as a public limited company under Thai laws. The Bank operates its business in Thailand and has been licensed by the Ministry of Finance to operate commercial banking business. The Bank's registered office is located at 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. The Bank has 14 branches in Thailand.

2.2 Share capital

The Bank has a registered capital of Baht 11,002 million which, according to the documents filed with the Ministry of Commerce in 1999, comprises 100.2 million ordinary shares and 1,000 million preference shares, both with a par value of Baht 10 each. The preference shares can be, and were from time to time, converted to ordinary shares in accordance with the Memorandum and Articles of Association.

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that the holders of preference shares receive dividend for each of the year that the Bank pays dividend prior to the holders of ordinary shares at the rate of 1 Baht per share. Additionally, the holders of preference shares are entitled to share the leftover dividend with the holders of ordinary shares. In the year that the Bank does not declare dividend payment to the holders of ordinary shares, the Bank may declare dividend payment at the above-mentioned rate to the holders of preference shares. The holders of preference shares shall be entitled to receive dividend only in the years in which the Bank has declared dividend payment. Dividend shall not be made up in subsequent years for the years that the Bank did not declare dividend payment. Since 30 June 2009, the rights and benefits of the preference shareholders shall be equal to the holders of ordinary shares.

On 10 April 2000, the annual general meeting of the Bank's shareholders passed a resolution approving the allocation to directors and employees of the Bank and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Bank'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 Bank's directors, except for those directors who were qualified by virtue of being the Bank employees. The exercise price of the warrants was stipulated at 75 percent of the ten-trading-day average closing price of the Bank'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 Bank and its subsidiaries to purchase the Bank's preference shares, leaving 370 million unallocated preference shares.

On 24 April 2002, the annual general meeting of the Bank's shareholders passed a resolution approving the exercise price of warrants at 75 percent of the ten-trading-day average closing price of the Bank's preference shares prior to the date of warrant allocation, subject to a minimum price of par value.

2.3 Statutory reserve

Under the Public Company Limited Act B.E. 2535, the Bank 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 be used for dividend payment.

2.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Bank'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.

2.5 Provident fund

The Bank, 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.

2.6 Related person and party transactions

The Bank 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 Bank and those companies, which are reference to the terms and price as charged to other customers.

The Bank 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 Bank, the Bank's directors or management-level employees, with the exception of loans to employees under the employee welfare scheme, as mentioned in Note 3.27 to the financial statements.

The Bank has neither provided any credit nor made any commitments to companies which have directors in common with the Bank in cases where such credit is unsecured or not fully collateralised and therefore would require an approval from the Bank of Thailand.

The Bank and its subsidiaries have no investments in related companies which are related by way of members of the management of the Bank or of its subsidiaries being shareholders and/or directors.

3. DETAILS OF FINANCIAL STATEMENTS

3.1 Consolidated financial statements

3.1.1 List of subsidiaries included in consolidated financial statements

(Unit : Percentage)

Company	Country of incorporation	Percentage of shares held by the Company as at 31 December		Subsidiaries' total assets as a percentage to the consolidated total as at 31 December		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	
		2005	2004	2005	2004	2005	2004	2005	2004
Subsidiaries directly owned by the Bank									
TISCO Securities Hong Kong Limited	China-Hong Kong	100.00	100.00	1.43	1.66	1.10	1.22	(0.82)	(0.52)
TISCO Securities Co., Ltd.	Thailand	99.99	99.99	1.91	3.75	13.66	22.99	14.94	24.72
TISCO Asset Management Co., Ltd.	Thailand	99.99	99.99	0.24	0.41	5.13	4.29	5.28	3.98
TISCO Leasing Co., Ltd.	Thailand	99.99	99.99	2.68	2.81	2.35	2.63	2.56	1.60
Hi-Way Co., Ltd.	Thailand	99.99	99.99	3.63	3.21	13.12	10.66	7.20	5.32
TISCO Information Technology Co., Ltd. (Formerly known as "Thai Information Technology Co., Ltd.")	Thailand	99.99	99.99	0.03	0.03	0.06	0.24	(5.12)	(3.47)
Thai Commercial Auto Co., Ltd.	Thailand	50.00	50.00	2.68	3.63	2.22	3.44	3.13	3.64
TISCO Group Co., Ltd. (Formerly known as "Thai Permsap Finance Co., Ltd.")	Thailand	99.99	99.99	-	0.12	-	0.05	(0.10)	0.04
TISCO Corporation Public Co., Ltd.	Thailand	95.00	-	-	-	-	-	-	-
Subsidiaries indirectly owned by the Bank									
TISCO Global Investment Holdings Limited	China-Hong Kong	100.00	100.00	-	-	0.03	0.01	0.08	0.03
TISCO Securities UK Limited (Liquidation in 2005)	United of Kingdom	-	100.00	-	-	-	-	-	-
TISCO Securities Singapore Pte. Ltd.	Singapore	100.00	100.00	-	-	-	-	(0.01)	(0.04)
VLT Leasing Co., Ltd.	Thailand	50.00	50.00	0.02	0.18	0.21	0.46	0.25	0.77

3.1.2 The financial statements of a subsidiary company, which are included in the consolidated financial statements, was prepared by the management of the subsidiary company and not audited by its auditor

(unit : Million Baht)

	Subsidiary's total assets included in the consolidated financial statements as at 31 December 2005	Subsidiary's total revenue included in the consolidated financial statements for the year ended 31 December 2005	Subsidiary's net earnings (loss) include in the consolidated financial statements for the year ended 31 December 2005
Subsidiary's indirectly owned by the Bank TSCO Securities Singapore Pte. Ltd.	-	-	(0.01)

These amounts are immaterial to the consolidated financial statements and the management believes that such amounts will not significantly differ if the financial statements were to be audited by auditor.

3.2 Interbank and money market items (assets)

(unit : Baht)

Consolidated as at 31 December

	2005			2004		
	At call	Term	Total	At call	Term	Total
Bank of Thailand and Financial Institutions Development Fund	452,351,484	-	452,351,484	242,167,356	-	242,167,356
Commercial banks	1,015,267,489	10,600,184	1,025,867,673	1,224,460,178	10,598,250	1,235,058,428
Other banks and financial institutions	27,193,623	-	27,193,623	41,833,014	-	41,833,014
Total domestic	1,494,812,596	10,600,184	1,505,412,780	1,508,460,548	10,598,250	1,519,058,798
Add : Accrued interest	-	-	-	250,960	-	250,960
Total	1,494,812,596	10,600,184	1,505,412,780	1,508,711,508	10,598,250	1,519,309,758

(unit : Baht)

The Bank Only as at 31 December

	2005			2004		
	At call	Term	Total	At call	Term	Total
Bank of Thailand and Financial Institutions Development Fund	452,351,484	-	452,351,484	241,031,752	-	241,031,752
Commercial banks	37,657,316	125,449	37,782,765	152,253,847	125,292	152,379,139
Total domestic	490,008,800	125,449	490,134,249	393,285,599	125,292	393,410,891
Add : Accrued interest	-	-	-	-	-	-
Total	490,008,800	125,449	490,134,249	393,285,599	125,292	393,410,891

(unit : Million Baht)

Interbank and money market items (assets) which are pledged

	Consolidated As at 31 December		The Bank Only As at 31 December		Type of pledged
	2005	2004	2005	2004	
Cash at banks of the Bank and its local subsidiaries	10	10	-	-	To secure facilities provided for use as working capital
Cash at bank of the foreign subsidiary	-	91	-	-	To secure the credit facility
Promissory deposited in name of subsidiary for securities borrowing and lending	12	-	-	-	As collateral for borrowing securities, which a subsidiary received from a client under a securities borrowing and lending agreement.

3.3 Securities purchased under resale agreements

(Unit : Million Baht)

Consolidated/The Bank Only as
at 31 December

	2005	2004
Bank of Thailand securities	2,000	2,105

3.4 Investments in securities

(Unit : Baht)

Consolidated as at 31 December

	2005		2004	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investment				
Trading securities				
Equity securities :				
Domestic marketable equity securities	712	1,000	712	805
Add : Allowance for changes in value	288		93	
Net equity securities	1,000		805	
Total trading securities	1,000		805	
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	407,956,994	407,906,038	314,140,564	314,131,446
Debt securities of private sector	285,452,079	221,803,717	196,383,179	133,133,799
Total	693,409,073	629,709,755	510,523,743	447,265,245
Less : Allowance for changes in value	(3,285,318)		(2,844,498)	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities - net	629,709,755		447,265,245	
Equity securities :				
Domestic marketable equity securities	124,491,790	86,108,412	318,518,375	123,566,762
Add (less) : Allowance for changes in value	(38,383,378)		9,259,557	
Less : Allowance for impairment	-		(204,211,170)	
Net equity securities	86,108,412		123,566,762	
Total available-for-sales securities	715,818,167		570,832,007	
Held-to-maturity debt securities-due within 1 year				
Government and state enterprise securities	1,570,129		76,666,070	
Foreign debt securities	109,203,835		-	
Total held-to-maturity debt securities-due within 1 year	110,773,964		76,666,070	
Net current investments	826,593,131		647,498,882	

(Unit : Baht)

Consolidated as at 31 December

	2005		2004	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Long-term investment				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	100,000,000	100,523,500	125,894,304	125,725,435
Add (less) : Allowance for changes in value	523,500		(168,869)	
Debt securities - net	100,523,500		125,725,435	
Equity securities :				
Domestic marketable equity securities	2,620,256,702	2,928,773,993	2,756,406,863	3,112,243,764
Other securities - unit trusts	188,945,143	209,833,092	125,986,445	134,717,219
Total	2,809,201,845	3,138,607,085	2,882,393,308	3,246,960,983
Add : Allowance for changes in value	329,405,240		364,567,675	
Net equity securities	3,138,607,085		3,246,960,983	
Total available-for-sales securities	3,239,130,585		3,372,686,418	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	337,210,727		337,248,342	
Debt securities of private sector	4,000		6,485,340	
Total held-to-maturity debt securities	337,214,727		343,733,682	
Other investment				
Equity securities :				
Domestic non-marketable equity securities	1,042,888,354		1,075,835,309	
Investment in receivables	7,626,324		6,529,247	
Less : Allowance for impairment	(248,080,148)		(234,116,065)	
Total other investment	802,434,530		848,248,491	
Net long-term investments	4,378,779,842		4,564,668,591	
Net investments	5,205,372,973		5,212,167,473	

(Unit : Baht)

The Bank Only as at 31 December

	2005		2004	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Current investment				
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	406,626,435	406,576,628	303,386,922	303,379,072
Debt securities of private sector	285,452,078	223,094,316	196,383,179	134,978,394
Total	692,078,513	629,670,944	499,770,101	438,357,466
Less : Allowance for changes in value	(1,993,569)		(998,635)	
Less : Allowance for impairment	(60,414,000)		(60,414,000)	
Debt securities - net	629,670,944		438,357,466	
Equity securities :				
Domestic marketable equity securities	124,491,790	86,108,412	318,518,375	123,566,762
Add (less) : Allowance for changes in value	(38,383,378)		9,259,557	
Less : Allowance for impairment	-		(204,211,170)	
Net equity securities	86,108,412		123,566,762	
Net available-for-sales securities	715,779,356		561,924,228	
Net current investments	715,779,356		561,924,228	

(Unit : Baht)

The Bank Only as at 31 December

	2005		2004	
	Cost / Book value	Fair value	Cost / Book value	Fair value
Long-term investment				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	100,000,000	100,523,500	126,986,090	126,817,221
Add (less) : Allowance for changes in value	523,500		(168,869)	
Debt securities - net	100,523,500		126,817,221	
Equity securities :				
Domestic marketable equity securities	2,604,165,076	2,909,412,865	1,271,834,559	1,619,473,130
Other securities - unit trusts	5,948,876	5,977,197	11,896,279	11,954,452
Total	2,610,113,952	2,915,390,062	1,283,730,838	1,631,427,582
Add : Allowance for changes in value	305,276,110		347,696,744	
Net equity securities	2,915,390,062		1,631,427,582	
Total available-for-sales securities	3,015,913,562		1,758,244,803	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	335,000,000		335,000,000	
Debt securities of private sector	-		6,481,340	
Total held-to-maturity debt securities	335,000,000		341,481,340	
Other investment				
Equity securities :				
Domestic non-marketable equity securities	1,032,775,160		995,647,115	
Investment in receivables	10,253,247		6,529,247	
Less : Allowance for impairment	(248,080,148)		(234,116,065)	
Total other investment	794,948,259		768,060,297	
Net long-term investments	4,145,861,821		2,867,786,440	
Investment in subsidiaries				
Investment in subsidiaries	3,566,055,931		4,625,683,969	
Net investments	8,427,697,108		8,055,394,637	

3.4.1 Held-to-maturity debt securities with the Ministry of Finance under the Tier I and Tier II capital support scheme

(Unit : Million Baht)

	Consolidated/the Bank Only		Remark
	As at 31 December		
	2005	2004	
Government bonds	335	335	These bonds are redeemable within a 10-year period, non-negotiable and carry interest at rates of 4% and 5% per annum.

3.4.2 Investments subject to restriction

(Unit : Million Baht)

Type of investment	Consolidated As at 31 December		The Bank Only As at 31 December		Type of restriction
	2005	2004	2005	2004	
Domestic marketable equity securities	35	122	35	122	Marketable equity securities may not be sold during the period stipulated as a condition of troubled debt restructuring agreements made with restructured receivables.
Domestic non-marketable equity securities	13	13	13	13	Pledged as security for short-term loan from a company
Government debt securities	5	4	3	3	Pledged for electricity usage
Government debt securities	63	73	63	73	Pledged under agreement to swap a floating interest rate for a fixed interest rate, described in Note 3.30.2
Foreign debt securities	109	-	-	-	Pledged to secure credit facility

3.4.3 Investment in debt securities classified by due date

(Unit : Baht)

Consolidated as at 31 December 2005

	Maturity			Total
	1 year	Over 1 - 5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	407,956,994	-	-	407,956,994
Debt securities of private sector	80,254,236	107,500,500	197,697,343	385,452,079
Total	488,211,230	107,500,500	197,697,343	793,409,073
Add (less) : Allowance for changes in value	(1,475,444)	(2,323,991)	1,037,617	(2,761,818)
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	426,321,786	105,176,509	198,734,960	730,233,255
Held-to-maturities debt securities				
Government and state enterprise securities	1,570,129	337,210,727	-	338,780,856
Debt securities of private sector	-	4,000	-	4,000
Foreign debt securities	109,203,835	-	-	109,203,835
Total	110,773,964	337,214,727	-	447,988,691
Total debt securities	537,095,750	442,391,236	198,734,960	1,178,221,946

(Unit : Baht)

The Bank Only as at 31 December 2005

	Maturity			Total
	1 year	Over 1 - 5 years	Over 5 years	
Available-for-sale securities				
Government and state enterprise securities	406,626,435	-	-	406,626,435
Debt securities of private sector	80,254,236	107,500,500	197,697,342	385,452,078
Total	486,880,671	107,500,500	197,697,342	792,078,513
Add (less) : Allowance for changes in value	(183,695)	(2,323,991)	1,037,617	(1,470,069)
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	426,282,976	105,176,509	198,734,959	730,194,444
Held-to-maturities debt securities				
Government and state enterprise securities	-	335,000,000	-	335,000,000
Total	-	335,000,000	-	335,000,000
Total debt securities	426,282,976	440,176,509	198,734,959	1,065,194,444

3.4.4 Investment in companies which have weak financial standing or operating results

(Unit : Baht)

	Consolidated / The Bank Only As at 31 December 2005		Allowance for changes in Value ⁽¹⁾
	Cost	Fair value	
Companies having problems with debt repayment or in default	67,873,030	-	67,873,030

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

3.4.5 Investments whereby the Bank and its subsidiaries hold not less than 10 percent of the equity of the investees

(Unit : Baht)

Name	Consolidated as at 31 December					
	Book value	2005		Book value	2004	
		Unpaid amount	Percentage of holding %		Unpaid amount	Percentage of holding %
Insurance :						
GITC Co., Ltd.	13,200,000	-	40	13,200,000	-	40
AXA Insurance Plc.	58,887,016	-	11	58,887,016	-	11
Services :						
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	35,334,990	-	10
Leasing and hire purchase :						
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
Trading import and export :						
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.	3,654,300	-	10	3,918,000	-	10
Real estate :						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	10,422,000	-	10	11,400,000	-	10
Industrial :						
Siam Art Ceramic Co., Ltd.	14,762,000	-	10	13,970,000	-	10

(Unit : Baht)

The Bank Only as at 31 December

Name	2005			2004		
	Book value	Unpaid amount	Percentage of holding %	Book value	Unpaid amount	Percentage of holding %
Insurance :						
GITC Co., Ltd.	13,200,000	-	40	13,200,000	-	40
AXA Insurance Plc.	58,887,016	-	11	58,887,016	-	11
Services :						
TISCO Securities Hong Kong Limited	243,097,170	-	100	244,937,730	-	100
TISCO Securities Co., Ltd.	1,581,799,090	-	99.99	1,732,398,319	-	99.99
TISCO Asset Management Co., Ltd.	118,057,131	-	99.99	249,975,933	-	99.99
TISCO Information Technology Co., Ltd. (Formerly known as "Thai Information Technology Co., Ltd.")	7,669,227	-	99.99	34,022,388	-	99.99
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	37,334,990	-	10	35,334,990	-	10
Leasing and hire purchase :						
Thai Commercial Auto Co., Ltd.	430,843,955	100,000,000	50	430,778,155	100,000,000	50
Hi-Way Co., Ltd. (ordinary shares and preference shares)	114,575,472	-	99.99	581,621,926	-	99.99
TISCO Leasing Co., Ltd.	998,653,779	-	99.99	1,281,001,766	-	99.99
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	-	21	1,849,050	-	21
Trading import and export :						
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.	3,654,300	-	10	3,918,000	-	10
Real estate :						
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	10,422,000	-	10	11,400,000	-	10
Industrial :						
Siam Art Ceramic Co., Ltd.	14,762,000	-	10	13,970,000	-	10
Holding :						
TISCO Group Co., Ltd. (Formerly known as "Thai Permsap Finance Co., Ltd.")	71,428,607	-	99.99	70,947,752	-	99.99
TISCO Corporation Plc.	(68,500)	-	95	-	-	-

3.4.6 The Bank does not record investments by the equity method for any investments which had been transferred as the result of debt restructuring, and the Bank holds not less than 20% of the equity. The Bank is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations. Investments in which the Bank holds not less than 20% of the equity, that are not recorded under equity method are presented below :-

Name	Consolidated/The Bank Only As at 31 December 2005	
	Book value Baht	Percentage of holding %
GITC Co., Ltd.	13,200,000	40
Jiji Press (Thailand) Co., Ltd.	1,627,646	20
Mizuho Corporate Leasing (Thailand) Co., Ltd.	1,849,050	21

3.5 Investment in subsidiary companies

Company's name	Nature of Business	Paid-up share capital As at 31 December		Cost method As at 31 December		Equity method ⁽¹⁾ As at 31 December		(Unit : Million Baht) Dividend income received ⁽²⁾ for the year ended 31 December	
		2005	2004	2005	2004	2005	2004	2005	2004
Subsidiary companies directly held by the Bank :									
TISCO Securities Hong Kong Limited	Services	HKD 20 million	HKD 20 million	66	66	243	245	-	-
TISCO Securities Co., Ltd.	Services	1,500	1,500	1,500	1,500	1,582	1,732	395	300
TISCO Asset Management Co., Ltd.	Services	100	100	220	220	118	250	200	100
TISCO Leasing Co., Ltd.	Leasing	890	890	864	864	999	1,281	351	-
Hi-Way Co., Ltd.	Hire purchase	100	100	273	273	114	581	590	-
TISCO Information Technology Co., Ltd. (Formerly known as "Thai Information Technology Co., Ltd.")	Services	20	20	44	44	8	34	-	-
Thai Commercial Auto Co., Ltd.	Hire purchase	800	800	434	434	431	431	28	58
TISCO Group Co., Ltd. (Formerly known as "Thai Permsap Finance Co., Ltd.")	Holdings	150	150	150	150	71	71	-	-
TISCO Corporation Plc.	Holdings	-	-	-	-	-	-	-	-
						3,566	4,625	1,564	458

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

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

On 28 November 2003, the Bank received approval from the Bank of Thailand to accept the transfer of business from Tru-Way Company Limited (which is a subsidiary company), in accordance with the resolutions of the annual general meeting of the Company's shareholders held on 24 April 2003. Tru-Way Company Limited was deregistered with the Ministry of Commerce on 29 December 2003 and is currently in the process of liquidation.

3.6 Loans, receivable and accrued interest receivable

3.6.1 Classified by loan type

(Unit : Baht)

	Consolidated As at 31 December		The Bank Only As at 31 December	
	2005	2004	2005	2004
Loans and receivable :				
Loans	13,892,440,686	11,150,259,917	13,833,778,155	11,098,904,210
Notes receivable	-	1,674,745,011	-	1,674,745,011
Hire - purchase and financial lease receivable	50,055,971,159	42,934,837,779	43,965,539,275	37,034,607,058
Total loans and receivable	63,948,411,845	55,759,842,707	57,799,317,430	49,808,256,279
Add : Accrued interest receivable	113,987,295	117,390,139	77,532,932	81,287,821
Less : Allowance for doubtful accounts	(3,122,949,106)	(3,440,301,145)	(2,865,571,288)	(3,231,048,656)
Less : Allowance for loss on debt restructuring	(303,731,217)	(359,502,073)	(303,731,217)	(359,502,073)
Net loans and receivable and accrued interest receivable	60,635,718,817	52,077,429,628	54,707,547,857	46,298,993,371
Securities business receivable :				
Customer's cash accounts	1,207,205,796	753,687,545	-	-
Customer's securities borrowings and lending accounts	10,560,000	-	-	-
Other receivable :-				
Overdue customers' accounts	123,421	313,624	-	-
Receivables under litigation	-	66,159,960	-	-
Receivables which are enforced by courts	-	309,456,601	-	-
Installment receivable	57,380,118	95,276,113	-	-
Total securities business receivable	1,275,269,335	1,224,893,843	-	-
Less : Allowance for doubtful accounts	(58,052,235)	(488,570,791)	-	-
Net securities business receivable and accrued interest receivable	1,217,217,100	736,323,052	-	-
Net loans, receivable and accrued interest receivable	61,852,935,917	52,813,752,680	54,707,547,857	46,298,993,371

3.6.2 Classified by remaining periods of contracts

(Unit : Baht)

	Consolidated As at 31 December		The Bank Only As at 31 December	
	2005	2004	2005	2004
Loans and receivable				
Not over 1 year (included contract which are due)	9,167,098,100	6,968,814,257	7,860,977,349	5,768,621,001
Over 1 year	54,781,313,745	48,791,028,450	49,938,340,081	44,039,635,278
Total loans and receivable	63,948,411,845	55,759,842,707	57,799,317,430	49,808,256,279
Add : Accrued interest receivable	113,987,295	117,390,139	77,532,932	81,287,821
Total loans and receivable and accrued interest receivable	64,062,399,140	55,877,232,846	57,876,850,362	49,889,544,100

3.6.3 Classified by type of business

(Unit : Baht)

Consolidated as at 31 December 2005

	The Bank Only						Subsidiaries	Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts	Total		
Agricultural and mining	113,355,635	5,976,712	820,700	706,416	-	120,859,463	-	120,859,463
Manufacturing and commerce	6,253,538,280	89,443,787	35,559,494	32,225,147	311,436,943	6,722,203,651	57,182,642	6,779,386,293
Real estate and construction	3,485,656,094	61,787,700	6,806,840	5,083,530	589,489,581	4,148,823,745	-	4,148,823,745
Public utilities and services	1,626,220,139	15,359,737	4,743,668	3,869,538	5,426,503	1,655,619,585	-	1,655,619,585
Personal use								
Hire - purchase	36,537,560,414	1,932,716,890	268,879,049	143,132,988	101,347,000	38,983,636,341	6,090,431,883	45,074,068,224
Housing loans	1,826,070,709	35,253,718	13,565,038	14,515,558	285,412,455	2,174,817,478	-	2,174,817,478
Securities	-	-	-	-	-	-	1,275,269,335	1,275,269,335
Others	3,289,606,159	33,677,168	15,915,379	31,357,066	622,801,395	3,993,357,167	1,479,890	3,994,837,057
Total loans and receivable and securities business receivable	53,132,007,430	2,174,215,712	346,290,168	230,890,243	1,915,913,877	57,799,317,430	7,424,363,750	65,223,681,180
Add : Accrued interest receivable	48,962,617	28,570,315	-	-	-	77,532,932	36,454,363	113,987,295
Total loans and receivable and securities business receivable and accrued interest receivable	53,180,970,047	2,202,786,027	346,290,168	230,890,243	1,915,913,877	57,876,850,362	7,460,818,113	65,337,668,475

(Unit : Baht)

The Bank Only as at 31 December 2005

	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts	Total
Agricultural and mining	113,355,635	5,976,712	820,700	706,416	-	120,859,463
Manufacturing and commerce	6,253,538,280	89,443,787	35,559,494	32,225,147	311,436,943	6,722,203,651
Real estate and construction	3,485,656,094	61,787,700	6,806,840	5,083,530	589,489,581	4,148,823,745
Public utilities and services	1,626,220,139	15,359,737	4,743,668	3,869,538	5,426,503	1,655,619,585
Personal use						
Hire - purchase	36,537,560,414	1,932,716,890	268,879,049	143,132,988	101,347,000	38,983,636,341
Housing loans	1,826,070,709	35,253,718	13,565,038	14,515,558	285,412,455	2,174,817,478
Others	3,289,606,159	33,677,168	15,915,379	31,357,066	622,801,395	3,993,357,167
Total loans and receivable	53,132,007,430	2,174,215,712	346,290,168	230,890,243	1,915,913,877	57,799,317,430
Add : Accrued interest receivable	48,962,617	28,570,315	-	-	-	77,532,932
Total loans and receivable and accrued interest receivable	53,180,970,047	2,202,786,027	346,290,168	230,890,243	1,915,913,877	57,876,850,362

(Unit : Baht)

Consolidated as at 31 December 2004

	The Bank Only						Subsidiaries	Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts	Total		
Agricultural and mining	152,753,271	1,184,580	487,300	-	-	154,425,151	-	154,425,151
Manufacturing and commerce	4,974,714,205	85,097,432	98,980,159	8,902,356	309,360,437	5,477,054,589	48,013,852	5,525,068,441
Real estate and construction	2,878,751,505	30,823,031	2,753,958	257,311,392	330,600,399	3,500,240,285	-	3,500,240,285
Public utilities and services	1,731,329,461	11,695,405	241,320	1,183,037	-	1,744,449,223	-	1,744,449,223
Personal use								
Hire - purchase	30,987,603,862	1,252,381,965	292,548,269	172,435,543	53,457,907	32,758,427,546	5,815,362,439	38,573,789,985
Housing loans	1,961,263,171	60,584,342	16,872,122	4,726,599	354,033,914	2,397,480,148	-	2,397,480,148
Securities	-	-	-	-	-	-	1,224,893,843	1,224,893,843
Others	3,029,139,278	22,782,928	8,815,554	17,329,261	698,112,316	3,776,179,337	88,210,137	3,864,389,474
Total loans and receivable and securities business receivable	45,715,554,753	1,464,549,683	420,698,682	461,888,188	1,745,564,973	49,808,256,279	7,176,480,271	56,984,736,550
Add : Accrued interest receivable	60,533,395	20,754,426	-	-	-	81,287,821	36,102,318	117,390,139
Total loans and receivable and securities business receivable and accrued interest receivable	45,776,088,148	1,485,304,109	420,698,682	461,888,188	1,745,564,973	49,889,544,100	7,212,582,589	57,102,126,689

(Unit : Baht)

The Bank Only as at 31 December 2004

	Pass	Special-mentioned	Sub-standard	Doubtful	Bad Debts	Total
Agricultural and mining	152,753,271	1,184,580	487,300	-	-	154,425,151
Manufacturing and commerce	4,974,714,205	85,097,432	98,980,159	8,902,356	309,360,437	5,477,054,589
Real estate and construction	2,878,751,505	30,823,031	2,753,958	257,311,392	330,600,399	3,500,240,285
Public utilities and services	1,731,329,461	11,695,405	241,320	1,183,037	-	1,744,449,223
Personal use						
Hire - purchase	30,987,603,862	1,252,381,965	292,548,269	172,435,543	53,457,907	32,758,427,546
Housing loans	1,961,263,171	60,584,342	16,872,122	4,726,599	354,033,914	2,397,480,148
Others	3,029,139,278	22,782,928	8,815,554	17,329,261	698,112,316	3,776,179,337
Total loans and receivable	45,715,554,753	1,464,549,683	420,698,682	461,888,188	1,745,564,973	49,808,256,279
Add : Accrued interest receivable	60,533,395	20,754,426	-	-	-	81,287,821
Total loans and receivable and accrued interest receivable	45,776,088,148	1,485,304,109	420,698,682	461,888,188	1,745,564,973	49,889,544,100

3.6.4 Loans and receivable for which the recognition of interest income has ceased

The Bank	Amounts calculated under BOT's guidelines ⁽¹⁾ The Bank Only As at 31 December		Amounts calculated under the Bank's policy The Bank Only As at 31 December	
	2005	2004	2005	2004
	Loans and receivable for which the recognition of interest income has ceased	2,229	2,645	4,534 ⁽²⁾

⁽¹⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

⁽²⁾ Loans and receivables totaling Baht 3,842 million, 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.

Subsidiaries	As at 31 December	
	2005	2004
Securities business loans and receivables, hire-purchase receivables, financial lease receivables and other loans and receivables for which the recognition of interest income has ceased	446 ⁽¹⁾	676

⁽¹⁾ Baht 108 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided.

3.6.5 Unearned interest income which is presented as a deduction against loans and receivable

	Consolidated As at 31 December		The Bank Only As at 31 December	
	2005	2004	2005	2004
	Unearned interest income	6,308	5,321	4,986

3.6.6 Outstanding balances (net of collateral) of loans and receivable, restructured receivables and receivables which are being restructured

	The Bank Only As at 31 December 2005	
	2005	2004
Restructured loans and receivables ⁽¹⁾	847	
Loans and receivable which are being restructured ⁽²⁾	18	

⁽¹⁾ As a result of restructuring, the due date for the first repayment of these restructured loans and receivable has been rescheduled.

⁽²⁾ The Bank sets up an allowance for the possible loan loss of approximately Baht 18 million.

3.6.7 Troubled debt restructuring

- Debt restructuring during the year

	The Bank Only for the year ended 31 December	
	2005	2004
Number of debtors (number)	63	110
Loan balances before restructuring (Million Baht)	1,196	2,176
Interest income on restructured receivables (Million Baht)	44	36
Receipt of principal and interest (Million Baht)	991	1,654

- Debtors which were subjected to debt restructuring :-

The Bank Only as at 31 December 2005				
Type of restructuring	Number of receivables	Outstanding loan balance before restructuring (Million Baht)	Type of assets transferred	Fair value of transferred assets (Million Baht)
Transfer of assets	23	2,600	Land	20
			Land and premises	2,468
Transfer of equity securities	5	789	Equity securities	414
Transfer of assets and equity securities and modification	3	898	Land	198
			Equity securities	14
			Machinery	22
Transfer of equity securities and modification of terms	45	4,071	Equity securities	1,237
			Debt securities	21
Transfer of assets and modification of terms	12	2,191	Land and premises	465
			Equity securities	190
			Air conditioners	2
Modification of terms	1,085	21,970		
Total	<u>1,173</u>	<u>32,519</u>		<u>5,051</u>

- The balance of the restructured debts.

(Unit : Million Baht)		
The Bank Only		
As at 31 December		
	2005	2004
The balance of the restructured debts	3,135	3,420

3.7 Allowance for doubtful accounts / allowance for loss on debt restructuring

(Unit : Million Baht)		
The Bank Only		
As at 31 December		
Allowance for doubtful accounts / allowance for loss on debt restructuring	2005	2004
Amounts to be provided under BOT's guidelines	2,276	2,265
Amounts already set up by the Bank	3,169 ⁽¹⁾	3,590
Amounts in excess of the required amount	893	1,325

⁽¹⁾ The allowance for doubtful debts, as mentioned above, consists of allowance for doubtful debts of Baht 2,293 million set aside for the unsecured portion of loans amounting Baht 3,842 million at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 876 million set up for the other loans and receivables.

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

3.7.1 Allowance for doubtful accounts

(Unit : Baht)

Consolidated as at 31 December 2005

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance - beginning of year	763,477,090	38,367,951	104,331,637	295,255,259	1,830,234,568	897,205,431	3,928,871,936
Increase (decrease) in allowance for doubtful accounts during the year	(69,131,219)	23,839,841	9,941,617	(88,783,272)	357,154,466	(344,707,713)	(111,686,280)
Bad debt written - off	-	-	(263,437)	(5,667,556)	(630,253,322)	-	(636,184,315)
Balance - end of year	694,345,871	62,207,792	114,009,817	200,804,431	1,557,135,712	552,497,718	3,181,001,341

(Unit : Baht)

The Bank Only as at 31 December 2005

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance - beginning of year	704,169,329	29,826,615	80,183,486	271,006,463	1,321,584,128	824,278,635	3,231,048,656
Increase (decrease) in allowance for doubtful accounts during the year	(62,210,511)	21,965,988	(689,495)	(119,535,412)	324,257,019	(326,780,916)	(162,993,327)
Bad debt written - off	-	-	(263,437)	(5,573,326)	(196,647,278)	-	(202,484,041)
Balance - end of year	641,958,818	51,792,603	79,230,554	145,897,725	1,449,193,869	497,497,719	2,865,571,288

(Unit : Baht)

Consolidated as at 31 December 2004

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance - beginning of year	547,175,766	28,657,396	74,830,763	122,248,327	2,440,576,565	1,054,352,430	4,267,841,247
Increase (decrease) in allowance for doubtful accounts during the year	254,546,708	9,710,555	133,025,354	211,869,559	(307,210,754)	(140,794,880)	161,146,542
Bad debt written - off	(38,245,384)	-	(103,524,480)	(38,862,627)	(303,131,243)	(16,352,119)	(500,115,853)
Balance - end of year	763,477,090	38,367,951	104,331,637	295,255,259	1,830,234,568	897,205,431	3,928,871,936

(Unit : Baht)

The Bank Only as at 31 December 2004

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance - beginning of year	498,421,164	23,953,018	60,090,729	94,400,724	1,890,798,541	982,181,087	3,549,845,263
Increase (decrease) in allowance for doubtful accounts during the year	243,938,691	5,873,597	123,612,168	213,571,145	(344,049,168)	(141,550,333)	101,396,100
Bad debt written - off	(38,190,526)	-	(103,519,411)	(36,965,406)	(225,165,245)	(16,352,119)	(420,192,707)
Balance - end of year	704,169,329	29,826,615	80,183,486	271,006,463	1,321,584,128	824,278,635	3,231,048,656

3.7.2 Allowance for loss on debt restructuring

(Unit : Baht)

The Bank Only		
As at 31 December		
	2005	2004
Balance - beginning of year	359,502,073	331,789,594
Increase during year	14,634,083	137,059,163
Written - off	(70,404,939)	(109,346,684)
Balance - end of year	<u>303,731,217</u>	<u>359,502,073</u>

3.7.3 Non - performing loans and receivables

(Unit : Baht)

The Bank Only		
As at 31 December		
	2005	2004
Non - performing loans and receivables	2,493	2,629
Allowance for doubtful debts	1,660	1,664

3.8 Classification of assets

3.8.1 Investment in companies which have weak financial standing or operating results

(Unit : Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	As at 31 December		As at 31 December		As at 31 December	
	2005	2004	2005	2004	2005	2004
Debt instruments - debentures ⁽²⁾	60	60	-	-	60	60
Equity instruments - ordinary shares ⁽³⁾	6	210	-	-	6	210
Equity instruments - preferred shares ⁽³⁾	2	2	-	-	2	2

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

⁽²⁾ Investment in subordinated debentures issued by a financial institution which the Bank of Thailand ordered closed on 8 December 1997

⁽³⁾ 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

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

(Unit : Million Baht)

	Debt balance		Debt balance after net off collateral		Percentage required by BOT ⁽⁴⁾	Allowance for doubtful accounts			
	As at 31 December		As at 31 December			Amounts to be provided under BOT's guidelines		Amounts already set up by the Bank	
	2005	2004	2005	2004		As at 31 December		As at 31 December	
	2005	2004	2005	2004		2005	2004	2005	2004
Loans and receivable ^{(1) (2) (3)}									
Pass	53,132	45,715	43,060	37,181	1	421	363	642	704
Special mention	2,174	1,464	2,120	1,358	2	42	27	51	30
Substandard	346	421	326	392	20	74	76	79	80
Doubtful	231	462	209	202	50	136	136	146	271
Bad debts	1,916	1,746	1,299	1,304	100	1,299	1,303	1,449	1,321
Total	57,799	49,808	47,014	40,437		1,972	1,905	2,367	2,406
Loss on receivable under troubled debt restructuring	-	-	-	-		304	360	304	360
Total	57,799	49,808	47,014	40,437		2,276	2,265	2,671	2,766
General reserve								498	824
Total								3,169	3,590
Investment in securities									
Bad debts									
Debt instruments	62	62	62	62	100	62	62	62	62
Equity instruments	510	510	510	510	100	510	510	510	510
Total	572	572	572	572		572	572	572	572
Investment in receivables									
Pass	4	-	-	-	1	-	-	-	-
Bad debts	7	7	-	-	100	-	-	-	-
Total	11	7	-	-		-	-	-	-
Properties foreclosed									
Land	51	86	51	86	100	51	86	51	86
Total classified assets	58,433	50,473	47,637	41,095		2,899	2,923	3,792	4,248

⁽¹⁾ Allowance for doubtful accounts for loans and receivable is determined based on debt balance less collateral value in accordance with the BOT's guidelines.

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

⁽³⁾ Loans and receivable include loan to financial institution (which presented as part of interbank and money market items in the balance sheet)

⁽⁴⁾ In accordance with BOT guidelines, provisioning rates for normal debt and special mention debt are 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 Bank is still setting aside provision for normal debt and special mention debt at rates of at least 1 or 2 percent, respectively.

3.8.3 Loans and receivable includes debts due from companies with weak financial position and operating results

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2005	2004	2005	2004	2005	2004	2005	2004
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies vulnerable to Delisting	-	3	-	81	-	34	-	81
2. Non - listed companies with similar operating results and financial positions to the companies vulnerable to delisting	13	14	868	818	313	243	552	575
3. Listed companies of which shares have been suspended for trading	1	-	15	-	-	-	15	-
4. Listed companies under rehabilitation	11	9	561	372	353	36	359	316
5. Companies having loan default problem	24	24	1,003	1,398	383	733	666	800
6. Companies having going concern issue as cited in auditors' report	-	2	-	22	-	2	-	20
Total	49	52	2,447	2,691	1,049	1,048	1,592	1,792

3.8.4 Classification of assets of a security business local subsidiary in accordance with the Notification of the Office of the Securities and Exchange Commission

	Securities business receivable and accrued interest		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	As at 31 December		As at 31 December		As at 31 December	
	2005	2004	2005	2004	2005	2004
Substandard	55	55	-	-	-	-
Doubtful	3	416	3	416	3	416
Total	58	471	3	416	3	416
General reserve					55	73
Total					58	489

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

3.8.5 Hire - purchase receivable/financial lease receivable and other loan receivable of the subsidiaries classified by the due date of the contracts

(Unit : Million Baht)

	Debt balances As at 31 December		Percentage of allowance for doubtful accounts set up	Allowance for doubtful account As at 31 December		Debt balances - net As at 31 December	
	2005	2004		2005	2004	2005	2004
	Current	4,588		4,688	1	46	51
Overdue							
1 month	652	569	1	7	6	645	563
2 - 3 months	521	430	2	10	9	511	421
4 - 6 months	174	122	20	35	23	139	99
7 - 12 months	110	48	50	55	24	55	24
Over 12 months	62	56	100	62	56	-	-
Debtors under litigation	42	38	100	42	38	-	-
Total	6,149	5,951		257	207	5,892	5,744
General reserve				-	2	-	(2)
Total				257	209	5,892	5,742

3.9 Property foreclosed

(Unit : Baht)

	Consolidated As at 31 December		The Bank Only As at 31 December	
	2005	2004	2005	2004
	Foreclosed assets :			
Immovable assets				
Balance - beginning of the year	1,311,210,578	1,544,756,342	1,323,020,578	1,494,064,517
Addition	-	76,276,200	-	92,456,200
Disposal	(62,131,299)	(309,821,964)	(62,131,299)	(263,500,139)
Balance - end of the year	1,249,079,279	1,311,210,578	1,260,889,279	1,323,020,578
Movable assets				
Balance - beginning of the year	6,263,944	1,061,603	819,060	572,322
Addition	941,134,509	448,530,208	427,886,329	227,351,758
Disposal	(935,082,568)	(443,327,867)	(427,813,936)	(227,105,020)
Balance - end of the year	12,315,885	6,263,944	891,453	819,060
Allowance for impairment :				
Balance - beginning of the year	87,116,467	131,611,018	85,819,839	85,916,627
Increase	7,046,968	4,887,289	1,096,012	336,432
Decrease	(39,463,034)	(49,381,840)	(36,393,959)	(433,220)
Balance - end of the year	54,700,401	87,116,467	50,521,892	85,819,839
Property foreclosed - net	1,206,694,763	1,230,358,055	1,211,258,840	1,238,019,799

3.10 Land, premises and equipment

(Unit : Baht)

Consolidated

	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	Total
Cost :						
31 December 2004	467,818,877	925,481,091	496,711,072	291,841,305	88,355,584	2,270,207,929
Translation adjustment	-	-	283,995	-	-	283,995
Addition/Transfer in	23,898,794	62,939,238	70,445,276	110,228,746	40,390,839	307,902,893
Disposal/Transfer out	-	-	(62,756,135)	(15,257,714)	(28,296,499)	(106,310,348)
31 December 2005	491,717,671	988,420,329	504,684,208	386,812,337	100,449,924	2,472,084,469
Accumulated depreciation :						
31 December 2004	-	216,449,423	387,340,033	181,572,360	44,139,193	829,501,009
Translation adjustment	-	-	(171,088)	-	-	(171,088)
Depreciation charge for the year	-	57,078,152	55,899,856	20,119,716	18,375,040	151,472,764
Transfer in (transfer out)	-	-	11,190,924	(7,650,781)	-	3,540,143
Disposal	-	-	(46,409,803)	(4,491,841)	(20,852,785)	(71,754,429)
31 December 2005	-	273,527,575	407,849,922	189,549,454	41,661,448	912,588,399
Net book value :						
31 December 2004	467,818,877	709,031,668	109,371,039	110,268,945	44,216,391	1,440,706,920
31 December 2005	491,717,671	714,892,754	96,834,286	197,262,883	58,788,476	1,559,496,070

Depreciation charge included in earnings statements for the year ended 31 December:

2004	140,940,226
2005	151,472,764

(Unit : Baht)

The Bank Only

	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	Total
Cost :						
31 December 2004	302,494,643	599,516,548	203,920,757	207,884,309	61,380,899	1,375,197,156
Addition/Transfer in	12,187,848	35,102,201	58,846,122	97,357,449	27,760,649	231,254,269
Disposal/Transfer out	-	-	(12,920,652)	(14,698,759)	(24,120,999)	(51,740,410)
31 December 2005	314,682,491	634,618,749	249,846,227	290,542,999	65,020,549	1,554,711,015
Accumulated depreciation :						
31 December 2004	-	185,862,012	148,356,092	112,003,933	28,991,205	475,213,242
Depreciation charge for the year	-	35,070,042	35,682,281	13,810,955	12,264,059	96,827,337
Transfer in (transfer out)	-	-	27,039,256	(14,000,334)	-	13,038,922
Disposal	-	-	(12,698,635)	(4,169,092)	(17,748,962)	(34,616,689)
31 December 2005	-	220,932,054	198,378,994	107,645,462	23,506,302	550,462,812
Net book value :						
31 December 2004	302,494,643	413,654,536	55,564,665	95,880,376	32,389,694	899,983,914
31 December 2005	314,682,491	413,686,695	51,467,233	182,897,537	41,514,247	1,004,248,203

Depreciation charge included in earnings statements for the year ended 31 December:

2004	78,118,842
2005	96,827,337

3.11 Other assets

(Unit : Baht)

	Consolidated		The Bank Only	
	As at 31 December		As at 31 December	
	2005	2004	2005	2004
Value added tax - net	450,470,841	379,814,340	442,981,610	369,068,999
Accrued interest receivable	16,569,309	20,949,252	15,871,270	20,956,832
Fee and charges receivable	207,662,041	188,058,984	153,852,931	115,884,554
Prepaid income tax	35,848,015	67,949,098	26,846,233	53,848,251
Deferred computer system development cost - net	61,513,787	40,737,595	44,487,005	27,835,864
Deposits	17,881,435	13,503,606	7,447,554	2,591,399
Other receivables	92,135,621	168,500,455	78,296,522	161,853,548
Other assets	122,769,505	101,294,196	64,096,230	32,684,235
Total other assets	1,004,850,554	980,807,526	833,879,355	784,723,682

3.12 Deposits

3.12.1 Classified by type of deposits

(Unit : Baht)

	Consolidated		The Bank Only	
	As at 31 December		As at 31 December	
	2005	2004	2005	2004
Promissory notes and bills of exchange	13,327,892,554	39,287,802,319	13,327,892,554	39,305,550,054
Deposits :				
Current accounts	1,133,873,942	-	1,294,335,669	-
Saving accounts	259,871,948	-	259,871,948	-
Fixed accounts				
- not over 6 months	554,311,076	-	554,311,076	-
- over 6 month and less than 1 year	263,257,956	-	263,257,956	-
- over 1 year	110,058,551	-	110,058,551	-
Negotiate certificate deposit	18,801,535,208	-	18,801,535,208	-
Total	34,450,801,235	39,287,802,319	34,611,262,962	39,305,550,054

3.12.2 Classified by the remaining period of contract

(Unit : Baht)

	Consolidated		The Bank Only	
	As at 31 December		As at 31 December	
	2005	2004	2005	2004
Not over 1 year (included contracts which are due)	28,862,182,333	22,913,607,454	29,022,644,060	22,931,355,189
Over 1 year	5,588,618,902	16,374,194,865	5,588,618,902	16,374,194,865
Total deposits	34,450,801,235	39,287,802,319	34,611,262,962	39,305,550,054

3.13 Interbank and money market items (liabilities)

(Unit : Baht)

	Consolidated as at 31 December					
	2005			2004		
	At call	Term	Total	At call	Term	Total
Commercial banks	512,908,225	1,818,514,596	2,331,422,821	645,525,654	91,881,266	737,406,920
Other banks and financial institutions	2,513,830,000	1,570,000,000	4,083,830,000	2,241,860,000	1,328,000,000	3,569,860,000
Total	3,026,738,225	3,388,514,596	6,415,252,821	2,887,385,654	1,419,881,266	4,307,266,920

(Unit : Baht)

	The Bank Only as at 31 December					
	2005			2004		
	At call	Term	Total	At call	Term	Total
Commercial banks	347,393,970	1,800,000,000	2,147,393,970	582,132,808	-	582,132,808
Other banks and financial institutions	2,513,830,000	1,570,000,000	4,083,830,000	2,241,860,000	1,328,000,000	3,569,860,000
Total	2,861,223,970	3,370,000,000	6,231,223,970	2,823,992,808	1,328,000,000	4,151,992,808

3.14 Borrowings

(Unit : Baht)

	Consolidated		The Bank Only	
	As at 31 December		As at 31 December	
	2005	2004	2005	2004
Domestic borrowings				
Subordinated debentures	331,000,000	331,000,000	331,000,000	331,000,000
Unsubordinated unsecured debentures	15,608,000,000	5,610,000,000	14,798,000,000	4,800,000,000
Bill of exchange - fixed rate	1,538,339,648	1,032,083,471	-	-
Others	13,200,000	13,200,000	13,200,000	13,200,000
	17,490,539,648	6,986,283,471	15,142,200,000	5,144,200,000

3.14.1 Subordinated debentures

During 1999 the Bank 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 Bank by purchasing the Bank'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 Bank 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.

3.14.2 Unsubordinated and unsecured debentures

Year	Issuer	Type of debenture	Units	Face value (Baht)	Total (Million Baht)	Maturity date	Interest rate	Remark
2002	The Bank	Unsubordinated and unsecured	2 million	1,000	2,000	2007	At a rate of 4.25 percent per annum.	-
2002	The Bank	Unsubordinated and unsecured	1 million	1,000	1,000	2007	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.	The Bank entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.
2002	The Bank	Unsubordinated and unsecured	1.8 million	1,000	1,800	2007	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.	The Bank entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. expires in 2007.
2003	Subsidiary	Unsubordinated and unsecured	0.4 million	1,000	400	2006	At a rate of 3.25 per annum.	The subsidiary company is required to comply with debenture issuance conditions and maintain certain financial ratio. In addition, an another subsidiary company has invested a total of Baht 90 million in these debentures.
2003	Subsidiary	Unsubordinated and unsecured installment debenture	0.5 million	1,000	500	2006	At a rate of 3.2 percent per annum.	The issuer will repay the principal of the debentures in four periods, the first of which will start on 6 January 2006 and interest will be paid quarterly beginning 6 January 2004. Such subsidiary company is required to comply with debenture issuance conditions and maintain certain financial ratio.
Dec. 2005	The Bank	Unsubordinated and unsecured short term debenture	9.9 million	1,000	9,998	2006	At a rate between 2.5 to 4.0 percent per annum.	-

3.14.3 Bills of exchange - fixed rate

As of 31 December 2005, two subsidiary companies have outstanding bills of exchange amounting to Baht 1,538 million, bearing interest at fixed rates of 2.6 to 5.5 percent per annum and maturing between 2006 to 2007.

3.15 Other liabilities

	Consolidated		The Bank Only	
	As at 31 December		As at 31 December	
	2005	2004	2005	2004
Liabilities under commercial papers sold	545,000,000	510,000,000	545,000,000	510,000,000
Corporate income tax payable	180,931,729	139,914,245	70,463,591	-
Withholding income tax and other tax payable	142,360,334	168,173,261	83,416,835	82,822,767
Accrued insurance premium	355,076,136	287,484,326	292,243,404	231,121,253
Other liabilities	212,928,303	325,002,576	110,889,261	190,699,878
Total other liabilities	1,436,296,502	1,430,574,408	1,102,013,091	1,014,643,898

(Unit : Baht)

3.16 Preference shares converted to ordinary shares

Up to 31 December 2005, 440,820,120 preference shares had been converted into ordinary shares, and such conversion registered with the Ministry of Commerce.

As at 31 December 2005, there remained a total of 180,947,630 preference shares which are eligible for conversion to ordinary shares.

3.17 Warrants

	The Bank Only			The Bank Only		
	As at 31 December 2005			As at 31 December 2004		
	No. of shares	Exercised price	Total	No. of shares	Exercised price	Total
shares	Baht per share	Baht	share	Baht per share	Baht	
Exercised warrants						
Allocation in year 2000	8,820,000	10.00	88,200,000	8,775,000	10.00	87,750,000
Allocation in year 2001	4,678,000	11.31	52,908,180	4,410,000	11.31	49,877,100
Allocation in year 2002	4,594,000	13.20	60,640,800	3,173,500	13.20	41,890,200
Allocation in year 2003	3,079,000	14.94	46,000,260	3,173,500	14.94	21,999,150
Allocation in year 2004	596,750	21.88	13,056,890	-	-	-
	<u>21,767,750</u>		<u>260,806,130</u>	<u>19,632,000</u>		<u>201,516,450</u>
Unexercised warrants	8,232,250 ⁽¹⁾			10,368,000		
Allocated warrants	<u>30,000,000</u>			<u>30,000,000</u>		

⁽¹⁾ Included 638,000 warrants received from resigned employees

The Bank has preference shares which were converted from the above exercised warrants registered with the Ministry of Commerce.

3.18 Capital fund

(Unit : Thousand Baht)

The Bank Only As at 31 December

	2005	2004
Tier I		
Issued and fully paid up share capital	7,219,678	7,180,310
Premium on share capital	79,628	59,707
Statutory reserve	344,800	254,600
Retained earnings - unappropriated	3,302,900	2,512,295
Total Tier I	10,947,006	10,006,912
Tier II		
Subordinated debentures	264,800	331,000
Reserve for loans classified as pass	641,959	704,169
Reserve for revaluation of equity securities - available for sales	120,177	158,818
Total Tier II	1,026,936	1,193,987
Total capital fund	11,973,942	11,200,899

The Bank Only As at 31 December

The capital ratios	2005		2004	
	Bank	Requirement	Bank	Requirement
Tier I capital to risk assets	17.05%	4.25%	17.48%	4.00%
Total capital to risk assets	18.65%	8.50%	19.57%	8.00%
Total capital to issued and paid-up share capital	165.85%	75.00%	155.99%	75.00%

3.19 Surplus on changes in the value of investments

(Unit : Baht)

Consolidated/The Bank Only As at 31 December

	2005	2004
Balance - beginning of the year	1,365,419,480	1,472,433,142
Increase (decrease) in changes in the value of securities during the year	(264,438,845)	(107,013,662)
	1,100,980,635	1,365,419,480
Less : The effect of income tax liabilities	(89,199,989)	(110,035,923)
Balance - end of the year	1,011,780,646	1,255,383,557

3.20 Gain on investments

(Unit : Baht)

	Consolidated		The Bank Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Unrealised loss on investments	(13,876,397)	(43,242,133)	(13,964,083)	(20,608,045)
Realised gain on investments	347,938,920	610,339,273	115,257,723	598,203,424
Total	334,062,523	567,097,140	101,293,640	577,595,379

3.21 Other income

	Consolidated		The Bank Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Penalty fee income from loans	70,618,702	61,890,037	55,624,113	49,310,311
Reversal of allowance for impairment of property foreclosed	34,168,243	-	34,168,243	-
Rental income	25,264,298	27,840,526	31,907,751	31,870,185
Others	91,850,825	68,885,722	48,156,095	57,649,578
Total	221,902,068	158,616,285	169,856,202	138,830,074

(Unit : Baht)

3.22 Other expenses

	Consolidated		The Bank Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Contributions to the Financial Institutions Development Fund	128,656,618	131,490,948	128,656,618	131,490,948
Losses on disposal of property foreclosed	187,406,361	74,434,398	23,421,852	27,950,603
Mailing expenses	39,858,346	36,320,490	26,650,510	25,095,919
Loan losses from court - ordered execution	25,987,677	14,451,422	13,643,598	5,905,038
Transportation expenses	44,794,100	29,665,960	29,414,438	18,314,684
Advertising and promotion expenses	21,095,538	28,271,380	17,024,046	20,234,510
Others	154,837,232	103,429,774	35,317,680	35,180,274
Total	602,635,872	418,064,372	274,128,742	264,171,976

(Unit : Baht)

3.23 Corporate income tax

	Consolidated		The Bank Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Income tax payable on taxable profit for the year	458,256,104	961,080,557	186,960,293	601,650,117
Add (less) : Net decrease in deferred tax on temporary differences	176,754,079	119,495,416	210,032,600	137,824,049
Less : Utilisation of income tax benefits on tax loss carried forward	-	(601,650,117)	-	(601,650,117)
Income tax expenses - net	635,010,183	478,925,856	396,992,893	137,824,049

(Unit : Baht)

Deferred tax assets and deferred tax liabilities arose from the following temporary differences are summarized below :

	Consolidated		(Unit : Thousand Baht) The Bank Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Allowance for doubtful accounts (general reserve)	754,876	1,033,531	497,497	824,278
Allowance for doubtful accounts for VAT receivables	42,288	27,305	-	-
Allowance for impairment of investments	357,584	547,832	357,534	547,781
Allowance for impairment of property foreclosed	54,720	87,142	50,522	85,820
Non - accrual of interest income	1,045,296	1,170,652	981,402	1,119,418
Depreciation of assets	47,332	52,644	34,821	37,726
Financial leases	230,243	207,421	-	-
Revaluation surplus on changes in the value of investment	(265,590)	(366,786)	(265,590)	(351,760)
Others	9,432	10,745	9,395	16,256
	<u>2,276,181</u>	<u>2,770,486</u>	<u>1,665,581</u>	<u>2,279,519</u>
Deferred tax assets (30%)	<u>682,854</u>	<u>831,146</u>	<u>499,674</u>	<u>683,856</u>
Non-accrual of interest income	(1,942)	-	-	-
Depreciation of assets	(7,744)	-	-	-
Revaluation surplus on changes in the value of investment	31,744	-	-	-
Others	3,364	-	-	-
	<u>25,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities (30%)	<u>7,627</u>	<u>-</u>	<u>-</u>	<u>-</u>

3.24 Provident fund

	Consolidated		The Bank Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Amounts contributed to the fund (Million Baht)	44	41	23	21

3.25 Employee expense

	Consolidated		The Bank Only	
	For the year ended 31 December		For the year ended 31 December	
	2005	2004	2005	2004
Number of employees at the end of year (persons)	1,525	1,327	802	667
Employee expenses (Million Baht)	1,205	1,259	647	626

3.26 Reconciliation of diluted earnings per share

For the year ended 31 December

	Net earnings		Weighted average Number of shares		Earnings per share	
	2005	2004	2005	2004	2005	2004
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net earnings	1,790,849	2,224,266				
Less : Dividend of Baht 1 per share paid to preference shares in preference to the ordinary shares at the rate of 1 Baht per share	(182,621)	(183,720)				
	1,608,228	2,040,546	720,269	715,474	2.23	2.85
Effect of dilutive securities						
Warrants to purchase preferences shares	-	-	9,931	14,726		
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion to ordinary shares	1,608,228	2,040,546	730,200	730,200	2.20	2.79

3.27 Related person and party transactions

(Unit : Thousand Baht)

The Bank Only

	Balance-beginning of the year	Increase	Decrease	Balance-end of the year
Outstanding balance as at 31 December 2005				
Subsidiary companies				
Receivables from sales of securities:				
TISCO Securities Co., Ltd.	1,485,466	-	(1,485,466)	-
Deposits in Baht :				
TISCO Securities Co., Ltd.	1,455,000	-	(12,752)	1,442,248
TISCO Group Co., Ltd.	-	83,481	-	83,481
Hi-Way Co.,Ltd.	-	35,827	-	35,827
Other subsidiary companies	21,748	56,824	(14,819)	63,753
Other liabilities :				
TISCO Securities Co., Ltd.	-	3,728	-	3,728

(Unit : Thousand Baht)

The Bank Only Terms and pricing policy
2005 2004 (For the year 2005)

Transactions occurred during the year ended 31 December

Subsidiary companies

Risk and financial management fee and human resources management fee	31,029	30,296	In accordance with the centralized policy for supporting activities of the Bank and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Accounts receivable management fee income and office administration fee income	52,980	45,570	Reference to the terms and price as charged to other customers
Other income	8,313	5,816	Reference to the terms and price as charged to other customers
Computer system advisory services expenses and office administration expenses	47,400	45,521	In accordance with the centralized policy for supporting activities of the Bank and subsidiary companies, which is in accordance with the Bank of Thailand's announcement
Other expenses	8,411	5,600	Reference to the terms and price as charged to other customers

Loans to management - level employees (departmental managers upward)

(Unit : Thousand Baht)

Consolidated The Bank Only
As at 31 December 2005 As at 31 December 2005

Loans	6,896	6,896
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Besides the above transactions, the Bank has additional related party transactions with its subsidiary companies, which presented in Note 4.5 to the financial statements.

3.28 Financial information by segment

3.28.1 Financial information by business segment

(Unit : Million Baht)

For the year ended 31 December

	Bank business/financial service business		Securities business		Other business		Elimination		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net interest and dividend income after bad debt and doubtful accounts	4,748	3,082	104	39	1	1	(1,564)	(467)	3,289	2,655
Non-interest income	995	2,336	1,002	1,506	81	105	(21)	(1,218)	2,057	2,729
Non-interest expenses	(2,309)	(1,981)	(682)	(763)	(108)	(105)	206	203	(2,893)	(2,646)
Corporate income tax	(503)	(242)	(132)	(237)	-	-	-	-	(635)	(479)
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	(27)	(35)	(27)	(35)
Net earnings	2,931	3,195	292	545	(26)	1	(1,406)	(1,517)	1,791	2,224

(Unit : Million Baht)

As at 31 December

	Bank business/financial service business		Securities business		Other business		Elimination		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Investments in securities	8,481	7,049	498	1,948	2	1	(3,776)	(3,786)	5,205	5,212
Loans, receivable and accrued interest receivable - net	60,846	52,128	1,217	736	-	-	(210)	(50)	61,853	52,814
Other assets	7,937	8,251	2,656	2,853	104	121	(2,472)	(2,955)	8,225	8,270
Total assets	77,264	67,428	4,371	5,537	106	122	(6,458)	(6,791)	75,283	66,296

3.28.2 Significant financial positions and operating results by domestic and foreign activities

3.28.2.1 Financial positions by activities

(Unit : Million Baht)

As at 31 December

	2005				2004			
	Domestics	Foreign	Elimination	Total	Domestics	Foreign	Elimination	Total
Total assets	80,607	1,134	(6,458)	75,283	71,903	1,184	(6,791)	66,296
Interbank and money market items (assets)	2,369	762	(1,626)	1,505	2,147	849	(1,477)	1,519
Loans, receivable and accrued interest receivable - net	61,951	112	(210)	61,853	52,757	107	(50)	52,814
Investment	8,860	121	(3,776)	5,205	8,971	27	(3,786)	5,212
Deposits - Baht	34,611	-	(160)	34,451	39,306	-	(18)	39,288
Interbank and money market items (liabilities)	7,880	-	(1,465)	6,415	5,766	-	(1,459)	4,307
Borrowings	17,791	-	(300)	17,491	7,126	-	(140)	6,986
Commitments	5,646	-	-	5,646	6,334	-	-	6,334

3.28.2.2 Operating results by activities

(Unit : Million Baht)

For the year ended 31 December

	2005				2004			
	Domestics	Foreign	Elimination	Total	Domestics	Foreign	Elimination	Total
Net interest and dividend income after bad								
debt and doubtful accounts	4,847	6	(1,564)	3,289	3,117	5	(467)	2,655
Non-interest income	2,024	54	(21)	2,057	3,886	61	(1,218)	2,729
Non-interest expenses	(3,025)	(74)	206	(2,893)	(2,772)	(77)	203	(2,646)
Corporate income tax	(635)	-	-	(635)	(479)	-	-	(479)
Minority interest in net earnings in subsidiary companies	-	-	(27)	(27)	-	-	(35)	(35)
Net earnings	3,211	(14)	(1,406)	1,791	3,752	(11)	(1,517)	2,224

3.29 Commitments and contingent liabilities

3.29.1 Avals, guarantees and commitments

(Unit : Baht)

Consolidated/The Bank Only as at 31 December

	2005	2004
Avals	361,000,000	232,669,751
Guarantees of loans	200,000,000	200,000,000
Other guarantees	135,318,059	301,692,945
Obligations covering principal under interest rate swap agreement (as mentioned in Note 3.30.2)	4,950,000,000	5,600,000,000
	5,646,318,059	6,334,362,696

3.29.2 Litigation

As at 31 December 2005, the Bank and its subsidiaries have been sued for compensation totaling approximately Baht 354 million. A final judgement has not yet been reached in respect of these cases.

In December 2005, a foreign subsidiary received a letter from the solicitor of one of its clients, requesting payment of damages amounting to HKD 46.6 million. However, up to the financial statements reported date (9 February 2006), no suit has been filed with a court in respect of this claim.

The management of the Bank and its subsidiary companies believe that neither the Bank nor the subsidiary companies will suffer material loss as a result of the abovementioned lawsuits and request for damages.

3.29.3 Capital commitment

As at 31 December 2005, a subsidiary company has outstanding commitments of approximately Baht 100 million in respect of the uncalled portion of an investment in another subsidiary.

3.29.4 Other commitments

a) The Bank 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 Bank'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.

b) 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.

c) The Bank has commitments in relation to computer service agreement, whereby it is to pay both fixed fee and service fees which vary according to the quantity and type of service, as stipulated in the agreements.

3.30 Financial instruments

As at 31 December 2005, the Bank and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

3.30.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfil an obligation causing the Bank 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 Bank 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.

3.30.2 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 as at 31 December 2005

Outstanding balances of financial instruments

Transactions	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash	-	-	204	204
Interbank and money market items	90	797	618	1,505
Securities purchased under resale agreements	-	2,000	-	2,000
Investments - net	199	979	4,027	5,205
Trading transactions with securities companies - receivable	-	-	61	61
Loans and receivable	3,681	58,570	3,087	65,338
	<u>3,970</u>	<u>62,346</u>	<u>7,997</u>	<u>74,313</u>
Financial liabilities				
Deposits	1,338	33,057	56	34,451
Interbank and money market items	98	6,317	-	6,415
Liabilities payable on demand	-	-	247	247
Borrowings	-	17,478	13	17,491
Trading transactions with securities companies - liabilities	-	-	566	566
Securities business payable	618	-	729	1,347
	<u>2,054</u>	<u>56,852</u>	<u>1,611</u>	<u>60,517</u>

(Unit : Million Baht)

The Bank Only as at 31 December 2005

Outstanding balances of financial instruments

Transactions	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash	-	-	202	202
Interbank and money market items	-	-	490	490
Securities purchased under resale agreements	-	2,000	-	2,000
Investments - net	199	866	7,363	8,428
Loans and receivable	3,567	52,441	1,869	57,877
	3,766	55,307	9,924	68,997
Financial liabilities				
Deposits	1,498	33,057	56	34,611
Interbank and money market items	47	6,184	-	6,231
Liabilities payable on demand	-	-	247	247
Borrowings	-	15,129	13	15,142
	1,545	54,370	316	56,231

The Bank has entered into interest rate swap agreements expiring in 2008 to swap a fixed rate interest for a floating interest rate for nominal principal of Baht 500 million, and to swap a floating interest rate for a fixed interest rate for nominal principal of Baht 500 million.

In addition, the Bank has entered into interest rate swap agreements expiring in 2007 to swap the floating interest rate on Baht 2,800 million of debentures for a fixed interest rate, and agreements expiring in 2006 and 2008 to swap the floating interest rates on loans and deposits amounting to Baht 1,150 million for fixed interest rate.

The balances of loans and receivable subject to floating and fixed interest rates as presented in the above table include those on which interest recognition has been ceased, and they 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)

Consolidated as at 31 December 2005

Repricing or maturity date

Transactions	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Total	Interest Rates (%)
Financial assets								
Interbank and money market items	82	705	10	-	-	-	797	0.0837
Securities purchased under resale agreements	-	2,000	-	-	-	-	2,000	3.1875
Investments - net	-	5	532	442	-	-	979	4.2461
Loans and receivable	1,904	8,534	16,311	29,804	2,016	1	58,570	8.0855
	1,986	11,244	16,853	30,246	2,016	1	62,346	
Financial liabilities								
Deposits	11	20,136	7,321	5,589	-	-	33,057	2.9308
Interbank and money market items	1,464	2,943	1,140	770	-	-	6,317	3.8490
Borrowings	-	10,612	1,711	5,155	-	-	17,478	4.0418
	1,475	33,691	10,172	11,514	-	-	56,852	

(Unit : Million Baht)

The Bank Only as at 31 December 2005

Transactions	Repricing or maturity date						Total	Interest Rates (%)
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified		
Financial assets								
Securities purchased under resale agreements	-	2,000	-	-	-	-	2,000	3.1875
Investments - net	-	4	422	440	-	-	866	4.2382
Loans and receivable	1,825	7,469	13,941	27,190	2,016	-	52,441	6.4028
	1,825	9,473	14,363	27,630	2,016	-	55,307	
Financial liabilities								
Deposits	11	20,136	7,321	5,589	-	-	33,057	2.9308
Interbank and money market items	2,814	1,800	800	770	-	-	6,184	3.6548
Borrowings	-	9,998	-	5,131	-	-	15,129	3.9523
	2,825	31,934	8,121	11,490	-	-	54,370	

3.30.3 Liquidity risk

The periods to maturity dates of financial instruments held as of 31 December 2005, counting from the balance sheet date, are as follows :-

(Unit : Million Baht)

Consolidated as at 31 December 2005

Transactions	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Non performing loans	Total
Financial assets								
Cash	-	-	-	-	-	204	-	204
Interbank and money market items	790	705	10	-	-	-	-	1,505
Securities purchased under resale agreements	-	2,000	-	-	-	-	-	2,000
Investments - net	3,002	5	532	445	209	1,012	-	5,205
Trading transactions with securities companies - receivable	-	61	-	-	-	-	-	61
Loans and receivable	2,147	9,811	17,354	31,049	2,302	-	2,675	65,338
	5,939	12,582	17,896	31,494	2,511	1,216	2,675	74,313
Financial liabilities								
Deposits	1,405	20,136	7,321	5,589	-	-	-	34,451
Interbank and money market items	1,562	2,943	1,140	770	-	-	-	6,415
Liabilities payable on demand	247	-	-	-	-	-	-	247
Borrowings	-	10,612	1,711	5,155	-	13	-	17,491
Trading transactions with securities companies - liabilities	-	566	-	-	-	-	-	566
Securities business payable	576	771	-	-	-	-	-	1,347
	3,790	35,028	10,172	11,514	-	13	-	60,517
Off - balance sheet items								
Aval to bills and guarantees of loans	200	311	50	-	-	-	-	561
Other commitments	119	-	215	4,751	-	-	-	5,085

(Unit : Million Baht)

The Bank Only as at 31 December 2005

Transactions	At call	0-3 months	3-12 months	1-5 years	Over 5 years	Unspecified	Non performing loans*	Total
Financial assets								
Cash	-	-	-	-	-	202	-	202
Interbank and money market items	490	-	-	-	-	-	-	490
Securities purchased under resale agreements	-	2,000	-	-	-	-	-	2,000
Investments - net	3,002	4	422	440	209	4,351	-	8,428
Loans and receivable	2,110	7,482	14,974	28,780	2,302	-	2,229	57,877
	5,602	9,486	15,396	29,220	2,511	4,553	2,229	68,997

* Non performing loans according to the BOT's guidelines

Financial liabilities

Deposits	1,565	20,136	7,321	5,589	-	-	-	34,611
Interbank and money market items	2,861	1,800	800	770	-	-	-	6,231
Liabilities payable on demand	247	-	-	-	-	-	-	247
Borrowings	-	9,998	-	5,131	-	13	-	15,142
	4,673	31,934	8,121	11,490	-	13	-	56,231

Off - balance sheet items

Aval to bills and guarantees of loans	200	311	50	-	-	-	-	561
Other commitments	119	-	215	4,751	-	-	-	5,085

3.30.4 Foreign exchange risk

As at 31 December 2005, the Bank did not have any financial instruments in foreign currencies except for its investment in a subsidiary company amounting to Baht 243 million.

3.30.5 Fair value

As at 31 December 2005, 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.

4. EVENTS FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

4.1 Plan to upgrade status to commercial bank

In January 2004, the Ministry of Finance and the Bank of Thailand announced Financial Sector Master Plan. Among other things, the Plan stipulates guidelines for improving the efficiency of the financial sector and calls for finance companies, finance and securities companies and credit foncier companies with the stipulated qualifications, to submit applications to upgrade their status to commercial banks. A subsequent announcement of the Ministry of Finance, dated 23 January 2004, stipulated the terms, methods and conditions under which such an application for a commercial bank license can be made.

On 22 October 2004, the Ministry of Finance gave consent for the Bank to upgrade its status to commercial bank. The Bank was informed by the letter from the Bank of Thailand dated 29 June 2005 that the Ministry of Finance issued the Commercial Banking business license dated 23 June 2005 for the Bank to operate banking business in the name of "TISCO Bank Public Company Limited", ("The Bank"). The Bank can operate commercial banking business and foreign exchange business and have to comply with the conditions under the letter from the Bank of Thailand and the attached conditions of license. The significant conditions are related to the return of finance business licenses of TISCO Finance Public Company Limited and Thai Permsap Finance Company Limited (a subsidiary) to the Ministry of Finance and the minimum requirement of total Tier 1 capital of Baht 5,000 million, as of the commenced date of banking operations.

The Bank and Thai Permsap Finance Company Limited (a subsidiary) returned their finance business licenses to the Ministry of Finance, effective on 1 July 2005.

The Bank registered the change of its name from "TISCO Finance Public Company Limited" to "TISCO Bank Public Company Limited" with the Ministry of Commerce on 1 July 2005, and commenced its banking operations on 4 July 2005.

4.2 Holding company

- a) Resolutions of the meeting of the Bank's Board of Directors No. 7/2005 held on 27 October 2005, approved the holding company restructuring plan in principle and the delegation of authority to the Audit Committee to review the holding company restructuring plan in details and to determine the schedule of the shareholder's extraordinary general meeting. Resolutions of the meeting of the Bank's Audit Committee No. 11/2548 held on 4 November 2005, approved the following matters :
- Approve the holding company restructuring plan, whereby a non-bank public company limited will be set up as a holding company, and will become the parent company of the group, acquiring all shares of the Bank and other subsidiary companies, while the Bank will not hold shares in any subsidiary companies. The holding company shall make a tender offer for all shares of the Bank in exchange for its newly issued shares. After the completion of the tender offer, the holding company will list its common and preferred shares on the Stock Exchange of Thailand in place of common and preferred shares of the Bank, which will simultaneously be delisted from the Stock Exchange of Thailand.
 - Stipulate that extraordinary general meeting No. 1/2005 of the Bank's shareholders be convened on 14 December 2005, to approve the holding restructuring plan, the disposition of shares of the subsidiaries and the listing plan of the holding company.
 - Stipulate that extraordinary general meeting No. 2/2005 of the Bank's shareholders be convened on 14 December 2005, to approve the plan to delist the Bank in accordance with the holding restructuring plan.
- b) On 14 November 2005 the Bank submitted a formal request to restructure its shareholding to the Bank of Thailand, following preliminary consultation. The Bank of Thailand subsequently granted consent for the Bank to establish TISCO Corporation Public Company Limited as a holding company, and was considering approval of the restructuring of shareholding for proposal to the Ministry of Finance.
- c) On 21 November 2005, the Stock Exchange of Thailand granted preliminary consent for a restructuring of shareholding in the form of a holding company.
- d) By a resolution passed by Extraordinary General Meeting No.1/2005 of the shareholders of the Bank on 14 December 2005, the Bank was authorized to restructure its shareholding, set up TISCO Corporation Public Company Limited as a holding company, sell its investments in subsidiaries to the holding company and have the shares of TISCO Corporation Public Company Limited listed on the Stock Exchange of Thailand.

By a resolution passed by Extraordinary General Meeting No.1/2005 of the shareholders of the Bank No.2/2005 on 14 December 2005, the Bank was authorized to have the shares of the Bank delisted from the Stock Exchange of Thailand, in accordance with the holding restructuring plan.

4.3 Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid Million Baht
		Preference share	Ordinary share	
		Baht per share	Baht per share	
Dividend of the year 2005	General ordinary meeting of the year 2005, on 26 April 2005	2.30	1.30	1,120
Dividend for the year 2004	General ordinary meeting of the year 2004, on 28 April 2004	1.65	0.65	649

4.4 Earnings per share

During the year, the Bank has changed the calculation of earnings per share in order to comply with the calculation method stipulated in International Accounting Standards No. 33 (amended 2004) "Earnings per share", whereby the ordinary shares which will be issued upon the conversion of a mandatory convertible instrument are included in the calculation of basic earnings per share (accounting policy regarding earnings per share is described in Note 1.19 to the financial statements).

For comparative purpose, the Bank has recalculated basic earnings per share and diluted earnings per share for the year ended 31 December 2004 according to the above method.

The calculation of diluted earnings per share is presented in Note 3.26 to the financial statements.

4.5 Related party transactions

Besides the related party transactions as described in Note 3.27 to the financial statements, the Bank has additional related party transactions with its subsidiaries which presented below :-

For the year ended 31 December 2004 :

The Bank acquired investments in listed securities amounting to Baht 33 million from a subsidiary company. This subsidiary company recorded gain from this sales of investments amounting to Baht 15 million.

The Bank sold property foreclosed, which are office condominium units (net book value amounting to Baht 79 million), to a subsidiary company at a price of Baht 91 million. The Company recorded a gain from disposal of such office condominium units amounting to Baht 12 million.

On 1 April 2004, a subsidiary company (Thai Commercial Auto Company Limited) entered into an agreement to acquire 960,000 ordinary shares of VLT Leasing Company Limited from the existing shareholders for a total of Baht 42 million, payable on 30 April 2004. The share acquisition resulted in a change in the status of VLT Leasing Company Limited from an associated company to a subsidiary company. The acquisition was approved by the annual general meeting of the subsidiary company's shareholders on 18 March 2004.

On 25 November 2004, the Bank entered into an agreement to transfer assets and liabilities with a subsidiary, whereby the conditions for the Bank's receipt of assets and liabilities from that subsidiary company are in accordance with the Letter of consent from the Ministry of Finance approving the Bank's application to upgrade its status to a commercial bank. Assets transferred to the Bank consist of investments in securities, property foreclosed and computer equipment with a total value amounting to Baht 17 million.

The Bank sold investments in listed securities with net book value amounting to Baht 490 million to a subsidiary company at a price of Baht 1,485 million (market value). The Bank recorded a gain on the disposal of such investments amounting to Baht 995 million.

For the year ended 31 December 2005 :

The Bank acquired investments in listed securities amounting to Baht 1,156 million from a subsidiary company. This subsidiary company recorded gain from this sales of investments amounting to Baht 28 million.

The Bank sold property foreclosed, which are office condominium units (net book value amounting to Baht 39 million), to a subsidiary company at a price of Baht 43 million. The Bank recorded a gain from disposal of such office condominium units amounting to Baht 4 million.

The Bank acquired receivables (net book value amounting to Baht 1 million) from a subsidiary company at a price of Baht 4 million. The subsidiary company recorded a gain from sale of such receivables amounting to Baht 3 million.

Gains or loss from the above mentioned related party transactions between the Bank and its subsidiary companies have been eliminated in consolidated financial statements and the financial statements of the Bank under equity method.

4.6 Share capital reduction of a subsidiary

A special resolution passed by the extraordinary general meeting of shareholders of Thai Commercial Auto Co., Ltd. No. 2/2005 on 2 November 2005, authorised the reduction of the company's registered share capital from Baht 1,000 million (10 million ordinary shares of Baht 100 each) to Baht 500 million (10 million ordinary shares of baht 50 each). As a result, the balance of 80% paid-up capital was reduced from Baht 800 million to Baht 400 million. The company is in the process of registering the share capital reduction with the Ministry of Commerce.

4.7 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Bank's Audit Committee on 9 February 2006.



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