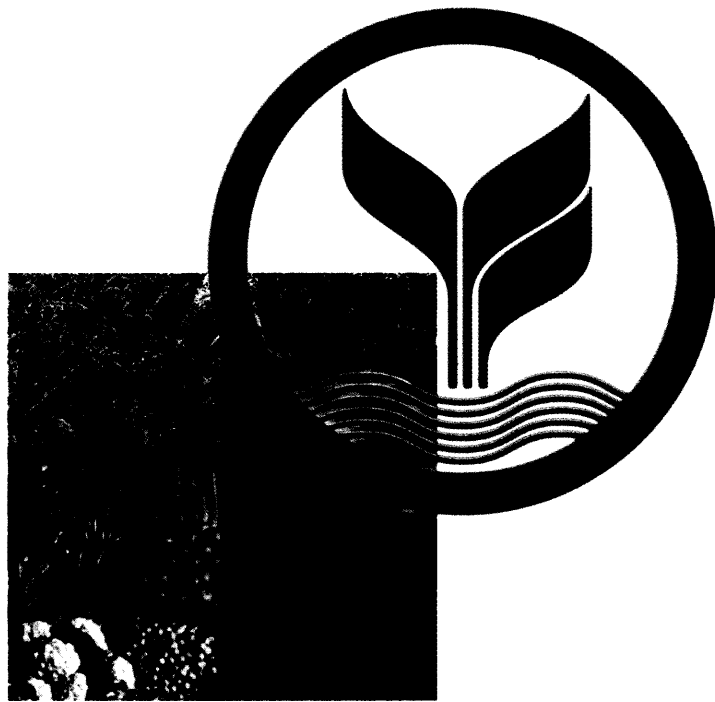


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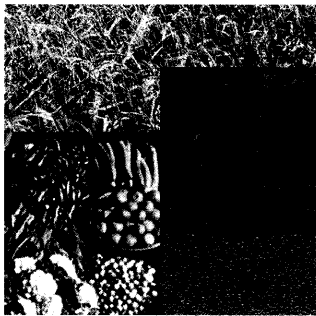
12/31/98



**Thai Farmers Bank Public Company Limited**

**Report & Balance Sheet**

as at December 31, 1998



**"The New Farming Theory",**  
initiated by His Majesty the King,  
emphasizes self-reliance in the farm sector.  
Following this regimen, farmers should be able to  
earn enough to live on, assuming they  
adopt a simple and thrifty life style.  
Farmers are advised to divide their land  
into four parts, using 30 percent for a pond,  
30 percent for paddy, 30 percent for plantation  
of orchards, vegetables or field crops,  
and 10 percent for housing, barns, hen-houses, etc.

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# Selected Financial Data

as at December 31.

<b>Data from Financial Statements</b>	Million Baht	
	<b>1998</b>	<b>1997</b>
Total assets	704,293	795,385
Total liabilities	651,886	738,577
Shareholders' equity	52,407	56,808
Interest and dividend income	76,350	80,234
Net income from interest and dividend	13,477	27,875
Non-interest income	9,833	9,944
Total income	86,183	89,678
Net income (loss)	(39,883)	801

<b>Financial Ratios</b>	Percentage	
	<b>1998</b>	<b>1997</b>
Return on total income	(46.28)	0.89
Return on average shareholders' equity	(73.04)	1.25
Return on average assets	(5.32)	0.11
Capital adequacy ratio	11.34	11.58
Earning (loss) per share (Baht)	(36.86)	1.00
Dividend per share (Baht)	-	3.00
Book value per share (Baht)	44.56	71.01



# **Report of the Board of Directors**

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# Report of the Board of Directors

## To Our Shareholders,

In 1998, Thailand's economy continued its downward trend from the preceding year. Private investment came to a standstill. Domestic consumption expenditure contracted sharply. Revenue from exports quoted in US dollars fell against severe price competition. Besides, the ASEAN countries, which were Thailand's major markets, faced their own deteriorating economies and also cut down on imports of Thai goods. However, Thailand's exports made fair headway in the European and the US markets. Overall export revenue, therefore, did not drop to a significant extent.

The Thai government's firm efforts to resolve the country's economic problems had resulted in a gradually tangible improvement in the economic scenario from the latter part of 1998 as evidenced by various factors: the relative stability of the baht, lower inflation particularly in the last quarter, continuing surpluses in both trade and current accounts throughout the year and improvement in the country's international reserves. The authorities also pushed forward compatible measures to deal with successive crises in the financial sector. Problems such as under-capitalization and debt restructuring were categorically addressed and seen as starting on the way to being resolved.

The banking industry was severely impacted by the economic crisis. The number of non-performing loans (NPL) escalated at a fast pace. Commercial banks were hard pressed to come up with the requisite provisions against bad debts. Under the circumstances, operation results came out with heavy losses for all banks. Thai Farmers Bank was also affected by the inevitable difficulties generated by the economic crisis as well. As of December 31, 1998, the Bank recorded total assets of 704,293 million baht, deposits of 579,333 million baht, loans of 490,672 million baht and a net loss of 39,883 million baht.

## Branch Network

### Domestic Branches

On December 31, 1998, Thai Farmers Bank registered a total of 533 domestic branches, comprising 158 branches in the Bangkok Metropolitan area and 375 branches in the provinces. There were 18 Currency Exchange Service Offices — 6 in the Bangkok Metropolitan area and 12 upcountry. The Bank also had 15 International Trade Centers — 9 in the Bangkok Metropolitan area and 6 upcountry.

### Overseas Branches

On December 31, 1998, the Bank had 12 overseas offices, consisting of 9 full branches and 3 representative offices.

## Personnel and Human Resources Development

As of December 31, 1998, the Bank had a total of 14,927 employees — 4,890 at the Bank's headquarters, 4,672 at offices within the Bangkok checks clearing zone, 5,237 in the provinces and 128 at overseas offices.

In 1998, the Bank pushed forward an intensive personnel development program to strengthen its workforce capability to deal with the adverse conditions produced by the economic crisis. The program encompassed in-house learning courses, self-study facilities, study via TFB TV network and grants for further study in Thailand and abroad.

The in-house learning programs were held at the Bang Pakong Learning Center, the Bank's headquarters and the Phahon Yothin main office. The programs covered 54 courses in 9 major fields in which all in all 8,167 Bank employees participated at one time or another.

There were four types of self-study programs, namely:

- the Knowledge Warehouse - a library of study aids such as video tapes/audio tapes/CD-ROMs which covered a wide range of academic and professional subjects;
- the Remote Learning Via Satellite Programs for courses in management, marketing and current information technology. The courses were provided, via satellite transmission, by lecturers and experts from 48 leading universities in the US;
- the Media-assisted Learning System - for self-study courses in management and marketing with media-assisted English language course materials.
- the Multimedia Learning Course - multimedia facilities for self-study to learn English or Mandarin Chinese banking languages by means of software and CD-ROMS.

In 1998, a total of 5,258 employees took these self-study programs.

A special seminar on "Knowledge Capital" was organized for upper-management staff to enhance their aptitude in information technology utilization as an effective management tool. Furthermore, the employees in general were encouraged to familiarize themselves with the use of IT facilities in office information and communication systems.

To build up the depth of high quality human resources for the future, Thai Farmers Bank offered 27 scholarships to qualified employees and the general public: 6 scholarships for master's degrees abroad, 10 for master's degrees in Thailand and 9 for banking study at the Thai Institute of Banking and Finance of the Thai Bankers' Association. Two employees received grants to study English-language in the United States.

## **Organizational Development**

In 1998, the Bank set up one new department, six new divisions and renamed one existing department. The new department was the Compliance Department, set up to monitor Bank's securities business, lending, and other banking operations to ensure conformity with the official rules and regulations as well as professional code and ethical standards. The six new divisions were: Debt Restructuring Division, Internal Risk Management Division, Information Administration Division, Investors Relations Division, Arts and Bank Museum Division, and the Command Center.

## **33,088 million baht New Share Issue**

The Bank's 86th General Shareholders Meeting on March 26, 1998 approved the reduction of the Bank's registered capital from 10,000 million baht to 9,800 million baht. Upon this approval, the planned offering of 20 million shares for sale to the general public under the approval of the 84th general shareholders meeting on March 28, 1996 was canceled due to unfavorable market conditions. At the same time, the 86th general shareholders meeting approved the capital increase from 9,800 million baht to 13,560 million baht, by issuing 376 million common shares at par value of 10 baht. The shares were to be offered exclusively to overseas institutional investors at 88 baht per share. The share offer was overwhelmingly subscribed and had to be allotted proportionately among buyers. This reflected foreign investors' confidence in the Bank itself and in the recovery prospect of the country. The Bank netted 33,088 million baht of new capital funds from the issue of these 376 million new shares and became the first in the country to successfully raise capital from abroad since the economic downturn.

## **40,000 million baht Capital Increase**

The Bank was also successful in pioneering the sale of a new investment instrument to raise capital in the country. The bank launched a drive for 40,000 million baht capital increase in both tier 1 and tier 2 categories between December 22, 1998 and January 8, 1999, through the offering of preferred shares -cum- subordinated debentures, an innovative capital instrument which was introduced in the country for the first time. Half of this amount will be for each of tier 1 and tier 2, respectively. The total subscription turn-out was 42,960 million baht, over the offered amount by 2,960 million baht.

## **Debt Instruments Trading and Underwriting**

In 1998, the Bank's total amount of underwriting and sale of debt instruments in the private and public sectors was 13,810 million baht - 2,810 million baht in private sector bond and 11,000 million baht in state enterprise bonds. In addition, the Bank acted as bid manager for bills of exchange of several leading corporations. The Bank also served as financial advisor to a number of leading companies for their financing and financial restructuring activities.

In 1998, the Bank was contracted to set up provident fund membership systems for 53 companies with a total membership of 101,004 persons for an aggregate fund amount of 18,083 million baht. The Bank was also appointed security agent for 14 companies with an aggregate worth of 120,656 million baht. In addition, the Bank was contracted to provide securities registration service for 48 companies with the aggregate total assets of 49,905 million baht and custodian service for a total net assets of 32,211 million baht.

## **Project Financing**

In 1998, the Bank provided financing to a number of investment projects, including the following significant projects.

*The Co-generation Project of Nong Khae Co. Ltd.* with an output of 120 megawatts of electricity and 20 tons of steam per hour. The project is located at the Siam Cement Industrial Estate, Nong Khae district, Saraburi province. The power plant will supply 90 megawatts of electricity to the Electricity Generating Authority of Thailand under a 25-year sale contract. The balance of the output would be sold to plants in the Siam Cement Industrial Estate. The total investments of this project amounted to 4,400 million baht, 610 million baht of which was financed by the Bank.

*The Rural Long-distance Public Telephone Project*, the third phase of Acumen Co. Ltd.'s rural long distance telephone via satellite project. The project encompasses 2,500 stations, covering 3,786 villages. The project's total investments was 3,300 million baht, of which the Bank financed 1,800 million baht.

*Aeronautical Radio of Thailand Co. Ltd.'s Project* to raise the technological capacity of the communication system to improve the country's air-traffic control capability. The project's investment cost amounted to 900 million baht which was fully financed by the Bank.

*Lube Oil Blending Plant Project* of Thai Lube Blending Co. Ltd. with the output of 30 million litres per year. The plant would provide lube oil blending and packaging service to the Petroleum Authority of Thailand and Total Lubricants International S.A. of France. The total investments were 767 million baht, of which the Bank financed 500 million baht.



In addition to the above projects, the Bank also provided loans to various manufacturing and service projects in accordance with the Government's policy. The Bank also supplied credit facilities to small and medium enterprises, consumers and homebuyers as well.

## **Social Contributions**

Thai Farmers Bank engaged in various social support activities encompassing religion, the arts, education and sports with the cooperation of both the public and private sectors.

### **Religion**

#### *The Royal Kathin Ceremony*

On September 29, 1998, the Bank organized the annual Royal Kathin Ceremony, held at Wat Cholprathanrangsarit in Nonthaburi province. On this occasion, an aggregate donation of 6,720,000 baht was raised from contributions by members of the Board of Directors, bank employees, clients and the general public. Disbursement of the fund was divided into two parts, 2,500,000 baht for the support of religious activities and the remaining 4,220,000 baht for public service activities of government agencies and charitable organizations.

Thai Farmers Bank has carried out the traditional annual Royal Kathin ceremony continuously since 1969 to provide bank employees both in the Bangkok Metropolitan area and in the provinces with the opportunity to make merit together for this important annual religious occasion.

### **Activities in Honor of His Majesty, the King**

Thai Farmers Bank arranged two projects to celebrate the auspicious occasion of His Majesty the King's 72nd birthday, the propitious sixth cycle birthday to arrive on December 5, 1999.

- *Thai Farmers Bank's Painting Competition To Commemorate The Royal 72nd Birthday* : The competition offered 18 top awards with the total prizes of 3 million baht. The event drew 301 artists who submitted 332 entries. On November 24, 1998, the panel of judges, chaired by M.C. Karawik Chakrabandhu, finalized their judgment on the entries and the "Grand Prix" award of 600,000 baht went to Mr. Monthien Chusuahung for the painting, "Hail to His Majesty". The award presentation ceremony and the exhibition of the winning and selected entries will be held in March 1999 at the Bank's headoffice.

- *The 'Vegetable Gardening To Foster Thai People' Handbook Project* : The handbook was prepared by the Thai Farmers Research Center Co. Ltd. along the guideline laid by His Majesty for the Thai people to attain self-sufficiency in their household economy. The book was designed as an attractive gift package containing sample seeds of the vegetable for do-it-yourself gardening. Mr. Sannarong Singhaseni, a celebrated painter, did the illustrations for the book. The book is on sale at 100 baht a package at Thai Farmers Bank's branches nationwide. All the proceeds from the sale of the total 200,000 copies printed will be presented to His Majesty the King to support royal charitable activities at His Majesty's discretion.

## **The Arts**

### *The Contemporary Arts Competition of 1998*

Thai Farmers Bank organizes a nationwide annual Contemporary Arts Competition in cooperation with the Department of Fine Arts and the International Arts Association of Thailand. In the past year, the competition attracted a large response from the arts circles. A total of 153 artists submitted 253 entries. The judges awarded two Grand Prizes. The first award went to Mr. Bundith Phunsombatlert for the print, "Ready Made Human Product (Male and Female)." The second award was given to Mr. Udom Chimpuckdee for his sculpture, "Circle of Life". In addition, there were also 12 finalists. The Bank presented the awards on November 20, 1998. The exhibition of the competition works was held until February 19, 1999 in the Exhibition Hall on the third floor of the Bank's headquarters.

## **Scholarships**

The Bank recognizes the importance of education in the development of Thai youths. For 30 years since 1969, Thai Farmers Bank has been granting scholarships to financially deprived students with good academic records and exemplary personal conduct. In 1998, the Bank provided 1,268 scholarships worth 2,761,800 baht — 140 scholarships were granted to students in the Bangkok Metropolitan area and 1,121 to those in the provinces. One scholarship was awarded to support a Master's Degree study program, and six to support the preparation of theses.

## **Sports**

In 1998, the Bank carried on its sports promotion activities by participation in four categories of public tournaments — football, volleyball, basketball, and badminton - which the Bank sponsored teams achieved successes in several events. The badminton teams garnered top awards in 17 events. The volleyball teams emerged victorious in 4 events. And, the basketball teams won top honor in 3 events.

## **Awards and Commendation**

### **Thailand's Top Bank**

Thai Farmers Bank was voted Thailand's "Top Bank" by Global Finance Magazine in its June 1998 issue. Global Finance, one of the leading international financial publications, surveyed commercial banks in Asia and selected the winners based on excellence in management of bank operations and financial management under volatile economic conditions.

### **Thailand's Best Bank**

The Bank was given "Award for Excellence 1998" for being Thailand's "Best Bank" by Euromoney Magazine. In its article, Euromoney's citation included: the Bank's ability to weather the economic storm through its management excellence, the Bank's success in raising capital in overseas markets, the strength of the Bank's capital base with tier 1 ratio higher than 10% and the Bank's strong deposit base and branch network.

### **1998 Bank of the Year**

Money and Banking Magazine voted Thai Farmers Bank, "the 1998 Bank of the Year". The decision was based on the magazine's survey on domestic commercial banks' performance in 6 areas: management, finance, marketing, staff productivity, image, and growth. Due to the continuing economic recession in 1998, more weight was given to management excellence. The magazine attributed its decision to the Bank's farsighted reengineering programs in

equipping and restructuring its operations to better cope with the economic downturn, the decisive provisioning against doubtful loans, efficient loan recovery, internal re-organization for more efficiency and the Bank's ability to raise new capital in this crucial period of time.

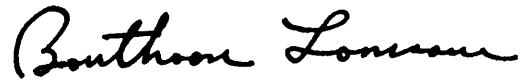
**Thailand's Leading Company**

Thai Farmers Bank was ranked second among Thailand's leading companies by Far Eastern Economic Review in its December 31, 1998 - January 7, 1999 issue. The ranking decision was based on five attributes: high quality of services and products, innovative response to customer needs, long-term vision, financial soundness and being an exemplary organization.

**Despite the continuing severity of the economic situations in 1998, the fact that the Bank was able to withstand the economic and financial turmoil, was due to the cooperation and dedication of every bank employee, together with the unwavering support of our shareholders, clients and the general public. The Board of Directors hereby take this opportunity to express its gratitude to all these benefactors.**



**(Banyong Lamsam)**  
Chairman



**(Bantoon Lamsam)**  
President



# **The Thai Economy in 1998 and Prospects for 1999**

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# The Thai Economy in 1998 and Prospects for 1999

In 1998, the Thai economy experienced negative growth of 8%. Rising unemployment and higher commodity prices cut purchasing power and led to a drastic contraction in consumption. Private investment fell due to the liquidity crisis after the closure of 58 finance companies. Rising interest rates during the first three-quarters of the year pushed up the cost of funds. By the fourth quarter, the cost of funds stopped climbing but the reversal was not enough to revive the economy. Exports, a major source of foreign currency revenue, fell as much as 7% in dollar terms, to US\$54,355 million, compared with US\$58,431 million in 1997. In contrast, exports in baht terms increased by 24.2% to 2,243,370 million baht.

Concerted all-round efforts helped the government's attempts to solve the economic problems, and the Thai economy showed some improvement over the last quarter of 1998. For example, the baht remained stable at 36-37 baht per dollar at the end of 1998, in contrast with the record high of 56.10 baht per dollar on January 12, 1998. The upward pressure on inflation eased. After increasing to 9.7% in the first half of the year, the rate of inflation dropped to 6.6% in the second half. The 1998 current account balance was in surplus by 10.9% of GDP, compared with a deficit of 2% of GDP in 1997. Official currency reserves also met the International Monetary Fund's target.

These improvements reflected stronger and positive adjustments in respect of the economy when compared to 1997. Nevertheless, Thailand continues to face several problems that require immediate rectification: the crisis in financial institutions, problems with the recapitalization of Thai commercial bank, non-performing loans, and debt restructuring in the private sector. These problems will have a great impact on Thailand's economic future.

For other industrial sectors, the 1998 performance can be summarized as follows:

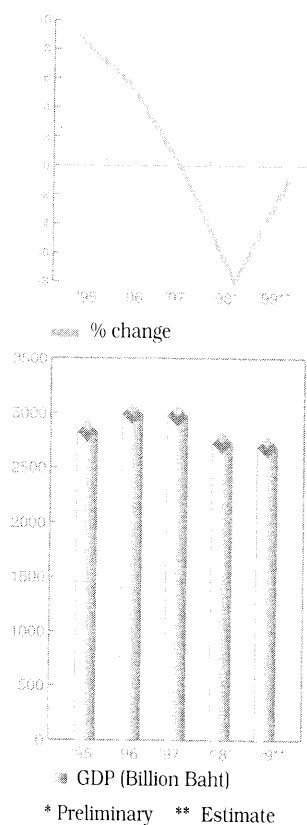
## Agricultural Sector

The agricultural sector output in crop year of 1998/1999 rose from the previous year due to higher prices of agricultural products, a result of the baht depreciation. Production expanded last year. For example, second rice crop areas were expanded by more than 10%, yielding 4.7 million tons, while the major crop yielded 18.5 million tons, for a total of 23.2 million tons. Rice production this year was considered high for the second consecutive year. Rice prices also rose. In 1998, paddy grade 1 was sold at 6,756 baht per ton, an increase of 19.2% when compared with 5,666 baht per ton in the preceding year.

Rice exports increased because most Asian buyers faced droughts that caused crop damage and led to more rice imports from Thailand. Thailand exported 6.3 million tons worth 85,830 million baht. Both volume and value increased by 13.2% and 31.9%, respectively.

Maize production reached an all-time high of 5.0 million tons, higher than the preceding year by 30.2%, while prices rose 20.5% to 4,875 baht per ton. For cassava, demand from foreign purchasers rose. In particular, the severe

**Gross Domestic Product**  
(At 1988 Constant Price)



drought in Indonesia induced higher tapioca flour imports from Thailand. Cassava root prices more than doubled, increasing from 680 baht per ton in 1997 to 1,380 baht per ton, while production rose only 4.6% to 16.7 million tons. The smaller increase in production was due to shortage of reproductive cassava plants and water shortages.

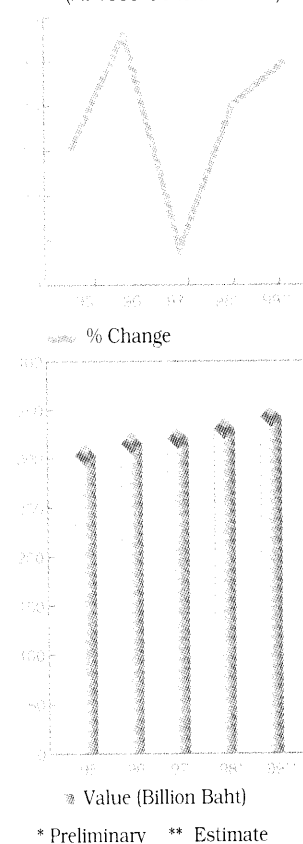
During the last quarter of 1998, reductions in rubber prices caused the government to intervene. As a result, the price of rubber rose at the end of the year. Sugar cane production did not increase due to tight financial liquidity in the sugar industry, which reduced the size of loans to farmers for growing and maintaining their plantations. In addition, farmers preferred rice as their second crop because of higher prices, causing reductions in the cultivation of sugar cane.

The fisheries industry was also healthy, especially offshore fishery which increased by 12% from last year. Black tiger prawn showed a promising outlook during the first half of 1998 but the trend reversed during the second half due to a shrimp epidemic in the eastern and southern provinces. Production volume of black tiger prawn dropped when compared with the year before.

Livestock production in 1998 continued to expand due to rising exports of frozen whole chickens and chicken products. Swine production contracted along with the domestic market. The growth rate of the logging industry dropped; production from the Royal Forestry Department (RFD) fell drastically. The Royal Forestry Committee ordered the RFD to take fewer logs out of the forests due to the downturn in the economy, particularly reflected in a lower demand from the construction and real estate industries.

## Aggregate Value of Agriculture

(At 1988 Constant Price)

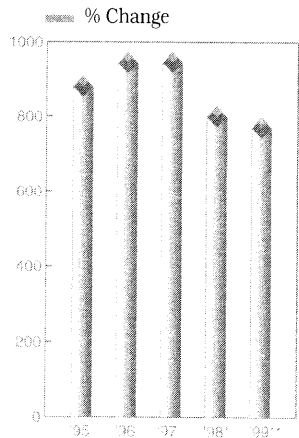
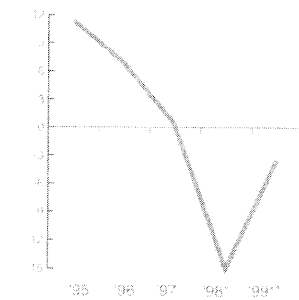


## The Industrial Sector

In 1998, industrial production contracted sharply when compared with the preceding year due to steep drops in both domestic and international demand. The liquidity problem and economic malaise pushed 1998 average capacity utilization down to 49.8%, compared with 74.6% and 67.3% during 1996 and 1997 and an average of 78.3% over 1991-1995. Almost all industries showed capacity utilization levels lower than the industry average. For instance, the automobile and accessories industry registered utilization of 18.5%, compared with 66.2% and 46.5% in 1996 and 1997 or compared with the 5-year (1991-1995) average of 76.9%. The automobile industry suffered through a sluggish market, a severe contraction of domestic demand, and high inventory levels. Automobile producers reduced their production work hours while permanently shutting down some production lines.

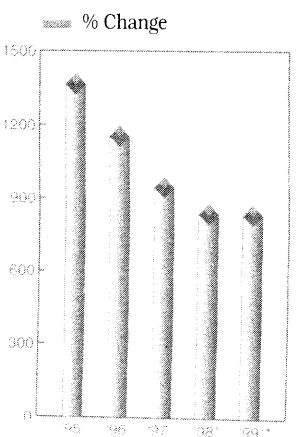
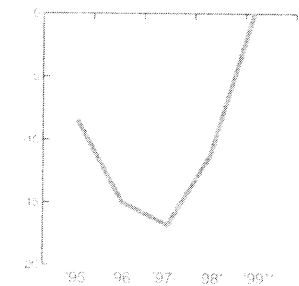
Utilization in the construction materials industry level fell to 42.5%, compared with an average of 80.8% during 1991-1995 or levels of 72.4% and 69.4% in 1996 and 1997, respectively. Food production also indicated lower levels of production utilization, dropping to 40.4% in 1998, compared with an average level of 50% during 1991-1997. The poor utilization was due largely to seasonal shortages of raw materials, such as in the canned pineapple and canned seafood industries.

## Aggregate Value of Industry



■ Value (Billion Baht)  
\* Preliminary \*\* Estimate

## BOI Promoted Projects



■ Number of project  
\* Preliminary \*\* Estimate

The level of capacity utilization in the petroleum industry dropped gradually from 93-100% in 1991-1995 to 90.1% in 1997 before falling further to 80.1% in 1998. This industry relies on economies of scale, and more importantly, was required to maintain the fixed pressure level in the refining towers. Capacity utilization cannot drop below 60% or the production process must be shut down, causing even greater costs and damage.

The domestic market for important industrial products shrank. For example, automobile sales fell by 60%, motorcycle sales dropped by 43%, construction materials fell by 40-60%, electrical appliance sales declined by 25%, alcoholic and non-alcoholic beverages fell by 10% and 5%, respectively. Exports of industrial products in dollar terms fell by 6.4% in 1998 from those of the preceding year. In contrast, the export value in baht rose by 16.8%. There were some bright spots: export value in baht terms increased for automobiles and accessories, computers and parts, integrated circuits and parts, clothing, communication appliances, electrical appliances, sporting goods, and plastic products, etc.

## Investment

In 1998, the investment situation worsened significantly. The private investment index contracted 6.8% in the first quarter and 14.5% in the second quarter. The index continued to deteriorate with negative growth of 20.8% and 21.7% in the third and fourth quarters. Moreover, the private sector investment indicators fell. The actual number of projects submitted to the Board of Investment (BOI) in 1998 was 881, totaling 283,788 million baht. Both investment value and volume fell from the preceding year by 11.3% and 42.2%, respectively. The number of BOI approved projects totaled 713 worth 303,386 million baht, a reduction from 1997 of 22.4% and 37.0%, respectively. The number of projects in operation totaled 739 with a total of 294,472 million baht, falling by 54.0% and 6.9% respectively from the previous year. Moreover, imports of intermediate products, raw materials, and capital goods fell by 37.4% and 39.7%, respectively, while imported crude oil shrank by 25.4%.

The stagnant investment climate in 1998 was attributed chiefly to changes in investors' confidence throughout the region due to the non-supportive environment in general, the economic slump, the contraction of domestic purchasing power, and the baht fluctuation. The lack of investor confidence was compounded by the Asian regional crisis and unrest in neighboring countries.

## The Real Estate Sector

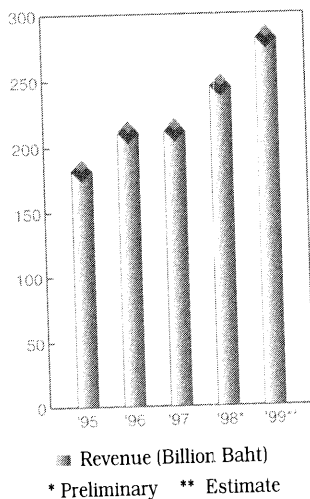
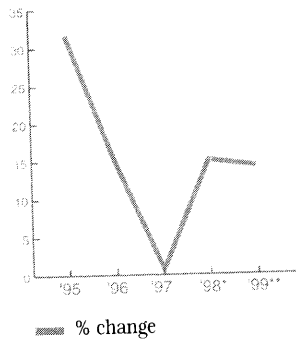
For several years, a real estate glut persisted despite drops in demand and consumer purchasing power. The industry has been under pressure since 1997 and declining consumer purchasing power deterred new projects. Some existing projects went out of business while the remainder struggled for survival with no prospects of profit on the horizon. The industry problems were exacerbated by tight liquidity, due in part to the closure of 58 finance companies and more stringent rules designed to promote greater stability among financial institutions. At the same time, real estate owners faced difficulties with ownership transfers since most real estate was mortgaged to the closed finance companies.

The real estate indicators contracted sharply. For instance, the value of land purchases and sales in 1998 dropped nationwide by 40.5%, a fall from 338,945 million baht in 1997 to 201,640 million baht in 1998. Authorized land development also fell by 70.3% from 114,422 units in 1997 to 33,980 units in 1998. The approved areas for construction (in municipalities) fell to 6.7 million square meters, compared with 21.3 million square meters in 1997, a drop of 68.5%.

## Tourism

Although several regions in the world were also in an economic slump, the Thai tourism industry in 1998 was less affected, compared with neighboring countries. Foreign tourists favored a visit to Thailand. The number of incoming tourists increased by 7.5%, to 7.76 million, exceeding the target of 7.72 million tourists for 1998-1999 set by the Tourism Authority of Thailand (TAT) for the "Amazing Thailand" promotion. Consequently, Thailand earned as much as 254,000 million baht worth of foreign income, an increase of 15% from 1997 mostly due to the depreciating baht which motivated foreign tourists to take advantage of more favorable exchange rates. Moreover, the peaceful Thai political climate sharply contrasted with other countries such as Indonesia and South Korea.

### Tourism Revenue



Healthier tourism promoted greater earnings among related businesses. For instance, revenue from the production and sale of souvenirs gained the highest share of revenue (36%) among tourism-related industries. These included jewelry, garments, leather accessories and handicrafts. The second highest revenue share (28%) in the tourism industry went to hotels, resorts, guesthouses and other accommodation facilities. The next 14% were distributed to restaurants and drinking places, while the remaining 22% went to entertainment businesses, transportation, and domestic tour operations.

## International Trade

In 1998, international trade also faced negative domestic and international factors. A drop in the volume of international trade led to a reduction in demand for Thai goods on the domestic front, the contracting Thai economy tightened business liquidity, and a carry-over effect from the 1997 baht crisis. Interest rates adjusted upward while the baht fluctuated, causing producers and exporters to postpone their imports of raw materials and intermediate products from abroad. The drops in imports were aggravated by rising production and selling costs. The producers' and exporters' overseas purchases fell due to uncertainty about the stability of the baht. Any advantage from the baht floatation was gradually negated when several other countries such as Indonesia, South Korea, and Philippines also floated their currencies in short order. The resulting series of currency floatations affected several highly competitive Thai export items such as



canned seafood, textiles, shoes, and electrical parts and electronics. Moreover, major trade competitors such as South Korea, Indonesia, Malaysia, China, and the Philippines encountered economic problems of their own. Subsequently, they almost simultaneously embarked upon export promotion strategies to draw in foreign currencies. As a result, discounts and price cuts depressed the Thai export trend.

Thai exports in 1998 in dollar terms stood at 54,355 billion baht, falling from 1997 by 7%. Nevertheless, in baht terms, exports increased from the preceding year by 24.2% with a total value of 2,243,400 million baht. Items that enjoyed increases in export value in US dollar were: rice, frozen and processed chicken, canned seafood, rubber products, telephones and equipment, TV and radio receivers and parts, microwave ovens, plastic pellets, iron products, automobiles and parts, luggage, and tableware.

Important exports items that experienced drops in US dollar earnings were: rubber, tapioca, frozen shrimps, raw coffee, frozen fresh fruits, sugar, garments, precious stones and jewelry, shoes and parts, plastic products, furniture and parts, wood products, computers, video, and sound systems.

Export markets in Japan, ASEAN, Hong Kong, China, South Korea, the Middle East and Eastern Europe were expected to decline while the demand from the US, Europe, Taiwan, Africa, Australia, and South America indicated an upward trend.

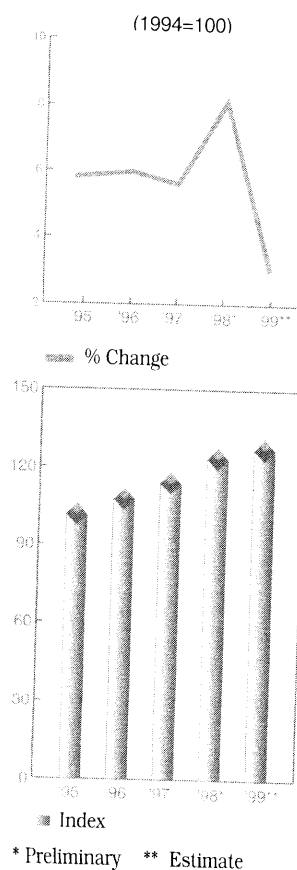
In 1998, Thai imports showed significant drops both in dollar and baht terms. Import values were 42,355 million dollars, falling by 32.9% while in baht terms, the import value decline was even greater. As a result, in 1998, the trade balance showed a surplus of 11,995 million dollars, or 470,985 million baht, compared with deficits of 4,716 million dollars and 117,582 million baht respectively in 1997.

## Inflation

Inflation in 1998 rose to the highest level since the second oil crisis of 1979-1980. The consumer price index rose by 8.1% compared with 5.6% in 1997. Significant rises in food and beverage prices—especially rice and basic daily necessities—were behind the surge of the consumer price index. Prices for essential items such as medical expenses and drugs moved upward with the increased cost of imported drugs and medical equipment. In addition, higher taxes were imposed on alcoholic beverages and tobacco products, further fueling inflation.

In 1998, the inflation rate during the first half of the year rose significantly, an average of 9.7% during the first half of 1998. However, the inflation rate gradually dropped from 10% in July to 7% in September. The downward trend of the inflation rate continued and inflation fell to 4.3% in December, bringing the average inflation rate to 6.6% for the second half of the year. In the third quarter, the inflation rate was 8.2% but by the fourth quarter, the inflation rate was only at 5%. The lower inflation rates during the third and fourth quarters were due to the sharp drop in food prices after the surge in the first half. In particular, price of food items such as jasmine rice that increased during the first quarter of 1998 and remained at a high level in the second quarter, dropped significantly in the third and fourth quarters. Similarly, gasoline prices continuously dropped. The strong baht during the second half of the year led to cuts in lending rates in the third and fourth quarters and lowered entrepreneurs' cost of funds. As a result, the inflation rate in the last quarter in 1998 increased at a slower rate. Over the whole year, the 1998 inflation rate was 8.1%, compared with 5.6% in 1997.

## Consumer Price Index



## **Monetary Situation**

The monetary condition in 1998 fluctuated dramatically. Liquidity conditions were very tight during the first quarter but eased in the second quarter and throughout the rest of the year. During the first quarter, the system was faced with severe capital outflows from both the banking and non-banking sectors. Public confidence in financial institutions largely evaporated, leading to large withdrawals under the stringent financial system rules and amid the baht and inflation instability. Nevertheless, in the second quarter, the liquidity situation in the financial system began to improve. Capital outflows slowed while the current account balance showed a surplus from September 1997 until the end of 1998. This helped ease the liquidity position while the baht began to appreciate, rallying from its low of 56.10 baht to the dollar on January 12, 1998 to about 41-42 baht to the dollar at the end of June. The baht continued to strengthen to 39 baht to the dollar at the end of September before stabilizing at 36.5 baht to the dollar by the end of 1998.

More importantly, the public began to gain more confidence in financial institutions after monetary authorities intervened with the troubled financial institutions and formulated clear measures to rectify the problems. The public began to understand and have confidence in the deposit insurance mechanisms, leading to a more even distribution of deposits among all commercial banks and other financial institutions. Especially after the announcement of the August 14th financial rehabilitation package, both domestic and international investors regained some of their confidence. At the same time, monetary authorities relaxed both monetary and fiscal policies. From the end of the second quarter of 1998, the liquidity situation at commercial banks gradually improved, causing both lending and deposit rates to drop slightly by the end of the second quarter. After July, the money market interest rates declined sharply; the 3-month deposit rate of large Thai commercial banks averaged 6% at the end of 1998, compared with an average level of 13.5% during the first half of the year. The lending rates of large Thai commercial banks remained at 14.5-15.0% during the first half, before dropping to 11.0-11.5% towards the end of 1998.

## **Fiscal Situation**

The government continued to encourage careful spending in the 1998 fiscal year, following the agreements with the International Monetary Fund (IMF). Emphasis was put on promoting stability and restoring confidence in the economy. Spending cuts and tax increases were enacted to maintain the government budget surplus at 69,800 million baht, as agreed in the IMF Letter of Intent 2 (LOI-2). However, reaching to the speed and severity of the economic contraction, the government changed its policy, adjusted the budget, and approved larger government spending from the government treasury account. The government also accelerated budget disbursements to stimulate the economy. LOI-3 through 5 showed higher deficits in the government cash balance from 50,400 million baht to 117,000 million baht, respectively. However, since the government financed the spending with no additional borrowings to offset the deficits, the treasury balance then was used to make up the deficits and repay the loan principal. The government treasury balance fell from the last fiscal year by 132,400 million baht, a drop from 271,800 million baht at the end of the 1997 fiscal year, to a balance of 139,400 million baht at the end of the FY 1998.

Most tax revenues in FY 1998 fell in line with the economic slump. Total tax collection reached 727,400 million baht, a 13.8% drop from the previous budget year. Corporate tax collection fell by 43.1%, tariff collection fell by 36.4%, and excise tax collection dropped by 14.2%. On the positive side, increased tax collection came from: growth in personal income tax collection by 6.6% due to higher deposit rate tax collection; and growth of value-added tax collection by 17% due to a boost in the VAT rate from 7% to 10%.

## **Thailand's Economic Prospects in 1999**

In 1999, the direction for the Thai economy depends on several domestic and international factors such as the global economy, foreign investment, exports, tourism, and the government's success in finding a solution for the financial institutions and the non-performing loans through recapitalization and debt restructuring. If the global economy improves, the Thai economy will also improve. Foreign investments may expand because of the stronger Thai economic fundamentals, generating more confidence among foreign investors. Meanwhile, Thailand's trade partners who benefit themselves from the healthier global economy may place more orders for Thai export commodities. The increased purchasing power in the country's principal trade partners may raise the number of incoming tourists from those countries, thus boosting Thai tourism.

The recovery of the Thai economy will also depend on the successful tackling of the financial institutions' problems. In part, the degree of success depends on the financial institutions' ability to provide new loans after adequate recapitalization, once they are confident that new loans would not become NPLs. NPLs must be tackled urgently as new loans are vital for economic recovery. Finally, private business debt restructuring must show sufficient progress to rehabilitate businesses.

The monetary authorities also injected liquidity into the economy by running a fiscal budget deficit as much as 5% of GDP, or equivalent to 250,000 million baht. The private sector has to adapt itself to a tightening economy. The prospect of economic recovery by the end of 1999 depends on three essentials: strengthened financial institutions; a liquidity injection through the government budget deficit; and the ability of private business to adapt to the changed economic situation and deal forthrightly with the crisis.

The trend for the major business sectors in 1999 can be summarized as follows:

### **Agricultural Sector**

In 1999, the agricultural sector still faces several problematic issues. The most important issues are drought and price drops. There will be severer competition in the world market. The drought will reduce the volume of agricultural and industrial products. The world market prices of rice, cassava, rubber and coffee will be falling due to higher quantities of agricultural products in other countries. Global demand is expected to drop because some trade partners such as the US, some European countries, Japan, and China, could fall into economic decline. As agricultural products in these countries are expected to increase, their demand for imports from Thailand would reduce further. Moreover, some disaster-hit countries are now reclaiming their competitive positions, causing fiercer competition in the world market. The increased production will lead to more negotiating power because there are more alternatives for imports. The adverse effect from drought and increased competition is expected to reduce farmers' average income from last year by 15%. The estimated total income of 16 agricultural products as shown by the Office of Agricultural Economics will be about 418,946 million baht in 1999, compared to 496,530 million baht in 1998.

### **Industrial Sector**

The industrial sector in 1999 may not recover from the economic slump experienced in 1998 and earlier. Growth of most industries may be very slow due to contracting domestic demand as the economy stays mired in the slump; export markets may not recover. There will be only a small growth in the demand for Thai industrial products due to a contracting global economy. The competition for exports in 1999 will be higher because more countries will employ export-led trade strategies designed to attract more foreign currencies, strengthen their own financial status, and fuel a speedy recovery. Thailand's export strategies, especially for industrial products, will be an important mechanism in the revival of the Thai economy. Products that Thailand can offer at an advantage are: automobiles and parts, computers and equipment and parts, electrical appliances, electronic components, pulp, plastic products and food items. The competitive

advantage that Thailand has for food items include canned vegetables, fruits and other canned food products. Export promotions for these industries may be effective because other export markets, such as the US, European Union and some countries in Asia show promise. This may result in a slight increase in demand for industrial products. The Thai authorities and producers must organize and equip themselves to achieve higher volumes and values of industrial product exports than in 1998.

## **Investment**

The prospect for investment in 1999 may be comparable to 1998; improvement depends on the recovery of the economy. Private investments may be in the form of increasing existing capacity rather than launching new projects. The size of projects and funds in each project indicate a downward trend when compared with the previous periods. The only industry with a bright future and the possibility of investment promotion in 1999 is the electronic parts industry because of its positive exports trend and Thailand's "efficiency" or "competitiveness" in this field. Moreover, agricultural processing industries with domestic raw materials continue to show a positive trend. The stagnant industries include construction materials, petrochemicals, oil refining and the automobile industry due to their excess production capacity.

## **Real Estate**

In 1999, the trend for real estate is still difficult to project despite the recovery signal indicated by interest rate reductions since the last quarter of 1998. The downward trend is, however, expected to continue. Since purchasing power is lower as a result of lay-offs and salary cuts. As long as the economy remains in a slump, the purchase of real estate properties will be adversely affected due to lack of job security, or fears of salary-cuts and business closures. In this uncertain climate, with personal expense cuts and greater all-round thriftiness, exacerbated by a supply glut of homes, offices and commercial buildings, the prospects for the real estates industry continues to be poor.

## **Tourism Industry**

During the last year of the "Amazing Thailand" promotion, the tourism industry in 1999 still faces heightened competition. Indonesia, Malaysia, Hong Kong, Singapore, and South Korea all promote their tourism industries, and all are expecting better returns in 1999. The public and private sectors must cooperate and make swift moves to maintain Thailand's market share. Moreover, these efforts must also explore potential new markets with strategies to focus on high purchasing power groups. The public and private sectors must work hand in hand to solve problems, especially environmental issues and tourist safety in order to reach the "Amazing Thailand" target of 16 million tourists. With that target, tourists could bring in 582,000 million baht to the country during 1998-1999. In 1998, 7.76 million tourists outperformed the target of 7.72 million tourists, bringing in 254,000 million baht. The number of tourists and revenue rose by 7.5% and 15%, respectively. In 1999, to reach the target, the country must attract 8.28 million tourists producing earnings totaling 328,000 million baht.

## **Monetary Situation**

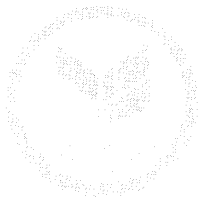
The monetary condition in 1999 will continue to fluctuate due to slow progress in the financial institution rehabilitation. Despite an improvement in the liquidity situation, much will continue to depend on the amount of foreign capital inflows, the issuance of government bonds, the success of financial recapitalizations, and the movement of the US dollar and the baht. The trend for deposit and lending rates will continue to slide down from the 1997 highs. The Minimum Lending Rate (MLR) of the large commercial banks may drop below 10%, a level considered very low when compared with 1998 at 14.5%. The low lending rates will benefit domestic businesses and asset quality management and enhance opportunities for economic recovery. At the same time, the 3-month deposit rate that fell to 6%, and the savings rate that dropped to 4.5% at the end of 1998, are expected to slide down further. The Bank of Thailand initiated

the downward trend by reducing the bank rate by 5.5%, from 12.5% in mid-1997 to 7.0%, thus pressurizing commercial banks into make further cuts in their interest rates. It is expected that the MLR of the large commercial banks will drop to 8-9% while the 3-month deposit rates will fall to 4-5%. The savings rate is expected to be around 3-4% in 1999.

### **Fiscal Situation**

In 1999, the government has set total expenditures at 825,000 million baht which is lower than the earlier allocation. At the end of 1998, the government decided to disburse a total of 30,000 million baht to various government offices, causing the spending budget for 1998—which had been cut earlier—to remain at 800,000 million baht. When the disbursement was added, the fiscal budget in 1998 totaled 830,000 million baht. Moreover, in 1999, the government may increase its budget deficit by another 2% of GDP to reach a deficit of 3% of GDP. When adding the additional 2% of GDP to the deficits of state enterprises, the budget deficit for 1999 could be as high as 5% of GDP, or 250,000 million baht. The deficit is expected to help stimulate the economy.

On the revenue side, as much as 800,000 million baht is expected in the 1999 fiscal year, 10% or 70,000 million baht more than the actual collections in 1998. The revenue target was readjusted in the LOI-6 in which the government cut the revenue in 1999 to 760,700 million baht, some 4.9% below the formally set level but still 4.6% higher than actual collections in 1998. If there is a significant recovery of the economy in 1999, it is possible that the newly-adjusted figure could be achieved.



# Financial Statements



# Report of the Auditor

## To the Shareholders of Thai Farmers Bank Public Company Limited

We have audited the consolidated balance sheet of Thai Farmers Bank Public Company Limited and subsidiaries as at December 31, 1998, and the related consolidated statements of income, changes in shareholders' equity and retained earnings (deficit) for the year then ended. We have also audited the Bank only balance sheets of Thai Farmers Bank Public Company Limited as at December 31, 1998 and 1997, and the related statements of income, changes in shareholders' equity, retained earnings (deficit) and cash flows for each of the years then ended. The Bank's management are responsible for the correctness and completeness of information presented in these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with generally accepted auditing standards. Those standards require that we 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 3.5 to the financial statements at December 31, 1998, the calculated allowance for doubtful accounts based on classified loans and accrued interest receivables in accordance with the Notification of the Bank of Thailand dated June 30, 1998 was Baht 120,962.4 million on a consolidated basis and Baht 101,964.5 million for the Bank only. As at December 31, 1998, the actual allowance for doubtful accounts was Baht 78,138.3 million on a consolidated basis and Baht 63,473.1 million for the Bank only, which represents 64.60% and 62.25%, respectively, of the calculated allowance for doubtful accounts and is substantially above the minimum requirement of 20% in 1998 as allowed by the Bank of Thailand. However, in order to comply with generally accepted accounting principles, the Bank should provide additional allowance for doubtful accounts for uncollectible debt at December 31, 1998. The Bank's loans are still in the process of being collected, restructured, renegotiated and qualitatively reviewed, which may affect the classification of loans and accrued interest receivables and the resulting estimate of allowance for doubtful accounts. The effects of the additional allowance for doubtful accounts on the financial statements have not been determined.

The financial statements of two subsidiary companies included in the consolidated financial statements for the year ended December 31, 1998 are audited by other auditors. However, we have not received the results of their audit of those financial statements. The combined financial statements of these two subsidiaries reflect total asset and revenues constituting 7.73% and 1.21%, respectively, of the related consolidated totals. Our audit insofar as it is related to the amounts included in respect of these subsidiary companies, is based solely upon the representations of management.

In our opinion, except for the effects on the 1998 financial statements of providing an allowance for doubtful accounts as described in the third paragraph and for the effects of such adjustments, if any, as might have been made if we had received the results of the audits of two subsidiary companies as described in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Thai Farmers Bank Public Company Limited and subsidiaries at December 31, 1998, and the consolidated results of their operations for the year then ended, and the separate financial position of Thai Farmers Bank Public Company Limited as at December 31, 1998 and 1997, and results of its operations and cash flows for each of the years then ended, in conformity with generally accepted accounting principles.

We draw attention to Note 1.3 to the financial statements. The operations of Thai Farmers Bank Public Company Limited and its subsidiaries since 1997 have been affected and may continue to be affected for the foreseeable future by the economic conditions in Thailand and the Asia Pacific Region in general.



**(Nirand Lilamethwat)**

Certified Public Accountant  
Registration Number 2316

**KPMG**

**KPMG Audit (Thailand) Limited**

Bangkok, January 27, 1999

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Thailand. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Thailand.

# Balance Sheets

Thai Farmers Bank Public Company Limited and Subsidiaries  
as at December 31, 1998 and 1997

Assets	Consolidated	The Bank	
	1998	1998	1997
	Baht	Baht	Baht
Cash	9,400,022,188.72	9,399,995,188.72	10,226,886,624.16
Interbank and money market items (Note 3.1)			
Domestic items			
Interest bearing	3,421,430,394.48	2,947,740,437.45	27,514,302,606.85
Non-interest bearing	11,107,426,835.19	10,488,896,240.25	11,235,487,873.06
Foreign items			
Interest bearing	54,439,103,796.87	54,439,103,796.87	47,522,356,446.07
Non-interest bearing	1,192,088,775.71	1,192,088,775.71	922,908,496.87
Total interbank and money market items	70,160,049,802.25	69,067,829,250.28	87,195,055,422.85
Securities purchased under resale agreements (Note 3.2)	40,055,000,000.00	39,475,000,000.00	33,475,000,000.00
Investment in securities (Notes 2.5, 3.3 and 3.17)			
Securities for trading	2,369,963,157.70	500,000,000.01	953,146,890.29
Securities for investment	61,686,618,586.77	62,880,367,858.24	44,208,130,387.12
Total investment in securities	64,056,581,744.47	63,380,367,858.25	45,161,277,277.41
Less Allowance for diminution in value of securities	(6,297,644,489.97)	(10,633,108,077.90)	(5,917,598,194.83)
Investment in securities - net	57,758,937,254.50	52,747,259,780.35	39,243,679,082.58
Loans and accrued interest receivables			
Loans (Notes 2.3 and 3.4)	608,927,785,355.61	554,145,203,398.33	608,590,352,711.59
Accrued interest receivables	12,812,647,750.11	8,712,528,407.21	8,722,861,767.46
Total loans and accrued interest receivables	621,740,433,105.72	562,857,731,805.54	617,313,214,479.05
Less Allowance for doubtful accounts (Notes 2.4 and 3.5)	(78,138,277,992.83)	(63,473,068,447.81)	(26,717,108,803.70)
Loans and accrued interest receivables - net	543,602,155,112.89	499,384,663,357.73	590,596,105,675.35
Properties foreclosed - net (Note 2.9)	1,644,224,111.01	1,560,719,029.15	1,457,863,382.05
Customers' liability under acceptances	1,054,480,275.81	1,054,480,275.81	2,287,708,100.33
Premises and equipment - net (Notes 2.7 and 3.7)	20,672,929,342.70	19,879,828,306.82	20,452,030,318.67
Inter-office accounts	2,105,613,875.66	2,105,613,875.66	4,146,227,687.56
Deferred income tax (Notes 2.8 and 3.21)	4,012,957,887.73	3,968,056,030.83	2,283,696,288.82
Other assets	6,372,641,320.33	5,649,531,566.56	4,020,939,570.60
<b>Total Assets</b>	<b>756,839,011,171.60</b>	<b>704,292,976,661.91</b>	<b>795,385,192,152.97</b>

◇ Notes to financial statements form an integral part of these statements





	Consolidated		The Bank	
	1998	1998	1998	1997
	Baht	Baht	Baht	Baht
<b>Liabilities and Shareholders' Equity</b>				
Deposits (Note 3.8)				
Deposits in Baht	623,391,433,644.01	574,634,969,375.30	580,690,515,318.00	
Deposits in foreign currencies	4,698,400,830.58	4,698,400,830.58	7,723,207,717.62	
Total deposits	628,089,834,474.59	579,333,370,205.88	588,413,723,035.62	
Interbank and money market items (Note 3.9)				
Domestic items				
Interest bearing	19,533,904,712.67	18,100,029,864.29	17,925,599,922.70	
Non-interest bearing	422,753,676.67	369,032,177.15	1,757,859,025.69	
Foreign items				
Interest bearing	23,169,108,954.46	23,169,108,954.46	87,035,687,447.62	
Non-interest bearing	203,689,596.49	203,689,596.49	184,354,822.09	
Total interbank and money market items	43,329,456,940.29	41,841,860,592.39	106,903,501,218.10	
Liabilities payable on demand	2,838,256,219.38	2,838,256,219.38	2,988,239,734.76	
Securities sold under repurchase agreements (Note 3.10)	758,357,975.04	-	309,000,000.00	
Borrowings				
Long-term borrowings (Notes 3.11 and 3.12)	14,772,692,300.31	14,772,692,300.31	16,861,072,649.62	
Bank's liability under acceptances	1,054,480,275.81	1,054,480,275.81	2,287,708,100.33	
Accrued interest payables	6,643,715,057.17	5,947,296,772.05	10,531,141,483.17	
Excess of fair value of assets acquired over cost of investments (Note 2.14)	138,122,922.10	-	-	
Other liabilities	6,217,757,147.14	6,098,335,829.16	10,282,595,074.74	
Total liabilities	703,842,673,311.83	651,886,292,194.98	738,576,981,296.34	
Minority interests	579,298,581.01	-	-	
Shareholders' Equity				
Share capital (Note 3.13)				
Authorized share capital				
1,356,000,000 ordinary shares in 1998 and 1,000,000,000 ordinary shares in 1997, Baht 10 par value	13,560,000,000.00	13,560,000,000.00	10,000,000,000.00	
1,000,000 class A preferred shares, Baht 10 par value in 1998	10,000,000.00	10,000,000.00	-	
Issued and fully paid up share capital				
1,176,000,000 ordinary shares in 1998 and 800,000,000 ordinary shares in 1997, Baht 10 par value	11,760,000,000.00	11,760,000,000.00	8,000,000,000.00	
Warrants and premium on warrants (Note 3.12)	5,520,432,919.21	5,520,432,919.21	5,520,432,919.21	
Premium on share capital	37,712,662,057.49	37,712,662,057.49	8,384,662,057.49	
Surplus on fixed assets revaluation (Notes 2.7 and 3.14)	3,921,900,500.00	3,921,900,500.00	3,949,843,400.00	
Retained earnings				
Appropriated				
Legal reserve	800,000,000.00	800,000,000.00	800,000,000.00	
Other reserves	26,675,300,000.00	26,675,300,000.00	29,278,858,852.27	
Unappropriated (deficit)	(33,927,779,323.50)	(33,689,064,442.84)	3,590,120,120.94	
Less Unrealized loss on securities for investment (Note 2.5)	(45,476,874.44)	(294,546,566.93)	(2,715,706,493.28)	
Total shareholders' equity	52,417,039,278.76	52,406,684,466.93	56,808,210,856.63	
Total Liabilities and Shareholders' Equity	756,839,011,171.60	704,292,976,661.91	795,385,192,152.97	
Off-balance sheet items - contingencies (Notes 3.16)				
Aval to bills and guarantees of loans	15,951,577,308.94	25,100,985,290.70	37,757,840,250.51	
Liability under unmatured import bills	5,112,502,083.82	5,112,502,083.82	12,942,426,721.69	
Letters of credit	4,978,342,078.14	4,978,342,078.14	9,593,925,746.64	
Other contingencies	311,395,709,706.83	310,341,538,770.78	319,421,224,790.22	

*Banthoon Lamsam*  
**(Banthoon Lamsam)**  
President

*P. Pookakupt*  
**(Dr. Piengchai Pookakupt)**  
Executive Vice President

# Statements of Income

Thai Farmers Bank Public Company Limited and Subsidiaries  
Years Ended December 31, 1998 and 1997

	Consolidated		The Bank	
	1998	1997	1998	1997
	Baht	Baht	Baht	Baht
Interest and dividend income (Notes 2.1 and 2.5)				
Loans	62,481,724,604.96	61,404,665,548.56	68,836,443,434.76	
Interbank and money market items	11,503,548,364.59	11,464,359,669.99	8,312,970,835.64	
Government securities and state enterprise securities	2,812,979,451.48	2,725,827,295.28	2,335,751,927.96	
Other securities	803,938,922.31	755,019,121.19	749,124,500.45	
Total interest and dividend income	77,602,191,343.34	76,349,871,635.02	80,234,290,698.81	
Interest expense (Note 2.2)				
Deposits	59,433,380,694.81	57,666,371,539.75	41,730,645,724.03	
Interbank and money market items	3,938,736,889.49	3,810,078,528.63	9,281,435,927.37	
Long-term borrowings	1,396,345,148.57	1,396,345,148.57	1,346,843,054.08	
Total interest expense	64,768,462,732.87	62,872,795,216.95	52,358,924,705.48	
Net income from interest and dividend	12,833,728,610.47	13,477,076,418.07	27,875,365,993.33	
Bad debt and doubtful accounts (Note 2.4)	44,076,364,532.89	38,580,380,117.19	16,810,281,186.84	
Net income from interest and dividend after bad debt and doubtful accounts	(31,242,635,922.42)	(25,103,303,699.12)	11,065,084,806.49	
Non-interest income	916,546,613.90	959,174,909.35	888,136,275.92	
Fees and service income				
Acceptances, aval and guarantees				
Others	3,785,217,750.37	3,726,839,005.46	4,246,207,794.78	
Gain on foreign exchanges (Note 2.6)	3,730,045,781.09	4,035,857,530.01	3,778,047,308.25	
Penalty charge on returned clearing cheques	145,530,335.58	145,530,335.58	210,290,408.99	
Gain on interest rate agreements	494,585,757.23	494,585,757.23	104,292,481.25	
Other income	507,409,296.26	471,170,112.46	216,851,821.54	
Total non-interest income	9,579,335,534.43	9,833,157,650.09	9,443,826,090.73	
Non-interest expense				
Personnel expense	5,653,996,165.46	5,593,639,779.27	6,508,258,412.68	
Premises and equipment expense	3,345,294,300.09	3,307,703,439.23	3,106,326,826.08	
Taxes and duties	1,385,849,975.41	1,374,070,911.40	476,346,297.45	
Fees and service expense	2,881,575,151.25	2,845,593,939.82	2,651,187,620.10	
Directors' remuneration (Note 3.19)	9,010,671.96	8,442,671.96	44,108,650.83	
Contribution to Financial Institutions Development Fund	2,568,074,414.70	2,514,915,303.03	1,035,619,586.00	
Loss on diminution in value of securities (Notes 2.5 and 3.3)	2,117,319,729.01	9,066,552,144.58	3,073,663,924.65	
Other expenses	2,309,463,431.24	1,677,396,913.70	2,582,997,458.91	
Total non-interest expense	20,270,583,839.12	26,388,315,102.99	19,478,508,776.70	
Income (loss) before income tax	(41,933,884,227.11)	(41,658,461,152.02)	1,030,402,120.52	
Income tax (benefit) expense (Notes 2.8 and 3.21)	(1,763,009,136.51)	(1,775,717,735.97)	229,625,305.55	
Income (loss) before minority interests	(40,170,875,090.60)	(39,882,743,416.05)	800,776,814.97	
Minority interests in net loss	49,416,793.89	-	-	
Net Income (Loss)	(40,121,458,296.71)	(39,882,743,416.05)	800,776,814.97	
Earnings (loss) per share (Note 2.13)	(37.08)	(36.86)	1.00	

◇ Notes to financial statements form an integral part of these statements

# Statements of Changes in Shareholders' Equity

Thai Farmers Bank Public Company Limited and Subsidiaries  
Years Ended December 31, 1998 and 1997

	Consolidated	The Bank	
	1998	1998	1997
	Baht	Baht	Baht
Share capital: ordinary shares			
Beginning balance	8,000,000,000.00	8,000,000,000.00	8,000,000,000.00
Additions	3,760,000,000.00	3,760,000,000.00	-
Ending balance	11,760,000,000.00	11,760,000,000.00	8,000,000,000.00
Warrants and premium on warrants			
Beginning balance	5,520,432,919.21	5,520,432,919.21	5,500,000,000.00
Additions	-	-	20,432,919.21
Ending balance	5,520,432,919.21	5,520,432,919.21	5,520,432,919.21
Premium on share capital			
Beginning balance	8,384,662,057.49	8,384,662,057.49	8,384,662,057.49
Additions	29,328,000,000.00	29,328,000,000.00	-
Ending balance	37,712,662,057.49	37,712,662,057.49	8,384,662,057.49
Surplus on fixed assets revaluation			
Beginning balance	3,949,843,400.00	3,949,843,400.00	3,981,885,900.00
Deductions	(27,942,900.00)	(27,942,900.00)	(32,042,500.00)
Ending balance	3,921,900,500.00	3,921,900,500.00	3,949,843,400.00
Retained earnings (deficit)			
Appropriated			
Legal reserve			
Beginning balance	800,000,000.00	800,000,000.00	800,000,000.00
Additions	-	-	-
Ending balance	800,000,000.00	800,000,000.00	800,000,000.00
Other reserves			
Beginning balance	29,278,858,852.27	29,278,858,852.27	25,460,048,245.51
Additions	-	-	7,603,558,852.27
Deductions	(2,603,558,852.27)	(2,603,558,852.27)	(3,784,748,245.51)
Ending balance	26,675,300,000.00	26,675,300,000.00	29,278,858,852.27
Unappropriated			
Beginning balance	3,590,120,120.94	3,590,120,120.94	10,148,986,739.69
Additions			
- Adjustment for the cumulative effect of the change of accounting method for prior years until December 31, 1996 (Note 3.21)	-	-	1,259,167,173.04
- Net income (loss) for the year	(40,121,458,296.71)	(39,882,743,416.05)	800,776,814.97
- Transfer from other reserves	2,603,558,852.27	2,603,558,852.27	3,784,748,245.51
Deductions			
- Dividends	-	-	(4,800,000,000.00)
- Transfer to other reserves	-	-	(7,603,558,852.27)
Ending balance	(33,927,779,323.50)	(33,689,064,442.84)	3,590,120,120.94
Unrealized loss on securities for investment			
Beginning balance	(2,715,706,493.28)	(2,715,706,493.28)	(147,518,333.54)
Deductions (Additions)	2,670,229,618.84	2,421,159,926.35	(2,568,188,159.74)
Ending balance	(45,476,874.44)	(294,546,566.93)	(2,715,706,493.28)
Total Shareholders' Equity	52,417,039,278.76	52,406,684,466.93	56,808,210,856.63

◆ Notes to financial statements form an integral part of these statements

# Statements of Retained Earnings (Deficit)

Thai Farmers Bank Public Company Limited and Subsidiaries  
Years Ended December 31, 1998 and 1997

	Consolidated		The Bank
	1998	1998	1997
	Baht	Baht	Baht
Unappropriated retained earnings (deficit)			
Beginning balance	3,590,120,120.94	3,590,120,120.94	10,148,986,739.69
Add Adjustment for the cumulative effect of the change of accounting method for prior years until December 31, 1996 (Note 3.21)	-	-	1,259,167,173.04
Beginning balance after adjustment	3,590,120,120.94	3,590,120,120.94	11,408,153,912.73
Less Appropriations of earnings for prior year			
Dividend	-	-	(2,400,000,000.00)
Transfer to other reserves	-	-	(5,000,000,000.00)
Add Transfer from other reserves	2,603,558,852.27	2,603,558,852.27	3,784,748,245.51
Net income (loss) for the year	(40,121,458,296.71)	(39,882,743,416.05)	800,776,814.97
Less Dividend	-	-	(2,400,000,000.00)
Transfer to other reserves	-	-	(2,603,558,852.27)
Total unappropriated retained earnings (deficit)	(33,927,779,323.50)	(33,689,064,442.84)	3,590,120,120.94
Appropriated retained earnings			
Legal reserve	800,000,000.00	800,000,000.00	800,000,000.00
Other reserves	26,675,300,000.00	26,675,300,000.00	29,278,858,852.27
Total appropriated retained earnings	27,475,300,000.00	27,475,300,000.00	30,078,858,852.27
Total Retained Earnings (Deficit)	(6,452,479,323.50)	(6,213,764,442.84)	33,668,978,973.21

◇ Notes to financial statements form an integral part of these statements

# Statements of Cash Flows

Thai Farmers Bank Public Company Limited and Subsidiaries  
Years Ended December 31, 1998 and 1997

	<b>The Bank</b>	
	<b>1998</b>	<b>1997</b>
	<b>Baht</b>	<b>Baht</b>
Cash Flows from Operating Activities		
Net income (loss)	(39,882,743,416.05)	800,776,814.97
Add (Less) Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,929,667,460.27	1,771,502,232.15
Bad debt and doubtful accounts	38,580,380,117.19	16,810,281,186.84
Loss on diminution in value of securities	9,066,552,144.58	3,073,531,876.15
Loss on diminution in value of properties foreclosed	255,776,700.00	-
Gain on disposal of premises and equipment	(12,432,105.42)	(462,162.04)
(Gain) loss on foreign exchange and amortization of discount on debentures	(2,088,380,349.31)	4,289,518,730.02
Decrease (increase) in accrued interest receivables	10,333,360.25	(1,458,002,514.57)
Increase in other accrued income	(530,150,462.28)	(341,134,122.94)
(Decrease) increase in accrued interest payables	(4,583,844,711.12)	3,482,560,489.66
Decrease in other accrued expenses	(140,076,602.69)	(2,444,402,947.70)
(Decrease) increase in other reserves	(560,987,688.24)	780,147,473.44
Net income from operations before changes in operating assets and liabilities	2,044,094,447.18	26,764,317,055.98
(Increase) decrease in operating assets		
Deposits, loans and interbank and money market items (assets)	70,747,955,012.75	(126,872,102,132.48)
Securities purchased under resale agreements	(6,000,000,000.00)	(33,475,000,000.00)
Investment in securities for trading	(1,522,629,159.79)	4,941,595,992.44
Properties foreclosed	(358,632,347.10)	(342,452,501.49)
Other assets	(742,187,463.79)	(6,321,699,148.53)
Increase (decrease) in operating liabilities		
Deposits, borrowings and interbank and money market items (liabilities)	(74,141,993,455.45)	143,238,290,963.26
Liabilities payable on demand	(149,983,515.38)	444,331,783.49
Securities sold under repurchase agreements	(309,000,000.00)	309,000,000.00
Other liabilities	(3,483,194,954.65)	4,597,503,475.56
Net cash (used in) provided by operating activities	(13,915,571,436.23)	13,283,785,488.23
Cash Flows from Investing Activities		
Increase in investment in securities for investment	(18,626,343,756.21)	(6,978,610,728.31)
Purchases of premises and equipment net of proceeds from sales	(1,372,976,243.00)	(2,519,969,205.87)
Net cash used in investing activities	(19,999,319,999.21)	(9,498,579,934.18)
Cash Flows from Financing Activities		
Proceeds from increase in share capital	33,088,000,000.00	-
Proceeds from premium on warrants	-	20,432,919.21
Payment of dividend	-	(4,800,000,000.00)
Net cash provided by (used in) financing activities	33,088,000,000.00	(4,779,567,080.79)
Net decrease in cash	(826,891,435.44)	(994,361,526.74)
Cash at beginning of period	10,226,886,624.16	11,221,248,150.90
Cash at End of Period	9,399,995,188.72	10,226,886,624.16
Supplemental Disclosures of Cash Flows Information		
Cash paid during the period		
Interest expense	67,456,639,928.07	48,876,364,215.82
Income tax	199,387,549.82	5,243,174,040.08

◆ Notes to financial statements form an integral part of these statements

# Notes To Financial Statements

Thai Farmers Bank Public Company Limited and Subsidiaries  
December 31, 1998 and 1997

## 1. Basis of Financial Statement Presentation and Economic Environment

- 1.1 The consolidated and the Bank only financial statements have been presented in conformity with generally accepted accounting principles practiced in Thailand and prepared in compliance with the announcements of the Bank of Thailand dated January 23, 1997 prescribing forms of balance sheet and profit and loss accounts of commercial banks as prescribed in Commerce Ministerial Regulation No. 7 (B.E. 2539) issued under the Public Company Act B.E. 2535.

The consolidated financial statements have been prepared for the first time for the year ended December 31, 1998 therefore, no consolidated statement of cash flows is presented.

- 1.2 The consolidated financial statements for the year ended December 31, 1998 consist of the Bank's financial statements and two financial institution subsidiaries' financial statements. The subsidiaries are Phatra Thanakit Public Co., Ltd. and Thai Farmers Assets Management Co., Ltd. whose shares are 94.43% and 63.69% owned by the Bank, respectively. Significant intercompany transactions and accounts are eliminated from the consolidated financial statements. The consolidated financial statements exclude an overseas financial institution subsidiary's financial statement, Thai Farmers International Finance Co., Ltd. which is not operational. The consolidated financial statements also exclude the financial statements of subsidiaries, which are not financial institutions and whose financial statements are not material to the Bank. The financial position and results of operations of subsidiaries, which are not included in the consolidated financial statements, are presented as supplemental information in the accompanying Note 3.3.1 to the financial statements.

The consolidated income statements for the year ended December 31, 1998 include the results of operations of Phatra Thanakit Public Company Limited and Thai Farmers Assets Management Co., Ltd. for the four-month and five-month periods (as from the acquisition date to December 31, 1998), respectively.

The Bank only financial statements include the accounts of all branches, domestic and overseas, and of the Bank's International Banking Facility. Interoffice transactions have been eliminated. The financial statements exclude the accounts of other companies of which over 50% of their paid up capital are held by the Bank. These companies' financial statements are presented as supplemental information in the accompanying Note 3.3.1 to the financial statements.

- 1.3 Certain Asia Pacific countries, including Thailand, have been experienced economic difficulties since 1997. The accompanying consolidated and the separate financial statements reflect the assessment, as at December 31, 1998 and 1997 of the possible impact of this economic situation on the financial position of Thai Farmers Bank Public Company Limited ("The Bank") and its subsidiaries. The ultimate effect of these uncertainties on the financial position of the Bank and its subsidiaries cannot presently be determined.

## 2. Summary of Significant Accounting Policies

### 2.1 Recognition of Interest Income

Interest and discount income on loans are recognized on the accrual basis.

Since the third quarter of 1998, the Bank has stopped accruing as interest income when the interest payments are in arrears for more than three months, rather than six months from the due date, regardless of whether the loans are covered by collateral. This policy has been used prior to the January 1, 1999 effective date of the Bank of Thailand's new regulation.

The Bank's subsidiaries use the accrual basis for their interest income recognition, except for interest income from defaulted loans and accounts receivable or from restructured loans which is recognized as income as received. Additionally, income from hire purchase and financial lease is recognized on the sum-of-the-years-digits method.

### 2.2 Recognition of Interest Expense

Interest expense on deposits and borrowings is recognized on the accrual basis.

### **2.3 Loans**

Loans represent only principal amounts, except in cases of loans under overdraft agreements. Unearned discounts received in advance are included in other liabilities and recognized on the accrual basis.

### **2.4 Allowance for Doubtful Accounts**

Allowance for doubtful accounts is determined based on the Bank of Thailand regulations and their analysis of each loan and appraisal of the financial standing of each borrower, taking into consideration their experience with loan risk and collateral value.

Provision for doubtful accounts is charged to expense in each accounting period.

Bad debts written off or recovered are recorded as charges or credits, respectively, to the allowance for doubtful accounts.

### **2.5 Investment in Securities**

Securities held for trading purposes are stated at the lower of aggregate cost or market price. Unrealized losses, in case of lower market price, are reflected in the statement of income.

Securities held for investment purposes are stated at the lower of aggregate cost or market price for listed equity securities, at cost net of provision for permanent decline in value of investment for other equity securities and at the lower of aggregate amortized cost or market price for debt instruments. Premiums and discounts on debt instruments are amortized by the straight-line method over the term of the related bonds. Unrealized losses in case of lower market price, are shown under shareholders' equity. Losses from permanent decline in value of investments are reflected in the statement of income.

Market prices of Government bonds are based on latest bid prices if available, otherwise the Thai Farmers Bank Risk Free Yield Curve is used. Short-term private debt instruments are valued using the Government bond yield adjusted by a risk factor of the issuer, while long-term private debt instruments are valued using closing prices of The Thai Bond Dealing Centre if available, otherwise the Thai Farmers Bank Risk Free Yield Curve adjusted by an appropriate risk factor is used. All valuation guidelines and procedures have been submitted to and accepted by the Bank of Thailand.

Investments in subsidiary and associated companies are accounted for under the cost method in the Bank only financial statements, according to the Bank of Thailand announcement dated February 15, 1995. Disclosure is made of the net effects on the financial statements as supplementary information in Note 3.3.2 to the financial statements had the investments in subsidiary and associated companies been accounted for under the equity method.

Interest income on investments is recognized on the accrual basis. Dividends are recognized as income when received.

Gain or loss on sales of securities is recognized upon disposal.

### **2.6 Translation of Foreign Currencies**

Assets and liabilities in foreign currencies and forward exchange contracts are translated into Baht at the rates of exchange prevailing on the dates of transactions. Assets and liabilities in foreign currencies and forward exchange contracts at the end of the year are translated into Baht at the reference rates announced by the Bank of Thailand on that date. Exchange gain or loss on translation and on transactions in foreign currencies are included in revenues and expenses for the year.

### **2.7 Premises and Equipment and Depreciation**

Land is stated at revalued cost for the Bank and at cost for subsidiaries. Buildings are stated at revalued cost less accumulated depreciation for the Bank and at cost less accumulated depreciation for subsidiaries. Revaluation surplus of land and buildings is shown as a component of shareholders' equity.

Equipment is stated at cost less accumulated depreciation. Leasehold and leasehold improvement are stated at cost less accumulated amortization.

Depreciation on buildings acquired before July 1996 is computed by using the declining-balance method at the annual rate of 4 - 5% on cost. Depreciation on buildings acquired after July 1996 is computed by using the straight-line method on the acquisition cost at the annual rate of 3.33% for the Bank.

The Bank computes depreciation on the revalued incremental cost of buildings by using the straight-line method over their remaining useful lives out of a total useful life of 50 years, as assessed by the appraisal company and approved by the Bank of Thailand.

Subsidiary companies compute depreciation on buildings by using the straight-line method on the acquisition cost at the annual rate of 3.33 - 5%.

Depreciation on equipment is computed by using the straight-line method on the acquisition cost at the rate permitted by law.

Leasehold improvements and leasehold are amortized over the lease terms by using the straight-line method.

## **2.8 Income Taxes and Deferred Income Taxes**

The income tax effect of transactions is recognized in the period in which they enter into the determination of net income, regardless of when they are recognized for tax purposes. Accordingly, the income tax benefit applicable to expenses which are not currently deductible for income tax purposes was set up as a deferred income tax asset in the balance sheets. This will be allocated to future periods when the expenses provided for are considered deductible for income tax purposes.

The Bank records the income tax benefits from net losses in the period that losses occur. This tax benefit, only to the extent the bank expects to realize a benefit, is expressed in the income statement and recorded as deferred income tax in the balance sheet. This conforms to International Accounting Standard (IAS) No.12 .

In the prevailing volatile economic environment, the Bank decided not to record a deferred income tax benefit from the net loss for the year ended December 31, 1998.

## **2.9 Properties Foreclosed**

Properties foreclosed are stated at lower of cost or market price.

Gain or loss on properties foreclosed is recorded as other income or expenses upon disposal.

## **2.10 Derivatives**

Forward Exchange Contracts

The difference between the forward rate and the spot rate at the date of the forward exchange contracts is amortized to operations over the period of the contracts.

The Bank enters into derivative transactions for two main purposes:

### **1. Hedging of the Bank's exposure to financial risks**

Derivative contracts were recorded off-balance sheet. Revenues, expenses, gain or loss resulting from changes in fair values of contracts are realized in accordance with the accounting treatment of revenues, expenses, gain or loss on underlying assets, liabilities or other financial obligations as follows:

Gain or loss on the underlying transactions are recorded at the fair value and gain or loss on derivative transactions used as the hedge will be realized on the fair value basis throughout the corresponding hedging period.

Gain or loss on the underlying transactions are recorded on the accrual basis, gain or loss on derivative transactions used as the hedge will also be realized on the accrual basis over the period of the contracts.

### **2. Trading, or speculating on price movement**

Mark-to-market accounting is applied to trading transactions. Hence, traded derivative transactions are carried at their fair values. Gain or loss resulting from changes in fair values is included in revenues and expenses.



### 2.11 Staff Retirement Fund

Staff members are entitled to retirement pay upon termination of employment depending upon the length of service and other conditions. It is the management's policy to provide an appropriate amount to the fund each period.

### 2.12 Provident Fund

The Bank set up a provident fund under the Provident Fund Act. B.E. 2530 and registered the Fund with the Ministry of Finance on August 16, 1994.

According to the Fund's regulations, every employee is entitled to apply for membership. The employees contribute to the Fund at the rate of 3% of employees' basic salary and the Bank contributes to the Fund at the rate of 3-4.5% upon termination of employment. The employees are entitled to the benefits upon termination of employment status except job termination without compensation.

### 2.13 Earnings (Loss) per Share

Earnings (loss) per share as shown in the financial statements representing primary earnings(loss) per share is computed by using the weighted average number of shares outstanding during each year.

Diluted earnings that could result from the exercise of warrants for the year ended December 31, 1997 is higher than the primary earnings per share. Accordingly, fully diluted earnings per share is not presented.

### 2.14 Excess of Fair Value of Assets Acquired over Cost of Investments

An excess of fair value of assets acquired over cost of investments on the acquisition, Thai Farmers Assets Management Co., Ltd., is presented in the consolidated financial statements and is recognized as income over the period of ten years.

## 3. Supplementary Information

### 3.1 Interbank and Money Market Items (Assets)

Interbank and money market items as at December 31, consisted of:

#### 1. Domestic

	(Million Baht)		
	Consolidated 1998		
	At Call	Term	Total
The Bank of Thailand and Financial Institutions Development Fund	10,677.5	-	10,677.5
Commercial banks	167.4	333.8	501.2
Other banks	13.8	733.8	747.6
Finance, finance and securities, securities and credit foncier companies	1,004.0	1,535.2	2,539.2
Other financial institutions	40.8	22.5	63.3
Total Domestic	11,903.5	2,625.3	14,528.8

#### 2. Foreign

	(Million Baht)		
	Consolidated 1998		
	At Call	Term	Total
US Dollar	5,949.0	48,600.4	54,549.4
Japanese Yen	19.9	-	19.9
German Mark	57.8	-	57.8
Other currencies	751.3	252.8	1,004.1
Total Foreign	6,778.0	48,853.2	55,631.2
Total Domestic and Foreign	18,681.5	51,478.5	70,160.0

## 1. Domestic

(Million Baht)

	The Bank					
	1998			1997		
	At Call	Term	Total	At Call	Term	Total
The Bank of Thailand and Financial Institutions Development Fund	10,388.7	-	10,388.7	23,321.4	2,192.7	25,514.1
Commercial banks	99.7	-	99.7	199.5	1,937.9	2,137.4
Other banks	13.8	733.8	747.6	1,470.7	-	1,470.7
Finance, finance and securities, securities and credit foncier companies	678.1	1,459.2	2,137.3	1,810.2	6,512.6	8,322.8
Other financial institutions	40.8	22.5	63.3	130.9	1,173.9	1,304.8
<b>Total Domestic</b>	<b>11,221.1</b>	<b>2,215.5</b>	<b>13,436.6</b>	<b>26,932.7</b>	<b>11,817.1</b>	<b>38,749.8</b>

## 2. Foreign

(Million Baht)

	The Bank					
	1998			1997		
	At Call	Term	Total	At Call	Term	Total
US Dollar	5,949.0	48,600.4	54,549.4	17,074.8	28,654.8	45,729.6
Japanese Yen	19.9	-	19.9	123.0	-	123.0
German Mark	57.8	-	57.8	385.2	129.3	514.5
Other currencies	751.3	252.8	1,004.1	822.0	1,256.2	2,078.2
<b>Total Foreign</b>	<b>6,778.0</b>	<b>48,853.2</b>	<b>55,631.2</b>	<b>18,405.0</b>	<b>30,040.3</b>	<b>48,445.3</b>
<b>Total Domestic and Foreign</b>	<b>17,999.1</b>	<b>51,068.7</b>	<b>69,067.8</b>	<b>45,337.7</b>	<b>41,857.4</b>	<b>87,195.1</b>

At December 31, 1998 the Bank and a subsidiary had loans to financial institutions, that were closed on December 8, 1997 and to ailing financial institutions, which have been supervisory controlled by the Bank of Thailand and have been ordered to write down their capital and then recapitalize on May 18, 1998, as follows :

(Million Baht)

	Consolidated			
	1998			
	Principal	Accrued Interest Receivables	Total	Allowance for Doubtful Accounts
1. Closed financial institutions	1,456.2	38.5	1,494.7	1,494.7
2. Ailing financial institutions ordered to write down capital and recapitalize	8.0	-	8.0	8.0
<b>Total</b>	<b>1,464.2</b>	<b>38.5</b>	<b>1,502.7</b>	<b>1,502.7</b>

(Million Baht)

	The Bank			
	1998			
	Principal	Accrued Interest Receivables	Total	Allowance for Doubtful Accounts
1. Closed financial institutions	1,134.9	26.6	1,161.5	1,161.5
2. Ailing financial institutions ordered to write down capital and recapitalize	8.0	-	8.0	8.0
<b>Total</b>	<b>1,142.9</b>	<b>26.6</b>	<b>1,169.5</b>	<b>1,169.5</b>

(Million Baht)

	<b>The Bank</b>			
	<b>1997</b>			
	<b>Principal</b>	<b>Accrued Interest Receivables</b>	<b>Total</b>	<b>Allowance for Doubtful Accounts</b>
Closed financial institutions	2,165.4	56.1	2,221.5	2,221.5

All provisions have been included in the allowance for doubtful accounts shown in loans and accrued interest receivables as required by the Bank of Thailand in its letter dated January 20, 1998.

### 3.2 Securities Purchased Under Resale Agreements

Securities purchased under resale agreements as at December 31, consisted of:

(Million Baht)

	<b>Consolidated</b>		
	<b>1998</b>		
	<b>Bank of Thailand Repurchase Market</b>	<b>Other Repurchase Market</b>	<b>Total</b>
Government Bonds and Financial Institutions Development Fund Bonds	40,041.0	-	40,041.0
State enterprise securities	14.0	-	14.0
<b>Total</b>	<b>40,055.0</b>	<b>-</b>	<b>40,055.0</b>

(Million Baht)

	<b>The Bank</b>					
	<b>1998</b>			<b>1997</b>		
	<b>Bank of Thailand Repurchase Market</b>	<b>Other Repurchase Market</b>	<b>Total</b>	<b>Bank of Thailand Repurchase Market</b>	<b>Other Repurchase Market</b>	<b>Total</b>
Government Bonds and Financial Institutions Development Fund Bonds	39,461.0	-	39,461.0	33,058.3	-	33,058.3
State enterprise securities	14.0	-	14.0	416.7	-	416.7
<b>Total</b>	<b>39,475.0</b>	<b>-</b>	<b>39,475.0</b>	<b>33,475.0</b>	<b>-</b>	<b>33,475.0</b>

### 3.3 Investment in Securities

3.3.1 Investment in securities as at December 31, consisted of:

(Million Baht)

	<b>Consolidated</b>	
	<b>1998</b>	
	<b>Cost Value/ Book Value</b>	<b>Market Value</b>
<b>1. Securities for Trading</b>		
1.1 Debt instruments		
1.1.1 Private debt instruments	2,356.8	1,563.6
Less Allowance for diminution in value	(793.2)	-
Debt instruments - net	1,563.6	1,563.6
1.2 Equity securities		
1.2.1 Listed securities	13.1	13.6
Less Allowance for diminution in value	-	-
Equity securities - net	13.1	13.6
<b>Total Securities for Trading - Net</b>	<b>1,576.7</b>	<b>1,577.2</b>

(Million Baht)

		<b>Consolidated</b>	
		<b>1998</b>	
		<b>Cost Value/ Book Value</b>	<b>Market Value</b>
<b>2</b>	<b>Securities for Investment</b>		
2.1	Debt instruments		
2.1.1	Government and state enterprise securities	39,356.8	41,815.2
2.1.2	Private debt instruments	2,495.2	1,190.5
2.1.3	Foreign debt instruments	9,619.1	9,277.5
2.1.4	Other debt instruments	460.4	450.9
	Total	51,931.5	52,734.1
	Less Allowance for diminution in value	(1,675.3)	-
	Debt instruments - net	50,256.2	52,734.1
2.2	Equity securities		
2.2.1	Listed securities	3,624.5	2,050.6
2.2.2	Foreign securities	469.9	456.2
2.2.3	Other securities	5,660.7	3,419.2
	Total	9,755.1	5,926.0
	Less Allowance for diminution in value	(3,829.1)	-
	Equity securities - net	5,926.0	5,926.0
	Total Securities for Investment - Net	56,182.2	58,660.1

(Million Baht)

		<b>The Bank</b>			
		<b>1998</b>		<b>1997</b>	
		<b>Cost Value/ Book Value</b>	<b>Market Value</b>	<b>Cost Value/ Book Value</b>	<b>Market Value</b>
<b>1.</b>	<b>Securities for Trading</b>				
1.1	Debt instruments				
1.1.1	Private debt instruments	500.0	496.9	952.5	497.3
	Less Allowance for diminution in value	(3.1)	-	(455.2)	-
	Debt instruments - net	496.9	496.9	497.3	497.3
1.2	Equity securities				
1.2.1	Listed securities	-	-	0.7	0.9
	Less Allowance for diminution in value	-	-	-	-
	Equity securities - net	-	-	0.7	0.9
	Total Securities for Trading - Net	496.9	496.9	498.0	498.2

(Million Baht)

	<b>The Bank</b>			
	<b>1998</b>		<b>1997</b>	
	<b>Cost Value/ Book Value</b>	<b>Market Value</b>	<b>Cost Value/ Book Value</b>	<b>Market Value</b>
<b>2. Securities for Investment</b>				
2.1 Debt instruments				
2.1.1 Government and state enterprise securities	36,506.5	39,021.8	24,072.7	22,719.3
2.1.2 Private debt instruments	2,495.2	1,190.5	3,398.4	3,213.6
2.1.3 Foreign debt instruments	9,619.1	9,277.5	3,500.4	3,500.4
Total	48,620.8	49,489.8	30,971.5	29,433.3
Less Allowance for diminution in value	(1,608.9)	-	(1,538.2)	-
Debt instruments - net	47,011.9	49,489.8	29,433.3	29,433.3
2.2 Equity securities				
2.2.1 Listed securities	8,849.8	1,402.6	3,482.1	1,843.5
2.2.2 Foreign securities	469.9	456.2	470.1	470.0
2.2.3 Other securities	4,939.8	3,379.6	9,284.4	6,998.9
Total	14,259.5	5,238.4	13,236.6	9,312.4
Less Allowance for diminution in value	(9,021.1)	-	(3,924.2)	-
Equity securities - net	5,238.4	5,238.4	9,312.4	9,312.4
Total Securities for Investment - Net	52,250.3	54,728.2	38,745.7	38,745.7

The Bank only financial statements for the year ended December 31, 1998 presented loss on diminution in value of securities in the amount of Baht 9,066.5 million including loss on permanent decline in value of Phatra Thanakit Public Co., Ltd. in the amount of Baht 6,949.2 million and Krung Thai Bank Fund for Thai Banker's Association in the amount of Baht 635.8 million.

At December 31, the Bank and subsidiaries' investments in financial institutions that were closed on December 8, 1997 and in ailing financial institutions, which have been supervisory controlled by the Bank of Thailand and have been ordered to write down their capital and then recapitalize on May 18, 1998, listed companies under rehabilitation and in defaulted debt instruments and the companies whose ability to continue as going concern is uncertain and unlisted companies under rehabilitation are as follows:

(Million Baht)

	<b>Consolidated</b>				
	<b>1998</b>				
	<b>Cost Value / Book Value</b>		<b>Market Value</b>		<b>Allowance for</b>
	<b>Equity</b>	<b>Debt</b>	<b>Equity</b>	<b>Debt</b>	<b>Diminution</b>
	<b>Securities</b>	<b>Instruments</b>	<b>Securities</b>	<b>Instruments</b>	<b>in Value</b>
1. Closed financial institutions	-	515.4	-	-	515.4
2. Ailing financial institutions ordered to write down capital and recapitalize	-	57.1	-	54.4	2.8
3. Listed companies under rehabilitation and in defaulted debt instruments	63.6	2,185.3	3.1	559.4	1,662.9
4. The companies whose ability to continue as going concern is uncertain and unlisted companies under rehabilitation	564.8	-	149.0	-	381.7
Total	628.4	2,757.8	152.1	613.8	2,562.8

(Million Baht)

	The Bank				
	1998				
	Cost Value / Book Value		Market Value		Allowance for Diminution in Value
	Equity Securities	Debt Instruments	Equity Securities	Debt Instruments	
1. Closed financial institutions	-	311.1	-	-	311.1
2. Ailing financial institutions ordered to write down capital and recapitalize	-	57.1	-	54.4	2.8
3. Listed companies under rehabilitation and in defaulted debt instruments	63.6	1,366.1	3.1	205.4	1,190.7
4. The companies whose ability to continue as going concern is uncertain and unlisted companies under rehabilitation	499.3	-	106.9	-	358.3
Total	562.9	1,734.3	110.0	259.8	1,862.9

(Million Baht)

	The Bank				
	1997				
	Cost Value / Book Value		Market Value		Allowance for Diminution in Value
	Equity Securities	Debt Instruments	Equity Securities	Debt Instruments	
Closed financial institutions	1,922.0	397.4	-	-	2,319.4

The Bank has provided an allowance for diminution in value of these investments for the entire amount which is reflected in the statement of income.

For the year ended December 31, 1998, the Bank wrote-down Baht 1,922.0 million of its investment in equity securities of closed financial institutions.

Investments of 20% or more of shares in other companies at December 31, are as follows:

(Million Baht)

	Type of Business	Consolidated		The Bank		
		% Shareholding	Amount 1998	% Shareholding	Amount 1998	Amount 1997
Thai Farmers International Finance Ltd.	Financial Institution	100.00%	0.1	100.00%	0.1	0.1
Thai Farmers International (Cayman) Ltd.	Financial Institution	-	-	100.00% in 1997	-	0.2
Thai Farmers Research Center Co., Ltd.	Service	99.99%	2.5	99.99%	2.5	2.5
Progress Management Co., Ltd.	Service	99.93% in 1998	1.0	99.93% in 1998	1.0	-
Progress Appraisal Co., Ltd.	Service	99.84%	5.0	99.84%	5.0	5.0
Phatra Thanakit Public Co., Ltd.	Financial Institution	-	-	94.43% in 1998 and 49.61% in 1997	6,949.2	5,921.4
Thai Farmers Assets Management Co., Ltd.	Assets Management	-	-	63.69% in 1998 and 28.61% in 1997	278.5	52.4
Progress Software Co., Ltd.	Service	50.00%	5.0	50.00%	5.0	5.0
Merrill Lynch Phatra Securities Co., Ltd.	Securities	49.00%	1,377.9	49.00% in 1998	1,377.9	-
Thanakorn Vegetable Oil Products Co., Ltd.	Manufacturing	49.00%	147.0	49.00%	147.0	147.0
Business Venture Promotion Co., Ltd.	Joint Venture	32.50%	39.0	32.50%	39.0	39.0
Processing Center Co., Ltd.	Service	30.00%	3.0	30.00%	3.0	3.0
Total			1,580.5		8,808.2	6,175.6

Investments of less than 20% of shares in other companies classified by industry at December 31, are as follows:

	(Million Baht)		
	Consolidated 1998	The Bank 1998	1997
Manufacturing	1,637.7	1,399.1	1,617.5
Commerce	273.9	123.7	108.7
Banks and financial institutions	2,460.3	2,413.9	3,727.9
Others	3,815.8	1,514.7	1,607.0
Total	8,187.7	5,451.4	7,061.1

Financial position and results of operations of other companies in which the Bank holds more than 50% of shares are set forth below:

**Balance Sheets  
as at December 31, 1998 and 1997  
(Unaudited and Unreviewed)**

	(Thousand Baht)		
	Thai Farmers International Finance Limited 1998	1997	Thai Farmers International (Cayman) Limited 1997
<b>Assets</b>			
Cash and deposits at banks	47	61	472
Loans	-	-	4,724,700
Total Assets	47	61	4,725,172
<b>Liabilities and Shareholders' Equity</b>			
Borrowings	-	-	4,724,700
Shareholders' equity	47	61	472
Total Liabilities and Shareholders' Equity	47	61	4,725,172

**Thai Farmers Research Center Company Limited  
Balance Sheets  
as at December 31, 1998 and 1997  
(Unaudited and Unreviewed)**

	(Thousand Baht)	
	1998	1997
<b>Assets</b>		
Current assets		
Other current assets	19,318	11,098
Equipment - net	6,803	5,259
Other assets	90	513
Total Assets	26,211	16,870
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Other current liabilities	2,529	1,107
Shareholders' equity	23,682	15,763
Total Liabilities and Shareholders' Equity	26,211	16,870

**Thai Farmers Research Center Company Limited**  
**Statements of Income**  
**Years Ended December 31, 1998 and 1997**  
**(Unaudited and Unreviewed)**

	(Thousand Baht)	
	Except Earnings per share)	
	1998	1997
Revenues		
Expenses	47,956	49,838
Other expenses		
Income tax	38,163	45,210
Total expenses	2,938	1,518
Net Income	41,101	46,728
Earnings per share (Baht)	6,855	3,110
	68.55	31.10

**Progress Management Company Limited**  
**Balance Sheet**  
**as at December 31, 1998**  
**(Unaudited and Unreviewed)**

	(Thousand Baht)	
<b>Assets</b>		
Current assets		
Other current assets		
Total Assets		1,087
<b>Liability and Shareholders' Equity</b>		1,087
Current liabilities		
Other current liabilities		
Shareholders' equity		85
Total Liability and Shareholders' Equity		1,002
		1,087

**Progress Management Company Limited**  
**Statement of Income**  
**Period June 22, 1998 through December 31, 1998**  
**(Unaudited and Unreviewed)**

	(Thousand Baht)	
	Except Earnings per share)	
Revenues		
Expenses		803
Other expenses		
Income tax		800
Total expenses		1
Net Income		801
Earnings per share (Baht)		2
		0.17



**Progress Appraisal Company Limited**  
**Balance Sheets**  
**as at December 31, 1998 and 1997**  
**(Unaudited and Unreviewed)**

	(Thousand Baht)	
	1998	1997
<b>Assets</b>		
Current Assets		
Other current assets	8,265	1,143
Equipment - net	2,915	3,587
Other assets	1,368	251
Total Assets	12,548	4,981
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Other current liabilities	2,572	1,166
Shareholders' equity	9,976	3,815
Total Liabilities and Shareholder's Equity	12,548	4,981

**Progress Appraisal Company Limited**  
**Statements of Income**  
**Year Ended December 31, 1998 and**  
**Period February 10, 1997 through December 31, 1997**  
**(Unaudited and Unreviewed)**

	(Thousand Baht Except Earnings (Loss) per share)	
	1998	1997
Revenues	41,599	20,506
Expenses		
Other expenses	35,284	21,691
Income tax	763	-
Total expenses	36,047	21,691
Net Income (Loss)	5,552	(1,185)
Earnings (loss) per share (Baht)	1,110.37	(236.97)

**Phatra Thanakit Public Company Limited**  
**Balance Sheet**  
**as at December 31, 1998**  
**(Unaudited and Unreviewed)**

	(Thousand Baht)
<b>Assets</b>	
Cash and deposits at financial institutions	415,040
Securities purchased under resale agreements	580,000
Investment in securities - net	5,282,614
Loans, account receivables and accrued interest receivables - net	50,112,902
Properties foreclosed	83,505
Premises and equipment - net	581,685
Other assets	744,499
Total Assets	57,800,245
<b>Liabilities and Shareholders' Equity</b>	
Borrowings and deposits	50,376,054
Securities sold under repurchase agreements	758,358
Other liabilities	775,556
Shareholders' equity	5,890,277
Total Liabilities and Shareholders' Equity	57,800,245

**Phatra Thanakit Public Company Limited**  
**Statement of Income**  
**Year Ended December 31, 1998**  
**(Unaudited and Unreviewed)**

	(Thousand Baht Except Loss per share)
Interest and dividend income	6,353,186
Expenses on borrowings	7,712,845
Net income from interest and dividend	(1,359,659)
Bad debt and doubtful accounts	2,457,233
Net income from interest and dividend after bad debt and doubtful accounts	(3,816,892)
Non-interest income	982,582
Operating expenses	627,767
Net Loss	(3,462,077)
Loss per share (Baht)	(6.79)

**Thai Farmers Assets Management Company Limited**  
**Balance Sheet**  
**as at December 31, 1998**  
**(Unaudited and Unreviewed)**

	(Thousand Baht)
<b>Assets</b>	
Cash and deposits at financial institutions	475,979
Investments in securities	7,543
Property and equipment - net	211,416
Other assets	37,194
Total Assets	732,132
<b>Liabilities and Shareholders' Equity</b>	
Liabilities	
Other liabilities	40,283
Shareholders' equity	691,849
Total Liabilities and Shareholders' Equity	732,132

**Thai Farmers Assets Management Company Limited**  
**Statement of Income**  
**Year Ended December 31, 1998**  
**(Unaudited and Unreviewed)**

	(Thousand Baht Except Earnings per share)
Securities business income	213,235
Securities business expenses	7,889
Securities business income - net	205,346
Other income	4,122
Operating expenses	84,841
Income before income tax	124,627
Income tax	37,965
Net Income	86,662
Earnings per share (Baht)	4.33

### 3.3.2 Investments in Subsidiary and Associated Companies

At December 31, investments in subsidiary and associated companies that are not listed are stated at cost in the Bank only financial statements. Investments in subsidiary and associated companies that are listed securities are stated at the lower of aggregate cost or market price. If the Bank only financial statements presented investments in subsidiary and associated companies under the equity method using the unaudited and unreviewed financial information, the effects on the Bank only financial statements would be the following:

	(Million Baht)	
	1998	1997
Increase in net income (loss) for the year	(217.8)	2.6
Increase in retained earnings at beginning of year	118.9	205.3
Increase (decrease) in shareholders' equity (exclude retained earnings)	244.7	(18.6)
Increase in investment in securities	145.8	189.3

### 3.4 Loans

Loans as at December 31, are classified as follows:

#### 1. Classified by Type of Loans

	(Million Baht)		
	Consolidated	The Bank	
	1998	1998	1997
Overdrafts	178,587.6	178,587.6	189,982.3
Loans	280,647.3	263,741.2	285,330.2
Bills	135,496.3	99,212.0	120,611.1
Others	14,196.6	12,604.4	12,666.8
Total	608,927.8	554,145.2	608,590.4

#### 2. Classified by Maturity of Contracts

	(Million Baht)		
	Consolidated	The Bank	
	1998	1998	1997
Within 1 year	392,395.4	355,612.6	391,711.7
Over 1 year	216,532.4	198,532.6	216,878.7
Total	608,927.8	554,145.2	608,590.4

#### 3. Classified by Currencies and Residency of Debtors

	(Million Baht)		
	Consolidated		
	1998		
	Domestic	Foreign	Total
Baht	578,161.0	71.3	578,232.3
US Dollar	25,060.4	3,819.3	28,879.7
Other currencies	886.6	929.2	1,815.8
Total	604,108.0	4,819.8	608,927.8

	(Million Baht)					
	The Bank					
	1998			1997		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	523,378.4	71.3	523,449.7	534,313.6	126.9	534,440.5
US Dollar	25,060.4	3,819.3	28,879.7	63,051.0	6,006.9	69,057.9
Other currencies	886.6	929.2	1,815.8	3,839.4	1,252.6	5,092.0
Total	549,325.4	4,819.8	554,145.2	601,204.0	7,386.4	608,590.4

#### 4. Classified by Type of Business

	(Million Baht)		
	Consolidated	The Bank	
	1998	1998	1997
Agricultural and mining	18,907.9	18,590.5	19,670.5
Manufacturing and commerces	340,093.7	321,250.6	361,166.7
Property development and construction	89,480.8	68,352.7	72,932.5
Infrastructure and services	71,799.7	64,282.0	64,011.4
Housing loans	66,493.7	64,203.5	68,431.5
Others	22,152.0	17,465.9	22,377.8
Total	608,927.8	554,145.2	608,590.4

At December 31, 1998, the Bank and subsidiaries company had loans to listed companies under rehabilitation, which are as follows:

	Consolidated			The Bank		
	1998			1998		
	Loans and Accrued Interest Receivables	Collateral Value	Allowance for Doubtful Accounts	Loans and Accrued Interest Receivables	Collateral Value	Allowance for Doubtful Accounts
Listed companies under rehabilitation	4,396.1	1,543.8	1,737.3	3,651.6	1,521.4	1,592.9

#### 3.5 Allowance for Doubtful Accounts

The movements of the allowance for doubtful accounts during the year are as follows:

	(Million Baht)		
	Consolidated	The Bank	
	1998	1998	1997
Balance at beginning of the year	35,888.4	26,717.1	9,888.6
Provision during the year	44,076.4	38,580.4	16,810.3
Bad debt recovered	54.3	54.2	16.8
Bad debt written off	(1,766.3)	(1,764.1)	(130.6)
Others	(114.5)	(114.5)	132.0
Balance at end of the year	78,138.3	63,473.1	26,717.1

At December 31, 1998, the allowance for doubtful accounts presented in the consolidated and the Bank only financial statements included allowance for doubtful accounts of closed financial institutions and ailing financial institutions ordered to write down capital and recapitalize in the amounts of Baht 1,502.7 million and Baht 1,169.5 million, respectively.

At December 31, 1998, the Bank and a subsidiary company had classified loans and accrued interest receivables (including balance of financial institutions in the amounts of Baht 11,642.8 million and Baht 11,316.9 million for the Bank only) and allowance for doubtful accounts which are required in accordance with the Notification of the Bank of Thailand dated June 30, 1998 including the Bank's analysis of each loan and appraisal of the financial outstanding of each borrower as follows:

(Million Baht)

<b>Consolidated</b>				
<b>1998</b>				
<b>Loans and Accrued Interest Receivables (Before deduction of collateral value)</b>	<b>Allowance of Doubtful Accounts</b>			
	<b>% Set up by Bank of Thailand</b>	<b>Full Allowance to Set up</b>	<b>Minimum Requirement allowed by the Bank of Thailand</b>	
Pass	285,146.3	1	2,851.5	570.3
Special mention	16,699.8	2	334.0	66.8
Substandard	33,320.8	20	2,924.0	584.8
Doubtful	93,152.8	50	23,700.3	4,740.1
Doubtful loss	205,048.8	100	91,137.9	18,227.6
Loss	14.7	100	14.7	2.9
Total	633,383.2		120,962.4	24,192.5

(Million Baht)

<b>The Bank</b>				
<b>1998</b>				
<b>Loans and Accrued Interest Receivables (Before deduction of collateral value)</b>	<b>Allowance of Doubtful Accounts</b>			
	<b>% Set up by Bank of Thailand</b>	<b>Full Allowance to Set up</b>	<b>Minimum Requirement allowed by the Bank of Thailand</b>	
Pass	273,905.1	1	2,739.1	547.8
Special mention	14,328.6	2	286.6	57.3
Substandard	27,763.8	20	2,439.2	487.8
Doubtful	78,530.4	50	19,503.9	3,900.8
Doubtful loss	179,632.0	100	76,981.0	15,396.2
Loss	14.7	100	14.7	2.9
Total	574,174.6		101,964.5	20,392.8

As at December 31, 1998 the Bank and a subsidiary company have provided an allowance for doubtful accounts amounting to Baht 78,138.3 million on a consolidated basis and Baht 63,473.1 million for the Bank only which represent 64.60% and 62.25%, respectively, of the calculated allowance for doubtful accounts and is substantially above the minimum requirement of 20% in 1998 as allowed by the Bank of Thailand. However, in order to comply with generally accepted accounting principles, the Bank should provide additional allowance for doubtful accounts for uncollectible debt at December 31, 1998. The Bank's loans are still in the process of being collected, restructured, renegotiated and qualitatively reviewed, which may affect the classification of loans and accrued interest receivables and the resulting estimate of allowance for doubtful accounts. The effects of the additional allowance for doubtful accounts on the financial statements have not been determined.

For the year ended December 31, 1998, non-performing loans of the Bank represent loans of which interest or principal has been in arrears for more than three months from their due dates, in whole, or in installments as specified in the agreement, or on date of call or demand for repayment whichever comes first, regardless of whether the loans are covered by collateral. Since the third quarter of 1998, the Bank has stopped accruing its interest income when interest payment is in arrears for more than three months instead of six months.

Non-performing loans of a subsidiary company represent loans of which interest or principal has been in arrears for more than six months from their due dates of interest or principal whichever comes first.

Non-performing loans as at December 31, 1998 can be classified as follows:

	<b>Consolidated</b>	(Million Baht) <b>The Bank</b>
1. Closed financial institutions	1,456.2	1,134.9
2. Ailing financial institutions ordered to write Down capital and recapitalize	7.8	7.8
3. General customers	255,424.2	218,617.0
4. Listed companies under rehabilitation	3,946.2	3,282.4
Total	260,834.4	223,042.1

(Percentages)

Non-performing loans as a percentage of loans and loans presented above in interbank and money market items (no. 1&2)	42.73	40.17
Non-performing loans as a percentage of loans and total loans presented in interbank and money market items	42.04	39.45

For the year ended December 31, 1997 non-performing loans represent loans for which interest or principal has been in arrears for more than six months from their due dates, in whole or in part, or in installments as specified in the agreement, or on date of call or demand for repayment whichever comes first, regardless of whether the loans are covered by collaterals or not. At December 31, 1997 the Bank has non-performing loans as defined above in the amount of Baht 103,213.8 million. In addition, the Bank has loans to the financial institutions that were closed on December 8, 1997 of Baht 2,165.4 million. Total non-performing loans of Baht 105,379.2 million account for 17.23% of total loans and loans to the closed financial institutions. Management believes the Bank has provided an adequate allowance for doubtful accounts as specified by the Bank of Thailand.

### 3.6 Classified Assets

The Bank and subsidiary's classified assets consisted of investments in securities, loans, accrued interest receivables (including financial institutions), properties foreclosed and other assets.

Classified assets as at December 31, 1998 are categorized in compliance with the Notification of the Bank of Thailand dated June 30, 1998, including the Bank's analysis of each loan and appraisal of the financial outstanding of each borrower as follows:

	(Million Baht)				
	<b>Consolidated</b>				
	<b>1998</b>				
	<b>Loans and Accrued Interest Receivables</b>	<b>Investments in Securities</b>	<b>Properties Foreclosed</b>	<b>Other Assets</b>	<b>Total</b>
Pass	285,146.3	-	-	0.2	285,146.5
Special mention	16,699.8	-	-	0.2	16,700.0
Substandard	33,320.8	-	-	0.1	33,320.9
Doubtful	93,152.8	-	-	1.2	93,154.0
Doubtful loss	205,048.8	6,407.6	255.8	1,049.1	212,761.3
Loss	14.7	-	-	-	14.7
Total	633,383.2	6,407.6	255.8	1,050.8	641,097.4

(Million Baht)

	<b>The Bank</b>				
	<b>1998</b>				
	<b>Loans and Accrued Interest Receivables</b>	<b>Investments in Securities</b>	<b>Properties Foreclosed</b>	<b>Other Assets</b>	<b>Total</b>
Pass	273,905.1	-	-	-	273,905.1
Special mention	14,328.6	-	-	-	14,328.6
Substandard	27,763.8	-	-	-	27,763.8
Doubtful	78,530.4	-	-	-	78,530.4
Doubtful loss	179,632.0	10,743.0	255.8	875.2	191,506.0
Loss	14.7	-	-	-	14.7
<b>Total</b>	<b>574,174.6</b>	<b>10,743.0</b>	<b>255.8</b>	<b>875.2</b>	<b>586,048.6</b>

Classified assets as at December 31, 1997 are categorized in compliance with the Notification of the Bank of Thailand dated January 13, 1998 regarding asset classification and reserve requirements for assets believed to be of no value or unrecoverable, including the Bank's analysis of each loan and appraisal of financial outstanding of each borrower as follows:

(Million Baht)

	<b>The Bank</b>				
	<b>1997</b>				
	<b>Loans and Accrued Interest Receivables</b>	<b>Investments in Securities</b>	<b>Properties Foreclosed</b>	<b>Other Assets</b>	<b>Total</b>
Substandard	96,876.2	-	-	-	96,876.2
Doubtful	15,365.2	5,917.6	40.9	37.0	21,360.7
Loss	12.9	-	-	-	12.9
<b>Total</b>	<b>112,254.3</b>	<b>5,917.6</b>	<b>40.9</b>	<b>37.0</b>	<b>118,249.8</b>

### 3.7 Premises and Equipment

Premises and equipment as at December 31 are summarized as follows:

(Million Baht)

	<b>Consolidated</b>	<b>The Bank</b>	
	<b>1998</b>	<b>1998</b>	<b>1997</b>
Land			
Cost	3,170.6	3,045.8	3,046.9
Revalued cost	3,110.3	3,110.3	3,110.5
Buildings			
Cost	9,010.9	8,344.4	8,172.1
Revalued cost	937.1	937.1	938.6
Equipment	11,032.9	10,776.1	10,440.4
Leasehold and leasehold improvement - net	726.6	726.6	785.9
Others	817.7	805.0	433.6
<b>Total</b>	<b>28,806.1</b>	<b>27,745.3</b>	<b>26,928.0</b>
Less Accumulated depreciation - cost	(8,007.7)	(7,740.0)	(6,376.7)
Accumulated depreciation - revalued cost	(125.5)	(125.5)	(99.3)
<b>Premises and Equipment - Net</b>	<b>20,672.9</b>	<b>19,879.8</b>	<b>20,452.0</b>

Revaluation of land were assessed by using government appraisal prices and revaluation of buildings were assessed by an appraisal company. The land and building revaluation were approved by the Bank of Thailand in its letters dated March 16, 1993 and April 5, 1994.

The increases in revaluation cost of land and buildings, net of accumulated depreciation, are presented as surplus on fixed assets revaluation as described in Notes 2.7 and 3.14 to the financial statements.

### 3.8 Deposits

Deposits as at December 31, are classified as follows:

#### 1. Classified by Type of Deposits

	(Million Baht)		
	Consolidated	The Bank	
	1998	1998	1997
Current	17,124.3	16,735.2	13,274.6
Savings	141,752.1	141,752.2	134,463.4
Term			
- Less than 6 months	437,137.9	389,350.1	395,997.6
- 6 months and less than 1 year	5,982.6	5,915.1	10,973.0
- 1 year and over 1 year	26,062.8	25,575.7	33,700.3
Certificate of Deposit	30.1	5.1	4.8
Total	628,089.8	579,333.4	588,413.7

#### 2. Classified by Maturity of Contracts

	(Million Baht)		
	Consolidated	The Bank	
	1998	1998	1997
Within 1 year	624,287.1	575,530.7	585,236.1
Over 1 year	3,802.7	3,802.7	3,177.6
Total	628,089.8	579,333.4	588,413.7

#### 3. Classified by Currencies and Residency of Depositors

	(Million Baht)		
	Consolidated		
	1998		
	Domestic	Foreign	Total
Baht	617,765.9	5,625.5	623,391.4
US Dollar	2,418.6	1,006.0	3,424.6
Other currencies	440.7	833.1	1,273.8
Total	620,625.2	7,464.6	628,089.8

	(Million Baht)					
	The Bank					
	1998			1997		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	569,009.5	5,625.5	574,635.0	575,112.6	5,683.0	580,795.6
US Dollar	2,418.6	1,006.0	3,424.6	2,946.1	1,256.9	4,203.0
Other currencies	440.7	833.1	1,273.8	210.1	3,205.0	3,415.1
Total	571,868.8	7,464.6	579,333.4	578,268.8	10,144.9	588,413.7



### 3.9 Interbank and Money Market Items (Liabilities)

Interbank and money market items as at December 31, consisted of:

#### 1. Domestic

(Million Baht)

	Consolidated		
	1998		
	At Call	Term	Total
The Bank of Thailand and Financial Institutions Development Fund	-	145.3	145.3
Commercial banks	237.4	8,159.3	8,396.7
Other banks	971.5	253.7	1,225.2
Finance, finance and securities, securities and credit foncier companies	1,807.7	587.5	2,395.2
Other financial institutions	1,068.2	6,726.1	7,794.3
Total Domestic	4,084.8	15,871.9	19,956.7

#### 2. Foreign

(Million Baht)

	Consolidated		
	1998		
	At Call	Term	Total
US Dollar	886.1	14,918.0	15,804.1
Japanese Yen	15.4	-	15.4
German Mark	4.7	33.2	37.9
Other currencies	364.5	7,150.9	7,515.4
Total Foreign	1,270.7	22,102.1	23,372.8
Total Domestic and Foreign	5,355.5	37,974.0	43,329.5

#### 1. Domestic

(Million Baht)

	The Bank					
	1998			1997		
	At Call	Term	Total	At Call	Term	Total
The Bank of Thailand and Financial Institutions Development Fund	-	145.3	145.3	-	1,007.6	1,007.6
Commercial banks	171.7	8,159.3	8,331.0	104.6	1,890.7	1,995.3
Other banks	971.5	253.7	1,225.2	4,809.7	600.0	5,409.7
Finance, finance and securities, securities and credit foncier companies	1,823.7	489.2	2,312.9	2,915.4	132.4	3,047.8
Other financial institutions	1,068.2	5,386.5	6,454.7	2,218.2	6,004.9	8,223.1
Total Domestic	4,035.1	14,434.0	18,469.1	10,047.9	9,635.6	19,683.5

#### 2. Foreign

(Million Baht)

	The Bank					
	1998			1997		
	At Call	Term	Total	At Call	Term	Total
US Dollar	886.1	14,918.0	15,804.1	1,231.5	61,270.9	62,502.4
Japanese Yen	15.4	-	15.4	-	683.8	683.8
German Mark	4.7	33.2	37.9	45.1	732.4	777.5
Other currencies	364.5	7,150.9	7,515.4	335.3	22,921.0	23,256.3
Total Foreign	1,270.7	22,102.1	23,372.8	1,611.9	85,608.1	87,220.0
Total Domestic and Foreign	5,305.8	36,536.1	41,841.9	11,659.8	95,243.7	106,903.5

### 3.10 Securities Sold under Repurchase Agreements

Securities sold under repurchase agreements as at December 31, consisted of

(Million Baht)

	Consolidated		
	1998		
	Bank of Thailand Repurchase Market	Other Repurchase Market	Total
State enterprise securities	758.4	-	758.4

(Million Baht)

	The Bank					
	1998			1997		
	Bank of Thailand Repurchase Market	Other Repurchase Market	Total	Bank of Thailand Repurchase Market	Other Repurchase Market	Total
State enterprise securities	-	-	-	-	309.0	309.0

### 3.11 Long-Term Borrowings

Long-term borrowings as at December 31, consisted of:

(Million Baht)

	Consolidated		
	1998		
	Domestic	Foreign	Total
Subordinated Debentures	7,500.0	7,272.7	14,772.7

(Million Baht)

	The Bank					
	1998			1997		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Subordinated Debentures	7,500.00	7,272.7	14,772.7	7,500.0	9,361.1	16,861.1

### 3.12 Subordinated Debentures and Warrants

The Board of Directors in its meeting on September 29, 1994 approved the issuance of 7.5 million units of subordinated debentures having a face value of Baht 1,000 each, with a seven-year maturity at a price of Baht 1,000 each totaling Baht 7,500 million carrying a 9.875 percent coupon rate payable semi-annually.

The above debentures were issued with 75 million warrants, having a five-year maturity, at a price of Baht 40 each totaling Baht 3,000 million. An investor buying one unit of debenture received 10 warrants, each of which can be exercised quarterly over their maturity for a Baht 10 par value ordinary share at a price of Baht 188 each. Later the exercised price was changed to Baht 181.692 as effective from August 5, 1996. The subscription period was during October 10-12, 1994. As at December 31, 1998 the warrants have not yet been exercised.

The Board of Directors in its meeting on July 25, 1996 approved the issuance of US\$ 200 million of unsecured subordinated debentures, having a face value of US\$ 100,000 each, with a twenty-year maturity offered at a price of US\$ 98.997 each on August 21, 1996 carrying a 8.25 percent coupon rate payable semi-annually.

In addition, the second issuance of warrants of 100 million units having a six-year maturity, were offered to existing shareholders in the ratio of eight ordinary shares for each warrant, at a price of Baht 25 each totaling Baht 2,500 million. Each warrant can be exercised quarterly over their maturity for a Baht 10 par value ordinary share at a price of Baht 200 each. The subscription period was during September 4-12, 1996. As at December 31, 1998, the warrants have not yet been exercised.

### 3.13 Share Capital

A special resolution was passed by the General Meeting of Shareholders held on March 26, 1998 authorizing the reduction in authorized share capital of the Bank from Baht 10,000 million to Baht 9,800 million and authorizing the increase of the authorized share capital from Baht 9,800 million to Baht 13,560 million by issuing 376 million ordinary shares, Baht 10 par value totaling Baht 3,760 million to institutional investors. The Bank registered this reduction and increase in authorized share capital with the Ministry of Commerce on March 27, 1998 and March 30, 1998, respectively.

On April 2, 1998 the Bank received cash proceeds from 376 million newly issued shares from foreign institutional investors at a price of Baht 88 each totaling Baht 33,088 million. The Bank registered the increase of its paid-up share capital from Baht 8,000 million to Baht 11,760 million with the Ministry of Commerce on April 2, 1998.

A special resolution was passed by the Extraordinary Meeting of Shareholders held on September 29, 1998 authorizing the increase of the authorized share capital from Baht 13,560 million to Baht 13,570 million by issuing 1 million class A preferred share, Baht 10 par value totaling Baht 10 million to specific investors and/or institutional investors. The Bank registered this increase in authorized preferred shares with the Ministry of Commerce on October 14, 1998.

### 3.14 Surplus on Fixed Assets Revaluation

At December 31, 1998 and 1997 the surplus on fixed assets revaluation in the amount of Baht 3,921.9 million and 3,949.8 million, respectively, resulted from land revaluation in the amount of Baht 3,110.3 million and Baht 3,110.5 million, respectively, based on Government appraisal prices and from building revaluation in the amount of Baht 811.6 million and Baht 839.3 million (net of accumulated depreciation of Baht 125.5 million and Baht 99.3 million) in 1998 and 1997, respectively, as assessed by an appraisal company. The land and building revaluation were approved by the Bank of Thailand in its letters dated March 16, 1993 and April 5, 1994 respectively.

Depreciation of building revaluation is presented net of the surplus on fixed assets revaluation in shareholders' equity.

### 3.15 Capital Requirements

The Bank's capital requirements as at December 31, are as follows:

	(Million Baht)	
	<b>1998</b>	<b>1997</b>
Tier 1 capital	48,779.3	59,776.9
Tier 2 capital	10,592.3	12,106.2
Total	59,371.6	71,883.1

The Bank of Thailand announcement dated November 20, 1996 requires that bank registered in Thailand maintain a ratio of capital fund to assets and commitments of not less than 8.5% and that tier 1 capital must not be less than 6% of such assets and commitments. Later, the Bank of Thailand announcement dated August 24, 1998 changed a ratio of tier 1 capital not be less than 4.25%. As at December 31, capital adequacy ratios maintained by the Bank are:

	(Percentage)	
	<b>1998</b>	<b>1997</b>
Total capital	11.34	11.58
Tier 1 capital	9.32	9.63

### 3.16 Commitments

Commitments as at December 31, consisted of:

	(Million Baht)		
	<b>Consolidated</b>		
	<b>1998</b>		
	<b>Baht</b>	<b>Currency</b>	<b>Total</b>
Aval of bills	1,940.7	-	1,940.7
Letters of indemnity - borrowings	339.0	13,671.9	14,010.9
Other letters of guarantee	26,953.2	5,495.5	32,448.7
Letters of credit	175.0	4,803.4	4,978.4
Exchange rate agreements			
Purchase agreements	1,709.5	56,846.7	58,556.2
Sale agreements	2,814.0	109,462.9	112,276.9
Interest rate agreements			
Purchase agreements	2,291.6	368.9	2,660.5
Sale agreements	2,291.6	368.9	2,660.5
Unused credit line of overdraft	92,849.9	-	92,849.9
Others	10,138.2	4,917.2	15,055.4
<b>Total</b>	<b>141,502.7</b>	<b>195,935.4</b>	<b>337,438.1</b>

	(Million Baht)					
	<b>The Bank</b>					
	<b>1998</b>			<b>1997</b>		
	<b>Baht</b>	<b>Currency</b>	<b>Total</b>	<b>Baht</b>	<b>Currency</b>	<b>Total</b>
Aval of bills	11,090.1	-	11,090.1	3,980.1	-	3,980.1
Letters of indemnity-borrowings	339.0	13,671.9	14,010.9	243.7	33,534.1	33,777.8
Other letters of guarantee	25,733.0	5,495.5	31,228.5	30,048.3	12,206.8	42,255.1
Letters of credit	175.0	4,803.4	4,978.4	205.6	9,388.3	9,593.9
Exchange rate agreements						
Purchase agreements	1,709.5	56,846.7	58,556.2	-	61,266.6	61,266.6
Sale agreements	2,980.1	109,462.9	112,443.0	-	106,287.7	106,287.7
Interest rate agreements						
Purchase agreements	2,291.6	368.9	2,660.5	-	3,812.8	3,812.8
Sale agreements	2,291.6	368.9	2,660.5	-	3,812.8	3,812.8
Unused credit line of overdraft	92,849.9	-	92,849.9	87,727.4	-	87,727.4
Others	10,138.2	4,917.2	15,055.4	14,367.0	12,834.2	27,201.2
<b>Total</b>	<b>149,598.0</b>	<b>195,935.4</b>	<b>345,533.4</b>	<b>136,572.1</b>	<b>243,143.3</b>	<b>379,715.4</b>

### 3.17 Assets Pledged as Collateral

Assets pledged as collateral for Metropolitan Electricity Authority as at December 31, consisted of:

	(Million Baht)		
	<b>Consolidated</b>	<b>The Bank</b>	
	<b>1998</b>	<b>1998</b>	<b>1997</b>
Government bonds	26.4	26.4	25.7
State enterprise bonds	3.2	-	-
Debentures	0.5	-	-
<b>Total</b>	<b>30.1</b>	<b>26.4</b>	<b>25.7</b>

### 3.18 Related Party Transactions

3.18.1 Loans and commitments made to executive officers and to business entities that the Bank and subsidiary companies, their directors or executive officers, hold 10% or more of paid up capital are summarized as follows:

(Million Baht)

	Consolidated	
	1998	
	End of year	Average
<b>Loans</b>	61.9	37.2
1. Executive officers		
2. Business entities that the Bank and subsidiary companies, their directors or executive officers, hold 10% or more of paid up capital	4,357.4	4,394.3
Total	4,419.3	4,431.5
<b>Commitments</b>		
1. Executive officers		
2. Business entities that the Bank and subsidiary companies, their directors or executive officers, hold 10% or more of paid up capital	1,156.9	6,339.0
Total	1,156.9	6,339.0

(Million Baht)

	The Bank			
	1998		1997	
	End of year	Average	End of year	Average
<b>Loans</b>	55.5	29.9	18.3	19.4
1. Executive officers				
2. Business entities that the Bank, its directors or executive officers, hold 10% or more of paid up capital	2,195.2	5,034.9	1,971.1	1,519.1
Total	2,250.7	5,064.8	1,989.4	1,538.5
<b>Commitments</b>				
1. Executive officers				
2. Business entities that the Bank, its directors or executive officers, hold 10% or more of paid up capital	10,496.6	16,029.9	3,550.9	7,414.4
Total	10,496.6	16,029.9	3,550.9	7,414.4

3.18.2 Significant transactions occurred between the Bank and business entities that the Bank holds 20% or more of shares for the year ended December 31, are as follows:

The outstanding balances of assets, liabilities and commitments as at December 31, are summarized as follows:

	(Million Baht)		
	Consolidated 1998	The Bank 1998      1997	
Interbank and money market items (assets)			
Subsidiary Company			
- Phatra Thanakit Public Co., Ltd.	-	7.3	5,568.6
Loans			
Associated Company			
- Thanakorn Vegetable Oil Products Co., Ltd.	124.7	124.7	596.0
Other assets			
Associated Company			
- Processing Center Co., Ltd.	1.7	1.7	-
Deposits			
Subsidiary Companies			
- Thai Farmers Research Center Co., Ltd.	19.0	19.0	10.9
- Progress Appraisal Co., Ltd.	5.6	5.6	1.0
Associated Companies			
- Progress Software Co., Ltd.	12.9	12.9	13.3
- Thanakorn Vegetable Oil Products Co., Ltd.	44.7	44.7	-
- Business Venture Promotion Co., Ltd.	2.2	2.2	8.7
- Processing Center Co., Ltd.	1.8	1.8	-
Interbank and money market items (liabilities)			
Subsidiary Companies			
- Thai Farmers International (Cayman) Ltd.	-	-	4,724.7
- Phatra Thanakit Public Co., Ltd.	-	108.5	166.9
- Thai Farmers Assets Management Co., Ltd.	-	16.2	97.4
Associated Company			
- Merrill Lynch Phatra Securities Co., Ltd.	34.7	34.7	-
Other liabilities			
Associated Companies			
- Processing Center Co., Ltd.	2.0	2.0	-
- Progress Software Co., Ltd.	6.4	6.4	-
Commitments			
Subsidiary Company			
- Phatra Thanakit Public Co., Ltd.	-	9,339.7	2,274.5
Associated Company			
- Thanakorn Vegetable Oil Products Co., Ltd.	837.9	837.9	436.6

Revenues and expenses for the year ended December 31, are summarized as follows:

	(Million Baht)		
	<b>Consolidated</b>	<b>The Bank</b>	
	<b>1998</b>	<b>1998</b>	<b>1997</b>
<b>Subsidiary Companies</b>			
Revenues:			
Interest income	-	-	32.5
Fee income	-	53.5	17.9
Dividend income	-	-	25.0
Other income	1.5	1.5	-
Expenses:			
Interest expense	1.7	8.3	668.9
Other expenses	45.4	46.7	47.6
<b>Associated Companies</b>			
Revenues:			
Interest income	45.6	45.6	16.4
Fee income	15.4	15.4	-
Dividend income	18.8	18.8	3.9
Other income	8.1	8.1	8.6
Expenses:			
Interest expense	-	-	4.5
Fee expense	-	-	17.1
Other expenses	27.6	27.6	27.6

### 3.19 Directors' and Executive Benefit

The Bank has not paid other benefit to directors and executive except for the benefits that were normally paid such as directors' fee, directors' bonuses (if any) and income tax, executive salary and bonuses (if any).

### 3.20 Long-term Lease Agreements

The Bank and subsidiary companies have entered into land/building lease agreements for branch offices and vehicle lease agreements. Terms of the leases range from 2 years to 30 years. At December 31, the Bank and subsidiary companies were committed to pay future rentals which are summarized as follows:

	(Million Baht)		
	<b>Consolidated</b>	<b>The Bank</b>	
	<b>1998</b>	<b>1998</b>	<b>1997</b>
Land/building lease agreements	621.5	621.5	585.0
Vehicle lease agreements	546.7	534.8	343.2
Total	1,168.2	1,156.3	928.2

### 3.21 Change of Accounting Method

As from January 1, 1997 the Bank changed its tax accounting method from the tax payable method to the deferral method in order that the income tax expenses presented in the income statement is related with net income in accordance with the matching principle. The effects of this change are that deferred income tax as at December 31, 1997 increased in the approximate amount of Baht 2,283.7 million and net income for the year ended December 31, 1997 increased in the approximate amount of Baht 1,024.5 million, and earnings per share increased in the amount of Baht 1.28 per share. The cumulative effect of the change of accounting method for prior years until December 31, 1996 in the approximate amount of Baht 1,259.2 million is presented as an adjustment to retained earnings as at January 1, 1997 in conformity with International Accounting Standard (IAS) No.12.

### 3.22 The Financial Position and Results of Operations Classified by Domestic and Overseas Business

The financial position and results of operations classified by domestic and overseas business for the years ended December 31, 1998 and 1997 are summarized as follows:

#### 1. Financial Position Classified by Types of Business

	(Million Baht)				
	<b>Consolidated</b>				
	<b>as at December 31, 1998</b>				
	<b>Domestic Business</b>	<b>Overseas Business</b>	<b>Total</b>	<b>Eliminated Transactions</b>	<b>Total</b>
Total assets	737,296.1	42,067.7	779,363.8	(16,962.6)	762,401.2
Interbank and money market items (assets)	60,409.9	9,750.1	70,160.0	-	70,160.0
Investments in securities - net	50,136.7	7,622.2	57,758.9	-	57,758.9
Loans	603,496.6	5,431.2	608,927.8	-	608,927.8
Deposits	626,149.6	1,940.2	628,089.8	-	628,089.8
Interbank and money market items (liabilities)	13,922.2	29,407.3	43,329.5	-	43,329.5
Borrowings	7,500.0	7,272.7	14,772.7	-	14,772.7
Commitments	323,198.7	19,605.6	342,804.3	(5,366.2)	337,438.1

	(Million Baht)				
	<b>The Bank</b>				
	<b>as at December 31, 1998</b>				
	<b>Domestic Business</b>	<b>Overseas Business</b>	<b>Total</b>	<b>Eliminated Transactions</b>	<b>Total</b>
Total assets	679,187.9	42,067.7	721,255.6	(16,962.6)	704,293.0
Interbank and money market items (assets)	59,317.7	9,750.1	69,067.8	-	69,067.8
Investments in securities - net	45,125.1	7,622.2	52,747.3	-	52,747.3
Loans	548,714.0	5,431.2	554,145.2	-	554,145.2
Deposits	577,393.2	1,940.2	579,333.4	-	579,333.4
Interbank and money market items (liabilities)	12,434.6	29,407.3	41,841.9	-	41,841.9
Borrowings	7,500.0	7,272.7	14,772.7	-	14,772.7
Commitments	331,127.9	19,605.6	350,733.5	(5,200.1)	345,533.4

	(Million Baht)				
	<b>The Bank</b>				
	<b>as at December 31, 1997</b>				
	<b>Domestic Business</b>	<b>Overseas Business</b>	<b>Total</b>	<b>Eliminated Transactions</b>	<b>Total</b>
Total assets	745,761.4	102,249.8	848,011.2	(52,626.0)	795,385.2
Interbank and money market items (assets)	55,970.6	31,224.5	87,195.1	-	87,195.1
Investments in securities - net	35,743.3	3,500.4	39,243.7	-	39,243.7
Loans	598,316.2	10,274.2	608,590.4	-	608,590.4
Deposits	584,303.2	4,110.5	588,413.7	-	588,413.7
Interbank and money market items (liabilities)	23,478.2	83,425.3	106,903.5	-	106,903.5
Borrowings	7,500.0	9,361.1	16,861.1	-	16,861.1
Commitments	356,272.5	28,834.0	385,106.5	(5,391.1)	379,715.4



## 2. Results of Operations Classified by Types of Business

(Million Baht)

	Consolidated				
	Year Ended December 31, 1998				
	Domestic Business	Overseas Business	Total	Eliminated Transactions	Total
Interest and dividend income	75,576.3	4,851.4	80,427.7	(2,825.5)	77,602.2
Interest expense	63,180.9	4,413.0	67,593.9	(2,825.5)	64,768.4
Net income from interest and dividend	12,395.4	438.4	12,833.8	-	12,833.8
Non-interest income	8,753.5	937.1	9,690.6	(111.3)	9,579.3
Non-interest expense	63,186.4	1,271.9	64,458.3	(111.3)	64,347.0
Income (loss) before income tax	(42,037.5)	103.6	(41,933.9)	-	(41,933.9)

(Million Baht)

	The Bank				
	Year Ended December 31, 1998				
	Domestic Business	Overseas Business	Total	Eliminated Transactions	Total
Interest and dividend income	74,324.0	4,851.4	79,175.4	(2,825.5)	76,349.9
Interest expense	61,285.3	4,413.0	65,698.3	(2,825.5)	62,872.8
Net income from interest and dividend	13,038.7	438.4	13,477.1	-	13,477.1
Non-interest income	9,007.4	937.1	9,944.5	(111.3)	9,833.2
Non-interest expense	63,808.1	1,271.9	65,080.0	(111.3)	64,968.7
Income (loss) before income tax	(41,762.0)	103.6	(41,658.4)	-	(41,658.4)

(Million Baht)

	The Bank				
	Year Ended December 31, 1997				
	Domestic Business	Overseas Business	Total	Eliminated Transactions	Total
Interest and dividend income	77,275.6	9,462.7	86,738.3	(6,504.0)	80,234.3
Interest expense	50,022.1	8,840.8	58,862.9	(6,504.0)	52,358.9
Net income from interest and dividend	27,253.5	621.9	27,875.4	-	27,875.4
Non-interest income	9,116.3	338.2	9,454.5	(10.7)	9,443.8
Non-interest expense	35,625.8	673.7	36,299.5	(10.7)	36,288.8
Income before income tax	744.0	286.4	1,030.4	-	1,030.4

### 3.23 Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise, according to International Accounting Standard (IAS) No.32 regarding Financial Instruments: Disclosure and Presentation.

#### Credit risk

Credit risk of a financial instrument is a potential loss caused by a failure of a counter party of the Bank to discharge its obligation. Basic information regarding concentration of credit risk is disclosed in Note 3.4. to the financial statements.

#### Interest rate risk

Interest rate risk is a potential change in value of a financial asset, liability or net interest income of the Bank as a result of market interest rate volatility.

Most of the Bank financial assets pay interest at administered rates such as MLR, MOR and MRR. Basic information concerning fixed versus floating rate of domestic loans (including financial institutions) as at December 31, 1998 is as follows:

	<b>Consolidated</b>	(Million Baht) <b>The Bank</b>
Fixed interest rate	52,653.4	28,612.8
Floating interest rate	554,188.3	523,132.3
Total Domestic Loans (including financial institutions)	606,841.7	551,745.1

The Bank has the following earning financial assets and interest-bearing liabilities. The average balance calculated using year-end balances of the financial assets and liabilities and average interest and dividend rates for the year ended December 31, 1998 are as follows:

	(Million Baht) <b>The Bank</b>		
	<b>Average Balance</b>	<b>Interest and Dividend Income</b>	<b>Average Rate (%)</b>
<b>Earning Financial Assets</b>			
Cash, interbank and money market items and securities purchased under resale agreements	124,419.9	11,464.4	9.21
Investment in securities - net	45,995.5	3,480.8	7.57
Loans	581,367.8	61,404.7	10.56
Total	751,783.2	76,349.9	10.16
<b>Interest-bearing Liabilities</b>			
Deposits	583,873.5	57,666.4	9.88
Interbank and money market items and securities sold under repurchase agreements	74,527.2	3,810.1	5.11
Long-term borrowings	15,816.9	1,396.3	8.83
Total	674,217.6	62,872.8	9.33

A maturity analysis for financial assets and liabilities as at December 31, 1998 is as follows:

	(Million Baht) <b>Consolidated</b>					
	<b>At call</b>	<b>Less than 6 months</b>	<b>6 months to 1 Year</b>	<b>Over 1 Year</b>	<b>No Maturity</b>	<b>Total</b>
Investment in securities	2,591.2	18,487.4	6,758.6	26,441.9	9,777.5	64,056.6
Securities purchased under resale agreements	-	40,055.0	-	-	-	40,055.0
Loans	322,762.7	60,478.6	5,292.5	218,307.9	-	606,841.7
Deposits and short-term borrowings	163,315.0	457,758.7	15,886.1	3,112.0	-	640,071.8
Securities sold under repurchase agreements	-	758.4	-	-	-	758.4
Long-term borrowings	-	-	-	14,772.7	-	14,772.7

	(Million Baht) <b>The Bank</b>					
	<b>At call</b>	<b>Less than 6 months</b>	<b>6 months to 1 Year</b>	<b>Over 1 Year</b>	<b>No Maturity</b>	<b>Total</b>
Investment in securities	1,677.1	16,883.2	6,660.6	23,890.7	14,268.8	63,380.4
Securities purchased under resale agreements	-	39,475.0	-	-	-	39,475.0
Loans	292,078.9	54,858.6	4,305.2	200,502.4	-	551,745.1
Deposits and short-term borrowings	162,884.9	408,390.1	15,440.7	3,112.0	-	589,827.7
Long-term borrowings	-	-	-	14,772.7	-	14,772.7

**Note** Loans and deposits and short-term borrowings shown above include only domestic figures, including interbank and money market items, and represent 97.80% and 95.33%, respectively, of the related consolidated totals and represent 97.59% and 94.95%, respectively, of the related totals of the Bank only.

#### **Fair value**

Fair value is the estimated value that the Bank could receive from selling its financial assets or the estimated cost for redeeming its financial liabilities based on market value or estimated value that can be derived from using general market principles of calculation. Market value of the investment in securities of the Bank is shown in Note 3.3 to the financial statements.

#### **Derivatives**

The Bank enters into derivative transactions for two main purposes.

##### **1. Hedging of the Bank's exposure to financial risks.**

The activities to reduce or eliminate exchange rate risk and/or interest rate risk related to the Bank's financial assets, liabilities, contingent accounts or expected transactions in the future.

The derivatives which the Bank enters into are Cross Currency Swaps and Interest Rate Swaps.

The Bank controls credit risk by using procedures similar to those used when granting general loans.

##### **2. Hedging of the customer's exposure to financial risks**

It is the deal with customer or the Bank's counter party. It is the customer's benefit to hedge the financial risk. The Bank uses appropriate hedging tools to gain from price differences or net market price changes.

The derivatives which the Bank enters into are Cross Currency Swaps, Currency Options and Interest Rate Swaps.

The market risk of derivative transactions is comprised of exchange rate risk and interest rate risk. To minimize risks, the Bank's procedure is to complete matching hedges with customers or counter parties. The Bank controls credit risk and liquidity risk by using procedures to those used when granting general loans.

#### **3.24 Subsequent Events**

On January 11, 1999, the Bank jointly and simultaneously issued 547,345 Class A Preferred Shares (the "Preferred Shares"), with a par value of Baht 10 per share and a liquidation preference of US\$ 1,000 per share, and 547,345 Subordinated Debentures Cum Preferred Shares of the Thai Farmers Bank Public Company Limited No. 1 ("Debentures #1"), with a face value of US\$ 1,000 per debenture, for total proceeds of US\$ 547,345,000 (Baht 19,999,986,300). These securities were purchased by The Preferred Shares-Subordinated Debentures of Thai Farmers Bank Plc.Fund (the "Fund") with the proceeds from the Fund's offering of Investment Units to institutional investors. The Bank and the Fund entered into a Master Investment Contract (the "Contract") that sets forth certain terms and conditions for the securities.

The Preferred Shares are noncumulative. The Bank must declare and pay a full dividend on the Preferred Shares if it declares and pays a dividend on ordinary shares of the Bank. The amount of the dividend on the Preferred Shares shall be limited to Baht 1 per share per annum if either the Bank continues to pay interest on the Debentures #1 in full or the liquidation preference of the Preferred Shares has been reduced to par as discussed below. If the Bank has not continued to pay interest in full on the Debentures #1, the dividend on the Preferred Shares shall be equal to the annual interest not paid on the Debentures #1. If the Bank does not declare and pay a dividend to ordinary shareholders and, therefore, is not required to pay a dividend on the Preferred Shares, the Bank still has the option to pay part or all of the dividends on the Preferred Shares if there are sufficient retained profits or not to pay any dividend. Upon a redemption of the Debentures #1, the liquidation preference of the Preferred Shares is reduced to par value and each Preferred Share shall be converted into one ordinary share of the Bank under the terms set forth in the Contract.

The Debentures #1 mature upon liquidation of the Bank. They are redeemable early at the option of the Bank, and upon approval of the Bank of Thailand, if the Debentures #1 and Preferred Shares no longer qualify as tier 1 capital of the Bank or if interest payments under the Debentures #1 are no longer deductible as an expense for income tax purposes. Otherwise, they are redeemable at the option of the Bank after five years. The Debentures #1 bear interest at a stated rate of 19.32% per annum payable semi-annually, though the effective interest rate is higher as discussed below. The Bank is only required to pay such interest if it would otherwise be required to pay dividends on the Preferred Shares. If the Bank is not required to pay interest, the Bank still may pay part or all of the interest at its option.

The Contract stipulates that, prior to redemption of the Debentures #1, the Preferred Shares may only be transferred to another person if the Fund simultaneously transfers the Debentures #1 to the same person and such person agrees to be bound by the Contract. Also under the Contract, the Fund and the Bank agree that, upon redemption of the Debentures #1, the liquidation preference of the Preferred Shares is reduced to par and each Preferred Share shall be converted into one ordinary share of the Bank. The Contract also effectively converts the Debentures #1 from a US\$ obligation to a Baht obligation by fixing the Baht equivalent exchange rate for interest payments and redemption to the exchange rate officially declared by the Bank of Thailand on the day immediately prior to the issue date of the Debentures #1. The resulting effective Baht denominated interest rate for the Debentures #1 is 23% per annum. Under the Contract, it is understood that redemption of the Debentures #1 by the Bank shall be deemed to be full payment to the Fund under the terms of the Debentures #1 and Preferred Shares as set forth in the prospectus and the Articles of Association, respectively.

Also on January 11, 1999, the Bank issued 20,000,000 Subordinated Debentures of the Thai Farmers Bank Public Company Limited No. 2 Due 2549 ("Debentures #2), with a face value of Baht 1,000 per debenture, for total proceeds of Baht 20,000,000,000. The Debentures #2 mature seven years after the issue date. They are redeemable early at the option of the Bank, and upon approval of the Bank of Thailand, after five years. The Debentures #2 bear interest at 22.296175% per annum payable quarterly.

### **3.25 Reclassification of Accounts**

Certain accounts in the financial statements for the year ended December 31, 1997 have been reclassified to conform with the presentation in the financial statements for the year ended December 31, 1998.

### **3.26 Year 2000 Problem and Computer Remedy Plan (Unaudited by Auditors)**

The Year 2000 problem arises because many computerized systems use two digits rather than four to identify the year. Date-sensitive systems may recognize the year 2000 as some other dates, resulting in errors when information using year 2000 dates is processed. Entities may experience the effects of Year 2000 problem before, on, or after January 1, 2000, and that the effects on operations and financial reporting, if not addressed and repaired properly and timely, may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. In addition, it is not possible to be certain that all aspects of the Year 2000 problem affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The Bank has considered the importance of the Year 2000 Problem and computer remedy plan and set up "Year 2000 Project" in response to the Year 2000 concern. The Bank commenced its plan since the beginning of 1997 and it is expected to be completed by June 1999 for which a budget of Baht 250 million has been set. Expenditures in relation to the remedy project incurred for the year ended December 31, 1998 which were treated as expenses were Baht 41.5 million and as assets for replacement cost were Baht 78.2 million. Although the Bank expects to have the problem remedied by the time year 2000 occurs, the Bank is still exposed to the risk that other companies which it does business with may not be able to finish their own improvements in time.

# Operating Results for the Year 1998

The Board of Directors presented the following operating results of the Bank :

Retained earnings brought forward from December 31, 1997	6,193,678,973.21	Baht
Net loss for the year 1998	(39,882,743,416.05)	Baht
Total loss carried forward	(33,689,064,442.84)	Baht

No dividend was paid for the year 1998.

# Financial Summary

as at December 31

	(Million Baht)				
	1998*	1997*	1996	1995	1994
<b>Assets</b>					
Cash and deposits at banks	-	-	24,656	23,639	24,813
Cash	<b>9,400</b>	10,227	-	-	-
Due from banks - interest bearing	-	-	944	716	3,950
Interbank and money market items	<b>69,068</b>	87,195	-	-	-
Securities purchased under resale agreements	<b>39,475</b>	33,475	-	170	1,335
Investment in securities	<b>52,747</b>	39,243	42,848	33,428	27,881
Loans (Less Allowance for doubtful accounts)	<b>490,672</b>	581,873	544,628	495,457	427,576
Accrued interest receivables	<b>8,713</b>	8,723	7,265	7,027	5,517
Properties foreclosed	<b>1,561</b>	1,458	1,115	1,017	976
Customers' liability under acceptances	<b>1,054</b>	2,288	2,287	2,618	2,019
Premises and equipment - net	<b>19,880</b>	20,452	19,735	16,782	13,184
Inter office accounts	<b>2,106</b>	4,146	-	-	-
Deferred income tax	<b>3,968</b>	2,284	-	-	-
Other assets	<b>5,649</b>	4,021	2,529	4,354	1,511
<b>Total Assets</b>	<b>704,293</b>	<b>795,385</b>	<b>646,007</b>	<b>585,208</b>	<b>508,762</b>
<b>Liabilities and Shareholders' Equity</b>					
Deposits	<b>579,333</b>	588,414	522,813	466,574	403,315
Due to banks - interest bearing	-	-	473	383	470
Interbank and money market items	<b>41,842</b>	106,903	-	-	-
Liability payable on demand	<b>2,838</b>	2,988	2,544	2,429	1,729
Securities sold under repurchase agreements	-	309	-	-	-
Borrowings	<b>14,773</b>	16,861	41,364	46,653	42,426
Bank's liability under acceptances	<b>1,054</b>	2,288	2,287	2,618	2,019
Accrued interest payable	<b>5,947</b>	10,531	-	-	-
Other Liabilities	<b>6,099</b>	10,283	14,398	13,811	12,161
<b>Total liabilities</b>	<b>651,886</b>	<b>738,577</b>	<b>583,879</b>	<b>532,468</b>	<b>462,120</b>
Shareholders' equity	<b>52,407</b>	56,808	62,128	52,740	46,642
<b>Total Liabilities and Shareholders' Equity</b>	<b>704,293</b>	<b>795,385</b>	<b>646,007</b>	<b>585,208</b>	<b>508,762</b>
Material commitments	<b>35,192</b>	60,294	40,135	40,539	41,359
Interest and dividend income	<b>76,350</b>	80,234	70,382	62,287	46,190
Interest expenses	<b>62,873</b>	52,359	43,979	38,269	25,927
Net income from interest and dividend	<b>13,477</b>	27,875	26,403	24,018	20,263
Bad debt and doubtful accounts	<b>38,581</b>	16,810	2,334	1,697	1,338
Non - interest income	<b>9,833</b>	9,444	6,851	7,276	6,051
Non - interest expenses	<b>26,388</b>	19,479	13,807	13,319	10,271
Income (loss) before income tax	<b>(41,659)</b>	1,030	17,113	16,278	14,705
Income tax	<b>(1,776)</b>	229	5,251	4,707	4,286
<b>Net Income (Loss)</b>	<b>(39,883)</b>	<b>801</b>	<b>11,862</b>	<b>11,571</b>	<b>10,419</b>
<b>Earnings (loss) per share (Baht)</b>	<b>(36.86)</b>	<b>1.00</b>	<b>14.83</b>	<b>14.46</b>	<b>13.02</b>

\*Financial statements from 1997 are presented in accordance with the Commerce Ministerial Regulation No.7 (B.E. 2539)

# Other Information

**Investments of the Thai Farmers Bank Public Company Limited in Other Companies**  
**The following is a list of companies in which TFB, as of December 31, 1998 made investments in the form of stockholding of 10 percent or more of the total number of stocks issued.**

	Name of Company	Location of Corporate Headquarters	Type of Business	Total Number of Stocks Issued	Total Number of Stocks Held	Proportion of Total Stocks Held (%)	Type of Stock
1	THAI FARMERS INTERNATIONAL FINANCE LTD. Tel (852) 252-6881-5 Fax (852) 2868-4342	Hongkong	Financial Institution	10,000	10,000	100.00	Common Stock
2	THAI FARMERS RESEARCH CENTER CO..LTD. Tel 273-1860-2 Fax 270-1569	Bangkok	Service	100,000	99,993	99.99	Common Stock
3	PROGRESS MANAGEMENT CO..LTD. Tel 273-2499 Fax 270-2600-1	Bangkok	Service	10,000	9,993	99.93	Common Stock
4	PROGRESS APPRAISAL CO..LTD. Tel 273-3276-7 Fax 270-1052-3	Bangkok	Service	5,000	4,992	99.84	Common Stock
5	PHATRA THANAKIT PUBLIC CO..LTD. Tel 265-1000,693-2020 Fax 693-2525	Bangkok	Financial Institution	509,637,313	481,237,652	94.43	Common Stock
6	THAI FARMERS ASSET MANAGEMENT CO..LTD. Tel 693-2300 Fax 693-2320	Bangkok	Mutual Fund Management	20,000,000	12,737,753	63.69	Common Stock
7	PROGRESS SOFTWARE CO..LTD. Tel 273-3829-30 Fax 270-1197	Bangkok	Service	100,000	50,000	50.00	Common Stock
8	THANAKORN VEGETABLE OIL PRODUCTS CO..LTD. Tel 425-8930-7 Fax 425-8938	Smut Prakan	Agro-Industry	300,000	147,000	49.00	Common Stock
9	MERRILL LYNCH PHATRA SECURITIES CO..LTD. Tel 275-0888 Fax 275-3666	Bangkok	Financial Institution	250,000,000	122,499,993	49.00	Common Stock
10	BUSINESS VENTURE PROMOTION CO..LTD. Tel 655-2052-4 Fax 655-2055	Bangkok	Joint Venture	12,000,000	3,900,000	32.50	Common Stock
11	PROCESSING CENTER CO. LTD. Tel 237-6330-4 Fax 237-6340	Bangkok	Service	100,000	30,000	30.00	Common Stock
12	N.C. ASSOCIATE CO..LTD. Tel 661-5200 Fax 661-4136	Bangkok	Agro-Industry	10,000	1,930	19.30	Common Stock
13	RURAL CAPITAL PARTNERS CO..LTD. Tel 318-3958 Fax 319-3953	Bangkok	Joint Venture	1,000,000	175,000	17.50	Common Stock
14	THAI CONTAINERS LTD. Tel 586-3333 Fax 586-4694	Bangkok	Packaging	110,000	11,000	10.00	Common Stock
15	K.P. SUGAR CO..LTD. Tel 470-2602-3 Fax 470-2649	Bangkok	Agro-Industry	10,000	1,000	10.00	Common Stock
16	E.S. INDUSTRIES CO..LTD. Tel 516-9124-8 Fax 516-9202	Pathum Thani	Textiles	1,100,000	110,000	10.00	Common Stock
17	THAI CONTAINERS INDUSTRY CO..LTD. Tel 586-3333 Fax 586-3007	Bangkok	Packaging	160,000	16,000	10.00	Common Stock
18	THAI CONTAINERS RATCHABURI (1989) CO..LTD. Tel 586-4444 Fax 586-4694	Bangkok	Packaging	100,000	10,000	10.00	Common Stock
19	ZIN SUAPAH CO..LTD. Tel 221-5895 Fax 224-4499	Bangkok	Service	6,000	600	10.00	Common Stock
20	UNITAS CO..LTD. Tel 249-0491 Fax 249-0503	Bangkok	Joint Venture	100,000	10,000	10.00	Common Stock
21	AMERICAN APPRAISAL (THAILAND) LTD. Tel 675-8403-15 Fax 675-8427-8	Bangkok	Service	10,000	1,000	10.00	Common Stock
22	E.C. LEASING CO..LTD. Tel 664-1366 Fax 664-1367	Bangkok	Leasing	100,000	10,000	10.00	Common Stock

	Name of Company	Location of Corporate Headquarters	Type of Business	Total Number of Stocks Issued	Total Number of Stocks Held	Proportion of Total Stocks Held (%)	Type of Stock
23	SIAM BROWN AND ROOT LTD. Tel (038) 682-166 Fax (038) 682-020	Rayong	Commerce	1,000	100	10.00	Common Stock
24	MUANG THAI LIFE ASSURANCE CO.,LTD. Tel 274-9400,276-1025 Fax 693-2766	Bangkok	Insurance	300,000	30,000	10.00	Common Stock
25	PATTANADHORN CO.,LTD. Tel 249-0491 Fax 249-8393	Bangkok	Joint Venture	1,000,000	100,000	10.00	Common Stock
26	THAI FARMERS HELLER FACTORING CO.,LTD. Tel 276-2030-2 Fax 275-5165	Bangkok	Factoring	1,600,000	160,000	10.00	Common Stock
27	SEACON DEVELOPMENT CO.,LTD. Tel 721-8888 Fax 721-9444	Bangkok	Real Estate Development	5,740,000	574,000	10.00	Common Stock
28	SIAM TECHNO CITY CO.,LTD. Tel 235-0500-1 Fax 652-3011-12	Bangkok	Real Estate Development	10,000,000	1,000,000	10.00	Common Stock
29	DKB LEASING (THAILAND) CO.,LTD. Tel 266-6431-6 Fax 266-6440	Bangkok	Leasing	60,000	6,000	10.00	Common Stock
30	UMEDIA COMPANY LIMITED Tel 311-5111 Fax 331-5668	Bangkok	Joint Venture	18,500,000	1,850,000	10.00	Common Stock
31	DIRECT MARKETING SERVICES PUBLIC CO.,LTD. Tel 436-9061 Fax 436-9029	Bangkok	Services	8,000,000	800,000	10.00	Common Stock
32	ADVANCE MICRO TECH CO.,LTD. Tel 739-4095-8 Fax 739-4099	Bangkok	Electronics	600,000	60,000	10.00	Common Stock
33	M GRAND HOTEL CO.,LTD. Tel 617-1949 Fax 617-1940-1	Bangkok	Hotel	100,000,000	10,000,000	10.00	Common Stock
34	WEI POA CO.,LTD. Tel 224-3839 Fax 224-8031	Hongkong	Agro-Industry	5,500,000	550,000	10.00	Common Stock
35	PEOPLES HEALTH CARE CO.,LTD. Tel 559-3306-9 Fax 559-3310	Bangkok	Pharmacy	10,000,000	1,000,000	10.00	Common Stock
36	SIAM FOODS PUBLIC CO.,LTD. Tel 661-3440-7 Fax 661-3422-3	Bangkok	Agro-Industry	21,000,000	2,099,930	10.00	Common Stock
37	PROGRESS INFORMATION CO.,LTD. Tel 273-3838 Fax 273-3839	Bangkok	Business	1,000,000	100,000	10.00	Common Stock
38	TELESAT CORPORATION CO.,LTD. Tel 682-6222 Fax 682-6306	Bangkok	Telecommunications	30,000,000	3,000,000	10.00	Common Stock
39	KINGHILL LTD. Tel (852) 2868-9316 Fax (852) 2525-7809	Hongkong	Commerce	100,000,000	10,000,000	10.00	Common Stock
40	ANEW CORPORATION LTD. Tel 439-4600 Fax 439-4616-7	Bangkok	Business	5,000,000	500,000	10.00	Common Stock
41	PROGRESS PLUS CO.,LTD. Tel 658-1818 Fax 658-1819	Bangkok	Commerce	230,000	23,000	10.00	Common Stock
42	THE SOSUCO GROUP INDUSTRIES CO.,LTD. Tel 586-8760 Fax 586-9220	Bangkok	Sanitary Ware Industry	78,000,000	7,800,000	10.00	Common Stock
43	INTERNATIONAL SOFTWARE FACTORY CO.,LTD. Tel 645-6203-10 Fax 645-0215-6	Bangkok	Services	5,000,000	500,000	10.00	Common Stock
44	THAI CONTAINER GROUP LTD. Tel 586-3333 Fax 586-4649	Bangkok	Packaging	180,000	18,000	10.00	Common Stock
45	KANPAI COMPANY LIMITED Tel 693-2892-4 Fax 693-2886	Bangkok	Services	200,000	20,000	10.00	Common Stock
46	MUANG THAI INSURANCE CO.,LTD. Tel 274-9400 Fax 276-1997-8	Bangkok	Insurance	3,900,000	390,000	10.00	Common Stock



## Names, offices, telephone numbers, fax numbers of other referred persons

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<b>Registrar</b>	<i>Ordinary shares and Warrants</i>	: Thailand Securities Depository Company Limited for Depositors (Thai Securities - Holder Account) 62 The Stock Exchange of Thailand Building 4, 6-7 th Floor, Ratchadapisek Road, Klong Toey, Bangkok 10110 Phone: 359-1200 Fax: 359-1259
	<i>TFB Subordinated Debentures due 2001</i>	: Thai Farmers Bank Public Company Limited 1 Thai Farmers Lane, Ratburana Road Bangkok 10140 Phone: 470-1122, 470-1199 Fax: 470-1144
	<i>TFB 8 1/4% Subordinated Bonds due 2016</i>	: The Bank of New York, Corporate Trust Administration, 21st Floor West, 101 Barclay Street New York, N.Y. 10286 Phone: (212) 815-5620 Fax: (212) 815-6109
<b>Auditor</b>		: Dr. Payom Singhasaneh CPA No.18 Mr. Supot Singhasaneh CPA No. 2826 Mr. Nirand Lilamethwat CPA No. 2316 KPMG Audit (Thailand) Limited 92/40-41 Sathorn Thani Tower II, 15th Floor North Sathorn Road, Silom Bangrak, Bangkok 10500 Phone: 236-6161-4 Fax: 238-4751
<b>Legal Adviser</b>		: Mr. Samran Kalayanarooj Dhamasar Advocates & Solicitors Thai Farmers Bank Building, 17th Floor 400/22 Phahonyothin Avenue, Bangkok 10400 Phone: 271-0214 Fax: 271-0555

## Audit Committee Report

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The Board of Directors of The Thai Farmers Bank Public Company Limited appointed the Audit Committee in June 1998. The Audit Committee is composed of three independent directors who are not officers or employees of the company. The Committee, which held five meetings during 1998, undertook the review of the company's financial reports within its terms of reference on behalf of the Board of Directors.

The Audit Committee discussed with the independent public accountants and the internal auditors the overall scope and specific plans for their respective audits, the adequacy of the internal control system, and their evaluation of the overall quality of the company's financial reporting.

The meetings which took place between the Audit Committee and the internal auditors or the independent public accountants, were without the presence of management, in order to promote frank and unbiased communications.



**(Mr. Sukri Kaucharern)**  
Chairman, Audit Committee  
February 4, 1999

## Income Structure of Other Companies in which the Bank Holds More Than 20% Shares

Year Ended December 31,

Product/Service	Company	% Shareholding	Income Type	1998		1997	
				Income (Million Baht)	Percentage	Income (Million Baht)	Percentage
1. Business and economic information services	Thai Farmers Research Center Company Limited	99.99	Service fees	45	93.8	48	96.0
			Other income	3	6.2	2	4.0
			Total	48	100.0	50	100.0
2. Assets management services	Progress Management Company Limited	99.93	Assets management fees	1	100.0	0	0.0
3. Assets appraisal services	Progress Appraisal Company Limited	99.84	Appraisal fees	41	100.0	20	100.0
4. Financial products and services	Phatra Thanakit Public Company Limited	94.43 in 1998 and 49.61 in 1997	Interest and dividend income	6,353	86.6	9,175	112.2
			Other income	983	13.4	(998)	(12.2)
			Total	7,336	100.0	8,177	100.0
5. Fund management services	Thai Farmers Assets Management Company Limited	63.69 in 1998 and 28.61 in 1997	Management fees	150	69.1	246	80.4
			Other income	67	30.9	60	19.6
			Total	217	100.0	306	100.0
6. Computer System development services	Progress Software Company Limited	50.00	Software development fees	36	94.7	34	91.9
			Other income	2	5.3	3	8.1
			Total	38	100.0	37	100.0
7. Securities services	Merrill Lynch Phatra Securities Limited	49.00	Commission and fees	971	79.3	69	95.8
			Other income	254	20.7	3	4.2
			Total	1,225	100.0	72	100.0
8. Vegetable oil production	Thanakorn Vegetable Oil Product Company Limited	49.00	Sales of vegetable oil and by-products	3,402	99.1	2,628	99.0
			Other income	30	0.9	27	1.0
			Total	3,432	100.0	2,655	100.0
9. Venture capital investment and investment consulting	Business Venture Promotion Company Limited	32.50	Consulting fees	12	70.6	3	37.5
			Other income	5	29.4	5	62.5
			Total	17	100.0	8	100.0
10. Data processing services	Processing Center Company Limited	30.00	Data processing and printing fees	142	75.9	158	77.1
			Other income	45	24.1	47	22.9
			Total	187	100.0	205	100.0

In 1998 there is no change in business conduct, product and marketing in the Bank, its subsidiary and associated companies.

## Shareholders and Management

### The First Ten TFB Largest Shareholders as of September 10, 1998

Shareholder	The Number of Shares	%
1. Thailand Securities Depository Company Limited for Depositors (Thai Securities - Holder Account)	134,386,102	11.43
2. Government of Singapore Investment Corporation "C"	93,712,200	7.97
3. Chase Nominees Limited 1	56,002,967	4.76
4. Siam Cement Public Company Limited	39,999,310	3.40
5. State Street Bank & Trust Company Boston	31,483,995	2.68
6. HSBC (Singapore) Nominees Pte. Ltd.	24,379,290	2.07
7. Littledown Nominees Limited	23,127,394	1.97
8. Albouys Nominees Ltd.	21,984,000	1.87
9. Bureau of the Crown Property	20,400,000	1.73
10. Midland Bank Plc.	19,153,588	1.63

### Executive of Thai Farmers Bank Public Company Limited

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
1. Mr. Banyong Lamsam	Chairman	<p>Present</p> <ul style="list-style-type: none"> <li>- Chairman, Singer Thailand Public Company Limited</li> <li>- Chairman, Thai British Security Printings Public Company Limited</li> <li>- Chairman, Dole Thailand Limited</li> <li>- Chairman, Thai Farmers Research Center Company Limited</li> <li>- Vice Chairman, Carlsberg Brewery (Thailand) Company Limited</li> <li>- Director, Visa International (Asia - Pacific Region)</li> <li>- Director, The Industrial Finance Corporation of Thailand</li> <li>- Director, Castrol (Thailand) Limited</li> <li>- Director, Bangkok Inter-Continental Hotels Company Limited</li> <li>- Director, Rajdamri Hotel Public Company Limited</li> <li>- Director, Maerim Terrace Resort Company Limited</li> <li>- Director, Smitivej Public Company Limited</li> <li>- Director, Com-Link Company Limited</li> <li>- Director, Seacon Development Company Limited</li> <li>- Director, Lakewood Real Estate Company Limited</li> <li>- Director, Lakewood Country Club Company Limited</li> <li>- Advisor to the Board of Directors, The Siam Cement Public Company Limited</li> <li>- Advisor to the Executive Committee The Siam Cement Public Company Limited</li> <li>- Advisory Board of Pacific Rim Bankers Program, University of Washington</li> </ul> <p>1992 - Present</p> <ul style="list-style-type: none"> <li>- Chairman, Thai Farmers Bank Public Company Limited</li> </ul> <p>1976 - 1991</p> <ul style="list-style-type: none"> <li>- President, Thai Farmers Bank Limited</li> </ul>	(20,000)

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
2. Pol. Gen. Pow Sarasin	Vice Chairman	Present <ul style="list-style-type: none"> <li>- Chairman, Thai Beverage Can Limited</li> <li>- Chairman, Lake Wood Real Estate Company Limited</li> <li>- Chairman, Lake Wood Country Club Company Limited</li> <li>- Chairman, Quality Houses Public Company Limited</li> <li>- Chairman, H.C.Starck (Thailand) Company Limited</li> <li>- Chairman, Mitsubishi Elevator Asia Company Limited</li> <li>- Director, Samaggee Insurance Public Company Limited</li> <li>- Director, Sammakorn Real Estate Public Company Limited</li> <li>- Director, Siam Food Products Public Company Limited</li> <li>- Director, Bangkok Agro-Industry Products Public Company Limited</li> <li>- Director, Bangkok Produce Public Company Limited</li> <li>- Director, Charoen Pokphand North-Eastern Public Company Limited</li> <li>- Director, Italian - Thai Development Public Company Limited</li> <li>- Director, Muang Thai Life Assurance Company Limited</li> </ul> 1992 - Present <ul style="list-style-type: none"> <li>- Vice Chairman, Thai Farmers Bank Public Company Limited</li> </ul> 1991 - 1992 <ul style="list-style-type: none"> <li>- Deputy Prime Minister and Minister of Ministry of Interior</li> </ul> 1989 - 1991 <ul style="list-style-type: none"> <li>- Vice Chairman, Thai Farmers Bank Limited</li> </ul>	
3. Mr. Chana Rungsang	Director and Vice Chairman of the Executive Board	Present <ul style="list-style-type: none"> <li>- Chairman, Praram 9 Hospital Company Limited</li> <li>- Director, B. Grimm Engineering Systems Company Limited</li> <li>- Director, Russameepattana Real Estate Company Limited</li> <li>- Director, M Group Real Estate Company Limited</li> <li>- Director, Pattanarussamee Real Estate Company Limited</li> <li>- Director, Kijkamnoon Company Limited</li> </ul> 1992 - Present <ul style="list-style-type: none"> <li>- Director and Vice Chairman of the Executive Board, Thai Farmers Bank Public Company Limited</li> </ul> 1986 - 1991 <ul style="list-style-type: none"> <li>- Director and Executive Vice President, Thai Farmers Bank Limited</li> </ul>	
4. Mr. Banthoon Lamsam	President	Present <ul style="list-style-type: none"> <li>- Chairman, Phatra Thanakit Public Company Limited</li> <li>- Chairman, Phatra Leasing Public Company Limited</li> <li>- Vice Chairman, Phatra Real Estate Public Company Limited</li> <li>- Director, Samitivej Public Company Limited</li> <li>- Director, Siam Tyre Public Company Limited</li> <li>- Director, Siam Pulp &amp; Paper Public Company Limited</li> </ul> 1992 - Present <ul style="list-style-type: none"> <li>- Director and President, Thai Farmers Bank Public Company Limited</li> </ul> 1991 <ul style="list-style-type: none"> <li>- Executive Vice President, Thai Farmers Bank Limited</li> </ul>	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
5. Mr. Kaorop Nutchanat	Senior Executive Vice President	Present <ul style="list-style-type: none"> <li>- Chairman, Processing Center Company Limited</li> <li>- Chairman, Progress Software Company Limited</li> <li>- Director, Phatra Thanakit Public Company Limited</li> <li>- Director, Com-Link Company Limited</li> <li>- Director, Kijkamnoon Company Limited</li> <li>- Director, Ek-Dhanabordi Company Limited</li> </ul> 1994 - Present <ul style="list-style-type: none"> <li>- Director and Senior Executive Vice President, Thai Farmers Bank Public Company Limited</li> </ul> 1992 - 1993 <ul style="list-style-type: none"> <li>- Director and Executive Vice President, Thai Farmers Bank Public Company Limited</li> </ul> 1990 - 1991 <ul style="list-style-type: none"> <li>- Executive Vice President, Thai Farmers Bank Limited</li> </ul>	
6. Mr. Samran Kalayanaroj	Director and Legal Adviser	Present <ul style="list-style-type: none"> <li>- Chairman of the Executive Board, Bangkok Glass Industry Company Limited</li> <li>- Director and Legal Adviser, Boonrawd Brewery Company Limited</li> </ul> 1978 - Present <ul style="list-style-type: none"> <li>- Director and Legal Adviser, Thai Farmers Bank Public Company Limited</li> </ul>	(3,000)
7. Mr. Pairote Lamsam	Director	Present <ul style="list-style-type: none"> <li>- Chairman, Loxley Public Company Limited</li> <li>- Chairman, Loxley Trading Company Limited</li> <li>- Chairman, Thai Telephone and Telecommunication Public Company Limited</li> <li>- Chairman, Siam Sanitary Ware Company Limited</li> <li>- Chairman, Castrol (Thailand) Company Limited</li> <li>- Chairman, Phatra Real Estate Public Company Limited</li> <li>- Chairman, BHP Steel Building Products (Thailand) Limited</li> <li>- Director, BHP Steel (Thailand) Limited</li> <li>- Managing Director, The Lamsam Estate Company Limited</li> </ul> 1971 - Present <ul style="list-style-type: none"> <li>- Director, Thai Farmers Bank Public Company Limited</li> </ul>	
8. Mr. Sukri Kaocharern	Independent Director and Audit Committee Chairman	Present <ul style="list-style-type: none"> <li>- Chairman of the Advisory Board, M.D.X. Public Company Limited</li> <li>- Chairman, Indo-Rama Textile (Thailand) Company Limited</li> <li>- Chairman, Indo-Worth (Thailand) Company Limited</li> <li>- Chairman, Tawana (Ramada) Company Limited</li> <li>- Chairman, Thai Castor Oil Company Limited</li> <li>- Director, Zafari World Public Company Limited</li> <li>- Director, Premier Enterprises Public Company Limited</li> <li>- Director, Jutha Maritime Public Company Limited</li> <li>- Director, Institute for Management Education for Thailand Foundation</li> <li>- Governor, The Stock Exchange of Thailand</li> </ul> 1981 - Present <ul style="list-style-type: none"> <li>- Director, Thai Farmers Bank Public Company Limited</li> </ul>	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
9. M.R. Sarisdiguna Kitiyakara	Independent Director and Audit Committee Member	Present - Director and President, New Imperial Hotel Public Company Limited - Director, Goodyear (Thailand) Public Company Limited - Director, Thai British Security Printing Public Company Limited - Director, Asian Marine Services Public Company Limited - Director, Beta Mekong Fund Limited  1985 - Present - Director, Thai Farmers Bank Public Company Limited	
10. M.R. Yongswasdi Kridakon	Director	Present - Deputy Directors - General, Bureau of The Crown Property - Director, The Siam Cement Public Company Limited and The Siam Cement Group of Companies - Director, Siam Commercial Life Insurance Public Company Limited - Director, Tarakorn Credit Foncier Company Limited - Director, Dusit Thani Hotel Public Company Limited - Director, Rajdamri Hotel Public Company Limited - Director, The United Cinema Company Limited - Director, Sanesuratana Company Limited - Director, Ladawal Palace Company Limited - Director, Deves Insurance Public Company Limited - Director, Bangkok Expressway Public Company Limited - Director, Vichaiyut Company Limited - Director, B.N.H.Medical Centre Company Limited - Director, Siam Sindhorn Company Limited  1991 - Present - Director, Thai Farmers Bank Public Company Limited	
11. Mr. Chaleo Yoovidhya	Director	Present - Chairman, Red Bull Beverage Company Limited - Chairman, T.C.Pharmaceutical Industry Company Limited  1992 - Present - Director, Thai Farmers Bank Public Company Limited	
12. Mr. Somchai Bulsook	Director and Audit Committee Member	Present - President and Chief Executive Officer, Serm Suk Public Company Limited - Director, Crown Seal Public Company Limited - Director, Bangkok Glass Industry Company Limited - Director, The Thai Commercial Insurance Public Company Limited - Director, The Bangkok Thonburi Insurance Company Limited - Director, Ngow Hock Company Limited - Director, Ngow Hock Agency Company Limited - Advisor, Phatra Real Estate Public Company Limited  1993 - Present - Director, Thai Farmers Bank Public Company Limited	
13. Dr. Sumet Tantivejkul	Director	Present - Secretary-General, The Royal Development Projects Board - Committee and Secretary-General, The Chaipattana Foundation  1997 - Present - Director, Thai Farmers Bank Public Company Limited	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
14. Mr. Tawee Butsunorn	Director	Present <ul style="list-style-type: none"> <li>- Executive Vice President, The Siam Cement Public Company Limited</li> <li>- Chairman, The Federation of Thai Industries</li> <li>- President, ASEAN Federation of Cement Manufacturers</li> <li>- Chairman and Distinguished Councillor, The King Mongkut's Institute of Technology Ladkrabang Council</li> <li>- Director, The Board of Expressed Transport Organization</li> <li>- Director, The Board of Electricity Generating Authority of Thailand</li> <li>- Director, The Board of Government Housing Bank</li> <li>- Director, Thai Farmers Bank Public Company Limited</li> </ul>	200
15. Ms. Sujitpan Lamsam	Director	Present <ul style="list-style-type: none"> <li>- Advisor, Newbridge Capital, San Francisco, CA., U.S.A.</li> <li>- Principal, Hedgehog Partners-Thailand, Palo Alto, CA., U.S.A.</li> <li>- Director, Thai Farmers Bank Public Company Limited</li> </ul>	
16. Mr. Poonpipat Aungurigul	Executive Vice President	1993 - Present <ul style="list-style-type: none"> <li>- Executive Vice President Thai Farmers Bank Public Company Limited</li> </ul>	
17. Mr. Prasat Lamsam	Executive Vice President	1994 - Present <ul style="list-style-type: none"> <li>- Executive Vice President Thai Farmers Bank Public Company Limited</li> </ul>	
18. Mr. Sirivuthi Siamphakdee	Executive Vice President	1994 - Present <ul style="list-style-type: none"> <li>- Executive Vice President Thai Farmers Bank Public Company Limited</li> </ul>	
19. Mr. Somboon Chinsawananon	Executive Vice President	1996 - Present <ul style="list-style-type: none"> <li>- Executive Vice President Thai Farmers Bank Public Company Limited</li> </ul> 1994 - 1995 <ul style="list-style-type: none"> <li>- First Senior Vice President Thai Farmers Bank Public Company Limited</li> </ul>	(50,000)
20. Mrs. Tida Samalapa	Executive Vice President	Present <ul style="list-style-type: none"> <li>- Executive Vice President Thai Farmers Bank Public Company Limited</li> </ul> 1994 - 1996 <ul style="list-style-type: none"> <li>- First Senior Vice President Thai Farmers Bank Public Company Limited</li> </ul>	



NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
21. Mr. Apichai Bunyakiat	Executive Vice President	Present - Executive Vice President Thai Farmers Bank Public Company Limited 1994 - 1996 - First Senior Vice President Thai Farmers Bank Public Company Limited	-
22. Mr. Preecha Oonchitti	Executive Vice President	Present - Executive Vice President Thai Farmers Bank Public Company Limited 1994 - 1997 - First Senior Vice President Thai Farmers Bank Public Company Limited	-
23. Mr. Virat Prasongthan	First Senior Vice President	1994 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited	-
24. Mr. Dharin Divari	First Senior Vice President	1994 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited	-
25. Mrs. Buranee Arunpairojana	First Senior Vice President	1994 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited	-
26. Mr. Somkiat Sukdheva	First Senior Vice President	1995 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited 1994 - 1995 - Senior Vice President Credit Card Department Thai Farmers Bank Public Company Limited	-
27. Dr. Piengchai Pookakul	First Senior Vice President	1995 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited 1993 - 1995 - Senior Vice President Human Resource and Organization Development Department Thai Farmers Bank Public Company Limited	-
28. Mr. Boontuck Wungcharoen	First Senior Vice President	1995 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited 1993 - 1994 - Senior Vice President Merchant Banking Department Thai Farmers Bank Public Company Limited	-

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
29. Mr. Siripongs Kalayanaroj	First Senior Vice President	1995 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited 1994 - 1995 - Senior Vice President International Branch Administration and Relation Department Thai Farmers Bank Public Company Limited	
30. Mr. Sawad Jiarathanakul	First Senior Vice President	1995 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited 1993 - 1995 - Senior Vice President Treasury Department Thai Farmers Bank Public Company Limited	
31. Mr. Tongchai Charoensit	First Senior Vice President	1997 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited 1995 - 1997 - Senior Vice President Credit and Collateral Control Department Thai Farmers Bank Public Company Limited 1995 - First Vice President General Administration Department Thai Farmers Bank Public Company Limited 1994 - 1995 - First Vice President Telecommunication Department Thai Farmers Bank Public Company Limited	(1,000)
32. Mr. Pramoth Chaiamporn	First Senior Vice President	1997 - Present - First Senior Vice President Thai Farmers Bank Public Company Limited 1996 - 1997 - Senior Vice President Cash and Payment Department Thai Farmers Bank Public Company Limited 1995 - First Vice President Cash and Payment Department Thai Farmers Bank Public Company Limited 1993 - 1995 - First Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
33. M.L. Oratai Devakula	Senior Vice President (Class A) Financial Accounting Management Department	1991 - Present - Senior Vice President Financial Accounting Management Department Thai Farmers Bank Public Company Limited	
34. Mrs. Chawiwon Varophas	Senior Vice President Financial Planning Department	1996 - Present - Senior Vice President Financial Planning Department Thai Farmers Bank Public Company Limited  1994 - 1996 - First Vice President Financial Planning Department Thai Farmers Bank Public Company Limited	(9.100)
35. Mrs. Kanlaya Yaisawang	Senior Vice President Fixed Asset Management Department	Present - Senior Vice President Fixed Asset Management Department Thai Farmers Bank Public Company Limited  1995 - 1996 - First Vice President Information System Engineering Department Thai Farmers Bank Public Company Limited  1993 - 1994 - First Vice President Computer Department Thai Farmers Bank Public Company Limited	
36. Mr. Jirayon Sangkasuwan	Senior Vice President (Class A) International Trade Department & Foreign Exchange and Remittance Department	Present - Senior Vice President International Trade Department & Foreign Exchange and Remittance Department Thai Farmers Bank Public Company Limited  1996 - First Vice President General Administration Department Thai Farmers Bank Public Company Limited  1995 - Vice President General Administration Department Thai Farmers Bank Public Company Limited  1994 - Assistant Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
37. Ms. Chantana Soi-Ampornkun	Senior Vice President (Class A) Treasury Department	Present - Senior Vice President Treasury Department Thai Farmers Bank Public Company Limited 1993 - 1997 - First Vice President Treasury Department Thai Farmers Bank Public Company Limited	
38. Mr. Pornsak Sakpunpanom	Senior Vice President Legal Department	Present - Senior Vice President Legal Department Thai Farmers Bank Public Company Limited 1993 - 1997 - First Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited	
39. Mrs. Chalida Sirampuj	Senior Vice President (Class A) Credit Card Department	1995 - Present - First Vice President Credit Card Department Thai Farmers Bank Public Company Limited 1994-1995 - Vice President Credit Card Department Thai Farmers Bank Public Company Limited	
40. Mr. Surapong Bumroongsook	First Vice President (Class A) Assets Improvement Department	1994 - Present - First Vice President Assets Improvement Department Thai Farmers Bank Public Company Limited	
41. Mr. Phongthawat Phuangkanok	First Vice President Information System Processing Department	1995 - Present - First Vice President Information System Processing Department Thai Farmers Bank Public Company Limited 1992 - 1995 - First Vice President Computer Department Thai Farmers Bank Public Company Limited	
42. Mr. Klaharn Tuntipochsopha	First Vice President Telecommunication Department	1993 - Present - First Vice President Telecommunication Department Thai Farmers Bank Public Company Limited	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
43. Mr. Hansa Susayan	First Vice President (Class A) Securities Services Department	1996 - Present - First Vice President Securities Services Department Thai Farmers Bank Public Company Limited  1994 - 1996 - Vice President Securities Services Department Thai Farmers Bank Public Company Limited	
44. Mrs. Patcharin Vongsiridej	First Vice President (Class A) Marketing and Credit Management Department	1995 - Present - First Vice President Marketing and Credit Management Department Thai Farmers Bank Public Company Limited  1994 - 1995 - Vice President Marketing and Credit Management Department Thai Farmers Bank Public Company Limited	
45. Mr. Jaroen Gobsuk	First Vice President (Class A) Executive Service Department	1995 - Present - First Vice President Executive Service Department Thai Farmers Bank Public Company Limited  1984 - 1995 - First Vice President General Administration Department Thai Farmers Bank Public Company Limited	
46. Mr. Dolapar Petpiroon	First Vice President Consumer Loans Department	1996 - Present - First Vice President Consumer Loans Department Thai Farmers Bank Public Company Limited  1995 - 1996 - Vice President Commercial and Construction Credit Department Thai Farmers Bank Public Company Limited  1994 - 1995 - Assistant Vice President Commercial and Construction Credit Department Thai Farmers Bank Public Company Limited	
47. Mr. Narong Supradith	First Vice President (Class A) Cash and Payment Department	1997 - Present - First Vice President Cash and Payment Department Thai Farmers Bank Public Company Limited  1995 - 1997 - Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited  1991 - 1995 - Assistant Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
48. Mr. Somkiat Sirichatchai	First Vice President (Class A) Investment Management Department	1997 - Present - First Vice President Investment Management Department Thai Farmers Bank Public Company Limited 1996 - 1997 - Vice President Investment Management Department Thai Farmers Bank Public Company Limited 1995 - 1996 - Assistant Vice President Investment Management Department Thai Farmers Bank Public Company Limited	
49. Mr. Sakchai Sombatsrisombun	First Vice President Branch Business Administration Department	Present - First Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited 1997 - 1998 - First Vice President Credit and Collateral Control Department Thai Farmers Bank Public Company Limited 1993 - 1997 - Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited	
50. Mr. Krisada Lamsam	First Vice President Credit and Collateral Control Department	Present - First Vice President Credit and Collateral Control Department Thai Farmers Bank Public Company Limited 1996 - 1997 - Vice President Treasury Department Thai Farmers Bank Public Company Limited 1994 - 1995 - Assistant Vice President Treasury Department Thai Farmers Bank Public Company Limited	
51. Mrs. Pranee Visitkitchakarn	First Vice President Human Resource and Organization Development Department	Present - First Vice President Human Resource and Organization Development Department Thai Farmers Bank Public Company Limited 1994 - 1997 - Vice President Human Resource and Organization Development Department Thai Farmers Bank Public Company Limited	

NAME-LAST NAME	POSITION	EXPERIENCES	THE INCREASE OR DECREASE IN THE TFB SHARES HELD IN 1998
52. Mrs. Orn-Anong Thonguthai	First Vice President Information System Engineering Department	Present - First Vice President Information System Engineering Department Thai Farmers Bank Public Company Limited 1994 - 1997 - Vice President Information System Engineering Department Thai Farmers Bank Public Company Limited	
53. Mr. Thamrong Nakomratanachai	First Vice President General Administration Department	1996 - Present - First Vice President General Administration Department Thai Farmers Bank Public Company Limited 1993 - 1996 - Vice President Branch Business and Administration Department Thai Farmers Bank Public Company Limited	
54. Mr. Ampol Polohakul	First Vice President Research and Process Development Department	Present - First Vice President Research and Process Development Department Thai Farmers Bank Public Company Limited 1996 - 1997 - Vice President Research and Process Development Department Thai Farmers Bank Public Company Limited 1995 - 1996 - Assistant Vice President Research and Process Development Department Thai Farmers Bank Public Company Limited	
55. Mr. Yuthchai Chusakpakdee	First Vice President Operation Supporting Department	Present - First Vice President Operation Supporting Department Thai Farmers Bank Public Company Limited 1996 - 1997 - Vice President Operation Supporting Department Thai Farmers Bank Public Company Limited 1995 - 1996 - Assistant Vice President Research and Process Development Department Thai Farmers Bank Public Company Limited	
56. Mr. Vasant Chariyatantiwate	First Vice President Compliance Department	Present - First Vice President Compliance Department Thai Farmers Bank Public Company Limited 1996 - 1997 - Vice President New York Branch Thai Farmers Bank Public Company Limited 1994 - 1995 - Assistant Vice President Los Angeles Branch Thai Farmers Bank Public Company Limited	

## Holdings of stocks and debentures of TFB directors in the bank and affiliated companies as of December 31, 1998, and remuneration from the bank during the accounting year 1998

**Mr. Banyong Lamsam** received remuneration as a director amounting to Bt 720,000. He held 1,749,340 TFB stocks, a decrease of 20,000 shares during the accounting year, and 1 share of Thai Farmers Research Center Co., Ltd., a change of — shares during the accounting year.

**Pol. Gen. Pow Sarasin** received remuneration as a director amounting to Bt 504,000. He held 32,350 TFB shares, a change of — shares during the accounting year.

**Mr. Chana Rungsang** received remuneration as a director amounting to Bt 384,000. He held 2,120 TFB shares, a change of — shares during the accounting year, and 1 share of Thai Farmers Research Center Co., Ltd., a change of — shares during the accounting year.

**Mr. Bantoon Lamsam** received remuneration as a director amounting to Bt 384,000. He held 50,000 TFB shares, a change of — shares during the accounting year, — TFB debentures, a decrease of 500 units during the accounting year, and 1 share of Thai Farmers Research Center Co., Ltd., a change of — shares during the accounting year.

**Mr. Kaorop Nuchanart** received remuneration as a director amounting to Bt 384,000. He held 6,000 TFB shares, a change of — shares during the accounting year, 3000 TFB debentures, a change of — units during the accounting year, and 1 share of Thai Farmers Research Center Co., Ltd., a change of — shares during the accounting year.

**Mr. Samran Kalayanaroj** received remuneration as a director amounting to Bt 384,000. He held 51,480 TFB shares, a decrease of 3,000 shares during the accounting year.

**Mr. Pairote Lamsam** received remuneration as a director amounting to Bt 384,000. He held 1,348,500 TFB shares, a change of — shares during the accounting year.

**Mr. Sukri Kaocharern** received remuneration as a director amounting to Bt 384,000. He held 4,600 TFB shares, a change of — shares during the accounting year, and 3,000 TFB debentures, a change of — units during the accounting year.

**M.R. Sarisdiguna Kitiyakara** received remuneration as a director amounting to Bt 384,000. He held 15,000 TFB shares, a change of — shares during the accounting year, and 5,000 TFB debentures, a change of — units during the accounting year.

**M.R. Yongswasdi Kridakon** received remuneration as a director amounting to Bt 384,000. He held 130 TFB shares, a change of — shares during the accounting year.

**Mr. Chaleo Yoovidhya** received remuneration as a director amounting to Bt 384,000. He held 110 TFB shares, a change of — shares during the accounting year.

**Mr. Somchai Bulsook** received remuneration as a director amounting to Bt 384,000. He held 133,870 TFB shares, a change of — shares during the accounting year.

**Dr. Sumet Tantivejkul** received remuneration as a director amounting to Bt 384,000. He held 10 TFB shares, an increase of 10 shares during the accounting year.

**Mr. Tawee Butsunorn** received remuneration as a director amounting to Bt 256,000. He held 200 TFB shares, a change of — shares during the accounting year.

**Ms. Sujitpan Lamsam** received remuneration as a director amounting to Bt 256,000. She held — TFB shares, a change of — shares during the accounting year.



## Remuneration of TFB Executives

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(1) Financial Remuneration

- The executive board members as receive remuneration as the bank director amounting to Bt 6,440,000 during the 1998 accounting year , together with the tax payment of Bt 2,002,672.
- TFB executives receive remuneration of Bt 123,896,503, during the 1998 accounting year.
- The top 15 TFB executives receive highest remuneration of Bt 67,370,420 during the 1998 accounting year.

(2) Other Remuneration

- None

## Persons with vested interests and cross-over transactions

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Such entries have become common only in the last three years. There have been no cross-over entries for persons with vested interests; no cross-over entries between the Bank, subsidiaries and associated companies in cases where persons with vested interests hold shares amounting to more than 5 percent with voting rights in subsidiary(ies) or associated company(ies); and no comment from independent director(s) or specialists on cross-over entries.

### Comments of independent director(s) on the Bank's commitment to the terms and conditions stipulated in the prospectus of the Bank's public share offering

The Bank followed all the conditions stated in the prospectus of the public offering of the first issuance of TFB subordinated debentures of 2001, together with the first issuance of warrants; and, likewise, the second issuance of warrants offered to existing shareholders, of which the pertinent financial information form and prospectus were respectively submitted to the Securities and Exchange Commission (SEC) on August 26, 1994 and May 30, 1996. The Bank and its financial counselor, Asset Plus Securities Co., Ltd. then assessed the impact on holders of the first issue warrants following the sale of the second issue warrants to existing shareholders, and concurred that the exercised price of the first issue warrant should be adjusted down from Bt 188 to Bt 181.692 per share, effective August 5, 1996. The Bank had announced the said warrant price adjustment in the 85th General Shareholders Meeting held on March 27, 1997.

## Factors Affecting Investment Decisions

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### Legal Disputes

With the exception of lawsuits which ordinarily occur in general commercial bank operations, TFB at present has no conflicts with business counterparts, no pending lawsuits or any litigation involving principals (excluding interest and expenses) exceeding 5 percent of the Total Shareholders' Equity as stated in the latest year-end balance sheet.

## Risk Factors

In 1998, the overall economic situation of Thailand continued in retreat, although the government pushed through several economic packages to stimulate the real sector. The impact of these daunting problems resulted in greater risks of defaulted debts for most commercial banks, which have, accordingly, become much more cautious about extending credit. These institutions must maintain sound capital to debt ratios, and non-performing loans must be held to manageable levels. Holding the line with such measures will be a big problem if capital is running low.

As one of the major engines of the national economic system, Thai Farmers Bank Public Company Limited has done its best to extend credit services to certain manufacturing sectors considered beneficial for the whole economy. Potential borrowers should meet the primary requirements for approval of the bank itself. For instance, they should not commit to NPL with any financial institution. They should also have a credit-worthy track record, with promising trends and demonstrated ability to repay any loan contracted. The Bank has concrete guidelines for monitoring troubled or unstable debts with internal systems to handle corporate debt restructuring. A so-called risk management unit is charged with efficiently monitoring and supervising risky debt situations.

In order to strengthen bank capital in the midst of the recession, the Bank issued common stocks last April, selling them to foreign investors, and earning over Bt 33,088 million. At year's end, the company planned a public offering of preferred shares-subordinated debentures, worth Bt 40 billion, to interested investors. These included Bt 20 billion in preferred shares-cum-subordinated debentures, and Bt 20 billion in subordinated debentures, aimed at strengthening the capital to debt ratio of the company itself.

## TFB Preparation for Y2K Problems

### 1. Adjustments

The Bank is focusing primarily on adjusting its computer system for the turning of the year 2000. Therefore, in 1997, a committee began the process of adjusting the computer system to cope with Y2K problems. The committee had a supervisory role, monitoring these operations with the assistance of the consultants commissioned to complete this project.

### 2. Operational Procedures and Implementation Plans for Computer Adjustment

The Bank has four main processes and implementation plans for adjusting the company's computer system, as follows:

Processes	Duration	Start	End
Assessment and summary of all computer systems which require adjustment	11 months	June 1997	April 1998
Project management, control and implementation of standards for the adjusted system	24 months	January 1998	December 1999
Problem analysis and planned response	4 months	May 1998	August 1999
Adjustment, testing, and re-installation	11 months	May 1998	March 1999

### 3. Estimated Cost

The total cost for the computer adjustment is estimated at Bt 250 million.

#### **4. Effect Assessment and Analysis**

The Bank assesses its computer system and equipment, which can be categorized into five groups, namely:

1. Computers and other information technology equipment
2. Software for computers and other information technology
3. Information systems
4. Facilities systems
5. Preparations of other business allies

#### **5. Contingency Planning**

Despite there sound preparations, the Bank has articulated a contingency plan, providing, in advance, an alternative computer system, should the existing one fail to work efficiently in the year 2000. This will ensure the capability of the Bank in continuing to deliver prompt, accurate service to customers after the year 2000.

#### **6. Progress of Computer Adjustments for the Year 2000 can be summarized, as follows:**

Approximately 85 percent of the adjustment project of the Bank computer system in the face of threatened Y2K problems have been completed. The newly adjusted systems have been already installed in high-priority sectors, including current deposits, saving deposits, fixed account deposits, loans, draft on-line systems, so-called swift systems and accounting.

### **Management's Analysis**

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The 1998 economic situation in Thailand showed a continuing recession throughout the entire economy. Consumer spending fell, reflecting a general loss of purchasing power. Private investment ground to a halt, creating a liquidity crunch for many businesses. Revenues from exports in dollar terms also declined in the face of fierce pricing competition. A slowdown in the global economy reduced the demand for Thai goods. In the financial sector during the first quarter of 1998, the liquidity shortage became more severe. While capital continued to flow out, the government persevered with a strict monetary policy in order to maintain stability, bring the baht back under control and curb rising inflation. In the second quarter, problems with liquidity, inflation and capital outflow eased. With the relaxation of government commercial and financial policies, liquidity recovered while deposit and borrowing interest rates slipped down.

The severe economic contraction has substantially affected commercial banking operations, both in terms of deposit mobilization and loans. The increasing number of non-performing loans demanded higher reserves for doubtful debts. Thai Farmers Bank resolved to recapitalize. In March 1988, the Bank issued 376 million common shares worth Bt33,088 million (88 baht/share) to investors, especially aimed at foreign institutions. From December 22, 1998 to January 8, 1999, the Bank recapitalized further, issuing Bt40 billion in preferred shares and subordinated debentures. This second attempt was also a success as investors booked Bt42,960 million in investment units, exceeding the Bank's actual issue.

In terms of capital management, 82.3 percent of the total capital is in deposits, and amounted to Bt579,333 million at the end of 1998, a decline of 1.5 percent, relative to the previous year. Shareholder capital totaled Bt52,407 million, up 12.4 percent from last year and accounting for 2.1 percent of the total capital. Other capital, worth Bt57,780 million, decreased 56.7 percent from the previous year. Credit extension worth Bt490,672 million was also down by 15.7 percent from the previous year.

In terms of asset management, the economic slowdown has escalated both NPLs and the operational costs of the Bank. Interest expenditures climbed by 20.1 percent and non-interest expenditures by 35.5 percent. At the same time, operational revenues declined by 4.8 percent and doubtful debt reserves dropped by 119.5 percent. These developments affected the Bank's overall competitiveness. At the end of 1998, TFB reported net operational losses of Bt 39,883 million, similar to the situation of other banks also suffering in the present financial and economic crisis. Even so, the Bank has continued to focus on asset quality by strictly monitoring credit extension according to standards recommended by the Bank of Thailand.

The Bank has prioritized the Y2K problem. A survey and subsequent improvements in the computer system since 1996, followed by the establishment of an ad-hoc committee in 1997, enabled TFB to complete the necessary corrections, trials and installation of an adjusted customer-service computer system in 1998. The readjustments covered deposits, borrowing, ATM, payments and accounting, etc. The Bank has also set up internal adjustment procedures to ensure that the improved system and equipment will be properly maintained. When the year 2000 arrives, the Bank's computer system will be well prepared to serve customers in all branches throughout Thailand.

# Board of Directors

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## **Chairman**

Banyong Lamsam

## **Vice Chairman**

Pol. Gen. Pow Sarasin

## **Directors**

Chana Rungsang  
Banthoon Lamsam  
Kaorop Nuchanart  
Samran Kalayanaroj  
Pairote Lamsam  
Sukri Kaocharern  
M.R. Sarisdiguna Kitiyakara  
M.R. Yongswasdi Kridakon  
Chaleo Yoovidhya  
Somchai Bulsook  
Dr. Sumet Tantivejkul  
Tawee Butsunton  
Ms. Sujitpan Lamsam

## **Legal Adviser**

Samran Kalayanaroj

## **Adviser to the Board of Directors**

Pricha Lamsam

## **Secretary to the Board of Directors**

Ms. Tida Samalapa

## **Assistant Secretary to the Board of Directors**

Ms. Arasa Ampornpong

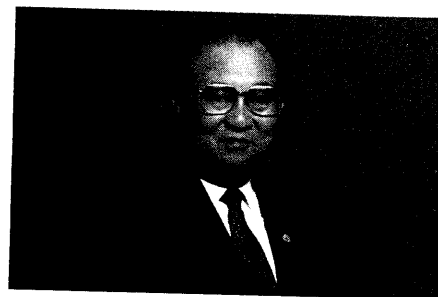
# Board of Directors

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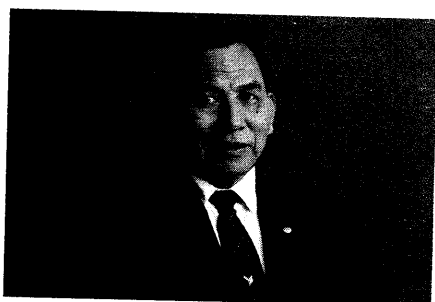
**Banyong Lamsam**  
Chairman

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**Pol. Gen. Pow Sarasin**  
Vice Chairman

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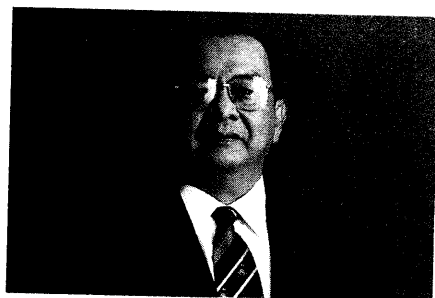
**Chana Rungsang**  
Vice Chairman of the Executive Board

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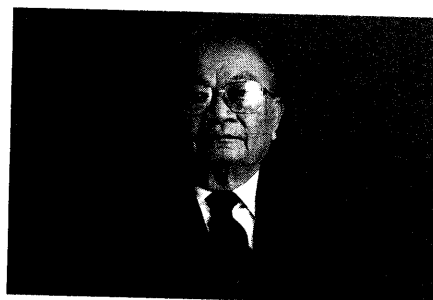
**Banthoon Lamsam**  
President

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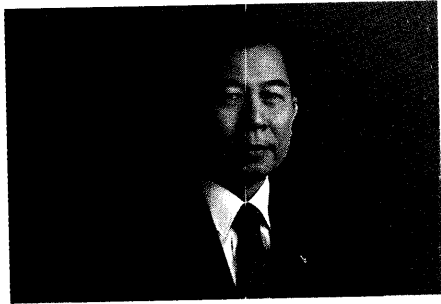
**Kaorop Nuchanart**  
Senior Executive Vice President

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**Samran Kalayanarooj**  
Director

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**Pairote Lamsam**

Director

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**Sukri Kaocharern**

Director

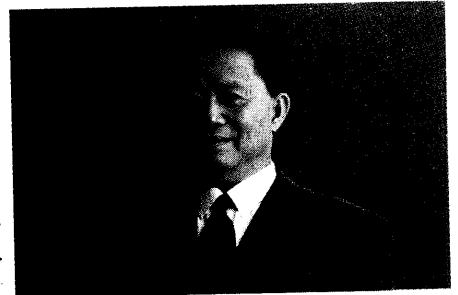
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**M.R. Sarisdiguna Kitiyakara**

Director

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**M.R. Yongswasdi Kridakon**

Director

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**Chaleo Yoovidhya**

Director

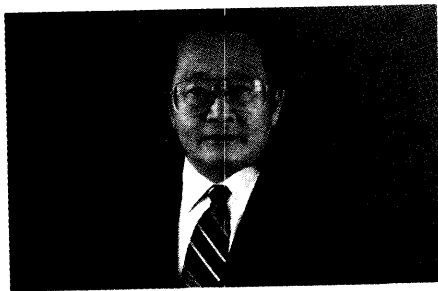
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**Somchai Bulsook**

Director

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**Dr. Sumet Tantivejkul**

Director

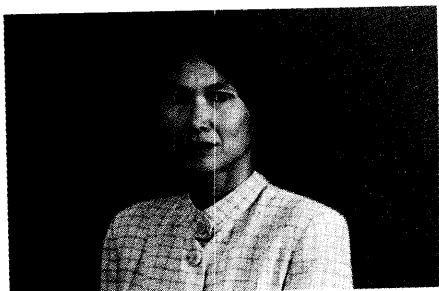
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**Tawee Butsunorn**

Director

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**Ms. Sujitpan Lamsam**

Director

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# Officers

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## **Chairman**

Banyong Lamsam

## **Vice Chairman**

Pol. Gen. Pow Sarasin

## **Vice Chairman of the Executive Board**

Chana Rungsang

## **President**

Banthoon Lamsam

## **Director and Legal Adviser**

Samran Kalayanarooj

## **Senior Executive Vice President**

Kaorop Nutchantart

## **Executive Vice President**

Poonpipat Aungurikul  
Sirivuthi Siamphakdee  
Prasat Lamsam  
Somboon Chinsawananon  
Ms. Tida Samalapa  
Apichai Bunyakiat  
Preecha Oonchitte

## **First Senior Vice President**

Virat Prasongthan  
Dharin Divari  
Ms. Buranee Arunpairojana  
Somkiat Sukdheva  
Dr. Piengchai Pookakupt  
Boontuck Wungcharoen  
Siripongs Kalayanarooj  
Sawad Jiarathanakul  
Tongchai Charoensit  
Pramoth Chaiamporn



**EXECUTIVE SERVICES DEPARTMENT**

Senior Vice President Ms. Arasa Ampornpong  
First Vice President Jaroen Gobsuk  
Som Pisarnsophon  
Ms. Daranee Tanchaiswasd

**LEGAL DEPARTMENT**

Senior Vice President Pornsak Sakpunpanom  
First Vice President Sittiporn Mahasawat

**TREASURY DEPARTMENT**

Senior Vice President Ms. Chantana Soi-Ampornkun  
First Vice President Amporn Pongtratitk  
Teeranun Srihong  
Vachara Tuntariyanon

**CASH AND PAYMENT DEPARTMENT**

First Vice President Narong Supradith

**MERCHANT BANKING DEPARTMENT**

First Vice President Tawit Thanachanan

**INTERNATIONAL BRANCH ADMINISTRATION AND  
GLOBAL FINANCIAL INSTITUTION DEPARTMENT**

First Vice President Ms. Jindatawin Theeranartsin  
Ms. Anong Titavunno  
Pipat Visuttiorn

**CREDIT AND COLLATERAL CONTROL DEPARTMENT**

First Vice President Krisada Lamsam  
Preedee Daochai  
Supoj Limsopatham  
Ms. Somvan Vathanavalun

**GENERAL ADMINISTRATION DEPARTMENT**

First Vice President Thamrong Nakornratanachai  
Sawai Kheawkao  
Prasart Limpakarn

**INTERNAL AUDIT DEPARTMENT**

Senior Vice President Ms. Sumontip Otrakul  
First Vice President Ms. Pranee Buranawatanachoke  
Amporn Liangthanasarn

**TELECOMMUNICATION DEPARTMENT**

First Vice President Klaharn Tuntipochsopha  
Surose Petechakich

**HUMAN RESOURCE MANAGEMENT DEPARTMENT**

Senior Vice President Ms. Aranee Sukhavanij  
Thanawat Duang-Udom

**CREDIT CARD DEPARTMENT**

First Vice President Ms. Chalida Sirampuj  
Vichai Pichaya  
Worawut Piyasachaboon

**SECURITIES SERVICE DEPARTMENT**

First Vice President Hansa Susayan

**MARKETING AND CREDIT MANAGEMENT  
DEPARTMENT**

First Vice President Ms. Patcharin Vongsiridej

**INVESTMENT MANAGEMENT DEPARTMENT**

First Vice President Somkiat Sirichatchai

**FOREIGN EXCHANGE AND REMITTANCE  
DEPARTMENT**

Senior Vice President Jirayon Sangkasuwan  
First Vice President Yudhana Sinswasd

**INFORMATION SYSTEM PROCESSING DEPARTMENT**

First Vice President Phongthawat Phuangkanok

**HUMAN RESOURCE AND ORGANIZATION  
DEVELOPMENT DEPARTMENT**

First Vice President Ms. Pranee Visitkitchakarn

**ASSETS IMPROVEMENT DEPARTMENT**

First Vice President      Surapong Bumroongsook  
   Vallop Trakulboon  
   Ms. Warunee Chumnansipet

**INTERNATIONAL TRADE DEPARTMENT**

Senior Vice President      Jirayon Sangkasuwan  
First Vice President      Ms. Amara Wamasuree  
   Vichai Dittasri  
   Sahaschai Siridhab  
   Ms. Yuphadi Saichua  
   Suwat Charoenvijitchai

**FINANCIAL PLANNING DEPARTMENT**

Senior Vice President      Ms. Chawiwat Varophas  
First Vice President      Sasawat Virapriya

**INFORMATION SYSTEM ENGINEERING DEPARTMENT**

First Vice President      Ms. Orn-anong Thonguthai

**RESEARCH AND PROCESS DEVELOPMENT DEPARTMENT**

First Vice President      Ampol Polohakul

**CONSUMER LOANS DEPARTMENT**

First Vice President      Dolapar Petpiroon

**COMMERCIAL AND CONSTRUCTION CREDIT DEPARTMENT**

First Vice President      Chatchai Payuhanaveechai  
   Ms. Nartsinee Sarnvanichpitak

**MANUFACTURING AND AGRO-INDUSTRY****CREDIT DEPARTMENT**

First Vice President      Ms. Oratai Nateeratanakamjay

**MANUFACTURING AND SERVICE-INDUSTRY****CREDIT DEPARTMENT**

First Vice President      Ms. Pannee Lertchanyakul

**OPERATION SUPPORTING DEPARTMENT**

First Vice President      Yuthchai Chusapakdee

**BRANCH BUSINESS AND ADMINISTRATION DEPARTMENT**

First Vice President      Sakchai Sombatsrisombun  
   Ms. Uraivan Khwanphulsri

**FINANCIAL ACCOUNTING MANAGEMENT DEPARTMENT**

Senior Vice President      M.L. Oratai Davakula  
   Ms. Pranee Tirasest

**FIXED ASSET MANAGEMENT DEPARTMENT**

Senior Vice President      Ms. Kanlaya Yaisawang

**COMPLIANCE DEPARTMENT**

First Vice President      Vasant Chariyatantiwate

# Region

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## **REGION 1**

**Senior Vice President**

Niwat Kruapat

## **REGION 2**

**First Vice President**

Jaruec Ratanawong

## **REGION 3**

**Senior Vice President**

Methee Pattarakornkul

## **REGION 4**

**First Vice President**

Boonyong Puapongsathorn

## **REGION 5**

**First Vice President**

Somchai Visitkitchakarn

## **REGION 6**

**Senior Vice President**

Sahathep Chotinuchit

## **REGION 7**

**First Vice President**

Supol Khunprasert

## **REGION 8**

**First Vice President**

Somchai Trilearklith

# 533 Domestic Branches

## 158 METROPOLITAN BRANCHES

Asok Sub-Branch	On Nut 39 Sub-Branch	Talat Bo-Be Sub-Branch
Ban Thad Thong	Phahon Yothin	Talat Phlu
Bang Bon	Phetkasem 51	Talat Pong Petch
Bang Chak	Phasi Charoen	Sub-Branch
Bang Kapi	Phat Phong	Talat Rungcharoen
Bang Khae	Pho Sam Ton	Sub-Branch
Bang Khen	Phra Khanong	Taopoon Sub-Branch
Bang Khun Non	Phran Nok	Tha Phra
Bang Khun Sri Sub-Branch	Pin Klao	Tha Rua Sathu Pradit
Bang Khun Thian	Pracha Niwet 1 Sub-Branch	Thai Airways International
Bang Krabu	Pratu Nam (Bai Yoke)	Sub-Branch
Bang Lamphu	Sub-Branch	Thanon Asok Din Daeng
Bang Mot	Pratu Nam Pathum Wan	Thanon Bang Na-Trat Km.4
Bang Pakok	Prawet	Thanon Chan
Bang Phlat	Ratburana Main Branch	Thanon Charoen Nakorn 36
Bang Pho	Ratchadamri	Sub-Branch
Bang Rak	Ratchawat Sub-Branch	Thanon Charoen Rat
Bang Son	Samre	Sub-Branch
Bang Su	Sanam Pao	Thanon Lan Luang
Bang Yikhan	Sampheng Sub-Branch	Thanon Lang Suan
Big C Ratburana	Sam Yaek Kaset	Thanon Lat Ya
Sub-Branch	Sub-Branch	Thanon Maha Chai
Bukkhalo	Sao Chingcha	Thanon Phadiphat
Chakkrawat	Saphan Khwai Sub-Branch	Thanon Phanit Chayakan
Charansanitwong 11	Saphan Krung Thon	Thonburi Sub-Branch
Chok Chai 4 Sub-Branch	Saphan Luang	Thanon Phattanakan
Chong Nonsi Sub-Branch	Saphan Mai Don Muang	Thanon Phetchaburi Tat Mai
Dao Khanong	Saphan Phut	Thanon Pracha Chun
Din Daeng Sub-Branch	Seacon Square	Thanon Pracha Uthit
Ekkamai	Siam Square	Thanon Rang Nam
Happyland Sub-Branch	Si Yaek Bang Na	Thanon Rama II
Hua Mak	Si Yaek Saphan Krung Thep	Thanon Rama II Km.11
Huay Kwang	Si Yaek Thanon	Sub-Branch
Khlong Chan	Chan-Liabkhlom	Thanon Rama III
Khlong San	Chong Nonsi Sub-Branch	Thanon Rama IX
Khlong Tan	Si Yaek Wang Hin	Thanon Rarm Intra
Khlong Toei	Siangkong	Thanon Rarm Intra Km.8
King Phet	Silom	Thanon Ramkham Haeng
Kluai Num Thai	Soi Charurat	Sub-Branch
Lat Krabang	Soi Chalaem Nimit (Pha Du 1)	Thanon Ratchada Phisek
Lat Phrao 10	Soi Thong Lo Sub-Branch	Huay Kwang
Lat Phrao 25	Soi Udomsuk Sub-Branch	Thanon Ratchada Phisek
Lat Phrao 67	Song Prapha-Don Muang	(Taksin-Thaphra)
Lat Phrao 99	Sub-Branch	Thanon Ratchada Phisek
Maha Phruttharam	Suan Chatuchak	(Sukhumvit-Rama IV)
Mahboonkrong Center	Suan Phlu	Thanon Sathon
Sub-Branch	Sukhaphiban 1 (Bang Bon)	Thanon Sathu Pradit
Min Buri	Sub-Branch	Thanon Si Ayutthaya
Na-Na Nua	Sukhumvit 39	
Nang Loeng	Sukhumvit 57	
On Nut	Surawong	
	Sutthisan	
	Suwinthawong Nong Chok	

Thanon Si Rinthon  
 Sub-Branch  
 Thanon Srinakharin Km.9  
 Sub-Branch  
 Thanon Sua Pa  
 Thanon Sukhaphiban 1  
 Bang Kapi  
 Thanon Sukhaphiban 2  
 Suan Siam  
 Thanon Sukhaphiban 3  
 Bung Kum  
 Thanon Suksawat  
 Thanon Sunthonkosa  
 (Loxley Building)  
 Sub-Branch  
 Thanon Witthayu  
 Thanon Wutthakat  
 Sub-Branch  
 The Mall Bang Khae  
 Sub-Branch  
 Thewet  
 Thiam Ruam Mit Sub-Branch  
 Thon Buri  
 Thungkhru Sub-Branch  
 Victory Monument Sub-Branch  
 Wang Burapha  
 Wong Wan Rob Nok  
 (Ekachai-Bang-Bon)  
 Wong Wian 22 Karakada  
 Worachak  
 Wat Sai  
 Yan Nawa  
 Yaowarat  
 Yotse

.....  
**375 UP-COUNTRY  
 BRANCHES**

**CENTRAL**

**18 Provinces 113 Branches**

**Ang Thong 3 branches**

Ang Thong  
 Pa Mok  
 Wiset Chai Chan

**Ayutthaya 7 branches**

Ayutthaya  
 Phak Hai  
 Pratu Nam Phra In  
 Sena  
 Talat Hua Ro Ayutthaya  
 Sub-Branch  
 Thanon Rojjana Ayutthaya  
 Wong Noi

**Chai Nat 4 branches**

Chai Nat  
 Hankha  
 Sankhaburi  
 Wat Sing

**Kanchanaburi 2 branches**

Kanchanaburi  
 Tha Rua

**Lopburi 6 branches**

Ban Mi  
 Khok Samrong  
 Lam Narai  
 Nong Muang  
 Thanon Surasongkhram  
 Lopburi  
 Wong Wian Sa Kaeo Lopburi

**Nakhon Pathom 7 branches**

Huay Plu  
 Nakhon Pathom  
 Ong Phra Pathom Chedi  
 Sub-Branch

Om Yai  
 Sam Phran  
 Thanon Phetkasem  
 Nakhon Chaisi Sub-Branch  
 Thanon Phetkasem  
 Nakhon Pathom

**Nakhon Nayok 3 branches**

Ban Na  
 Nakhon Nayok  
 Ongkharak

**Nonthaburi 12 branches**

Bang Kruai  
 Bang Yai  
 Nonthaburi  
 Pak Kret  
 Sam Yaek Nonthaburi  
 Talat Amphoe Bang Kruai  
 Sub-Branch  
 Talat Bang Yai Sub-Branch  
 Thanon Chaeng Watthana  
 Thanon Ngam Wong Wan  
 Thanon Ratanathibet  
 Thanon Samakee Sub-Branch  
 Thanon Tiwanon (Khaerai)

**Pathum Thani 11 branches**

AIT. Sub Branch  
 Khlong 2 Thanyaburi  
 Sub-Branch  
 Khlong 6 Thanyaburi  
 Khlong Luang  
 Lam Luk Ka Sub-Branch  
 Lat Lum Kaeo  
 Nava Nakorn  
 Phathum Thani  
 Rangsit  
 Ratanakosin-Rangsit  
 Sub-Branch  
 Talat Si Mum Muang-Rangsit

**Phetchaburi 4 branches**

Ban Laem  
 Cha-am  
 Phetchaburi  
 Tha Yang

**Ratchaburi 4 branches**

Ban Pong  
 Ratchaburi  
 Thanon Pracha Niyom  
 Ban Pong Sub-Branch  
 Thanon Sri Suriyawong  
 Ratchaburi Sub-Branch

**Prachuap Khiri Khan  
 6 branches**

Bang Saphan  
 Hua Hin  
 Prachuap Khiri Khan  
 Pran Buri  
 Sam Roi Yot  
 Thap Sakae

**Samut Prakan 19 branches**

Bang Bo  
 Bang Khru  
 Bang Phli  
 Bang Mek Khao  
 Khlong Dan  
 Phra Pradaeng  
 Phra Samut Chedi  
 Pu Chao Saming Phrai  
 Samrong (Pu Chao Center)  
 Samut Prakan  
 Sukhumvit 111 Sub-Branch  
 Talat Bang Bo  
 Talat Namdaeng Sub-Branch  
 Talat Phra Pradaeng  
 Talat Samut Prakan  
 Sub-Branch  
 Thanon Bang Na-Trad Km.18  
 Thanon Sri Nakharin Km.15  
 Sub Branch  
 Thanon Sri Nakharin Km.17  
 Thanon Thepharak

**Samut Sakhon 7 branches**

Ban Phaeo Lak Ha  
 Ban Phaeo Lak Sam  
 Om Noi Sub-Branch  
 Phutta Monthon Sai 4  
 Samut Sakhon  
 Talat Samut Sakhon  
 Sub-Branch  
 Thanon Setthakit I  
 Samut Sakhon

**Samut Songkhram 2 branches**

Amphawa  
 Samut Songkhram

**Saraburi 4 branches**

Nong Khae  
 Phra Phuttha Bat  
 Saraburi  
 Thanon Sutbanthad Saraburi

**Sing Buri 4 branches**

In Buri  
 Sing Buri  
 Talat Channasut Bang Rachan  
 Tha Chang

**Suphan Buri 8 branches**

Dan Chang  
 Doembang Nangbuat  
 Song Phi Nong  
 Suan Taeng  
 Suphan Buri  
 Talat Nangbuat  
 Thanon Malaiman Suphan Buri  
 U Thong

**NORTH****17 Provinces 85 Branches****Chiang Mai 23 branches**

Bo Sang  
 Chai Prakan  
 Chang Phuak Chiang Mai  
 Chom Thong  
 Fang  
 Night Bazaar Sub-Branch  
 Mae Chaem  
 Mae Rim  
 Sam Yaek San Sai Sub-Branch  
 San Pa Tong  
 Saraphi  
 Si Yaek Sanambin Chiang Mai  
 Talat Warorot Sub-Branch  
 Thanon Chang Klan Chiang Mai  
 Thanon Charoen Muang  
 Chiang Mai  
 Thanon Chiang Mai-MaeJo  
 Sub-Branch

Thanon Mahidol Chiang Mai  
 Sub-Branch  
 Thanon Moon Muang  
 Chiang Mai  
 Thanon Ratchawong  
 Chiang Mai  
 Thanon Si Don Chai  
 Chiang Mai  
 Thanon Super Highway  
 Chieng Mai Sub-Branch  
 Thanon Suthep Chiang Mai  
 Thanon Tha Phae Chiang Mai

**Chiang Rai 10 branches**

Chiang Khong  
 Chiang Rai  
 Ha Yaek Po Khun Mengrai  
 Sub-Branch  
 Huai Khrai Mae Chan  
 Sub-Branch  
 Mae Chan  
 Mae Kachan  
 Mae Sai  
 Pa Daet  
 Phaya Mengrai  
 Thanon Superhighway  
 Chiang Rai

**Kamphaeng Phet 4 branches**

Kamphaeng Phet  
 Khlong Lan Kamphaeng Phet  
 Khlong Khlung  
 Phran Kratai

**Lampang 2 branches**

Thanon Chatchai Lampang  
 Thanon Robwiang Lampang

**Lamphun 3 branches**

Lamphun  
 Li  
 Pa Sang

**Mae Hong Son 2 branches**

Mae Hong Son  
 Mae Sariang

**Nan 3 branches**

Chiang Klang  
 Nan  
 Pua

**Nakhonsawan 7 branches**

Lat Yao  
 Nong Bua  
 Takhli  
 Tha Tako  
 Thanon Kosi Nakhonsawan  
 Thanon Sai Asia  
 Nakhonsawan Sub-Branch  
 Thanon Sawanwithee  
 Nakhonsawan

**Phayao 4 branches**

Chiang Kham  
 Chun  
 Phayao  
 Si Yaek Maetam Phayao  
 Sub-Branch

**Phetchabun 5 branches**

Dong Khui  
 Lom Sak  
 Phetchabun  
 Sap Samo Thot  
 Talat Huay Phai

**Phichit 5 branches**

Bang Mun Nak  
 Phichit  
 Sak Lek  
 Taphan Hin  
 Thap Khlo

**Phitsanulok 3 branches**

Ha Yaek Khok Matum  
 Nong Tom  
 Phitsanulok

**Phrae 2 branches**

Den Chai  
 Phrae

**Sukhothai 5 branches**

Khiri Mat  
 Sawankalok  
 Si Samrong  
 Sukhothai  
 Talat Sukhothai Sub-Branch

**Tak 2 branches**

Mae Sot  
 Tak

**Uthai Thani 3 branches**

Lan Sak  
 Nong Chang  
 Uthai Thani

**Uttaradit 2 branches**

Laplae  
 Uttaradit

**SOUTH****14 Provinces 50 branches****Chumphon 4 branches**

Chumphon  
 Lang Suan Chumphon  
 Pak Nam Chumphon  
 Tha Sae

**Krabi 2 branches**

Krabi  
 Talat Kao Krabi Sub-Branch

**Nakhon Si Thammarat****6 branches**

Chandi  
Nakhon Si Thammarat  
Pak Phanang  
Talat Hua It  
Tha Sala  
Thung Song

**Narathiwat 4 branches**

Narathiwat  
Rue Soh  
Sungai Kolok  
Sungai Padi

**Pattani 2 branches**

Pa Lat  
Pattani

**Phangnga 4 branches**

Phangnga  
Takua Pa  
Talat Yan Yao  
Thai Muang

**Phatthalung 1 branch**

Phatthalung

**Phuket 3 branches**

Hat Patong  
Phuket  
Tilok Center Phuket

**Ranong 2 branch**

Ranong  
Thanon Saphan Pla Ranong  
Sub-Branch

**Satun 1 branch**

Satun

**Surat Thani 8 branches**

Ban Ta Khun  
Chai Buri  
Ko Samui  
Phunphin  
Si Yaek Sang Phet  
Surat Thani Sub-Branch  
Surat Thani  
Thanon Talat Mai Surat Thani  
Wiang Sa

**Songkhla 9 branches**

Hat Yai Nai  
Padang Besa  
Songkhla  
Thanon Nakhon Nai  
Songkhla Sub-Branch  
Thanon Phetkasem Hat Yai  
Thanon Saiburi Songkhla  
Thanon Si Phuwanat Hat Yai  
Thanon Supphasan Rangsang  
Hat Yai  
Thepha

**Trang 2 branches**

Kantang  
Trang

**Yala 2 branches**

Betong  
Yala

**EAST****7 Provinces 53 Branches****Chachoengsao 8 branches**

Bang Khla  
Bang Pakong  
Bang Wua Sub-Branch  
Bus Station Chachoengsao  
Sub-Branch  
Chachoengsao  
Phanom Sarakham  
Suwinthawong Chachoengsao  
Talat Khlong Suan

**Chantaburi 6 branches**

Khlong  
Si Yaek Khlong Sub-Branch  
Soi Dao  
Tha Mai  
Thanon Sri Rong Muang  
Chantaburi  
Thanon Triratana Chantaburi

**Chon Buri 22 branches**

Ban Bung  
Bang Lamung  
Bang Pakong Industrial Estate  
Bo Thong  
Chom Thian Pattaya  
Sub-Branch  
Ko Sichang  
Laem Chabang  
Na Klue  
Nong Mon Chon Buri  
Nong Pru  
Om Muang Chon Buri  
Sub-Branch  
Pattaya Klang  
Pattaya Tai  
Phanat Nikhom  
Saha Industrial Park  
Si Racha Sub-Branch  
Sattahip  
Si Racha  
Talat Ko Pho  
Thanon Sukhumvit  
Chon Buri 1  
Thanon Sukhumvit  
Chon Buri 2

Thanon Sukhumvit Chon  
Buri 3 (Siyaek Chalermthai)  
Thanon Wachira Prakan  
Chon Buri

**Prachin Buri 3 branches**

Kabin Buri  
Prachin Buri  
Simahosot

**Rayong 6 branches**

Ban Chang  
Ban Phe  
Klaeng  
Mabtapud  
Rayong  
Thanon Chantaudom Rayong

**Sa kaeo 4 branches**

Aranyaprathet  
Khlong Hat  
Sa Kaeo  
Wang Nam Yen

**Trat 4 branches**

Khlong Yai  
Laem Ngop  
Talat Tedsaban Trat  
Sub-Branch  
Trat

**NORTHEAST****19 Provinces 74 Branches****Amnat Charoen 1 branch**

Amnat Charoen

**Buri Ram 4 branches**

Buri Ram  
Nang Rong  
Prakhon Chai  
Satuk

**Chaiyaphum 4 branches**

Chaiyaphum  
Kaeng Khro  
Phu Khieo  
Thep Sathit

**Kalasin 2 branches**

Kalasin  
Talat Mai Kalasin Sub-Branch

**Khon Kaen 9 branches**

Ban Phai  
Chum Phae  
Kranuan  
Muang Phon  
Nong Song Hong Khon Kaen  
Thanon Na Muang Khon Kaen  
Thanon Mittraphap Khon Kaen  
Thanon Pracha Samoson  
Khon Kaen  
Thanon Srichan Khon Kaen  
Sub-Branch

**Loei 3 branches**

Chiang Khan  
Loei  
Wang Saphung

**Maha Sarakham 2 branches**

Maha Sarakham  
Wapi Pathum

**Mukdahan 2 branches**

Mukdahan  
Talat Mukdahan Sub-Branch

**Nakhon Phanom 3 branches**

Nakhon Phanom  
Si Songkhram  
Tha Uthen

**Nakhon Ratchasima****12 branches**

Dan Khun Thot Sub-Branch  
Hua Tha Le  
Nakhon Ratchasima  
Khon Buri  
Pak Chong  
Pak Thong Chai  
Phimai  
Sam Yaek Pak Thong Chai  
Nakhon Ratchasima  
Soeng Sang  
Thanon Chomphon  
Nakhon Ratchasima  
Thanon Chomsurangyart  
Nakhon Ratchasima  
Sub-Branch  
Thanon Mittraphap  
Nakhon Ratchasima  
Wang Nam Khieo

**Nong Khai 5 branches**

Bung Kan  
Nong Khai  
Pak Khat  
Si Chiang Mai Nong Khai  
Sub-Branch  
Tha Bo

**Roi Et 2 branches**

Roi Et  
Thanon Thevaphiban Roi Et

**Sakon Nakhon 3 branches**

Phang Khon  
Sakon Nakhon  
Sawang Daen Din

**Si Sa Ket 4 branches**

Kantharalak  
Si Sa Ket  
Uthumphon Phisai  
Wong Wian Mae Si  
Si Sa Ket Sub-Branch

**Nong Bua Lamphu 2 branches**

Nong Bua Lamphu  
Si Bun Ruang

**Surin 3 branches**

Samrong Thap  
Sangkha  
Surin

**Ubon Ratchathani 5 branches**

Det Udom  
Phibun Mangsahan  
Thanon Chayangkun  
Ubon Ratchathani  
Thanon Phrom Thep  
Ubon Ratchathani  
Warin Chamrap

**Udon Thani 7 branches**

Ban Dung  
Kumphawapi  
Nam Som  
Talat Ban Huay Udon Thani  
Sub-Branch  
Thanon Prajak Udon Thani  
Udon Thani  
Wang Sam Mo

**Yasothon 1 branch**

Yasothon



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***Thai Farmers Bank***  
*Public Company Limited*

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## SUMMARY OF SPECIFIED ITEMS FOLLOWING FORM 56-2 IN 1998 ANNUAL REPORT

(Presented in accordance with the SEC notification Ref. Kor. Jor. 40/2540 Re : Principles, conditions and methods of presentation of financial data and operation results of a company which issues securities)

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