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ANNUAL REPORT

NAKORNTHON BANK
Public Company Limited

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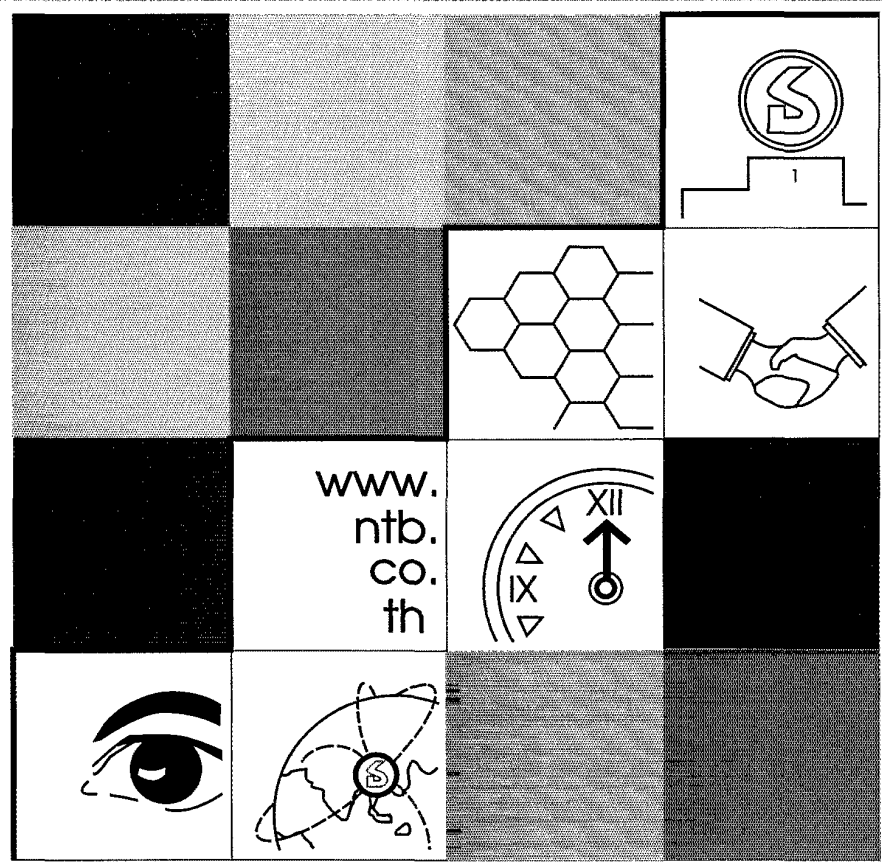
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BASIC FOUNDATION FOR STABILITY

By setting our scope far and expansive using modern technology that provides service with speed and by co-ordinating support from experienced staff, all these factors help to drive NTB toward prosperity with stability.



СЕРИЯ АРХИВНО-ИСТОРИЧЕСКАЯ

Amount : million baht

As at December 31					
	1993	1994	1995	1996	1997
Assets	36,841.0	44,728.7	56,866.4	64,471.0	73,758.0
% increase	27%	21%	27%	13%	14%
Deposits	25,861.0	29,815.7	40,317.5	47,056.2	46,762.4*
% increase	14%	15%	35%	17%	n.a.
Loans (Less Allowance for Doubtful Account)	30,982.9	37,147.5	46,818.0	54,432.4	58,366.9*
% increase	25%	20%	26%	16%	n.a.
Shareholder's Equities	2,124.3	2,990.6	3,772.6	4,824.1	4,203.5
% increase	16%	41%	26%	28%	-13%
No. of Shares (Common Share)	96,200,000	109,129,603	120,419,244	133,932,534	134,404,322
No. of Branches (Branch)	50	55	62	63	67
No. of Employees (Person)	1,493	1,615	1,849	2,028	2,149

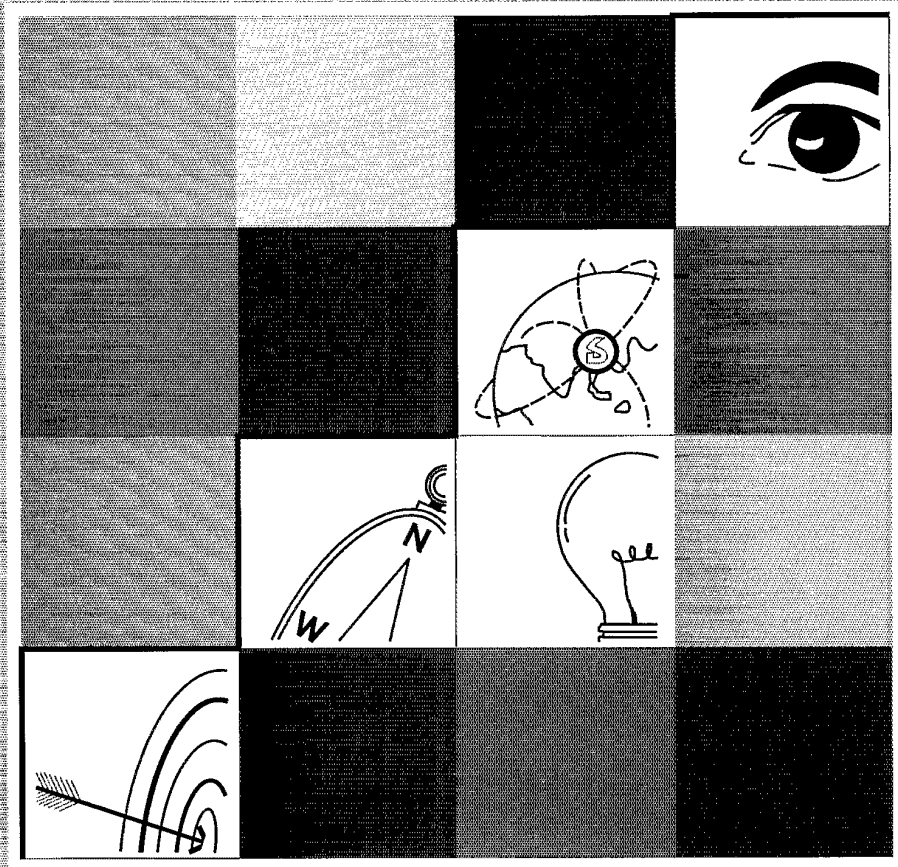
* In 1997, not including Financial Institution as client

Amount : million baht

For the year ended December 31					
	1993	1994	1995	1996	1997
Total Income	3,671.0	4,172.2	5,998.2	7,099.9	8,936.4
% increase	21%	14%	44%	18%	26%
Total Expenditure	3,214.2	3,486.8	5,162.0	6,143.6	9,106.2
% increase	21%	8%	48%	19%	48%
Net Profits	328.5	491.6	610.8	701.6	-169.8
% increase	24%	50%	24%	15%	-124%
Earnings Per Share (Baht)	3.41	4.57	5.45	5.63	-1.26
Dividend Per Share (Baht)	2.20	2.75	3.35	3.35	1.00

COMPANY'S VISION

To reach the goal with determination and to clearly follow a well defined business plan with far reaching vision and creative banking approach. This is the fundamental management style that makes us...Nakornthon Bank to be ahead in service that is constantly adapting to new changes.



BOARD OF DIRECTORS



FROM LEFT TO RIGHT

MR. SUNTHORN HONGLADAROM : Chairman

MR. SUPHOT WANGLEE : Director

MR. SUCHIN WANGLEE : Director

MR. PRASIT CHOLVANICH : Director

MR. PANYA SAWASDICHEVIN : Director

MR. THAMNOON WANGLEE : Director (Not present in the picture)

PROF.DR. ATHASIT VEJAJIVA : Director (Not present in the picture)

BOARD OF DIRECTORS



FROM LEFT TO RIGHT

MR. KITTI PATPONGPIBUL : Managing Director

MR. POOMCHAI LAMSAM : Director

MR. VORAWEE WANGLEE : Chief Executive Officer

MR. ISARA VONGKUSOLKIT : Director

MR. THAMNU WANGLEE : President

KHUNYING CHANUT PIYAOUI : Director (Not present in the picture)

MR. SANTI BHIROM-BHAKDI : Director (Not present in the picture)

EXECUTIVE COMMITTEE



FROM LEFT TO RIGHT

MR. KITTI PATPONGPIBUL : Managing Director

MR. THAMNU WANGLEE : President

MR. VALLOBH SETASUVARNA : Senior Vice President, Credit Administrative Support Group

MRS. INDHIRA WATTANAKASAEM : Executive Vice President, Policy Group, Human Resources Group

MR. VORAWEE WANGLEE : Chief Executive Officer

MR. THAVISAKDI KURUCHITTHAM : Executive Vice President, Management Group

MR. DAMRONG RIDHISILPA : Senior Executive Vice President, Accounting Group, Foreign Group, Support Group (Not present in the picture)

MR. PRASARN KATANYUTANON : Executive Vice President, Corporate Banking Group, Investment Banking Group (Not present in the picture)

EXECUTIVE OFFICERS



MR. VORAWEE WANGLEE	Chief Executive Officer
MR. THAMNU WANGLEE	President
MR. KITTI PATPONGPIBUL	Managing Director
MR. DAMRONG RIDHISILPA	Senior Executive Vice President, Accounting Group, Foreign Group, Support Group
MR. THAVISAKDI KURUCHITTHAM	Executive Vice President, Management Group
MRS. INDHIRA WATTANAKASAEM	Executive Vice President, Policy Group, Human Resources Group
MR. PRASARN KATANYUTANON	Executive Vice President, Corporate Banking Group, Investment Banking Group
MR. VALLOBH SETASUVARNA	Senior Vice President, Credit Administrative Support Group
MRS. ANCHALEE SIRIWADHANA	Senior Vice President, Accounting Group
MRS. VUNTANEE LOYPRASERT	Vice President, Bangkok Metropolitan Branch Banking Department 1
MR. CHAIWAT PONGPASURA	Vice President, Sathorn Office
MR. SUTEE LOSOPONKUL	Vice President, Treasury Office
MR. SOMSAK CHAIYADEJ	Vice President, Investment Banking Department
MR. PICHIT PAKJAMSAI	Vice President, Accounting Department
MR. CHOOMPONG HUTANANDA	Vice President, Upcountry Branch Banking Department
MR. SUWAT TASANAKULPAN	Vice President, Bangkok Metropolitan Branch Banking Department 2
MR. CHUSAK WANGLAVAN	Vice President, International Trade Department
MRS. KOMKAI TANGTRONGKID	Vice President, Operation Department

GENERAL INFORMATION



1. Name, Head Office Address, Type of Business, Telephone, Facsimile, Type and No. of share the bank already sold.

Nakornthon Bank Public Company Limited operates banking business. The Bank's Head Office is located at 90 Sathorn Thani Building, North Sathorn Road, Bangrak, Bangkok 10500. Telephone : 233-2111-9, 233-8070-89 Facsimile : 236-4226 The current total paid-up registered capital of 1,344,043,220 Baht is for 134,404,322 common shares with par value per share of 10 Baht (as of December 31, 1997)

2. Name, Head Office Address, Type of Business, Telephone, Facsimile, Type and the volume of securities already sold to juristic entity of which NTB hold at least 10% of sold of those company.

Name (Business Type)	Place	Telephone Facsimile	Type of shares	No. of Shares already sold	Rate of Holding Share (%)
1. United Industry Development Co., Ltd. (Real Estate Rental)	Esso-Standard (Thailand) Co., Ltd. 3195/27 Rama IV Rd., Klongtoey, Bangkok 10110	Tel. 2624000 Fax. --	Preferred	100,000	10.0000
2. Chao Phaya Resort Limited (Hotel)	16 th floor, Berli Jucker Building, Sukhumvit 42 Road, Bangkok 10110	Tel. 3815151 Fax. 3815777-8	Common	8,000,000	10.0000
3. Thai Aliphatics Co., Ltd. (Chemical Products)	Esso-Standard (Thailand) Co., Ltd. 3195/16 Rama IV Rd., Klongtoey, Bangkok 10110	Tel. 2624291, 2624279, 2624298 Fax. 2624802-4	Preferred	400,000	10.0000
4. Thai Realty Complex Co., Ltd. (Real Estate Development)	159 Sermmitr Building, 11 th floor, Sukhumvit 21 (Sor Asoke), Bangkok10110	Tel. 2608620-2 Fax. 2638623	Common	2,000,000	10.0000
5. Saraburi Cement Co., Ltd. (Cement Products)	2013 Italthai Building, First floor, New Petchburi Road, Bangkok 10310	Tel. 3191031-40 3192021-37 Fax. 3140806	Common	6,000,000	10.0000
6. Padungsin Co., Ltd. (Investment in Real Estate)	201/6 Petchkasaem Soi 20, Pakklong, Phasicharoen, Bangkok 10160	Tel. 2831837 Fax. --	Common	50,000	10.0000
7. Singkee Co., Ltd. (Construction)	25/9 Phibulsongkarm Road, Bangsue, Bangkok 10800	Tel. 5860108-9 Fax. 5876510	Common	300,000	10.0000

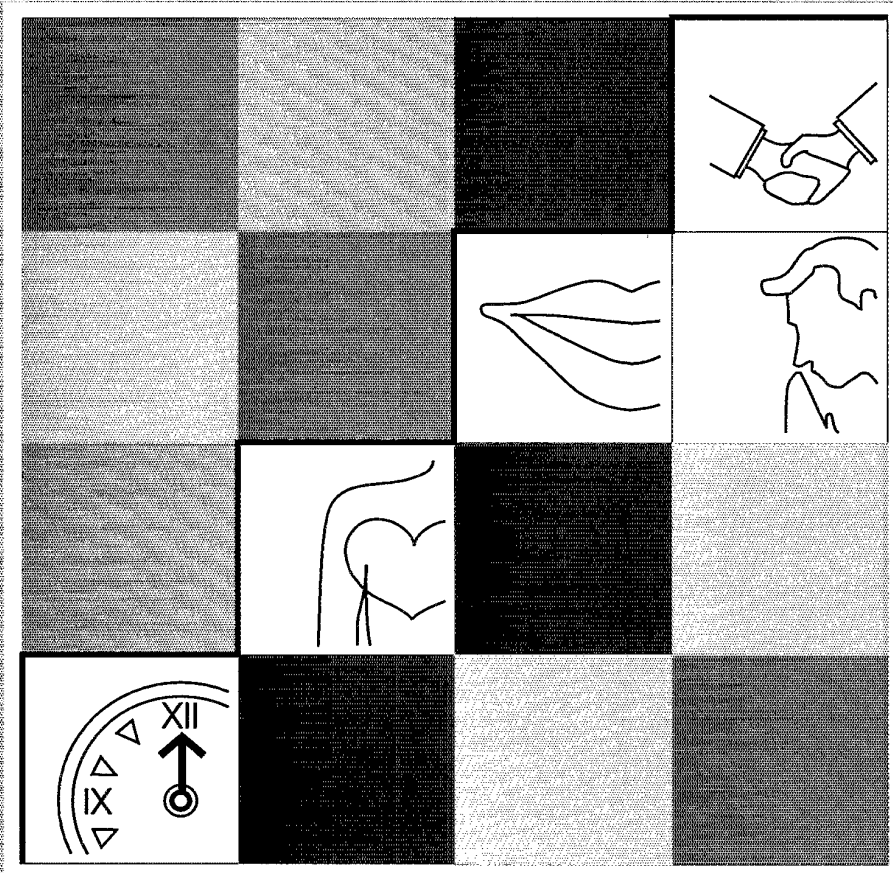
Name (Business Type)	Place	Telephone Facsimile	Type of shares	No. of Shares already sold	Rate of Holding Share (%)
8. Nakornthon Leasing Co., Ltd. (Leasing)	193/45 Lake Ratchada Building, 12 th floor, Rachadaphisek, Klongtoey, Bangkok 10110	Tel. 6619790-7 Fax. 2640366	Common	8,000,000	10.0000
9. Nakornthon Schroder Asset Management Limited (Financial Institution)	90/36 Sathornthani Building, 14 th floor, North Sathorn Road, Silom, Bangrak, Bangkok 10500	Tel. 2384645-6 or 2606 Fax. --	Common	10,000,000	25.0000

3. Name, Address, Telephone, Facsimile of other references such as Security Registrar, Representative of Bondholder, Auditor, Legal Consultant, Consultant or Manager under management contract

- Security Registrar Thailand Securities Depository Co., Ltd.
132 Sinhorn Building 3, 22nd floor, Wireless Road, Patumwan,
Bangkok
Tel : 263-3851
- Auditor Dr. Payom Singhasaneh, Registered No.18
Peat Marwich Suthee Limited.
Sathorn Thani Building 2, 9th floor, 92 North Sathorn Road,
Bangkok 10500
Tel : 236-6161-4, 238-5172-5
- Representative of Bondholder -
- Legal Consultant -
- Financial Consultant -
- Consultant or Manager under management contract -

BANK'S SERVICE

Servicing is not just to respond to the customers' needs, but it is also to provide time to pay close attention to the customers in an informal atmosphere which in turn will create customer satisfaction, convenience, and good relations.



BOARD OF DIRECTORS' REPORT



To shareholders

In 1997, Thailand was faced with the economic crisis which resulted from the accumulation of economic infrastructure problems which caused the bubble to burst when wrong solutions were introduced. The liberalization of financial policy since 1993 has opened the gate for short-term investment in great volume to flow into high risk businesses with short investment return instead of increasing the value added production so as to better compete with other foreign countries. This condition caused the weakening of the economic infrastructure to crumble in 1997.

The fluctuation of the baht currency on July 2, 1997 when the announcement to float its exchange rate has since weaken the baht from an average of 25.78 baht to the US dollar in June to 45.29 baht to the US dollar in December. This has caused foreign debt burden for Thai businesses to almost double. Many businesses experienced loss, and were unable to make payments for their debt which in turn affected the operations of the Bank. Moreover, with the lost of confidence foreign investors were demanding payments for their debt which caused continuous outflow of funds and created liquidity crunch in the second half of the year. Similarly, interbank rates adjusted upward accordingly. The deposit rate has increased from and average of 10.75% p.a. in the beginning of the year to an average of 13.75% p.a. at the end of the year. The interest rate for loans for prime

customers has increased the rate up from 14.25% at the beginning of the year to 15.75% toward the end of the year. The commercial bank deposits growth rates greatly increased from 13.7% in the previous year to 17.6% as depositors moved their deposits from the finance and security companies to commercial banks. But this did not help the liquidity of the commercial bank due to the continuing outflow of foreign funds.

Commercial bank credit declined two folds to approximately 7.4% in 1997 when compare with 14.2% of 1996. However, if we included the Bangkok International Banking Fund (BIBF) assets following the devaluation of baht exchange rate, the commercial bank credit would increase to 21.5%.

The economic slowdown in the first half of the year and the fluctuation of exchange rate in the second half extensively affected private businesses. All clients could not meet their debt obligations. NTB has to make the provision for non-performing Loan (NPL) which is a very high expenditure. Although there was an adjustment made in mid 1997, the Bank had a net loss of 169.8 million baht. NTB assets was recorded at 73,758 million baht as of December 31, 1997 which was an increase of 14% from the previous year. Funds available for lending totaled 60,028 million baht, and deposits was 46,762 million baht. These figures can not be compared with the previous year to show how much they have changed since the method of accounting was changed. For revenue

earned, NTB received interests and net cash dividend of 1,900 million baht which was an increase of 329 million baht or 21%, and non-interest revenue was 906 million baht an increase about 244 million or 37%. But if deducting provision for loan losses of 1,053 million baht and business operational costs of 1,922 million baht, the Bank would still show a loss.

Branch network expansion

As a continuation in the development process from 1996, NTB employed consultant firm to increase efficiency in branch work flow under the project named Business Process Reengineering (BPR). BPR sought to reduce duplication and to increase the efficiency in providing Bank's services. Furthermore, NTB also focused on image improvement for both the interior and exterior with modern style. In 1998, the NTB plans to reimage the three existing branches and three new branches.

In 1997, NTB expanded with four additional branches, namely the SAMUTPRAKARN, KARM TA LAY SOR, PATANAKARN, KUT CHUP and it also upgraded a subbranch at Future Park Rangsit to become full operation branch. By the end of 1997, NTB has a total of 67 branches, of which 44 branches located in Bangkok and neighboring provinces, 22 branches in various regions and one branch in a foreign country.

In order to increase market share, NTB have expanded branch network in 1998 to approximately

3 branches namely FUTURE MART, RAMA III, RAMINDRA, NAKORNSAWARN. NTB plans to have a total of 70 branches by the end of 1998.

Human resources

By increasing 5.97% of the work force with additional 121 staff, NTB has a total of 2,149 employees at the end of 1997. The head office employs 54% or 1,165 employees and the balance of 705 persons or 33% worked at branches in metropolitan Bangkok and neighboring provinces. Some of the staff are assigned to regional branches totaling 279 persons or 13% of the entire employment.

NTB always take interest in the importance of its personnel and tries to provide our human resources with good working conditions and pleasant surrounding. Despite the economic meltdown, all employees still received the usual welfare. However, if the economic recession prolongs in 1998, NTB is compelled either to scale down or to discontinue certain welfare and benefits as cost cutting measures.

Human resources development

NTB does not overlook the importance of all levels of Human Resources Development. The Bank believes that the staff is the core of the organization. NTB assists its staff with program to promote advancement for their career path. In 1997, it introduced 57 internal training programs. NTB trained

all together 2,042 trainees and 5 trainees were sent for external training in foreign country. In term of scholarship, NTB has developed 5 scholarship projects as follows :

- (1) Primary Banking Program with 6 scholarships
- (2) Banking and Financial Institution Administrative Development Project (YOBEX) with 2 scholarships
- (3) Mini-MBA / MMP Program with 3 scholarships
- (4) Administrator and Financial Institution Seminar Project (FINEX) with 2 scholarships
- (5) Master Degree Program with 3 scholarships

With continuing career development, the NTB staff becomes more efficient and more qualified with increased knowledge to drive the organization toward growth and stability.

Technological development

NTB joined with MasterCard International to provide depositors with greater convenience through CIRBUS and MAESTRO network in early 1997. Depositors could withdraw cash from more than 350,000 ATM's units with Cirrus logo in 100 countries of the world, which are linked to the ATM pool. As for MAESTRO debit card purchases could be made at 2.3 million stores worldwide. This is a technical development in extending the 24 hours service and reducing the risks of exchange rate fluctuation. Another convenient service is the NTB PHONE BANKING. Our clients can deposit, withdraw and obtain financial information in both Thai and English language by dialing the telephone

number 636-8000. In addition, the Bank also provides P.C. banking service in which clients can do banking at home or at the office with a P.C.

To reinforce communication system, NTB facilitated the flow of communication between the branches and head office via computer. NTB accelerated in improving the efficiency of work management and continuous customer service by installing financial and treasury management with software from ZEROBASE company which is used by many leading companies around the world to assist in risk management in foreign exchange and monetary administration with effectiveness.

Productivity development

With the current economic situation, all commercial banks need to recapitalize in order to improve liquidity by introducing various types of deposits. NTB has added three new banking products to the two existing savings accounts. The description of each of the total 5 savings accounts is summarized below :

1. **Savings Account** is the type of deposit that is redeemable on demand, paying the interest rate of 5.00% p.a.

2. **Tax Exempt Savings Account** requires a minimum deposit of 1,000 baht and a maximum deposit not exceeding 25,000 baht per month, and the deposit must remain in this account not less than 24 months to qualify for tax exempt high interest rate. The interest rate is 14.00% p.a.

3. **Double Special Savings Account** can be opened with an initial deposit of 10,000 baht and subsequent deposits must not be less than 1,000 baht per month. Depositor can make two monthly withdrawals without any penalty and can earn interest about twice the rate of the regular savings account, which is 11.00–12.50% p.a.

4. **Call Savings Account** can be opened with an initial deposit of 10,000 baht and is designed for a depositor who knows exactly when the withdrawal is to be made by giving 7 days prior notice and who wants to earn interests rate higher than that of the regular savings account, paying the interest rate of 11.50–14.00% p.a.

5. **Treasury Savings Account** is for co-operative and cash-rich company that wish to deposit access fund that can be withdraw with one day prior notice earning the rate of interests specified by the period and by amount. The interest rate is 13.00–15.00% p.a.

Economics and social development support

NTB is aware that in such economic crisis Thai society is directly affected. Besides conducting its financial business toward financial stability, NTB has not forgotten its responsibility to society.

Religious restoration

NTB promotes and supports religious activities throughout the years. This year NTB made

two merit presentations, one with Thod–Ka–Thin in Songkla province and in another presented safron robe to Buddhist monks at Thod–Pha–Pa ceremony.

Education

Education is a vital foundation in developing the human resources of the country. It is important for that country to strength its citizens with good education so that they will become productive human resources. Thus, NTB continuously supports this goal through scholarship contribution to those students who are determined to study but lack financial means. The scholarship is made available without any condition or obligation. Together with Chulalongkorn University and The University of The Thai Chamber of Commerce, NTB organized seminar such as "Knowledge and Experience" for students who are about to enter the job market. In addition NTB co-ordinated with The University of The Thai Chamber of Commerce to sent volunteers to "Social Volunteer Camp Project". Other financial support was given to the faculty of Commerce and Accounting of the Chulalongkorn University for the centennial celebration of its founder Prof.Uppakarn Koonphayachaiyot–Sombat. This type of contribution is intended to promote the effectiveness and efficiency of studying and teaching with modern facility and equipment.

Midday meal project

NTB is a private enterprise with serious concern with today's youth who are living in the hardship areas to receive daily food to nourish the body and mind as future resources and strength of the nation, NTB decided to joint with The National Primary School Bureau with (Sor Por Chor). NTB contributed to the Midday Meal project in providing revolving funds for agricultural project that grow food exclusively for midday meal in schools to feed the needy and the undernourished children. The Bank has provided continuous assistance for the past ten years for 1,107 children per school in an aggregate in amount of 9,555,000 baht.

In 1997 NTB also contributed to a similar project for the Northeastern provinces at a total amount of 1,550,000 baht.

Natural resources preservation (Royal reforestation project)

NTB participated in solving the problems of reforestation in areas where the forest is destroyed. In celebrating the JUBILEE of the 50th reigning anniversary of King Rama IX, NTB contributed fund toward Royal Reforestation Project covering 2,800 acres at the total cost of 21 million baht and 800 acres of replanted forest have been handover to the Department of Forestry.

Public merit making activities

Last year NTB continues to assist and help various charities. It allocated part of its annual

budget to give to public charities and in praising the Monarchy NTB sold broaches inscribed with the message "We love our King" and distributing books called "The grandmother of the Kingdom". More specifically, NTB arrange blood donations from staff and volunteers every three months. NTB also promotes artwork, Buddhism, save the environment, the conservation of Thai culture and the family institution.

Nakornthon project for society (T-BIRD)

T-BIRD Project provides assistance to rural communities with the main objective of helping to develop the quality of life and raise the standard of living of the underprivileged citizen. The first village development project was the Moobaan Hua Krok village of Payayen district in Paakchong, Nakorn Rachasima province. A feasibility study was done for a second project at Aung Hin, Tambon Payayen, Amphur Paakchong in Nakorn Rachasima province which has started and is expected to be completed in the year 2000.

The turbulent condition with the financial institutions during 1997 together with the government attempt to solve the economic problems have greatly altered the way commercial banking business is conducted. Even though NTB operations in 1997 recorded its first loss, it was still considered to be in a fairly good position when compared with the performance of other financial institutions. Besides, NTB was still able to live up to

its obligations as in the past in helping to develop Thai society. At this time, the Board of Directors wishes to express its appreciation to all of NTB staff

for their dedication and service, to our clients for their trust and loyalty and to our shareholders for their unfailing support.



A handwritten signature in cursive script, appearing to read "Sunthorn Hongladarom".

(Mr. Sunthorn Hongladarom)
Chairman



A handwritten signature in cursive script, appearing to read "Vorawee Wanglee".

(Mr. Vorawee Wanglee)
Chief Executive Officer

FINANCIAL SUMMARY



1. Financial Statement Information
2. Financial Ratio

Financial standing and Bank's performance for 1997 compared with 1996

(Amount : million baht)

	1997	1996
Loans (prior to deducting Allowance for Doubtful Account)*	60,028	55,047
Interbank and Money Market Transaction (Assets Side)	5,334	
Deposits*	46,762	47,056
Interbank and Money Market Transaction (Liabilities Side)	16,609	
Long Term Borrowings	3,535	
Total Borrowings*		7,280
Shareholders' Equities	4,203	4,824
Total Assets	73,758	64,471
Total Income	8,936	7,100
Total Costs and Expenditures	9,106	6,398
Net Profits	(169.8)	701.6
Earnings Per Share (Baht)	(1.26)	5.63
NO. of Shares (in thousand of unit)	134,404	133,933
Return on Assets (ROA)	(0.23%)	1.09%
Return on Equities (ROE)	(4.04%)	14.54%
Net Profit/Total Income	(1.90%)	9.88%
Dividends Per Share	-1.00	3.35
Book Value Per Share	31.27	36.02
Loan Loss Reserve (LLR)	8.17%	10.22%

Note * Loans, deposits and total borrowings during the year 1997 and 1996 according to financial statement for the year ended December 31, 1996 have not been presented for comparative purpose, because the Bank was unable to provide information in the format prescribed by Commerce Ministerial Regulation No. 7 1996 (B.E. 2539)

THE CHARACTERISTIC OF THE BUSINESS



Nakornthon Bank conducts its commercial banking business by providing all types of financial services, for example, it accepts deposits, extends loans, advises on investments and other banking services, the detail of which are summarized below :

Deposit service

The Bank offers many types of savings accounts for the depositors to select, namely,

1.1 **Time Deposit** is the type of deposit which can be redeemed at the maturity period of 3 months, 6 months and 12 months at the interest rate prevailed on the day when the deposit is made.

1.2 **Savings Account** is the type of deposit that is redeemable when demanded and initial deposit can be as little as 100 baht.

1.3 **Tax Exempt Savings Account** requires a minimum monthly deposit of 1,000 baht and a maximum deposit not exceeding 25,000 baht and the deposit must remain in this account not less than 24 months to be eligible to earn tax-exempted high interest rate.

1.4 **Double Special Savings Account** can be opened with an initial deposit of 10,000 baht with each subsequent deposits not less than 1,000 baht. Depositor can make two monthly withdrawals without any penalty and can earn interest about twice the rate of the regular savings account.

1.5 **Call Savings Account** can be opened with an initial deposit of 10,000 baht and is designed for a depositor who knows exactly when the withdrawal is to be made by giving 7 days prior notice and who wants to earn interest rate higher than that of the regular savings account.

1.6 **Treasury Savings Account** is for cash-rich company that wishes to deposit access fund that can be withdrawn with one day prior notice and earning high rate of interest based on the deposit period and amount.

1.7 **Current Account** is the type of account that uses checks to make withdrawal on demand but earns no interest.

1.8 **Deposit Certificate** is issued to a minimum deposit of 500,000 baht and a maximum deposit not exceeding 20 million baht. The deposit certificate is transferable.

1.9 **Foreign Currency Account** can either be in the form of savings or fixed deposits.

Credit service

NTB provides loans both in baht and foreign currencies. There are many type of loans which differentiate as follows:

2.1 **Lending Service** The Bank provides Loans to retail customers and big businesses with different type of loans as follows :

2.1.1 **Call Loan** The lender or the borrow could call back or repay the loan by giving one day prior notice. Promissory note is issued as proof of the loan amount.

2.1.2 **Short Term Loan** is a regular loan for a period not exceeding one year using promissory note as evidence of the loan which is discounted for instance, promissory note discounting, cheque discounting, bill of exchange discounting.

2.1.3 **Term Loan** is a loan with over one year period and is repaid by schedule. The borrower could repay by installment the principal plus interest or pay all principle and interest at due date, for example, housing loan and project loan.

2.1.4 **Overdraft** The Clients could withdraw and pay back anytime as per approved credit line as working capital for the business.

2.1.5 **International Trade Loans** are for opening letter of credit, import trade financing, export trade financing, import and export bills for collection, packing credit and export bill negotiated under letter of credit.

2.2 International banking facilities.

2.2.1 **Out - In Business** is lending or depositing services in the form of loan in foreign currency from ordinary person and corporation in a foreign country, foreign commercial banks in Thailand, Thai commercial banks in foreign countries and other juristic person as per BOT regulation for lending to Thai business.

2.2.2 **Out - Out Business** is lending or depositing in baht or in the form of foreign currency from ordinary person, juristic person abroad, foreign commercial banks in Thailand, Thai commercial banks in foreign country, juristic person as defined by BOT regulations for lending to international business or foreign commercial banks in Thailand.

2.2.3 **Other International Business** such as foreign currency exchange.

Investment banking

3.1 **Act as selling-agent for debt instruments** It provides two types of services. Firstly, it guarantees the entire sale of debt instruments to the issuer that will receive the full amount of the instrument as per time specified. Secondly, NTB will not guarantee the entire sale amount but will try to sell as many without any commitment to buy back the unsold volume.

3.2 **Act as financial advisor** in mobilizing funds, in setting up financial structure, in issuing the debt instruments, in managing project bidding and in analyzing feasibility study of proposed projects.

3.3 **Act as investment advisor** by investing in the project, by providing venture capital or by acting as representative in servicing for large project which requires large investment funds.

3.4 **Act as manager of provident funds.** Advise the government sector, state enterprise and private companies that have to set up the fund by coordinating with other units, to share information with employees by introducing provident fund requirement, preparing to meet the requirement of various units and employees in raising more benefits for their provident funds.

3.5 **Act as Mutual Fund Supervisor and Custodian** to mutual funds, private funds and private clients.

3.6 **Act as the registra** for all securities such as stocks, bonds and investment unit.

3.7 **Act as support agent for sale and repurchase of investment units of mutual funds** which manage this project by Nakornthon Schroder Asset management Company Limited.

Risk management service

NTB provides financial risk management which could result from foreign exchange rate fluctuation, such as, fix forward contract and currency option.

Other services

5.1 **Bank Guarantee** is the document issued by the Bank to guarantee fulfillment of a contract for a bid submitted by

a company, guarantee promissory note issued by an investment company and guarantee for the use of electricity, importation of merchandise, and employment.

5.2 Monetary transfer

- Transfer by bahtnet means transferring funds through bahtnet system to another bank within the same day.
- International transfer is the transferring of funds through S.W.I.F.T and by telex for import / export business.
- Transfer on clients instruction is by debiting the account of the depositor in order to transfer to the receiver on specified date and time, for example club due payment. The transfer of funds between savings and current account.

5.3 **ATM service** is available with access to other ATM's belonging to other banks that are also members of the local ATM pool.

5.4 **Debit card service** is a card with global access to worldwide ATM's with CIRRUS logo and can be used to make electronic payment for purchases made at stores with MEASTRO logo.

5.5 **Aval service** is to guarantee promissory notes both domestic and international, for example, to aval loans acquired from abroad.

5.6 **To accept and guarantee payment** in full and in part for bill of exchange to meet clients requirement.

5.7 **Other services** include utilities bill payment, foreign exchange service, sale and purchase of travelers checks, bankdraft purchase, income tax payment, vehicle tax, bill payment, letter of guarantee, cheque collection, gift cheque, safe deposit box rental, credit information phone banking.

Income composition

With commercial banking business which provides credit, deposit and other services, NTB income comes from interest income, fees and service income, gain on foreign exchange and from customers to whom the bank provides credit line. As for interest expense, the Bank pays the interest on deposits and to the Bank's creditors. In addition NTB tries to maintain liquidity by allocating funds in such investment as purchasing government bonds, state enterprise bonds, common stocks and debentures which bring in interest income and dividend for 1995 to 1996 that could be divided into the following proportion.

	1997	As a percentage of	1996	As a percentage of	1995	As a percentage of
Interest and Dividend Income from Loans and Investments	8,030,304		6,437,966		5,398,034	
Less Interest for Deposits and Borrowings	6,130,719		4,866,805		4,047,903	
Less Allowance for Doubtful Accounts	1,053,000		118,000		138,000	
Net Income from Interest and Dividend	846,585	48%	1,453,161	69%	1,212,131	67%
Fees and Other Incomes	481,002	28%	492,589	23%	455,123	25%
Gain on Exchanges	425,107	24%	169,381	8%	145,081	8%
Total	1,752,694	100%	2,115,131	100%	1,812,335	100%

Amount : thousand baht

With various types of services available, clients could obtain any service either at the head office or at the branches. By the end of 1997, NTB has 44 branches in Bangkok and neighboring provinces, 22 branches in the regions, one overseas branch, two international business centers and 8 foreign exchange booths.

Reengineering in 1997

NTB has developed many types of products in 1997 to provide clients with more choices, and currently NTB has a total of 5 savings accounts, namely Savings Account, Tax-Exempt Savings Account, Double Special Savings Account, Treasury Savings Account and Call Savings Account. These accounts have different terms, conditions and the rate of interest. NTB has also added CIRRUS and MAESTRO which can be used worldwide with MasterCard network.

In the information technology, two new ways to do banking were introduced one is NTB Phone Banking and the other is the PC Banking system which enables clients to do banking at home or at the office with telephone and P.C. For the internal system, NTB has developed Office Automation System to communicate between branches and head office with speed and cost saving. In addition, NTB has provided software to support money management for the Treasury Department to evaluate the financial risks and the best exchange rate which is appropriate to the baht float market.

In order to increase operations efficiency, NTB consistently eliminated work duplication and also changing the image of the Bank with the new designed logo, and promote convenient service for its clients. Besides, NTB expanded its branch network with four new branches and upgraded one subbranch into a full branch. It also introduced International Trade Center at one of the branches to bring this specialized service closer to the local area.

Individuals with mutual benefit and interactivity

8.1 None

8.2 None

8.3 None

8.4 None

8.5 None

Audit committee explanation

None

SHAREHOLDERS AND MANAGEMENT

1. Shareholders

- The Bank does not have a group of shareholders which holds more than 10% of total shares.
- The first ten shareholders as of December 16, 1997 which was the closing date for the registration book of shareholders.

Name / Surname	Total shares	% of total shares
Nomura Singapore Limited–Main Account	11,389,300	8.47
Crown corporation	10,274,101	7.64
Skyway Co., Ltd.	6,440,410	4.79
Wang Lee Co., Ltd.	5,349,076	3.98
Wang Lee Holding Co., Ltd.	4,897,004	3.64
Mr. Song Watcharasrirodj	4,894,440	3.64
Muang Thai Insurance Co., Ltd.	3,496,973	2.60
Mrs. Somreudee Sirawongprasert	3,384,990	2.52
Mr. Kriekchai Sorsoitukul	3,278,488	2.44
Pipattanasin Co., Ltd	2,964,214	2.21

2. Executive Officers

(1) List of name, position and brief work experiences of the Executive Officers and Officers (if any). Details of Nakornthon Bank Directors are as follows :

- Name - Surname** : Mr. Suthorn Hongladarom
Position : Chairman
Work experiences :
1983 to present : Chairman of NTB
Other positions held at present :
Chairman : Thai Petrol–chemical Industry Co., Ltd.
Director : The Red Cross Association
- Name - Surname** : Mr. Vorawee Wanglee
Position : Chief Executive Officer
Work experiences :
1973 to 1988 : Vice President, Credit Administration Group,
Director and Senior Vice President, Credit Administration Support Group
1989 to 1994 : President of NTB
1994 to present : Chief Executive Officer
Other positions held at present :
Chairman : Navakij Insurance Public Co., Ltd.
Chairman : Chaopraya Resort Co., Ltd.
Chairman : Business Development of Region Thai–Canada Project. (T –BIRD)

Director Wang Lee Co., Ltd.
 Director Hua-Hin Resort Co., Ltd.
 Director Hua- Hin Village Co., Ltd.
 Director Siam Modified Starch Co., Ltd.
 Director Siam Quality Starch Co., Ltd.
 Director Chiva-Som International Health Resorts Co., Ltd.
 Director Betago Agro Group Public Co., Ltd.
 Director Nakornthon Leasing Co., Ltd.
 Director Bangkok Polyester Co., Ltd.

3. **Name - Surname** : Mr. Thamnu Wanglee
Position : President
Work experiences : Start working at Hong Kong & Shanghai Banking Corporation Limited, Bangkok in 1958 in the Department of Bank Management, Treasury, Loans & Securities, Accounting, International Trade, Credit Administration, Human Resources Management, and General Services.
 1969 to 1973 To be authorized as Manager of Hong Kong & Shanghai Banking Corporation Limited, Sues Pa branch.
 1973 Start working at NTB in the position of :
 - Assistant Vice President of Banking Management.
 - Vice President of Banking Management.
 - Director and Senior Vice President.
 1982 to 1994 Vice president of NTB
 1994 to present President of NTB
Other positions held at present :
 Chairman Thanatip Co., Ltd.
 Chairman N.S. Electronic Bangkok(1993) Co., Ltd.
 Chairman Alphatech Electronic Public Co., Ltd.
 Vice Chairman Lamchabang International Country Club co., Ltd.
 Director Cha-Roong Thai Wire and Cable Public Co., Ltd.
 Director Saha-Pitaksin Co., Ltd.
 Director Navakij Insurance Co., Ltd.
 Director Wang Lee Co., Ltd.
 Director Wang Lee Holding Co., Ltd.
 Director Thai Glass Industry Public Co., Ltd.
 Executive Director SukoThai University.

4. **Name - Surname** : Mr. Prasit Cholvanich
Position : Director
Work experiences :
 1986 to present Director of NTB

- Other positions held at present** :
- Chairman : V&V Management and Consultant Co., Ltd.
 Director : Tanakorn Credit Foncier Co., Ltd.
 Director : Agricultural Procedure Co., Ltd.
 Director : Sahasineema Co., Ltd.
5. **Name - Surname** : Mr. Thamnoon Wanglèe
Position : Director
Work experiences :
 1973 to present : Director
The present other positions as :
- Managing Director : Thai Airways International Public Co., Ltd.
 Chairman : Royal Orchid Cheraton Co., Ltd.
 Chairman : Don Muang International Airport Co., Ltd.
 President : Sathorn Luksua Chaoban Club (Village Scout Club)
 President : Thai Civil Aviation Organization
 President : Thai Airways International Association
 Vice President : Children's Hospital Foundation
 Honorary Adviser : Women Football Association of Thailand under patronage
 of the Royal Highest Princess Sirinthorn
 Director : Petroleum Pipeline Transshipment Co., Ltd.
 Director : Thai/Air Lanka Catering Service (Sri Langka) Co., Ltd.
 Patronage Director : Diver Federation of Thailand
 Director : Tourism Authority of Thailand
6. **Name - Surname** : Mr. Santi Bhirom-Bhakdi
Position : Director
Working experiences :
 1976 to present : Director of NTB
Other positions held at present :
- Chairman : Santi Buri Co., Ltd.
 Chairman : Santi Buri Private Community Co., Ltd.
 Chairman : Chiang Rai Santi Buri Golf Club Co., Ltd.
 Chairman : Technology Operation Group Co., Ltd.
 Vice President : Boon Brawd Brewery Co., Ltd.
 President : Bangkok Beer Co., Ltd.
7. **Name - Surname** : Khunying Chanut Piyaoui
Position : Director
Working experiences :
 1989 to present : Director of NTB

Other positions held at present :

Chairman and President Dusit Thani Public Co., Ltd.
Chairman MBK Property and Development Co., Ltd.
Executive President and Secretary King Rama IX Royal Park Foundation
Advisor The Thai Chamber of Commerce
Director The University of The Thai Chamber of Commerce
Director Bhu Bibalobhikkhu Foundation
Advisor The Federation of Women in Business and
Professional Education Association of Thailand
Advisor The Committee on Tourism

8. **Name - Surname** : Mr. Kitti Pattanapongpibul

Position : Managing Director

Work experiences :

1991 to 1992 Senior Executive Vice President of NTB

1993 to 1994 Executive Vice President of NTB

1993 to present Director of NTB

1994 to present Managing Director

Other position held at present :

Chairman Association for Housing Loan Co., Ltd.
Chairman Chetwich Co., Ltd.
Vice Chairman Sub-committee for Solving Real Estate Financial Problem
Director Thai Metal Drum Mfg. Public Co. Ltd.
Director S.M.T. Leasing Co., Ltd.
Director Home Place Group Public Co., Ltd.
Director The Real Estate Reform Coordination Committee.
Director Property Loan Management Organization.
Director Urban Community Development Office,
National Housing Authority of Thailand
Director The Values Association of Thailand.

9. **Name - Surname** : Mr. Suchin Wanglee

Position : Director

Work experiences :

1994 to present Director of NTB

Other position held at present :

Executive Chairman and
Managing Director Navakij Insurance Public Co., Ltd.
Chairman Sathorn Thani Co., Ltd.
Chairman Thai Re-insurance Public Co., Ltd.
Chairman Rangsit Plaza Co., Ltd.
Director Thai Metal Drum Industrial Co., Ltd.

Director	Thai Commercial Insurance Co., Ltd.
Director	Thai-German Ceramic Industry Co., Ltd.
Director	The Pet Co., Ltd.
Director	Association for Insurance against Natural Disaster.
Director	The Pizza Co., Ltd.

10. **Name - Surname** : Mr. Suphot Wanglee
Position : Director
Work experiences :
1994 to present Director of NTB
Other position held at present :
President Thanakorn Vegetable Oil Co., Ltd.
President Poonphol Co., Ltd.
Director Dole (Thailand) Co., Ltd.
Director Sithinan Co., Ltd.
Director Navakij Insurance Public Co., Ltd.
Director Siam Modified Starch Co., Ltd.

11. **Name - Surname** : Mr. Poomchai Lamsam
Position : Director
Working experiences :
1994 to present Director of NTB
Other position held at present :
President Meang Thai Life Insurance Co., Ltd.
Director Loxley Public Co., Ltd.
Director Milk Products (Bangkok) Co., Ltd.
Director Phattara Real Estate Co., Ltd.
Director Phattara Leasing Co., Ltd.
Director Phattara Complex Co., Ltd.

12. **Name - Surname** : Mr. Isara Vongkusolkit
Position : Director
Working experiences :
1994 to present Director of NTB
Other position held at present :
President Mithphol Sugar Co., Ltd.
President Mithsiam Sugar Co., Ltd.
President Total Agriculture Industry Co., Ltd.
Executive Director Amarin Plaza Co., Ltd.
Executive Director Amarin Development Co., Ltd.
Director Arawan Hotel Public Co., Ltd.
Director Chieng Mai Suppamith Co., Ltd.

Director United Standard Terminal Public Co., Ltd.
Director Pathum Rice Mill & Gare Nari Public Co., Ltd.

13. Name - Surname : Mr. Panya Sawasdichevinn
Position : Director
Work experiences :
1995 to present Director of NTB
Other position held at present :
Division Head of Special Project Crown Corporation
Head of Land Business Division Crown Corporation
14. Name - Surname : Prof. Dr. Athasit Vejajiva
Position : Director
Work experiences :
1996 to present Director of NTB
Other position held at present : Chairman of Mahidol University
15. Name - Surname : Mr. Damrong Ridhisilpa
Position : Senior Vice President
Work experiences :
1973 to 1978 Chief Accountant of NTB
1979 to 1985 Assistant Vice President, Accounting Group of NTB,
Vice President, Accounting Group of NTB
1986 to 1994 Senior Vice President, Accounting Group of NTB
1995 to 1996 Executive Vice President, Accounting Group, Foreign Group,
Support Group of NTB
1997 to present – Senior Vice President, Accounting Group, Foreign Group,
Support Group of NTB
– Advisor of NTB.
Other position held at present : –
16. Name - Surname : Mr. Thavisakdi Kuruchittham
Position : Executive Vice President
Work experiences :
1974 to 1975 Head of Legal Division
1976 Assistant Manager of Loans & Securities Department of NTB
1977 to 1978 Manager of Loans & Securities Department of NTB.
1979 to 1980 Assistant Vice President, Management Group of NTB
1981 to 1985 Vice President, Management Group of NTB
1986 to 1994 Senior Vice President, Management Group of NTB
1995 to present Executive Vice President, Management Group of NTB

- Other position held at present :
 Director Sathorn Thani Co., Ltd.
 Director A jurister person of Sathorn Thani Building.
17. Name - Surname : Mr. Prasarn Katanyutanon
 Position : Executive Vice President
 Work experiences :
 1979 Assistant Manager of Corporate Banking Department of NTB
 1980 to 1982 Manager of Industry Corporate Banking Group of NTB
 1983 Assistant Vice President, Corporate Banking Department of NTB
 1984 to 1989 Vice President, Corporate Banking Department of NTB
 1990 to 1994 Senior Vice President, Corporate Banking Department of NTB
 1995 to present Executive Vice President, Corporate Banking group,
 Investment Banking Group of NTB
- Other position held at present :
 Director The Credit Manager Club (CMC)
 Director Thai Aliphatic Co., Ltd.
 Director Chaolapratarn Cement Co., Ltd.
 Director N.S. Electronic Bangkok (1993) Public Co., Ltd.
 Director Thai Copper Industry Co., Ltd.
 Director Bangkok Expressway Public Co., Ltd.
 Director Eastern Wire Public Co., Ltd.
18. Name - Surname : Indhira Wattanakasaem
 Position : Executive Vice President
 Work experiences :
 1980 Assistant Manager of Budget & Planning Group of NTB
 1982 to 1983 Manager of Budget & Planning Group of NTB
 1984 to 1985 Assistant Vice President, Budget & Planning Group of NTB
 1986 to 1991 Vice President, Budget & Planning Group of NTB
 1991 to 1994 Senior Vice President, Budget & Planning Group of NTB
 1995 to present Executive Vice President, Policy Group, Human Resources Group of NTB
- Other position held at present : -
19. Name - Surname : Mr. Vallobh Setasuvanna
 Position : Head of Credit Administration Support Group.
 Work experiences :
 1984 to 1988 Manager of Credit Administration Department of Lhamthong Bank.
 1988 to 1993 Vice President, Corporate Banking Department of NTB
 1994 Vice President, Credit Administration Department of NTB
 1995 to 1996 Senior Vice President, Development Group,
 Credit Administration Support Group of NTB

1997 to present : Senior Vice President, Credit Administration Support Group of NTB

Other position held at present :
 Director : Alphatech Electronic Public Co., Ltd.

20. Name - Surname : Mrs. Anchalee Siriwandhana
 Position : Head of Accounting Group
 Work experiences :
 1977 to 1979 : Assistant Manager of Audit Department of NTB
 1980 : Manager of Audit Department of NTB
 1981 to 1983 : Assistant Vice President, Auditor Office of NTB
 1984 to 1993 : Vice President, Auditor Office of NTB
 1994 : Vice President, Accounting Department of NTB
 1995 to present : Senior Vice President, Accounting Group of NTB
 Other position held at present :
 Director : Thai Commercial Insurance Co., Ltd.
 Director : Sathorn Nakorn Tower Co., Ltd.

21. Name - Surname : Mrs. Vantanee Loyprasert
 Position : Head of Bangkok Metropolitan Branch Banking 1 Department.
 Work experiences :
 1988 to 1991 : Thadindaeng Branch Manager of NTB
 1992 : Bangkok Regional Manager, Branch Credit Administration Department of NTB
 1993 to 1994 : Vice Present, Branch Credit Administration Department of NTB
 1995 to present : Vice President, Bangkok Metropolitan Branch Banking 1 Department of NTB
 Other position held at present : -

22. Name -Surname : Mr. Chaiwat Pongpasura
 Position : Head of Sathorn Office.
 Work experiences :
 1990 to 1992 : Chiang Mai Branch Manager of NTB
 1993 : North Regional Manager, Branch Credit Administration Department of NTB
 1994 to 1995 : Assistant Vice President, Sathorn Office of NTB
 1996 to present : Vice President, Sathorn Office of NTB
 Other position held at present : -

23. Name - Surname : Mr. Suthee Losoponkul
 Position : Head of Treasury Office
 Work experiences :
 1990 to 1992 : Head of Treasury Office of NTB

- 1993 Assistant Manager of Treasury Office of NTB
1994 Manager of Treasury Office of NTB
1995 Assistant Vice President, Treasury Office, BIBF office of NTB
1996 to Present Vice President, Treasury Office of NTB
Other position held at present : -
24. **Name - Surname** : Mr. Choompong Hutananda
Position : Head of Upcountry Branch Banking 1 Department
Work experiences :
1985 to 1991 Surawong Branch Manager of NTB
1991 to 1993 Regional Manager, Branch Credit Administration Department of NTB
1995 to 1996 Assistant Vice President, Upcountry Branch Banking Department of NTB
1997 to present Vice President, Upcountry Branch Banking 1 Department of NTB
Other position held at present : -
25. **Name - Surname** : Mr. Somsak Chaiyadej
Position : Head of International Banking Department.
Work experiences :
1990 to 1992 Head of Treasury Office of NTB
1993 to 1994 Assistant Manager, Treasury Office of NTB
1995 to 1996 Manager, Treasury Office of NTB.
Assistant Vice President, International Banking Department of NTB
1996 to present Vice President, International Banking Department of NTB
Other position held at present : -
26. **Name - Surname** : Mr. Pichit Pakjamsai
Position : Head of Accounting Department
Work experiences :
1996 to present Vice President, Accounting Department of NTB
Other position held at present : -
27. **Name - Surname** : Mr. Suwat Tasanakulpan
Position : Head of Bangkok Metropolitan Branch 2 Banking Department.
Work experiences :
1988 to 1992 Saphanmai Donmuang Branch Manager of NTB
1992 to 1994 Regional Manager, Branch Credit Administration Department of NTB
1995 to 1996 - Acting as Head of Bangkok Metropolitan Branch Banking 2 Department of NTB
- Region manager of Bangkok Metropolitan Branch Banking 2, Region 1 of NTB
- Assistant Vice President, Bangkok Metropolitan Branch Banking Department 2 of NTB

1997 to present Vice President, Bangkok Metropolitan Branch Banking 2 Department of NTB.

28. Name - Surname : Mr. Chusak Wanglavan
Position : Head of International Trade Department
Work experiences :
1984 to 1986 – Head of Import & L/C Division, International Trade Department of NTB
– Head of Export Division, International Trade Department of NTB
1987 to 1991 – Assistant Manager of Export Division, International Trade Department of NTB
– Manager of Export Division, International Trade Department of NTB
1995 to 1996 – Acting as Head of International Trade Department and as Head of International Trade Center of NTB.
– Assistant Vice President, International Trade Department of NTB
1997 to present Vice President, International Trade Department of NTB

29. Name - Surname : Mrs. Komkai Tangrongkid
Position : Head of Operation Department
Work experiences :
1984 to 1988 Assistant Manager of Cash Center Division of NTB
1989 to 1994 Manager of Banking Division, General Books Division of NTB
1995 to 1996 Assistant Vice President, Human Resources Development Department of NTB
1997 to present Vice President, Operation Department of NTB

(2) List of Executive Officers and Officers with stock holdings or stock loans of NTB and its subsidiary companies including all the stocks and stock loans volume that were increased or reduced in the past year (if any) :

– Stocks held by Executive Officers in the Bank as of December 31,1997

1. Mr. Sunthorn Hongladarom – hold NTB 33,125 shares, not increase in the accounting year
2. Mr. Vorawee Wanglee – hold NTB 1,158,033 shares, an increase in the accounting year 20,000 shares
3. Mr. Thammu Wanglee – hold NTB 736,583 shares, unchanged
4. Mr. Prasit Cholvanich – hold NTB 49,793 shares, unchanged
5. Mr. Thamanan Wanglee – hold Nakornthon Bank 369,210 shares, unchanged
6. Mr. Santi Bhirom-bhakdi – hold NTB 375,596 shares, unchanged
7. Khunying Chanut Piyaoui – hold NTB 909,084 shares, an increase of 909,084 shares
8. Mr. Kitti Patpongpibul – none
9. Mr. Suchim Wanglee – hold NTB 623,282 shares, an increasing of 80,000 shares
10. Mr. Suphot Wanglee – hold NTB 6,969 shares, unchanged
11. Mr. Isara Vongkusolkrit – none
12. Mr. Poomchai Lamsam – none

13. Mr. Panya Sawasdichevin – none

14. Prof. Dr. Athasit Vejajiva – none

– Holding debentures of NTB Executive Officers at the end of December 31,1997

– None –

– Holding shares or debentures of Executive Officers in affiliate companies at the end of December 31,1997 in subsidiary companies

– None –

3. Executive Remuneration

(1) Money Remuneration

		Baht
Board of Director's Remuneration		
arrange into	– Compensation	4,000,000
	– Premium	<u>3,600,000</u>
		7,600,000
Executive's Remuneration		
arrange into	– Salary	58,704,895
	– Bonus	<u>26,048,736</u>
		84,753,631
Top 15 executive who receive the highest remuneration		
arrange into	– Salary	55,401,160
	– Bonus	<u>24,678,723</u>
		80,079,883

(2) Other Compensations (if any)

The Bank has not grant special buying privileges of stocks and debentures including others benefits to any Executive members.

Risk factors

The slumping of the economy, the stringent monetary and fiscal policy including the acceptance of conditions for borrowing funds from the International Monetary Fund (IMF) affected NTB risks management as follows :

1. Customer ability to repay debt (Credit risk)

It is the policy of NTB to closely inspect and control the doubtful accounts for possible loan losses. Credit control procedure first begins with the selection of the quality of the client. In 1997, NTB chose mainly MARKET RISK strategy to lend to clients by assigning credit risk level according to the type of industry. With this exercise of strict control, NTB was able to have low level of non-performing loans (NPLs). The amount of NPLs equal to 6,357.6 million baht or 10.59% of total amount of loans (this figure was taken from the financial statement as of December 1997 submitted to the Stock Exchange of Thailand). The bad debt write-offs from 1994 to 1997, showed 9.5 million baht in 1994, 79.2 million baht in 1995, 2.4 million baht in 1996 and 9.4 million baht in 1997 respectively. This clearly showed that NTB is one of the Thai commercial banks with low level of loan losses. Moreover, the debt amount that is being audited and the allowance for doubtful accounts from 1994 to 1997 are tabled below :

Amount : thousand baht

	1994	1995	1996	1997
Balance at the beginning of the year	365,684	440,234	499,133	684,738
Allowance for Doubtful Account	84,000	138,000	118,000	983,000
Bad Debt Recovered	2	102	17	2,639
Bad Debt Written off	(9,452)	(79,203)	(2,413)	(9,400)
Balance at the end of year	440,234	499,133	614,737	1,660,977

As the economy continued its meltdown, it is anticipated that in 1998 the amount of NPLs in the commercial bank system would increase and the NPLs amount of NTB should also increase. NTB is trying to find every possible means of preventing the non-performing loans to increase at higher rate than the industry's average.

2. Interest risk

Last year unstable financial situation has caused short-term interest rate to rise which resulted in the increase of interest expense paid by the Bank. NTB did not ignore the importance of the liquidity and interest rate risk management. To solve its problems, NTB set up Asset and Liability Committee (ALCO) to examine financial situation of interest rate trend for both the domestic and international market. In addition, the Bank still depended on cheap source of funds, such as local deposits so as to mobilize investment fund to improve liquidity and to reduce the interest rate risk caused by interest rate fluctuation.

As a result of high interest rate, NTB has to face liquidity management problem including liquidity risk to commercial banks. Under the IMF regulations and conditions, Thai banks or financial institutions that do not meet the criteria will not receive assistance. The modern philosophy for management and operations of Thai banks focused on the efficiency of the development. Meanwhile, the short term lack of clients' confidence towards Thai financial institutions caused deposits to decrease (show by commercial banks deposit schedule). From statistic, NTB's deposits decreased

at an average of 0.58% in July to December 1997, meanwhile the amount of the whole Thai commercial banks system increase 1.3% when compare with Thai commercial banks with average deposit decline as follows :

Commercial Bank	Increase/Decrease (%)
Bangkok Metropolitan Bank	-9.34
First Bangkok City Bank	-4.91
Laem Thong Bank	-3.92
Bangkok Bank Commercial Bank	-1.61
Union Bank of Bangkok	-1.31
Nakornthon Bank	-0.58
Siam City Bank	-0.24

Deposits of Thai Commercial Bank (July - December 1997)

Amount : million baht

Commercial Bank	July		August		September		October		November		December		Average	
	Quantity	% change	Quantity	% change	Quantity	% change	Quantity	% change	Quantity	% change	Quantity	% change	Quantity	% change
Bangkok Bank	863,489	2.34%	906,130	4.94%	915,875	1.08%	941,518	2.80%	931,070	-1.11%	946,548	1.66%	917,438	1.95%
Krung Thai Bank	547,709	1.89%	588,952	3.88%	578,340	1.65%	579,262	0.16%	575,189	-0.70%	580,049	0.84%	571,584	1.29%
Thai Farmers Bank	505,722	1.29%	528,329	4.47%	540,014	2.21%	566,890	4.98%	572,650	1.02%	588,414	2.75%	550,336	2.79%
Siam Commercial Bank	466,149	7.96%	501,829	7.65%	514,204	2.47%	527,511	2.59%	524,218	-0.62%	558,990	6.63%	515,482	4.45%
Bank of Ayudhya	342,878	0.81%	353,677	3.15%	366,233	3.55%	373,857	2.08%	384,332	2.80%	389,083	1.24%	368,343	2.27%
Thai Military Bank	238,994	6.02%	235,262	-1.56%	239,354	1.74%	238,557	-0.33%	245,165	2.77%	257,574	5.06%	242,484	2.28%
First Bangkok City Bank	178,442	-0.31%	156,588	-12.25%	148,469	-5.19%	141,162	-4.92%	139,821	-0.95%	131,617	-5.87%	149,350	-4.91%
Siam City Bank	161,408	-0.30%	145,430	-9.90%	158,274	8.83%	158,513	0.15%	161,183	1.68%	158,086	-1.92%	157,149	-0.24%
Bangkok Bank Commercial	108,265	-2.54%	102,360	-5.45%	100,538	-1.78%	98,581	-1.95%	99,360	0.79%	100,629	1.28%	101,622	-1.61%
Bangkok Metropolitan Bank	126,812	-13.37%	104,904	17.28%	99,069	-5.56%	94,801	-4.51%	92,090	-2.85%	80,429	-12.66%	99,651	-9.34%
Bank of Asia	83,128	3.46%	77,863	-6.33%	77,546	-0.41%	76,173	-1.77%	77,314	1.50%	80,086	3.59%	78,685	0.01%
Thai Danu Bank	86,692	2.18%	85,171	-1.75%	84,349	-0.97%	82,595	-2.08%	83,644	1.27%	89,860	7.43%	85,385	1.01%
Nakornthon Bank	50,852	4.43%	47,239	-7.10%	46,295	-2.00%	44,306	-4.30%	45,913	3.63%	46,762	1.85%	46,895	-0.58%
Union Bank of Bangkok	53,329	1.11%	48,395	-9.25%	46,865	-3.16%	49,245	5.08%	47,625	-3.29%	48,399	1.62%	48,976	-1.31%
Laem Thong Bank	30,686	-11.43%	25,848	-15.77%	23,579	-8.78%	23,874	1.25%	24,581	2.95%	26,604	8.23%	25,862	-3.92%
All system	3,844,553	1.77%	3,887,976	1.13%	3,939,003	1.31%	3,996,644	1.46%	4,004,155	0.19%	4,083,119	1.97%	3,959,242	1.30%

Source : The Bank of Thailand (Commercial Bank 1.1 Report)

In order to improve liquidity situation and gain depositors' confidence in the Bank, NTB has adjusted its strategy by disclosing to them its the very low, non-performing loans status, by seeking strategic partners in order to increase capital and to give foreign investors a role in management, by improving effective management and by strengthening the base of the Bank business in specialize area. As for NTB's operation, it showed potential in making the profits even during the economic meltdown as follows :

Nakornthon Bank Operation Result in 1997

Amount : million baht

Transactions	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Quantity	Increased/Decreased from First Quarter of 1996	Quantity	Increased/Decreased from Second Quarter of 1996	Quantity	Increased/Decreased from Third Quarter of 1996	Quantity	Increased/Decreased from Fourth Quarter of 1996
Total Income	1,907.1	12.85%	2,127.4	21.68%	2,305.1	29.49%	2,596.8	38.01%
– Interest Income	1,745.2	14.33%	1,810.7	15.46%	2,107.3	29.26%	2,367.1	38.18%
– Non-interest Income	161.9	-1.04%	316.7	75.94%	197.8	32.04%	229.7	36.24%
Net Profit	104.1	-25.54%	223.3	28.55%	119.6	-36.21%	-616.8	-407.48%

3. Exchange rate risk

After Thailand changed from currency basket to managed float, it caused an extensive fluctuation in the exchange rate. Bank's operations which were related to foreign currency transactions affected profit and loss. By reducing the risk from of exchange rate fluctuation, the Bank would conduct foreign currency transaction within trading limit and trading in only one single currency. The Bank also control trading in foreign currency by using Aggregate Limit, Gap Limit, Dealer Limit and Stop Limit. The above methods restricted the operation for treasury and reduced the risk exposure from unexpected speculation activity in any currency and thus protected further loss from the effect of foreign exchange rate fluctuation.

Other factors that may affect the investment decision

1. Legal Litigation

The Bank is party to material claims or litigation which are in the ordinary course of business. The following list briefly explains litigation which could materially affect the value of the Bank.

1. Nakornthon Bank v. Nimmannoradee Development Co., Ltd.

Civil Case No. 7159/2539 – Civil Court Southern Region

A complaint was filed by Nakornthon Bank against Nimmannoradee Development Co., Ltd. on 3 May 1996 on the charge of payment default on loans, and promissory notes, secured by a mortgage and guarantee.

The total value of the claim is TB 378,579,256.87 and is divided into :

Loan : Principal amount of TB 298,518,094.03; and

Promissory note : Principal amount of TB 8,893,865.79.

The collateral is the mortgage of land and building (hotel building), land title deed No. 17513, 28386, 19546 situated at Chang Puak Subdistrict, Muang Chiang Mai District, Chiang Mai Province, and in the name of the Nimmannoradee Development Co., Ltd. The Guarantors are Mrs. Prapin Grachai, Mr. Thongdee Grachai, and Miss Atehara Grachai, in the capacity as directors of Nimmannoradee Development Co., Ltd. The guaranteed amount is TB 50,000,000.00.

Current status of the case : The plaintiff has finished examination of witnesses. The Defense will commence discovery following next court appearance on April 28, 1998.

Counsel's evaluation of the case : It is anticipated by the Bank's legal department that the testimony of witnesses shall be in full, and that it shall be ruled that the property of the defendants be seized and auctioned at a later date.

2. Nakornthon Bank v. Sukumvitthurakit Group Co., Ltd.

Civil Case No. 19984/2540 – Civil Court

A complaint was filed by Nakornthon Bank against Sukumvitthurakit Group Co., Ltd. on 21 October 1997 on the charge of payment default on loans, and promissory notes, secured by a mortgage.

The total value of the claim is TB 363,711,275.59 and is divided into :

Loan : Principal amount of TB 38,016,070.11; and

Promissory note : Principal amount of TB 325,695,205.48.

The collateral is the mortgage of land and building, land title deed No. 50637 situated at Thoong Mahamek (Sathorn), Yannawa District (Bangkok), and the condominium rooms (4 units), situated at 193/146–147, 37th Floor and 193/148–149 on the 38th Floor, of Lake Rachada Condominium Building, Office Complex, Condominium Registration No. 7/2535 situated at the Land Title Deed No. 4805, 5154, 44728, 44729, and 160019, situated at the Klongtoey District, Bangkok, all of which is in the name of the Sukumvitthurakit Group Co., Ltd.

Current status of the case : Both litigants have finished examination of witnesses. The case is awaiting the judgement of the court.

Counsel's evaluation of the case : The court is expected to judge in favour of the plaintiff.

3. Nakornthon Bank v. Nam Heng Holding Co., Ltd.

The statutory notice was sent by Nakornthon Bank to Nam Heng Holding Co., Ltd. on 2 April 1998 on the charge of payment default on loans, and current account, secured by guarantee.

The total value of the claim is TB 416,674,638.13.

Current status of the case : Counsel must wait for the passage of the period set forth in the notice before filing the complaint.

Counsel's evaluation : It is expected that the court will rule in favour of the Bank.

4. Nakornthon Bank v. Alpha Technopolis Co., Ltd.

The statutory notice was sent by Nakornthon Bank to Alpha Technopolis Co., Ltd. on 26 November 1997 on the charge of payment default on loans, secured by a mortgage and guarantee.

The total value of the claims is TB 350,012,035.43.

Current status of the case : As this is a syndicated loan, powers of attorney are required from all co-lenders in order to file the complaint. Counsel for lead bank is waiting for powers of attorney from all such co-lenders.

Counsel's evaluation : The Bank expects to prevail but a question exists whether a judgement can be collected.

5. Nakornthon Bank v. Srivara Hi-Tech Tower Co., Ltd.

Civil Case No. 22817/2539 – Civil Court

A complaint was filed by Nakornthon Bank against Srivara Hi-Tech Tower Co., Ltd. on 15 November 1996 on the charge of default on registration lease contract and compensation for damage. The total value of the claim is TB 426,619,918.00. The plaintiff requests that the lease contract with the defendant (to be used for the Rachadapisek Branch) be registered. If these requests are not met, the plaintiff asks to be compensated for the value of the claim.

Current status of the case : The settlement negotiation between the litigants has failed. At the next hearing, the court shall set a date for taking plaintiff's evidence on 19 May, 1998.

Counsel's evaluation of the case : A full testimony of witnesses is likely to be required, after which the court is expected to rule that the defendant shall register the lease contract, otherwise the court shall fix the amount of compensation to be paid by the defendant.

6. The Thai Public Port Co., Ltd. v. The Petchaburi Terminal Co., Ltd. (as first defendant), Siam Chemical Co., Ltd. (as second defendant) and Nakornthon Bank (as third defendant)

Civil Case No. 16176/2540 – Civil Court Southern Region

A notice was sent by the Thai Public Port Co., Ltd. to The Petchaburi Terminal Co., Ltd. Siam Chemical Co., Ltd., and Nakornthon Bank on 23 March 1998 on the charge of defaulting on a leasing contract secured by guarantee and compensation for damage. The total value of the claim is TB 249,100,473.72, of which the Bank will be liable for guaranteeing the second defendant for the total value of TB 70,000,000.00.

Current status of the case : The case is to be filed on 26 May 1998.

Counsel's evaluation of the case : whether the Bank is liable to the plaintiff depends on whether or not a co-defendant (the second) is liable to the plaintiff.

2. Obligations and commitments for issuing share certificates and debentures in the future

There are currently no obligations or commitments for the Bank to issue share certificates or debentures at any time in the future.

Debentures and Promissory Notes

Total arrears in payment for issued promissory notes and debentures

Types of Debentures	Maturity Date	Collateral	Unpaid Amount	Risk Classification
1. Subordinated long-term debt in the type of specific name bonds which can not be redeemed before maturity	March 21, 1998	-	700 million baht	-
2. US\$ subordinated floating rate note which can be redeemed before maturity	B.E. 2004	-	US\$ 30 million	-
3. US\$ subordinated floating rate note which can be redeemed before maturity	B.E. 2006	-	US\$ 30 million	-

Operations analysis

In 1997, Nakornthon Bank recorded a net loss of 169.8 million baht which resulted from the setting up of provision for loan loss in the amount of 1,053 million baht and for loss on diminution in value of securities of 467 million baht. Profit return from lending and other banking services when compared with the previous year were better as summarized below.

Loan

At the end of 1997, the Bank has gross loans of 60,028 million baht, most of this amount was extended to the manufacturing and commercial sectors which accounted for 66% of total loans or 39,626 million baht. This year, the Bank has a cumulative reserve of 1,661 million baht or 2.8% of total loans as allowance for doubtful accounts.

Deposits

Total amount of deposits at year end was 46,762 million baht classified into current accounts, savings accounts and time deposit account divided into 2%, 11% and 8% respectively. For 1997, NTB has offered new type of savings accounts in response to clients' need.

Operating income

NTB income derived from banking operations, interest from loans, and dividend income from stock investment which amounted to 8,030 million baht while non-interest income, fee plus and profit from exchange rate amounted to 906 million baht. Thus total operating income was 8,936 million baht an increase of 26% as the result of the increase in loans and interest revenue reflecting the money market interest rate condition during 1997.

Operating cost

The operating costs for NTB were in deposits and borrowing funds. Interest expense on deposits was 4,871 million baht and on interbank and money market transactions plus interest expense for borrowed funds were 1,260 million, all of which totalled 6,131 million baht an increase of 1,264 million baht or 26% from previous year.

Provision for loan losses

NTB had provided the provision for possible loan losses of 1,053 million baht in order to comply with the current regulations of the BOT regarding loan classifications. Compare with last year, NTB recorded only 118 million baht in provision.

Operation expenditures

Operation expenditures for NTB was in the amount of 1,992 million baht, an increase of 763 million baht or 66% from the last year. For 1997, NTB revalued the securities according to market value, and deducted it as loss in the amount of 467 million baht. NTB paid up 106 million baht to the Financial Institutions Development Fund (FIDF) which is 70 million baht more than the amount paid last year.

Net operating profit

The Bank has a net loss of 169.8 million baht. For 1997 operations, the Bank tried its utmost to make all necessary adjustments to the combination of the use and the source of fund by reducing the lending amount most suitable and most beneficial and by extending credit line more carefully. NTB also has a policy of assigning account officers to examine and follow clients' business performances closely and expeditiously in order to solve potential default payment in time. Moreover, NTB has also accelerated its deposits drive

campaign in order to compensate for the loan payments due in the near future, so that the Bank would not face liquidity problem or have inappropriate capital structure.

As for asset quality, NTB showed non-performing loans (NPLs) in the amount of 6,358 million baht or 10.6% of total loans. NTB also set up the allowance for doubtful account in the amount 1,661 million baht or equaled to 2.8% of that loan amount.

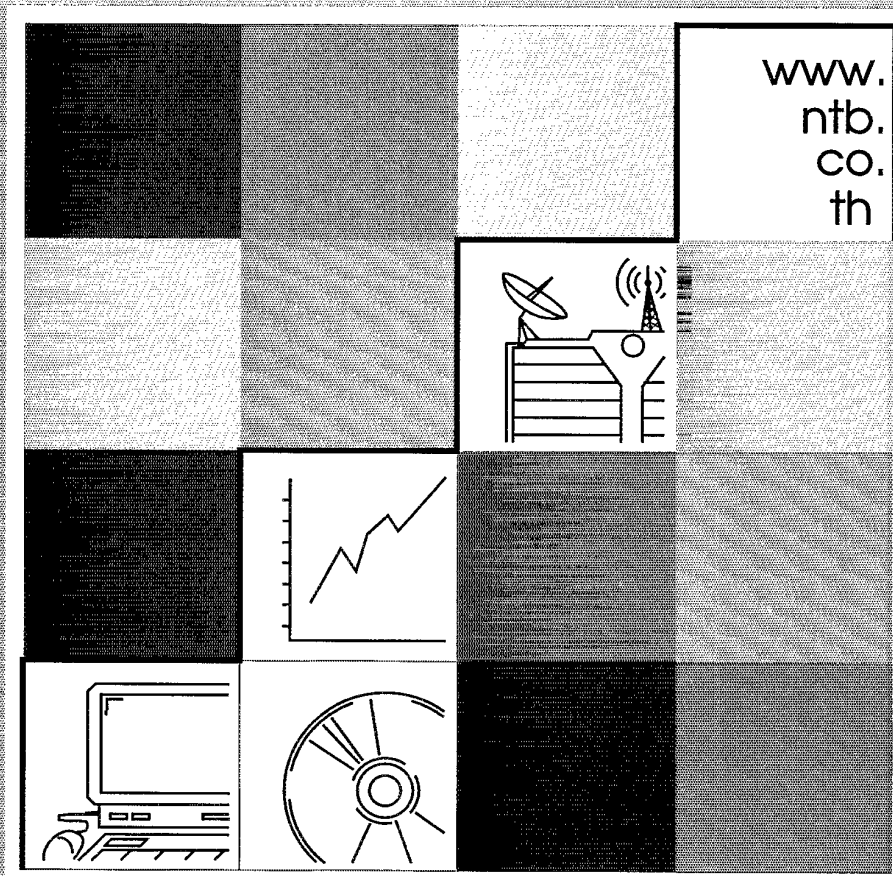
The ability to make profit and to carry out efficient operations were affected by the devaluation of the baht, the rising interest rate, the low liquidity and the rate of inflation. As for lending, NTB was faced with the accrued and unpaid interest problem and past due obligations which have to be classified as non-performing loans. In order to sustain the Bank's stability,

NTB has set up allowance for loan losses in the amount of 1,661 million baht which resulted to net operating loss for the bank.

In setting the business direction for next year, NTB is prepared to recapitalize in order to solve its liquidity problem and support the operations. NTB has plan to increase its share capital for the existing shareholders at the rate of two old for one new share with the price of 10 baht per share. This would raise an additional fund of 672 million baht which is the first recapitalization for the year 1998. NTB has full confidence that it could find a strategic partner with world class banking and financial services with management expertise to further enhance the Bank's business operations.

TECHNOLOGY

By refusing to be passive and to be consistently searching for the latest technology in customer service, NTB provides speed and accuracy at every stage of all the banking transactions.





Thailand was faced with the economic crisis which resulted from the accumulation of problems in economic infrastructure which were not promptly corrected. Since 1993, the liberalization of the financial policy brought the inflow of short-term investment from abroad. Most of them were invested in short-term, high-profit business and not in high-potential business. The rate of exporting growth slowed down and stopped in 1996 and the first half of 1997, while the rate of import increased. The result was the continuous deficit in current account for a decade and up to 7.9% of GDP in the year 1996. It reflected the fragile Thai economics structure. Moreover, continual short-term inflow caused surplus in the balance of payment for a decade although current account was in deficit. Inflation rate of Thai baht was 5-6% compared with 2% of U.S. dollars which caused Thai baht (using exchange rate of basket system which is weighted about 80% of U.S. dollars) to over appreciated. This factor made speculators to anticipate the inevitable devaluation of Thai baht, and seized this opportunity to attack the baht currency in many occasions. The Bank of Thailand tried to intervene by using large amount of international reserve fund to protect the value of Thai baht and to stop the purchasing and selling of baht currency in domestic and foreign currency market. Finally, the officials had no choice but to consent to devalue the baht by announcing a change in foreign exchange system to the managed float system as of July 2, 1997.

Liquidity of the financial system

The liquidity in 1997 was more acute than the previous year due to the outflow of international funds and problems with the local financial institutions. In the first half of the year, the devaluation of the Thai currency, the depressed real estate business, the bad debt

problems of the financial institutions and the rumor about insolvency of financial institutions, have caused more capital outflow as people withdrew their money from most of the finance companies. However, after the announcement of the new exchange rate system in the second half of the year, the government had to support liquidity in the monetary system through the Financial Institutions Development Fund (FIDF). This seemed to be a suitable solution to solve liquidity, but it was implemented too late and the Foreign Reserve Fund has substantially depleted. Financial institutions had a substantial number of non-performing assets. Furthermore, the Thai government decided to solve this problem by suspending the operations of 16 finance companies on June 27, 1997 with another 42 companies on August 5, 1997, adding up the final list to 58 finance companies. (three months later, the government decided to close 56 finance companies permanently on December 8, 1997). This action caused severe financial liquidity, and furthermore, foreign investors were losing confidence in economic situations of Thailand. International debt burden in the private sector has risen to 72 billion US dollars, of which 40% were short-term financing, subject to advanced partial payment. The economic downturn in East Asia countries further compounded on Thailand liquidity crisis and baht devaluation. Value of Thai currency double-declined from approximately 25.78 baht against US dollar in June to 45.29 per US dollars in December of 1997, and there was no sign to indicate that this crisis will end soon.

Domestic interest rate

The fluctuation of financial liquidity since the first quarter greatly affected the direction of the interest rate of Thai commercial banks. From the downward direction,

the rate adjusted upward from the middle of the first quarter. Small and medium size Thai commercial banks increased their interest rates on deposits to sustain their liquidity level. Simultaneously, the Bank of Thailand tried to activate the economy in the second quarter by sending out signal to commercial banks to reduce both the deposit and loan interest rates. Lending rate for good retail clients (MRR) is based on the lending rate level of good client (MLR) which is MLR+4% in order to reduce lending rate level. In the second half of the year, the interest rate was still high after the change of foreign exchange system and the baht seemed to be weakening and declining in value. Following International Monetary Fund (IMF) suggestion, the Bank of Thailand maintained high interest rate until the end of the year. There were many Thai commercial banks competing for deposits. Many banks raised deposit rate up to the ceiling rate of 12% and the Bank of Thailand also lifted ceiling deposit interest rate to 14%. Consequently, the calculation of the ceiling deposit interest rate was set to correspond to average deposit interest rate of large Thai commercial banks plus 3%. Thai commercial banks also adjusted their lending rate in order to equalize with deposit interest rate. Interest rate on deposit increased from 10.75% early in the year to 13.75% at the end of the year. Lending rate of good retail client increased from 14.25% to 15.75% respectively

Thailand under International Monetary Fund program

Thailand has requested assistance from the international Monetary Fund (IMF) on August 21, 1997 and various organizations and countries have since committed to assist Thailand with 16.7 billion US dollars. These loans will be used to compensate the current

account deficit and to support international reserve funds which the Bank of Thailand will set aside 14.8 billion US dollars to cover its debt payment for SWAP and OFF-SHORE loans in the next 12 months (due on August 19, 1997). By accepting IMF program and assistance, Thailand is obligated to focus on implementing these measures :

(1) **Set economic target** : Thailand must try to sustain an economic growth rate of 3–4% in 1997–1998 and return to the normal level of 6–7% thereafter. It has to control the average inflation rate not to exceed 7–8% in the early period and later to return to 4–5%. It must try to reduce current account deficit to 5% of GDP and to 3% which is considered as the level for stability. It has to maintain the level of international reserve funds at 23 billion US dollars and increase this level to 25 billion US dollars in 1998 which is equivalent to approximately 4 months of Thailand's import value.

(2) **Solve financial institution problems** : It must separate liquidity of financial institutions from liquidity of stable companies. The government solved this problem by first suspended the operations of finance companies and later permanently close 56 finance companies toward the end of 1997. Financial Institutions Development Fund (FIDF) had increased from 0.1% to 0.4% of its deposit and loans and imposed strict control over financial institutions to have adequate reserve funds. The government required that Thai commercial banks reserved funds for international payment if defaulted over 6 months at 15% for those with collateral and at 100% for those without collateral. The next measure is the establishment of the Deposit Insurance Institution with clearly defined limitations.

(3) **Set Fiscal Policies** : The government must reduce the deficits from 1.6% of GDP in 1997 to a surplus

budget of 1% of GDP in 1998. To achieve this, the government decided to raise the value-added-tax (VAT) from 7% to 10% on August 16, 1997 and cut down expenditure of 1998 government's budget several times to reduce it to 802.2 billion baht. Other measure is to focus on the general status of state enterprises in order to adjust the service charges to cover the cost, to encourage private sector to invest in government projects particularly in transportation and energy, as well as to introduce smooth transforming for the privatization of state enterprises.

(4) Monetary and exchange rate policies : To implement short-term belt-tightening fiscal policies by stabilizing money market, by sustaining managed-float system, by increasing internal interest rate and by controlling volatile baht fluctuation.

(5) Economic information transparency : Financial Institutions must now reveal information of their financial status regularly and factually. Government also must abide by the "Special Data Dissemination Standard" when dealing with the public. Thus, Thai people will be accurately informed of the domestic and foreign currency status as announced by the Bank of Thailand every 15 days.

Economic trend in 1998

Due to financial and economic crisis in Southeast Asia, Thailand economy in 1998 will continue with the recession and expects to sustain a zero percent performance or a decrease of 2 percent. The government have to abide by IMF rehabilitation plan in the first half of the year. The fluctuation of the baht and other currencies in East Asia, together with resolving the problems of financial institutions in order to strengthen the confidence in domestic money system, these are the factors that will pressure the government to maintain high interest rate and lack of liquidity will continue. Many businesses will not be able to recover. However, the economy in the second half of the year is expected to revive. The main source of cash inflow will come from the exporting sector. More clearly by solving the economic and fiscal problems, foreign investor will have more confidence and will not withdraw their investment. With respect to economic stability, the balance of current account will improve with only 1.8% deficit of GDP. But inflation rate will be higher than 1997 and is expected to remain at 10% throughout the rest of the year.

Data of economic fundamentals

	Value (Billion Baht)			Percentage changes		
	1996	1997	1998	1996	1997	1998
1. Production						
Gross Domestic Product (GDP base on in 1988 price)	3,124.5	3,144.0	3,159.0	6.4	0.6	0-1
Agricultural Sector	334.7	342.1		3.0	2.2	
Non-agricultural Sector	2,789.7	2,801.9		6.9	0.4	
2. Price index						
Consumer Price Index (1990 = 100)	133.8	141.3	155.6	5.9	5.6	10.0
Wholesale Price Index (1985 = 100)	155.1	161.3		4.7	4.0	
3. International trade and monetary (billion US dollar)						
Export	54.7	56.4	60.9	-1.9	3.2	7.9
Import	70.8	64.2	64.3	0.6	-9.3	0.2
Balance of Trade	-16.1	-7.8	-3.4			
Balance of Current Account	-14.4	-6.4	-2.5			
Balance of Payment	2.2	-11.0	-			
Foreign Debts	90.6	94.9	-			
International Reserve Fund	38.7	26.9	-			
International Debt Burden (% compare with exporting)	12.3	15.0	-			
4. Fiscal (Budget year)						
Revenue	850.2	844.3	872.0	11.8	-0.7	3.3
Expenditure	750.2	888.5	802.2	16.6	18.4	-9.7
Budget Balance	100.0	-44.2	69.8	-	-	-
Cash Balance	104.3	-31.2	69.8	-	-	-
5. Monetary (at the end of the period)						
Deposits at Commercial Banks	3,643.3	4,262.7	4,859.5	13.7	17.0	14.0
Private Credit of Commercial Banks	4,911.4	5,969.8	6,745.9	14.2	21.5	13.0
Money Supply						
M1	423.7	432.2	460.3	9.1	2.0	6.5
M2	3,726.6	4,360.1	4,948.7	12.6	17.0	13.5
M2A ¹	4,725.2	4,796.0	5,122.0	12.7	1.5	6.6
Interest Rate of Commercial Bank (at the end of the year) ²						
3 months time deposits				8.75-9.75	10.0-11.5	
1 year time deposits				8.5-9.25	10.0-13.0	
Minimum Loan Rate (MLR)				13.0-13.25	14.75-15.25	
Minimum Retail Rate (MRR)				13.0-13.5	15.0-16.0	

Note E = Estimate ¹Money supply in bank and finance company system ²Interest rate of the four biggest commercial bank

Source : The Bank of Thailand

The state of industry and competition

Industrial situation

After the Thai exchange rate system was changed from foreign currency basket to managed float on July 2, 1997, the economic and financial conditions affected the banking industry extensively. In particular, the one percent economic growth forecasted by IMF led people to assume that the growth rate of Thai commercial banks will move at the same pace for 1998. Interest revenue will fall below the estimate due mostly to high volume of non-performing assets. Other reason is related to Bank of Thailand implementing measures to regulate financial sector, for an example, the setting aside an addition one percent for loan loss reserve (LLR). Asia financial crisis will continue directly affect the value of the baht. The Bank of Thailand, in order to support the baht, decided to keep interest rate at high level. Interbank rate soared from 20 to 25% for a considerable long period which in turn increased the cost of fund. NTB was encountering more difficulties in carrying out banking business with an increasing degree of risk. However, taking advantage of this increasing difficulties, the Bank can review its banking operations to reassess its structure and to introduce any changes for future improvements.

In conclusion, commercial banking industry in Thailand is going through a very strenuous period and it is still facing high operation costs but low revenue return. At the same time, this is a good opportunity for NTB to improve and increase its efficiency in order to remain competitive.

Competitive situation

Due to the current economic recession, the growth of commercial banks system came to an abrupt stop. The Ministry of Finance has announced a halt in the plan to set up new Thai commercial banks to meet General Agreement on Tariff and Trade (GATT) rules of liberalization of banking. As three new Thai commercial banks which received licenses from the Ministry of Finance early in 1997 cannot capitalize funds in time, Thailand is still being serviced by 15 Thai commercial banks. Eventhough the number of Thai commercial banks has not increased during this economic slump, competition remains very high, during this economic meltdown, lack of liquidity, and scare supply of deposits. The degree of competition with credit line decreased in quantity but increased in quality. Moreover, Thai banks must also face keen competition from foreign banks. There are currently 21 foreign commercial banks operating in Thailand, of which 14 branches are old and 7 branches are newly licensed (as of October 1996). All these branches are becoming potential competitors based on their lower operating costs, on technological advantages, and on the trust of the local Thais. Most local residents believe that to deposit money with foreign banks is safer than with Thai banks. With this competitive edge, foreign banks experienced high growth and have become most fierciul competitors to Thai banks. At the same time, Thai banks quickly adapt themselves by allying with foreign banks and international financial institutions in order to give better service and to compete effectively in the future. Therefore, Thai commercial banks must recapitalized in any way possible in order to continue operating and surviving.

Nakornthon accomplishment factors

In this economic meltdown and changes in banking business which directly affect and cause great difficulties to banking operations, NTB has used the principle of good management of banking operation to strengthen its foundation in order to be ready to adopt to the changes as follows :

1. Aim at providing service excellence to clients by developing the quality and performance of its staff.
2. Provide the service in which the bank is specialized particularly in corporate banking.

3. Spread the risk according to the type of loan by industrial ranking and to create an advance warning system for loan default as well as to create a support system for quick decision.

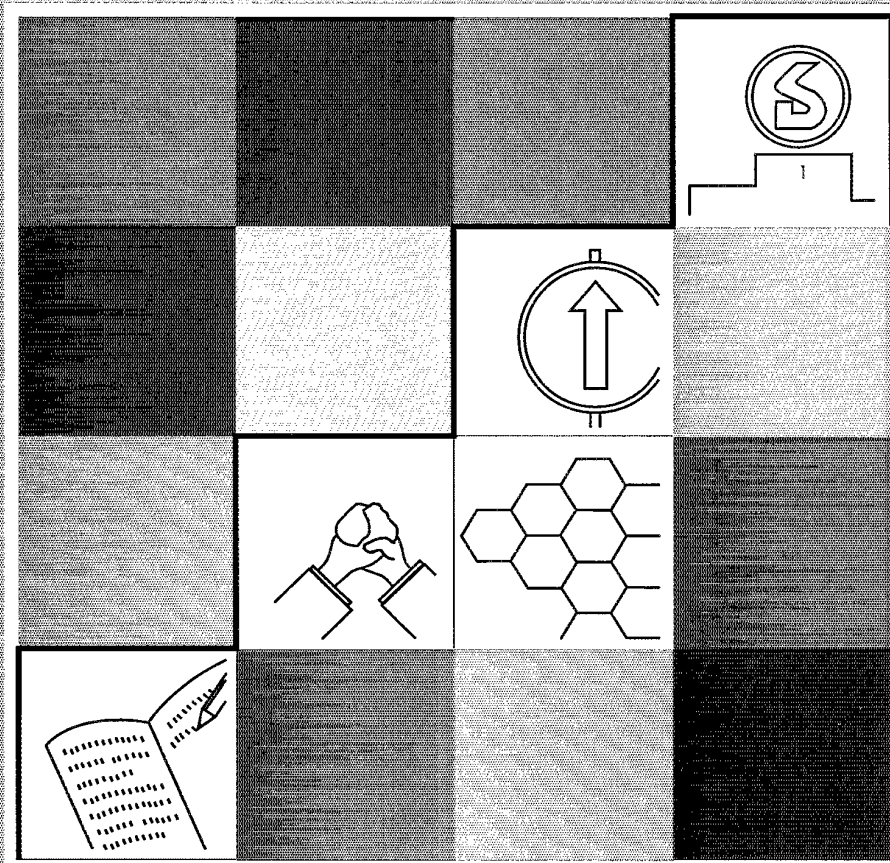
4. Ally domestically and internationally with other banking institutions for stability.

5. Develop retail banking so as to clearly reach the target.

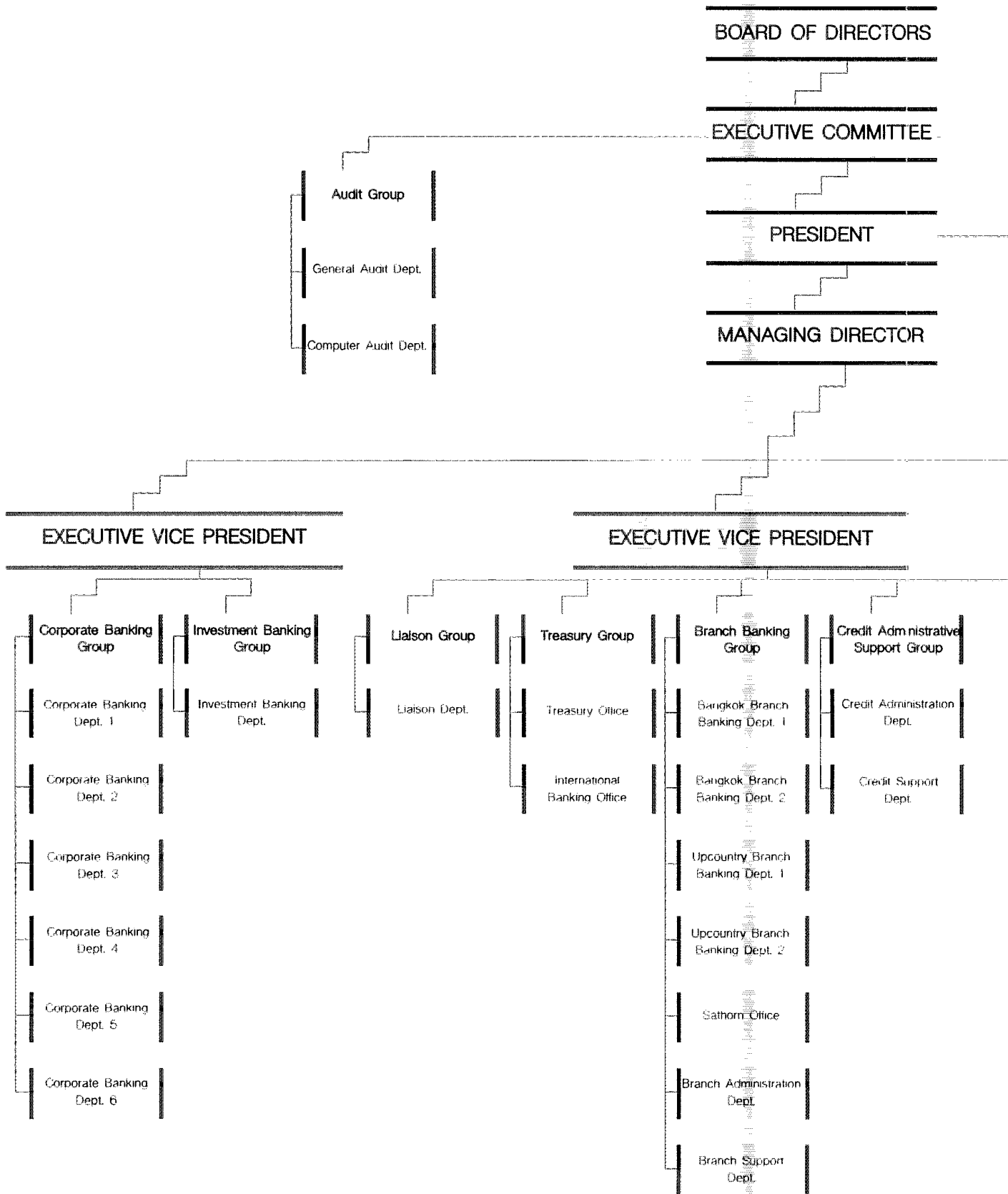
6. Introduce technology into the development and work processing.

HUMAN RESOURCES

To remain competitive and current, career development for the staff of the Bank is an ongoing undertaking. Working as teams, the Bank staff can provide good recommendations and realistic solutions just like any professionals providing service excellence and striving to make NTB to be number one.



ORGANIZATION CHART

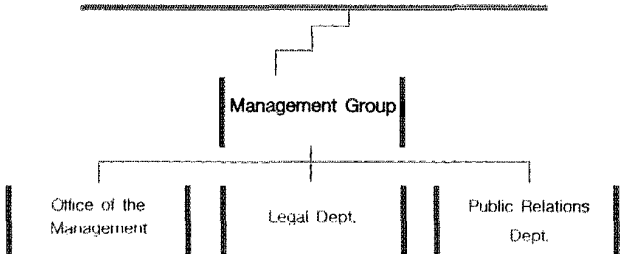


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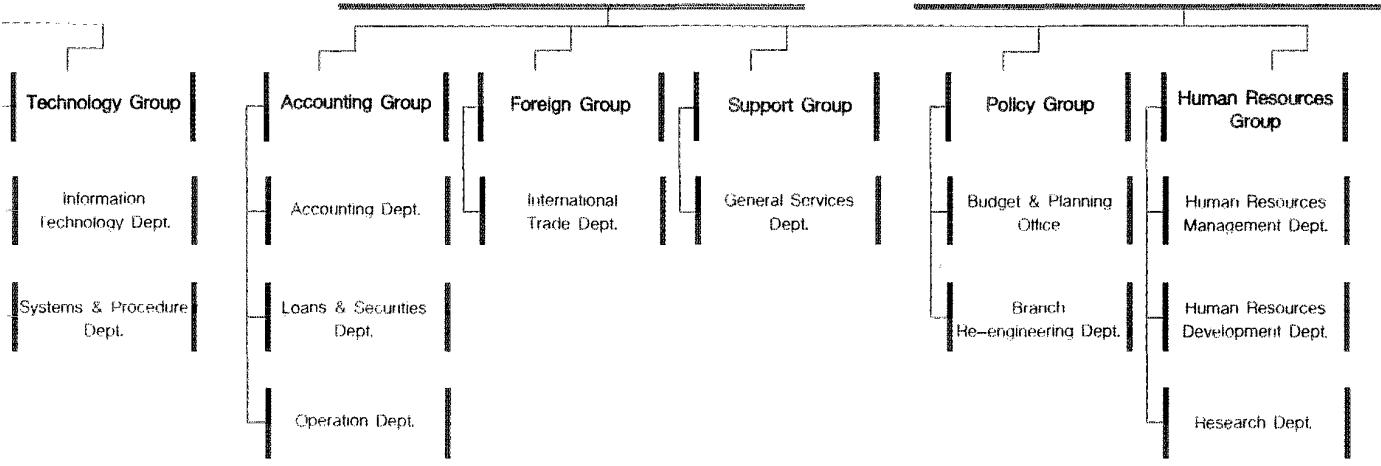
ADVISOR

EXECUTIVE VICE PRESIDENT



EXECUTIVE VICE PRESIDENT

EXECUTIVE VICE PRESIDENT



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AUDITORS REPORT AND FINANCIAL STATEMENTS

To the Shareholders of Nakornthon Bank Public Company Limited:

We have examined the balance sheet of Nakornthon Bank Public Company Limited as at December 31, 1997, and the related statements of income, changes in shareholders' equity, retained earnings, and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 3.5 to the financial statements, as at December 31, 1997 the Bank has loans, including accrued interest on delinquent and long overdue receivables, which may prove uncollectible, as classified based on regulations of the Bank of Thailand, (net of collateral) amounting to Baht 2,992.12 million. The Bank has provided allowance for doubtful accounts amounting to Baht 1,660.98 million. The loans are in the process of being collected by management who believe that the allowance for doubtful accounts is sufficient, but the results are uncertain. As at December 31, 1997 the Bank has assets and commitments with finance companies, which have ceased operations, amounting to Baht 2,403.39 million, for which the Bank has not provided allowance for doubtful accounts. However, the Bank is in the process of swapping these debts for negotiable certificates of deposit issued by Krung Thai Bank Public Company Limited.

We draw attention to Note 1.4 to the financial statements. The operations of the Bank have been affected and will continue to be affected for the foreseeable future by the economic conditions in Thailand and the Asia Pacific Region in general. The ultimate effect that these uncertainties will have on the financial statements cannot presently be determined.

As described in Note 1.3 to the financial statements, the financial statements for the year ended December 31, 1996 have not been presented for comparative purposes, because the Bank was unable to provide information in the format prescribed by Commerce Ministerial Regulation No. 7 (B.E. 2539).

In our opinion, subject to the effects on the financial statements of any adjustments which might have been shown to be necessary had the outcome of the loan collection process and the outcome of the process of swapping debts for negotiable certificates of deposit been known as described in the second paragraph, the financial statements referred to above present fairly the financial position of Nakornthon Bank Public Company Limited at December 31, 1997, and the results of its operations, the changes in its shareholders' equity, retained earnings and its cash flows for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Nirand Lilamethwat
Certified Public Accountant

Peat Marwick Suthee Limited
Bangkok, February 12, 1998

Nakornthon Bank
Public Company Limited

BALANCE SHEET

AS AT DECEMBER 31, 1997

ASSETS	Baht
Cash	784,319,631
Interbank and money market items (Note 3.1)	
Domestic items – Interest bearing	3,935,420,942
– Non – interest bearing	841,928,052
Foreign items – Non – interest bearing	557,061,829
Total Interest and Money Market Items	5,334,408,823
Securities purchased under resale agreements	450,000,000
Investment in securities (Notes 2.5, 3.2, 3.3 & 3.15)	
Securities for trading	258,365,329
Securities for investment	3,840,080,438
Total Investment in Securities	4,098,445,767
Less Allowance for diminution in value of securities	(731,464,874)
Total Investment in Securities – net	3,366,980,893
Loans and accrued interest receivables (Notes 2.3 & 3.4)	
Loans	60,027,871,998
Accrued interest receivables	1,085,386,652
Total Loans and Accrued Interest Receivables	61,113,258,648
Less Allowance for doubtful accounts (Notes 2.4 & 3.5)	(1,660,976,893)
Total Loans and Accrued Interest Receivables – net	59,452,281,755
Properties foreclosed (Note 2.11)	28,002,707
Customers' liability under acceptances	482,905,197
Premises and equipment – net (Notes 2.7 & 3.6)	3,398,675,743
Prepaid expenses	108,930,037
Other assets (Note 2.8)	373,488,382
Total Assets	73,757,994,168

See notes to financial statements

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Nakornthon Bank
Public Company Limited

BALANCE SHEET

AS AT DECEMBER 31, 1997

LIABILITIES AND SHAREHOLDERS' EQUITY	Baht
Deposits (Note 3.7)	
Deposits in Baht	46,603,184,998
Deposits in foreign currencies	159,211,035
Total Deposits	46,762,396,033
Interbank and money market items (Note 3.8)	
Domestic items – Interest bearing	2,620,057,451
– Non–interest bearing	63,062,786
Foreign items – Interest bearing	13,909,003,361
– Non–interest bearing	16,698,186
Total Interbank and Money Market Items	16,608,821,784
Liability payable on demand	80,272,368
Securities sold under repurchase agreements (Note 3.9)	600,000,000
Long–term borrowings (Note 3.10)	3,534,820,000
Bank's liability under acceptances	462,905,197
Accrued interest payables	1,032,075,385
Other liabilities	473,238,421
Total Liabilities	69,554,529,188
Shareholders' equity	
Share capital (Note 3.11)	
Authorized 240,000,000 ordinary shares, Baht 10 par value	2,400,000,000
Issued and fully paid–up 134,404,322 ordinary shares	1,344,043,220
Premium on share capital	2,015,769,521
Surplus on fixed assets revaluation – net (Notes 2.7 & 3.12)	322,358,000
Retained earnings	
Appropriated – Legal reserve	174,747,337
– Other reserve	150,000,000
Unappropriated	537,976,378
Less Unrealized loss on securities for investment (Note 3.2)	(341,429,476)
Total Shareholders' Equity	4,203,464,980
Total Liabilities and Shareholders' Equity	73,757,994,168
Off – balance sheet items – contingencies (Note 3.14)	
Aval to bills and guarantees of loans	2,447,312,824
Liability under unmatured import bills	3,002,491,571
Letter of credit	1,033,711,645
Other contingencies	41,071,037,872

See notes to financial statements

Nakornthon Bank
Public Company Limited

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1997

	Baht
Interest and dividend income (Note 2.1)	
Interest on loans	7,367,762,066
Interest on interbank and money market items	338,479,758
Interest on Government securities and state enterprise securities	181,527,097
Interest and dividend on other securities	142,535,061
Total Interest and Dividend Income	8,030,303,982
Interest expenses (Note 2.2)	
Interest on deposits	4,871,060,886
Interest on interbank and money market items	1,036,163,315
Interest on long-term borrowings	223,494,890
Total Interest Expenses	6,130,719,091
Interest and dividend income – net	1,899,584,891
Bad debt and doubtful accounts (Note 2.4)	(1,053,000,000)
Net Interest and Dividend Income after Bad Debt and Doubtful Accounts	846,584,891
Non-interest income (Note 2.1)	
Fees and services income	
Acceptances, aval and guarantees	198,704,314
Other	237,349,599
Gain on exchange	425,106,884
Underwriting fee	7,975,234
Gain on sales of fixed assets	6,991,427
Other income	29,981,909
Total Non-Interest Income	906,109,367
Non-interest expenses (Note 2.2)	
Personnel expenses	692,036,455
Premises and equipment expenses	231,579,884
Taxes and duties	275,227,136
Fees and services expenses	49,006,531
Directors' remuneration (Note 3.17)	7,648,696
Loss on diminution in value of securities (Notes 2.5 & 3.2)	466,953,492
Other expenses	200,043,492
Total Non-Interest Expenses	1,922,495,686
Loss before income tax	(169,801,428)
Income tax expenses	-
Net loss	(169,801,428)
Loss per share (Note 2.13)	(1.26)

See notes to financial statements

Nakornthon Bank
Public Company Limited

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1997

	Baht
Share capital	
Beginning balance	1,339,325,340
Increase during year	4,717,880
Ending balance	1,344,043,220
Warrants (Note 3.11)	
Beginning balance	170,003,299
Decrease during year	(170,003,299)
Ending balance	-
Premium on share capital	
Beginning balance	1,828,432,731
Increase during year	187,336,790
Ending balance	2,015,769,521
Surplus on fixed assets revaluation (Notes 2.7 & 3.6)	
Beginning balance	329,114,984
Decrease during year	(6,756,984)
Ending balance	322,358,000
Retained earnings	
Appropriated	
Legal reserve	
Beginning balance	174,747,337
Increase during year	-
Ending balance	174,747,337
Other reserve	
Beginning balance	150,000,000
Increase during year	-
Ending balance	150,000,000
Unappropriated	
Beginning balance	841,710,340
Decrease during year	(303,733,962)
Ending balance	537,976,378
Unrealized loss on securities for investment	
Beginning balance	(9,208,302)
Increase during year	(332,221,174)
Ending balance	(341,429,476)
Total Shareholders' Equity	4,203,464,980

See notes to financial statements

Nakornthon Bank
Public Company Limited

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1997

	Baht
Unappropriated retained earnings	
Beginning balance	841,710,340
Net loss for the year	(169,801,428)
Interim dividend	(133,932,534)
Total Unappropriated Retained Earnings	537,976,378
Appropriated retained earnings	
Legal reserve	174,747,337
Other reserve	150,000,000
Total Appropriated Retained Earnings	324,747,337
Total Retained Earnings	862,723,715

See notes to financial statements

Nakornthon Bank
Public Company Limited

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1997

	Baht
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	(169,801,428)
Add Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation and amortization	122,655,656
Bad debt and doubtful accounts	1,053,000,000
Gain on sales of fixed assets	(6,991,426)
Unrealized loss on exchange	(149,232,474)
Increase in accrued interest and dividend receivables	(365,925,354)
Loss on diminution in value of securities	388,073,490
Increase in accrued interest payable	215,791,974
Increase in other accrued expenses	(84,413,652)
Net income from operating before changes of operating assets and liabilities	1,003,156,786
Decrease (Increase) in operating assets	
Negotiable certificates of deposit (assets)	20,000,000
Securities purchased under resale agreements	(450,000,000)
Investment in securities for trading	6,032,245
Deposits, loans and interbank and money market items	(8,644,890,647)
Properties foreclosed	(28,002,707)
Other assets	147,703,491
Increase (decrease) in operating liabilities	
Deposits, borrowings and interbank and money market items	13,443,762,597
Liability payable on demand	(76,301,467)
Negotiable certificates of deposit (liabilities)	(4,899,503,734)
Securities sold under repurchase agreements	(120,000,000)
Other liabilities	308,488,314
Net cash provided by operating activities	710,444,878
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in investment in securities for investment	(483,490,790)
Purchase of premises and equipment	(1,297,645,435)
Proceeds from sales of premises and equipment	9,106,584
Net cash used in investing activities	(1,772,029,641)

See notes to financial statements

Nakornthon Bank
Public Company Limited

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1997

	Baht
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of long-term debt instruments	1,297,920,000
Proceeds from issue of ordinary shares on conversion of warrants	22,051,371
Payment of dividend	(133,932,534)
Net cash from financing activities	1,186,038,837
NET INCREASE IN CASH	124,454,074
CASH AT JANUARY 1, 1997	659,865,557
CASH AT DECEMBER 31, 1997	784,319,631

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

1. BASIS OF FINANCIAL STATEMENTS PRESENTATION AND ECONOMIC ENVIRONMENT

- 1.1 The financial statements are prepared in compliance with the announcements of the Bank of Thailand prescribing forms of balance sheet and profit and loss account of commercial banks as prescribed by the Commerce Ministerial Regulation No. 7 (B.E. 2539) issued under the Public Company Act B.E. 2535.
- 1.2 The financial statements are prepared to include assets, liabilities, revenues and expenses of head office and all branches, domestic and overseas, and the accounts of Bangkok International Banking Facility business. All interoffice transactions have been eliminated.
- 1.3 The financial statements for the year ended December 31, 1996 has not been presented for comparative purposes because information in the format prescribed by Commerce Ministerial Regulation No. 7 (B.E. 2539) was not readily available. This has been approved by The Bank of Thailand, the Securities Exchange Committee, the Commercial Registration Department and The Stock Exchange of Thailand.
- 1.4 In 1997, certain Asia Pacific countries, including Thailand, are experiencing economic difficulties relating to currency devaluation and slowdown in growth. Accordingly, the Thai government sought assistance from the International Monetary Fund to alleviate the economic crisis and improve the economy over time. The financial statements reflect the assessment of the possible impact of this economic situation on the financial position of the Bank. In addition, the ultimate effect on the entity's financial position of these uncertainties cannot presently be determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Recognition of Income*

Interest income on loans, discount on loans and other income are recognized on the accrual basis, except interest income on delinquent and long overdue receivables which is recognized on the cash basis.

2.2 *Recognition of Expenses*

Interest expense on interest-bearing deposits and borrowings and other expenses are recognized on the accrual basis.

2.3 *Loans*

Loans are shown at the outstanding principal amount except bank overdrafts which include accrued interest receivables. Unearned discount on loans at the end of the year is shown under "other liabilities."

2.4 *Allowance for Doubtful Accounts*

The Bank provides for allowance for doubtful accounts at an estimate of those amounts which may prove to be uncollectible which is based on previous collection experience and the analysis of the debtors' present financial position. Receivables and allowance for doubtful accounts are written off when the management believes that those receivables would be uncollectible. Bad debt recovered afterwards is credited to allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

2.5 Investment in Securities

Investment in equity securities and debt instruments for trading are stated at the lower of aggregate cost or market value. Unrealized losses, where lower than market price, are reflected in the statement of income.

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

The market price of debt instruments is calculated using the closing price on the last trading day of the month, or average offer and bid price on the last trading day of the month, or latest closing price of the month plus accrued interest income. Where there is no market price for debt instruments, the market price is calculated using the formula prescribed in circular No. BOT. N.V. (V) 1086/2538 of The Bank of Thailand regarding price calculation for trading Government securities in the secondary market dated May 22, 1995, using the Yield Curve of interest rates from the monthly auction of The Bank of Thailand bonds, Government bonds, state enterprise bonds guaranteed by Government, or interest rate of unguaranteed bonds minus risk premium.

In the case of other domestic debt instruments, the return rate is calculated using the Yield Curve for Governmental debt instruments plus the risk premium suitable for those debt instruments or market price determined by underwriter or a reliable institution, if the Bank of Thailand's formula cannot be used.

Interest income on investments is recognized on the accrual basis. Dividends are recognized on the cash basis.

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

Investment in associated company is shown at cost rather than using the equity method as prescribed by the Stock Exchange of Thailand, because the Bank of Thailand's letter No. BOT.N.V (V) 370/2538 dated February 15, 1995 allowed the Bank to present the investment at cost and to disclose the net effects on the financial statements, if the investment in associated company was stated at equity method, in the notes to financial statements.

In the financial statements for the year ended December 31, 1997, the Bank's investment in an associated company which is other security is accounted for by cost method not adjusted to equity method and the Bank has disclosed the net effects of this treatment, as described in Note 3.3 to the financial statements.

2.6 Foreign Currency Transactions

Foreign currency transactions are recorded at the rates prevailing on the dates of the transactions. Assets

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

and liabilities in foreign currencies and forward exchange contracts at the balance sheet date are translated into Baht at the Bank of Thailand reference rates of exchange as at that date. Gain or loss on translation of such assets and liabilities is shown in the statement of income.

Customers' liability and Bank's liability under unmatured bills issued under letter of credit and future commitments in foreign currencies are translated into Baht at the average rate of exchange prevailing on the transaction dates.

2.7 Depreciation and Amortization of Leasehold

Land is stated at revalued cost.

Building is stated at revalued cost net of depreciation.

Equipment is stated at cost net of depreciation.

Surplus on fixed assets revaluation is shown under shareholders' equity.

Depreciation on increased portion of building value is computed by straight-line method at the rates based on the remaining useful lives of 50 years as assessed by an appraisal company and approved by the Bank of Thailand. The depreciation on increased portion of building value is deducted from surplus on fixed assets revaluation, which is shown under shareholders' equity.

Depreciation of premises and equipment is computed by the straight-line method at rates based on the estimated useful lives of assets of 5 - 30 years.

2.8 Deferred Income Tax

The Bank adopts the practice of recognizing the income tax effects of transactions in the period in which they enter into the determination of net profit, regardless of when they are recognized for tax purposes. Accordingly, the income tax applicable to expenses which are not currently deductible for income tax purposes is set up as deferred income tax in the balance sheet. This will be allocated to future periods when the expenses provided for are actually incurred and deductible for income tax purposes.

2.9 Registered Provident Fund

The Bank set up a provident fund under the Provident Fund Act B.E. 2530 and registered the Fund with the Ministry of Finance on June 27, 1990.

According to the Fund's regulations, every employee passing their probation period is entitled to apply for membership. The Bank and employees contribute equally to the Fund at the rate of 5% of employees' basic salary. The employees are entitled to the benefits upon death or retirement

2.10 Retirement Benefits

Staff members are entitled to retirement pay upon termination of employment based on prescribed conditions and length of service. It is the management policy to recognize retirement pay in the period when payments are made.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

2.11 *Properties Foreclosed*

Properties foreclosed consisted of land and buildings and are stated at acquisition cost. Gain or loss on sales of properties foreclosed is recorded upon disposal.

2.12 *Underwriter Fees*

Underwriter fees for ordinary shares issued under a capital increase are shown as a deduction from premium on share capital in the balance sheet.

2.13 *Loss per Share*

Loss per share is computed by dividing net loss by the number of shares outstanding at the end of the year.

3. SUPPLEMENTARY INFORMATION

3.1 *Inter bank and Money Market Items*

Inter bank and money market items at December 31, 1997 consisted of :

1) *Domestic*

(Amounts : Thousand Baht)

	At Call	Term	Total
The Bank of Thailand	837,641	-	837,641
Commercial banks	109,480	436,235	545,715
Other banks	703,645	-	703,645
Finance, finance and securities, securities and credit foncier companies	18,207	1,932,959	1,951,166
Other financial institutions	25,382	713,798	739,180
Total Domestic	1,694,355	3,082,992	4,777,347

2) *Foreign*

(Amounts : Thousand Baht)

	At Call	Term	Total
US Dollar	283,449	-	283,449
Japanese Yen	128,058	-	128,058
German Mark	20,496	-	20,496
Other currencies	125,059	-	125,059
Total Foreign	557,062	-	557,062
Total Domestic and Foreign	2,251,417	3,082,992	5,334,409

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

As at December 31, 1997 the Bank has loans to finance companies, which have ceased operations because their rehabilitation plans had not been approved by Financial Sector Restructuring Authority on December 8, 1997, amounting to Baht 1,805.64 million along with accrued interest amounting to Baht 54.63 million and commitments amounting to Baht 1,052.22 million, for which the Bank has provided allowance for doubtful account amounting to Baht 509.10 million. This amount is included in allowance for doubtful account, as part of loans and accrued interest, in accordance with a letter from Bank of Thailand dated January 20, 1998. The Bank is in the process of exchanging the debts for negotiable certificates of deposit issued by Krung Thai Bank Public Company Limited.

3.2 Investment in Securities

Investment in securities at December 31, 1997 consisted of :

3.2.1 Securities for Trading

(Amounts : Thousand Baht)			
		Book Value	Market Value
1.1	Debt instruments		
1.1.1	Government and state enterprise securities	173,858	159,467
1.1.2	Private debt instruments	84,497	58,054
	Total	258,355	217,521
	Less Allowance for diminution in value	(40,834)	-
	Debt instruments – net	217,521	217,521
1.2	Equity securities		
1.2.1	Listed securities	10	11
	Total Securities for Trading – net	217,531	217,532

3.2.2 Securities for Investment

(Amounts : Thousand Baht)			
		Book Value	Market Value
2.1	Debt instruments		
2.1.1	Government and state enterprise securities	2,021,669	1,844,389
2.1.2	Private debt instruments	496,087	431,901
	Total	2,517,756	2,276,290
	Less Allowance for diminution in value	(241,466)	-
	Debt instruments – net	2,276,290	2,276,290

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

2.2	Equity securities		
2.2.1	Listed securities	202,134	127,520
2.2.2	Foreign securities	35,519	35,519
2.2.3	Other securities	1,084,671	710,121
	Total	1,322,324	873,160
	Less Allowance for diminution in value	(449,164)	-
	Equity securities – net	873,160	873,160
	Total Securities for Investment – net	3,149,450	3,149,450

At December 31, 1997 the Bank had investments in financial institutions, which have ceased operations because their rehabilitation plans had not been approved by Financial Sector Restructuring Authority. On December 8, 1997, consisting of investment in debentures at a cost of Baht 19.57 million and investment in securities amounting to Baht 53.68 million. An allowance for diminution in value of investments has been provided and presented in the statement of income.

On March 25, 1997 the Board of Executive Directors approved the transfer of securities for trading in the amount of Baht 85.36 million (market value Baht 52.85 million) to securities for investment effective from the beginning of the year 1997. The loss from transfer of these securities in the amount of Baht 32.51 million was recorded and presented in the statement of income.

On May 9, 1997 the Board of Executive Directors approved the transfer of securities for trading in the amount of Baht 187.06 million (market value Baht 140.69 million) to securities for investment effective from May 2, 1997. The loss from transfer of these securities in the amount of Baht 46.37 million was recorded and presented in the statement of income.

3.3 Investment in Associated Company

Investment in associated company shown under other securities at December 31, 1997 consisted of :

	% held	(Amounts : Thousand Baht)
Nakornthon Schroder Asset Management Limited	25%	- 25,000

At December 31, 1997, investment in associated company which is investment in securities for investment, is stated at cost. If the Bank presented this investment using the equity method, the effects to the financial statements would be as follows :

	(Amounts : Million Baht)
Increase in net loss	4.21
Increase in retained earnings – beginning of year	1.10
Decrease in shareholders' equity	3.11
Decrease in investment in securities	3.11

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

3.4 *Loans*

Loans at December 31, 1997 are classified as follows :

1) *Classified by Type of Loans*

(Amounts : Thousand Baht)

Overdrafts	12,212,309
Loans	20,223,724
Bills	23,633,334
Others	3,958,505
Total	60,027,872

2) *Classified by Maturity of Contracts*

(Amounts : Thousand Baht)

Within 1 year	43,987,570
Over 1 year	16,040,302
Total	60,027,872

3) *Classified by Currencies and Residency of Debtors*

(Amounts : Thousand Baht)

	Domestic	Foreign	Total
Baht	42,737,675	77,876	42,815,551
US Dollar	15,366,373	55,923	15,422,296
Other currencies	1,790,025	-	1,790,025
Total	59,894,073	133,799	60,027,872

4) *Classified by Type of Business*

(Amounts : Thousand Baht)

Agricultural and mining	1,506,342
Manufacturing and commerce	39,626,496
Property development and construction	7,527,515
Infrastructure and services	3,100,747
Housing loans	922,492
Others	7,344,280
Total	60,027,872

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

3.5 *Allowance for Doubtful Accounts*

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

(Amounts : Thousand Baht)

Balance at beginning of the year	614,738
Provision during the year	1,053,000
Bad debt recovered	2,639
Bad debt written off	(9,400)
Balance at end of the year	1,660,977

Allowance for doubtful accounts represents allowance for doubtful accounts against part of loans to financial institutions which have ceased operations, as mentioned in Note 3.1 to financial statements, included within Inter bank and money market items, in the amount of Baht 509.10 million and allowance for doubtful accounts against part of loans and accrued interest receivable in the amount of Baht 1,151.88 million.

Non Performing Loans represents loans on which repayment or interest is delinquent or overdue by more than 6 months, for unsecured loans, or overdue by more than 12 months for secured loans, starting from the principle or interest payment date, or installment date, or collection date, whichever is the earliest date. As at December 31, 1997 the Bank had non-performing loans on this basis amounting to Baht 6,357.60 million.

The Bank has doubtful and substandard loans according to the audit report of the Bank of Thailand as at February 28, 1997 amounting to Baht 2,736.29 million, part of which are non-performing loans.

As at December 31, 1997 the Bank has loans, including accrued interest on delinquent and long overdue receivables, which may prove uncollectible, as classified based on regulations of the Bank of Thailand, (net of collateral value) amounting to Baht 2,992.12 million. The Bank has provided allowance for doubtful accounts amounting to Baht 1,660.98 million. The loans are in the process of being collected by management who believe that the allowance for doubtful accounts is sufficient. Some of the customers are in the process of negotiating for debt restructuring, and some of the customers are in the process of court proceedings. As at December 31, 1997 the Bank has assets and commitments with financial institutions which have ceased operations, amounting to Baht 2,403.39 million, for which the Bank has not provided allowance for doubtful accounts. However, the Bank is in the process of swapping these debts for negotiable certificates of deposit issued by Krung Thai Bank Public Company

Nakornthon Bank
Public Company Limited

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

3.6 *Premises and Equipment*

Premises and equipment at December 31, 1997 are summarized as follows :

(Amounts : Thousand Baht)

Land	
Cost	247,372
Revalued cost	66,621
Buildings	
Cost	1,010,552
Revalued cost	289,523
Equipment	714,716
Leasehold	84,604
Others	1,649,477
Total	4,062,865
Less Accumulated depreciation – cost	(630,403)
Accumulated depreciation – revalued cost	(33,786)
Premises and Equipment – net	3,398,676

Land included revaluation surplus of Baht 66.62 million assessed by using government appraisal prices and building included revaluation surplus of Baht 289.52 million assessed by an appraisal company. The land and building revaluations were approved by the Bank of Thailand in its letters dated March 16, 1993 and November 2, 1994, respectively.

The additional value of land and buildings is shown as surplus on fixed assets revaluation, as described in Note 3.12 to the financial statements.

3.7 *Deposits*

Deposits at December 31, 1997 are classified as follows :

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

1. *Classified by Type of Deposits*

(Amounts : Thousand Baht)

Current	837,780
Saving	5,152,674
Term	
- Within 6 months	38,688,386
- 6 months not over 1 year	716
- Over 1 year	2,062,179
Certificates of deposit	20,661
Total	46,762,396

2. *Classified by Maturity of Contracts*

(Amounts : Thousand Baht)

Within 1 year	46,705,190
Over 1 year	57,206
Total	46,762,396

3. *Classified by Currencies and Residency of Depositors*

(Amounts : Thousand Baht)

	Domestic	Foreign	Total
Baht	46,123,849	479,336	46,603,185
US Dollar	141,493	6,157	147,650
Other currencies	11,561	-	11,561
Total	46,276,903	485,493	46,762,396

3.8 *Inter bank and Money Market Items :*

Inter bank and money market items at December 31, 1997 consisted of :

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

1) *Domestic*

(Amounts : Thousand Baht)

	At Call	Term	Total
The Bank of Thailand	-	97,575	97,575
Commercial banks	14,583	-	14,583
Other banks	24,915	1,853,608	1,878,523
Finance, finance and securities, securities and credit foncier companies	216,055	2,100	218,155
Other financial institutions	8,904	465,380	474,284
Total Domestic	264,457	2,418,663	2,683,120

2) *Foreign*

(Amounts : Thousand Baht)

	At Call	Term	Total
US Dollar	13,641	13,889,329	13,902,970
German Mark	2,223	-	2,223
Other currencies	20,509	-	20,509
Total Foreign	36,373	13,889,329	13,925,702
Total Domestic and Foreign	300,830	16,307,992	16,608,822

3.9 *Securities Sold under Repurchase Agreements*

Securities sold under repurchase agreements at December 31, 1997 consisted of :

(Amounts : Thousand Baht)

	Bank of Thailand Repurchase Market	Other Repurchase Market	Total
Government bonds	600,000	-	600,000
Total	600,000	-	600,000

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DECEMBER 31, 1997

3.10 Long-term Borrowings

Long-term borrowings at December 31, 1997 consisted of :

(Amounts : Thousand Baht)

	Domestic	Foreign	Total
Subordinated debentures	700,000	-	700,000
Floating rate notes	-	2,834,820	2,834,820
Total	700,000	2,834,820	3,534,820

Long-term Borrowings - Domestic

A resolution was passed by the Extraordinary General Meetings of Shareholders held on November 19, 1992 and December 17, 1992 authorizing the issue of subordinated term debt, in the form of registered bonds which cannot be redeemed before maturity date, in the amount of Baht 700 million divided into 70,000 units of Baht 10,000 face value. These bonds were sold on December 21, 1992 at Baht 10,000 per unit at a floating interest rate and with a guaranteed minimum interest rate of 11.85% per annum. The redemption period of these bonds is 5 years and 3 months.

Long-term Borrowings - Foreign

On October 3, 1994 the Bank issued US\$ long-term subordinated floating rate notes which can be redeemed before maturity in the amount of US\$ 30 million for a period of 10 years. The interest rate for years 1 to 5 is around 6 months USD LIBOR + 1.50% per annum, and for years 6 to 10 around 6 months USD LIBOR + 3% per annum, payable semi-annually.

On June 4, 1996 the Bank issued US\$ long-term subordinated floating rate notes in the amount of US\$ 30 million for a period of 10 years, all of which all can be redeemed after 5 years with permission given from the Bank of Thailand. The interest rate for years 1 to 5 is around LIBOR + 1.40% per annum and for years 6 to 10 around LIBOR + 3% per annum, payable semi-annually.

3.11 Share Capital and Subsequent Event

A resolution was passed by the Extraordinary General Meeting of Shareholders held on September 28, 1993 authorizing the increase in share capital of 12.025 million shares, issued to existing shareholders at the rate of 1 new share and 2 warrants at Baht 38 for 8 existing shares, and 24.05 million shares reserved for conversion of warrants. One warrant can be converted to 1 new share at the conversion price of Baht 50. The conversion period is 4 years. The conversion price and the number of warrants required for conversion are subjected to adjustment under section 6.4 of the prospectus.

A resolution was passed by the Ordinary General Meeting of Shareholders held on April 25, 1996 authorizing the additional issue of 964,120 shares reserved for conversion of warrants.

A resolution was passed by the Ordinary General Meeting of shareholders held on April 24, 1997 authorizing the additional issue of 613,877 shares reserved for conversion of warrants.

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NOTES TO FINANCIAL STATEMENTS

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On June 18, 1997, the Bank registered the increase in share capital from Baht 1,339.33 million to Baht 1,344.04 million divided into 134,404,322 shares of Baht 10 par value resulting from conversion of warrants to 471,788 shares.

On December 1, 1997 all outstanding warrants expired following the last opportunity to exercise the conversion option. The remaining shares reserved for conversion of warrants, amounting to 22,491,236 shares, will be considered at the next Ordinary General Meeting of Shareholders.

A resolution was passed by the Extraordinary General Meeting of Shareholders held on January 6, 1998 authorizing the increase in share capital by Baht 672.02 million, divided into 67.202 million shares, issued to existing shareholders at the rate of 1 new share for 2 existing shares at Baht 10.

3.12 Surplus on Fixed Assets Revaluation

Surplus on fixed assets revaluation at December 31, 1997 consisted of :

	(Amounts : Thousand Baht)
Surplus on land revaluation	66,621
Surplus on building revaluation	289,523
	356,144
Less Accumulated depreciation – revalued cost	(33,786)
Surplus on fixed assets revaluation – net	322,358

Surplus on land revaluation is based on Government appraisal prices and surplus on building revaluation is based on appraisal company's price. The land and building revaluations were approved by the Bank of Thailand on March 16, 1993 and November 2, 1994, respectively.

3.13 Capital Requirements

The Bank's capital, maintained in ratio to risk assets, as required by the Bank of Thailand, at December 31, 1997 consisted of :

	(Amounts : Million Baht)
Tier 1 capital	4,257.77
Tier 2 capital	1,682.40
Total	5,940.17

The regulation from the Bank of Thailand dated November 20, 1996 stated that the banks registered in Thailand must maintain a capital ratio to risk assets and commitments not under 8.5%. By this regulation, Tier 1 capital should not be under 6% of the risk assets and commitments. As at December 31, 1997, the Bank maintained a capital ratio to risk assets and commitments based on the guideline and method of the Bank of Thailand, as follows :

Nakornthon Bank
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NOTES TO FINANCIAL STATEMENTS

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	Percent
Total Tier capital	8.17
Tier 1 capital	5.86

3.14 Commitments

Commitments at December 31, 1997 consisted of :

(Amounts : Million Baht)

	Baht	Foreign Currency	Total
Aval of bills	511	4	515
Letters of indemnity – borrowings	111	1,821	1,932
Other letters of guarantee	12,039	659	12,698
Letters of credit	55	979	1,034
Exchange rate agreements			
Purchase agreements	–	9,328	9,328
Sale agreements	–	9,959	9,959
Unused credit line of overdraft	7,665	–	7,665
Others	1,529	2,894	4,423
Total	21,910	25,644	47,554

3.15 Assets Pledged as Collateral

Assets pledged as collateral at December 31, 1997 consisted of :

(Amounts : Million Baht)

State enterprise bonds pledged as collateral for borrowing from the Bank of Thailand	156
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3.16 Related Party Transactions

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

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

	(Amounts : Thousand Baht)	
	End of year	Average
Loans		
1. Executive officers	11,902	12,859
2. Business entities that the Bank, its directors or executive officers, hold 10% or more of paid up capital	1,458,071	1,204,007
Total	1,469,973	1,216,866
Commitments		
1. Executive officers	-	-
2. Business entities that the Bank, its directors or executive officers, hold 10% or more of paid up capital	16,772	80,020
Total	16,772	80,020

3.17 Directors' and Executives' Benefits

The Bank has not paid any benefit to its directors and executives except for benefits that are normally paid such as salary and executive bonus, directors' fee and directors' bonus.

3.18 Proposed Dividends

A resolution was passed by the Board of Directors Meeting held on May 22, 1997 authorizing an interim dividend payment of Baht 1 per share.

3.19 Long-term Lease Agreements

The Bank has entered into lease agreements for its 24 branches covering periods between 1 to 30 years expiring within 1998 – 2023. Under the terms of the leases, the Bank paid to the lessors deposits of approximately Baht 8.04 million. The annual rentals are approximately Baht 12.16 million in 1997. Lease agreements are renewable by written confirmation to the lessor at least one to three months before termination of the agreements.

3.20 Litigation

The Bank has pending litigations with customers under which the Bank is a defendant against claims for the repayment of Letters of guarantee of Baht 250.12 million in Civil Court. The cases were pending for decision in Civil Court. The ultimate outcome of the litigation could not presently be determined, these transactions were not recorded.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

3.21 *The financial position and results of the Bank's operations separated by domestic and overseas business for the year ended December 31, 1997 are summarized as follows :*

1. *Financial Position Separated by Type of Business*

(Amounts : Million Baht)

	Domestic Business	Overseas Business	Total
Total assets	73,587	171	73,758
Interbank and money market items	5,311	23	5,334
Loans	59,927	101	60,028
Investments in securities	3,367	-	3,367
Deposits	46,762	-	46,762
Interbank and money market items	7,476	9,133	16,609
Borrowings	700	2,835	3,535
Commitments	47,554	-	47,554

2. *Results of Operations Separated by Type of Business*

(Amounts : Million Baht)

	Domestic Business	Overseas Business	Total
Interest and dividend income	8,020	11	8,031
Interest expenses	6,052	79	6,131
Net interest and dividend income	1,968	(68)	1,900
Non-interest income	906	-	906
Non-interest expenses	2,567	409	2,976
Net income (loss) before income tax	307	(477)	(170)

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Bangkok Branches 46
(Including 2 Branches Opened in 1998)
Upcountry Branches 23
(Including 1 Branches Opened in 1998)
Foreign Branch 1

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 Mr. Santana Ruanjaichon Regional Manager
-- Bangkok Metropolitan Branch Banking 1, Region 2
 Mr. Boonlert Sutidechanai Regional Manager
-- Bangkok Metropolitan Branch Banking 1, Region 3
 Mrs. Prapin Nakasint Regional Manager

BANGKOK METROPOLITAN BRANCH BANKING DEPARTMENT 2

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Vice President,
Bangkok Metropolitan Branch Banking Department 2
-- Bangkok Metropolitan Branch Banking 2, Region 1
 Mrs. Siriporn Ausavesana Regional Manager
-- Bangkok Metropolitan Branch Banking 2, Region 2
 Mr. Vichien Vitthayaverroj Regional Manager
-- Bangkok Metropolitan Branch Banking 2, Region 3
 Mr. Chaiwat Tanchewawong Regional Manager

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 Mr. Ittipon Srivichai Regional Manager
 Mr. Apichai Munkij Assistant Regional Manager
-- Upcountry Branch Banking 1, Region 2
 Mr. Rangsan Petcharoen Regional Manager

-- Upcountry Branch Banking 1, Region 3
 Mr. Choompong Hutananda Regional Manager(Acting)

UPCOUNTRY BRANCH BANKING DEPARTMENT 2

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Open in 1998

FUTURE MART RAMA III

Open in 1998

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Open in 1998

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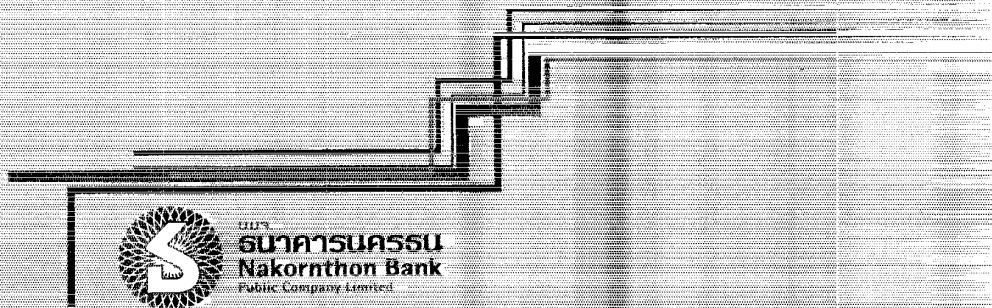
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