

Annual Report  
2001

Annual Report 2001 | The Industrial Finance Corporation of Thailand



The Industrial Finance Corporation of Thailand



THAILAND

and the Role of Regional Investment Hub



In order to promote the country's economic and industrial development, the government established the Industrial Finance Corporation of Thailand (IFCT) on November 27, 1959 under the Industrial Finance Corporation of Thailand Act B.E. 2502. IFCT's activities are to assist in the establishment, expansion, and modernization of industrial enterprises in the private sector; and to encourage and bring about the participation of private capital, both internally and externally in such private industrial enterprises, including mobilizing and pooling funds and assisting in the development of capital market.

To fulfil the objectives in industrial development, IFCT has provided various types of financial services consisting of long-term and medium-term loans, working capital loans, equity participation, arrangement for loan syndication, and loan guarantees. IFCT has also offered financial and investment advisory services and other services on joint venture partners identification, investment banking, and foreign currency transactions.

Apart from being a source of funds for the industrial sector, IFCT plays a major role in the development of domestic capital market which is another important source of fund mobilization for industrialists. We always study and find opportunities to introduce new financial instruments for fund mobilization.

The above-mentioned activities are only a part of what we have done to fulfil our goal and vision to become a **Top development finance institution of the Asian Region.**



# Thailand

## AND THE ROLE OF REGIONAL INVESTMENT HUB



Under the new environment, Thailand has to work harder to rebuild the country under the principle that the internal environment in all spheres must be improved to the international standard, ranging from education, monetary and fiscal, politics and administration, to business activities in both public and private sectors, and public life and property safety. The now adopted stringent macro-economic policy to maintain the national stability must prevail concurrently with drastic fundamental changes through reforms in government bureaucratic circles to the public and private sectors that have been outdated or lacked transparency, hinging on the patronage system rather than quality management system, and amendment to rules and regulations so as to upgrade Thailand's practices towards global investors in the purview of **good governance of international standard.** This will be a key determinant of Thailand's potential for drawing foreign investments both at present and in the future.

# Contents

Highlights of Financial Performance	3
Board of Directors	4
Board of Directors Statement	8
Report of the Audit Committee	10
Top Management	11
Senior Management	13
Regional and Provincial Office Managers	14
Thailand and the Role of Regional Investment Hub	15
Thai Economy in 2001 and Outlook for 2002	20
Nature of Business Operation	22
Organization Chart	26
Shareholding Structure and Management	27
Risk Factors	32
Analysis of Financial Position and Operational Performance	33
Other Relevant Persons	39
Related Transactions	39
Companies with IFCT's Shareholding of 10% or More	40
Auditors Report	41
Financial Statements	42

# Highlights of Financial Performance

(Bt. Billion)

Consolidated Financial Statements	1999*	2000	2001
Loans and Receivables (Net)	132.439	144.726	152.824
Total Income	10.270	9.863	9.311
Total Expenses	18.200	11.534	9.910
Minority Interest	-	0.022	0.134
Net Income (loss)	(7.930)	(1.649)	(0.465)
Paid - up Capital	11.616	11.616	11.616
Retained Earnings (Deficit)	(6.919)	(8.538)	(8.975)
Total Assets	171.804	179.768	192.818
Total Liabilities	160.220	170.896	185.418
Shareholders Equity	11.585	8.872	7.401
Book Value per Share (Bt.)	10.0	7.6	6.4
Net Income (loss) : Total Income (%)	(77.2)	(16.7)	(5.0)
Return on Average Total Assets (%)	(4.4)	(0.9)	(0.2)
Return on Average Shareholders Equity (%)	(72.0)	(16.1)	(5.7)
Capital Adequacy Ratio (BIS) (%)	10.8	9.8	9.0

\* Unconsolidated financial statements

## Board of Directors



**Mr. Aran Thammano**

**Chairman of the Board and the Executive Committee**

Education : Ph.D. in Economics, University of Oregon, U.S.A.

Relevant Training Experience

: Chairman 2000, Thai Institute of Directors

Working Experience

1995 - present : Chairman, IFCT



**Mr. Banyong Lamsam**

**Director and Chairman of the Audit Committee**

Education : Bachelor's Degree in Business Administration (Banking and Finance)  
University of New Mexico, U.S.A.

Relevant Training Experience

: Institute of Bankers, England

: The Advanced Management Program, Harvard Business School, U.S.A.

Working Experience

1992 - present : Chairman, Thai Farmers Bank Plc.



**Mr. Chumpol NaLamlieng**

**Director and Audit Committee Member**

Education : Master's Degree in Business Administration, Harvard University, U.S.A.

Relevant Training Experience

: International Senior Management Program, Harvard University, U.S.A.

Working Experience

1992 - present : President, Siam Cement Plc.

1998 - 1999 : Chairman of the Executive Committee, Siam Commercial Bank Plc.



**Mr. Pongsathorn Siriyodhin**  
Director and Audit Committee Member (Beginning April 27, 2001)

Education : Ph.D in Economics, Cincinnati University, U.S.A.

Working Experience

1997 - present : Senior Executive Vice President, Krung Thai Bank Plc.



**Mr. Sirin Nimmanahaeminda**  
Director and Audit Committee Member (Up to April 19, 2001)

**Mr. Aswin Kongsiri**  
Director and Executive Director

Education : Bachelor's Degree (Hons.) in Philosophy, Politics and Economics,  
Oxford University, England

Relevant Training Experience

: Chairman 2000 and Directors Certification Program,  
Thai Institute of Directors and Australian Institute of Company Directors

Working Experience

1999 - present : Director and Executive Director, Siam Commercial Bank Plc.

1998 - 1999 : Chairman, Bangkok Commercial Asset Management Co., Ltd.

1997 - 1998 : Executive Chairman, Bangkok Bank of Commerce Plc.

1990 - 1998 : President, IFCT



**Mr. Verachai Tantikul**  
Director and Executive Director

Education : Master's Degree in Law (LL.M.), University of California at Berkeley, U.S.A.

Relevant Training Experience

: The Guidance for State-Enterprise on the Good Governance  
: The Guidance for Directors on the Good Corporate Governance

Working Experience

Present : Director-General, Excise Department

2000 - 2001 : Deputy Permanent Secretary, Ministry of Finance

1998 - 2000 : Inspector-General, Ministry of Finance

1992 - 1998 : Deputy Director-General, Revenue Department





**Mr. Charnchai Musignisarkorn**  
**Director and Executive Director**

Education : Ph.D. in Agricultural Economics, Kyoto University, Japan

Relevant Training Experience

: Civil Service Executive Development Program

Working Experience

2000 - present : Director General, Government Savings Bank

2000 : Inspector-General, Ministry of Finance

1999 - 2000 : Counsellor-General (Finance), Ministry of Finance

1997 - 1999 : Deputy-Director General, Fiscal Policy Office



**Mr. Rolf Eberhard von Bueren**  
**Director**

Education : High School in Bischoeflisched Konvidt Bensheim Bergstr, Germany

Working Experience

1969 - present : Managing Director, J.V. Control Limited

1995 - present : Director, Haldyn Glass Gujarat Plc., India



**Mr. Yoshihiro Yoshimura**  
**Director**

Education : Master's Degree in Business Administration (Finance), University of Chicago, U.S.A.

Working Experience

2001 - present : Director and General Manager, Sumitomo Mitsui Banking Corporation  
(Bangkok Branch)

2000 - 2001 : General Manager, Sakura Bank, Ltd. (Bangkok Branch)

1999 - 2000 : General Manager, Sakura Bank, Ltd. (Shibuya Branch)

1998 - 1999 : General Manager of International Banking Division, Sakura Bank, Ltd. (Japan)

1996 - 1998 : General Manager of Americas Credit Supervision Department, Sakura Bank, Ltd.  
(New York Branch)



**Mr. Anothai Techamontrikul**  
**President and Executive Director**

Education : Bachelor's Degree in Accounting, Chulalongkorn University

: Diploma in Advanced Vocational Training, Germany

Relevant Training Experience

: Project Implementation and Supervision, Asian Development Bank

: Program on Investment Appraisal and Management,  
Harvard Business School, U.S.A.

Working Experience

1998 - present : President

1990 - 1997 : Senior Executive Vice President, IFCT



**Mr. Bandid Nijthaworn**

**Adviser to the Board of Directors** (Beginning February 19, 2002)

- Education : Ph.D. in Economics, La trobe University, Australia
- Working Experience
- Present : Assistant Governor, Monetary Policy Group, Bank of Thailand
- 2000 - 2002 : Assistant Governor, Information and Public relation Group, bank of Thailand
- 1998 - 2000 : Senior Director, Northern Region Office, Bank of Thailand



**Mr. Thirachai Phuvanatananubula**

**Adviser to the Board of Directors** (Up to February 14, 2002)



**Mr. Manu Leopairote**

**Adviser to the Board of Directors**

- Education : Master's Degree in Economics, University of Kentucky, U.S.A.
- Working Experience
- 1999 - present : Permanent Secretary, Ministry of Industry
- 1994 - 1999 : Director-General, Department of Industrial Promotion, Ministry of Industry



**Mr. Narongchai Akrasanee**

**Adviser to the Board of Directors** (Beginning February 21, 2002)

- Education : Ph.D. in Economics, Johns Hopkins University, U.S.A.
- Working Experience
- Present : Adviser to the Deputy Prime Minister on Economics
- 1996 - 2000 : Senator



## Board of Directors Statement

Dear Shareholders,

2001 marked another year in which the Thai economy did not fully recover due to the impacts from the US economic slowdown which has affected the whole region. The Thai economic growth rate slumped to about 1.5%, leading all manufacturing sectors, including financial institutions, to still be unable to return to normal.

IFCT has, likewise, been affected by the economic crisis. However, the Board of Directors, executives and employees have a strong commitment to make a concerted effort, through the dedication of their knowledge and skills, to strengthen and enable the organization to ride out the current hardship with better operational performance. Last year, IFCT earned a net loss recorded by the equity method of Bt. 465 million, compared with the loss of Bt. 1.649 billion in 2000. Total revenues amounted to Bt. 9.382 billion. Total expenses stood at Bt. 9.847 billion, with operating expenses of Bt. 687 million which was considered to be very low compared with the total number of 1,011 staff as of year-end 2001. The net interest income remained in deficit, at 0.3% which, however, improved from last year's figures of -1.2%. This is due to the attempt to reduce our financial cost as much as possible via early redemption of debentures, prepayment of high-cost loans and expansion of funding base through promissory note issuance. IFCT's total assets as of December 31, 2001 amounted to Bt. 192.542 billion, an increase of 7.4% from December 31, 2000, while credit growth was recorded at 5.5%.

Over the past year, IFCT adopted a proactive marketing strategy, emphasizing on creating close relationship with clients and providing financial support to industries in line with the government's policy. In 2001, IFCT was very successful in approving new loans to 1,559 industrial projects amounting to Bt. 37.138 billion which was 24% above the target. Of these projects, 1,420 were small and medium-scale projects with a total loan amount of Bt. 15.040 billion, exceeding the Bt. 15 billion target. The industry receiving the largest amount of credits was the food & beverage sector which accounted for 16% of the portfolio, followed by the power energy, gas, steam & water sector, 14%, and the chemicals & chemical product industry, 11%.

Credit approvals were made based not only on the projects viability but also on their economic and social contributions. The projects approved by IFCT in 2001 generated employment for 16,846 persons. As a whole, all the existing projects supported by IFCT contributed to job creation for 151,347 persons. In addition to the employment, IFCT also gives importance to export-oriented projects as they can contribute to foreign exchange earnings. Of the outstanding loans as of December 2001, about 34% were extended to export-oriented projects.

As regards non-performing loans (NPLs), despite our continuous and full efforts to tackle this problem either through debt restructuring, provision of advice to the troubled projects, expedition of legal proceeding and execution processes, our NPLs dropped only slightly from 18% last year to 16% at year-end 2001, caused by the fact that the economy did not recover as expected.

In 2001, IFCT also attached importance to liquidity management. The increased funding from promissory note issuance in a bid to lower our financial cost prompted us to apply a new method of liquidity management. By this new approach, we identified the market liquidity based on the external factors including economic, financial and fiscal conditions and interest rate trend, and the internal factors which were the projected cash flows. This allowed us to be well prepared to make an adequate liquidity reserve to cushion any potential fluctuations.

Additionally, IFCT took steps in the work process improvement and employee potential development by putting in place the career path management system and the continuous IT development system.

Our operation still corresponds fully to the government's policy. Apart from the industrial projects in general, we also provide financial assistance to clients and entrepreneurs who are impacted by the terrorist attacks on the US but are engaged in promising industries so that they could carry on their business. We have participated in many government-initiated programs such as the mutual assistance agreement with the Small Industry Finance Corporation in the sharing of information, training courses and transfer of clients to the other party. We also made equity investment in various funds under the government's policy such as the Matching Fund, etc.

For 2002, IFCT has set up the business strategies as follows:

- Marketing: Stepping up the role as industrial leader by cooperating with government sector and other agencies in creating business opportunities, doing transactions to create new markets, continuously developing new products and services and doing public relations to enhance the organization's image
- Funding: Focussing on domestic fund mobilization by increasing the issuance of promissory notes, apart from the debenture issuance and procurement of concessional loans from the government sector
- Asset management: Continuously generating income from the existing assets by combating the NPL problem and improving the efficiency in disposal of properties acquired from debt enforcement
- Risk management: Improving and adopting new risk management methods relating to market risk and operational risk in addition to the existing management of credit risk and liquidity risk as well as streamlining the database system and introducing modern instruments for risk assessment

On this occasion, the Board of Directors would like to extend its gratitude to Khun Sirin Nimmanahaeminda, the former director and Khun Thirachai Phuvanat naranubala, the former adviser to the Board, for their dedication and valuable opinions which he had given throughout their terms of office. The Board also takes this opportunity to introduce and welcome our new director, Khun Pongsathorn Siriyodhin, Senior Executive Vice President of Krung Thai Bank Plc. and two new advisers to the Board, Khun Bandid Nijthaworn, Assistant governor, Monetary Policy group, Bank of Thailand and Khun Narongchai Akrasanee, Adviser to the Deputy Prime Minister on Economics.

Lastly, the Board would like to thank the shareholders, clients and patrons for their continued supports and all IFCT staff members for their concerted efforts in overcoming all obstacles and enabling our organization to move steadily ahead and be well-prepared to be a leader in industrial development with a key target at the national prosperity as well as the benefits of our supporters.

## Report of the Audit Committee


The three-member Audit Committee has the following scope of duties and responsibilities: to review and ensure the accuracy and adequacy of IFCT's financial reports; to ensure IFCT has an appropriate and effective internal control; to ensure IFCT complies with laws and requirements stipulated by the concerned authorities; to consider, select, and nominate IFCT's auditor and recommend the auditor fee; and to consider and ensure the accuracy and completeness of IFCT's disclosure of information regarding connected transactions or any transactions which may cause conflict of interest.

In 2001, the Audit Committee held four quarterly meetings. The objectives of the meetings were to approve auditing targets, plans, and scope; to acknowledge audit result reports; to consider and decide on specific auditing plans; to give advice to the Internal Audit Department; and to coordinate with IFCT Management in ensuring the efficiency and effectiveness of the internal control system.

Additionally, the Audit Committee considered the financial statements as well as discussed and exchanged viewpoints with the Auditor regarding the financial statements and adequacy of the internal control system. The Committee also considered the Auditor's comments and assigned the Internal Audit Department to follow up the outcomes of IFCT's operational improvement. It recommended the nomination of auditor to the Board of Directors for further proposal to the shareholders meeting.

IFCT placed a great emphasis on the operation under a good and proper internal control system, and compliance with rules and regulations. During the past year, the Audit Committee instructed the Internal Audit Department to audit and follow up the remedy of non-performing loans. It also provided useful comments and advice to IFCT Management.

In this regard, the Audit Committee has an unlimited access to information and can fully and straightforwardly make any particular discussions with the Management, the internal auditors, and the external Auditor.



(Mr. Banyong Lamsam)

Chairman of the Audit Committee

February 25, 2002

## Top Management



**Mr. Anothai Techamontrikul**  
President

Education : Bachelor's Degree in Accounting, Chulalongkorn University  
: Diploma in Advanced Vocational Training, Germany

Working Experience  
1998 - present : President  
1990 - 1997 : Senior Executive Vice President



**Mr. Sirichai Sakornratanakul**  
Senior Executive Vice President

Education : Diploma Volkswirt (Master's Degree in Economics), University of Saarland,  
Germany

Working Experience  
1994 - present : Senior Executive Vice President  
1999 - 2001 : Seconded to Bangchak Petroleum Plc. as President



**Mr. Visit Vongruamlarp**  
Senior Executive Vice President

Education : Bachelor's Degree in Accounting, Thammasat University

Working Experience  
2001 - present : Senior Executive Vice President  
1994 - 2001 : Executive Vice President



**Mr. Kavee Tovijit**  
Executive Vice President

Education : Bachelor's Degree in Mechanical Engineering, Chulalongkorn University  
: Certificate of Higher Vocational Diploma in Industrial Engineering, Germany

Working Experience  
1990 - present : Executive Vice President  
1993 - 1998 : Appointed President of First City Investment Plc.



**Mrs. Suthira Ngandee**  
Executive Vice President

Education : Bachelor's Degree in Economics, Chulalongkorn University

Working Experience  
1993 - present : Executive Vice President



**Mr. Vim Tayaputch**  
Executive Vice President

Education : Master's Degree in Biological and Agricultural Engineering,  
North Carolina State University, U.S.A.

Working Experience  
1995 - present : Executive Vice President



**Mrs. Yada Prapinmongkolkarn**  
Executive Vice President

Education : Master's Degree in Commerce (Capital Market), Hitotsubashi University, Japan

Working Experience  
1995 - present : Executive Vice President



**Mrs. Pensri Thaiprasithiporn**  
Executive Vice President

Education : Master's Degree in Economics, Roosevelt University, U.S.A.

Working Experience  
1995 - present : Executive Vice President



**Mr. Kraithip Krairiksh**  
Executive Vice President

Education : Master's Degree in Development Economics, Northeastern University, U.S.A.

Working Experience  
1995 - present : Executive Vice President  
1999 : Appointed Adviser of the Bangkok Bank of Commerce Plc. and  
Advisory Board Member of the Bangkok Commerce Asset Management Co., Ltd.  
1997 - 1999 : Appointed Senior Executive Vice President of the Bangkok Bank of Commerce Plc.



**Mr. Thiva Inthaseni**  
Executive Vice President

Education : Master's Degree in Comparative Law, Southern Methodist University, U.S.A.

Working Experience  
1996 - present : Executive Vice President



**Mr. Teera Ashakul**  
Economic Adviser

Education : Ph.D. in Economics, University of Colorado (Boulder), U.S.A.

Working Experience  
2000 - present : Economic Adviser  
1991 - 2000 : Senior Vice President, Research Department

## Senior Management

	Name	Position
1.	Mr. Wuttichai Suraratchai	Senior Vice President, Corporate Finance Department 1
2.	Mrs. Amornrat Leevarapakul	Senior Vice President, Corporate Finance Department 2
3.	Mr. Vorayuth Charoenloet	Senior Vice President, Corporate Finance Department 3
4.	Mr. Prasert Patradhilok	Senior Vice President, Investment Banking Department
5.	Mr. Boonlert Nithi-Uthai	Senior Vice President, Portfolio Management Department
6.	Mrs. Vallapa Posyanond	Senior Vice President, Project Finance Department 1
7.	Mrs. Prangtong Sighabhand	Senior Vice President, Project Finance Department 2
8.	Mrs. Jaree Wuthisanti	Senior Vice President, Project Finance Department 3
9.	Mr. Surachai Chotiwoongsuroj	Senior Vice President, Project Finance Department 4
10.	Mr. Sornchai Pongsuwan	Senior Vice President, Special Projects Department
11.	Mr. Anat Prapasawas	Vice President, Environment and Energy Development Center
12.	Mrs. Wanida Tananate	Senior Vice President, Small And Medium Project Finance Department 1
13.	Mr. Kitti Kukpol	Senior Vice President, Small And Medium Project Finance Department 2
14.	Mr. Suvit Vithayasai	Senior Vice President, Small And Medium Project Finance Department 3
15.	Mr. Pichai Chirungsapprasuk	Senior Vice President, Small And Medium Project Finance Department 4
16.	Mrs. Patara Vasantasingh	Senior Vice President, Business Promotion Department
17.	Mr. Triwut Piyajariyakul	Vice President, Small and Medium Enterprise Development Center
18.	Mr. Visut Sattabudsutthi	Senior Vice President, Policy And Planning Department
19.	Mrs. Ladda Siriwattanakosol	Senior Vice President, Credit Policy Department
20.	Mrs. Tanya Rukvanichpong	Senior Vice President, Credit Approval Unit
21.	Mr. Jaroonsak Hengtragul	Senior Vice President, Credit Approval Unit
22.	Mrs. Thanita Vongruamlarp	Senior Vice President, Credit Approval Unit
23.	Mrs. Narumol Noi-am	Senior Vice President, Finance Department
24.	Mrs. Nutta Ratanachaichan	Senior Vice President, Treasury Department
25.	Mrs. Pimonpan Chaiswataree	Senior Vice President, Financial Operation Department
26.	Mrs. Chutima Natathanapat	Senior Vice President, Accounting Department
27.	Mrs. Thanomsri Suvanaratana	Senior Vice President, Human Resource Department
28.	Miss Abhiradee Sukhajoti	Senior Vice President, Human Resource Development and Organization Department
29.	Mr. Supat Natathanapat	Senior Vice President, Administrative Services Department
30.	Miss Achara Sirikhandha	Senior Vice President, Secretariat Department
31.	Dr. Poonpol Ngearndee	Senior Vice President, Legal Department
32.	Mr. Sirichai Phiom	Senior Vice President, Asset Management and Collateral Department
33.	Miss Poonsin Anantakul	Senior Vice President, Information Technology Department
34.	Mr. Sethasak Srisuchai	Senior Vice President, Internal Audit Department
35.	Mrs. Duangchai Mittakarin	Senior Vice President

## Regional and Provincial Office Managers

As of December 31, 2001

### Central Region

Mr. Piyoros Jitt-o-pas	Provincial Manager - Ratchaburi
Mr. Thana Thavornchaichoke	Provincial Manager - Prachin Buri
Mr. Pattanapong Wongwan	Provincial Manager - Saraburi
Mrs. Somjai Wanawilai	Provincial Manager - Phra Nakhon Sri Ayutthaya
Mr. Ampan Maliwan	Acting Provincial Manager - Prachuap Khiri Khan
Mr. Thongchai Kidtiengthum	Provincial Manager - Samut Sakhon

### Eastern Region

Mr. Jesadha Jomjakra	Regional Manager, Eastern Regional Office - Rayong
Mrs. Chinda Jitjeojun	Provincial Manager - Chanthaburi
Mr. Somtorn Chunhawisit	Provincial Manager - Chon Buri

### Northern Region

Mr. Songvut Vejaanuruk	Senior Regional Manager, Northern Regional Office - Chiang Mai
Mr. Nuthapon Pussateva	Senior Provincial Manager - Chiang Rai
Mr. Wongskorn Pitupan	Senior Regional Manager, Northern Regional Office - Lampang
Mr. Lersak Chivarak	Provincial Manager - Tak
Mr. Nirut Chairongmaneedamrong	Senior Provincial Manager - Phrae
Mr. Samart Yuttawong	Regional Manager, Northern Regional Office - Phitsanulok
Miss Lumpaey Homsa-ard	Senior Provincial Manager - Nakhon Sawan
Mr. Viraphong Rungsriwattana	Senior Provincial Manager - Petchabun

### Northeastern Region

Mr. Adisak Chongsirikul	Senior Regional Manager, Northeastern Regional Office - Khon Kaen
Mr. Apisit Kanganakul	Senior Provincial Manager - Roi Et
Mr. Pairoj Kumjonmenukul	Senior Provincial Manager - Udon Thani
Mr. Phadet Moonla	Senior Regional Manager, Northeastern Regional Office - Ubon Ratchathani
Mr. Somyod Suesirisawasd	Provincial Manager - Sakon Nakhon
Mr. Apichat Srisawat	Senior Provincial Manager - Mukdahan
Mr. Preecha Phannikul	Senior Regional Manager, Northeastern Regional Office - Nakhon Ratchasima
Mr. Narathip Charoensawat	Provincial Manager - Chaiyaphum
Mr. Worapon Wekinwatanased	Senior Provincial Manager - Surin

### Southern Region

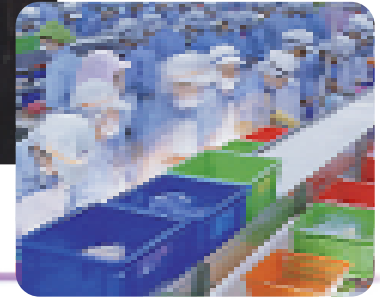
Mr. Phanuwat Somtit	Regional Manager, Southern Regional Office - Surat Thani
Mr. Manus Paitoon	Provincial Manager - Phuket
Mr. Chamnan Sinsuptawee	Senior Provincial Manager - Chumphon
Mr. Ruangsini Suwanmanee	Regional Manager, Southern Regional Office - Trang
Mr. Supharerk Amornpitayapong	Provincial Manager - Nakhon Si Thammarat
Mr. Santi Tonghiri	Provincial Manager - Krabi
Mr. Rachin Wongsuwanvaree	Regional Manager, Southern Regional Office - Hat Yai
Mr. Nattawut Jumrernsombat	Provincial Manager - Pattani
Mr. Sexson Tilokekarn	Provincial Manager - Yala

# Thailand and the Role of Regional Investment Hub

Thailand's economy has persistently been in the doldrums for almost the past five years. Despite the government's attempts to fight the difficulties successively, the success and progress of which remains meager as evident from the sorry statistics of several key economic indicators, i.e. a GDP growth of 1.5%; manufacturing capacity utilization of merely 50%; persisting business shutdowns and production halt triggered by working capital shortfall; unemployment of as many as 0.9 million persons expected to soar to 1.5 million this year; NPLs worth over Bt. 500 billion; and the SET index movement in the low level of 270-350 points throughout 2001. All these have eroded local and foreign investor confidence, leading to their suspension of investments. The bid to have the public and private sector consumption as the source of injected funds to stimulate economic activities seems to be only a short-term remedy and fail to tackle the problems effectively to their roots. A large number of economic activities are needed for the country to invigorate the economic system and ride out the current crisis. One of the interesting concepts raised is economic stimulation through foreign fund raising in various forms. In this regard, with the development of global economy to being a knowledge-based economy, the foreign funds raised are required not only to create material economic activities but also to encourage technology transfer to cope with the age of information technology and build up business operational discipline of international standard based on good corporate governance, which will eventually bolster Thailand's creditworthiness and confidence among investors worldwide.







## Revitalizing the country...a mission to pursue

The concept of foreign fund raising is not new to Thailand, but to remake the country as the most attractive destination in the region at present will be under the constraints of the rapidly changing situation and environment, overshadowed by intensifying competition in global trade and investment. Economic stagnation worldwide that has plunged global foreign direct investment (FDI) for the first time by 20% in 2001 has occurred in contrast to the sharp rise in capital demand in the Asian region including Thailand and its neighbors which need to bail themselves out of the economic crisis. China, with its entry into World Trade Organization (WTO), has become a large magnet inducing investments from all over the world, to enjoy the benefit of its large market size of 1.3 billion people and such supportive factors as production advantages and investment privileges, which have also been adopted all along by Thailand as investment incentives throughout the past decade. Thus, it would be a big challenge for Thai people to push ahead with the goal of being the region's investment hub.

Under the new environment, Thailand has to work harder to rebuild the country under the principle that the internal environment in all spheres must be improved to the international standard, ranging from education, monetary and fiscal, politics and administration, to business activities in both public and private sectors, and public life and property safety. The now adopted stringent macro-economic policy to maintain the national stability must prevail concurrently with drastic fundamental changes through reforms in government bureaucratic circles to the public and private sectors that have been outdated or lacked transparency, hinging on the patronage system rather than quality management system, and amendment to rules and regulations so as to upgrade Thailand's practices towards global investors in the purview of **good governance of international standard**. This will be a key determinant of Thailand's potential for drawing foreign investments both at present and in the future.

Though a widely addressed issue over the past few years, the good governance has made little headway in respect of development process and concrete success in developing countries. Under the IMF's rescue scheme, the Thai government pledged to create good governance in the public sector's administration. Foreign investors have also tended to make their choice of trade and investment with consideration of good governance as the first priority. The

adoption of good governance in a more concrete way is thus a necessity in all circles and at all levels of the Thai society. The adherence to good governance will help balance all segments of the society, namely the individuals, the private business enterprises and the government agencies, to live together in peace and with stability since the process to achieve good governance has to begin from public participation in any activities that will ensure transparency, integrity and reliability under a clear legal framework that will lead to mutual commitment to the society.

## **Education...a root of chronic problems**

According to the International Institute for Management Development (IMD), Thailand's educational system and development of science and technology are found to be the main shortcomings dampening the country's competitive edge. Thailand has been ranked the 47<sup>th</sup> and the 46<sup>th</sup> of the total 49 nations assessed in terms of educational, and scientific and technological development respectively. In fact, we should have realized that one of the deeply rooted problems that led to the ongoing economic crisis is those related to **human quality**. Thus, educational reform must be put in place as the urgent agenda to be implemented and regarded as a mission of the Thai people of all spectrums, from family to academic institutes to public and private entities. Singapore is a good example of the country with high commitment to the use of **education to build up the nation**. Human resources who shape the country's future have undergone continual development to the extent that Singapore has been recognized as the world's most successful country in academic field. The key success factor to this is the unity of its people's educational awareness that has paved way for the cooperation of all those concerned. To embrace the new economy of the 21<sup>st</sup> century, Singapore has set a clear vision to forge its educational reform through the government's accelerated creation of a learning environment for the youths such as formulation of a master plan on educational information technology, establishment of 22 IT pilot schools, revision of curriculums to be as high as 30% electronics and computer-based, etc.

For Thailand, it is applauding that we have made a significant progress in the educational reform with the passage of the National Educational Act B.E. 2542, under which several issues have been worked out such as mapping out of ministerial regulations to accommodate the 12 years fundamental education, drafting of the law on compulsory education, promotion of a learning atmosphere and launching of the quality teacher program, etc. However, other relevant developments such as those in terms of management and administration structure, learning process and curriculum, and development of teachers and personnel in education are still far from being materially successful or adhering to the principle of good governance. The ideal educational reform must bring about quality of education, delegation of authority, and public participation. More importantly, there must be instillation of life-long learning awareness and culture, and the environment that encourages the youths' logical and analytical thinking, with self-commitment to developing or boosting their potentiality at all times. This is because from now on humans' learning capability and innovation will be the most essential factors to the creation of national prosperity. In view of this, the educational reform is considered a milestone of human investment that will shape future Thailand. Though giving slower return than other kinds of investment, the reform, if carried out in the right direction, will surely give a high and worthwhile return to the society in the long run as the well educated will be able to be responsible for themselves, their families, their communities and the country as a whole.

## **Good corporate governance...a cure-all for the Thai private sector**

It is evident from the persistent economic downturn that the over-indebtedness without discipline and vision has disabled Thai businesses to mobilize funds to support their liquidity in operations. Cost reduction, suspension of production lines or others serve merely as short-term solutions, and cannot get into the roots of the problems caused by mismanagement. As such, it has come to a mutual conclusion that the creation of good corporate governance is a cure. The good corporate governance relates directly to a systematic capital management involving fund mobilization, allocation and monitoring. The three factors will function efficiently under the following conditions:

- Mobilization - depending on investors' confidence in equitable protection of rights and properties of shareholders,

- Allocation - depending on transparency, accuracy and timeliness in disclosure of information, and
- Monitoring - depending on efficiency in supervision of capital management to the interests of shareholders and the company.

Good corporate governance can be defined as the enhancement of efficiency in capital management, with shareholders acting as fund sponsor, management as fund manager, and board of directors as fund management monitoring body. The attitudes of institutional investors as surveyed by McKinsey & Company have clearly reflected that good corporate governance has become one of the top priorities in their decisions on capital distribution, as investors are willing to pay additional premium in return for the established good corporate governance. For Thailand, such premium has reached as high as 27% while the US and England, which are the leaders in corporate governance, post merely 18%, hence giving a clear picture of Thai businesses greater opportunity and necessity to boost their value added through the adoption of good governance. A clear example of this is privatization of state enterprises expected by the authority to help lure back investments as one of the capital market revival measures. State enterprises ranked among the tops in the privatization plan, whether in energy, telecommunication, transportation or financial sectors, have to urgently adjust themselves to ensure good corporate governance in the organization. The board of directors of state enterprises in charge of fund management monitoring, and determination of visions and strategies as a whole must possess diverse experience, be independent in performing duties with clear-cut roles and without intervention from any parties, whether they are management or politicians. This is to achieve the ultimate goal of bringing about commitment to shareholders on an equitable basis to restore investor confidence and hence return on investment funds.

Besides capital management monitoring, capital allocation is also of great importance, particularly for local SMEs, most of which are family-run and have unorganized disclosure of information. During the crisis, these weaknesses have been reflected by their failure in fund mobilization and debt restructuring to ease the tight liquidity. Deviation to having transparent, correct and timely disclosure of financial and non-financial information, and accounting and auditing system of international standard, will help improve their business status and make them attractive when their operational performance has come out good, and also serve as an indicator that can lead to prompt resolution when problems arise. These guidelines, though not so easy for SMEs to put into practice, should be carried out in tandem with the efforts of the government sector and other private organizations through various measures, such as preparation of report on good corporate governance by the Stock Exchange of Thailand and set-up of directors training institute, etc. This aims at fulfilling the ultimate goal of efficient business operations.

## **Laws, the state, ...the development framework to be accelerated**

For nearly half a decade of the economic crisis, people in all walks of life have been suffering and thus pressured to demand legal reforms in social, economic and investment perspectives. The Constitution of the Kingdom of Thailand B.E. 2540 is a good example of the social reform, aiming to encourage people to take part in equalizing resource allocation among social, private, and public sectors, without any discrimination that will leave some groups of people behind, hence trigger several social problems such as crimes, drugs, etc., and eventually impair the country's economic investments. While the country has been under drastic adjustments, with legal reforms undertaken through enactment of Bankruptcy Act and state enterprise capitalization in the purview of 11 business rehabilitation laws, Emergency Decree on the Thai Asset Management Corporation, etc.; as well as Thailand's positioning amid the free trade and investment environment; and the attempt to allocate the country's resources equitably, it is necessary to adopt the principle of competition" in frameworking, developing, and reforming the trade, investment and economic laws, at both macro-economic and micro-economic levels. More specifically, state enterprise privatization or anti-trust laws are examples underlying the macro-economic reform, being purposed to facilitate competitive environment, reduce restrictions imposed by large entrepreneurs against SMEs, and create opportunities for new businesses. Likewise, the reform at the micro-economic level involves enforcement of the laws for creation of good corporate governance which covers such issues as protection of shareholders right, disclosure of information, development of accounting system to meet international standard, etc. This has forced business enterprises to set up audit work units that will ensure efficiency in competition and also to push forward with self-development of organizations to cope with the global

trends in environment, labor, and so on, which have been playing significant roles and affecting Thai laws in various perspectives.

To create efficiency in operations of all the facets of the society, it is necessary to have legislative quality” accentuating on the principle of competition, reduction of trade barriers and overlapping works, development of international standard, and others together with bureaucratic quality and political quality. The recent economic meltdown has reflected bureaucratic and political failure in applying rules and regulations to maintain the stability of the economy which has become increasingly complicated and exposed to both internal and external factors. Delay and inefficiency in problem solving as well as in early-warning to the private sector were the factors dragging the economy into recession. Reforms are thus necessary to bring about reliable political system that involves quality politicians with clear visions, policies and operational guidelines, focusing mainly on common public interests. Concurrently, effective government bureaucracy should also be made available with high work and problem solving potential. This may be carried out through downsizing, decentralization, removal of overlapping procedures, and change of attitudes and working methods of operational staff. All these aim not only at attaining legal quality but also helping identify success in practice, and creation of judgement, follow-up, inspection, and correction procedures of high quality and transparency, being able to be validated by relevant agencies. Most importantly, these rules and regulations must not allow for discrimination, which will lead to the application of double standards and hence erosion of the reliability of social rules and regulations in enhancing the surrounding factors to function and create a favorable investment environment.

### **South Korea...an example of reform to stimulate capital inflows**

Organisation for Economic Cooperation and Development (OECD) has rated South Korea as a country with substantial progress in national restructuring compared with those on a par. Its economy has recovered at a rapid pace, with the GDP rebounding to a growth of 11% in 1999. Loan repayment of USD 19.5 billion to the IMF was fully completed three years ahead of schedule. Although now suffering from another economic setback following world economic slump and its own sluggish exports, South Korea is now regarded as having survived the foreign exchange crisis and managed to draw back foreign investments. Its FDI in 2001 totaled USD 15.7 billion, a double increase from that during the crisis in 1997. In fact, the settlement of IMF loan alone cannot rebuild foreign investors confidence. What that country has done all along in concurrence with the correction of financial and exchange problems is reform of four key economic sectors, i.e. financial, private enterprises, labor, and political. It has restructured public sector organizations, revised rules and regulations in a way that will foster higher investments, and liberalized investment with, for example, abandonment of restrictions on foreign investors land possession, set-up of Auditors Organization, and so on. On the private sector front, South Korea has mapped out directions in promoting good corporate governance of all levels so as to create operational systems that are transparent, accountable, and validated; streamlined business structures with no exception to such chaebols as Daewoo and Samsung; and helped create value added to the companies with conventional production technology to apply to the IT era.

With funds required to revive the country’s economy, reforms of the private, public, or social sectors based on good governance have become the most crucial factor to lure foreign investment funds. The reforms carried out whether in terms of structure, procedures, rules and regulations, and personnel are all geared towards the improvement of internal environment to attract investments, be adjustable to changes and be able to solve complex problems. Though Thailand’s capitalization potentiality has been affected by various factors, one of the most significant of which is China’s WTO entry, on the foreign investors standpoints, it has been accepted to be well equipped with potentiality in several perspectives like abundance of agricultural resources, labor, manufacturing and service potential, such as in the sectors of processed food, vehicles/parts, tourism and hotel industries, the availability of infrastructures, and the SMEs’ capability in adapting to changes and being flexible in business operations. All of these have worked in a synergy that builds up a strong Thailand house awaiting only a clean-up by the principle of good governance through the reform process. The fruitful achievement of the reforms will help upgrade and strengthen Thailand to be both strong and attractive, making it an ideal place for investors to live and make their investments. This will eventually enable Thailand to sail through the crisis and stand firm in international arena as the region’s investment hub.”

# Thai Economy in 2001 and Outlook for 2002

## Thai Economy in 2001

The Thai economic growth in 2001 tended to slow down, forecast to be only 1.5% compared with the 4.2% and 4.4% growth in 1999 and 2000 respectively. This was due to the shrinkage in foreign demand amid the global economic downturn, particularly the US economic slump which has prevailed from the end of 2000 through 2001, leading domestic demand to also follow suit. However, there was still economic stability, as seen from the rising foreign reserve, the continuously decreasing foreign debt, and the low inflation rate.

Factors which disrupted the economic growth in 2001 were:

1. The slowdown of foreign demand and global economy, particularly the US economic decline which started in late 2000 and became more evident in 2001, thereby leading to the downward adjustment of its GDP growth forecast from 3.2% to 1.0%. This, coupled with the weaker demand for electronic products, caused Thai exports to shrink, by an expected 7% against the rise of 19.6% in 2000. However, Thailand's export contraction was still less severe than that of other countries such as Singapore, Malaysia, and South Korea since Thai exported products were more diverse and its exports of electronic products accounted for only 25% of the total exports.

2. The slump in domestic demand and the continuous decrease in consumer confidence as seen from the consumer confidence index which slid from 81.5 to the record low of 63.2 in September due to the terrorist attacks on the US. Despite some improvement in the last quarter, the index remained below 100, suggesting the consumers' lack of confidence in the economic recovery. The rising unemployment rate was another factor that dampened the consumer confidence. Furthermore, the economic stimulus measures still did not clearly come to fruition. The total consumption was thus expected to expand by only 2.8%, compared with 4.8% in 2000.

Investment was forecast to grow only 1.4% year-on-year due partly to the existing overcapacity. Another factor hampering the investment growth was the NPL problem which had not been clearly resolved despite the drop in NPLs of the financial sector from Bt. 858 billion as of year-end 2000 to Bt. 547 billion as of the end of November 2001, or from 17.7% of the total credits to 11.9%. Such reduction in the NPLs stemmed chiefly from the transfer of bad loans to asset management companies. As a result, financial institutions remained stringent in their lending. Meantime, the public debt which surged to 57.6% of GDP had hindered the government sector from applying fiscal measures for economic stimulation, particularly in terms of the investment budget, due to greater interest expenses. Furthermore, the government's suspension of large infrastructure projects for fear of inducing more imports was another factor leading to a slight increase in the investment.

Despite the distinct economic slowdown in 2001, the economy had stabilized at a satisfactory level as evident from the following factors:

- Foreign reserves as of the end of December were recorded at USD 33.0 billion, up from USD 32.7 billion at year-end 2000. Net foreign reserves (foreign reserves less net forward swap obligations and the Bank of Thailand's loan repayments to the International Monetary Fund) stood at USD 21.6 billion, increasing from USD 18.6 billion at year-end 2000, which was still higher than the short-term foreign debts of USD 13.7 billion recorded as of the end of October 2001.

- Foreign debts steadily went down, with the outstanding amount as of the end of October totaling USD 70.5 billion against the pre-crisis level of as high as USD 112 billion. Long-term debts to short-term debts improved to 82:18 compared with 59:41 in the pre-crisis period.

## Economic Outlook for 2002

The Thai economy in 2002 remains highly uncertain, relying on the revival of the world economy, the US in particular. Even though the US is able to come through the economic recession, its economy may recover in either one of the two patterns: a slow or U-shaped recovery or a quick or V-shaped recovery. In view of this, IFCT Research Department has come up with Thai economic forecast in two scenarios:

Scenario 1: The US economy revives quickly in the V shape. The revival will become apparent in Q2/2002 thanks to the adoption of relaxed monetary policy and fiscal policy to stimulate the economy. This will drive Thai exports to grow by 4.5%. Besides, the economic stimulus packages pushed through the government's spending will begin to bear fruit in 2002 while the government will adopt more relaxed monetary policy, thereby helping to push up domestic consumption and investment. Imports will also be boosted, with a projected growth rate of 4.2%. Current account surplus will drop to 4.4% of GDP. In this case, the Thai economy is anticipated to grow by 2.7%.

Scenario 2: The US economy recovers at a slow pace in the U shape, whereby Thai exports will rise only 0.5%. Nonetheless, owing to the fiscal policy that will produce evident outcomes in 2002 and the relaxed monetary policy, domestic consumption will still be able to expand at a constant level. Imports, as a result, will edge up by 0.8% and current account surplus will stand at 3.8% of GDP. The Thai economy in this case will grow by only 1.5%.

Inflation rate is predicted to remain low. This is due to the fact that the average oil price in the world market tends to go down and that the driving force of local demand is not strong enough to push up the inflation rate. In addition, it is expected that the government will not increase the value added tax from 7% to 10% as earlier scheduled to take effect in late 2002 so as to facilitate the uninterrupted economic recovery. Inflation rate will be 1.5% in scenario 1 (GDP growth of 2.7%) and 1.2% in scenario 2 (GDP growth of 1.5%).

In 2002, the interest rates tend to move downwards in line with offshore interest rate trend. With the Thai government's eased monetary measures, the interest rates are thus estimated to lower by 0.25%-0.50%. The baht will stand at Bt. 45.0/USD on average.

## Economic Forecast for 2001-2002

	1999	2000	2001f	2002f	
				Scenario 1	Scenario 2
GDP at 1988 price (Bt. billion)	2,859	2,985	3,030	3,112	3,075
% change	4.2%	4.4%	1.5%	2.7%	1.5%
Inflation rate	0.3%	1.6%	1.6%	1.5%	1.2%
Exports	56,800	67,942	63,186	66,029	63,502
: USD million					
% change	7.4%	19.6%	-7.0%	4.5%	0.5%
Imports	47,529	62,423	61,175	63,744	61,664
: USD million					
% change	16.9%	31.3%	-2.0%	4.2%	0.8%
Trade balance	9,271	5,519	2,011	2,285	1,838
: USD million					
Current account balance	12,465	9,381	5,312	5,286	4,538
: USD million					
% of GDP	10.2%	7.6%	4.7%	4.4%	3.8%
MLR (as of year-end)*	8.25%	7.50%	7.00%	6.50%-6.75%	
Average exchange rate (Bt./USD)	37.85	40.16	44.48	45.00	

Note: \*Minimum loan rate of the four large commercial banks

f = Forecast by IFCT Research Department

Source: Bank of Thailand, the National Economic and Social Development Board

## Nature of Business Operation

### Background

IFCT was established by the Thai Government under the Industrial Finance Corporation of Thailand Act of 1959 as a private development finance institution with the objectives to provide assistance and support for private industrial enterprises and develop the domestic capital market.

During the past four to five years, there were significant events in IFCT's business operation as follows:

1997 - IFCT introduced the trade finance service to fully cater for import and export businesses, particularly packing credit with funds available from the Export-Import Bank of Thailand.

1998 - IFCT raised its registered capital from Bt. 7 billion to Bt. 12 billion. The increased ordinary shares were called in 1999, bringing IFCT's paid-up capital to Bt. 11.616 billion. In this respect, the Government as IFCT's major shareholder continued to support IFCT by maintaining the proportion of its shareholding, both direct and indirect.

2000 - Moody's Investors Service upgraded IFCT's credit outlook from a stable to a positive level in March and the rating from Ba3 to Ba1 in June. In July, IFCT's credit rating was raised by TRIS from A to A+.

2001 - IFCT early redeemed debentures amounting to Bt. 11 billion in order to reduce its financial costs and, in replacement of these debentures, issued new debenture series to those holders.

- Standard and Poor's downgraded IFCT's creditworthiness from BBB- to BB+ in July.

Besides, to distribute its services across the country, IFCT opened 12 new branches during the past couple of years. At present, the Corporation has 10 regional offices and 25 provincial offices. It has also set up the Small and Medium Enterprise Development Center and the Environment and Energy Development Center to provide advises and services relating to these areas to the entrepreneurs.

### Business Operations of the Companies in IFCT's Group

As of December 31, 2001, IFCT had altogether 11 subsidiaries and associated companies\*, namely:

Name of company	Type of business	Shareholding by IFCT (%)
<b>Subsidiaries</b>		
1. IFCT Advisory Co., Ltd.	Financial Advisory Services	100
2. Industrial Capital Management Co., Ltd.**	Holding Company	41
3. IFCT Nomura/Jafco Holdings Co., Ltd.	Holding Company	15
4. IFCT Nomura/Jafco Capital Co., Ltd.	Holding Company	15
5. Asset Development Co., Ltd.	Hire-purchase/Leasing	10
6. Industrial Management Co., Ltd.	Consultant Service	10
7. CO-ADCO Co., Ltd.	Holding Company	-
<b>Associated Companies</b>		
1. Thai Orix Leasing Co., Ltd.	Hire-purchase/Leasing	45.96
2. MFC Asset Management Plc.	Fund Management	24.23
3. Strongpack Plc.	Packaging Material	22.00
4. Thai Factory Development Plc.	Standard Factory Construction	19.66

\* Consolidated with IFCT's financial statements due to direct/indirect control.

\*\* Formerly IFCT Capital Management Co., Ltd.

## Income Structure\*

Consolidated	Bt. million		
	1999	2000	2001
Interest and Dividend Income on			
- Loans	7,633.1	7,229.6	7,258.8
- Investments in short-term promissory notes	660.0	585.7	407.8
- Securities - Net	1,363.0	817.8	588.2
<b>Total Interest and Dividend Income</b>	<b>9,656.1</b>	<b>8,633.1</b>	<b>8,254.8</b>
<b>Less</b> Expenses on Borrowings	<b>11,619.0</b>	<b>10,531.4</b>	<b>8,680.4</b>
Doubtful Accounts	6,059.1	280.2	492.3
<b>Interest and Dividend Income - Net</b>	<b>(8,022.0)</b>	<b>(2,178.5)</b>	<b>(917.9)</b>
Non-interest Income			
- Gains (losses) on securities trading	716.3	366.8	378.8
- Provision for decline in value of long-term investments in securities	(852.3)	(210.2)	(192.6)
- Fees and services income	492.8	601.5	496.5
- Equity in income (loss) of subsidiaries and associated companies	(14.1)	65.6	73.4
- Other income	348.5	406.4	300.0
<b>Total Non-interest Income</b>	<b>691.2</b>	<b>1,230.1</b>	<b>1,056.1</b>
<b>Total Income</b>	<b>(7,330.8)</b>	<b>(948.4)</b>	<b>138.2</b>

\* No subsidiaries recorded income in the amount exceeding 10% of total consolidated income.

## Market Condition and Competition

Thai commercial banks have since the crisis adjusted themselves continuously through organizational restructuring in order to respond to the changing condition and competition, thereby bringing about a gradual strength in their financial health. However, with the economic slowdown lingering in 2001, banks had yet to tackle the NPL problem, especially the NPL reentry. The NPL figures announced at the end of 2001 by the Bank of Thailand were 10.5% of total credits, improving from those of 2000. The drop in the NPLs sprang from the transfer of bad loans to AMCs and TAMC, particularly in the final quarter of 2001. Meantime, the number of new and reentry NPLs continued to increase, leading the ratio of NPL reentry to restructured debts to remain high, at a rate of about 20%.



IFCT's Financial Position and Performance Compared with Commercial Banks'  
As of December 31, 2001

(Bt. million)

Items	IFCT	Thai Commercial Banks
Loans	156,209.6	3,706,874
Total assets	192,542.3	5,664,841
Total liabilities	184,987.1	5,371,569
Shareholders equity	7,555.1	283,272
Net profit (loss)	(465.4)	85,187

Source: Audited financial statements of IFCT and Thai commercial banks

Loans extended by Thai commercial banks to the business sector in 2001 contracted from those a year earlier, with their outstanding credits totaling Bt. 3.7 trillion as of December 31, 2001, down 6% from year-end 2000. This resulted from the write-off of bad debts and the transfer of NPLs to AMCs and TAMC. Meanwhile, profits enjoyed by banks were hurt by the increased provisioning for doubtful accounts in Q4 to cushion the effects of world economic downturn in 2002. All in all, however, banks performed better in 2001 than in 2000.

There was sharp competition in the banking sector in 2001. The prevailing overcapacity and small amount of new investments prompted banks to be more stringent in their lending so as to acquire quality borrowers. Moreover, with the reduction of loan interest rates, interest income tended to decline, thus leading banks to focus more on their non-interest income base. In this area, pure Thai banks were less competitive with foreign banks or Thai banks with foreigners as their major stakeholders which are more superior in technologies, cost management and modern innovation. To be able to compete in such area, Thai banks still had to adjust themselves in the following aspects:

**Organization:** Certain banks were downsized to match their operations while most banks were reorganized with a regrouping of their work units based on the type of financial transactions. The IT group was separated to concentrate on the development of IT system which is instrumental in modern banking operations that will likely emerge worldwide. New work units were concurrently created, namely consumer banking, corporate banking, commercial banking, risk management, etc.

**Technology:** Banks have applied the new cost-saved technology with on-line linking to their nationwide branch networks, thus resulting in faster and more efficient services. Steps were also taken to introduce co-servicing among banks.

**Consumer banking, Internet banking and e-commerce:** Foreign banks focused more on consumer banking services such as credit card, debit card, mortgage loan, etc. because these services are already available to their clients overseas and can be applied for offering to clients in Thailand. Thai banks therefore also introduced new services to their clients, taking the advantage of their broad client base and nationwide branch network. They also formed business alliance with such companies as Total Access and Communication Plc., Advance Info Service Plc. and Internet Thailand Plc. to render Internet banking, mobile banking and e-commerce services whereby customers can readily use bank services through the Internet, PCs and mobile phones without visiting bank offices. This is a most innovative kind of services that gives customers an access to bank services around the clock.

For 2002, the competition in commercial banking will likely become tougher. New lending to the business sector tends to either steady or go up slightly from 2001 on account of a rather sharp decrease in the NPLs after the transfer of bad loans to TAMC. Moreover, the Bank of Thailand's relaxed regulations on provisioning for regular loans and special-mention loans help to lessen banks' provisioning burdens, thus likely resulting in better performance of the banking sector. Still, there are some risk factors that will dampen Thai banks' income generating ability, i.e. the uncertainty of world and Thai economic recovery that might impact the quality of both good loans and restructured loans, the revision of financial institution monitoring regulations, etc.

IFCT will in 2002 take a more proactive approach by focusing on product and service development. It is now conducting a study to create product distinction from other financial institutions, seeking to design products that best match each type of industries, targeted areas, foreign clients, etc. so as to satisfy clients' demand and expand the new client base. At the same time, IFCT will coordinate with special-purpose financial institutions and state-owned banks in providing financial support for all industry sectors, such as the export-oriented industry, the tourism industry and the industries that have been affected by the assaults on the US, in line with the Government's urgent policies.

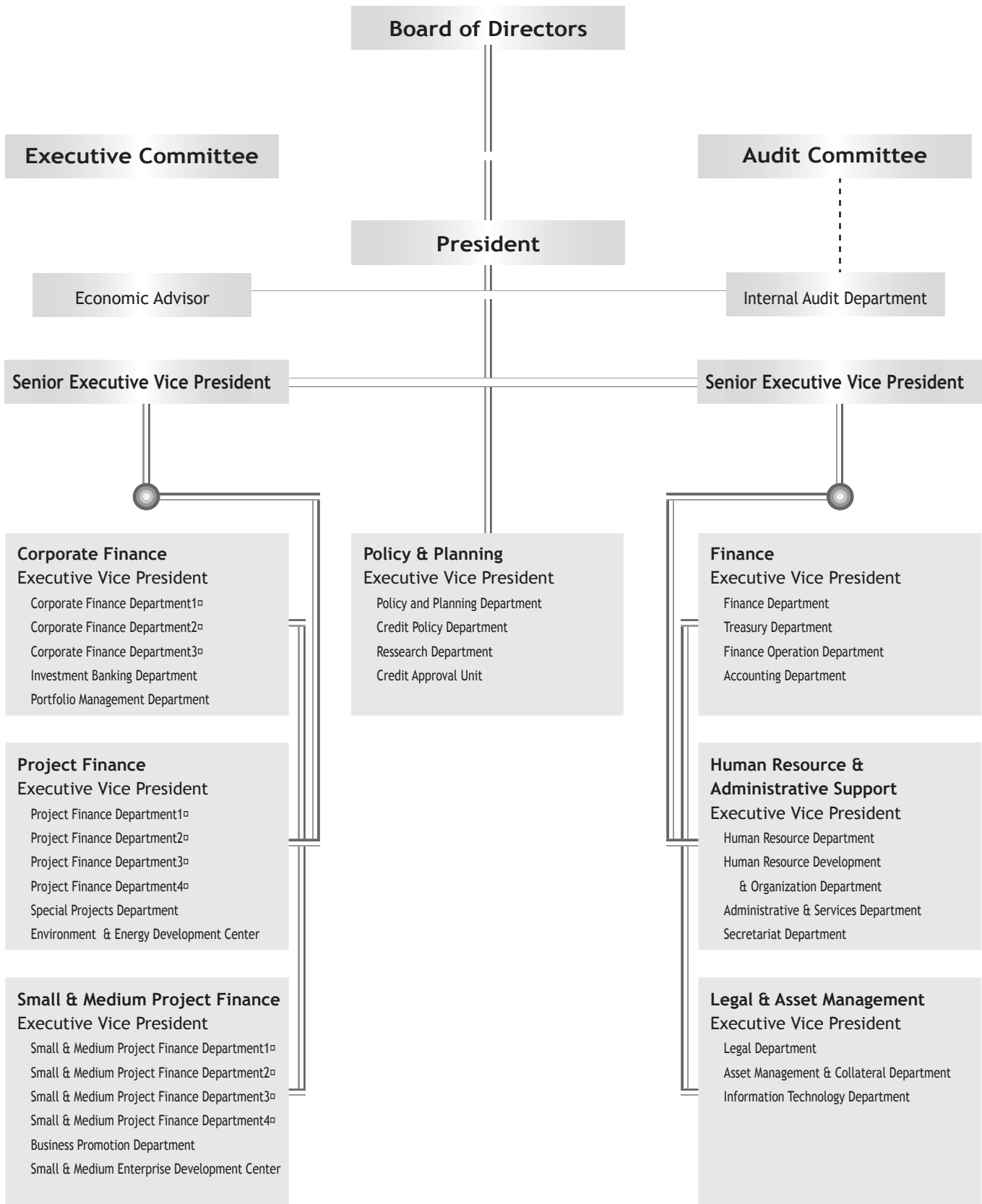
## **Role in Industrial and Social Development**

Playing a crucial role in industrial development, IFCT has particularly given a high degree of importance to the small- and medium-scale enterprises (SMEs). With continued financial support to the SMEs, IFCT has speeded up credit approval to enable them to carry on their businesses. At the same time, the development of entrepreneurs' efficiency has also been accelerated. In 2001, IFCT organized training courses/seminars on the topics which were useful to the business operation of the entrepreneurs in general, with 1,030 attendants. In addition to this, IFCT's Small and Medium Enterprise Development Center arranged training courses for SMEs' potentiality development as well as provided advisory services relating to business operation, problem analysis and development of solution guidelines for 700 SME entrepreneurs. With its consistent involvement in SME promotion and development, IFCT was, in 2001, granted an award for its outstanding performance on SME Financing Product or Service from the Asian Banking Digest.

Furthermore, IFCT has performed its activities with great concern for the environment, being the first financial institution in Thailand that has taken a continuous action in this field. In 2001, several projects relating to the environment and energy saving were initiated such as a pilot project on biomass power generation and co-generation, which is Thailand's most promising source of renewable energy, in order to reduce the emission of CO<sub>2</sub> which creates a greenhouse effect and to substitute for oil imports. Another program was the chiller replacement project with the objective to reduce the emission of CO<sub>2</sub> and the ozone depleting substances (CFCs). As this is the first project of its kind, if successful, it can be used as the prototype project to be further introduced in many other countries worldwide.

IFCT has also given a priority to social and young people development along with its industrial promotion. It has regularly organized the Young Investors Training Program for undergraduates to provide them with fundamental knowledge of investment and code of ethics for their future business operation. IFCT has so far arranged 17 sessions of this program in Bangkok and 14 sessions in the regional areas, with a total number of about 2,200 trainees. In 2001, two sessions were arranged, one in Bangkok with 100 trainees and the other in Ubon Ratchathani with 60 trainees.

# Organization Chart



## Shareholding Structure and Management

### IFCT's Shareholding Structure

As of April 5, 2001, the most recent date for IFCT's closing of shareholders' register book and prior to the end of the accounting year 2001, IFCT's paid-up registered capital stood at Bt. 11,616.24 million or 1,161.62 million shares. The total number of shareholders was 13,442 composed of 13,067 Thai shareholders or 57% of the total paid-up shares and 375 foreign shareholders or 43%

### Top 10 major shareholders as of April 5, 2001 were as follows:

Name	Percentage of Total Paid up Ordinary Shares
1. The Ministry of Finance	14.61
2. The Government Savings Bank	10.22
3. Sumitomo Mitsui Banking Corporation *	5.22
4. Krung Thai Bank Plc.	5.05
5. HSBC (Singapore) Nominees Pte Ltd.	3.16
6. DEG-Deutsche Investitions-UND Entwicklungsgesellschaft MBH	2.48
7. HSBC Bank, Plc.	2.13
8. Government Pension Fund	1.27
9. State Street Bank & Trust Company	1.08
10. The Industrial Bank of Japan, Ltd.	1.01

\* Formerly The Sakura Bank, Limited

## Committee Structure

IFCT's committee structure is as follows:

### 1. Board of Directors

1.	Mr. Aran	Thammano	Chairman
2.	Mr. Banyong	Lamsam	Director
3.	Mr. Chumpol	NaLamlieng	Director
4.	Mr. Pongsathorn	Siriyodhin	Director
5.	Mr. Aswin	Kongsiri	Director
6.	Mr. Verachai	Tantikul	Director
7.	Mr. Charnchai	Musignisarkorn	Director
8.	Mr. Rolf-Eberhard	von Bueren	Director
9.	Mr. Yoshihiro	Yoshimura	Director
10.	Mr. Anothai	Techamontrikul	President

Under Section 20 of the Industrial Finance Corporation of Thailand Act B.E. 2502, the Board is invested with the power and duty of general supervision and control of the operations and administration of the affairs and business of the Corporation. It also has the power to do all the acts which may be done by IFCT. Such power includes utilization of funds of IFCT for defraying any expenditure incurred in the management of the affairs of IFCT, the transaction of business in accordance with its objectives and the payment of remuneration to its directors and employees. The power also includes the ensuring that every application for financing submitted by a private industrial enterprise is examined and considered only on its technical, financial and economic merits, irrespective of all other considerations.

The power does not cover the following matters which are subject to prior approval from the shareholders' meeting:

1. The matters required by laws to receive a resolution from the General Shareholders Meeting, such as share capital increase, amendment to IFCT's Regulations, etc.
2. The matters required by the Stock Exchange of Thailand to receive a resolution from the General Shareholders Meeting, such as:
  - 2.1 A connected transaction worth more than Bt. 10,000,000 or 3% of the book value of IFCT's net tangible assets, whichever is higher;
  - 2.2 Acquisition or disposal of IFCT's assets under the Notification of the Stock Exchange of Thailand regarding regulations, methods, and disclosure of acquisition or disposal of assets of listed companies.

### 2. Executive Committee

1.	Mr. Aran	Thammano	Chairman
2.	Mr. Aswin	Kongsiri	Committee Member
3.	Mr. Verachai	Tantikul	Committee Member
4.	Mr. Charnchai	Musignisarkorn	Committee Member
5.	Mr. Anothai	Techamontrikul	Committee Member

The Executive Committee has the power and duty as delegated by the Board of Directors, i.e. approval of long-term loans in general cases, guarantees, and equity participation in the amount determined by the Board.

### 3. Audit Committee

- |                    |            |                  |
|--------------------|------------|------------------|
| 1. Mr. Banyong     | Lamsam     | Chairman         |
| 2. Mr. Chumpol     | NaLamlieng | Committee Member |
| 3. Mr. Pongsathorn | Siriyodhin | Committee Member |

The Audit Committee holds responsibility to the Board of Directors within the scope of duty and responsibility assigned by the Board as follows:

1. To review IFCT's financial reports to ensure their accuracy and adequacy.
2. To review IFCT's internal control and internal audit system to ensure its appropriateness and effectiveness.
3. To review and ensure IFCT's compliance with laws on securities and securities exchange, stipulations of the securities exchange and other laws relating to IFCT's operation.
4. To make consideration, selection and nomination in the appointment of IFCT's Auditor and fixing of auditing fee.
5. To consider and ensure the accuracy and completeness of IFCT's disclosure of information concerning connected transactions or any transactions which may cause conflicts of interest.
6. To prepare the Audit Committee's statement, duly signed by the Committee Chairman, to be published in IFCT's annual report.
7. To undertake any other matters assigned by the Board of Directors and with the consent of the Audit Committee.

**Authorized Signatory** : The President is authorized to sign on behalf of IFCT according to Section 22 of the IFCT Act which reads, The General Manager shall be empowered to act on behalf of the Corporation in the conduct of its affairs with third persons; but he may in any specific case authorize any other person to act on his behalf.”

**Board Secretary** : Miss Achara Sirikhandha, Senior Vice President, Secretariat Department

### Selection of Directors and Executives

IFCT has not formed any selection committee to screen the election of directors since the director's qualifications have already been specified in the IFCT Act, Section 18 which states that the person must be a shareholder of the Corporation having shares of a par value of not less than Bt. 10,000, or a representative of a limited company or partnership which is a juristic person, having shares of a par value of not less than Bt. 10,000 in the Corporation; must not be a paid employee of the Corporation except the General Manager; and must not be or have been a bankrupt, or an incompetent person or a quasi-incompetent person.

According to IFCT's Regulations, the shareholders meeting will, by a majority of votes, elect a person to replace the director who retires by rotation. If there is a vacancy of directorship during the term, the Board of Directors is authorized to appoint a person with qualifications as in Section 18 of the IFCT Act to fill the vacancy. The director so appointed will retain his office during such time as the vacating director was entitled to retain the same.

### Remuneration for Management in 2001

#### 1. Monetary Remuneration

- a) IFCT paid the remuneration as meeting allowance to ten Directors in a total amount of Bt. 2.58 million, and to two Advisors to the Board in an amount totaling Bt. 0.48 million.
- b) IFCT paid the remuneration to the Executive Committee and executives numbering 13 persons in an amount of Bt. 26.62 million, being salary of Bt. 25.96 million and meeting allowance of Bt. 0.66 million.

#### 2. Other Remuneration

In 2001, IFCT allocated Bt. 2.57 million into the provident fund for the executives and paid no other remuneration.

## Shareholding in IFCT by Directors and Executives

Name		Position	No. of Shares at year-end	
			2001	2000
1. Mr. Aran	Thammano	Chairman	-	-
2. Mr. Chumpol	NaLamlieng	Director	1,000	1,000
3. Mr. Aswin	Kongsiri	Director	96,400	96,400
4. Mr. Pongsathorn	Siriyodhin	Director	-	-
5. Mr. Verachai	Tantikul	Director	1,000	1,000
6. Mr. Banyong	Lamsam	Director	20,000	20,000
7. Mr. Charnchai	Musignisarkorn	Director	1,140	1,140
8. Mr. Rolf Eberhard	von Bueren	Director	1,000	1,000
9. Mr. Yoshihiro	Yoshimura	Director	-	-
10. Mr. Anothai	Techamontrikul	President	26,400	26,400
11. Mr. Sirichai	Sakornratanakul	Senior Executive Vice President	8,000	8,000
12. Mr. Visit	Vongruamlarp	Senior Executive Vice President	15,000	15,000
13. Mr. Kavee	Tovijit	Executive Vice President	11,800	11,800
14. Mrs. Suthira	Ngandee	Executive Vice President	-	-
15. Mr. Vim	Tayaputch	Executive Vice President	3	13
16. Mrs. Yada	Prapinmongkolkarn	Executive Vice President	46,450	46,450
17. Mrs. Pensri	Thaiprasithiporn	Executive Vice President	14,600	14,600
18. Mr. Kraithip	Krairiksh	Executive Vice President	-	-
19. Mrs. Narumol	Noi-am	Senior Vice President - Finance	15,300	15,300
20. Mrs. Chutima	Natathanapat	Senior Vice President - Accounting	-	-

## Senior Vice President of Finance and Accounting Department

### Mrs. Narumol Noi-am

Senior Vice President, Finance Department

Education : Master's Degree in Business Administration (Banking and Finance),  
North Texas State University, U.S.A.

Working Experience

1999 - present : Senior Vice President, Finance Department

1993 - 1999 : Senior Vice President, Investment Banking Department, IFCT

### Mrs. Chutima Natathanapat

Senior Vice President, Accounting Department

Education : Master's Degree in Business Administration, Radford University, U.S.A.  
: Bachelor's Degree in Accounting, Chulalongkorn University

Working Experience

1999 - present : Senior Vice President, Accounting Department

1995 - 1999 : Senior Vice President, Policy and Planning Department, IFCT

## **Business Control**

IFCT Board of Directors has complied with the code of best practices set forth by the SET to be observed by the board of directors of listed companies, such as the board composition and the chairman and the president are not the same person. The Board has completely fulfilled the role, duty and responsibility. Meanwhile, the appointment and the tenure of directorship and the fixing of remuneration for directors have been determined under a clear and transparent policy.

Additionally, IFCT has regularly arranged a monthly Board meeting. An annual shareholders meeting is also held to provide them with accurate and complete financial and general information.

## **Monitoring of Use of Internal Information**

IFCT has set out rules, disciplines, and regulations for employees to follow in order to ensure that they perform their work with accuracy and in good order and without fraudulence which may cause damage to IFCT. Penalization has also been clearly stipulated. Besides, code of ethics has been set for employees to ensure that they behave properly so as to maintain their reputation and dignity as IFCT employees. As regards the prevention of executives from using the internal information for personal benefits, it is prescribed that employees shall not acquire, through their duty or by the use of information of IFCT or its clients or business partners, any benefits for themselves, their families, or any other persons either directly or indirectly. Also, they shall not disclose confidential information of IFCT or its clients, except for disclosure in performing of duty, or disclosure in court proceedings, or disclosure to competent officials or persons under the provisions of laws.

In addition, IFCT has observed the rules and regulations of the Securities and Exchange Commission relating to the report on the executives securities trading.

**All above rules and regulations including the penalization are sufficient to prevent the executives from using internal information for personal benefits.**

## **Internal Control**

At the 488<sup>th</sup> IFCT Board Meeting on January 17, 2002, also attended by the Audit Committee members, the Board approved the adequacy assessment of internal control system conducted by the Management, covering five areas, namely organizational control and environment measures, risk management measures, management control activities, information and communication measures, and monitoring and evaluation. The results of the assessment can be summarized as follows:

1. Organizational control and environment measures: IFCT has clear and concrete operational target set up as guidelines for the employees performance, written provisions concerning the code of conducts, written policies and procedures, as well as organizational structure which contributes to operational efficiency.
2. Risk management measures: IFCT has appraised whether there are any risk factors which may affect its business operations, with a study and analysis conducted to figure out measures to contain such risks so as to least affect its operations.
3. Management control activities: IFCT has clearly mapped out approval authority and amount of the management in each level to prevent any dishonest acts and damage to the Corporation.
4. Information and communication measures: IFCT has made available necessary information for decision making, with good filing and classification as well as being accessible for any examination.
5. Monitoring and evaluation : IFCT has regularly followed up the operational performance compared with the target, with internal audit available and a policy for the Management to report to the Board of any dishonest acts which may affect IFCT's reputation.

**The Board is of the opinion that IFCT's internal control system is adequate and appropriate in all aspects mentioned above.**



## Risk Factors

### Business Operation

IFCT aims at providing financial support to the industrial sector which is the real economic sector and is exposed to lower risk than other sectors. Loan consideration is made based on the viability of the projects in such aspects as finance, marketing, production technique as well as any potential risk and debt service capability. Amid the ongoing economic slowdown which has eroded the entrepreneurs' ability in business operation and debt servicing, IFCT has introduced a portfolio risk management measure to diversify credit risk to various industries. It has also used the credit risk rating system to identify clients' financial position and risk exposure, a key factor in loan consideration, and to determine interest rates based on the degree of risk rated on that client. Another measure is risk monitoring whereby risk rating will be reviewed whenever there is any change in the macroeconomic and industrial conditions and the laws and regulations that will impact clients' projects. IFCT has become a member of the Credit Bureau which serves as a key actor in credit information processing, thereby helping to enhance its efficiency in credit provision and reduce credit risk.

IFCT's operational performance has been inevitably hurt by the economic crisis. It has operated at a loss over the past few years, with an accumulated loss of Bt. 8.974 billion as of December 31, 2001, resulting in suspension of dividend payment since 1998. However, IFCT has made best effort to turn its performance around so that it can make dividend payment to the shareholders as usual.

### Debt Restructuring

To combat the NPL problem, IFCT has adopted several measures through debt restructuring process such as interest rate reduction, loan rescheduling, etc. (see details in Analysis of Financial Position and Operational Performance). Thorough consideration was made on the selection of measure that can best solve the problem of each client. IFCT has also taken measures to curb the emergence of new NPLs by making close project monitoring, rendering advice and assistance to any troubled clients, etc. It may allow for a temporary change of loan repayment conditions to prevent good loans from turning bad as well as NPL reentry under the prevailing economic stagnation. These efforts resulted in a continued drop in the NPLs, from 35% in 1998 to 18% in 2000 and, due to the unimproved economy, only slightly to 16% as of December 31, 2001. It can thus be said that the economic fluctuation is a risk factor that affects the NPLs.

### Assets and Liabilities Management

IFCT has a policy to manage its assets and liabilities in such a way as not to create any risk through the matching of interest rate, currency and maturity. Funds raised at a fixed rate will be on-lent at a fixed rate and those raised at a floating rate will likewise be on-lent at a floating rate. On the maturity side, any investment in assets or lending will be made in the pattern that matches the conditions of the lending sources. (See details of relationship between the assets and the liabilities in Analysis of Financial Position and Operational Performance).

To safeguard against foreign exchange risk, IFCT provides foreign currency loans to only clients who earn in foreign currency and have experience in exchange risk hedging. In addition, IFCT has arranged a cross currency swap on foreign loans that have been re-lent in baht. It has also adopted a value at risk technique to follow up and assess the exchange rate and interest rate risks on IFCT's portfolio. As of December 31, 2001, IFCT had total outstanding loans in foreign currencies of Bt. 40.730 billion, or only 22% of its total liabilities. Of this amount, 25% was swapped into baht loans and the remainder was lent in foreign currencies directly to the clients.

However, the economic volatility has led to changes in the government's fiscal and monetary policies as well as relevant rules and regulations that might affect IFCT's performance. To control any potential risk from these changes, IFCT has a work unit to monitor and analyze the assets and liabilities management, with importance given to the reasonable and strong growth rate of the assets and liabilities based on the rate of return on capital base expansion that creates the least possible operational risk. IFCT has also put in place the liquidity warning system to contain the liquidity risk at a low level (see details in Analysis of Financial Position and Operational Performance).

## Analysis of Financial Position and Operational Performance

### Operational Performance

In 2001, IFCT and its subsidiary companies recorded a net loss of Bt. 465 million, down by Bt. 1.183 billion from the net loss in 2000. This resulted from a sharp drop of Bt. 1.473 billion in the negative net interest and dividend income due to continuous debt management to reduce funding costs via such measures as loan prepayment, early redemption of debentures and interest rate swaps to be in line with the declining market interest rates. However, IFCT and its subsidiary companies had made full provision for doubtful accounts and for decline in value of investment in securities totaling Bt. 685 million, which was higher than the net loss. Therefore, IFCT and its subsidiary companies recorded a net profit before the provision for doubtful accounts. The operational performance for 2001 can be summarized as follows:

**Net Interest and Dividend Income** was a negative of Bt. 426 million, declining by 77.6% from 2000 and equivalent to -0.3% p.a. of the average earning assets. Both interest income and interest expenses went down, caused partly by the market interest rate condition. However, the interest expenses dropped largely by 17.6% from the preceding year while the interest income decreased by only 4.4%, leading to a drastic fall in the negative net interest and dividend income. This was attributed to IFCT's continuous debt management such as early redemption of high-interest debts, arrangement of currency and interest rate swaps to relieve interest burden, fund mobilization through issuance of P/N and raising of low-interest concessional loans. As regards interest income, IFCT had speeded up its credit extension in order to expand the income base and tried to improve debt quality through debt restructuring to increase income recognition, leading to a slight increase in its interest income on loans. It is expected that the results of cost reduction and credit expansion will soon bring about a positive net interest and dividend income to IFCT and its subsidiary companies.

**Doubtful Accounts** totaled Bt. 492 million, up by Bt. 212 million a year earlier due to the need to accommodate the decline in value of loan security.

**Non-interest Income** accounted for Bt. 1.056 billion, down by Bt. 174 million or 14.1% from the foregoing year. Such decrease was due mainly to the decline in fee and service income of Bt. 105 million. Although the fees and charges on loans increased in accordance with the credit expansion, an extraordinary item in 2000 was recorded on the guarantee fee for large debtors undergoing debt restructuring, resulting in a decrease in the overall fee and service income in 2001. Additionally, the gain on the management of swap contracts reduced by Bt. 65 million due to the fall of interest rates in the U.S. However, the debt management had helped IFCT reduce the interest burden arising from the debentures which carried higher interest rates than the current market rates.

**Operating Expenses** amounted to Bt. 737 million, a rise of Bt. 15 million or 2.1%. In this regard, the personnel expenses went up by 7.3%. Premises and equipment expenses dropped by 10.8% as a subsidiary company had sold its assets on lease to the lessee and, thus, was no longer required to record the depreciation cost of such assets.

**Minority Interest in Subsidiary Companies Loss** amounted to Bt. 134 million.

In 2001, IFCT and its subsidiary companies recorded a net loss after the minority interest of Bt. 465 million and a loss per share of Bt. 0.40. The return on average assets was -0.2% and the return on average equity was -5.7%.

In view of cash flows from operating activities before the change in operational assets and liabilities, net cash used was Bt. 1.167 billion which was Bt. 702 million higher than the net loss. This was due to the increase in accrued interest receivables and the decrease in accrued interest payables.

**Profit Appropriation** had not been made for dividend payment and other required reserves because IFCT still incurred an operational loss and accumulated loss in 2001.

## Financial Position

### 1. Assets

As of year-end 2001, IFCT and its subsidiary companies had total assets of Bt. 192.818 billion, up by Bt. 13.050 billion or 7.3% from the end of 2000. This resulted from increases in net loans and receivables of Bt. 8.098 billion, net investments of Bt. 3.649 billion and net investments in P/N of Bt. 2.205 billion.

Major components of assets can be summarized as follows:

**Loans, Receivables and Accrued Interest Receivables - Net** totaled Bt. 152.824 billion or 79.3% of total assets, surging by Bt. 8.098 billion from the end of 2000. Credit growth was 5.5%, spurred by the acceleration of lending to projects which contributed to the economic development and recovery. In 2001, loan approvals accounted for Bt. 37.138 billion, an increase of Bt. 4.974 billion or 15.5% from the preceding year.

**Investments - Net** totaled Bt. 18.374 billion or 9.5% of total assets, a rise of 24.8% from year-end 2000, stemming from the increase in temporary investments of Bt. 5.382 billion in treasury bills, government bonds and foreign unit trusts with low risks, high liquidity and satisfactory rates of return. However, long-term investments dropped by Bt. 1.712 billion, mainly resulting from sales of government bonds.

**Investments in Promissory Notes - Net** accounted for Bt. 9.452 billion or 4.9% of total assets, a rise of 30.4% from year-end 2000, principally stemming from liquidity management to accommodate the credit expansion. The investments were made in both baht and foreign currency markets.

**Properties Foreclosed - Net** were recorded at Bt. 3.932 billion, up Bt. 1.378 billion from 2000. The increase came largely from transfer of clients' assets for debt set-off to IFCT under debt restructuring programs. IFCT has an internal unit set up to especially manage these assets for the optimal benefit by disposing of these properties soonest possible.

### 2. Asset Quality

IFCT and its subsidiaries will review the impairment of assets whenever there is an indication that the carrying value of an asset exceeds its recoverable amount. The impairment loss will then be recognized in the statement of income or the shareholders' equity will be reduced, as the case may be. The provision for the impairment of assets as of year-end 2001 was considered sufficient and in line with the accounting standards. Details classified by type of assets are as follows:

#### Loans

- Loan approval by maturity: Loans classified by maturity consist of short-term or working capital loans (maturity of up to one year) and long-term loans (maturity of over one year). The outstanding loans as of December 31, 2001 were as follows:

Type of loans	Bt. billion	%
Long-term loans	122.071	78
Working capital loans	34.139	22
Total	156.210	100

- Loan approval by type of industry: This aims at diversifying lending risk to a variety of industries so as to reduce risk exposure to any single industry. IFCT's clients can be classified by industry into 27 groups. Details of major sectors are as follows:

Type of industry	%
1. Food products and beverages	12.3
2. Basic metals	12.1
3. Transport, storage and communications	8.9
4. Electricity, gas, steam and water supply	7.9
5. Hotels	6.8
6. Wood and paper	5.2
7. Chemicals and chemical products	4.7
8. Rubber and plastic products	4.2
9. Textiles, wearing apparels and leather products	3.8
10. Others*	34.1
Total	100.0

\*Including motor vehicles and other transport equipment, products from petroleum refinery, etc.

- Adequacy and enforcement of collateral: In extending loans, IFCT requires the clients to place as collateral security properties with value covering the loan amount. The total collateral coverage of IFCT as of the end of 2001 accounted for 79% of the total indebtedness. The debt amount not covered by the collateral has been cushioned by IFCT's loan loss provisioning.

- Loan classification and allowances for doubtful accounts: IFCT stopped accruing income on the loans in arrears for over three months which are regarded as NPLs. As of the end of 2001, IFCT's NPLs under the BoT's criteria totaled Bt. 25.712 billion or 16.5% of the total loans, a slight decrease from 17.6% recorded at year-end 2000 since the Thai economy has not yet recovered as forecasted. Allowances for doubtful accounts in respect of loans, receivables and accrued interest receivable and allowances for revaluation adjustment from debt restructuring amounted to Bt. 9.199 billion, representing 100.3% of the BoT's requirement, which was sufficient to cover all receivables and conformed to the BoT's loan loss provisioning requirement. Loan classification and loan loss provisioning as of December 31, 2001 can be summarized as follows:

(Bt. million)

	Loans and accrued interest receivable	Indebtedness after deduction of collateral	Percentage of provisioning required by BoT	Allowances for doubtful accounts under BoT guideline
Normal receivables	132,952	28,320	0.1	28
Special mentioned receivables	1,190	36	2.0	1
Substandard receivables	799	48	20.0	10
Doubtful receivables	725	134	50.0	67
Doubtful loss receivables	26,100	9,070	100.0	9,070
Total	161,766	37,608		9,176

- Debt restructuring: IFCT prudently analyzes the clients' projects, including cash flow to identify their debt service ability. There are various methods used in debt restructuring, i.e. loan rescheduling, interest rate cut, reduction of principal or interest, giving of grace period, etc. The method that poses the least effect on IFCT and best matches the client's status will be applied. IFCT may adopt either one single or several methods altogether to rescue the clients and enable them to carry on the business and repay debts to IFCT. In 2001, IFCT carried out debt restructuring in a total amount of Bt. 9.223 billion. Loss from debt restructuring and allowances for revaluation adjustment from debt restructuring totaled Bt. 854 million.

### **Investments**

IFCT has a clear policy that it will not make investments in any single industrial entity in an amount greater than 10% of its equity nor hold shares in any single enterprise in an amount greater than 10% of such enterprise's share capital. However, should any enterprises contribute to the country's development, IFCT may consider making investments in an amount greater than the said limit on a case by case basis.

Returns on investments in 2001 amounted to Bt. 1.040 billion, down by Bt. 210 million from 2000 due to the gloomy stock market and declining domestic interest rates, hence a decrease in interest income from securities. For long-term investments, IFCT has adequately provided a reserve for the decline in value of investments.

### **3. Liquidity**

Based on the statements of cash flows, IFCT and its subsidiaries recorded net cash from operating activities in the amount of Bt. 4.894 billion with increase in fund raising through note payables carrying low interest rates; and net cash from investing activities in the amount of Bt. 1.806 billion due to sales of securities for investments. Meanwhile, net cash used in financing activities reached Bt. 7.852 billion on account of substantial redemption of debentures and long-term debt instruments carrying high interest rates. Thus, as of 2001 year-end, IFCT's and its subsidiaries' cash flows dropped by Bt. 1.152 billion to Bt. 1.138 billion which was still sufficient for normal operations. Besides, IFCT maintained a certain amount of temporary investments and investments in promissory notes bearing low risks and high liquidity, and had undisbursed borrowings under agreements worth Bt. 19.006 billion. This would well serve its credit expansion and loan repayments.

In view of liquidity risk, IFCT has set up a liquidity warning system, based on the maximum cumulative outflow (MCO) approach. IFCT has studied the MCO approach in comparison with the liquid asset maintaining criteria applicable to commercial banks and found that the MCO is suitable for IFCT's nature of business. The MCO approach applies external factors in economic, financial and fiscal areas as well as interest rate trends to consider market liquidity, and also such internal factor as cash flows projection. In so doing, IFCT will have liquidity available to accommodate any changes under the volatile circumstances. The BoT, which was assigned by the Ministry of Finance (MoF) to inspect IFCT, and Ernst & Young Corporate Services Limited, as the consultant to IFCT under the specialized financial institutions restructuring scheme initiated by the MoF, have viewed that IFCT's liquidity warning system is reliable and will ensure its low liquidity risk.

### **4. Investment Expenditure**

IFCT recorded no investment expenditure that is for the purpose of return generation.

### **5. Sources of Funds**

- Appropriateness of Fund Structure: IFCT's sources of funds come from issuance of new common shares, debentures, and promissory notes, and from borrowings from both local and overseas financial institutions, matching the

interest rates, maturity, and currencies of these funds with those of its lending mostly in form of medium- and long-term loans. IFCT's fund structure is thus considered appropriate for its role as a specialized financial institution rendering credits on a project financing basis.

- Shareholders Equity: This totaled Bt. 7.400 billion, a drop of Bt. 1.471 billion or 16.6% from 2000 year-end, as unrealized loss on investments in securities increased by Bt. 884 million amid the gloomy stock market. Coupled with a net loss of Bt. 465 million in 2001, the accumulated loss as of 2001 year-end totaled Bt. 8.974 billion. Book value was Bt. 6.37 per share and capital adequacy ratio was 9.0% as of 2001 year-end.

- Liabilities: IFCT's and its subsidiaries liabilities totaled Bt. 185.418 billion, up by Bt. 14.521 billion or 8.5%, mostly resulting from the rise in note payables of Bt. 23.136 billion in line with IFCT's funding policy with focus on promissory notes. Meanwhile, fund raising through debentures declined by Bt. 7.492 billion. This aimed at reducing its financial cost at a more rapid pace.

Average interest rates on both baht and foreign currency liabilities as of December 31, 2001 stood at about 4%-5%.

## 6. Relationship between Sources of Funds and Applications of Funds

Assets or Applications of Funds

(Bt. million)

Type	Maturity		Total
	Within 1 year	Over 1 year	
Cash in banks and investments in P/Ns	11,611	6	11,617
Investments	9,700	13,922	23,622
Loans and receivables	68,471	88,060	156,531
Other assets			1,048

Liabilities or Sources of Funds

(Bt. million)

Type	Maturity		Total
	Within 1 year	Over 1 year	
Note payables and securities sold under repurchase agreement	54,223	16,016	70,239
Borrowings	11,950	37,327	49,277
Debentures	14,047	49,192	63,239
Other liabilities and equity			10,063

To manage interest rate and foreign exchange risks, IFCT has matched its fund raising with the clients demand in terms of both interest rates and currencies. For foreign currency loans, IFCT provided loans in foreign currencies to entrepreneurs with foreign exchange income earning and having knowledge of and experience in foreign exchange risk management. To provide baht loans using foreign currency funds, IFCT has managed risk by cross currency swap. The Corporation has applied the VaR approach in the follow-up and assessment of foreign exchange and interest rate risks of its loan portfolio.

The net interest income in 2001 remained negative at 0.3% as a result of IFCT's fund raising practice in the past which focused on medium and long-term funds with fixed interest rates to accord with demand for long-term loans by the projects that contribute to the country's industrial development. With the economic meltdown and the government's adoption of low interest rate policy to stimulate the economy, IFCT could not reduce its interest rates as rapidly as in the

case of other financial institutions. Its financial cost thus lingered at a high level with interest payable exceeding interest receivable. It has accordingly been aware of this and undertaken as a top priority to curtail its cost through various measures, namely loan prepayment, access to low-cost funding sources, etc. As a result, the Corporation's financial cost in 2001 markedly slid from that in the foregoing year.

## 7. Key Financial Ratios

Not being under the BoT's supervision, IFCT is not required to maintain the financial ratios as prescribed by the BoT for financial institutions to follow. However, it has a policy to apply the BoT's capital adequacy ratio criteria in order to figure out its capital strength. The Corporation's capital adequacy ratio as of December 31, 2001 was 9.0% which was above the 8.5% minimum requirement set by the BoT, comprising tier-one and tier-two capital of 5.2% and 3.8% respectively.

Other key financial ratios are tabulated below:

Consolidated Financial Statements	As of December 31,		
	1999*	2000	2001
<b>Profitability Ratios</b>			
Gross profit (%)	-16.2	-14.0	0.8
Net profit (%)	-77.2	-16.7	-5.0
Return on average equity (%)	-72.0	-16.1	-5.7
Interest income (%)	5.7	5.3	4.7
Interest expense (%)	7.1	6.5	5.0
Net interest spread (%)	-1.4	-1.2	-0.3
Return on investment (%)	8.2	5.9	4.8
<b>Efficiency Ratios</b>			
Net interest income to average assets (%)	-1.2	-1.1	-0.2
Return on average assets (%)	-4.4	-0.9	-0.2
Asset turnover (times)	0.06	0.06	0.05
<b>Financial Ratios</b>			
Debt to equity (times)	13.8	19.3	25.1
Loans to borrowings (%)	87.4	88.6	85.7
Payout ratio (%)	0.0	0.0	0.0
<b>Asset Quality Ratios</b>			
Loan loss reserve to total loans and accrued interest (%)	7.5	6.2	5.7
Write-off to total loans and accrued interest (%)	0.3	0.6	0.6
NPLs to total loans and accrued interest (%)	28.7	18.0	17.0
Accrued interest to total loans and accrued interest (%)	4.6	3.8	3.4

\*Unconsolidated financial statements

## Major Factors Which May Influence or Affect Future Operational Performance or Financial Position

Apart from the Risk Factors already mentioned, IFCT recorded commitments and contingent liabilities of Bt. 29.117 billion, mostly coming from undisbursed borrowings under agreements of Bt. 19.006 billion, which posed no risks to IFCT. Others are loan guarantees and note avals worth Bt. 8.648 billion, the risk of which ranking on a par with that of loans and receivables in the financial statements.

## Other Relevant Persons

- A. Registrar (Ordinary Shares) : Thailand securities Depository Co., Ltd.  
62 Stock Exchange of Thailand Building  
Ratchadaphisek Road, Khlong Toei, Bangkok 10110  
Tel. 0-2359-1200-49
- B. Registrar (Debentures) : Thailand Industrial Finance Corporation of Thailand  
1770 New Petchburi Road, Bangkok 10320  
Tel. 0-2253-7111, 0-2253-9666
- Bang of Thailand  
273 Samsaen Road, Phranakorn, Bangkok 10200  
Tel. 0-2283-5353
- Thai Military Bank Public Co., Ltd.  
3000 Phaholyothin Road, Jatujak, Bangkok 10900  
Tel. 0-2299-1111
- C. Auditors : Mr. somckid Tiatragul,  
C.P.A. (Thailand) - Registration No. 2785  
Mr. Winid Silamongkol,  
C.P.A. (Thailand) - Registration No. 3378  
Mrs. Sudchit Boonprakob ,  
C.P.A. (Thailand) - Registration No. 2991
- SGV-Na Thalang & Co., Ltd.  
989 Siam Tower Building, 20th-22th Floors  
Rama I Road, Pathumwan, Bangkok 10330  
Tel. 0-2658-0658

## Related Transactions

See Notes to Financial Statements R elated Party Transactions.”



## Companies with IFCT's Shareholding of 10% or More

As of December 31, 2001

Name	Main Business	Location	Paid-Up Registered Capital (Bt.Million)
1. IFCT Advisory Co., Ltd.	Financial Advisory Services	Bangkok	10
2. Thai Orix Leasing Co., Ltd.	Hire-purchase/Leasing	Bangkok	200
3. Industrial Capital Management Co., Ltd.	Holding Company	Bangkok	38
4. Thai Heat Exchange Plc.	Air Conditioner	Bangkok	200
5. MFC Asset Management Plc.	Fund Management	Bangkok	120
6. Strongpack Plc.	Packaging Material	Samut Prakarn	330
7. High Pressure Steel Pipe Industry Co., Ltd.	Steel Pipe & Socket	Samut Prakarn	5
8. Asean Potash Holding Co., Ltd.	Holding Company	Bangkok	914
9. Thai Factory Development Plc.	Standard Factory Construction	Bangkok	320
10. Bangkok Visypak Co., Ltd.	Paper Containers	Pathum Thani	70
11. Thai Castor Oil Co., Ltd.	Castor Oil	Samut Prakarn	70
12. Rural Capital Partners Co., Ltd.	Joint Venture	Bangkok	10
13. National Fertilizer Plc.	Fertilizer	Rayong	13,139
14. Sanwa Inter Food Co., Ltd.	Instant Noodles	Prachin Buri	100
15. General Agro Co., Ltd.	Tomato Paste	Nong Khai	40
16. IFCT Nomura/Jafco Capital Co., Ltd.	Holding Company	Bangkok	250
17. IFCT Nomura/Jafco Holdings Co., Ltd.	Holding Company	Bangkok	250
18. Thai-Germany Products Plc.	Steel Pipe & Socket	Chachoengsao	210
19. Nam Seng Insurance Plc.	Insurance	Bangkok	139
20. Siam City Factoring Plc.	Factoring	Bangkok	180
21. Thai Rating and Information Services Co., Ltd.	Credit Rating	Bangkok	100
22. Island Resort Hotel Co., Ltd.	Hotel	Chiang Rai	400
23. Thai Precision Manufacturing Co., Ltd.	Computer Case & Metal Parts	Chon Buri	180
24. Wongpaitoon Group Plc.	Shoes	Bangkok	525
25. BNH Medical Centre Co., Ltd.	Hospital	Bangkok	745
26. Thai-Nam Plastics Plc.	Eva Film & Sheet	Samut Sakhon	372
27. Thai Baroda Industries Co., Ltd.	Nylon Tyre Cord Fabric	Rayong	905
28. Industrial Management Co., Ltd.	Consultant Service	Bangkok	10
29. Thai Container Systems Co., Ltd.	Road Transportation	Bangkok	268
30. Petpak Co., Ltd.	Plastic Bottles	Pathum Thani	80
31. Ferry Line Plc.	Marine Transportation	Nakorn Si Thammarat	190
32. Modular Samko Co., Ltd.	Furniture	Chachoengsao	175
33. Thumrin Hotel Co., Ltd.	Hotel	Trang	400
34. Siam Buyck Co., Ltd.	Steel Bars	Chon Buri	90
35. Asset Development Co., Ltd.	Hire-purchase/Leasing	Bangkok	60
36. Sima Thani Co., Ltd.	Hotel	Nakorn Ratchasima	270
37. Antara Holiday Park Co., Ltd.	Hotel	Surat Thani	130

\* Formerly IFCT Capital Management Co., Ltd.

## REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of The Industrial Finance Corporation of Thailand

I have audited the balance sheet of The Industrial Finance Corporation of Thailand and the consolidated balance sheet of The Industrial Finance Corporation of Thailand and subsidiaries as at December 31, 2001, and the related statements of income, changes in shareholders' equity and cash flows and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of The Industrial Finance Corporation of Thailand and the consolidated financial statements of The Industrial Finance Corporation of Thailand and subsidiaries for the year ended December 31, 2000, were audited by Mr. Somkid Tiatragul, who was an auditor in my firm at that time, whose report dated February 23, 2000 expressed an unqualified opinion on those statements, with an emphasis paragraph on the effect of the economic crisis on the Corporation and subsidiaries.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Industrial Finance Corporation of Thailand and of The Industrial Finance Corporation of Thailand and subsidiaries as of December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Without qualifying my opinion, I draw attention to Note 3 to the financial statements which summarizes that the operations of the Corporation have been affected, and may continue to be affected for the foreseeable future, by the economic crisis. The Corporation incurred a net loss of Baht 465 million in 2001 (Baht 1,649 million in 2000). The Corporation's management, however, has taken several measures to lower its operating costs, especially the funding costs. Among others, the Corporation has taken its option to redeem the long-term debentures with high interest rates before maturity, and arranged for repayment of long-term debts before maturity by obtaining new sources of funds with lower interest rates. In addition, the Corporation has also taken several actions to increase its non-interest income to make the better results of its operations. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Corporation. Actual results could differ from management's current assessments.



WINID SILAMONGKOL  
C.P.A. (THAILAND)  
Registration No. 3378

Bangkok

February 22, 2002

**BALANCE SHEETS**

DECEMBER 31, 2001 AND 2000

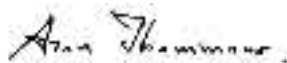
**A S S E T S**

	Note	In Baht			
		Consolidated		The Corporation Only	
		2001	2000	2001	2000
Cash on Hand and Deposits with Financial Institutions	7	1,137,688,097	2,289,295,636	1,012,580,974	1,064,944,921
Investments in Promissory Notes - Net	8	9,451,642,869	7,246,643,483	11,128,220,398	9,341,625,539
Investments					
Current investments - net	9	6,714,154,501	1,332,362,809	5,690,426,242	1,316,148,859
Long-term investments - net	9	10,711,848,995	12,424,083,158	10,202,131,718	11,485,095,394
Investments in subsidiaries and associated companies - net	6, 9	947,589,992	968,151,840	970,936,891	980,025,335
<b>Total Investments - Net</b>		<b>18,373,593,488</b>	<b>14,724,597,807</b>	<b>16,863,494,851</b>	<b>13,781,269,588</b>
Loans, Receivables and Accrued Interest Receivable	6, 10				
Loans and receivables		156,531,181,013	148,419,460,212	156,209,642,964	148,049,825,439
Accrued interest receivable and fees		3,116,388,251	3,828,096,081	3,114,274,240	3,828,096,081
Accrued interest receivable from trouble debt restructuring		2,441,922,577	2,095,464,455	2,441,922,576	2,095,464,455
Total Loans, Receivables and Accrued Interest Receivable		162,089,491,841	154,343,020,748	161,765,839,780	153,973,385,975
Less Allowances for doubtful accounts	11	( 9,265,221,874)	( 9,617,128,533)	( 9,199,383,652)	( 9,563,434,595)
<b>Loans, Receivables and Accrued Interest Receivable - Net</b>		<b>152,824,269,967</b>	<b>144,725,892,215</b>	<b>152,566,456,128</b>	<b>144,409,951,380</b>
Properties Foreclosed - Net	12	3,931,903,076	2,553,833,550	3,911,253,053	2,532,350,320
Customers Liability under Acceptances		114,935,580	27,799,954	114,935,580	27,799,954
Property and Equipment-Net	13	2,898,457,427	2,803,291,612	2,891,954,124	2,800,811,141
Other Assets					
Deferred expenses from foreign currency debt management - Net	4	394,592,360	508,374,189	394,592,360	508,374,189
Other assets	14	3,691,196,638	4,888,056,124	3,658,780,613	4,847,954,009
<b>Total Other Assets</b>		<b>4,085,788,998</b>	<b>5,396,430,313</b>	<b>4,053,372,973</b>	<b>5,356,328,198</b>
<b>TOTAL</b>		<b>192,818,279,502</b>	<b>179,767,784,570</b>	<b>192,542,268,081</b>	<b>179,315,081,041</b>

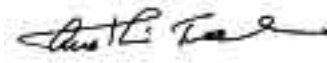
The accompanying notes are an integral part of these financial statements.

LIABILITIES AND SHAREHOLDERS EQUITY

	Note	In Baht			
		Consolidated		The Corporation Only	
		2001	2000	2001	2000
<b>LIABILITIES</b>					
Notes payable	6, 15	69,119,417,587	45,983,142,734	68,940,929,457	45,782,310,603
Borrowings	6, 16	49,276,793,492	49,709,489,132	49,276,793,492	49,709,489,132
Securities sold under repurchase agreement	17	1,120,000,000	1,098,000,000	1,120,000,000	1,098,000,000
Debentures and subordinate debentures	6, 18	63,238,847,449	70,731,262,758	63,238,847,449	70,731,262,758
Corporation liabilities under acceptances		114,935,580	27,799,954	114,935,580	27,799,954
Accrued interest and charges on borrowings		1,633,422,298	2,172,841,910	1,453,805,104	1,994,016,993
Accounts payable and accrued expenses		914,272,924	1,173,744,770	841,809,347	1,079,836,063
<b>Total Liabilities</b>		<b>185,417,689,330</b>	<b>170,896,281,258</b>	<b>184,987,120,429</b>	<b>170,422,715,503</b>
<b>SHAREHOLDERS EQUITY</b>					
Share capital - common shares, Baht 10 par value					
Authorized share capital - 1,200 million shares					
Issued and fully paid-up 1,161,624,281 shares	20	11,616,242,810	11,616,242,810	11,616,242,810	11,616,242,810
Paid-in surplus - net	20	6,815,509,406	6,815,509,406	6,815,509,406	6,815,509,406
Revaluation increment in property - net	13	661,194,568	690,139,096	661,194,568	690,139,096
Unrealized losses on investment in securities - net	9	( 2,537,195,633)	( 1,653,211,954)	( 2,537,195,633)	( 1,653,211,954)
Equity in unrealized loss on securities for investments of subsidiaries	9	( 26,116,738)	( 38,262,892)	( 26,116,738)	( 38,262,892)
Retained earnings (deficit)					
- Appropriated for Legal reserve	21	777,931,000	777,931,000	777,931,000	777,931,000
- Unappropriated		( 9,752,417,761)	( 9,315,981,928)	( 9,752,417,761)	( 9,315,981,928)
Minority interest		( 154,557,480)	( 20,862,226)	-	-
<b>Shareholders Equity - Net</b>		<b>7,400,590,172</b>	<b>8,871,503,312</b>	<b>7,555,147,652</b>	<b>8,892,365,538</b>
<b>TOTAL</b>		<b>192,818,279,502</b>	<b>179,767,784,570</b>	<b>192,542,268,081</b>	<b>179,315,081,041</b>
<b>Contingent Liabilities</b>					
Avals to promissory notes and guarantees for loans	24	8,647,532,681	12,116,768,779	8,647,532,681	12,116,768,779
Letters of credit		1,420,124,728	343,302,989	1,420,124,728	343,302,989
Other commitments		19,049,226,864	24,763,905,970	19,049,226,864	24,763,905,970



(Dr. Aran Thammano)  
Chairman



(Mr. Anothai Techamontrikul)  
President

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

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Note	In Baht			
		Consolidated		The Corporation Only	
		2001	2000	2001	2000
<b>INTEREST AND DIVIDEND INCOME ON</b>					
Loans	6	7,258,831,506	7,229,611,482	7,246,510,476	7,244,741,690
Investments in promissory notes and deposits	6	407,765,015	585,660,738	436,533,910	583,982,259
Securities - net		588,214,880	817,839,579	571,688,640	808,297,133
<b>Total Interest and Dividend Income</b>		<b>8,254,811,401</b>	<b>8,633,111,799</b>	<b>8,254,733,026</b>	<b>8,637,021,082</b>
<b>EXPENSES ON BORROWINGS</b>					
Interest and discounts on borrowings	6	8,617,643,439	10,448,845,172	8,617,643,439	10,448,613,970
Fees and charges on borrowings		62,773,749	82,582,272	62,773,749	82,582,272
<b>Total Expenses on Borrowings</b>		<b>8,680,417,188</b>	<b>10,531,427,444</b>	<b>8,680,417,188</b>	<b>10,531,196,242</b>
<b>Net Interest and Dividend Expenses - Net</b>		<b>( 425,605,787)</b>	<b>( 1,898,315,645)</b>	<b>( 425,684,162)</b>	<b>( 1,894,175,160)</b>
<b>DOUBTFUL ACCOUNTS</b>					
		492,265,886	280,209,990	479,570,712	266,482,847
<b>Interest and Dividend Income (Expenses) - Net of Doubtful Accounts</b>		<b>( 917,871,673)</b>	<b>( 2,178,525,635)</b>	<b>( 905,254,874)</b>	<b>( 2,160,658,007)</b>
<b>NON-INTEREST INCOME (EXPENSES)</b>					
Gains on securities trading - net		378,751,498	366,796,799	490,493,271	352,338,154
Provision for loss on impairment of investments in securities		( 192,612,435)	( 210,214,734)	( 24,508,864)	( 153,026,372)
Fees and services income		496,454,557	601,497,209	438,281,557	516,403,664
Equity in net income (loss) of investments in subsidiaries and associated companies - net		73,447,134	65,574,210	( 84,741,114)	47,497,805
Amortization of deferred expenses from foreign currency debt management	4, 22	( 97,177,829)	( 97,690,239)	( 97,177,829)	( 97,690,239)
Gain on the management of foreign currency debt		274,916,804	340,273,348	274,916,804	340,273,348
Gain on exchange	22	13,342,461	31,620,880	13,342,461	31,620,880
Other income		108,992,228	132,195,627	116,377,948	102,299,796
<b>Total Non-Interest Income</b>		<b>1,056,114,418</b>	<b>1,230,053,100</b>	<b>1,126,984,234</b>	<b>1,139,717,036</b>
<b>NON-INTEREST EXPENSES</b>					
Personnel expenses		464,458,080	432,769,633	441,610,249	385,268,962
Premises and equipment expenses		135,931,299	152,323,506	134,365,554	127,697,166
Director's remuneration		4,110,000	3,834,000	4,110,000	3,834,000
Income tax expense		795,730	-	-	-
Other expenses		132,023,251	133,249,668	107,023,918	110,911,611
<b>Total Non-Interest Expenses</b>		<b>737,318,360</b>	<b>722,176,807</b>	<b>687,109,721</b>	<b>627,711,739</b>
<b>NET LOSS BEFORE MINORITY INTEREST</b>		<b>( 599,075,615)</b>	<b>( 1,670,649,342)</b>	<b>( 465,380,361)</b>	<b>( 1,648,652,710)</b>
<b>Minority Interest</b>		<b>133,695,254</b>	<b>21,996,632</b>	<b>-</b>	<b>-</b>
<b>NET LOSS</b>		<b>( 465,380,361)</b>	<b>( 1,648,652,710)</b>	<b>( 465,380,361)</b>	<b>( 1,648,652,710)</b>
<b>Basic Loss per Share</b>		<b>( 0.40)</b>	<b>( 1.42)</b>	<b>( 0.40)</b>	<b>( 1.42)</b>
<b>Weighted Average Number of Shares for Loss per Share Computation (Shares)</b>		<b>1,161,624,281</b>	<b>1,161,624,281</b>	<b>1,161,624,281</b>	<b>1,161,624,281</b>

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

## STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Note	In Baht			
		Consolidated		The Corporation Only	
		2001	2000	2001	2000
<b>Common Share</b>	20				
Balance, beginning of year		11,616,242,810	11,616,242,810	11,616,242,810	11,616,242,810
Addition		-	-	-	-
Balance, end of year		11,616,242,810	11,616,242,810	11,616,242,810	11,616,242,810
<b>Paid-in Surplus</b>	20				
Balance, beginning of year		6,815,509,406	6,815,509,406	6,815,509,406	6,815,509,406
Addition		-	-	-	-
Balance, end of year		6,815,509,406	6,815,509,406	6,815,509,406	6,815,509,406
<b>Revaluation Increment in Property - Net</b>	13				
Balance, beginning of year		690,139,096	719,704,552	690,139,096	719,704,552
Depreciation transferred to deficit		( 28,944,528)	( 29,565,456)	( 28,944,528)	( 29,565,456)
Balance, end of year		661,194,568	690,139,096	661,194,568	690,139,096
<b>Unrealized Losses on Investment in Securities</b>					
Balance beginning of year		( 1,653,211,954)	( 626,951,101)	( 1,653,211,954)	( 626,951,101)
Addition		( 883,983,679)	( 1,026,260,853)	( 883,983,679)	( 1,026,260,853)
Balance, end of year		( 2,537,195,633)	( 1,653,211,954)	( 2,537,195,633)	( 1,653,211,954)
<b>Equity in Unrealized Loss on Securities for Investments of Subsidiaries</b>					
Balance, beginning of year		( 38,262,892)	( 20,802,592)	( 38,262,892)	( 20,802,592)
Deduction (Addition)		12,146,154	( 17,460,300)	12,146,154	( 17,460,300)
Balance, end of year		( 26,116,738)	( 38,262,892)	( 26,116,738)	( 38,262,892)
<b>Legal Reserve</b>	21				
Balance, beginning of year		777,931,000	777,931,000	777,931,000	777,931,000
Addition		-	-	-	-
Balance, end of year		777,931,000	777,931,000	777,931,000	777,931,000
<b>Deficit</b>					
Balance, beginning of year		( 9,315,981,928)	( 7,696,894,674)	( 9,315,981,928)	( 7,696,894,674)
Net loss		( 465,380,361)	( 1,648,652,710)	( 465,380,361)	( 1,648,652,710)
Depreciation on revaluation increment in properties	13	28,944,528	29,565,456	28,944,528	29,565,456
Balance, end of year		( 9,752,417,761)	( 9,315,981,928)	( 9,752,417,761)	( 9,315,981,928)
<b>Minority Interest</b>					
Balance, beginning of year		( 20,862,226)	6,234,336	-	-
Addition		( 133,695,254)	( 27,096,562)	-	-
Balance, end of year		( 154,557,480)	( 20,862,226)	-	-
<b>SHAREHOLDERS EQUITY - NET</b>		<b>7,400,590,172</b>	<b>8,871,503,312</b>	<b>7,555,147,652</b>	<b>8,892,365,538</b>

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	In Baht			
	Consolidated		The Corporation Only	
	2001	2000	2001	2000
<b>Cash flows from operating activities</b>				
Net loss	( 465,380,361)	( 1,648,652,710)	( 465,380,361)	( 1,648,652,710)
Adjustments to reconcile net loss to net cash provided from (used in) operating activities				
Provision for loss on impairment of investment in securities	192,612,435	151,548,114	24,508,864	94,359,752
Depreciation and amortization	100,743,688	119,116,082	90,334,599	96,888,533
Provision for doubtful accounts	492,265,886	96,949,705	479,570,712	84,024,705
Amortization of deferred expenses from foreign currency debt management	97,177,829	97,690,239	97,177,829	97,690,239
Interest provided for special fund	7,515,678	12,984,959	7,515,678	12,984,959
Equity in net loss (income) of investments in subsidiaries and associated companies	( 73,447,134)	( 29,935,299)	84,741,114	( 29,935,299)
Gains on sales of property and equipment, and properties foreclosed	( 24,714,104)	( 41,199,397)	( 19,012,079)	( 11,684,498)
Gain on the management of foreign currency debt	( 274,916,804)	( 340,273,348)	( 274,916,804)	( 340,273,348)
Gain on sales of investments in securities	( 378,751,498)	( 456,282,511)	( 490,493,271)	( 424,760,278)
Decrease (increase) in interest and dividend receivable	( 361,803,259)	338,262,805	( 311,278,306)	338,708,409
Decrease in interest payable	( 486,090,104)	( 476,197,485)	( 540,211,889)	( 476,883,684)
Decrease (increase) in other current liabilities	8,404,921	( 2,311,365)	8,404,921	( 2,254,109)
Unrealized gains on exchange rates	( 991,854)	( 1,180,118)	( 991,854)	( 1,180,118)
<b>Net cash used in operating activities before changes in operational assets and liabilities</b>	<b>( 1,167,374,681)</b>	<b>( 2,179,480,329)</b>	<b>( 1,310,030,847)</b>	<b>( 2,210,967,447)</b>
<b>Decrease (Increase) in Operational Assets</b>				
Investments in promissory notes	( 2,068,320,774)	3,493,650,682	( 2,009,519,572)	2,461,822,998
Cash received from sales of securities for trading	6,330,308,474	1,847,738,318	6,307,750,062	1,835,966,574
Cash paid for acquisition of securities	(11,703,440,019)	( 2,278,633,122)	(10,679,554,010)	( 2,177,610,998)
Loans and receivables	(10,936,611,355)	( 11,357,261,546)	(10,964,474,533)	( 11,396,330,930)
Properties foreclosed	( 117,715,151)	18,042,708	( 117,715,151)	3,279,270
Account receivables	( 442,270)	1,827,373	-	-
Other assets	( 926,543,972)	1,886,437,891	( 933,889,398)	1,871,277,853
<b>Increase (Decrease) in Operational Liabilities</b>				
Notes payable	23,134,244,603	21,839,155,484	23,156,588,603	22,030,935,484
Securities sold under repurchase agreement	22,000,000	( 2,183,000,000)	22,000,000	( 2,183,000,000)
Borrowings	2,462,518,624	( 4,130,087,449)	2,462,518,624	( 2,705,112,449)
Other liabilities	( 134,541,474)	494,204,035	( 119,248,469)	520,014,107
<b>Net cash provided from operating activities</b>	<b>4,894,082,005</b>	<b>7,452,594,045</b>	<b>5,814,425,309</b>	<b>8,050,274,462</b>

# STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	In Baht			
	Consolidated		The Corporation Only	
	2001	2000	2001	2000
<b>Cash flows from investing activities</b>				
Cash received from sale of securities for investment	6,586,377,716	7,305,942,570	6,428,380,106	7,100,838,213
Cash paid for acquisition of securities for investment	( 4,601,161,193)	( 2,825,795,152)	( 4,402,397,980)	( 2,830,194,856)
Purchases of property and equipment	( 187,315,778)	( 180,819,245)	( 182,039,466)	( 173,362,962)
Cash received from disposal of property, and equipment	7,964,702	5,594,621	7,127,821	5,594,621
<b>Net cash provided from investing activities</b>	<b>1,805,865,447</b>	<b>4,304,922,794</b>	<b>1,851,070,481</b>	<b>4,102,875,016</b>
<b>Cash flows from financing activities</b>				
Cash received from issuance of debentures and long-term notes payable	22,378,004,326	68,778,754,890	22,378,004,326	68,778,754,890
Cash paid for debentures redemption and settlement of long-term notes payable '	(30,095,864,063)	( 80,833,057,094)	(30,095,864,063)	( 80,833,057,094)
Minority interest in subsidiaries	( 133,695,254)	( 27,096,562)	-	-
<b>Net cash provided from (used in) financing activities</b>	<b>( 7,851,554,991)</b>	<b>( 12,081,398,766)</b>	<b>( 7,717,859,737)</b>	<b>( 12,054,302,204)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>( 1,151,607,539)</b>	<b>( 323,881,927)</b>	<b>( 52,363,947)</b>	<b>98,847,274</b>
Cash and Cash Equivalents at Beginning of Year	2,289,295,636	2,613,177,563	1,064,944,921	966,097,647
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,137,688,097</b>	<b>2,289,295,636</b>	<b>1,012,580,974</b>	<b>1,064,944,921</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</b>				
Cash paid during the year for - Interest expenses	9,151,103,558	10,968,257,632	9,151,895,835	10,970,046,386

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



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

## 1. GENERAL INFORMATION

The Industrial Finance Corporation of Thailand (IFCT) is a specialized development finance institution established by the Government under the Industrial Finance Corporation of Thailand Act B.E. 2502 with the main objectives of assisting in and promoting private sector industrial investment and domestic capital market development. To achieve such objectives, IFCT has rendered a wide variety of financial services comprising long-term and medium-term loans, working capital loans, equity investment, loan syndication and guarantee. Among others, its business covers financial advisory services, investment advisory services, joint-venture partner identification, investment banking services, trade financing services. At present, approximately 30% of the Corporation's common shares are integrated held by government agencies, Ministry of Finance (MoF), Government Savings Bank and Krungthai Bank Public Company Limited. IFCT's head office is located at 1770 New Petchburi Road, Bangkok. As at December 31, 2001 and 2000, IFCT has 1,011 employees and 985 employees, respectively, with total employee expense of Baht 442 million in 2001 and Baht 385 million in 2000.

In 2001, the Corporation was rated by Standard & Poor's at BB+, Moody's Investors Service at Ba1 and Thai Rating and Information Services Co., Ltd. at A+.

## 2. BASIS OF FINANCIAL STATEMENT PREPARATION

2.1 The accompanying consolidated financial statements as at December 31, 2001 and 2000 include the accounts of The Industrial Finance Corporation of Thailand and subsidiaries which are direct/indirect controlled by the Corporation as follows:

	Percentage of Holding	
	2001	2000
Asset Development Co., Ltd.	100	100
CO-ADCO Co., Ltd.	100	100
Industrial Capital Management Co., Ltd. (Formerly IFCT Capital Management Co., Ltd.)	100	100
Industrial Management Co., Ltd.	100	100
IFCT Advisory Co., Ltd.	100	100
IFCT Nomura/Jafco Holdings Co., Ltd.	51	51
IFCT Nomura/Jafco Capital Co., Ltd.	51	51

Significant intercompany transactions with subsidiaries have already been eliminated in consolidated financial statements.

2.2 The financial statements are prepared in Thai Baht in the Thai language in conformity with generally accepted accounting principles in Thailand.

The accounting standards used may not conform to generally accepted accounting principles in other countries. 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. Accordingly, these financial statements are not designed for those who are not informed about Thai accounting principles and practices.

The accompanying financial statements have been prepared under the historical cost convention, except for land and buildings which are carried at revalued amounts.

For convenience of the readers, an English translation of the financial statements has been prepared from the Thai language financial statements that are issued for domestic reporting purposes.

### 3. ECONOMIC CRISIS

The operations of the Corporation have been affected, and may continue to be affected for the foreseeable future, by the economic crisis. The Corporation incurred a net loss of Baht 465 million in 2001 (Baht 1,649 million in 2000). The Corporation's management, however, has taken several measures to lower its operating costs, especially the funding costs. Among others, the Corporation has taken its option to redeem the long-term debentures with high interest rates before maturity, and arranged for repayment of long-term debts before maturity by obtaining new sources of funds with lower interest rates. In addition, the Corporation also has taken several actions to increase its non-interest income to make the better results of its operations. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Corporation. Actual results could differ from management's current assessments.

### 4. FOREIGN CURRENCY TRANSACTIONS

Under The Industrial Finance Corporation of Thailand Act, B.E. 2502 and as subsequently amended, the Government can enter into agreements with the Corporation in order to shoulder the losses or receive the gains on foreign exchange, whichever the case may be.

In 1995, the Corporation made loan prepayments to some sources of funds under the agreements with the MoF and recorded exchange losses from such conversion as deferred expenses which is included as a part of other assets in balance sheets and being amortized over the remaining repayment periods of local currency debts.

Borrowings not covered by exchange risk agreements with the MoF, but to be absorbed by the debtors, are recorded as Baht receivables and payables by converting at the reference rates announced by the Bank of Thailand at the balance sheet dates.

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### Revenue Recognition

Interest income is recognized on a time proportion basis that reflects the effective yield on the assets. Interest income on loans and receivables for which debtors had defaulted the payment of interest over three consecutive months, is reversed and recognized on a cash basis.

Gain or loss on troubled debt restructuring is computed by reference to the market discount rate. Interest income, including the effect of change in discount rate and the reversal of allowances for doubtful debts, are recognized in the statement of income each year.

Income from sales of property foreclosed is recognized on cash basis.

Other income is recognized on an accrual basis.

#### Expense Recognition

Interest expense is recorded based on principal outstanding on an accrual basis. Discount on debentures is amortized by the straight-line method over the lives of the debentures and accounted for as a part of interest expense.

#### Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, and at banks or highly liquid investments, which is not used as collateral, with original maturity of three months or less.

#### Allowances for Doubtful Accounts

The Corporation provides allowances for doubtful accounts equal to the estimated losses that may be incurred from the collection of the loans and receivables based on the review and evaluation of the current status of each loan and receivable, with consideration of the risks and collateral values. The announcement of the Bank of Thailand to notify the bank and financial institutions concerning the debt classification and allowances for doubtful accounts is also taken into consideration for the provision of the allowances for doubtful accounts.

#### Investments in Securities

Investments in marketable equity and debt securities classified as trading securities are stated at fair value. Unrealized gains or losses arising from their revaluation are credited or charged to the statements of income.

Investments in marketable equity and debt securities classified as available-for-sales securities are stated at fair value. Unrealized gains or losses arising from their revaluation are presented as a component of shareholders' equity.

Fair value is based on the latest prices quoted in the Thai Bond Dealing Center or Stock Exchange of Thailand at the balance sheet dates.

Long-term investments in non-marketable equity securities which are being held as general investments are accounted for at cost net of allowance for loss on impairment of investments.

Investments in debt securities classified as held-to-maturity are stated at amortized cost net of premium or discount. Premiums and discounts are amortized by the effective interest method over the terms of the securities.

The costs of current and long-term investments which are disposed of during the years are accounted for by the weighted average method. The Corporation accounts for its investments in subsidiary and associated companies by the equity accounting method.

### Properties Foreclosed

Properties foreclosed are properties received for the settlement of loans receivable which are stated at cost (cost is derived from the outstanding amount of loans plus related expenses for the transfer and repossession of assets) or net realizable value, whichever is lower. Gains or losses are taken up in the accounts when properties foreclosed are disposed of.

### Impairment of Assets

The Corporation and subsidiaries review the impairment of assets whenever events indicate that the carrying value of an asset exceeds its recoverable amount (the higher of an asset's net selling price or value in use). The review is made for individual asset or for the cash-generating units, if any.

Should the carrying value of an asset exceeds its recoverable amount, the Corporation and subsidiaries recognize the impairment losses in the statements of income, or reduce in revaluation increment which recorded under the caption of shareholders' equity. The reversal of impairment losses recognized in prior years is recorded as part of other income or as a revaluation increment in assets when there is an indication that the impairment loss recognized for the asset no longer exists or decreases.

### Property and Equipment

The Corporation and subsidiaries record fixed assets (except for land and buildings, which are carried at revalued amounts) at cost, net of accumulated depreciation and impairment loss. The Corporation and subsidiaries account for increment of land and buildings in "Revaluation increment in property - Net" which is presented as a part of shareholders' equity.

### Depreciation and Amortization

The Corporation and subsidiaries depreciate property and equipment, which are carried at cost, by the straight-line method over the estimated useful lives of the assets as follows:

	No. of Years
Furnitures, fixtures and office equipment	3 - 10
Transportation equipment	5
Leasehold right	Contract lives

The depreciation charged on revalued assets is based on the revalued amount over the remaining economic useful life, and the revaluation surplus transferred to deficit when the surplus is realized.

The Corporation and subsidiaries amortize the excess of cost of investments over their book value at acquisition dates by the straight - line method over a period of 10 years commencing from the investment date. The remaining balance will be taken into consideration of gain on loss when the related investments are disposed of.

### Foreign Currency Transactions

All foreign currency transactions during the year are translated into Thai Baht at the rates prevailing at the dates of transactions. Assets and liabilities denominated in foreign currencies at balance sheet dates are translated into Thai Baht at the reference rates announced by the Bank of Thailand at the balance sheet dates. Gains or losses on translation are credited or charged to operations.

Gains or losses on the forward exchange contracts incurred from exchange rate difference between the spot rate at forward contract date and forward rate are deferred and recognized as income or expenses over the contract periods.

### Income Tax

The provision for income tax of subsidiaries is based on the amount currently payable according to the Revenue Code.

### Basic Loss per Share

Basic loss per share is determined by dividing the net loss by the weighted average number of shares outstanding during the year. The Corporation does not present the diluted loss per share for comparative purpose which might arise from the exercise of warrants since the effect of it does not bring the increase in basic loss per share.

## 6. RELATED PARTY TRANSACTIONS

### 6.1 Investments in Related Companies

Consolidated (In Thousand Baht)

	Type of Business	Percentage of Holding		Paid-up Capital		Investment		Dividend	
		2001	2000	2001	2000	2001	2000	2001	2000
<b>Associated Companies</b>									
Equity Method									
- Thai Orix Leasing Co., Ltd	Hire Purchase/ Leasing	45.96	45.96	200,000	200,000	260,269	204,695	4,596	-
- MFC Asset Management Public Co., Ltd. (formerly The Mutual Fund Public Co., Ltd.)	Fund Management	24.23	24.23	120,000	120,000	474,614	500,030	29,078	3,635
- Thai Factory Development Public Co., Ltd.	Development & Selling Land for Industrial Uses	-	19.66	320,000	320,000	-	89,225	-	-
- Strongpack Public Co., Ltd.	Packaging Material	22.00	18.18	330,000	330,000	212,707	174,202	21,780	18,000
<b>Total Investments in Associated Companies</b>						<b>947,590</b>	<b>968,152</b>		

The Corporation Only (In Thousand Baht)

	Type of Business	Percentage of Holding		Paid-up Capital		Investment		Dividend	
		2001	2000	2001	2000	2001	2000	2001	2000
<b>Subsidiaries</b>									
Equity Method									
- Asset Development Co., Ltd.	Hire Purchase/ Leasing	100	100	60,000	60,000	-	-	-	-
- CO-ADCO Co., Ltd.	Venture Capital	100	100	20,000	20,000	-	-	-	-
- Industrial Capital Management Co., Ltd. (formerly IFCT Capital Management Co., Ltd.)	Venture Capital	100	100	38,000	25,000	9,376	-	-	-
- Industrial Management Co., Ltd	Consultant Service	100	100	10,000	10,000	-	-	-	-
- IFCT Advisory Co., Ltd.	Investment/ Banking Services	100	100	10,000	10,000	13,971	11,873	-	-
- IFCT Nomura/Jafco Holdings Co., Ltd.	Venture Capital	51	51	250,000	250,000	-	-	-	-
- IFCT Nomura/Jafco Capital Co., Ltd.	Venture Capital	51	51	250,000	250,000	-	-	-	-
<b>Total Investments in Subsidiaries</b>						<b>23,347</b>	<b>11,873</b>		

The Corporation Only (In Thousand Baht)

	Type of Business	Percentage of Holding		Paid-up Capital		Investment		Dividend	
		2001	2000	2001	2000	2001	2000	2001	2000
<b>Associated Companies</b> Equity Method									
- Thai Orix Leasing Co., Ltd	Hire Purchase/ Leasing	45.96	45.96	200,000	200,000	260,269	204,695	4,596	-
- MFC Asset Management Public Co., Ltd. (formerly The Mutual Fund Public Co., Ltd.)	Fund Management	24.23	24.23	120,000	120,000	474,614	500,030	29,078	3,635
- Thai Factory Development Public Co., Ltd.	Development & Selling Land for Industrial Uses	-	19.66	320,000	320,000	-	89,225	-	-
- Strongpack Public Co., Ltd.	Packaging Material	22.00	18.18	330,000	330,000	212,707	174,202	21,780	18,000
<b>Total Investments in Associated Companies</b>						<b>947,590</b>	<b>968,152</b>		
<b>Total Investments in Subsidiaries and Associated Companies</b>						<b>970,937</b>	<b>980,025</b>		

Starting from the fourth quarter of 2001, the Corporation discontinued recording the equity in net loss on investment in Thai Factory Development Public Co., Ltd. because the Corporation planned to sell that investment in January 2002. At December 31, 2001, the Corporation classified such investment as general investment net of allowance for impairment loss.

In 2001, the Corporation purchased the shares of Strongpack Public Co., Ltd. from another shareholders at the market price of Baht 50.4 million which was higher than its net book value of Baht 14.8 million. The Corporation accounted for the difference as part of investment and amortized it by a straight - line method over 10 years. This results the change in percentage of holding from 18.18% in 2000 to 22.00% in 2001.

## 6.2 Investments in Promissory Notes and Loans to/from Related Companies

Consolidated (In Thousand Baht)

	2001	2000	Average Principal in 2001	Cost of Lending Policy
Loans Receivable				
Associated Companies				
- Thai Factory Development Public Co., Ltd.	10,000	402,200	399,800	At Market Rate
- Strongpack Public Co., Ltd.	32,000	124,000	114,273	At Market Rate
Notes payable				
Associated Company				
- MFC Asset Management Public Co., Ltd. (formerly The Mutual Fund Public Co., Ltd.)	66,400	109,000	82,058	At Market Rate

The Corporation Only (In Thousand Baht)

	2001	2000	Average Principal in 2001	Cost of Lending Policy
Investments in Promissory Notes				
Subsidiaries				
- CO-ADCO Co., Ltd.	655,803	729,235	686,997	At Market Rate
- Industrial Capital Management Co., Ltd. (formerly IFCT Capital Management Co., Ltd.)	-	44,533	26,875	At Market Rate
- Industrial Management Co., Ltd.	441,065	386,285	405,357	At Market Rate
- Asset Development Co., Ltd.	921,988	902,741	913,208	At Market Rate
- IFCT Nomura/Jafco Holdings Co., Ltd.	55,405	78,795	71,043	At Market Rate
- IFCT Nomura/Jafco Capital Co., Ltd.	14,287	101,835	132,968	At Market Rate
Loans Receivable				
Associated Companies				
- Thai Factory Development Public Co., Ltd.	10,000	402,200	399,800	At Market Rate
- Strongpack Public Co., Ltd.	32,000	124,000	114,273	At Market Rate
Notes Payable				
Associated Company				
- MFC Asset Management Public Co., Ltd. (formerly The Mutual Fund Public Co., Ltd.)	66,400	109,000	82,058	At Market Rate

The Corporation and a joint creditor have given the waiver of interest on loans to two subsidiary companies for two years commencing January 2000. As of December 31, 2001 and 2000, the principals of the said loans amounted to Baht 70 million and Baht 181 million, respectively.

The average principal was computed based on the month - end balance throughout the year.

### 6.3 Loans to/Borrowings from Management - Consolidated and The Corporation Only.

In Thousand Baht

Type	January 1, 2001	Increase	Decrease	December 31, 2001	Cost of Lending Policy
Welfare loans	14,024	-	887	13,137	At Borrowing Cost
Notes payable	108,967	302,921	265,952	145,936	At Market Rate

#### 6.4 Borrowings from Major Shareholders - Consolidated and The Corporation Only

In Thousand Baht				
	2001	2000	Average Principal in 2001	Cost of Lending Policy
Notes payables				
Ministry of Finance	1,800,000	1,800,000	1,800,000	At Market Rate
Government Savings Bank	3,000,000	3,300,000	2,975,000	At Market Rate
Borrowings				
Ministry of Finance	9,708,611	8,047,895	9,227,305	At Market Rate
Debtentures				
Government Savings Bank	4,540,000	4,540,000	4,540,000	At Market Rate

The average principal was computed based on the month-end balance throughout the year.

#### 6.5 Income/Expense from Related Companies

In Thousand Baht				
	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Subsidiaries				
Interest income	-	-	43,397	70,964
Other income	-	-	2,360	8,459
Associated Companies				
Interest income	13,495	54,918	13,495	54,918
Dividend income	55,454	21,635	55,454	21,635
Interest expense	1,763	326	1,763	326
Management and Major shareholders				
Interest income	721	881	721	881
Interest expense	1,116,909	1,446,546	1,116,909	1,446,546

#### 6.6 Contingency of Major Shareholder for its Guarantee of Loan of the Corporation - Consolidated and the Corporation Only

In Thousand Baht		
	2001	2000
Ministry of Finance	75,354,550	90,759,791

## 6.7 Contingent Liability - Guarantee of Subsidiary - The Corporation Only

In Thousand Baht

	2001	2000
IFCT Advisory Co., Ltd.	7,188	7,188

## 7. CASH ON HAND AND DEPOSITS WITH FINANCIAL INSTITUTIONS

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Cash	200	320	152	299
Deposits with financial institutions	1,137,488	2,278,242	1,012,429	1,053,912
Cheques in transit	-	10,734	-	10,734
Total	1,137,688	2,289,296	1,012,581	1,064,945

## 8. INVESTMENTS IN PROMISSORY NOTES

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Promissory notes - at call	2,124,138	1,573,964	4,216,185	1,754,594
Promissory notes and bills of exchange - term - net	8,355,050	6,747,108	7,939,581	8,609,991
Total	10,479,188	8,321,072	12,155,766	10,364,585
Add Accrued interest receivable	25,466	51,551	25,466	103,020
Less Allowances for doubtful accounts	( 1,053,011)	( 1,125,980)	( 1,053,011)	( 1,125,980)
Net	9,451,643	7,246,643	11,128,221	9,341,625

Investments in promissory notes on which the Corporation stopped accruing interest amounted to approximately Baht 1,518 million and Baht 1,497 million at December 31, 2001 and 2000.

As of December 31, 2001 and 2000, investments in promissory notes included investments in promissory notes of seven financial institutions which the Bank of Thailand announced to cease or control their operations amounting to Baht 667 million and Baht 909 million, respectively. The Corporation provided allowance for doubtful accounts totaling Baht 619 million for the year 2001 and 647 million for the year 2000. This allowance was derived from the determination of receivables after the deduction of the minimum amount that will be received from the sharing of proceeds from disposals of the mentioned finance companies assets, net of related expenses.



## 9. INVESTMENTS IN SECURITIES

### 9.1 Classified by Types of Investments

Consolidated (In Thousand Baht)

	2001		2000	
	Cost/ Book Value	Market Value /Fair Value	Cost/ Book Value	Market Value /Fair Value
<b>Current Investments</b>				
Securities for Trading				
Government and state enterprises securities	1,364,463	1,364,463	-	-
Private debt securities	308,841	301,520	285,480	268,630
Marketable equity securities - domestic	673,426	521,098	730,802	414,803
Total	2,346,730	2,187,081	1,016,282	683,433
Less: Valuation adjustment	( 159,649)	-	( 332,849)	-
Net	2,187,081	2,187,081	683,433	683,433
Available-for-Sales Securities				
Government and state enterprises securities	1,864,197	1,864,197	-	-
Private debt securities	-	-	-	-
Marketable equity securities - domestic	20,627	9,256	-	-
Marketable equity securities - foreign	2,653,620	2,653,620	216,310	216,310
Total	4,538,444	4,527,073	216,310	216,310
Less: Valuation adjustment	( 11,371)	-	-	-
Net	4,527,073	4,527,073	216,310	216,310
Debt Instruments Held to Maturity				
Foreign debt securities	-	-	432,620	432,620
Total	-	-	432,620	432,620
<b>Total Current Investment - Net</b>	<b>6,714,154</b>	<b>6,714,154</b>	<b>1,332,363</b>	<b>1,332,363</b>
<b>Long-term Investments</b>				
Available-for-sales securities				
Government and state enterprises securities	2,035,923	2,017,972	3,697,612	3,697,570
Private debt securities	1,652,339	754,175	1,996,513	878,090
Marketable equity securities-domestic	4,124,250	1,501,455	3,073,147	887,974
Total	7,812,512	4,273,602	8,767,272	5,463,634
Less: Valuation adjustment	( 2,640,746)	-	( 2,193,488)	-
Less: Allowances for loss on impairment	( 898,164)	-	( 1,110,150)	-
Net	4,273,602	4,273,602	5,463,634	5,463,634
Debt Instruments Held to Maturity				
Private debt securities	2,309,164	2,309,164	2,290,559	2,290,559
Foreign debt securities	1,680,626	1,680,626	1,643,956	1,643,956
Total	3,989,790	3,989,790	3,934,515	3,934,515
General Investments				
Non - marketable equity securities	3,986,570	3,143,969	4,289,022	3,683,670
Less : Allowance for loss on impairment	( 1,538,113)	-	( 1,263,088)	-
Net	2,448,457	3,143,969	3,025,934	3,683,670
<b>Total Long-term Investment - Net</b>	<b>10,711,849</b>	<b>11,407,361</b>	<b>12,424,083</b>	<b>13,081,819</b>
<b>Investments in Associated Companies (Equity Method)</b>				
Non-marketable equity securities	260,270	273,215	204,695	109,396
Marketable equity securities	687,320	629,280	763,457	373,014
<b>Total Investments in Associated Companies</b>	<b>947,590</b>	<b>902,495</b>	<b>968,152</b>	<b>482,410</b>
<b>Total Investments in Securities - Net</b>	<b>18,373,593</b>	<b>19,024,010</b>	<b>14,724,598</b>	<b>14,896,592</b>

The Corporation Only (In Thousand Baht)

	2001		2000	
	Cost/ Book Value	Market Value /Fair Value	Cost/ Book Value	Market Value /Fair Value
<b>Current Investments</b>				
Securities for Trading				
Government and state enterprises securities	653,884	653,884	-	-
Private debt securities	307,933	301,228	285,480	268,630
Marketable equity securities - domestic	673,426	521,098	688,957	398,589
Total	1,635,243	1,476,210	974,437	667,219
Less: Valuation adjustment	( 159,033)	-	( 307,218)	-
Net	1,476,210	1,476,210	667,219	667,219
<b>Available-for-Sales Securities</b>				
Government and state enterprises securities	1,560,596	1,560,596	-	-
Private debt securities	-	-	-	-
Marketable equity securities - domestic	-	-	-	-
Marketable equity securities - foreign	2,653,620	2,653,620	216,310	216,310
Total	4,214,216	4,214,216	216,310	216,310
Debt Instruments Held to Maturity				
Foreign debt securities	-	-	432,620	432,620
Total	-	-	432,620	432,620
<b>Total Current Investments - Net</b>	<b>5,690,426</b>	<b>5,690,426</b>	<b>1,316,149</b>	<b>1,316,149</b>
<b>Long-term Investments</b>				
Available-for-sales securities				
Government and state enterprises securities	2,035,923	2,017,972	3,697,612	3,697,570
Private debt securities	1,652,339	754,175	1,958,213	848,063
Marketable equity securities - domestic	4,043,941	1,474,427	2,965,688	860,519
Marketable equity securities - foreign	-	-	-	-
Total	7,732,203	4,246,574	8,621,513	5,406,152
Less: Valuation adjustment	( 2,587,465)	-	( 2,105,211)	-
Less: Allowances for loss on impairment	( 898,164)	-	( 1,110,150)	-
Net	4,246,574	4,246,574	5,406,152	5,406,152
Debt Instruments Held to Maturity				
Private debt securities	2,309,164	2,309,164	2,290,559	2,290,559
Foreign debt securities	1,680,626	1,680,626	1,643,956	1,643,956
Total	3,989,790	3,989,790	3,934,515	3,934,515

The Corporation Only (In Thousand Baht)

	2001		2000	
	Cost/ Book Value	Market Value /Fair Value	Cost/ Book Value	Market Value /Fair Value
General Investments				
Non - marketable equity securities	3,203,993	2,651,831	3,260,842	2,935,665
Less : Allowance for loss on impairment	( 1,238,225)	-	( 1,116,414)	-
Net	1,965,768	2,651,831	2,144,428	2,935,665
<b>Total Long-term Investments - Net</b>	<b>10,202,132</b>	<b>10,888,195</b>	<b>11,485,095</b>	<b>12,276,332</b>
Investments in Subsidiaries and Associated Companies (Equity Method)				
Non-marketable equity securities	283,617	289,825	216,568	142,746
Marketable equity securities	687,320	629,280	763,457	374,014
Total Investments in Subsidiaries and Associated Companies - Net	970,937	919,105	980,025	516,760
<b>Total Investments in Securities - Net</b>	<b>16,863,495</b>	<b>17,497,726</b>	<b>13,781,269</b>	<b>14,109,241</b>

9.2 Held to maturity debt investments classified by time to maturity are as follows:

Consolidated (In Thousand Baht)

	2001			
	Time to Maturity			
	Less than 1 Year	1 Year - 5 Years	Over 5 Years	Total
Securities for Trading				
Government and state enterprises securities	-	1,364,463	-	1,364,463
Private debt securities	41,289	267,552	-	308,841
Add (Less) : Valuation adjustment	369	( 7,690)	-	( 7,321)
Total	41,658	1,624,325	-	1,665,983
Available-for-Sales Securities				
Government and state enterprises securities	1,560,596	2,339,524	-	3,900,120
Private debt securities	946,544	424,390	281,405	1,652,339
Less: Valuation adjustment	-	( 17,951)	-	( 17,951)
Less: Allowance for loss on impairment	( 898,164)	-	-	( 898,164)
Total	1,608,976	2,745,963	281,405	4,636,344
Debt Instruments Held to Maturity				
Private debt securities	187,170	264,041	1,857,953	2,309,164
Foreign debt securities	1,680,626	-	-	1,680,626
Total	1,867,796	264,041	1,857,953	3,989,790
<b>Investments in Securities - Net</b>	<b>3,518,430</b>	<b>4,634,329</b>	<b>2,139,358</b>	<b>10,292,117</b>

**Consolidated (In Thousand Baht)**

	2000			
	Time to Maturity			
	Less than 1 Year	1 Year - 5 Years	Over 5 Years	Total
Securities for Trading				
Private debt securities	44,696	212,482	28,302	285,480
Add (Less) : Valuation adjustment	( 542)	( 28,074)	11,766	( 16,850)
<b>Total</b>	<b>44,154</b>	<b>184,408</b>	<b>40,068</b>	<b>268,630</b>
Available-for-Sales Securities				
Government and state enterprises securities	-	3,697,612	-	3,697,612
Private debt securities	986,855	693,154	316,504	1,996,513
Less : Valuation adjustment	-	( 8,315)	-	( 8,315)
Less : Allowance for loss on impairment	( 923,150)	( 187,000)	-	( 1,110,150)
<b>Total</b>	<b>63,705</b>	<b>4,195,451</b>	<b>316,504</b>	<b>4,575,660</b>
Debt Instruments Held to Maturity				
Private debt securities	201,000	218,869	1,870,690	2,290,559
Foreign debt securities	1,643,956	432,620	-	2,076,576
<b>Total</b>	<b>1,844,956</b>	<b>651,489</b>	<b>1,870,690</b>	<b>4,367,135</b>
<b>Investments in Securities - Net</b>	<b>1,952,815</b>	<b>5,031,348</b>	<b>2,227,262</b>	<b>9,211,425</b>

**The Corporation Only (In Thousand Baht)**

	2001			
	Time to Maturity			
	Less than 1 Year	1 Year - 5 Years	Over 5 Years	Total
Securities for Trading				
Government and state enterprises securities	-	653,884	-	653,884
Private debt securities	41,289	266,644	-	307,933
Add (Less): Valuation adjustment	369	( 7,074)	-	( 6,705)
<b>Total</b>	<b>41,658</b>	<b>913,454</b>	<b>-</b>	<b>955,112</b>
Available-for-Sales Securities				
Government and state enterprises securities	1,560,596	2,035,923	-	3,596,519
Private debt securities	946,544	424,390	281,405	1,652,339
Less : Valuation adjustment	-	( 17,951)	-	( 17,951)
Less : Allowance for loss on impairment	( 898,164)	-	-	( 898,164)
<b>Total</b>	<b>1,608,976</b>	<b>2,442,362</b>	<b>281,405</b>	<b>4,332,743</b>
Debt Investment Held to Maturity				
Private debt securities	187,170	264,041	1,857,953	2,309,164
Foreign debt securities	1,680,626	-	-	1,680,626
<b>Total</b>	<b>1,867,796</b>	<b>264,041</b>	<b>1,857,953</b>	<b>3,989,790</b>
<b>Investments in Securities - Net</b>	<b>3,518,430</b>	<b>3,619,857</b>	<b>2,139,358</b>	<b>9,277,645</b>

The Corporation Only (In Thousand Baht)

	2000			
	Time to Maturity			
	Less than 1 Year	1 Year - 5 Years	Over 5 Years	Total
Securities for Trading				
Private debt securities	44,696	212,482	28,302	285,480
Add (Less) : Valuation adjustment	( 542)	( 28,074)	11,766	( 16,850)
Total	44,154	184,408	40,068	268,630
Available-for-Sales Securities				
Government and state enterprises securities	-	3,697,612	-	3,697,612
Private debt securities	986,855	654,854	316,504	1,958,213
Less : Valuation adjustment	-	( 41)	-	( 41)
Less : Allowance for loss on impairment	( 923,150)	( 187,000)	-	( 1,110,150)
Total	63,705	4,165,425	316,504	4,545,634
Debt Investment Held to Maturity				
Private debt securities	201,000	218,869	1,870,690	2,290,559
Foreign debt securities	1,643,956	432,620	-	2,076,576
Total	1,844,956	651,489	1,870,690	4,367,135
Investments in Securities - Net	1,952,815	5,001,322	2,227,262	9,181,399

9.3 Revenues and expenses charged during the years 2001 and 2000 are as follows:

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Gain (loss) from revaluation of securities for trading	90,032	( 21,592)	149,102	( 22,725)
Loss on sales of securities for trading	( 103,170)	( 36,417)	( 95,296)	( 40,879)
Interest income and dividend from investments in securities	588,215	817,840	571,689	808,297
Gain on sales of available for sales securities	385,239	437,906	430,037	429,042
Gain (loss) on sales of general investments	6,650	( 13,100)	6,650	( 13,100)

#### 9.4 Investments classified by quality

The Corporation has investments in subordinate debentures of First City Investment Public Co., Ltd. and IFCT Finance & Securities Public Co., Ltd., and Dhana Siam Finance Public Co., Ltd. which are under the control of BOT, totalling approximately Baht 1,275 million. As instructed by BOT, Krungthai Thanakit Public Co., Ltd. agreed to accept the transfers of the subordinate debentures from these three financial institutions and, thereafter, transferred the said debts to Bank Thai Public Co., Ltd. referred to the announcement of the Ministry of Finance dated December 22, 1998, with the following conditions for the Corporation:

- A. To extend repayment schedule for the period of 10 years commencing from February 1, 1999 to February 1, 2009.
- B. To waive the right to request for the repayment of all accrued interest receivable and agreed not to claim for interest for the extended repayment period.
- C. To waive the right to convert the debentures and other debt instruments to equity.

The Corporation intends and is able to hold these investments in subordinate debentures until maturity. The Corporation, therefore, follows the guideline suggested by the Stock Exchange of Thailand concerning the accounting treatment for debt instruments issued for the closed finance companies by not setting up allowances for loss on investments in subordinate debentures in the accounts.

As at December 31, 2001, investments in the closed finance companies or finance companies under the control of BOT are as follows:

In Million Baht						
	Consolidated			The Corporation Only		
	At Cost/Net Book Value	Market Price	Allowances for Loss on Impairment	At Cost/Net Book Value	Market Price	Allowances for Loss on Impairment
Equity securities	11	-	11	-	-	-
Debentures	55	-	43	55	-	43
Subordinate debentures	781	71	709	781	71	709
Total	847	71	763	836	71	752

As at December 31, 2001, the Corporation has investments in the companies which are being delisted from the Stock Exchange of Thailand as follows:

Consolidated and The Corporation Only (In Million Baht)			
	At Cost/Net Book Value	Market Price	Allowances for Loss on Impairment
Common shares	53	23	38
Debentures	136	-	136
Subordinate debentures	193	193	-
Total	382	216	174

The Corporation provided allowances for impairment losses on investments in debentures and subordinate debentures by a determination of receivables balance after the deduction of the estimated minimum amount to be received from the sharing of proceeds from disposals of the mentioned finance companies assets, net of related expenses and/or fair value of debentures and subordinate debentures at balance sheet dates.

## 10. LOANS, RECEIVABLES AND ACCRUED INTEREST RECEIVABLE

### 10.1 Classified by types of contracts

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Packing credit loans	1,180,332	289,333	1,180,332	289,333
Loans for working capital	33,572,802	35,654,295	33,572,802	35,654,295
Long-term loans	121,778,047	112,475,832	121,456,509	112,106,197
Total	156,531,181	148,419,460	156,209,643	148,049,825
Add Accrued interest receivable and fees	5,558,311	5,923,561	5,556,197	5,923,561
Less Allowances for doubtful accounts	( 9,265,222)	( 9,617,129)	( 9,199,384)	( 9,563,435)
Loans, Receivables and Accrued Interest Receivable - Net	152,824,270	144,725,892	152,566,456	144,409,951

Delinquent loans and receivables on which the Corporation and subsidiary stopped accruing interest amounted to approximately Baht 26,802 million and Baht 46,586 million at December 31, 2001 and 2000, respectively.

### 10.2 Classified by remaining periods of contracts

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
At call	30,222,260	28,109,420	30,135,701	27,842,741
Not over one year	38,248,520	33,096,221	38,224,942	33,078,756
Over one year	88,060,401	87,213,819	87,849,000	87,128,328
Total Loans and Receivables	156,531,181	148,419,460	156,209,643	148,049,825

### 10.3 Classified by types of businesses and classification

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Agriculture and mining	9,476,652	7,376,975	9,476,652	7,376,975
Manufacturing and commercial	103,642,398	99,921,579	103,529,860	99,773,725
Real estate business and construction	1,674,689	1,335,774	1,465,689	1,113,993
Utilities and services	41,737,442	39,785,132	41,737,442	39,785,132
Total Loans and Receivables	156,531,181	148,419,460	156,209,643	148,049,825

The receivables for the Corporation in 2001 are classified as follows:

The Corporation Only (In Thousand Baht)

	2001					
	Normal	Special Mentioned	Sub-Standard	Doubtful	Doubtful loss	Total
Agriculture and mining	7,381,815	48,049	275,418	155,138	1,616,232	9,476,652
Manufacturing and commercial	82,881,123	318,638	474,607	555,942	19,299,550	103,529,860
Real estate business and construction	867,200	-	-	-	598,489	1,465,689
Utilities and services	38,190,243	810,866	36,000	10,000	2,690,333	41,737,442
Total Loans and Receivables	129,320,381	1,177,553	786,025	721,080	24,204,604	156,209,643

10.4 Classified by currencies and geographical area

Consolidated (In Thousand Baht)/Domestic

Currency	2001		2000	
	Foreign Currency	Baht Equivalent	Foreign Currency	Baht Equivalent
USD	529,539	23,419,910	600,049	25,959,340
Yen	13,342,280	4,496,402	18,254,117	6,887,644
Baht	-	128,613,836	-	115,571,479
Other	-	1,033	-	997
Total		156,531,181		148,419,460

The Corporation Only (In Thousand Baht)/Domestic

Currency	2001		2000	
	Foreign Currency	Baht Equivalent	Foreign Currency	Baht Equivalent
USD	529,539	23,419,910	600,049	25,959,340
Yen	13,342,280	4,496,402	18,254,117	6,887,644
Baht	-	128,292,298	-	115,201,844
Other	-	1,033	-	997
Total		156,209,643		148,049,825



## 10.5 Classification of receivables

As at December 31, 2001 and 2000 the Corporation's loans, receivables and accrued interest receivable classified under the criteria of the Bank of Thailand (BOT) are as follows:

The Corporation Only (In Million Baht)

	2001			
	Loans and Accrued Interest Receivables	Outstanding Debt after Deduction of Collateral Value	% Used for Providing The Provision	Provided Amounts
Normal receivables	132,952	28,320	0.1	28
Special mentioned receivables	1,190	36	2.0	1
Sub-standard receivables	799	48	20.0	10
Doubtful receivables	725	134	50.0	67
Doubtful loss receivables	26,100	9,070	100.0	9,070
<b>Total</b>	<b>161,766</b>	<b>37,608</b>		<b>9,176</b>

The Corporation Only (In Million Baht)

	2000			
	Loans and Accrued Interest Receivables	Outstanding Debt after Deduction of Collateral Value	% Used for Providing The Provision	Provided Amounts
Normal receivables	121,324	27,471	1.0	275
Special mentioned receivables	4,923	1,373	2.0	27
Sub-standard receivables	2,045	228	20.0	46
Doubtful receivables	3,842	933	50.0	467
Doubtful loss receivables	21,839	8,704	100.0	8,704
<b>Total</b>	<b>153,973</b>	<b>38,709</b>		<b>9,519</b>

As at December 31, 2001 and 2000, the Corporation provided the allowances for doubtful loans and interest receivables and allowances for revaluation adjustment from debt restructuring totaling amounted to Baht 9,199 million and Baht 9,563 million which are in compliance with announcement of BOT and equal to 100% for the years 2001 and 2000, of the amount computed under the BOT guideline.

## 10.6 Loan Quality

As at December 31, 2001 and 2000, the Corporation had non-performing loans (NPL) as defined under the criteria by BOT amounted to Baht 25,712 million and Baht 26,040 million or equal to 16.5% and 17.6% of total loans receivable. These represent past due principal or interest which has not been paid for longer than 3 months.

Loans to, receivables and accrued interest receivable from companies with financial problems for which allowances for doubtful accounts have already been provided for are as follows:

## 2001

	No. of Receivables	In Million Baht		
		Indebtness	Collateral	Allowances for Doubtful Accounts
1. Closed finance companies	-	-	-	-
2. Finance companies under the control of BOT for which share capital had been decreased and increased	-	-	-	-
3. Listed companies which are being delisted from SET	16	10,579	7,240	2,242
<b>Total</b>	<b>16</b>	<b>10,579</b>	<b>7,240</b>	<b>2,242</b>

## 2000

	No. of Receivables	In Million Baht		
		Indebtness	Collateral	Allowances for Doubtful Accounts
1. Closed finance companies	-	-	-	-
2. Finance companies under the control of BOT for which share capital had been decreased and increased	-	-	-	-
3. Listed companies which are being delisted from SET	11	10,159	7,207	1,812
<b>Total</b>	<b>11</b>	<b>10,159</b>	<b>7,207</b>	<b>1,812</b>

### 10.7 Troubled Debt Restructuring

During the years 2001 and 2000, the Corporation allowed its troubled debtors to restructure their debts which include various approaches, for instance, rescheduling of repayment terms, transfer of assets, debt to equity conversion and mixed approaches for 126 debtors and 130 debtors, for total restructured debts of Baht 14,283 million and Baht 26,865 million, respectively. As the result, the Corporation received the transfer of assets and equity securities with the fair value of Baht 2,068 million and Baht 1,374 million and incurred loss from debt restructuring with additional allowances for revaluation adjustment from debt restructuring amounting to Baht 854 million and Baht 995 million, respectively.

The Corporation used market rate to discount its receivables in the process of debt restructuring. For the years ended December 31, 2001 and 2000, the Corporation has outstanding balances of restructured loans amounted to Baht 49,214 million and Baht 35,311 million and had interest income from restructured loans amounted to Baht 2,067 million and Baht 1,412 million, respectively.

## 11. ALLOWANCE FOR DOUBTFUL ACCOUNTS

## In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Beginning balance	9,617,129	10,361,584	9,563,435	10,327,753
Doubtful accounts	312,678	163,727	300,000	150,000
Bad debts recovered	256,076	18,531	254,378	10,403
Bad debts written-off	( 920,661)	( 926,713)	( 918,429)	( 924,721)
<b>Ending balance</b>	<b>9,265,222</b>	<b>9,617,129</b>	<b>9,199,384</b>	<b>9,563,435</b>

Allowance for doubtful receivables of the Corporation for 2001 are classified as follows:

The Corporation Only (In Thousand Baht)

	2001					
	Normal	Special Mentioned	Sub-Standard	Doubtful	Doubtful Loss	Total
Beginning balance	274,709	27,472	45,618	466,677	8,748,959	9,563,435
Doubtful accounts (reversal)	( 246,391)	( 26,751)	( 35,919)	( 399,876)	1,008,937	300,000
Bad debts recovery	-	-	-	-	254,378	254,378
Bad debts written-off	-	-	-	-	( 918,429)	( 918,429)
Ending balance	28,318	721	9,699	66,801	9,093,845	9,199,384

## 12. PROPERTIES FORECLOSED

Consolidated (In Thousand Baht)

	January 1, 2001	Additions	Deductions	December 31, 2001
Land and construction	2,075,680	1,176,032	( 53,468)	3,198,244
Transportation equipment	3,215	-	( 3,215)	-
Machinery and equipment	477,149	273,834	( 12,344)	738,639
Total	2,556,044	1,449,866	( 69,027)	3,936,883
Less Allowances for loss on impairment	( 2,211)	( 4,450)	1,681	( 4,980)
Net	2,553,833	1,445,416	( 67,346)	3,931,903

Consolidated (In Thousand Baht)

	January 1, 2000	Additions	Deductions	December 31, 2000
Land and construction	1,753,813	681,090	( 359,223)	2,075,680
Transportation equipment	22,260	701	( 19,746)	3,215
Machinery and equipment	498,953	30,906	( 52,710)	477,149
Total	2,275,026	712,697	( 431,679)	2,556,044
Less Allowances for loss on impairment	( 9,809)	( 530)	8,128	( 2,211)
Net	2,265,217	712,167	( 423,551)	2,553,833

The Corporation Only (In Thousand Baht)

	January 1, 2001	Additions	Deductions	December 31, 2001
Land and construction	2,055,030	1,176,032	( 53,468)	3,177,594
Transportation equipment	701	-	( 701)	-
Machinery and equipment	477,149	273,834	( 12,344)	738,639
Total	2,532,880	1,449,866	( 66,513)	3,916,233
Less Allowances for loss on impairment	( 530)	( 4,450)	-	( 4,980)
Net	2,532,350	1,445,416	( 66,513)	3,911,253

The Corporation Only (In Thousand Baht)

	January 1, 2000	Additions	Deductions	December 31, 2000
Land and construction	1,739,063	675,190	( 359,223)	2,055,030
Transportation equipment	-	701	-	701
Machinery and equipment	448,649	30,906	( 2,406)	477,149
<b>Total</b>	<b>2,187,712</b>	<b>706,797</b>	<b>( 361,629)</b>	<b>2,532,880</b>
Less Allowances for loss on impairment	-	( 530)	-	( 530)
<b>Net</b>	<b>2,187,712</b>	<b>706,267</b>	<b>( 361,629)</b>	<b>2,532,350</b>

### 13. PROPERTY AND EQUIPMENT

Consolidated (In Thousand Baht)

	January 1, 2001	Additions	Deductions	December 31, 2001
<b>At Appraisal price</b>				
Land				
- Original cost	499,170	-	-	499,170
- Appraisal increment	412,476	-	-	412,476
Buildings				
- Original cost	457,765	249	-	458,014
- Appraisal increment	490,493	-	-	490,493
<b>At Cost</b>				
Furniture, fixtures and office equipment	294,903	23,684	( 15,461)	303,126
Transportation equipment	125,828	29,309	( 18,587)	136,550
Construction in progress	1,330,879	133,176	-	1,464,055
Leasehold right	11,684	873	-	12,557
<b>Total Property and Equipment</b>	<b>3,623,198</b>	<b>187,291</b>	<b>( 34,048)</b>	<b>3,776,441</b>
<b>Accumulated Depreciation</b>				
<b>At Appraisal Price</b>				
Buildings				
- Original cost	257,650	20,928	-	278,578
- Appraisal increment	212,830	28,944	-	241,774
<b>At Cost</b>				
Furniture, fixtures and office equipment	239,347	27,305	( 15,235)	251,417
Transportation equipment	101,752	12,928	( 18,575)	96,105
Leasehold right	8,327	1,783	-	10,110
<b>Total Accumulated Depreciation</b>	<b>819,906</b>	<b>91,888</b>	<b>( 33,810)</b>	<b>877,984</b>
<b>Total Property and Equipment</b>	<b>2,803,292</b>			<b>2,898,457</b>
Depreciation during the year	98,951			91,888

Consolidated (In Thousand Baht)

	January 1, 2000	Additions	Deductions	December 31, 2000
<b>At Appraisal Price</b>				
Land				
- Original cost	499,824	-	( 654)	499,170
- Appraisal increment	412,476	-	-	412,476
Buildings				
- Original cost	459,118	1,489	( 2,842)	457,765
- Appraisal increment	490,493	355	( 355)	490,493
<b>At Cost</b>				
Furniture, fixtures and office equipment	299,639	28,133	( 32,869)	294,903
Transportation equipment	108,378	17,992	( 542)	125,828
Construction in progress	1,206,058	124,821	-	1,330,879
Leasehold right	8,045	3,639	-	11,684
<b>Total Property and Equipment</b>	<b>3,484,031</b>	<b>176,429</b>	<b>( 37,262)</b>	<b>3,623,198</b>
<b>Accumulated Depreciation</b>				
<b>At Appraisal Price</b>				
Buildings				
- Original cost	238,722	21,090	( 2,162)	257,650
- Appraisal increment	183,264	29,566	-	212,830
<b>At Cost</b>				
Furniture, fixtures and office equipment	240,698	30,128	( 31,479)	239,347
Transportation equipment	85,255	17,039	( 542)	101,752
Leasehold right	7,199	1,128	-	8,327
<b>Total Accumulated Depreciation</b>	<b>755,138</b>	<b>98,951</b>	<b>( 34,183)</b>	<b>819,906</b>
<b>Total Property and Equipment - Net</b>	<b>2,728,893</b>			<b>2,803,292</b>
Depreciation during the year	99,175			98,951

The Corporation Only (In Thousand Baht)

	January 1, 2001	Additions	Deductions	December 31, 2001
<b>At Appraisal Price</b>				
Land				
- Original cost	499,170	-	-	499,170
- Appraisal increment	412,476	-	-	412,476
Buildings				
- Original cost	457,765	249	-	458,014
- Appraisal increment	490,493	-	-	490,493
<b>At Cost</b>				
Furniture, fixtures and office equipment	289,843	23,624	( 15,266)	298,201
Transportation equipment	123,778	24,129	( 18,587)	129,320
Construction in progress	1,330,879	133,176	-	1,464,055
Leasehold right	11,684	873	-	12,557
Total Property and Equipment	3,616,088	182,051	( 33,853)	3,764,286
<b>Accumulated Depreciation</b>				
<b>At Appraisal Price</b>				
Buildings				
- Original cost	257,650	20,928	-	278,578
- Appraisal increment	212,830	28,944	-	241,774
<b>At Cost</b>				
Furniture, fixtures and office equipment	235,570	26,812	( 14,993)	247,389
Transportation equipment	100,900	12,156	( 18,575)	94,481
Leasehold right	8,327	1,783	-	10,110
Total Accumulated Depreciation	815,277	90,623	( 33,568)	872,332
Total Property and Equipment - Net	2,800,811			2,891,954
Depreciation during the year	97,756			90,623

The Corporation Only (In Thousand Baht)

	January 1, 2000	Additions	Deductions	December 31, 2000
<b>At Appraisal Price</b>				
Land				
- Original cost	499,824	-	( 654)	499,170
- Appraisal increment	412,476	-	-	412,476
Buildings				
- Original cost	459,118	1,489	( 2,842)	457,765
- Appraisal increment	490,493	355	( 355)	490,493
<b>At Cost</b>				
Furniture, fixtures and office equipment	294,846	27,781	( 32,784)	289,843
Transportation equipment	107,744	16,576	( 542)	123,778
Construction in progress	1,206,058	124,821	-	1,330,879
Leasehold right	8,045	3,639	-	11,684
<b>Total Property and Equipment</b>	<b>3,478,604</b>	<b>174,661</b>	<b>( 37,177)</b>	<b>3,616,088</b>
<b>Accumulated Depreciation</b>				
<b>At Appraisal Price</b>				
Buildings				
- Original cost	238,722	21,090	( 2,162)	257,650
- Appraisal increment	183,264	29,566	-	212,830
<b>At Cost</b>				
Furniture, fixtures and office equipment	237,687	29,278	( 31,395)	235,570
Transportation equipment	84,748	16,694	( 542)	100,900
Leasehold right	7,199	1,128	-	8,327
<b>Total Accumulated Depreciation</b>	<b>751,620</b>	<b>97,756</b>	<b>( 34,099)</b>	<b>815,277</b>
<b>Total Property and Equipment - Net</b>	<b>2,726,984</b>			<b>2,800,811</b>
Depreciation during the year	98,300			97,756

In 1999, the Corporation engaged an independent appraiser, Siam Appraisal and Services Co., Ltd. to appraise the Corporation's land and buildings. Based on the appraisal report dated December 20, 1999, the values of land and buildings increased by approximately Baht 412 million and Baht 307 million, respectively.

As at December 31, 2001 and 2000, the appraisal increment of land and buildings (net of accumulated depreciation) amounted to approximately Baht 661 million and Baht 690 million is presented as Revaluation increment in property - net under Shareholders' equity in balance sheets. The revaluation increment in property is not available for dividend distribution.

## 14. OTHER ASSETS

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Long-term investments	52,936	316,262	52,936	316,262
Other receivables and advances	3,551,189	4,393,116	3,519,696	4,358,341
Accrued interest and dividends	87,071	178,678	86,149	173,351
<b>Total</b>	<b>3,691,196</b>	<b>4,888,056</b>	<b>3,658,781</b>	<b>4,847,954</b>

## 15. NOTES PAYABLE

In Thousand Baht

	Consolidated		The Corporation Only	
	2001	2000	2001	2000
Notes payable				
- at call	3,315,567	3,158,892	3,137,079	2,958,060
- terms not over 1 year	40,424,284	30,361,761	40,424,284	30,361,761
- terms over 1 year	24,439,950	11,211,036	24,439,950	11,211,036
Rediscounted notes	517,764	544,128	517,764	544,128
Bills of exchange - net	421,852	707,326	421,852	707,326
<b>Total</b>	<b>69,119,417</b>	<b>45,983,143</b>	<b>68,940,929</b>	<b>45,782,311</b>

## 16. BORROWINGS

### 16.1 Classified by type of borrowings

Consolidated and The Corporation Only (In Thousand Baht)

	2001	2000
Local long-term borrowings	23,923,078	18,088,857
Foreign long-term borrowings on currency swap to Baht	837,459	1,028,013
Foreign long-term borrowings in foreign currencies	24,516,256	30,592,619
<b>Total</b>	<b>49,276,793</b>	<b>49,709,489</b>



## 16.2 Classified by currencies

The balance calculated based on the reference exchange rates announced by the Bank of Thailand as of balance sheet dates are as follow:

### Consolidated and The Corporation Only (In Thousand)

Currency	2001		2000	
	In Foreign Currency	Equivalent to Baht	In Foreign Currency	Equivalent to Baht
USD	263,396	11,649,197	316,914	13,710,340
Yen	46,544,559	15,685,702	53,140,376	20,050,927
DM	9,837	196,672	10,000	205,693
BEF	56,250	54,585	62,500	62,306
Baht		21,690,637		15,680,223
Total		49,276,793		49,709,489

The above loans bear interest at different rates. Some (of which amount equivalent to Baht 40,344 million as of December 31, 2001) are interest-free. They are scheduled to be repaid either on a semi-annual or annual basis until 2031. Most of the foreign loans with specific use are guaranteed by the Thai Government and will be for lending under the restricted conditions. Foreign borrowings from capital markets do not have any usage restriction.

In 1998, the Corporation obtained loans from three foreign financial institutions in the form of subordinated loans totalling approximately USD 55 million for 10-year term, with detachable warrants to purchase common shares for 25.22 million units. The holder of each warrant has the option to purchase 1 Corporation's common share at the specified price which is subject to change if certain circumstances occurred that causes the Corporation to adjust the price to an international standard. The warrants are exercisable within 5 years. As at December 31, 2001, all 25.22 million warrant units have not been exercised of which 9.52 million warrant units give the holder of each warrant the right to subscribe for the Corporation new common shares at an exercise ratio of 1.155 at exercise price of Baht 10 per share and the remaining 15.70 million warrant units give that at an exercise ratio of 1.155 at exercise price of Baht 15.795 per share. The Corporation has to reserve common shares for exercisable warrants of approximately 29.1 million shares based on the latest disclosed exercised ratio.

Under the terms of the borrowing agreements with Kreditanstalt für Wiederaufbau (KfW), the Corporation is required to pay interest only at 2% of borrowings from KfW. The remaining interest is granted to the Corporation to maintain as a special fund. This special fund is restricted for use in training, to compensate the losses from foreign currency swap of borrowings from KfW and others. As of December 31, 2001 and 2000, the balance of this special fund are Baht 64 million and Baht 73 million, respectively, and are presented as part of Accounts payable and accrued expenses in the balance sheets.

Borrowings with specific uses as of December 31, 2001 are as follows:

Borrowings	Objective of the Borrowings	Outstanding Balance	Remaining Term (Years)
Borrowings from Bank of Thailand	For lending to small and medium enterprise	Baht 12,135.76 million	5
Borrowings from Ministry of Finance	For lending to small and medium enterprise	Baht 11,508.61 million	12
Borrowings from Environment Fund	For enterprise, which investing in pollution protection	Baht 24.80 million	4
Borrowings from Nordic Investment Bank (NIB)	For lending to the partners in the joint ventures with Nordic countries or business using Nordic machinery/equipment	USD 126.2 million or approximately Baht 5,579.7 million	16
Borrowings from the Sweden Government	For lending to those who use Swedish machinery/equipment	USD 10.5 million or approximately Baht 465.9 million	2

Borrowings	Objective of the Borrowings	Outstanding Balance	Remaining Term (Years)
Borrowings from the Danish Government	For lending to those who use Danish machinery / equipment	USD 2.0 million or approximately Baht 90.5 million	5
Borrowings from the Export - Import Bank of the United States of America	For lending to those who use American machinery/equipment	USD 1.07 million or approximately Baht 47.32 million	2
Borrowings from Japan Bank for International Cooperation (JBIC)	For joint investment in and lending to general and direct/indirect export business, the Japanese Cooperation or Japanese joint venture, small industry business and pollution protection investment business	YEN 40,544.6 million or approximately Baht 13,663.7 million	6
Borrowings from Kreditanstalt fur Wiederaufbau (KfW)	For lending to small industry business	DM 9.8 million or approximately Baht 199.7 million	30
Borrowings from Netherland Development Finance Company (FMO)	For lending to small industry business	Baht 212.2 million	6

The above borrowings bear interest at the rates specified in the agreement.

Under the terms of the above mentioned borrowing agreements, the Corporation is required to comply with the terms and conditions as stated in the agreements.

With continual reduction of domestic interest rates, the Corporation implemented various debt management activities further from last year in order to lower its costs of funds. In 2001, it made loan prepayments and bond redemption of Baht and foreign currency denominated liabilities, amounting to the total of Baht 15,000 million equivalent. Consequently, the Corporation effectively reduced its financial cost to a certain level. The Corporation also unwound its cross currency swaps accommodating the prepaid loans, resulting in profit from unwinding swap.

In addition, the Corporation entered interest rate swap transactions amounting to approximately Baht 10,800 million, with Baht denominated high fixed interest rates swapped into the floating interest rates. As a result, the Corporation effectively improved its financial costs in accordance with the decreasing interest rates in the market.

## 17. SECURITIES SOLD UNDER REPURCHASE AGREEMENT

This account represents borrowing from the Bank of Thailand guaranteed by government bonds which the Corporation can sell and repurchase under the agreement within the agreed period.

In Thousand Baht

	Consolidated and The Corporation Only	
	2001	2000
Government bond and the Bank of Thailand bond	1,120,000	1,098,000

## 18. DEBENTURES AND SUBORDINATE DEBENTURES

### 18.1 Classified by types and currencies

			Equivalent to Million Baht	
Types of Debentures	Currencies	Face Value	Consolidated and the Corporation Only	
			2001	2000
Debentures	Baht	1,000	44,495	42,526
Foreign debentures - ACN (Asian Currency Note)	Baht	10,000,000	500	1,000
Foreign debentures - GMTN (Global Medium Term Note)	USD	1,000/200,000/500,000	11,039	16,873
	Baht	1,000	-	1,007
	DM	1,000/10,000/50,000	1,729	1,779
	Yen	10,000,000	391	475
Subordinate debentures	Baht	1,000	3,300	5,300
Debentures with warrants	Baht	1,000	-	-
Hybrid bonds	Baht	1,000	1,800	1,800
Total			63,254	70,760
Less discount			( 15)	( 29)
Net			63,239	70,731

### 18.2 Classified by Redeemable Periods

			In Million Baht	
			Consolidated and The Corporation Only	
			2001	2000
Redeemable in				
2001			-	17,941
2002			14,051	9,435
2003			8,435	8,228
2004			18,769	11,926
2005			7,004	7,004
2006			2,766	2,266
After 2006-2010			12,229	13,960
Total			63,254	70,760
Less discount			( 15)	( 29)
Net			63,239	70,731

In 2000, the Corporation issued hybrid debt-capital instruments which is junior subordinated debentures whereby the Corporation has the option to defer the principal and interest repayment or to redeem before the maturity date. The maturity of these hybrid bonds is on November 30, 2010. The Corporation can redeem this kind of bond after 5 years from the issue date or under conditions described in the said bonds. Such bonds bear interest at MLR less 1.25% for first 5 years and at MLR less 0.50% thereafter which is payable semi-annually. The interest payment can be postponed under the conditions described in the hybrid bonds.

## 19. REGISTERED PROVIDENT FUND

The Corporation established a contributory employees provident fund in accordance with the provisions of the Provident Fund Act. B.E. 2530. Membership to the fund is after work length over 1 year and members of the Fund have the option to make monthly contribution to the fund at the rates ranging from 2% to 10% of their basic salaries, whereby the Corporation will make monthly contribution to the Fund at the rates ranging from 5% to 10% of their basic salaries based on length of employment.

The Corporation's contribution to the above fund in 2001 and 2000 are approximately Baht 30 million and Baht 28 million, respectively.

## 20. SHARE CAPITAL

On January 23, 1998, the shareholders of the Corporation passed a special resolution at the 1/1998 Extraordinary Meeting (to ratify the minutes of the 38th Ordinary General Meeting held on April 25, 1997) to approve the increase in share capital for Baht 5,000 million, from Baht 7,000 million to Baht 12,000 million, by issuing 500 million new common shares at Baht 10 par value. This can be made by issuing common shares and/or convertible debentures and/or warrants to purchase common shares, based on the board of directors' consideration.

As at December 31, 2001, the Corporation issued new common shares in accordance with such resolution totalling Baht 4,616.2 million (461,624,281 shares at Baht 10 par value). As a result, the paid-up share capital of the Corporation amounted to approximately Baht 11,616.2 million.

## 21. LEGAL RESERVE

Under the provisions of the Civil and Commercial Code of Thailand, the Corporation is required to appropriate at least 5% of its net income as legal reserve at each dividend declaration. This requirement shall cease to be compulsory when the reserve equals 10% of the authorized capital. The reserve is not available for dividend distribution.

## 22. LOSS ON EXCHANGE

Loss on exchange charged to expenses during the years are as follows:

	Consolidated and The Corporation only (In Thousand Baht)	
	2001	2000
Amortization of deferred expenses from foreign currency swap	97,178	97,690
Gain on exchange rate	( 13,343)	( 31,621)
Total	83,835	66,069

## 23. TAXES

The Corporation is established under The Industrial Finance Corporation of Thailand Act B.E. 2502 (1959) and is not subject to the corporate income tax as ruled by the Revenue Department.

Under the provision of Section 78 bis (7) of the Revenue Code and Royal Decree No. 10 (B.E.2500) issued under the provision of the Revenue Code, the Corporation is exempted from payment of the stamp duty. The Corporation is also exempted from payment of the specific business tax under the provision of Section 91/3 of the Revenue Code.

## 24. COMMITMENTS AND CONTINGENT LIABILITIES

Consolidated and The Corporation only  
(In Thousand Baht)

	2001	2000
Avals to loans	-	25,000
Guarantee for loans	8,647,533	12,091,769
Letters of credit	1,420,125	343,303
Unwithdrawn borrowings	19,006,494	24,679,616
Commitments under construction contracts	42,732	84,290

## 25. FINANCIAL INSTRUMENTS DISCLOSURE

### 25.1 Foreign exchange rate risk

As the Corporation fundings are mainly from borrowings in foreign currencies, from both foreign money market and soft loans granted from the government for the allocation to the entrepreneurs because of the limitation of domestic money market, the Corporation has to manage its foreign exchange risks through various approaches of financial instruments, for instance, cross currency swap contracts and forward exchange contracts including the lending with the same currency of funding sources. Moreover, the Corporation determines and appropriates the credit provision to the project that can generate income in foreign currencies and to the entrepreneurs who have knowledge and experience in risk management.

The following table represents foreign exchange contracts that are outstanding at December 31, 2001;

In Thousand

	Foreign Currency	Baht Equivalent
Forward exchange contracts (less than 1 year) Purchase contracts	USD	39,654
	Yen	744,000
	Baht	10,142,287
	DKK	155
	GBP	225
	EUR	6,718
	1,749,708	
Sale contracts	USD	218,231
	Yen	1,136,407
	Baht	2,139,967
	DKK	155
	GBP	225
	EUR	6,971
	9,597,129	
412,347		
2,139,967		
818		
14,341		
276,112		

Remaining Period (Equivalent to Thousand Baht)

	Foreign Currency (In Thousand)	Less than 5 Years	More than 5 Years	Total
Currency Swap Contracts				
Receiving contracts	USD 200,371	7,312,558	-	7,312,558
	Yen 28,311,134	3,478,085	5,211,196	8,689,281
	DEM 96,337	1,504,110	-	1,504,110
	Baht 2,543,301	2,543,301	-	2,543,301
	BEF 56,250	-	73,246	73,246
Delivering contracts	USD 298,728	5,848,738	5,279,449	11,128,187
	Baht 8,993,883	8,993,883	-	8,993,883

## 25.2 Interest rate risk

The Corporation and subsidiaries realized that there are some risks on the changes in interest rates on financial assets and liabilities which affect the current and future years net interest income. The Corporation and subsidiaries therefore, establish strategic policy to manage risks over financial assets and liabilities through the corresponding arrangement between assets, liabilities and shareholders' equity to minimize the interest rate fluctuation which include the use of interest rate swap contracts etc.

The following table summarizes the financial assets with their interest rates as at December 31, 2001 and 2000:

Consolidated (In Million Baht)

	2001			2000		
	Floating Interest Rate	Fixed Interest Rate	Total	Floating Interest Rate	Fixed Interest Rate	Total
Financial Assets						
Cash at financial institution	-	541	541	-	1,480	1,480
Investments in promissory notes	-	8,961	8,961	-	6,824	6,824
Loans and receivables	72,005	57,724	129,729	72,609	29,223	101,832

The Corporation Only (In Million Baht)

	2001			2000		
	Floating Interest Rate	Fixed Interest Rate	Total	Floating Interest Rate	Fixed Interest Rate	Total
Financial Assets						
Cash at financial institution	-	416	416	-	255	255
Investments in promissory notes	-	10,638	10,638	-	8,868	8,868
Loans and receivables	72,005	57,504	129,509	72,610	28,978	101,588

### 25.3 Credit risk

The Corporation puts more emphasis on doing business by providing the financial assistance to the industrial sector entrepreneurs. Before credit approval, it is very important for the Corporation to prepare the feasibility study of the project and determine the repayment ability of the customers together with the determination of the other risks that may be incurred in order to mitigate the risks to an acceptable level. In addition, the Corporation requests for the sufficient collateral to cover the customers' liabilities.

The Corporation has already provided the allowances for losses on the existing credit risks at the amount as presented in the financial statements (Notes 5 and 11).

### 25.4 Time to maturity analysis of financial instruments

As at December 31, financial assets and liabilities classified by time to maturity are as follows:

#### Consolidated (In Million Baht)

	2001			2000		
	Within 1 Year	Over 1 Year	Total	Within 1 Year	Over 1 Year	Total
<b>Financial Assets</b>						
Cash in bank and investments						
in promissory notes	11,611	6	11,617	10,610	-	10,610
Investments	9,700	13,922	23,622	4,064	15,560	19,624
Loans and receivables	68,471	88,060	156,531	61,205	87,214	148,419
<b>Financial Liabilities</b>						
Notes payable and securities						
sold under repurchase agreements	54,223	16,016	70,239	37,619	9,462	47,081
Borrowings	11,950	37,327	49,277	1,975	47,734	49,709
Debentures	14,047	49,192	63,239	17,940	52,791	70,731

#### The Corporation Only (In Million Baht)

	2001			2000		
	Within 1 Year	Over 1 Year	Total	Within 1 Year	Over 1 Year	Total
<b>Financial Assets</b>						
Cash in bank and investments						
in promissory notes	13,163	6	13,169	11,430	-	11,430
Investments	8,664	13,082	21,746	4,022	14,398	18,420
Loans and receivables	68,361	87,849	156,210	60,922	87,128	148,050
<b>Financial Liabilities</b>						
Notes payable and securities						
sold under repurchase agreements	54,045	16,016	70,061	37,418	9,462	46,880
Borrowings	11,950	37,327	49,277	1,975	47,734	49,709
Debentures	14,047	49,192	63,239	17,940	52,791	70,731

## 25.5 Fair value of financial instruments

Fair values are the amount expected to be received from the proceeds of/collection from financial assets or the amount expected to pay for financial liabilities. Normally, fair values of financial instruments derived from quoted market prices. In the absence of quoted market price, fair values are based on estimated present value or other valuation approaches. However, the estimation approach and assumptions are forecasted from the current situation, hence, estimated fair value derived from different approaches may significantly differ from each other.

As at December 31, the account balances and fair values of financial assets and liabilities are as follows:

### Consolidated (In Million Baht)

	2001		2000	
	Account Balance	Fair Value	Account Balance	Fair Value
<b>Financial Assets</b>				
Cash on hand and at financial institutions	1,138	1,138	2,289	2,289
Investments in promissory notes	9,452	9,452	7,247	7,247
Investments	18,374	19,024	14,725	14,897
Loans, receivables and accrued interest receivable - net	152,824	152,824	144,726	144,726
<b>Financial Liabilities</b>				
Notes payable and securities sold under repurchase agreements	70,239	70,239	47,081	47,081
Borrowings	49,277	48,207	49,709	51,607
Debentures	63,239	66,379	70,731	77,210
Accrued interest and charges on borrowings	1,633	1,633	2,173	2,173

### The Corporation Only (In Million Baht)

	2001		2000	
	Account Balance	Fair Value	Account Balance	Fair Value
<b>Financial Assets</b>				
Cash on hand and at financial institutions	1,013	1,013	1,065	1,065
Investments in promissory notes	11,128	11,128	9,342	9,342
Investments	16,863	17,498	13,781	14,109
Loans, receivables and accrued interest receivable - net	152,566	152,566	144,410	144,410
<b>Financial Liabilities</b>				
Notes payable and securities sold under repurchase agreements	70,061	70,061	46,880	46,880
Borrowings	49,277	48,207	49,709	51,607
Debentures	63,239	66,379	70,731	77,210
Accrued interest and charges on borrowings	1,454	1,454	1,994	1,994

The approach and assumption used by the Corporation to estimate fair value of financial instruments are as follows:

Cash on hand and with financial institutions and investments in promissory notes; the carrying amounts in balances sheets approximate their fair values.

Investment; fair value are based on the methods as discussed in Note 5 to the financial statements.

Loans, receivables and accrued interest receivable; fair values are the carrying amounts as presented in balance sheets after deduction of allowance for doubtful accounts.



Notes payable, borrowings due within 1 year, securities sold under repurchase agreement, accrued interest and charges on borrowings; fair values are the carrying amount as presented in balance sheet.

Debentures and borrowing due over 1 year; fair values are estimated from present value of projected cash outflow discounted by the current average interest rate of debentures and borrowings being offered at present.

In addition, the Corporation has commitments under the forward contracts and long-term debts management contracts with some risk exposures from exchange rates by means of currency swap and interest rate swap. This is for lending to customers with no foreign exchange risk to the Corporation.

## 25.6 Income and expenses on financial instruments

The Corporation and subsidiaries have the financial assets that generate income and the financial liabilities that incur expenses which are computed from the average outstanding balances of financial assets/liabilities at the end of the years and average interest rates and dividend for the years ended December 31, as follows:

Consolidated (In Million Baht)

	2001			2000		
	Average Ending Balances	Interest and Dividend Income	Average Rate (% p.a.)	Average Ending Balances	Interest and Dividend Income	Average Rate (% p.a.)
Financial Assets						
Cash in bank and investments						
in promissory notes	11,114	408	3.7	10,867	586	5.4
Investments	21,623	588	2.7	21,638	818	3.8
Loans and receivables	152,475	7,259	4.8	141,786	7,230	5.1
Financial Liabilities						
Notes payable and securities sold under repurchase agreements	58,660	1,880	3.2	37,194	1,371	3.7
Borrowings	49,493	2,126	4.3	49,495	3,048	6.2
Debentures	66,985	4,612	6.9	75,339	6,030	8.0

The Corporation Only (In Million Baht)

	2001			2000		
	Average Ending Balances	Interest and Dividend Income	Average Rate (% p.a.)	Average Ending Balances	Interest and Dividend Income	Average Rate (% p.a.)
Financial Assets						
Cash in bank and investments						
in promissory notes	12,299	437	3.6	11,248	584	5.2
Investments	20,083	572	2.9	20,476	808	3.9
Loans and receivables	152,130	7,247	4.8	142,108	7,245	5.1
Financial Liabilities						
Notes payable and securities sold under repurchase agreements	58,471	1,880	3.2	36,956	1,371	3.7
Borrowings	49,493	2,126	4.3	49,495	3,048	6.2
Debentures	66,985	4,612	6.9	75,339	6,030	8.0

## 26. RECLASSIFICATION OF ACCOUNTS

Certain accounts in 2000 have been reclassified to conform with the 2001 financial statements presentation.

# IFCT s Offices

## Head Office

1770 New Petchburi Road,  
Bangkok 10320  
Tel. (66) 0-2253-7111,  
0-2253-9666  
Fax (66) 0-2253-9677  
http://www.ifct.co.th  
Email : sec\_ifct@ifct.th.com



Chiang Mai



Lampang



Phitsanulok



Khon Kaen

Ubon Ratchathani



Nakhon Ratchasima

Rayong



Surat Thani



Trang



Hat Yai

## Regional and Provincial Offices

### Northern Region

#### Northern Regional Office - Chiang Mai

51 Moo 5 Lampang-Chiang Mai Superhighway, Amphoe Muang, Chiang Mai 53000  
Tel. 0-5321-1227, 0-5321-1241, 0-5321-8683-4, 0-5340-0911 Fax 0-5321-1774

#### Provincial Office - Chiang Rai

81/2-3 Phahon Yothin Road, Amphoe Muang, Chiang Rai 57000 Tel. 0-5374-9051-3 Fax 0-5374-9054

#### Northern Regional Office - Lampang

12/10 Suren Road, Amphoe Muang, Lampang 52000 Tel. 0-5422-2779, 0-5422-5833, 0-5431-8068-9 Fax 0-5422-2778

#### Provincial Office - Phrae

1/36-37 Muang Hit Road, Amphoe Muang, Phrae 54000 Tel. 0-5459-4721, 0-5462-6958, 0-5462-6341-2 Fax 0-5462-6959

#### Provincial Office - Tak

3/7-8 Jomphol Road, Amphoe Muang, Tak 63000 Tel. 0-5551-6306-7 Fax 0-5551-6308

#### Northern Regional Office - Phitsanulok

100/1-4 Singhawat Road, Amphoe Muang, Phitsanulok 65000 Tel. 0-5524-2951, 0-5524-5155 Fax 0-5524-2790

#### Provincial Office - Nakhon Sawan

211/3 Sawan Withi Road, Amphoe Muang, Nakhon Sawan 60000 Tel. 0-5631-2272-4 Fax 0-5622-1322

#### Provincial Office - Petchabun

9/15 Moo 2, Saraburi-Lomsak Road, Amphoe Muang, Phetchabun 67000 Tel. 0-5672-5737-8 Fax 0-5672-5739

### Northeastern Region

#### Northeastern Regional Office - Khon Kaen

277 Moo 4 Prachasamon Road, Amphoe Muang, Khon Kaen 40000 Tel. 0-4324-1140-4 Fax 0-4324-1145

#### Provincial Office - Udon Thani

227/21 Udon Dutsadi Road, Amphoe Muang, Udon Thani 41000 Tel. 0-4222-2414, 0-4224-1238, 0-4224-3952 Fax 0-4224-6733

#### Provincial Office - Roi Et

262-263 Roi Et - Kalasin Road, Amphoe Muang, Roi Et 45000 Tel. 0-4352-2784-6 Fax 0-4352-2786

#### Northeastern Regional Office - Ubon Ratchathani

139 Chaeng Sanit Road, Amphoe Muang, Ubon Ratchathani 34000 Tel. 0-4531-1449, 0-4528-1036-9 Fax 0-4531-1449

#### Provincial Office - Mukdahan

44-44/1 Phithak Phanom Khet Road, Amphoe Muang, Mukdahan 49000 Tel. 0-4263-1405, 0-4263-0882 Fax 0-4263-1406

#### Provincial Office - Sakol Nakhon

1289 Suk Kasem Road, Amphoe Muang, Sakol Nakhon 47000 Tel. 0-4271-7152-3 Fax 0-4271-7154

#### Northeastern Regional Office - Nakhon Ratchasima

555/1-5 Mittraphap Road, Amphoe Muang, Nakhon Ratchasima 30000 Tel. 0-4425-8765-8, 0-4426-1065 Fax 0-4425-7287

#### Provincial Office - Surin

499/1-2 Thanasan Road, Amphoe Muang, Surin 32000 Tel. 0-4452-1137-8 Fax 0-4452-1139

#### Provincial Office - Chaiyaphum

290/4-5 Chaiyaphum-Si Khiew Road, Amphoe Muang, Chaiyaphum 36000 Tel. 0-4481-7222-3 Fax 0-4481-7224

### Central Region

#### Provincial Office - Saraburi

173/17 Sut Banthat Road, Amphoe Muang, Saraburi 18000 Tel. 0-3622-2650, 0-3631-5298-9 Fax 0-3631-5299

#### Provincial Office - Ratchaburi

71/9 Moo 8 Petchakasem Road, Amphoe Muang, Ratchaburi 70000 Tel. 0-3231-3182-4 Fax 0-3231-3184

#### Provincial Office - Phra Nakhon Si Ayutthaya

70/10 Moo 6 Rotchana Road, Amphoe Phra Nakhon Si Ayutthaya, Phra Nakhon Si Ayutthaya 13000 Tel. 0-3522-9301-3 Fax 0-3522-9303

#### Provincial Office - Prachin Buri

172-174 Ratsadon Damri Road, Amphoe Muang, Prachin Buri 25000 Tel. 0-3721-4122, 0-3720-0286 Fax 0-3721-4127

#### Provincial Office - Prachuap Khiri Khan

335-336 Moo 1 Phet Kasem Road, Amphoe Pran Buri, Prachuap Khiri Khan 77120 Tel. 0-3254-4602-4 Fax 0-3254-4604

#### Provincial Office - Samut Sakhon

1400/69-70 Akechai Road, Amphoe Muang, Samut Sakhon 74000 Tel. 0-3483-7685-6 Fax 0-3483-7687

### Eastern Region

#### Eastern Regional Office - Rayong

235 Sukhumwit Road, Amphoe Muang, Rayong 21000 Tel. 0-3880-0480-2 Fax 0-3880-0483

#### Provincial Office - Chanthaburi

17/34-35 Raksakchamu Road, Amphoe Muang, Chanthaburi 22000 Tel. 0-3935-1224-6 Fax 0-3935-1226

#### Provincial Office - Chon Buri

67/18-19 Sukhumwit Road, Amphoe Muang, Chon Buri 20000 Tel. 0-3879-0444-5 Fax 0-3879-0446

### Southern Region

#### Southern Regional Office - Surat Thani

141/5 Moo 5 Kanchanawithee Road, Amphoe Muang, Surat Thani 84000 Tel. 0-7728-3956, 0-7728-3966, 0-7721-2389 Fax 0-7728-4956

#### Provincial Office - Chumphon

22/3 Poraminmankha Road, Amphoe Muang, Chumphon 86000 Tel. 0-7750-3472, 0-7757-0562-3 Fax 0-7757-0562

#### Provincial Office - Phuket

18/15-16 Mae Luan Road, Amphoe Muang, Phuket 83000 Tel. 0-7623-4854-5 Fax 0-7623-4856

#### Southern Regional Office - Trang

59/12-14 Huai Yot Road, Amphoe Muang, Trang 92000 Tel. 0-7521-4041-2 Fax 0-7521-0165

#### Provincial Office - Nakhon Si Thammarat

34/46-7 Phatthanakan Khukhwang Road, Amphoe Muang, Nakhon Si Thammarat 80000 Tel. 0-7532-2387-8 Fax 0-7532-2389

#### Provincial Office - Krabi

495/10-11 Ultrakit Road, Amphoe Muang, Krabi 81000 Tel. 0-7563-2656-7 Fax 0-7563-2658

#### Southern Regional Office - Hat Yai

89-91 Jootee Anusorn Road, Amphoe Hat Yai, Songkhla 90110 Tel. 0-7424-4198, 0-7423-6933, 0-7423-0889 Fax 0-7423-2955

#### Provincial Office - Pattani

60/1-2 Yarang Road, Amphoe Muang, Pattani 94000 Tel. 0-7333-4732, 0-7331-1204 Fax 0-7331-0896

#### Provincial Office - Yala

23/1-2 Ratakitt Road, Amphoe Muang, Yala 95000 Tel. 0-7322-2056-7 Fax 0-7322-2772