

*The Thai Danu Bank Public Company Limited*

*Annual Report 1998*

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**ธนาคารไทยดานุ**  
**THAI DANU BANK**

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## PERFORMANCE HIGHLIGHTS 1998

	1994	1995	1996	1997	1998
<b>As of year end</b>	<b>(Million Baht)</b>				
Assets	67,774	87,253	119,598	130,266	132,955
Deposits	46,982	60,518	82,235	89,860 *	109,103
Loans (Net of Loan Loss Reserve)	55,331	73,073	99,140	112,247 *	97,222
Shareholders' Equity	4,590	5,809	11,649	9,103	8,330
Paid-up Capital	770	910	2,500	2,500	5,500

	<b>(Million Baht)</b>				
<b>Performance for the year</b>					
Total Revenue	6,328	9,319	12,776	16,914	16,998
Total Expenses	5,282	8,168	11,157	16,851	26,114
Profit Before Income Tax/(Loss)	1,046	1,151	1,619	63	(9,116)
Net Profit/(Loss)	709	816	1,087	28	(9,126)

	<b>( Baht)</b>				
<b>Performance Per Share</b>					
Net Profit/(Loss)	9.73	9.73	9.32	0.11	(18.50)
Dividend	4.30	5.00	4.50	1.35	-
Par Value	10.00	10.00	10.00	10.00	10.00
Accounting Book Value	59.61	63.84	46.60	36.41	15.15

**Note :** \* Arising from the new Public Companies reporting format, comparisons with prior financial periods may not be appropriate.

# THAI DANU BANK 1998 REVIEW

## BACKGROUND

1998 had been a difficult year for Thailand. The economic crisis that started back in May 1997 continued its negative impact into 1998. To restore confidence in the country, the Government started off the year with tight fiscal and monetary policies which saw local interest rates being raised substantially to stem capital outflow and to discourage consumption. As a result, the Baht stabilized, the current account balance improved and inflation was manageable. However, the high interest rates policy had brought along some undesirable results; the number of business failures increased and new lendings by banks almost came to a halt. Consequently, the Government reversed its tight monetary policies which saw the loosening of interest rates in the last quarter of 1998. To help businesses to overcome the liquidity problem, the Government started to push down interest rates dramatically in the last quarter of the year. Consequently, the stock market began to recover and the economy somewhat stabilized.

The financial sector was severely affected by the economic crisis. The sector experienced escalating bankruptcies of their customers and this brought about increasing bad loan problems. On December 8, 1997, the Bank of Thailand (BOT) ordered the closure of 56 finance companies. From May to August 1998, the BOT took over 6 banks and 12 finance companies. On August 14, 1998, the Government announced that out of the 6 banks taken over by the BOT, 2 banks would be privatized, 1 bank would be closed and assumed the role of AMC, another 3 banks and 12 finance companies are to be merged with the Government Banks.

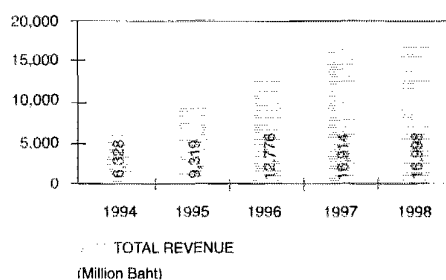
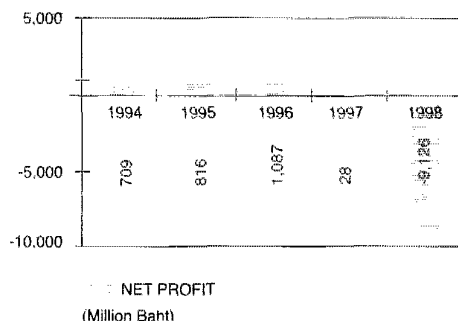
In order to upgrade the remaining financial institutions to international standards, the Bank of Thailand tightened the rules on recognition of Non-Performing Loans (NPLs) and adopted new provisions requirements. As a result, all Thai commercial banks were required to increase substantially their NPL provisions. This was exacerbated by the unprecedented number of NPLs arising from the economic crisis and the high interest rates regime. All Thai commercial banks ended the year in a sea of red ink reporting substantial losses. There is also the potential risk of failing to meet the minimum capital adequacy ratio set by BOT.

On August 14, 1998, the Government announced a comprehensive Banking reformed package to strengthen financial institutions' liquidity and capital adequacy ratios. The new financial package was also intended to revive bank lending to business sectors and a concerted effort in restructuring of NPLs. Notwithstanding this, NPLs of Thai Banks are still expected to peak to a level of 40% - 50% by end of the year.

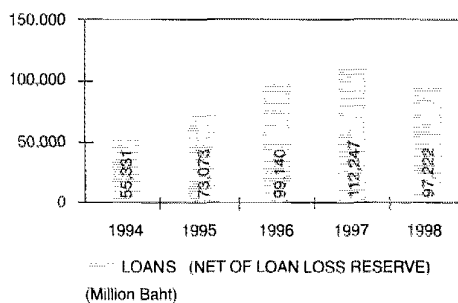
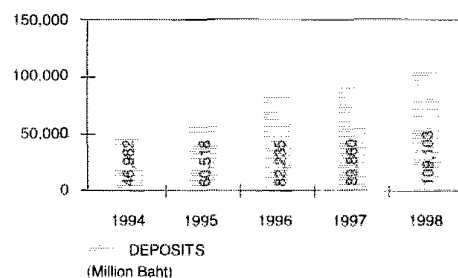
## RESULTS

Not unlike other local banks, Thai Danu Bank's ('TDB') performance for 1998 was equally affected by the economic crisis. For the year ended December 31, 1998, TDB incurred a pretax loss of Baht 9,126 million. The loss was caused by two factors: Firstly, the rising NPLs which has resulted in an increase in provisions of Baht 7,021 million and a reduction of net interest income from Baht 4,608 million in 1997

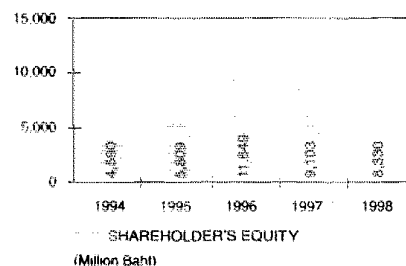
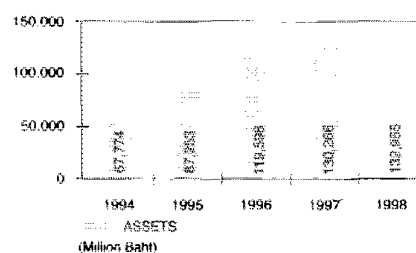
to Baht 1,953 million in 1998. Secondly, a write-off on investments amounting to Baht 1,667 million.



Since the injection of new capital by its parent company, The Development Bank of Singapore Ltd. ("DBS Bank"), in March 1998, public confidence in TDB had improved. Deposits from non-Bank customers increased from Baht 89,860 million in 1997 to Baht 109,103 million in 1998. TDB's market share of the deposits segment consequently increased from 2.2% in 1997 to 2.5% in 1998.



Total loans decreased from Baht 112,247 million to Baht 97,222 million, a reduction of Baht 15,025 million or 13.4% from 1997. This arose from a more cautious lending policy adopted by TDB. Our market share of the loan business as of December 31, 1998 remained at the same level as 1997 at 2.5%. Loans were mainly extended to 5 major business sectors: manufacturing 28.6%, commerce 24.5%, real estate 12.5%, personal consumption 9.9%, and services at 9.5%.



Total assets stood at Baht 132,955 million, an increase of Baht 2,689 million or 2.1% from the previous year. Shareholders' equity was Baht 8,330 million, a slight decrease of Baht 773 million or 8.5% from December, 1997.

Reflecting its capital strength, TDB's capital funds to weighted risk assets (BIS) ratio was 9.2% which exceeded the minimum requirement of 8.5%. The Bank's liquidity in 1998 was a surplus as our loan to deposit ratio firmed from 124.9% to 89.1%.

	BOT REQUIREMENT	1996	1997	1998
TIER 1 CAPITAL / RISK ASSETS	> 4.25%	10.03%	9.38%	7.00%
TIER 1+2 CAPITAL / RISK ASSETS	> 8.5%	12.51%	11.51%	9.20%

REMARK: BOT requirement for tier 1 capital / risk asset was reduced from the previous 6.0% to 4.25% in accordance with the comprehensive banking reform package announcement made on August 14, 1998.

## **NON PERFORMING LOANS MANAGEMENT**

To counter the worsening business outlook and the increasing volume in NPLs, credit approvals and controls were centralized. Lending officers were retrained to manage NPLs and to assist good customers from becoming NPLs. A "Hospital Bank"-Credit Restructuring Department was formed to handle financial restructuring for customers with viable businesses but were faced with temporary liquidity problems. Additional experienced staff were also recruited to strengthen the team to speed up NPLs resolution processes to ensure a high recovery rate. A Problem Loans Committee was also formed to review NPLs and loans that could potentially become NPLs. The Committee provided guidelines and decisions on courses of action in dealing with NPLs as well as to follow-up on their progress and resolution. In addition, TDB's credit approval processes were revised to be in line with international standards adopted by its holding company, The Development Bank of Singapore Ltd.

Given the lower interest rate regime and expected enactment of new laws on bankruptcy and foreclosures it is likely to expect that NPLs will soon be more readily resolved in a shorter time.

## **INFORMATION TECHNOLOGY**

Way back in 1995, Thai Danu Bank had started to automate its bank-wide business operations with new technology. The Bank subsequently shifted from a closed and distributed system to an open and centralized architecture. This new information technology platform had enabled the Bank to provide better services and new products to its customers in meeting goals for the year 2000. Many new core

systems are being implemented at both the Head Office and branches in line with the new direction in the Bank's IT program.

In terms of information technology implementation at Head Office, the Bank had upgraded and installed new equipment at the main Data Processing Center to support new applications and to cater for bigger business volume in the future. The Bank also replaced its aging ST200 with SWIFT Alliance software for international funds transfer to a state-of-the-art financial information system running on an IBM AS/400 platform. The foreign exchange system was similarly upgraded to support the Euro currency.

In providing new and better services to customers, a new distribution channel concept was incorporated into the design of the Bank's New-Tech Branches. Enhanced customer information files, deposit systems and branch banking systems are among the many new systems to support operations of the New-Tech Branches. At the beginning of 1998, the Bank started to roll-out its New-Tech Branches by converting customer information from all branches into the new Customer Information Files. After a month of pilot run at two branches in September 1998, the official roll-out started in October 1998 and is expected to complete by February 1999. Implementation of a new ATM Switching system at the center with additional ATM machines installed in both Bangkok Metropolitan and the provinces were completed successfully. We are now able to provide new products and features in plastic card services to our retail customers.

For 1999, the Bank will continue to focus on the implementation of enhanced systems, such as Loan System, Trade Finance System, Remittance System, etc. The Bank will also be

working vigorously on managing the Year 2000 problem to ensure continuity of services by the Year 2000 and beyond.

### **PURSUIT OF MARKET LEADERSHIP**

In June 1998, TDB together with DBS Securities Holding acquired Sri Dhana Securities, a securities company to complete its financial products line.

The Bank also reorganized itself as part of a series of initiatives to become a market leader in domestic banking. The new organization will better align TDB to meet the needs of its customers whilst improving efficiency as well as leveraging on TDB's unique strength and that of its partner, DBS Bank.

TDB is now reorganized into two business groups and five support groups. The business groups are Retail Banking, which will oversee the branch network and banking services for individuals, and Corporate Banking, which will provide banking services for small, medium and large businesses, including investment and treasury-related services. The five support groups are Finance, Planning and Operations; Information Technology; Human Resources; Corporate Services; and Risk Management Services.

The organizational realignment is the first step taken to position TDB for leadership in the Thai financial market. Senior management aims to combine TDB's local market expertise, strong customer relationships and high-quality personal service with DBS Bank's technological know-how, sophisticated risk management techniques and leading-edge products and marketing skills.

TDB's customers and investors should expect to enjoy significant benefits in both

service and product improvements drawn from the TDB-DBS alliance.

### **SOCIAL RESPONSIBILITIES**

Being part of the Thai Society, TDB is always ready to lend support to social activities in particular, on education, youth development and environmental protection.

#### **Education and Youth Development**

TDB has extended support to education by continuously providing scholarships. They are divided into 2 categories; i.e. education scholarships of the Thai Danu Bank Foundation given to children of TDB personnel and education scholarships of Thai Danu Bank given to external institutions especially needy schools in up-country.

TDB in its social role had sponsored 2 projects in 1998. The Bank provided funds to upgrade the Thai Danu Mae Eye School in Amphur Mae Eye, Changwad Chiang-Mai.

The Bank also adopted a "Group of Housewives", who are parents of the needy students in the school in its business educational scheme. The housewives were provided basic training in operating a weaving business. This cottage industry will help to supplement the income of the people living around the school.

#### **Environmental Protection**

TDB has extended support and participated in the "Reforestation Campaign in Commemoration of the Royal Golden Jubilee" in the preservation area of Changwad KanchanaBuri totalling about 3,000 rai. TDB has extended strong support since 1995 (2538). This is one of the projects for the betterment of public interest. TDB



will continue to nurture this project. TDB was consecutively first prize winner for 3 years in activation of forest plantations and trees protection. In 1998, TDB again became the winner for first prize in the protection of trees (territorial forest) in size area of 100-500 rai and was honorary prize winner for the protection of trees (territorial forest) in size area of 501-1,000 rai. For our efforts, TDB had the honour to receive a golden pin and silver pin respectively from H.M. the Queen.

TDB also extended support to several activities for society such as participation in Children's Summit 1998 Project, the Toy Bank Project, Thai Help Thai Sell Dollars and the Deposit Baht Project. Throughout the year, TDB has also handed welfare benefits to several social organizations.

## **FIFTY YEARS OF THAI DANU**

April 8, 1999 will witness the Golden Jubilee Celebration of Thai Danu Bank. Since its inception 50 years ago on April 8, 1949 the Bank had grown from strength to strength. It had laid a strong foundation on the basic philosophy of mutual respect and trust with its Customers. Today, the founding members are very much with the Bank, and together with its new partner, DBS Bank, continue to maintain a high level of professionalism in bank management. Thai Danu Bank is positioned to face future challenges and to provide its customers with innovative financial products and best services. At the turn of this century, Thai Danu Bank will be embracing world-class standards and leading-edge approaches in Banking to steer it even to greater heights.

The following provides a synopsis of TDB major developments over the past few years.

### **a) 1993**

Thai Danu Bank achieved the highest growth in all aspects among the local banks. Through major policy changes, two key areas evolved. They were "Business and Branches" and "Support and Technology". The above streamlining of its operational system augured well for the Bank during this period.

### **b) 1994 and 1995**

The Bank witnessed further operational transformation with the setting up of commercial banking, retail banking, and investment banking, money and capital markets. With the recruitment of new talents, the Bank expanded its pool of professional bankers. In 1994, Thai Danu Bank reported a profit of Baht 709 million, recording a 50.53% growth in profits over the preceding year of 1993.

### **c) 1996 and 1997**

A mission statement of "to be one of the best bank in the year 2000" was launched. There was also the aspiration of achievement towards Universal Banking. To this effect, the Bank looked towards strategic alliances. The economic firestorm of 1997 then dampened initiatives of the Bank for rapid expansion as planned. It also created a deleterious effect on loan assets. Notwithstanding, Thai Danu Bank remained sufficiently capitalized after making the necessary loan loss provisions. With DBS Bank taking a greater role in terms of capital and management, Thai Danu Bank is ready to become "The Leading Bank in Thailand".

In summary, 50 years of Thai Danu Bank has been one of momentous change, constantly striving and transforming in keeping pace with external changes and customers expectations. Today, we are well equipped and are ready to move ahead into the next millennium.

## YEAR 2000 READINESS

### OVERVIEW

At The Thai Danu Bank, we have been actively involved in the Year 2000 compliance programme since 1997. We are also guided by DBS Bank (our parent company) to achieve our goal: a smooth transition into the new millennium. This programme encompasses all aspects of the Bank's IT infrastructure, including all date related business applications, system software and hardware, end-user computing, data embedded equipment, and data interfaces with external parties and service vendors. The Bank plans to complete the testing of all critical systems and products to ensure Y2K readiness with ample time to test and re-test its contingency plans.

### APPROACH

A high level Y2K Task Force has been established to oversee the whole project. The Deputy President of the Bank is personally heading the Y2K Task Force with the President as its advisor to demonstrate a total Y2K commitment from the top management of the Bank. The project management approach of DBS Bank has been adopted for TDB. The approach is one of centralized coordination with decentralized responsibilities. Each business group is responsible for establishing their own action plans and schedules in line with the Bank-wide master schedule drawn up by the Y2K Task Force. Their progress is centrally monitored by the DBS Y2K Task Force through its Y2K Secretariat. Monthly status reports are submitted to the Bank's top management as well as the Bank of Thailand.

### ASSESSMENT

We have established an inventory of all IT hardware and software components, date related critical office equipment, external data interfaces, physical infrastructure, and their compliance status. Each date related item on the inventory has been reviewed and closely monitored to ensure timely completion of compliance for non-compliance items. Currently, a further review of the inventory list is being carried out to ensure that all items are fully accounted for in this exercise.

### RENOVATION

Since 1997, we have worked towards making our application systems Y2K compliant. We are in the process of implementing a new centralized banking system to replace the old non-Y2K compliant systems. General Ledger System and Deposit System have been successfully replaced and the implementation of Loan System, Domestic Remittance, Foreign Remittance and Trade Finance System are targeted for completion by the end of June 1999. The applications were tested and successfully implemented to handle 4-digit year logic using dates from the current century.

### TESTING & VALIDATION

Testing are performed in accordance with DBS Bank guidelines. This is to ensure that all the required Y2K tests are performed and essential testing and validation procedures are carried out by IT departments and all end users. As required by the Bank of Thailand, The Thai Danu Bank

will participate in the Industrial-wide Y2K testing scheduled to be performed at the end of February 1999. The testing environment have been set and we are ready to proceed as scheduled.

### **COUNTERPARTIES**

The Bank is also diligently monitoring the Y2K compliance status of its business partners, customers and service providers. Their progress and current status are reported to the Y2K Task Force on a bi-weekly basis. This is to ensure that the Bank is fully aware of the business risks scenario.

We have similarly written to vendors to ascertain their Y2K and product status. We have obtained various forms of written confirmation from them on their compliance status. We also conducted rigorous testing to ensure that their products operate smoothly in our environment and interface suitably with our internal application systems.

### **CONTINGENCY MEASURES**

The Bank is currently developing a business continuity plan to ensure that critical operations will continue in the event that unforeseen circumstances arose or that our business partners or service providers failed to resolve the Y2K problem. A disaster recovery centre is now being established at the Bank's backup premises in Chaeng Wattana and the centre is expected to be fully operational by end of June 1999. This is to ensure that in the event of an emergency/crisis or disaster, the Bank would have in place a recovery and business continuity plan that meets the Y2K challenge to minimize any losses or disruption to our business and operating systems.

### **SUMMARY**

The Bank is fully committed to ensure that all computer systems and business services will continue to function without interruption on January 1, 2000 and beyond.

## CHAIRMAN AND CEO'S REPORT TO SHAREHOLDERS

### Dear Shareholders,

Financial year 1998 was a watershed year for the Bank. Whilst it marks the end of a long period of profitability since the 1980s, it signals the beginning of a new journey for Thai Danu Bank. The Thai economy was rattled by the economic malaise which swept through the nation since May 1997 impacting negatively on all sectors of the economy. The turmoil has halted the Bank's profit trend and 1998 saw the Bank registering substantial losses of Baht 9,126 million largely arising from provisions for non-performing loans as well as reduced net interest income.

The year also marks a period where cooperation between Thai Danu Bank and The Development Bank of Singapore Ltd. (DBS Bank) intensified. Together with our partner, DBS Bank, we shall create a formidable banking institution to progress into the next century. I would like to present herewith, some operational data for Shareholders' reference.

Total deposits of the Bank grew sharply by 21.4% to Baht 109,103 million from Baht 89,860 million, recording the third highest in deposits growth among local banks in Thailand. This clearly reflects the underlying confidence depositors have towards Thai Danu Bank. To manage our risks assets during this period of turbulence, the Bank adopted a tighter set of credit controls. As a result, commercial loans showed a negative growth of 13.4%, from Baht 112,247 million in 1997 to Baht 97,222 million in 1998. The Bank's total assets however managed to grow marginally at 2.1% to Baht 132,955 million (1997 : Baht 130,266 million). I am pleased to inform shareholders that the Bank's capital strength as measured by the BIS ratio, stood at 9.2% at end December 1998 against the statutory minimum of 8.5% reflecting our capital resilience.

The Bank has launched a series of initiatives and improvement program to bring potential benefits to shareholders. Given the new and dynamic action plan endorsed by the Board of Directors, Thai Danu Bank is being positioned for medium to long-term success on a framework of building competitive advantages in selected areas supported by enhanced infrastructure, IT and human resources. The Bank realizes that going forward, business will be very much driven by the twin forces of globalization and information technology. The Bank will also continue to leverage on DBS Bank capabilities and resources to achieve domestic market and financial success.

In 1998 the Bank appointed three more directors to replace the resigned directors. The new directors are:

1. Mr. Peter Ong Boon Kwee
2. Mr. Tan Keng Boon
3. Dr. Pairash Thajchayapong

The three directors who resigned during the year were:

1. Khun Pairoh Tuchinda
2. Khun Piboon Suwanasilapa
3. Khun Kemchai Rasananda

On behalf of the Bank, I would like to thank all three retired directors for their past devotion in helping to shape the Bank's policy towards our current goal. Sadly, the Board of Directors and I would like to express our deepest regret for the loss of Khun Chalerm Prachuabmoh, who passed away last year.

In conclusion, I would like to say that Thai Danu Bank, had emerged stronger and wiser through the economic turmoil because of our ability to adapt to the situation and anticipation of the changing conditions and challenges ahead. This attribute will pave the way for Thai Danu Bank to achieve the next decade of earnings stability and improvement in shareholders value. This is only possible with the full cooperation of all staff and management. Finally, Thai Danu Bank would like to express a sincere appreciation and heartfelt gratitude to all our shareholders, clients and customers who have been extremely supportive of the Bank through good and bad times. We hope that with your continuous support, we will become a World Class Banking Institution.



Pakorn Thavisin  
Chairman and Chief Executive Officer

## MESSAGE FROM THE PRESIDENT

### Dear Shareholders,

The economic turmoil which started in May 1997 continued to burden the Thai economy into 1998. The financial sector took a heavy beating which resulted in drastic actions taken by The Bank of Thailand to close some banks and many of the finance companies. The rules in loans classification were changed by the authorities to bring about greater transparency and reality in the financial services sector. The effect this had on the industry was higher levels of NPLs, thus eroding into the profitability of banks as well as having a negative impact on the banks capital adequacy ratios.

I am pleased to inform that Thai Danu Bank notwithstanding the pressures exerted by the above regulations, was able to remain strong in terms of its capital adequacy ratio at 9.2 % staying well above the minimum of 8.5%.

Going forward, the Bank has reorganized itself to emerge stronger with enhancement in its internal capabilities and level of technology. At the same time great emphasis were placed on stabilizing and reducing the portfolio of problem loans.

It is the aspiration of the bank management to position Thai Danu Bank to become a market leader by the Year 2000. To achieve our mission, key areas on Operations, Information Technology and Human Resources were prioritized. To keep pace with our growth aspirations, the Bank will be addressing the issue of a further capital increase. Various strategies to approach the capital increase are being studied. The Bank has also taken assertive steps to manage the Year 2000 compliance requirement. A Y2K Secretariat and Y2K Helpdesk add further support to handle the Year 2000 issue. We expect to achieve full compliance by June 30, 1999.

The Bank's strategy for a return to smart lending is to build up its new-tech branches exemplifying the "Best Retail Bank in Thailand". Concurrently, the corporate banking group will push ahead in its area of strength, which had been the middle market business.

Our strategic partner, The Development Bank of Singapore Ltd. (DBS Bank) will continue to assist us in terms of sharing of skills and resources and will bring into us their leading edge technology and market know-how. An integration progress is already on-going which will enable Thai Danu Bank to leverage on DBS Bank capabilities to achieve market and financial success.

In closing, I would like to assure shareholders that while the Thai economy continues to be negative, we at Thai Danu Bank will be the first Bank to move ahead in the market once the signs of recovery becomes apparent.



Pomsanong Tuchinda  
President

## BOARD OF DIRECTORS

Mr. Pakorn Thavisin	Chairman and Chief Executive Officer
M.R. Bajarisan Jumbala	Independent Director
Khunying Chatchani Chatikavanij	Independent Director
Mr. Paisal Koomalayavisai	Independent Director
Mr. Tan Keng Boon	Independent Director
Mr. Pairash Thajchayapong	Independent Director
Mrs. Benjawan Kumpanartsanyakorn	Director
Mr. Tanan Punwatanawit	Director
Mr. Ng Kee Choe	Director
Mr. Tan Soo Nan	Director
Mr. Chong Kie Cheong	Director
Mr. Peter Ong Boon Kwee	Director
Mr. Pornsanong Tuchinda	President and Director
Mr. Khan Prachuabmoh	Senior Executive Vice President and Director
	Mrs. Prangmas Nititham Secretary

## EXECUTIVE COMMITTEE

Mr. Pakorn Thavisin	Chairman and Chief Executive Officer
Mrs. Benjawan Kumpanartsanyakorn	Executive Committee
Mr. Ng Kee Choe	Executive Committee
Mr. Tan Soo Nan	Executive Committee
Mr. Chong Kie Cheong	Executive Committee
Mr. Pornsanong Tuchinda	Executive Committee
Mr. Khan Prachuabmoh	Executive Committee

Thailand Securities Depository Co., Ltd.

Registrar

Deloitte Touche Tohmatsu Jaiyos Co., Ltd. by Mr. Toemsakdi Krishnamra

Auditor

Sanong Tuchinda Law Office

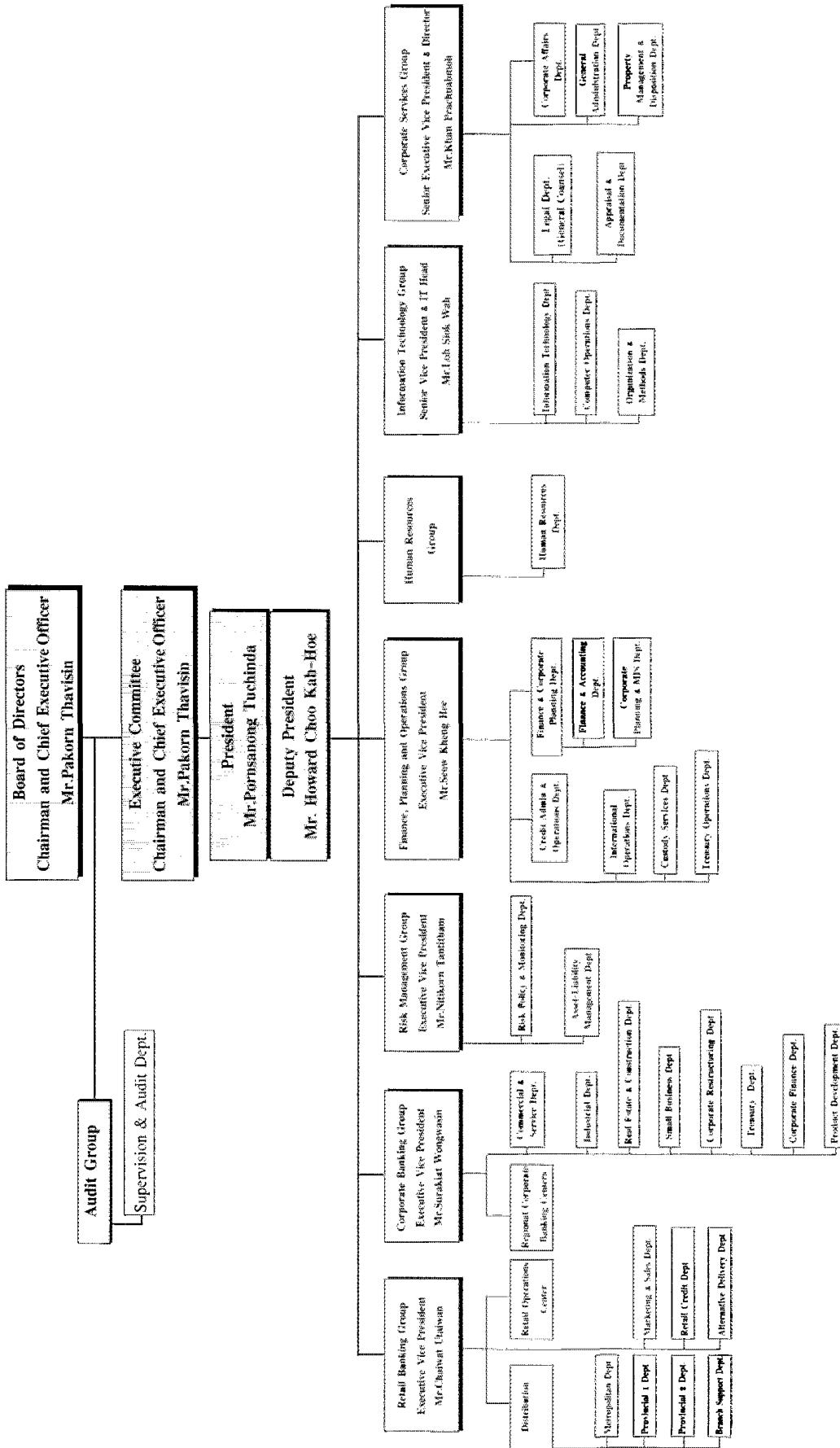
Legal Adviser



## EXECUTIVE OFFICERS

Mr. Pakorn Thavisin	Chairman and Chief Executive Officer
Mr. Pornsanong Tuchinda	President
Mr. Howard Choo Kah-Hoe	Deputy President
Mr. Khan Prachuabmoh	Senior Executive Vice President and Director
Mrs. Bungorn Siamseranee	Executive Vice President
Mrs. Ninlavan Vudthivat	Executive Vice President
Mr. Nitikorn Tantitham	Executive Vice President
Mr. Chaiwat Utaiwan	Executive Vice President
Mr. Surakiat Wongwasin	Executive Vice President
Mr. Scow Kheng Hee	Executive Vice President
Mr. Prasert Kunarluxkul	Senior Vice President
Mrs. Prangmas Nititham	Senior Vice President
M.L. Ayuth Jayant	Senior Vice President
Mr. Satian Tantanasarit	Senior Vice President
Miss Utoomporn Kunakorn	Senior Vice President
Mr. Pinai Riensavapak	Senior Vice President
Mr. Loh Siok Wah	Senior Vice President

**ORGANIZATION CHART**



## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

### **TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF THE THAI DANU BANK PUBLIC COMPANY LIMITED**

We have audited the accompanying consolidated balance sheet of The Thai Danu Bank Public Company Limited and its subsidiaries (the "Bank and its subsidiaries") as of December 31, 1998, and the related consolidated statements of profit and loss, changes in shareholders' equity, retained earnings (deficit) and cash flows for the year then ended; and the balance sheets - cost method of The Thai Danu Bank Public Company Limited (the "Bank") as of December 31, 1998 and 1997, and the related statements of profit and loss, changes in shareholders' equity, retained earnings (deficit) and cash flows-cost method for each of the years then ended. These financial statements are the responsibility of the Bank and its subsidiaries' management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Notes 1 and 3.6 to the financial statements, the Bank of Thailand on March 31, 1998 issued new guidelines (The "Guidelines") for estimating and recording a minimum allowance for doubtful accounts. Those Guidelines specify certain allowance percentages be applied to certain classifications of loans and also require the Bank to utilize the Bank of Thailand defined qualitative review procedures in estimating the total required allowance for doubtful accounts. As of December 31, 1998, the methodology of the qualitative reviews performed by the Bank is described in Note 3.6 and applied to 60% of the loan portfolio. Had such qualitative review been completed in accordance with the Bank of Thailand defined guidelines on the remaining 40% of the loan portfolio, the amount of estimated allowance for doubtful accounts may have been different from the amounts currently estimated. The Bank has estimated the total allowance for doubtful accounts determined under the Guidelines, utilizing its methodology for the qualitative review, to be Baht 22,179 million. The Guidelines permit the Bank to phase in the minimum required reserve through December 31, 2000 and, accordingly, the Bank has recorded an allowance for doubtful accounts of Baht 10,350 million at December 31, 1998, which exceeds the minimum required. In our opinion, under generally accepted accounting principles, the allowance for doubtful accounts should be fully recorded for the amount estimated of Baht 22,179 million.

In our opinion, except for the effect on the 1998 consolidated and cost method financial statements of estimating the allowance for doubtful accounts as discussed in the third paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 1998, and the results of its operations, the changes in shareholders' equity and the cash flows for the year then ended; and the financial position of the Bank as of December 31, 1998 and 1997, and the results of its operations, the changes in shareholders' equity and the cash flows for each of the years then ended in conformity with generally accepted accounting principles and Note 3.

As discussed in Note 1 to the financial statements, Thailand and many other Asia-Pacific countries are experiencing severe economic difficulties, including currency instability, business contraction, financial system instability and a sharp rise in loan defaults. This has and may continue to adversely affect the operations of banks operating in Thailand, including the Bank and its subsidiaries. It is not possible to forecast the effect which a continuation of adverse economic conditions might have on the Bank and its subsidiaries. In the event the level of non-performing assets exceeds the amount estimated by management, additional allowances may be required which could affect the capital adequacy of the Bank. In addition, the Government of Thailand regulators are taking actions intended to restructure the banking and finance business systems in Thailand, and additional actions may be forthcoming which could affect the Bank.

As discussed in Note 4.23 to the financial statements, the Bank changed its accounting method of accruing interest in 1998.



BANGKOK  
February 19, 1999, except  
for Note 4.22.3 as to which  
the date is February 26, 1999

**Toemsakdi Krishnamra**  
Certified Public Accountant (Thailand)  
Registration No. 1106  
DELOITTE TOUCHE TOHMATSU JAIYOS

*The above report of independent certified public accountants and accompanying financial statements are English translations of such report and financial statements prepared for and used in Thailand. The accompanying financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in Thailand and are not intended to present the financial position and results of operations, changes in shareholders' equity, retained earnings and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Thailand. The standards, procedures and practices utilized to audit such financial statements are those generally accepted and applied in Thailand.*

**FINANCIAL STATEMENTS 1998**

**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT DECEMBER 31,**

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1998	1998	1997
<b>ASSETS</b>				
CASH	781,371,840	781,362,303	1,011,191,472	
INTERBANK AND MONEY MARKET ITEMS (Note 4.2)				
Domestic items				
Interest bearing	1,381,056,376	1,369,498,791	2,216,950,552	
Non-interest bearing	1,497,427,665	1,497,427,665	1,921,752,090	
Foreign items				
Interest bearing	4,020,678,875	4,020,678,875	489,008,911	
Non-interest bearing	447,918,066	447,918,066	359,694,019	
Total interbank and money market items	7,347,080,982	7,335,523,397	4,987,405,572	
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Note 4.3)	2,000,000,000	2,000,000,000	1,700,000,000	
INVESTMENT IN SECURITIES (Notes 3.4 and 4.4)				
Securities for trading	2,714,288,655	2,714,288,655	207,572,050	
Securities for investment	13,886,647,094	14,022,647,094	6,113,332,888	
Total investment in securities	16,600,935,749	16,736,935,749	6,320,904,938	
<u>LESS</u> Allowance for diminution in value of securities	(603,768,291)	(603,768,291)	(3,020,877,272)	
Net investment in securities	15,997,167,458	16,133,167,458	3,300,027,666	
LOANS AND ACCRUED INTEREST RECEIVABLES				
Loans (Notes 3.5 and 4.5)	107,572,213,845	107,572,213,845	115,814,171,822	
Accrued interest receivables	4,068,896,977	4,068,896,977	2,395,034,482	
Total loans and accrued interest receivables	111,641,110,822	111,641,110,822	118,209,206,304	
<u>LESS</u> Allowance for doubtful accounts (Notes 3.6 and 4.6)	(10,350,000,000)	(10,350,000,000)	(3,566,998,821)	
Net loans and accrued interest receivables	101,291,110,822	101,291,110,822	114,642,207,483	
PROPERTIES FORECLOSED (Note 3.8)	550,045,500	550,045,500	8,186,561	
CUSTOMERS' LIABILITY UNDER ACCEPTANCES	177,068,260	177,068,260	219,004,673	
PREMISES AND EQUIPMENT, NET (Notes 3.9 and 4.7)	3,537,412,097	3,533,884,287	3,507,494,860	
ACCRUED INTEREST RECEIVABLE	294,123,666	294,099,684	102,950,435	
REFUNDABLE INCOME TAX (Note 4.8)	310,595,085	310,595,085	287,727,386	
PREMIUM OR DISCOUNT ON FORWARD FOREIGN EXCHANGE CONTRACT AMORTIZED	310,682,955	310,682,955	266,918,919	
GOODWILL	115,341,869	-	-	
OTHER ASSETS	237,455,586	237,285,881	232,880,960	
<b>TOTAL ASSETS</b>	<b>BAHT 132,949,456,120</b>	<b>132,954,825,632</b>	<b>130,265,995,987</b>	

*Notes to the consolidated and cost method financial statements form an integral part of these consolidated and cost method statements*

**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT DECEMBER 31,**

	CONSOLIDATED	THE BANK'S FINANCIAL	
	FINANCIAL	STATEMENTS BY	
	STATEMENTS	THE COST METHOD	
	1998	1998	1997
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS (Note 4.9)			
Deposits in Baht	108,730,737,116	108,739,729,614	89,309,695,002
Deposits in foreign currencies	362,856,499	362,856,499	550,002,990
Total deposits	<u>109,093,593,615</u>	<u>109,102,586,113</u>	<u>89,859,697,992</u>
INTERBANK AND MONEY MARKET ITEMS			
(Note 4.10)			
Domestic items			
Interest bearing	2,373,121,036	2,426,316,187	4,765,243,082
Non-interest bearing	400,449,237	400,459,237	127,254,078
Foreign items			
Interest bearing	<u>6,631,736,802</u>	<u>6,631,736,802</u>	<u>18,768,003,065</u>
Total interbank and money market items	<u>9,405,307,075</u>	<u>9,458,512,226</u>	<u>23,660,500,225</u>
LIABILITY PAYABLE ON DEMAND	202,667,630	202,667,630	249,849,239
SECURITIES SOLD UNDER REPURCHASE			
AGREEMENTS (Note 4.11)	800,000,000	800,000,000	-
BORROWINGS (Note 4.12)			
Short-term borrowings	-	-	1,225,000,000
Long-term borrowings	2,958,096,000	2,958,096,000	3,807,290,000
Total borrowings	<u>2,958,096,000</u>	<u>2,958,096,000</u>	<u>5,032,290,000</u>
BANK'S LIABILITY UNDER ACCEPTANCES	177,068,260	177,068,260	219,004,673
ACCRUED INTEREST PAYABLE	1,449,244,817	1,449,244,817	1,927,254,526
OTHER LIABILITIES	477,020,420	476,861,583	213,987,341
TOTAL LIABILITIES	<u>124,562,997,817</u>	<u>124,625,036,629</u>	<u>121,162,583,996</u>
MINORITY INTEREST	66,712,241	-	-

**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT DECEMBER 31,**

	CONSOLIDATED FINANCIAL STATEMENTS 1998	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998	1997
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
(CONTINUED)			
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (Note 4.13)			
Authorized share capital			
550,000,000 ordinary share of Baht 10.00 each	5,500,000,000	5,500,000,000	
255,000,000 ordinary share of Baht 10.00 each			2,550,000,000
Issued and paid-up share capital			
550,000,000 ordinary share of Baht 10.00 each, fully paid	5,500,000,000	5,500,000,000	
250,000,000 ordinary share of Baht 10.00 each, fully paid			2,500,000,000
PREMIUM ON SHARE CAPITAL	9,687,430,850	9,687,430,850	6,687,430,850
UNREALIZED INCREMENT PER LAND APPRAISAL	833,549,790	833,549,790	833,549,790
UNREALIZED INCREMENT PER PREMISES APPRAISAL	60,813,705	60,813,705	63,423,835
RETAINED EARNINGS (DEFICIT)			
Appropriated			
Legal reserve	200,000,000	200,000,000	200,000,000
Others	350,000,000	350,000,000	350,000,000
Unappropriated	(7,840,165,650)	(7,830,122,709)	1,295,535,904
<u>LESS UNREALIZED LOSS ON SECURITIES</u>			
HELD FOR INVESTMENT	(471,882,633)	(471,882,633)	(2,826,528,388)
TOTAL SHAREHOLDERS' EQUITY	8,319,746,062	8,329,789,003	9,103,411,991
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY BAHT</b>	<b>132,949,456,120</b>	<b>132,954,825,632</b>	<b>130,265,995,987</b>

**OFF-BALANCE SHEET ITEMS - CONTINGENCIES (Note 4.16)**

AVAL TO BILLS AND GUARANTEES			
OF LOANS			
BAHT	1,372,546,063	1,372,546,063	2,032,521,631
LIABILITY UNDER UNMATURED			
IMPORT BILLS			
BAHT	1,052,798,230	1,052,798,230	3,021,340,951
LETTERS OF CREDIT			
BAHT	922,129,791	922,129,791	1,493,573,592
OTHER CONTINGENCIES			
BAHT	40,731,371,993	40,731,371,993	51,005,747,005

*Notes to the consolidated and cost method financial statements form an integral part of these consolidated and cost method statements*



**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF PROFIT AND LOSS**

**FOR THE YEAR ENDED DECEMBER 31,**

	CONSOLIDATED	THE BANK'S FINANCIAL	
	FINANCIAL	STATEMENTS BY	
	STATEMENTS	THE COST METHOD	
	1998	1998	1997
<b>INTEREST AND DIVIDEND INCOME</b>			
Interest on loans	13,615,705,329	13,615,705,329	14,740,969,473
Interest on interbank and money market items	1,712,922,570	1,712,302,956	755,434,493
Interest on government securities and state enterprise securities	649,638,809	649,638,809	147,884,232
Interest and dividend on other securities	286,430,469	286,430,469	292,971,214
Total Interest and Dividend Income	<u>16,264,697,177</u>	<u>16,264,077,563</u>	<u>15,937,259,412</u>
<b>INTEREST EXPENSES</b>			
Interest on deposits	12,743,925,526	12,743,925,526	8,750,110,113
Interest on interbank and money market items	1,267,062,566	1,268,799,182	1,988,730,708
Interest on short-term borrowings	16,101,204	16,101,204	322,468,556
Interest on long-term borrowings	282,347,510	282,347,510	268,000,977
Total Interest Expenses	<u>14,309,436,806</u>	<u>14,311,173,422</u>	<u>11,329,310,354</u>
Net Interest and Dividend Income	1,955,260,371	1,952,904,141	4,607,949,058
<b>BAD DEBT AND DOUBTFUL ACCOUNTS</b>			
Net Interest and Dividend Income After Bad Debt and Doubtful Accounts	<u>(5,065,753,884)</u>	<u>(5,068,110,114)</u>	<u>2,371,949,058</u>
<b>NON-INTEREST INCOME</b>			
Fees and service income			
Acceptances, aval and guarantees	109,264,686	109,264,686	120,710,086
Others	177,606,664	177,606,664	235,702,329
Gain on foreign exchanges	320,745,458	320,745,458	421,460,608
Unrealized gain on investment for trading	62,463,225	62,463,225	-
Other income	64,802,118	63,310,476	198,449,175
Total Non-Interest Income	<u>734,882,151</u>	<u>733,390,509</u>	<u>976,322,198</u>

THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

**STATEMENTS OF PROFIT AND LOSS (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED	THE BANK'S FINANCIAL	
	FINANCIAL	STATEMENTS BY	
	STATEMENTS	THE COST METHOD	
	1998	1998	1997
NON-INTEREST EXPENSES			
Personnel expenses	932,015,255	931,076,672	1,020,677,403
Premises and equipment expenses	554,497,071	552,967,367	540,515,861
Taxes and duties	484,508,268	484,507,160	521,865,294
Fees and service expenses	116,731,001	116,761,001	53,282,156
Directors' remuneration	6,450,000	6,450,000	6,060,000
Loss on sales of investment	157,716,469	157,716,469	549,327,975
Loss from permanent decline in value of			
Securities held for investment	1,667,045,904	1,667,045,904	-
Unrealized loss on investment for trading	-	-	119,457,420
Contributions to the Financial Institutions			
Development Fund	456,396,016	456,396,016	196,327,893
Other expenses	415,849,032	408,636,949	277,563,126
Total Non-Interest Expenses	<u>4,791,209,016</u>	<u>4,781,557,538</u>	<u>3,285,077,128</u>
PROFIT (LOSS) BEFORE INCOME TAX			
EXPENSES AND MINORITY INTEREST	(9,122,080,749)	(9,116,277,143)	63,194,128
INCOME TAX EXPENSES	<u>9,381,470</u>	<u>9,381,470</u>	<u>34,991,733</u>
PROFIT (LOSS) BEFORE MINORITY INTEREST	(9,131,462,219)	(9,125,658,613)	28,202,395
MINORITY INTEREST IN NET PROFIT OF			
SUBSIDIARIES	<u>(130,839)</u>	-	-
NET PROFIT (LOSS)	<u>BAHT (9,131,593,058)</u>	<u>(9,125,658,613)</u>	<u>28,202,395</u>
NET PROFIT (LOSS) FOR THE YEAR			
PER SHARE	BAHT (18.51)	(18.50)	0.11
NUMBER OF SHARES FOR CALCULATING			
EARNINGS PER SHARE	SHARES 493,287,671	493,287,671	250,000,000

Notes to the consolidated and cost method financial statements form an integral part of these consolidated and cost method statements

**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31,**

	CONSOLIDATED	THE BANK'S FINANCIAL	
	FINANCIAL	STATEMENTS BY	
	STATEMENTS	THE COST METHOD	
	1998	1998	1997
<b>ORDINARY SHARE CAPITAL</b>			
Beginning balance	2,500,000,000	2,500,000,000	2,500,000,000
Additions	3,000,000,000	3,000,000,000	-
Ending balance	<u>5,500,000,000</u>	<u>5,500,000,000</u>	<u>2,500,000,000</u>
<b>PREMIUM ON SHARE CAPITAL</b>			
Beginning balance	6,687,430,850	6,687,430,850	6,687,430,850
Additions	3,000,000,000	3,000,000,000	-
Ending balance	<u>9,687,430,850</u>	<u>9,687,430,850</u>	<u>6,687,430,850</u>
<b>UNREALIZED INCREMENT PER LAND APPRAISAL</b>			
Beginning balance	833,549,790	833,549,790	833,549,790
Ending balance	<u>833,549,790</u>	<u>833,549,790</u>	<u>833,549,790</u>
<b>UNREALIZED INCREMENT PER PREMISES APPRAISAL</b>			
Beginning balance	63,423,835	63,423,835	66,033,965
Deductions-Depreciation for the year	(2,610,130)	(2,610,130)	(2,610,130)
Ending balance	<u>60,813,705</u>	<u>60,813,705</u>	<u>63,423,835</u>
<b>RETAINED EARNINGS (DEFICIT)</b>			
<b>Appropriated</b>			
<b>Legal reserve</b>			
Beginning balance	200,000,000	00,000,000	146,000,000
Addition	-	-	54,000,000
Ending balance	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
<b>Others</b>			
Beginning balance	350,000,000	350,000,000	350,000,000
Ending balance	<u>350,000,000</u>	<u>350,000,000</u>	<u>350,000,000</u>
<b>Unappropriated</b>			
Beginning balance, as previously reported under the cost method	1,295,535,904	1,295,535,904	1,664,833,509
Adjustment for the effect of recognition in equity in undistributed net loss of a subsidiary retroactively	(4,108,496)	-	-
Beginning balance - after adjustment	1,291,427,408	1,295,535,904	1,664,833,509
Addition - Net profit (loss)	(9,131,593,058)	(9,125,658,613)	28,202,395
<b>Deduction: Proposed appropriation for the period</b>			
- Legal reserve	-	-	(54,000,000)
- Dividends	-	-	(337,500,000)
- Directors' remuneration	-	-	(6,000,000)
Ending balance	<u>(7,840,165,650)</u>	<u>(7,830,122,709)</u>	<u>1,295,535,904</u>
<b>UNREALIZED LOSS ON SECURITIES FOR INVESTMENT</b>			
Beginning balance	(2,826,528,388)	(2,826,528,388)	(598,695,533)
(Addition) Deduction	2,354,645,755	2,354,645,755	(2,227,832,855)
Ending balance	<u>(471,882,633)</u>	<u>(471,882,633)</u>	<u>(2,826,528,388)</u>
<b>TOTAL SHAREHOLDERS' EQUITY BAHT</b>	<u>8,319,746,062</u>	<u>8,329,789,003</u>	<u>9,103,411,991</u>

*Notes to the consolidated and cost method financial statements form an integral part of these consolidated and cost method statements*

**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF RETAINED EARNINGS (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31,**

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1998	1997
UNAPPROPRIATED RETAINED EARNINGS:			
Beginning balance , as previously reported under the cost method	1,295,535,904	1,295,535,904	1,664,833,509
Adjustment for the effect of recognition in equity in undistributed net loss of a subsidiary retroactively	(4,108,496)	-	-
Beginning balance - after adjustment	1,291,427,408	1,295,535,904	1,664,833,509
Deductions: Proposed appropriation for the period			
- Legal reserve	-	-	(54,000,000)
- Dividends	-	-	(337,500,000)
- Directors' remuneration	-	-	(6,000,000)
Net profit (loss)	(9,131,593,058)	(9,125,658,613)	28,202,395
Ending balance	(7,840,165,650)	(7,830,122,709)	1,295,535,904
APPROPRIATED RETAINED EARNINGS:			
Statutory reserve	200,000,000	200,000,000	200,000,000
Other reserve	350,000,000	350,000,000	350,000,000
Ending balance	550,000,000	550,000,000	550,000,000
<b>TOTAL RETAINED EARNINGS BAHT</b>	<b>(7,290,165,650)</b>	<b>(7,280,122,709)</b>	<b>1,845,535,904</b>

*Notes to the consolidated and cost method financial statements form an integral part of these consolidated and cost method statements*

**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31,**

	CONSOLIDATED	THE BANK'S FINANCIAL	
	FINANCIAL	STATEMENTS BY	
	STATEMENTS	THE COST METHOD	
	1998	1998	1997
<b>CASH FLOWS FROM OPERATING</b>			
<b>ACTIVITIES</b>			
Net profit (loss)	(9,131,593,058)	(9,125,658,613)	28,202,395
Items to reconcile net income (loss) to cash received (paid) from operating activities:			
Depreciation and amortization	215,572,122	214,372,548	212,886,400
Bad debt and doubtful accounts	7,021,014,255	7,021,014,255	2,236,000,000
Branch opening expenses written off	6,208,016	6,208,016	7,458,564
Amortization of goodwill	6,070,624	-	-
Minority interest in net profit of subsidiary companies	130,839	-	-
(Gain) loss on disposal of assets	82,627	82,627	(2,066,914)
Gain on foreign exchange	(250,259,085)	(250,259,085)	(448,874,194)
Unrealized (gain) loss on securities for trading	(62,463,225)	(62,463,225)	119,457,420
Loss from permanent decline in value of securities held for investment	1,667,045,904	1,667,045,904	-
Increase in accrued interest and dividend income	(1,862,886,940)	(1,862,862,958)	(1,218,312,747)
Increase (decrease) in accrued interest payable	(478,009,709)	(478,009,709)	577,707,872
Increase (decrease) in other accrued expenses	250,435,088	250,335,251	(309,026,137)
Profit (loss) from operations before changes in operating assets and liabilities	(2,618,652,542)	(2,620,194,989)	1,203,432,659
Operating assets (increase) decrease			
Deposits, loans and interbank and money market items	2,558,931,701	2,563,141,156	(8,296,690,045)
Securities purchased under resale agreements	(300,000,000)	(300,000,000)	(1,700,000,000)
Investment in securities for trading	(2,620,408,740)	(2,620,408,740)	123,380,604
Properties foreclosed	(541,858,939)	(541,858,939)	-
Other assets	4,015,434	2,813,571	3,688,913,337
Operating liabilities increase (decrease)			
Deposits, borrowing and interbank and money market items	6,671,093,173	6,718,888,692	6,772,905,251
Demand liabilities	(47,181,608)	(47,181,608)	(42,003,211)
Securities sold under repurchase agreements	800,000,000	800,000,000	(270,000,000)
Other liabilities	47,730,649	47,983,723	(3,380,013,250)
Directors' remuneration	-	-	(10,000,000)
Net cash provided (used) by operating activities	3,953,669,128	4,003,182,866	(1,910,074,655)

THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

**STATEMENTS OF CASH FLOWS (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED	THE BANK'S FINANCIAL	
	FINANCIAL	STATEMENTS BY	
	STATEMENTS	THE COST METHOD	
	1998	1998	1997
<b>CASH FLOWS FROM INVESTING</b>			
<b>ACTIVITIES</b>			
Increase (decrease) in investment in securities for investment	(9,745,663,808)	(9,867,076,303)	2,435,338,093
Purchase of property, premises and equipment	(246,324,174)	(246,750,192)	(201,195,427)
Sales of property, premises and equipment	3,295,460	3,295,460	2,561,615
Goodwill	(121,412,494)	-	-
Net cash provided (used) by investing activities	(10,110,105,016)	10,110,531,035	2,236,704,281
<b>CASH FLOWS FROM FINANCING</b>			
<b>ACTIVITIES</b>			
Increase (decrease) in long-term borrowings	(122,481,000)	(122,481,000)	247,840,000
Increase in share capital of a subsidiary of minority interest	49,000,000	-	-
Increase in share capital	3,000,000,000	3,000,000,000	-
Increase in premium on share capital	3,000,000,000	3,000,000,000	-
Dividends paid	-	-	(712,500,000)
Net cash provided (used) by financing activities	5,926,519,000	5,877,519,000	(464,660,000)
Net decrease in cash and cash equivalents	(229,916,888)	(229,829,169)	(138,030,374)
Cash and cash equivalents as at January 1,	1,011,288,728	1,011,191,472	1,149,221,846
<b>Cash and cash equivalents as at</b>			
December 31, BAHT	781,371,840	781,362,303	1,011,191,472

Notes to the consolidated and cost method financial statements form an integral part of these consolidated and cost method statements

**NOTES TO THE FINANCIAL STATEMENTS**

**THE THAI DANU BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED AND COST METHOD FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

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**1. ECONOMIC TURMOIL AND OPERATIONS OF THE BANK AND ITS SUBSIDIARIES**

**1.1 Economic turmoil and the operations of the Bank and its subsidiaries**

Thailand and many Asia-Pacific countries are experiencing severe economic difficulties, including currency instability, business contraction, financial system instability and a sharp rise in loan defaults. This has and may continue to adversely affect the operations of banks operating in Thailand, including The Thai Danu Bank Public Company Limited and its subsidiaries. Specifically, it has led to many of the customers of the Bank becoming unable to meet their obligations when due. In 1998 the Bank has estimated that allowances for doubtful account of Baht 22,179 million would adequately provide against the effects of the deteriorating economy and the resultant likely rise in loan payment defaults. In the face of possible further economic turmoil and deterioration, the adequacy of this estimate will be dependent on many factors external to the Bank which the Bank cannot control or accurately forecast at this time. It is therefore not possible to forecast the effect which a continuation of adverse economic conditions might have on the earnings and balance sheet of the Bank and its subsidiaries. Should further increase in non-performing loans above the amount estimated occur, then additional allowances would be required, with resultant impact on the adequacy of the Bank's capital base.

**1.2 New guidelines for establishing the allowance for doubtful accounts**

On March 31, 1998, the Bank of Thailand announced new guidelines regarding loan loss classification and allowance for doubtful accounts providing, interest recognition and collateral valuations, and other related measures. The new guidelines are to be implemented in phases commencing as from July 1, 1998, the allowance for doubtful accounts determined under the new guidelines is required to be established on a prorated basis semi-annually through December 31, 2000. The new guidelines require banks to categorize their loan portfolios into six categories subject to different levels of provisioning. The guidelines also establish new interest accrual and reversal policies and maximum collateral valuation limits for the purpose of calculating the allowance for doubtful accounts. The new guidelines require banks and finance companies to perform qualitative reviews of their loans and all commitments, including off-balance sheet exposures on a periodic basis, and to implement appropriate risk management systems and controls. From June to August 1998, the Bank of Thailand issued additional guidelines clarifying the above guidelines, namely the basis for debt



restructuring and collateral appraisal of the financial institutions, bad and doubtful assets and reports to be submitted to the Bank of Thailand. The Bank has to report the progress of its compliance with these guidelines to the Bank of Thailand periodically.

### **1.3 Regulatory Requirements**

The Bank is subject to various capital and regulatory requirements administered by the Bank of Thailand. Under these capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must satisfy specific capital guidelines that involve quantitative measures of the Banks assets, liabilities and certain off-balance-sheet items as calculated in accordance with regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgement by the Bank of Thailand about components, risk weightings and other factors. Management believes that as of December 31, 1998, the Bank satisfies all capital adequacy requirements to which it is subject. These capital and regulatory requirements are subject to change, as considered necessary by the Bank of Thailand.

## **2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS**

2.1 The financial statements for the years ended December 31, 1998 and 1997 are presented in accordance with the requirements of the Ministerial Regulation No. 7 B.E. 2539 (1996) under the Public Companies Act B.E. 2535 (1992) dated October 25, 1996, regarding the form of balance sheet and statement of profit and loss for public limited companies, effective as from the accounting period starting on January 1, 1997, and in accordance with the Procedures, Policies and Notifications of the Bank of Thailand regarding the financial statements of commercial banks.

2.2 The consolidated financial statements for the year ended December 31, 1998 include the accounts of all branches of the Bank and two subsidiaries whose shares are more than 50 percent owned by the Bank after eliminating inter-company transactions and balance. The Bank has invested in 51% of shares in DBS Thai Danu Securities Company Limited (formerly known as Sri Dhana DBS Securities Company Limited) and Thai Danu-DBS Limited, which are consolidated for the first time. But the consolidated financial statement exclude one subsidiary which the Bank holds shares for trouble debt restructuring.

The financial statements of the year ended December 31, 1997 exclude a subsidiary company whose shares are more than 50 percent owned by the Bank and carried at cost in the books as the financial position and results of operations of the Company is immaterial with regard to the Bank's financial position and results of operations.

The Bank's financial statements presented by the cost method include the accounts of all branches of the Bank.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Cash and cash equivalents**

Cash and cash equivalents include cash and cash on collection.

#### **3.2 Recognition of income**

For the year ended December 31, 1998, the Bank has accrued interest on all loans except for those which are uncollected after a period of 6 months. This is in accordance with the instructions of the Bank of Thailand dated November 12, 1997.

For the year ended December 31, 1997, the Bank recognizes interest and discounts on loans as income on an accrual basis, except for interest on loans which are accrued over 6 months and the collateral is considered lower than the obligation, or over 12 months and the collateral is considered more than the obligation. Such interest is recognized when received.

Interest on investment is recognized as income on an accrual basis. Dividend income is recognized on a cash basis.

#### **3.3 Recognition of expenses**

Interest expenses is recognized on an accrual basis.

#### **3.4 Investment in securities**

3.4.1 Investment in securities are stated at the lower of aggregate cost or aggregate market value, except as stated in Note 3.4.2. Market values of securities are calculated on the following basis:

3.4.1.1 For debt instruments of the government sector, the average monthly auction value of the Government bonds, Bank of Thailand's bonds, and state enterprise bonds guaranteed by the Government is used. If there is no such auction value, the Bank's yield curve for debt instruments of the Government sector will be used which is in accordance with the Bank of Thailand's guideline. In case of state enterprise bonds without Government guarantee, an appropriate risk premium will be adjusted.

3.4.1.2 Equity securities which are listed securities, market values are the closing prices of The Stock Exchange of Thailand on the last business day of the period.

3.4.1.3 For the year ended December 31, 1998, private sector's debt instruments, the last closing prices of the market value are used as standard. In the absence of such prices, market values are determined by applying the aforementioned risk adjusted yield curve in appropriation, under guideline producers that the Bank has notified the Bank of Thailand for acknowledgment and conservative approach also has been firstly applied.

In the year ended December 31, 1997, the calculation of market value is based on consideration of the credit risk and the capability to pay interest and principal of the issuers has therefore been carefully considered. As there are few and limited debentures traded in the secondary market, last executed price or market value may not reflect present interest rate circumstance. The approach has been implemented to justify market value of debt instruments issued by corporations.

3.4.2 Equity securities which are non-listed securities are stated at the lower of cost or book value.

Investments in units trust which are non-listed securities are stated at the lower of aggregate cost or aggregate net assets value, being the prices according to the report of the Association of Securities on the last business day of period.

3.4.3 When the investment is stated at the lower of cost or market value, and the aggregate market value is lower than aggregate cost, in the case of securities held for trading, the resultant loss is to be recognized in the statement of profit and loss.

When the investment, is stated at the lower of cost or market value (except non-listed investments which the net book value or net assets value is used), and the aggregate market value (or net book value of net assets value for non-listed investments) is lower than aggregate cost, in the case of securities held for investment, such a loss was shown as a deduction from the shareholders' equity for the temporary decline in market value, and charged to the statement of profit and loss when, in the opinion of management, such decline in market value below the cost of the securities is permanent.

For unit trust investments, the Bank adopted the following method to determine whether the decline in value is permanent or temporary. The Bank computed the average historical month-end closing price (or month-end net asset value for non-listed investment) for the last 2 years for each investment and compared it with the cost of such investment, if the average historical price (or net asset value) is lower than the cost, such portion of decline is considered permanent and the difference between the historical price and market value (or net asset value) is considered temporary, if the average historical price is higher than the cost, the difference between the cost and market value (or net asset value) is considered temporary. The permanent decline in value is charged to statement of profit and loss and the temporary decline in value is shown as a deduction from shareholders' equity.

3.4.4 Cost of securities is calculated by the weighted average method.

3.4.5 Investment in subsidiaries is stated at cost in accordance with the Notification of the Bank of Thailand dated February 15, 1995.

### 3.5 Loans

Overdrafts are stated at the drawn amounts including interest.

Other loans are stated at the principal amounts.

Unearned discounts on notes receivable are included in other liabilities

### 3.6 An allowance for doubtful accounts

The Bank of Thailand has set guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the differing classifications of loans. The period that a loan is past due is the principal criteria utilized in classifying a loan, with the appraised value of collateral being considered in some circumstances. The guidelines for establishing the minimum level of allowance for doubtful accounts have periodically changed.

The Bank's loans (excluding interest) consist of corporate and retail business loans of Baht 96,817 million and retail loans (credit cards, personal loans and housing loans) of Baht 10,755 million. All the loans have been classified using time band criteria stipulated by the Bank of Thailand. In addition, a qualitative review has been performed on 67% of the corporate and retail business loans portfolio, concentrating on larger non-performing loans and selected performing loans. The results of which are as follows:

	<b>Loan amount (Baht million)</b>
<b>Break down of Reviewed and Non-Reviewed Portfolio</b>	
Total loan portfolio	107,572
Total reviewed loans	64,789
Total unreviewed loans	42,783
Portfolio that can only be reviewed by timeband	
- Housing loans and credit cards	(8,325)
- Personal loans	(2,430)
Adjusted unreviewed loans	32,028

## Result of Review

	Unreviewed portfolio	Reviewed Portfolio
Loans amount	Baht 32,028 million	Baht 64,789 million
% of NPLs(substandard, doubtful and loss)	41%	64%
% of provision on NPLs	34% (1)	37%

(1) before qualitative adjustment of Baht 501 million described below.

Management is of the view that the quantitative criteria (ie using time bands and default criteria) is more appropriate to assess the allowance for doubtful accounts for housing loans, credit cards and personal loans.

In addition, based on the independent, third party qualitative review carried out on the reviewed portfolio, the Bank computed an extrapolation factor for each industry using the results of the qualitative exercise and applied these factors to compute an adjusted allowance required for the unreviewed corporate and retail business loans. An additional allowance of Baht 501 million as a consequence of the computation was included in the allowance for doubtful accounts of the Bank. Management is of the view that the Bank's methodology for establishing the minimum allowance for doubtful accounts as at December 31, 1998 is in line with the Bank of Thailand criteria and that the qualitative review of the remaining 30% of the portfolio would not differ materially from the amount extrapolated.

The total estimated amount of required allowance for doubtful accounts estimated pursuant to the New Guidelines described in the preceding paragraph and Note 1.2 was Baht 22,179 million. As permitted under the New Guidelines, the Bank is phasing in the recording of the full allowance and has recorded an allowance for doubtful accounts of Baht 10,350 million at December 31, 1998. This amount which represent 47% of the total allowance for doubtful accounts estimated by management is in excess of the minimum required to be recorded pursuant to the phase in provisions of the New Guidelines.

Generally accepted accounting principles do not permit the phase-in of a required allowance for doubtful accounts but require the full amount of the estimated allowance be recorded. Accordingly, the amount recorded at December 31, 1998 is not in accordance with generally accepted accounting principles but is in compliance with the Bank of Thailand New Guidelines.

For the year ended December 31, 1997, allowance for doubtful accounts has been calculated on management's application of the method prescribed by the Bank of Thailand announcement No. BOT, Ngor (Wor) 3246/2540 dated November 12, 1997 concerning the implementing guideline and government policy to adjust standard of

financial institution regulation. The method is based on analysis of outstanding loans according to the Bank's experience in the assessment of risk involved. The ability to repay debts has also been taken into consideration as one of the major factors. The Bank classifies loans as substandard and doubtful and applies 15% and 100% respectively to the outstanding loan balance to calculate the provision.

An increase in an allowance for doubtful account is recorded as an expense for the period. Bad debts written off and bad debts recovered are recorded as a decrease or an increase in the allowance for doubtful accounts respectively.

### **3.7 Assets and liabilities in foreign currencies**

Assets and liabilities in foreign currencies are converted into Baht at the rates of exchange prevailing at the transaction dates.

Balances of assets and liabilities in foreign currencies and forward exchange contracts at the end of the period are converted at the reference exchange rates of the Bank of Thailand at the end of the period.

Gains and losses from foreign exchange transactions, and translation gains and losses are taken up in the statement of profit and loss. Swap points resulting from the difference between the contracted forward rate and the spot rate at the date of transaction is amortized as gains or losses over the contract period.

The Bank managed foreign exchange rate risk by maintaining a foreign exchange position which comprises net assets and liabilities, net spot and forward under limits approved by Bank's Board of Directors and in accordance with Bank of Thailand's rules.

### **3.8 Properties foreclosed**

Properties foreclosed consist of movable and immovable properties which are stated at the lower of cost or market value.

Gains or losses on such properties are recognized at the date of disposal.

### **3.9 Premises and equipment**

Premises and equipment are stated at cost.

Land and premises were professionally appraised according to guidelines laid down by the Bank of Thailand. The increment resulting from the appraisal, approved by the Bank of Thailand, was recorded in the accounts as unrealized increment per land and

premises appraisal and shown as shareholders' equity. Depreciation for the premises appraisal increase was deducted from the unrealized increment per premises appraisal account.

Depreciation and amortization are calculated by the straight-line method, based on the estimated useful lives of the assets, within the rates allowed by the Revenue Code, as follows:

Premises	20 years
Equipment	5 years
Leasehold	lease period 3-30 years

### **3.10 Provident and pension funds**

In 1977, the Bank initiated a plan to pay gratuities to staff upon their leaving after completing 10 or more years of service. The gratuities will be based upon the number of years of service and last salaries paid.

The cost of the plan is expensed in the period in which payments are made. A reserve for this purpose is being built up for the amount the Bank considers appropriate.

The Bank has established a provident fund for those employees who indicate their willingness to join. The contributions of the fund are received from deducting monthly salary of the employees who are the members of the fund and the Bank payment almost 3 times of the individual deduction. The Bank has assigned a financial institution to manage the fund and which has been registered as a provident fund in accordance with the Provident Fund Act B.E. 2530 (1987).

### **3.11 Contributions to the Financial Institution Development Fund are recorded as an expense on a cash basis.**

### **3.12 Income tax expenses**

Income tax payable is recorded as an expense for the period.

### **3.13 Profit (loss) per share**

Profit (loss) per share are computed on the basis of the number of outstanding ordinary shares at the balance sheet date. In case of a capital increase the number of shares are weighted according to time and amount paid.

### 3.14 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires the Bank to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Actual results could vary from these estimates.

### 3.15 Goodwill

Goodwill in the consolidated financial statements arose from the book value of investment in subsidiaries being lower than the cost of investment on the acquisition date and is amortized over 10 years.

### 3.16 Others

Certain reclassifications and additional disclosures in the notes to the financial statements have been made in the financial statement for the year ended December 31, 1997 to conform to the classifications and disclosures used in the financial statements for the year ended December 31, 1998.

## 4. ADDITIONAL INFORMATION

### 4.1 Supplemental disclosures of cash flow information

4.1.1 Cash paid for interest and income tax for the years ended December 31, are as follows :

		<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
			<b>1998</b>	<b>1997</b>
Interest	Baht	14,787,372,248	14,789,183,131	10,742,266,673
Income tax	Baht	43,157,032	43,069,503	628,457,814

4.1.2 Non-cash item is as follows:

The Bank sets up allowance for diminution in value of securities for investments which is shown as deduction from the shareholders' equity as at December 31, 1998 and 1997 of Baht 471,882,633 and Baht 2,826,528,388 respectively.

For the year ended December 31, 1998, the Bank recognized the set up permanently allowance for diminution in value of securities for investment and placed into expenses in statements of profit and loss for Baht 1,667,045,904.



For the year ended December 31, 1998 and 1997, building appraisal increase in the amount of Baht 2,610,130 was written off and recorded as a deduction from unrealized increment per premises appraisal.

#### 4.2 Interbank and money market items

Interbank and money market items consisted of the following at December 31 :

#### CONSOLIDATED FINANCIAL STATEMENTS

<b>Domestic items</b>	<b>1998</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
The Bank of Thailand	1,491,112,789	-	1,491,112,789
Commercial banks	48,290,812	-	48,290,812
Other banks	65,517	-	65,517
Finance companies			
finance and securities companies,			
securities companies and			
credit foncier companies	1,000,000,000	339,014,923	1,339,014,923
Total domestic items	<u>2,539,469,118</u>	<u>339,014,923</u>	<u>2,878,484,041</u>

**CONSOLIDATED  
FINANCIAL STATEMENTS  
1998**

<b>Foreign items</b>	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	333,001,530	4,020,678,875	4,353,680,405
YEN	25,982,778	-	25,982,778
DM	20,825,368	-	20,825,368
Others	68,108,390	-	68,108,390
Total foreign items	<u>447,918,066</u>	<u>4,020,678,875</u>	<u>4,468,596,941</u>
Total domestic and foreign items	<b>Baht</b> <u>2,987,387,184</u>	<u>4,359,693,798</u>	<u>7,347,080,982</u>

**THE BANK'S FINANCIAL STATEMENTS  
BY THE COST METHOD**

<b>Domestic items</b>	<b>1998</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
The Bank of Thailand	1,491,112,789	-	1,491,112,789
Commercial banks	36,733,227	-	36,733,227
Other banks	65,517	-	65,517
Finance companies finance and securities companies, securities companies and credit foncier companies	1,000,000,000	339,014,923	1,339,014,923
Total domestic items	<u>2,527,911,533</u>	<u>339,014,923</u>	<u>2,866,926,456</u>
 <b>Foreign items</b>			
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	333,001,530	4,020,678,875	4,353,680,405
YEN	25,982,778	-	25,982,778
DM	20,825,368	-	20,825,368
Others	68,108,390	-	68,108,390
Total foreign items	<u>447,918,066</u>	<u>4,020,678,875</u>	<u>4,468,596,941</u>
Total domestic and foreign items	<b>Baht</b> <u>2,975,829,599</u>	<u>4,359,693,798</u>	<u>7,335,523,397</u>

**THE BANK'S FINANCIAL STATEMENTS  
BY THE COST METHOD**

<b>Domestic items</b>	<b>1997</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
The Bank of Thailand	1,917,553,886	-	1,917,553,886
Commercial banks	704,214,506	187,050,000	891,264,506
Other banks	953,337	-	953,337
Finance companies finance and securities companies, securities companies and credit foncier companies	<u>1,000,000,000</u>	<u>328,930,913</u>	<u>1,328,930,913</u>
Total domestic items	<u>3,622,721,729</u>	<u>515,980,913</u>	<u>4,138,702,642</u>
<b>Foreign items</b>	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	201,895,847	489,008,911	690,904,758
YEN	45,714,038	-	45,714,038
DM	25,658,771	-	25,658,771
Others	<u>86,425,363</u>	<u>-</u>	<u>86,425,363</u>
Total foreign items	<u>359,694,019</u>	<u>489,008,911</u>	<u>848,702,930</u>
Total domestic and foreign items	<b>Baht</b> <u>3,982,415,748</u>	<u>1,004,989,824</u>	<u>4,987,405,572</u>

The Bank extended loans and accrued interest to borrowers who subsequently developed problems in their financial positions and operating results as follows:

	<b>No. of Companies</b>	<b>Loans Outstanding</b>	<b>Collateral</b>	<b>Baht: Million Amount of Provision</b>
Financial institutions ordered closed on December 8, 1997	3	1,274	-	33
Financial institutions controlled by order of BOT to decrease and increase capital	1	19	-	-

The Bank provided in full amount of allowance for doubtful accounts of Baht 21 million for the loans that the Bank has been advised by the Financial Sector Restructuring Authority that it is unable to convert loans to the NCD's of Krungthai Bank Public Company Limited. For the remaining loans to financial institutions ordered closed and controlled by the Bank of Thailand, the Bank has not provided allowance for doubtful

accounts because the Bank will be protected according to the measures of the Ministry of finance and the Bank of Thailand to give additional confidence in financial system dated August 5, 1997. The Bank has converted to the NCD's of Krungthai Bank Public Company Limited for the loans of Baht 1,225 million to closed financial institution and has received such NCD's on January 11, 1999.

#### 4.3 Securities purchased under resale agreements

Securities purchased under resale agreements consisted of the following at December 31:

		<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>		
		<b>Bank of Thailand repurchase market</b>	<b>Other repurchase market</b>	<b>Total</b>
Government bonds and the				
Bank of Thailand bonds		2,000,000,000	-	2,000,000,000
Total	<b>Baht</b>	<u>2,000,000,000</u>	<u>-</u>	<u>2,000,000,000</u>

		<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998</b>		
		<b>Bank of Thailand repurchase market</b>	<b>Other repurchase market</b>	<b>Total</b>
Government bonds and the				
Bank of Thailand bonds		2,000,000,000	-	2,000,000,000
Total	<b>Baht</b>	<u>2,000,000,000</u>	<u>-</u>	<u>2,000,000,000</u>

**THE BANK'S FINANCIAL STATEMENTS  
BY THE COST METHOD**

**1998**

		<b>Bank of Thailand repurchase market</b>	<b>Other repurchase market</b>	<b>Total</b>
Government bonds and the				
Bank of Thailand bonds		1,700,000,000	-	1,700,000,000
Total	<b>Baht</b>	1,700,000,000	-	1,700,000,000

**4.4 Investment in securities**

Investment in securities consisted of the following at December 31:

	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>		<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>			
	<b>1998</b>		<b>1998</b>		<b>1997</b>	
	<b>Cost/Book value</b>	<b>Market value</b>	<b>Cost/Book value</b>	<b>Market value</b>	<b>Cost/Book value</b>	<b>Market value</b>
Securities for trading						
Debt instruments						
Government and state						
enterprise securities	2,192,830,823	2,279,464,015	2,192,830,823	2,279,464,015	-	-
Corporate debt instruments	60,791,025	52,000,000	60,791,025	52,000,000	-	-
Foreign debt instruments	307,601,753	314,630,493	307,601,753	314,630,493	-	-
Total	2,561,223,601	2,646,094,508	2,561,223,601	2,646,094,508	-	-
<u>Less</u> Allowance for						
diminution in value						
of securities	-	-	-	-	-	-
Net debt instruments	2,561,223,601	2,646,094,508	2,561,223,601	2,646,094,508	-	-
Equities						
Listed securities	153,065,050	21,179,396	153,065,050	21,179,396	207,572,050	13,223,166
Others	4	4	4	4	-	-
Total	153,065,054	21,179,400	153,065,054	21,179,400	207,572,050	13,223,166
<u>Less</u> Allowance for						
diminution in value						
of securities	(131,885,658)	-	(131,885,658)	-	(194,348,884)	-
Net equities	21,179,396	21,179,400	21,179,396	21,179,400	13,223,166	13,223,166
Net securities for trading	2,582,402,997	2,667,273,908	2,582,402,997	2,667,273,908	13,223,166	13,223,166

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD			
	1998		1998		1997	
	Cost/Book value	Market value	Cost/Book value	Market value	Cost/Book value	Market value
Securities for investment						
Debt instruments						
Government and state						
enterprise securities	10,760,227,585	11,260,567,051	10,760,227,585	11,260,567,051	2,164,823,222	1,704,037,104
Corporate debt instruments	570,676,749	412,852,283	570,676,749	412,852,283	1,112,962,000	573,472,000
Foreign debt instruments	1,126,111,984	1,149,663,508	1,126,111,984	1,149,663,508	-	-
Total	12,457,016,318	12,823,082,842	12,457,016,318	12,823,082,842	3,277,785,222	2,277,509,104
Less Allowance for diminution in value of securities	(5,051,624)	-	(5,051,624)	-	(1,000,276,118)	-
Net debt instruments	12,451,964,694	12,823,082,842	12,451,964,694	12,823,082,842	2,277,509,104	2,277,509,104
Equities						
Listed securities	520,342,846	306,900,744	520,342,846	306,900,744	1,622,436,399	402,443,921
Foreign securities	2,471,565	5,368,213	2,471,565	5,368,213	2,471,565	7,988,732
Others	906,816,365	783,818,098	1,042,816,365	919,818,098	1,210,639,702	829,539,795
Total	1,429,630,776	1,096,087,055	1,565,630,776	1,232,087,055	2,835,547,666	1,239,972,448
Less Allowance for diminution in value of securities	(466,831,009)	-	(466,831,009)	-	(1,826,252,270)	-
Net equities	962,799,767	1,096,087,055	1,098,799,767	1,232,087,055	1,009,295,396	1,239,972,448
Net securities for investment	13,414,764,461	13,919,169,897	13,550,764,461	14,055,169,897	3,286,804,500	3,517,481,552
Total investment in securities	Baht 15,997,167,458	16,586,443,805	16,133,167,458	16,722,443,805	3,300,027,666	3,530,704,718

For the year ended December 31, 1998, the Bank has included and adjustment of Baht 1,677 million in respect of securities for investment in the statement of profit and loss relating to decline in security value which is considered permanent, and recorded as a reduction to shareholder's equity Baht 467 million as temporary decline in market value of the cost of equity securities. Due to the uncertainty in the economic situation in Thailand, the Bank believes that it is too premature at this stage to determine whether the decline in value of its equity securities is permanent or temporary.

The scheduled maturities of securities for investment (other than equity securities) as at December 31, 1998, were as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	Cost Baht	Market value Baht	Cost Baht	Market value Baht
Due in one year or less	8,858,693,036	9,092,419,244	8,858,693,036	9,092,419,244
Due from one to five years	6,114,495,259	6,334,992,361	6,114,495,259	6,334,992,361
Due from five to ten years	40,000,000	41,765,745	40,000,000	41,765,745

As at December 31, 1997, the Bank has investments in financial institutions whose permanently closed down on December 8, 1997 according to the announcement made by the Ministry of Finance:

Debt instruments	Baht	328,779,685
Equity securities	Baht	218,907,429

The above investments were subsequently sold to a related company on December 30, 1997 and the losses amounting to Baht 546,894,202 were recognised as an expense in the statement of profit and loss.

As at June 15, 1998 the Bank was selected by the Financial Sector Restructuring Authority (FRA) to be the winner of the bid for the listed securities in the Stock Exchange of Thailand of Sri Dhana Finance Public Company Limited in the amount of 17,499,994 ordinary shares or 99.99% to total issued shares in DBS Thai Danu Securities Company Limited (formerly known as Sri Dhana DBS Securities Company Limited) at Baht 14.40 per share. The total amount of Baht 252 million was paid on June 25, 1998.

The Bank has been approved by the Bank of Thailand to hold shares of DBS Thai Danu Securities Company Limited (formerly known as Sri Dhana DBS Securities Company Limited) for 8,924,994 shares or 50.99% of total issued shares in DBS Thai Danu Securities Company Limited (formerly known as Sri Dhana DBS Securities Company Limited) within 10 years. Thus, 8,575,000 shares invested in DBS Thai Danu Securities Company Limited (formerly known as Sri Dhana DBS Securities Company Limited) have been sold to DBS Securities Holding Pte Limited at Baht 14.40 per share on August 28, 1998.

The Bank has no updated information to disclose in respect of the investments in the companies which the auditors reports identify that they are under going concern

issue and the unlisted companies which the financial position and operations are the same as the companies which are under SET delisting criteria.

Investment in two subsidiary companies are presented by the cost method. Had such investment been presented by the equity method, the effect on the financial statements would be as follows:

	<b>1998</b>	<b>1997</b>
	<b>Baht</b>	<b>Baht</b>
Decrease in investments in other companies	10,402,940	4,108,496
Decrease in retained earnings brought forward	4,108,496	2,559,479
Decrease in net income	5,934,445	1,549,016
Decrease in earnings per share	0.01	0.01



The financial position as at December 31, 1997, and the results of operations for the year ended December 31, 1997 of Thai Danu-DBS Company Limited (audited) is as follows:

**THAI DANU-DBS COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 1997**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash in hand and at banks	10,204,854
Accounts receivable	347,555
Other current assets	428,199
Total Current Assets	10,980,608
PROPERTY, PLANT AND EQUIPMENT - NET	3,804,432
LONG - TERM INVESTMENTS	7,489,624
OTHER ASSETS-DEPOSITS	40,300
<b>TOTAL ASSETS</b>	<b>22,314,964</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
<b>CURRENT LIABILITIES</b>	
Accrued expenses	144,484
Other current liabilities	226,353
Total Current Liabilities	370,837
<b>SHAREHOLDERS' EQUITY</b>	
<b>SHARE CAPITAL</b>	
Registered capital	
3,000,000 ordinary shares of Baht 10.00 each	30,000,000
Issued and paid-up capital	
3,000,000 ordinary shares of Baht 10.00 each, fully paid	30,000,000
<b>RETAINED EARNINGS</b>	
Unappropriated (Deficit)	(8,055,873)
TOTAL SHAREHOLDERS' EQUITY	21,944,127
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>22,314,964</b>

**THAI DANU-DBS COMPANY LIMITED**  
**STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 1997**

REVENUES		
Revenue from services		2,353,801
Interest income		2,262,662
Total Revenues		<u>4,616,463</u>
EXPENSES		
Cost of services		5,062,121
Service and administrative expenses		2,591,629
Total Expenses		<u>7,653,750</u>
<b>NET LOSS</b>	<b>Baht</b>	<u>(3,037,287)</u>
RETAINED EARNINGS (DEFICIT) BROUGHT FORWARD		(5,018,586)
NET LOSS		<u>(3,037,287)</u>
<b>RETAINED EARNINGS (DEFICIT) CARRIED FORWARD</b>	<b>Baht</b>	<u>(8,055,873)</u>
<b>NET LOSS PER SHARE</b>	<b>Baht</b>	(1.01)

Investment of less than 20% of the paid-up capital, classified according to industry groups, consists of the following:

	<b>CONSOLIDATED</b>		<b>THE BANK'S FINANCIAL</b>	
	<b>FINANCIAL</b>		<b>STATEMENTS</b>	
	<b>STATEMENTS</b>		<b>BY THE COST METHOD</b>	
	<b>1998</b>		<b>1998</b>	<b>1997</b>
Agriculture and forestry	703,350		703,350	2,203,350
Commercial	3,291,172		3,291,172	5,385,825
Manufacturing	122,010,500		122,010,500	198,526,676
Banking and finance	190,000,100		182,180,100	357,772,113
Real estate	155,669,500		155,669,500	323,865,550
Utilities	38,291,800		38,291,800	33,291,800
Services	82,565,516		82,565,516	109,938,652
Construction	96,000,000		96,000,000	105,991,000
Investment units	894,163,888		894,163,888	1,890,844,750
<b>TOTAL</b>		<b>Baht</b>	<u>1,582,695,826</u>	<u>3,027,819,716</u>

The investment of less than 20% of the paid-up capital included investment in related companies amounting to Baht 264,235,000 and Baht 338,045,000 as at December 31, 1998 and 1997, respectively (see Note 4.18.2).

## 4.5 Loans

### 4.5.1 Grouped by product at December 31 :

		CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
		1998	1998	1997
Overdrafts		29,251,244,967	29,251,244,967	31,106,372,295
Loans		69,940,614,859	69,940,614,859	75,153,268,714
Bills		7,354,617,612	7,354,617,612	8,723,477,699
Others		1,025,736,407	1,025,736,407	831,053,114
Total	<b>Baht</b>	<u>107,572,213,845</u>	<u>107,572,213,845</u>	<u>115,814,171,822</u>

### 4.5.2 Grouped by maturity at December 31:

		CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
		1998	1998	1997
Up to 1 year *		57,657,652,152	57,657,652,152	69,189,058,307
Over 1 year		49,914,561,693	49,914,561,693	46,625,113,515
Total	<b>Baht</b>	<u>107,572,213,845</u>	<u>107,572,213,845</u>	<u>115,814,171,822</u>

\* including loan without agreement and agreement with terms of payment are overdue.

### 4.5.3 Grouped by currency and customer location at December 31:

		CONSOLIDATED FINANCIAL STATEMENTS		
		1998		
		Domestic	Foreign	Total
Baht		98,774,910,585	-	98,774,910,585
USD		8,254,707,018	-	8,254,707,018
Others		542,596,242	-	542,596,242
Total	<b>Baht</b>	<u>107,572,213,845</u>	<u>-</u>	<u>107,572,213,845</u>

**THE BANK'S FINANCIAL STATEMENTS  
BY THE COST METHOD**

		<b>1998</b>		
		<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht		98,774,910,585	-	98,774,910,585
USD		8,254,707,018	-	8,254,707,018
Others		542,596,242	-	542,596,242
Total	<b>Baht</b>	107,572,213,845	-	107,572,213,845

		<b>1997</b>		
		<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht		94,856,421,724	-	94,856,421,724
USD		20,044,059,887	-	20,044,059,887
Others		913,690,211	-	913,690,211
Total	<b>Baht</b>	115,814,171,822	-	115,814,171,822

4.5.4 Grouped by business type at December 31:

	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
	<b>1998</b>	<b>1998</b>	<b>1997</b>
	Agriculture and mining	5,408,961,421	5,408,961,421
Manufacturing and commercial	57,875,171,073	57,875,171,073	63,179,042,906
Real estate and construction	18,743,064,123	18,743,064,123	20,029,982,312
Utilities and services	11,743,965,597	11,743,965,597	12,042,084,248
Housing loans	8,144,721,059	8,144,721,059	8,750,987,925
Others	5,656,330,572	5,656,330,572	6,409,322,187
Total	107,572,213,845	107,572,213,845	115,814,171,822

The Bank extended loans and accrued interest who subsequently developed problems in their financial positions and operating results at December 31 are as follows:

	<b>No. of Companies</b>	<b>Loans Outstanding</b>	<b>Collateral</b>	<b>Baht : Million Amount of Provision</b>
Listed companies which are under SET delisting criteria	5	692	83	543

Because of the nature and size of business of the Bank, the Bank has no ready information to disclose in respect of loans to companies which the auditors reports identify that they are under going concern issue and the unlisted companies which the financial position and operations are the same as the listed companies which are under SET delisting criteria.

Due to the downturn economic environment of the real estate and construction industry, those who engage in such business are facing difficulty in managing their cash which may affect their ability to repay the loans to the Bank. Nevertheless, real estate and construction loans are collateralized by land, building, and construction in progress, appraised by the Bank.

#### **4.6 Allowance for doubtful accounts at December 31:**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
		<b>1998</b>	<b>1997</b>
Balance brought forward	3,566,998,821	3,566,998,821	1,409,128,834
<u>Add</u> Bad debt and doubtful accounts	7,021,014,255	7,021,014,255	2,236,000,000
Bad debt recover	-	-	22,827
<u>Less</u> Bad debt written off	(238,013,076)	(238,013,076)	(78,152,840)
Balance carried forward <b>Baht</b>	<u>10,350,000,000</u>	<u>10,350,000,000</u>	<u>3,566,998,821</u>

Based on the Bank of Thailand's Notification No. BOT , Ngor (Wor) 1236/2541 dated March 31, 1998, the classifications of the Bank's total loans as at December 31, 1998 are as follows:

	<b>Loan and Accrued interest including interbank and money market</b>	<b>BOT's Regulation</b>		<b>BAHT : '000 Amount Provided In Bank's Book</b>
		<b>At 100%</b>	<b>At 20%</b>	
Normal	45,764,226	457,641	91,528	
Special Mention	8,503,477	170,070	34,014	
Substandard	7,447,040	743,302	148,661	
Doubtful	16,400,247	3,882,771	776,554	
Loss	39,436,088	16,924,994	3,384,999	
Total	<u>117,551,078</u>	<u>22,178,778</u>	<u>4,435,756</u>	<u>10,350,000</u>

The Bank's non-performing loans based on BOT's 6 months rules amount to Baht 52,357 million.

For the year ended December 31, 1997, doubtful and substandard loans required by the Bank of Thailand's guideline according to the announcement No.BOT, NGOR(WOR) 3246/2540 dated November 12,1997 concerning implementing guideline and government policy to adjust standard of financial institution regulation amount to Baht 1,199,987,964 loans and accrued interest and Baht 15,334,459,170 loans and accrued interest, respectively. The said doubtful loans included Baht 6,556,008 of loan to 56 finance institutions which have been permanently closed down.

The loan is classified as non-performing loan by customer. If one account is classified as non-performing loan, other accounts of the same customer are classified. Delinquent period of the loan is calculated from the first maturity date with no payment in accordance with the Bank of Thailand requirement, not from the loan origination date or the last payment date.

A significant factor in the determination of the allowance for doubtful accounts is the value of collateral. Collateral pledged as support for loans typically consists of land, buildings, and buildings under construction. Value of such collateral is based on either independent or internally performed appraisals.

For the year end December 31, 1998, collateral supporting either a portion of classified loans or certain significant loans were reappraise by either independent appraisers approved by the BOT or internal appraisers to the Bank. For collateral valuation, according to the BOT guideline, collaterals that have been marked to market or appraised within six months, 90% of estimated market value is permitted. For collateral that are less frequently appraised or net currently marked to market, 50% deduction is permitted.

#### 4.7 Premises and equipments

Premises and equipments consisted of the following at December 31:

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	1998	1998	BY THE COST METHOD	
		1998	1997	
Land				
Cost	1,102,648,290	1,102,648,290	1,102,648,290	
Appraisal increase (In 1993)	833,549,790	833,549,790	833,549,790	
Premises				
Cost	1,274,005,399	1,274,005,399	1,242,789,823	
Appraisal increase (In 1994)	75,169,420	75,169,420	75,169,420	
Equipment	1,391,608,761	1,384,436,275	1,208,720,132	
Leasehold (net)	114,996,427	114,996,427	124,142,899	
Construction in progress	65,423,599	65,423,599	43,954,952	
Total	4,857,401,686	4,850,229,200	4,630,975,306	
<u>Less</u> Accumulated depreciation - cost	(1,305,633,874)	(1,301,989,198)	(1,111,734,861)	
Accumulated depreciation - appraisal increase	(14,355,715)	(14,355,715)	(11,745,585)	
Premises and equipment, Net	<b>Baht</b> 3,537,412,097	3,533,884,287	3,507,494,860	
Depreciation and amortization for the year	<b>Baht</b> 215,572,122	214,372,548	212,886,400	

#### 4.8 Refundable income tax

Refundable income tax is company income tax paid to the Revenue Department for the half year ended June 30, 1997 and income tax at source for the year ended December 31, 1998. This amount will be requested for refund from the Revenue Department since the total operations for the year ended December 31, 1998 and 1997 shows the loss results. The actual refund amount will be approved by the Revenue Department after a claim for a refund has been filed by the Bank.

## 4.9 Deposits

### 4.9.1 Grouped by product at December 31:

		CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
		1998	1998	1997
Demand		1,112,070,075	1,112,090,105	1,093,040,115
Savings		12,396,385,779	12,397,358,247	10,254,333,399
Fixed				
- Less than 6 months		82,940,465,951	82,948,465,951	72,129,068,145
- 6 months and up to 1 year		5,165,433,934	5,165,433,934	734,809,122
- Over 1 year		6,472,558,815	6,472,558,815	5,458,487,720
Thai Danu Plus		1,006,679,061	1,006,679,061	189,959,491
Total	<b>Baht</b>	<u>109,093,593,615</u>	<u>109,102,586,113</u>	<u>89,859,697,992</u>

### 4.9.2 Grouped by maturity at December 31:

		CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
		1998	1998	1997
Up to 1 year		108,799,230,298	108,808,222,796	89,669,738,501
Over 1 year		294,363,317	294,363,317	189,959,491
Total	<b>Baht</b>	<u>109,093,593,615</u>	<u>109,102,586,113</u>	<u>89,859,697,992</u>

### 4.9.3 Grouped by currency and customer location at December 31:

		CONSOLIDATED FINANCIAL STATEMENTS 1998		
		Domestic	Foreign	Total
Baht		108,730,737,116	-	108,730,737,116
USD		360,200,126	-	360,200,126
Others		2,656,373	-	2,656,373
Total	<b>Baht</b>	<u>109,093,593,615</u>	<u>-</u>	<u>109,093,593,615</u>



**THE BANK'S FINANCIAL STATEMENTS  
BY THE COST METHOD**

**1998**

	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht	108,739,729,614	-	108,739,729,614
USD	360,200,126	-	360,200,126
Others	2,656,373	-	2,656,373
Total	<b>Baht</b> 109,102,586,113	-	109,102,586,113

**1997**

	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht	89,309,695,002	-	89,309,695,002
USD	549,376,572	-	549,376,572
Others	626,418	-	626,418
Total	<b>Baht</b> <u>89,859,697,992</u>	<u>-</u>	<u>89,859,697,992</u>

#### **4.10 Interbank and money market items**

Interbank and money market items consisted of the following at December 31:

**CONSOLIDATED  
FINANCIAL STATEMENTS**

<b>Domestic items</b>	<b>1998</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
The Bank of Thailand	-	128,018,000	128,018,000
Commercial banks	375,067,578	235,170,080	610,237,658
Other banks	897,715,301	581,839,300	1,479,554,601
Finance companies			
finance and securities			
companies, securities			
companies and credit			
foncier companies	413,464,978	142,295,036	555,760,014
Total domestic items	<u>1,686,247,857</u>	<u>1,087,322,416</u>	<u>2,773,570,273</u>

**Foreign items**

	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	26,430,503	6,604,625,857	6,631,056,360
Others	680,442	-	680,442
Total foreign items	<u>27,110,945</u>	<u>6,604,625,857</u>	<u>6,631,736,802</u>
Total domestic and foreign items	<b>Baht</b> <u>1,713,358,802</u>	<u>7,691,948,273</u>	<u>9,405,307,075</u>

**THE BANK'S FINANCIAL STATEMENTS****BY THE COST METHOD**

1998

**Domestic items**

	<b>Demand</b>	<b>Time</b>	<b>Total</b>
The Bank of Thailand	-	128,018,000	128,018,000
Commercial banks	375,067,578	235,170,080	610,237,658
Other banks	897,715,301	581,839,300	1,479,554,601
Finance companies			
finance and securities			
companies, securities			
companies and credit			
foncier companies	466,670,129	142,295,036	608,965,165
Total domestic items	<u>1,739,453,008</u>	<u>1,087,322,416</u>	<u>2,826,775,424</u>

**Foreign items**

	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	26,430,503	6,604,625,857	6,631,056,360
Others	680,442	-	680,442
Total foreign items	<u>27,110,945</u>	<u>6,604,625,857</u>	<u>6,631,736,802</u>
Total domestic and foreign items	<b>Baht</b> <u>1,766,563,953</u>	<u>7,691,948,273</u>	<u>9,458,512,226</u>

<b>Domestic items</b>	<b>Demand</b>	<b>1997</b>	<b>Total</b>
		<b>Time</b>	
The Bank of Thailand	-	120,575,000	120,575,000
Commercial banks	81,326,660	443,000,891	524,327,551
Other banks	52,715,949	2,863,845,014	2,916,560,963
Finance companies			
finance and securities			
companies, securities			
companies and credit			
foncier companies	486,112,003	844,921,643	1,331,033,646
Total domestic items	<u>620,154,612</u>	<u>4,272,342,548</u>	<u>4,892,497,160</u>
<b>Foreign items</b>			
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	9,720,392	18,727,513,467	18,737,233,859
DM	28,818,651	-	28,818,651
Others	1,950,555	-	1,950,555
Total foreign items	<u>40,489,598</u>	<u>18,727,513,467</u>	<u>18,768,003,065</u>
Total domestic and foreign items	<b>Baht</b> <u>660,644,210</u>	<u>22,999,856,015</u>	<u>23,660,500,225</u>

#### 4.11 Securities sold under repurchase agreements

Securities sold under repurchase agreements consisted of the following at December 31:

#### CONSOLIDATED FINANCIAL STATEMENTS 1998

		Bank of Thailand repurchase market	Other repurchase market	Total
Government bonds and the				
Bank of Thailand bonds		800,000,000	-	800,000,000
Total	<b>Baht</b>	<u>800,000,000</u>	<u>-</u>	<u>800,000,000</u>

#### THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998

		Bank of Thailand repurchase market	Other repurchase market	Total
Government bonds and the				
Bank of Thailand bonds		800,000,000	-	800,000,000
Total	<b>Baht</b>	<u>800,000,000</u>	<u>-</u>	<u>800,000,000</u>

## 4.12 Borrowings

Borrowings consisted of the following at December 31:

### CONSOLIDATED FINANCIAL STATEMENTS 1998

	Domestic	Foreign	Total
Subordinated debt			
Subordinated term debt repayable 8 years from 1993 to 2001, with the average of interest rate at MOR on the first day of the 6 months	500,000,000	-	500,000,000
Subordinated term debt repayable 10 years from 1994 to 2004 for US\$ 17,000,000 with interest rate at LIBOR 6 months +1.35% for the first 5 years and LIBOR 6 months+3.00% for the last 5 years	-	623,696,000	623,696,000
Subordinated term debt repayable 10 years from 1995 to 2005 for US\$ 50,000,000 with interest rate at LIBOR 6 months +1.25% for the first 5 years and LIBOR 6 months + 3.00% for the last 5 years	-	1,834,400,000	1,834,400,000
<b>Baht</b>	<u>500,000,000</u>	<u>2,458,096,000</u>	<u>2,958,096,000</u>

**THE BANK'S FINANCIAL  
STATEMENTS BY THE COST METHOD  
1998**

	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Subordinated debt			
Subordinated term debt repayable 8 years from 1993 to 2001, with the average of interest rate at MOR on the first day of the 6 months	500,000,000	-	500,000,000
Subordinated term debt repayable 10 years from 1994 to 2004 for US\$ 17,000,000 with interest rate at LIBOR 6 months +1.35% for the first 5 years and LIBOR 6 months+3.00% for the last 5 years	-	623,696,000	623,696,000
Subordinated term debt repayable 10 years from 1995 to 2005 for US\$ 50,000,000 with interest rate at LIBOR 6 months +1.25% for the first 5 years and LIBOR 6 months + 3.00% for the last 5 years	-	1,834,400,000	1,834,400,000
<b>Baht</b>	<u>500,000,000</u>	<u>2,458,096,000</u>	<u>2,958,096,000</u>

**THE BANK'S FINANCIAL  
STATEMENTS BY THE COST METHOD  
1998**

	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
<b>Subordinated debt</b>			
Subordinated term debt repayable 8 years from 1993 to 2001, with the average of interest rate at MOR on the first day of the 6 months	500,000,000	-	500,000,000
Subordinated term debt repayable 10 years from 1994 to 2004 for US\$ 20,000,000 with interest rate at LIBOR 6 months +1.35% for the first 5 years and LIBOR 6 months+3.0% for the last 5 years	-	944,940,000	944,940,000
Subordinated term debt repayable 10 years from 1995 to 2005 for US\$ 50,000,000 with interest rate at LIBOR 6 months +1.25% for the first 5 years and LIBOR 6 months + 3.0% for the last 5 years	-	2,362,350,000	2,362,350,000
<b>Bills</b>			
Bills repayable within 1998 with interest rate at 10.375 - 11.80%	50,000,000	-	50,000,000
Bills repayable within 1998 with interest rate at 9.90-12.09%	50,000,000	1,125,000,000	1,175,000,000
<b>Total</b>	<b>Baht</b> <u>600,000,000</u>	<u>4,432,290,000</u>	<u>5,032,290,000</u>

#### 4.13 Share capital

On January 26, 1998 the 1/2541 Extraordinary Meeting of the Shareholders voted to decrease the registered capital shares of Baht 2,550,000,000 to Baht 2,500,000,000 by canceling 5,000,000 shares which have not been issued. In addition Shareholders voted to canceling the resolution of the Extraordinary Meeting of the Shareholders No. 2/2539 which authorized the issuance of 5,000,000 warrants and the allocation of 5,000,000 shares to accommodate the exercise of the right of the holders of the said warrants and resolved to increase the registered capital from Baht 2,500,000,000 to Baht 5,500,000,000 by an issue of 300,000,000 new shares, Baht 10.00 each the shares will be allocated by private placement at Baht 20.00 each as follows:

1. 268,000,000 shares to the Development Bank of Singapore Ltd.
2. 22,000,000 shares to Selatar Investment Pte. Ltd.
3. 10,000,000 shares to Government of Singapore Investment Cooperation Pte., Ltd.

The Bank had its new capital increase registered with the Department of Commercial Registration on January 29, 1998.

On March 11, 1998, the Bank received subscription of 300,000,000 additional shares at Baht 10.00 par value which priced at Baht 20.00 per share. The paid-up share capital and premium on share capital totaled Baht 5,500,000,000 and Baht 9,687,430,850 respectively. The Bank registered the increased issued share capital with the Department of Commercial Registration on March 11, 1998.

#### 4.14 Capital Fund at December 31:

	1998	1997
Tier 1 capital		
Ordinary share capital	5,500,000,000	2,500,000,000
Premium on share capital	9,687,430,850	6,687,430,850
Legal reserve	200,000,000	200,000,000
Other reserve	350,000,000	350,000,000
Net profit (loss) after appropriation	(7,830,122,709)	1,944,832,060
	<u>7,907,308,141</u>	<u>11,682,262,910</u>
Tier 2 capital		
Unrealized increment per land appraisal	583,484,850	583,484,850
Unrealized increment per premises appraisal	30,406,852	31,711,917
Long-term subordinated debt instruments	1,868,540,000	2,043,900,000
	<u>2,482,431,702</u>	<u>2,659,096,767</u>
Capital Fund	<b>Baht</b> <u>10,389,739,843</u>	<u>14,341,359,677</u>



#### 4.15 Statutory reserve

Under the Public Companies Act, the Bank is required to set aside as a Statutory reserve at least 5 percent of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the registered capital.

#### 4.16 Contingencies at December 31:

### CONSOLIDATED FINANCIAL STATEMENTS

	Baht	Foreign currencies	Total
Avals to bills	214,140,403	23,377,998	237,518,401
Guarantees of loans	1,128,273,156	6,754,506	1,135,027,662
Customer's liabilities under unmatured bills issued under letters of credit	150,212,287	902,585,943	1,052,798,230
Other guarantees	6,391,762,880	328,090,866	6,719,853,746
Letters of credit	31,067,296	891,062,495	922,129,791
Foreign exchange agreement			
Bought	-	7,388,315,148	7,388,315,148
Sold	-	13,060,525,772	13,060,525,772
Amount of unused bank overdraft	13,562,677,327	-	13,562,677,327
Total	<b>Baht</b> <u>21,478,133,349</u>	<u>22,600,712,728</u>	<u>44,078,846,077</u>

**THE BANK'S FINANCIAL STATEMENTS  
BY THE COST METHOD**

	1998		
	Baht	Foreign currencies	Total
Avals to bills	214,140,403	23,377,998	237,518,401
Guarantees of loans	1,128,273,156	6,754,506	1,135,027,662
Customer's liabilities under unmatured bills issued under letters of credit	150,212,287	902,585,943	1,052,798,230
Other guarantees	6,391,762,880	328,090,866	6,719,853,746
Letters of credit	31,067,296	891,062,495	922,129,791
Foreign exchange agreement			
Bought	-	7,388,315,148	7,388,315,148
Sold	-	13,060,525,772	13,060,525,772
Amount of unused bank overdraft	13,562,677,327	-	13,562,677,327
<b>Total</b>	<b>Baht</b> <u>21,478,133,349</u>	<u>22,600,712,728</u>	<u>44,078,846,077</u>

	1997		
	Baht	Foreign currencies	Total
Avals to bills	493,754,960	36,077,181	529,832,141
Guarantees of loans	746,737,490	755,952,000	1,502,689,490
Customer's liabilities under unmatured bills issued under letters of credit	220,396,470	2,800,944,481	3,021,340,951
Other guarantees	7,564,294,176	430,477,762	7,994,771,938
Letters of credit	95,374,770	1,398,198,822	1,493,573,592
Foreign exchange agreement			
Bought	-	15,094,989,276	15,094,989,276
Sold	-	13,775,477,221	13,775,477,221
Amount of unused bank overdraft	14,140,508,570	-	14,140,508,570
<b>Total</b>	<b>Baht</b> <u>23,261,066,436</u>	<u>34,292,116,743</u>	<u>57,553,183,179</u>

#### 4.17 Restrictions on dividend payment

In accordance with Bank of Thailand announcement dated June 30, 1998 regarding bad or doubtful assets, the Bank are not allowed to pay any dividends to the shareholders during any period in which the bad or irrecoverable assets have not been written off or an allowance for doubtful asset has not been fully recorded.

#### 4.18 Related-party transactions

4.18.1 Loan and contingent liabilities to officer at the position of department head upward to companies that the Bank or its officer at the position of department head upward hold more than 10% of paid-up capital at December 31:

	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
	<b>Balance As at December 31, 1998 Baht</b>	<b>Average balance As the end of December 31, 1998 Baht</b>
Loans	1,748,760,698	1,656,177,960
Commitment	49,083,156	92,194,648

#### **THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD**

	<b>Balance</b>		<b>Average balance</b>	
	<b>As at December 31, 1998 Baht</b>	<b>1997 Baht</b>	<b>As the end of December 31, 1998 Baht</b>	<b>1997 Baht</b>
Loans	1,748,760,698	1,063,068,007	1,656,177,960	755,048,053
Commitment	49,083,156	67,894,312	92,194,648	176,485,681

#### 4.18.2 Related companies

4.18.2.1 The Development Bank of Singapore Ltd. is the major shareholder.

4.18.2.2 Investments in subsidiary, associated and related companies at December 31,

1998

Company Name	Business	Relationship	Paid up Capital (Mill.Bht)	% of investment	Amount of Investment Cost Method (Mill.Bht)	Dividend (Baht.)
<b>Subsidiary Companies</b> Thai Danu-DBS Co., Ltd.	Custodian	Shareholder and executive officers of the Bank are directors of the Company	30.0	51%	15.3	-
DBS Thai Danu Securities Co., Ltd. (formerly known as Sri Dhana DBS Securities Co., Ltd.)	Securities	Shareholder and executive officers of the Bank are directors of the Company	175.0	51%	128.52	-
Inter-Roof Manufacturing Co., Ltd	Roof Tile Manufacturer	Shareholder and executive officers of the Bank are directors of the Company	200.0	70.91%	0.000004	-
<b>Associated Company</b>	NONE					
<b>Related Company</b>						
1. Ksit Finance And Securities Public Co., Ltd.	Finance and securities	Shareholder	150.0	10%	0.015	
2. The Thai Insurance Public Co., Ltd.*	Insurance	Shareholder and executive officers of the Bank are directors of the Company	60.0	10%	12.035	900,000
3. Navanakorn Distribution Centre Co., Ltd.*	Renting containers	Shareholder and executive officers of the Bank are directors of the Company	120.0	10%	12.0	542,000
4. Danu Thai Holding Co., Ltd.	Holding Company	Shareholder and executive officers of the Bank are directors of the Company	37.0	10%	3.7	-

Note: \*Executive officer is director and authorized officer.

## 1998

Company Name	Business	Relationship	Paid up Capital (Mill.Bht)	% of investment	Amount of Investment Cost Method (Mill.Bht)	Dividend (Baht.)
5. Boehringer Mannheim Group (Thailand) Co., Ltd.	Distributor's Medical Product	Shareholder and executive officers of the Bank are directors of the Company	22.0	10%	2.2	-
6. Electrical Lamp Manufactures (Thailand) Co., Ltd.	Electrical Lamp Manufactures	Shareholder and executive officers of the Bank are directors of the Company	20.0	10%	0.5	-
7. Bangkok Payment Technology Co., Ltd.*	Computer Software and Smart Card	Shareholder and executive officers of the Bank are directors of the Company	30.0	10%	3.0	-
8. TSD Leasing Co., Ltd.*	Leasing and Hire-purchase	Shareholder and executive officers of the Bank are directors of the Company	150.0	10%	-	-
9. SCB Biotech Co., Ltd.*	Sponsor for Research and vaccine	Shareholder and executive officers of the Bank are directors of the Company	112.75	10%	11.275	-
10. Pattanadhorn Co., Ltd.	Holding Company	Shareholder and executive officers of the Bank are directors of the Company	47.5	10%	4.75	100.000
11. Prapitak Co., Ltd.*	Holding Company	Vice President of the Bank is Director of the Company	1.0	-	-	-
12. Nam Ngern Fah (2534) Co., Ltd.*	Investment in property	Second Vice President of the Bank is Director of the Company	0.5	-	-	-
13. Pattanavasu Co., Ltd.	Holding company	Common Director	75.0	-	-	-
14. General Engineering Public Co., Ltd.	Building and Furnishing Materials	Common Director	180.0	-	-	-
15. New Generation Farm Produce Co., Ltd.	Farm Produce	Shareholder	15.0	10%	-	-

Note: \*Executive officer is director and authorized officer.

**1998**

Company Name	Business	Relationship	Paid up Capital (Mill.Bht)	% of investment	Amount of Investment Cost Method (Mill.Bht)	Dividend (Baht.)
16. Tanasatapana Co., Ltd.	Venture Capital	Shareholder and executive officers of the Bank are directors of the Company	120.0	10%	12.0	-
17. Felix River Kwai Resort (Kanchanaburi) Co., Ltd.	Hotel	Executive Officer of the Bank are directors of the Company	450.0	5.56%	-	-
18. Chainat Co., Ltd.	Property Development	Common Director	30.0	-	-	-
19. Sansiri Public Co., Ltd.	Property Development	Common Director	697.37	5.16%	202.76	-
20. Alosa Travel Service Co., Ltd.	Tourist Agent	Common Director	20.0	-	-	-

**1997**

Company Name	Business	Relationship	Paid up Capital (Mill.Bht)	% of investment	Amount of Investment Cost Method (Mill.Bht)	Dividend (Baht.)
<b>Subsidiary Company</b> Thai Danu-DBS Co., Ltd.	Custodian	Shareholder and executive officers of the Bank are directors of the Company	30.0	51%	15.3	-
<b>Associated Company</b>	NONE					
<b>Related Company</b>						
1. Ksit Finance and Securities Public Co., Ltd.	Finance and securities	Shareholder and executive officers of the Bank are directors of the Company	150.0	10%	70.0	-
2. The Thai Insurance Public Co., Ltd.*	Insurance	Shareholder and executive officers of the Bank are directors of the Company	60.0	10%	12.035	-

Note: \*Executive officer is director and authorized officer.

1997

Company Name	Business	Relationship	Paid up Capital (Mill.Bht)	% of investment	Amount of Investment Cost Method (Mill.Bht)	Dividend (Baht.)
3. Navanakorn Distribution Centre Co., Ltd.*	Renting containers	Shareholder and executive officers of the Bank are directors of the Company	70.0	10%	7.0	1,400,000
4. Danu Thai Holding Co.,Ltd.	Holding Company	Shareholder and executive officers of the Bank are directors of the Company	37.0	10%	3.7	407,000
5. Boehringer Mannheim Group (Thailand) Co., Ltd.	Distributor's Medical Product	Shareholder and executive officers of the Bank are directors of the Company	22.0	10%	2.2	-
6. Electrical Lamp Manufactures (Thailand) Co., Ltd.	Electrical Lam Manufacturers	Shareholder and executive officers of the Bank are directors of the Company	20.0	10%	0.5	-
7. Bangkok Payment Technology Co., Ltd.*	Computer Software and Smart Card	Shareholder and executive officers of the Bank are directors of the Company	30.0	10%	2.4	-
8. TSD Leasing Co., Ltd.*	Leasing	Shareholder and executive officers of the Bank are directors of the Company	150.0	10%	15.0	-
9. Thai Asia Mutual Fund Co., Ltd.*	Mutual fund	Shareholder and executive officers of the Bank are directors of the Company	100.0	15%	15.0	5,100,000
10. SCB Biotech Co., Ltd.*	Sponsor for Research and vaccine	Shareholder and executive officers of the Bank are directors of the Company	112.75	10%	11.275	-
11. Pattanadhorn Co., Ltd	Holding Company	Shareholder and executive officers of the Bank are directors of the Company	47.5	10%	4.75	250,000

Note: \*Executive officer is director and authorized officer.

1997

Company Name	Business	Relationship	Paid up Capital (Mill.Bht)	% of investment	Amount of Investment Cost Method (Mill.Bht)	Dividend (Baht.)
12. Gamma Development Co., Ltd.*	Own and lease Land	Shareholder and executive officers of the Bank are directors of the Company	1.0	10%	0.025	-
13. Prapitak Co., Ltd.*	Holding Company	Vice President of the Bank is Director of the Company	1.0	-	-	-
14. Nam Ngern Fah (2534) Co., Ltd.*	Investment in property	Second Vice President of the Bank is Director of the Company	0.5	-	-	-
15. Pattanavasu Co., Ltd.	Holding company	Common Director	75.0	-	-	-
16. General Engineering Public Co., Ltd.	Building and Furnishing Materials	Common Director	180.0	-	-	-
17. Seven Four Five Co., Ltd.*	Investment	Common Director	30.0	-	-	-
18. Felix River Kwai Resort (Kanchanaburi) Co., Ltd.	Hotel	Executive officers of the Bank Is Director of the Company	450.0	5.56%	25.0	-
19. Chainat Co.,Ltd.	Property Development	Common Director	30.0	-	-	-
20. Sansiri Public Co.,Ltd.	Property Development	Common Director	540.0	5.61%	169.16	-
21. Alosa Travel Service Co.,Ltd.	Tourist Agent	Common Director	20.0	-	-	-

Note : \* Executive officer is director and authorized officer.



4.18.3 Transaction in the balance with related companies consisted of the following at December 31:

Baht : ' 000

Company Name	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD				Policy of Costing
	Loan and Accrued interest receivable	Deposits, Borrowings and Accrued interest payable	Loan and Accrued interest receivable		Deposits, Borrowings and Accrued interest payable		
	1998	1998	1998	1997	1998	1997	
<b>Subsidiary Company</b>							
Thai Danu-DBS Co.,Ltd.	-	-	-	-	11,906	10,138	Normal course of business and ordinary course of business
DBS Thai Danu Securities Co., Ltd. (formerly known as Sri Dhana DBS Securities Co., Ltd.)	-	-	-	-	53,205	-	Normal course of business and ordinary course of business
Inter-Roof Manufacturing Co., Ltd.	984,201	2,463	984,201	772,027	2,463	-	Normal course of business and ordinary course of business
<b>Associated Company</b>	NONE						
<b>Related Company</b>							
The Thai Insurance Public Co.,Ltd.	100,049	47,332	100,049	200,087	47,332	334,446	Normal course of business and ordinary course of business
Navanakorn Distribution Centre Co.,Ltd.	-	18,869	-	-	18,869	88	Normal course of business and ordinary course of business
Danu Thai Holding Co.,Ltd.	102,716	435	102,716	101,381	435	1,123	Normal course of business and ordinary course of business
Boehringer Mannheim Group (Thailand) Co.,Ltd.	-	1,603	-	-	1,603	154,436	Normal course of business and ordinary course of business
Bangkok Payment Technology Co., Ltd.*	20,783	10,073	20,783	11,203	10,073	10,104	Normal course of business and ordinary course of business
TSD Leasing Co., Ltd.*	437,585	7,333	437,585	479,842	7,333	671	Normal course of business and ordinary course of business
Prapitak Co.,Ltd.*	17,111	-	17,111	17,753	-	10	Normal course of business and ordinary course of business

Baht : ' 000

Company Name	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD				Policy of Costing
	Loan and Accrued interest receivable	Deposits, Borrowings and Accrued interest payable	Loan and Accrued interest receivable		Deposits, Borrowings and Accrued interest payable		
	1998	1998	1998	1997	1998	1997	
Nam NgeraFa (2534) Co., Ltd.	18,318	88	18,318	17,615	88	42	Normal course of business and ordinary course of business
Pattanasu Co., Ltd.	18,840	-	18,840	17,283	-	-	Normal course of business and ordinary course of business
General Engineering Public Co., Ltd.	180,366	33,588	180,366	219,614	33,588	-	Normal course of business and ordinary course of business
The Development Bank of Singapore Ltd.	330,306	269,465	330,306	-	270,005	-	Normal course of business and ordinary course of business
Seven Four Five Co., Ltd.	-	-	-	27,525	-	-	Normal course of business and ordinary course of business
Felix River Kwai Resort (Kanchanaburi) Co. Ltd.	55,464	-	55,464	53,148	-	-	Normal course of business and ordinary course of business
Chanat Co., Ltd.	-	812	-	333,536	812	-	Normal course of business and ordinary course of business
Sansiri Public Co., Ltd.	467,830	-	467,830	642,105	-	-	Normal course of business and ordinary course of business
Alosa Travel Service Co., Ltd.	-	3,240	-	876	3,240	877	Normal course of business and ordinary course of business

Transaction in the statement of profit and loss for the year ended December 31, with related companies consist of the following :

**Baht : ' 000**

Company Name	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK' S FINANCIAL STATEMENTS BY THE COST METHOD				Policy of Costing
	Interest income - loans	Interest expense - deposits	Interest income - loans		Interest expense - deposits		
	1998	1998	1998	1997	1998	1997	
Subsidiary Company Thai Danu-DBS Co.,Ltd.	-	-	-	-	1,179	345	Normal course of business and ordinary course of business
DBS Thai Danu Securities Co.,Ltd. (formerly known as Sri Dhana DBS Securities Co., Ltd.)	-	-	-	-	622	-	Normal course of business and ordinary course of business
Inter-Roof Manufacturing Co.,Ltd	3,762	-	3,762	-	-	-	Normal course of business and ordinary course of business
Associated Company			NONE				
Related Company							
The Thai Insurance Public Co.,Ltd.	558	16,164	558	604	16,164	77,262	Normal course of business and ordinary course of business
Navanakorn Distribution Centre Co.,Ltd.	133	1,243	133	272	1,243	-	Normal course of business and ordinary course of business
Danu Thai Holding Co.,Ltd.	17,577	88	17,577	21,248	88	114	Normal course of business and ordinary course of business
Boehringer Mannheim Group (Thailand) Co.,Ltd.	-	3,181	-	49	3,181	1,427	Normal course of business and ordinary course of business
Bangkok Payment Technology Co., Ltd.	2,737	1,304	2,737	284	1,304	17	Normal course of business and ordinary course of business
TSD Leasing Co., Ltd.	71,050	195	71,050	49,803	195	85	Normal course of business and ordinary course of business
Gamma Development Co., Ltd.	-	-	-	4,552	-	-	Normal course of business and ordinary course of business

Baht : ' 000

Company Name	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD				Policy of Costing
	Interest income - loans	Interest expense - deposits	Interest income - loans		Interest expense - deposits		
	1998	1998	1998	1997	1998	1997	
Prapitak Co.,Ltd	2,786	-	2,786	2,367	-	-	Normal course of business and ordinary course of business
Nam NgernFah (2534) Co., Ltd.	933	1	933	-	1	12	Normal course of business and ordinary course of business
Pattanasu Co., Ltd.	3,141	-	3,141	2,229	-	-	Normal course of business and ordinary course of business
General Engineering Public Co., Ltd.	17,831	3,470	17,831	15,056	3,470	-	Normal course of business and ordinary course of business
Tanasatapana Co.,Ltd.	-	260	-	-	260	-	Normal course of business and ordinary course of business
The Development Bank of Singapore Ltd.	1,909	-	1,909	-	241,109	-	Normal course of business and ordinary course of business
Seven Four Five Co.,Ltd.	-	-	-	9,985	-	-	Normal course of business and ordinary course of business
Felix River Kwai Resort (Kanchanaburi) Co.Ltd.	6,423	-	6,423	5,739	-	-	Normal course of business and ordinary course of business
Chainat Co.,Ltd.	52,589	2	52,589	41,551	2	-	Normal course of business and ordinary course of business
Sansiri Public Co.,Ltd.	28,773	-	28,773	73,520	-	-	Normal course of business and ordinary course of business
Alosa Travel Service Co.,Ltd.	7	-	7	140	-	-	Normal course of business and ordinary course of business

Certain information related to the loans as of December 31, 1998 are as follows:

<b>Total amount</b>	<b>Interest rate</b>	<b>Maturities</b>	<b>Collateral Secured</b>	<b>Unsecured</b>
2,733,208	MRR + (1-3)	July 16, 1996- December 29, 2013	876,763	1,856,445

Additionally, detailed financial figures for the year ended December 31, 1997 are not disclosed because the Bank has no readily available information

#### 4.18.4 Transactions with related parties

Transactions between subsidiary and related companies had been price at and contain similar conditions with the bank general customers and conformed to normal banking practice.

#### 4.19 Other benefits were paid to the executives

For the year ended December 31, 1998, other benefits were not paid to the executives.

For the year ended December 31, 1997, other benefits were paid to the executives amount to Baht 15,000,000.

#### 4.20 Long - term leases

<b>Type of Leases</b>	<b>Period</b>	<b>1998 Rental Baht</b>	<b>1997 Rental Baht</b>
Land and / or premises	Jan. 1,1998 - Dec. 31, 1998	-	15,518,812
Land and / or premises	Jan. 1,1999 - Dec. 31, 1999	14,178,561	9,531,819
Land and / or premises	Jan. 1,2000 - Dec. 31, 2000	9,619,152	5,839,591
Land and / or premises	Jan. 1,2001 - Dec. 31, 2001	3,698,448	2,419,404
Land and / or premises	Jan. 1,2002 - Dec. 31, 2002	2,459,446	2,458,704
Land and / or premises	Jan. 1,2003 - Dec. 31, 2003	2,469,735	2,468,788
Land and / or premises	Jan. 1,2004 - Dec. 31, 2027	36,653,378	36,211,667

#### 4.21 Trouble Debt Restructuring

For the year ended December 31, 1998, the Bank loss Baht 144,876,579 from trouble debt restructuring.

## **4.22 Signification event after the balance sheet date**

4.22.1 In January 1999 the Bank has succeeded in one case of trouble debt restructuring without loss.

4.22.2 On January 7, 1999, the Bank paid for share capital of DBS Thai Danu Securities Company Limited (formerly known as Sri Dhana DBS Securities Company Limited) amounting to Baht 51,000,000 (equivalent to the common shareholder's ratio 51%).

4.22.3 On February 26, 1999 the Board of Directors' Meeting No. 77/1999 approved a capital raising exercise to raise between 12 and 17 billion Baht as follows:-

(a) A rights issue of ordinary shares at the ratio of one new share for every existing ordinary shares held by shareholders ("Rights Issue"), raising at least 5.5 billion Baht.

(b) The issue of Capital Augmented Preferred Shares ("CAPS") consisting of preferred shares and subordinated debentures raising net proceeds of between 5 and 10 billion Baht.

(c) The issue of CAPS with a convertible feature raising net proceeds of up to 1.5 billion Baht.

The Rights Issue and the two CAPS issues are subject to the relevant regulatory and shareholders' approvals. The funds raised will provide the Bank with additional capital to meet the new provisioning requirements set by the Bank of Thailand and to support the Bank's future expansion plans.

The Bank has also announced that it intends to tap the Government Tier 2 capital support scheme for up to 4 billion Baht.

## **4.23 Changes in accounting method for the recognition of income**

For the year ended December 31, 1998, the Bank has accrued interest on all loans except for those which are uncollected after a period of 6 months. This is in accordance with the instructions of the Bank of Thailand dated November 12, 1997.

For the year ended December 31, 1997, interest was accrued for all loans except for those which are uncollected after a period of 6 months. Where the collateral was adequate the Bank could accrue interest for up to 12 months.

For the year ended December 31, 1998, information related to the effect of the change is not available.

#### 4.24 The change in Thailand's exchange rate system

On July 2, 1997, the Ministry of Finance announced that the Baht would henceforth be traded under a "managed float system" whereby the value of the Baht will be determined by market forces to reflect economic fundamentals.

The effect of the change of the foreign exchange system to the Bank is immaterial.

#### 4.25 The financial position and the results of operations by domestic and foreign operations

4.25.1 The financial positions classified by business type at December 31:

CONSOLIDATED FINANCIAL STATEMENTS 1998				
	Domestic Operations Baht	Foreign Operations Baht	Elimination transaction Baht	Total Baht
Total assets	134,492,425,854	15,115,641,392	(16,658,611,126)	132,949,456,120
Interbank and money				
Market items	10,413,571,738	13,592,120,370	(16,658,611,126)	7,347,080,982
Investment	14,599,781,305	1,397,386,153	-	15,997,167,458
Loans	107,572,213,845	-	-	107,572,213,845
Deposits	109,093,593,615	-	-	109,093,593,615
Interbank and money				
Market items	13,438,409,948	12,445,033,600	(16,478,136,473)	9,405,307,075
Borrowings	500,000,000	2,458,096,000	-	2,958,096,000
Contingencies	42,592,029,436	3,135,716,641	(1,648,900,000)	44,078,846,077
THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998				
	Domestic Operations Baht	Foreign Operations Baht	Elimination transaction Baht	Total Baht
Total assets	134,497,795,366	15,115,641,392	(16,658,611,126)	132,954,825,632
Interbank and money				
Market items	10,402,014,153	13,592,120,370	(16,658,611,126)	7,335,523,397
Investment	14,735,781,305	1,397,386,153	-	16,133,167,458
Loans	107,572,213,845	-	-	107,572,213,845
Deposits	109,102,586,113	-	-	109,102,586,113
Interbank and money				
Market items	13,491,615,099	12,445,033,600	(16,478,136,473)	9,458,512,226
Borrowings	500,000,000	2,458,096,000	-	2,958,096,000
Contingencies	42,592,029,436	3,135,716,641	(1,648,900,000)	44,078,846,077

	1997			
	Domestic Operations Baht	Foreign Operations Baht	Elimination transaction Baht	Total Baht
	Total assets	130,083,836,986	24,198,214,693	(24,016,055,692)
Interbank and money				
Market items	4,842,058,453	24,161,402,811	(24,016,055,692)	4,987,405,572
Investment	3,300,027,666	-	-	3,300,027,666
Loans	115,814,171,822	-	-	115,814,171,822
Deposits	89,859,697,992	-	-	89,859,697,992
Interbank and money				
Market items	27,854,643,679	19,540,731,400	(23,734,874,854)	23,660,500,225
Borrowings	600,000,000	4,432,290,000	-	5,032,290,000
Contingencies	53,322,259,299	4,230,923,880	-	57,553,183,179

4.25.2 The results of operations classified by business type for the year ended December 31:

	CONSOLIDATED FINANCIAL STATEMENTS 1998			
	Domestic Operations Baht	Foreign Operations Baht	Elimination transaction Baht	Total Baht
	Interest and dividend income	16,155,467,490	1,090,438,859	(981,209,172)
Interest expense	<u>(14,202,900,631)</u>	<u>(1,087,745,347)</u>	<u>981,209,172</u>	<u>(14,309,436,806)</u>
Net interest income	1,952,566,859	2,693,512	-	1,955,260,371
Non-interest income	702,610,154	32,271,997	-	734,882,151
Non-interest expense	<u>(11,810,537,114)</u>	<u>(1,686,157)</u>	<u>-</u>	<u>(11,812,223,271)</u>
Income (loss) before income tax expenses and minority interest	<u>(9,155,360,101)</u>	<u>33,279,352</u>	<u>-</u>	<u>(9,122,080,749)</u>

	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998			
	Domestic Operations Baht	Foreign Operations Baht	Elimination transaction Baht	Total Baht
	Interest and dividend income	16,154,847,876	1,090,438,859	(981,209,172)
Interest expense	<u>(14,204,637,247)</u>	<u>(1,087,745,347)</u>	<u>981,209,172</u>	<u>(14,311,173,422)</u>
Net interest income	1,950,210,629	2,693,512	-	1,952,904,141
Non-interest income	701,118,512	32,271,997	-	733,390,509
Non-interest expense	<u>(11,800,885,636)</u>	<u>(1,686,157)</u>	<u>-</u>	<u>(11,802,571,793)</u>
Income (loss) before income tax expenses and minority interest	<u>(9,149,556,495)</u>	<u>33,279,352</u>	<u>-</u>	<u>(9,116,277,143)</u>



	1997			Total Baht
	Domestic Operations Baht	Foreign Operations Baht	Elimination transaction Baht	
Interest and dividend income	15,880,911,080	1,661,047,105	(1,604,698,773)	15,937,259,412
Interest expense	(11,201,289,355)	(1,732,719,772)	1,604,698,773	(11,329,310,354)
Net interest income	4,679,621,725	(71,672,667)	-	4,607,949,058
Non-interest income	900,266,287	76,055,911	-	976,322,198
Non-interest expense	(5,519,247,361)	(1,829,767)	-	(5,521,077,128)
Income (loss) before income tax	<u>60,640,651</u>	<u>2,553,477</u>	-	<u>63,194,128</u>

#### 4.26 Financial Instruments

In the normal course of business, the Bank uses off-balance sheet financial instruments (derivatives) to meet the financing needs of its customers, to manage its exposure to fluctuations in market rates, and for proprietary trading.

Transactions in treasury related to off-balance sheet financial instruments including forward exchange contracts and cross currency swaps.

The significant accounting policies of each class of financial assets and financial liability are disclosed in Note 3.7.

#### Interest earning and interest bearing financial instruments

The following table presents the average balance, related income or expense and average interest rate for the year-ended December 31, 1998

	Average Balance	Interest	Average Rate %
<b>Interest Earning Financial Assets</b>			
Due from other financial institutions	11,186,209,087	1,513,092,044	13.53
Investment securities held	9,295,167,631	926,953,590	9.97
Loans, advances, bills discounted and other receivable	<u>112,077,913,248</u>	<u>13,615,705,328</u>	12.15
	<u>132,559,289,966</u>	<u>16,055,750,962</u>	12.11
Net interest income on derivative instruments		<u>24,246,602</u>	
		<u>16,079,997,564</u>	
<b>Interest bearing financial instruments</b>			
Due to other financial institutions	17,642,077,609	1,392,283,585	7.89
Deposits	<u>105,923,572,970</u>	<u>12,743,925,526</u>	12.03
	<u>123,565,650,579</u>	<u>14,136,209,111</u>	11.44

The following table presents a maturity analysis for on balance sheet financial assets and liabilities as of December 31, 1998.

	<b>Baht ' 000</b>							
	At Call	O/D	To 3 Months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	total
Interbank receivables and money market items	-	69,390	5,628,185	2,000	1,174,064	461,884	-	7,335,523
Investment in securities	-	-	76,253	8,781,439	6,320,762	40,000	914,713	16,133,167
Loans and Accrued interest receivable	1,460,492	29,251,244	11,337,994	10,684,371	15,562,868	43,344,142	-	111,641,111
Interbank receivables and money Market items	1,766,564	-	1,025,139	4,098,649	2,568,160	-	-	9,458,512
Deposits	13,509,448	-	83,677,970	11,620,815	294,353	-	-	109,102,586
Long-term borrowings	-	-	-	-	500,000	2,458,096	-	2,958,096

#### Derivatives financial instruments

The following is a summary of the notional amounts and the fair value of the economic entity's derivatives at December 31, 1998.

	<b>Baht ' 000</b>			
	Notional < 1 year	Notional > 1 year	Notional Total	Fair Value
<b>Foreign Exchange Contracts</b>				
Spot and Forward Contracts	19,844,340	-	19,844,340	217,183
Currency Swap Agreements	255,500	349,000	604,500	93,500
<b>Total</b>	<b>20,099,840</b>	<b>349,000</b>	<b>20,448,840</b>	<b>310,683</b>

The following tables show the nominal value of all derivative financial instruments at December 31, 1998 and their geographic location.

	CONSOLIDATED FINANCIAL STATEMENTS	Baht : ' 000 THE BANK' S FINANCIAL STATEMENTS BY THE COST METHOD
<b>Foreign Exchange Contracts</b>		
Spot and Forward Contracts	19,844,340	19,844,340
Currency Swap Agreements	604,500	604,500
Total	<u>20,448,840</u>	<u>20,448,840</u>

	CONSOLIDATED FINANCIAL STATEMENTS	Baht: ' 000 THE BANK' S FINANCIAL STATEMENTS BY THE COST METHOD
<b>Geographic Location</b>		
Thailand	17,313,125	17,313,125
United States	100,000	100,000
Japan	186,350	186,350
Other	2,849,365	2,849,365
Total	<u>20,448,840</u>	<u>20,448,840</u>

The following is a summary of carrying amounts and estimated fair value of financial instruments at December 31, 1998:

	CONSOLIDATED FINANCIAL STATEMENTS		Baht: ' 000 THE BANK' S FINANCIAL STATEMENTS BY THE COST METHOD	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Financial assets:				
1. Cash	781,372	781,372	781,362	781,362
2. Interbank and money market items*	7,347,081	7,347,081	7,335,523	7,335,523
3. Securities purchased under resale agreement	2,000,000	2,000,000	2,000,000	2,000,000
4. Investment in securities**	15,997,168	16,586,444	16,133,167	16,722,444
5. Loans and accrued interest receivable***	101,291,111	101,291,111	101,291,111	101,291,111
6. Customers' liability under acceptances	177,068	177,068	177,068	177,068
7. Other financial assets	1,268,199	1,268,199	1,152,664	1,152,664
Total Assets	<u>128,861,999</u>	<u>129,451,275</u>	<u>128,870,895</u>	<u>129,460,172</u>

	CONSOLIDATED FINANCIAL STATEMENTS		Baht:’ 000 THE BANK’S FINANCIAL STATEMENTS BY THE COST METHOD	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Financial liabilities:				
1. Total deposits	109,093,594	109,093,594	109,102,586	109,102,586
2. Interbank and money market items	9,405,307	9,405,307	9,458,512	9,458,512
3. Liability payable on demand	202,668	202,668	202,668	202,668
4. Securities sold under repurchase agreements	800,000	800,000	800,000	800,000
5. Borrowings****	2,958,096	2,958,096	2,958,096	2,958,096
6. Bank’s Liability under acceptances	177,068	177,068	177,068	177,068
7. Accrued interest payable	1,449,245	1,449,245	1,449,245	1,449,245
8. Other financial liabilities	477,020	477,020	476,861	476,861
Total Liabilities	<u>124,562,998</u>	<u>124,562,998</u>	<u>124,625,036</u>	<u>124,625,036</u>
9. Off-balance sheet:	9,873,711	9,873,711	9,873,711	9,873,711
1 Bank’s liability under aval	237,519	237,519	237,519	237,519
2 Bank’s liability under L/G	7,616,741	7,616,741	7,616,741	7,616,741
3 Bank’s liability under L/C	2,011,380	2,011,380	2,011,380	2,011,380
4.Standby letters of credit	8,071	8,071	8,071	8,071

## Note

### \* Interbank and money market items include:

- NCD’s of Krungthai Bank Plc. of Baht 30 million with interest rate of 2% p.a.

- Loan to financial institutions ordered closed and financial institution controlled by order of BOT to decrease and increase capital respectively amounting to Baht 1,274 million and Baht 19 million. The Bank will be protected according to the measures of the Ministry of Finance and the Bank of Thailand. On January 11, 1999, the Bank has received the NCD’s of Krungthai Bank Public Company Limited amount of Baht 1,225 million with interest rate of 2% p.a.

### \*\* Investment in securities:

a. Carrying amount of investment in securities are amount of investment at cost after deducting permanent decline in value.

b. Market value of investment in securities are carrying amount after deducting permanent decline in value and unrealized loss.

### \*\*\* Loan and accrued interest receivable:

Market value of loan are net carrying amount of loan after deducting allowance for doubtful debt and discounted by interest rates currently offered to the Banks’ customers (Consist of mainly variable rate). Thus, market value will equal net carrying amount of loan after deducting allowance for doubtful debt.

### \*\*\*\* Borrowing:

Market value of borrowing are net carrying amount of borrowing and discounted by interest rate currently offered to the Bank (Consist of mainly variable rate). Thus, market value of borrowing will equal net carrying amount of borrowing.

The following table represents the interest rate sensitivity gap of the Bank entity as at reporting date. One of the major causes of the mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process, which is conducted in accordance with the Bank's policy guidelines.

Baht: ' 000

Type of Assets/Liabilities	Balance Sheet As at December 31, 1998	Remaining Maturities*			Non Interest Sensitive
		0 To 3 m	3 m To 12m	Over 5 yrs.	
FINANCIAL ASSETS					
1. CASH	781,362				781,362
2. INTERBANK AND MONEY MARKET ITEMS	7,335,523	5,172,203			2,163,320
3. SECURITIES PURCHASED UNDER RESALE	2,000,000	1,400,000	600,000		-
4. INVESTMENT IN SECURITIES *	16,133,167	5,565,726	9,447,462		1,119,979
5. LOANS	107,572,214	105,449,742	550,320	767,885	804,267
6. ACCRUED INTEREST RECEIVABLE	4,068,897				4,068,897
7. ALLOWANCE OF DOUBTFUL ACCOUNTS	(10,350,000)				(10,350,000)
8. PROPERTY FORECLOSED, PREMISES, EQUIPMENT	4,083,930				4,083,930
9. C.U.S.'S LIA. UNDER ACCEPTANCE	177,068				177,068
10. OTHER ASSETS	1,152,664				1,152,664
TOTAL ASSETS	132,954,825	117,587,671	10,597,782	767,885	4,001,487
FINANCIAL LIABILITIES					
1. DEPOSITS	109,102,586	97,072,007	10,918,489		1,112,090
2. INTERBANK AND MONEY MARKET ITEMS	9,458,512	3,342,391	5,686,640		429,481
3. LIABILITY PAYABLE ON DEMAND	202,668				202,668
4. SECURITIES SOLD UNDER REPURCHASE	800,000	400,000	400,000		-
5. BORROWING	2,958,096	2,334,400	623,696		-
6. BANK'S LIA. UNDER ACCEPTANCE	177,068				177,068
7. OTHER LIABILITIES	1,926,106				1,926,106
TOTAL LIABILITIES	124,625,036	103,148,798	17,628,825	-	3,847,413
ON BALANCE SHEET GAP	8,329,789	14,438,873	(7,031,043)	767,885	154,074
OFF BALANCE SHEET GAP	(5,252,508)	(5,062,008)	(190,500)		
FUNDING (NET FORWARD BOUGHT/SOLD)	(5,252,508)	(5,062,008)	(190,500)		
TOTAL INTEREST RATE SENSITIVITY GAP	3,077,281	9,376,865	(7,221,543)	767,885	154,074

Note : \* Amount of investment in securities after deducting permanent decline in value and unrealized loss.

**4.27 Preparation for the readiness to cushion the problems in A.D.2000  
(unaudited-not covered by Report of the independent Certified Public  
Accountant)**

The Bank is actively working to establish compliance by the target date of June 30, 1999. In summary, both hardware and software was 96% and 83% Year 2000 compliant. The Bank strongly believe that the problem will be solved within the second quarter of 1999 and will not impact to the major business operations in Year 2000. The budget of 55 million baht has been established for this project and 5.3 million baht was spent up to the year ended.

Although the Bank believe that they can solve and modify all systems before the coming year 2000, the Bank still has a risk if at that time other companies to whom the Bank do business with, cannot solve this problem then this may have effect on the Bank's operations but the Bank cannot estimate the impact of such Y2K problems at the present time.

## OTHER INFORMATION

### 1. Name and address of the Head Office, description of business, quantity and type of fully-paid shares:

Name	: The Thai Danu Bank Public Company Limited
Registered Number	: Bor Mor Jor 107
Registered Date	: 18 May 1993
Registered Address	: 393 Silom Road, Kwang Silom, Khet Bangrak Bangkok 10500
Description of Business	: Commercial Banking
Paid-up shares	
Description	: Ordinary Share
Quantity	: 550,000,000 shares
Par Value	: Baht 10.00 per share
Registered Capital	
Registered Capital	: Baht 5,500,000,000.00
Paid-up Capital	: Baht 5,500,000,000.00

### 2. Name and address of the Head Office, description of business, quantity and type of shares of subsidiary companies that the Company currently holds:

Name	: Thai Danu DBS Company Limited
Registered Address	: 399/1 4th Floor, Siri Building, Silom Soi 7, Silom Road, Bangkok 10500
Description of Business	: Custodian
Quantity	: 1,530,000 shares 51 %
Description	: Ordinary Share
Name	: DBS Thai Danu Securities Company Limited
Registered Address	: 88 SSP Tower 3, 18th Floor, Silom Road, Kwang Suriyawong, Khet Bangrak, Bangkok 10500
Description of Business	: Security Company
Quantity	: 14,024,994 shares 50.99 %
Description	: Ordinary Share

### 3. Investment of The Thai Danu Bank Public Company Limited in other companies :

Investments in companies in which the Bank holds equal to and more than 10.0% of the paid-up capital in each company as at December 31, 1998 and Executive Officers who are Directors are as follows :

Companies	Business	Relationship	Paid-up Capital (Mill.Baht)	% of Investment	Amount of Investment Cost Method (Mill.Baht)	Dividend (Baht)
<b>Subsidiary Company</b>						
1. Thai Danu-DBS Co., Ltd.	Custodian	Joint Venture and Executive Officers are Director	30.00	51%	15.30	-
2. DBS Thai Danu Securities Co., Ltd.	Securities	Joint Venture and Executive Officers are Director	175.00	51%	128.52	-
3. Inter-Roof Manufacturing Co., Ltd.	Roof Tile Manufacturer	Shareholder and Executive Officer is Director	200.00	70.91%	0.000004	-
<b>Affiliated Company</b>		<b>None</b>				
<b>Related Company</b>						
1. Kasit Finance and Securities Public Company Limited	Finance & Securities	Shareholder	150.00	10%	0.015	-
2. The Thai Insurance Public Company Limited	Insurance	Shareholder and Executive Officers are Director	60.00	10%	12.035	900,000.00
3. Siam Regal Co., Ltd.	"Darlie" Toothpaste Distributor	Shareholder	1.00	10%	0.10	20,000.00
4. Nava Nakorn Distribution Centre Co., Ltd.	Containers	Shareholder and Executive Officer is Director	120.00	10%	12.00	542,000.00
5. Danu Thai Holding Co., Ltd.	Holding Company	Shareholder and Executive Officers are Director	37.00	10%	3.70	-



Companies	Business	Relationship	Paid - up Capital (Mill.Baht)	% of Investment	Amount of Investment Cost Method (Mill.Baht)	Dividend (Baht.) Subsidiary Company
6. Boehringer Mannheim Group(Thailand)	Medical Product Distributor	Shareholder and Executive Officer is Director	22.00	10%	2.20	-
7. Electrical Lamp Manufacturers (Thailand) Co., Ltd.	Electrical Lamp Manufacturers	Shareholder and Executive Officer is Director	20.00	10%	0.50	-
8. Bangkok Payment Technology Co., Ltd.	Computer Software & Smart Card	Shareholder and Executive Officer is Director	30.00	10%	3.00	-
9. TSD Leasing Co., Ltd.	Leasing	Shareholder and Executive Officer is Director	150.00	10%	-	-
10. SCB Biotech Co., Ltd.	Sponsor for Aids	Shareholder and Executive Officer is Director	112.75	10%	11.275	-
11. Pattanadhorn Co., Ltd.	Holding Company	Shareholder and Executive Officer is Director	47.5	10%	4.75	100,000.00
12. New Generation Farm Produce Co., Ltd.	Farm Produce	Shareholder	150.00	10%	*1.50	
13. Business Venture Promotion Ltd.	Venture Capital	Shareholder and Executive Officer is Director	120.00	10%	12.00	

**\*The stock which has been marked permanent declined as follows:**

- KSIT capital has been decreased to Baht 0.01/Share
- TSD Leasing Co., Ltd. and New Generation Farm Produce Co., Ltd. have marked the investment cost to Baht 0.00 permanently

**4. Details that the Directors disclosed regarding direct or indirect interest and share ownership of Board members were as follows :**

4.1 Direct or indirect interest through any contract made by the Directors and the Bank during fiscal year 1998

- None -

4.2 TDB Share ownership of Board members as from December 31, 1997 to December 31, 1998

<b>Name</b>	<b>1997</b>	<b>1998</b>
Mr. Pakorn Thavisin	389,256	389,256
Mr. Chalerm Prachuabmoh	329,986	-
Mr. Bajarisan Jumbala	143,000	143,000
Mr. Thavil Khutrakul	2,678	-
Mrs. Pairoh Tuchinda	300,874	-
Mr. Piboon Suwanasilapa	3,475,082	-
Mrs. Benjawan Kumpanartsanyakorn	29,258	29,258
Khunying Chatchani Chatikavanij	13,832	13,832
Mr. Paisal Koomalayavisai	3,094	3,094
Mr. Kemchai Rasananda	22,152	-
Mr. Tanan Punwatanawit	2,705,248	2,705,248
Mr. Pairash Thajchayapong	-	-
Mr. Ng Kee Choe	-	-
Mr. Tan Soo Nan	-	-
Mr. Chong Kie Cheong	-	-
Mr. Peter Ong Boon Kwee	-	-
Mr. Tan Keng Boon	-	-
Mr. Pornsanong Tuchinda	-	-
Mr. Khan Prachuabmoh	266,405	266,405

- Remark.**
1. Mr. Chalerm Prachuabmoh : Passed away on September 5, 1998.
  2. Mr. Thavil Khutrakul : Resigned on January 1998.
  3. Mrs. Pairoh Tuchinda and Mr. Kemchai Rasananda : Resigned on September 21, 1998.
  4. Mr. Piboon Suwanasilapa : Resigned on October 1, 1998.
  5. Mr. Tan Keng Boon ,Mr. Pairash Thajchayapong and Mr. Peter Ong Boon Kwee : Appointed on October 16, 1998.

## 5. Directors Compensation 1998

Board of Directors		Gross payment
Mr. Pakorn Thavisin	Chairman and Chief Executive Officer	720,000.00
Mr.Chalerm Prachuabmoh	Director	360,000.00
M.R.Bajarisan Jumbala	Independent Director	360,000.00
Mr.Thavil Khutrakul	Director	30,000.00
Mrs.Pairoh Tuchinda	Director	300,000.00
Mr.Piboon Suwanasilapa	Director	300,000.00
Mrs.Benjawan Kumpanartsanyakorn	Director	480,000.00
Khunying Chatchani Chatikavanij	Independent Director	360,000.00
Mr.Paisal Koomalayavisai	Independent Director	360,000.00
Mr.Kemchai Rasananda	Director	300,000.00
Mr.Tanan Punwatanawit	Director	360,000.00
Mr.Pairash Thajchayapong	Independent Director	60,000.00
Mr.Ng Kee Choe	Director	440,000.00
Mr.Tan Soo Nan	Director	440,000.00
Mr.Chong Kie Cheong	Director	440,000.00
Mr. Peter Ong Boon Kwee	Director	60,000.00
Mr. Tan Keng Boon	Independent Director	60,000.00
Mr.Pornsanong Tuchinda	President and Director	480,000.00
Mr.Khan Prachuabmoh	Senior Executive Vice President and Director	480,000.00
Total		6,390,000.00

## HEAD OFFICE

### Audit Group

#### Supervision & Audit Department

Tel. 225-4673-80

Mr. Peera Chinwannabutr  
Vice President

Mrs. Sudarat Kongtreekaew  
Second Vice President

Mr. Surapong Churangarit  
Second Vice President

Mrs. Panunya Adisornkarnj  
Assistant Vice President

### Retail Banking Group

Mr. Chaiwat Utaiwan  
Executive Vice President

#### Retail Operations Center

Tel. 230-5283

Mrs. Bungorn Siamseranee  
Executive Vice President

Mr. Prasert Kunarluxkul  
Senior Vice President

Mr. Visist Chomphoonush  
Second Vice President

Miss Kornvika Sugansila  
Assistant Vice President

Mr. Kasidit Thavisin  
Assistant Vice President

### Distribution

#### Metropolitan Department

Tel. 230-5802, 230-5490

Mrs. Porntip Hantanasarn  
Assistant Vice President

Mrs. Kaewkul Sukpracha  
Assistant Vice President

#### Provincial 1 Department

Tel. 634-1739

Mr. Visal Suchatphan  
Vice President

#### Provincial 2 Department

Tel. 230-5216

Mr. Luecha Sukrasebya  
Vice President

#### Branch Support Department

Tel. 230-5529

Mrs. Sudasiriwatana Kaewamput  
Vice President

#### Marketing & Sales Department

Tel. 634-1744

Mr. Kriengsak Niratpattanasai  
Vice President

Miss Amornrat Hovatanapibui  
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**Retail Credit Department**

Tel. 230-5556

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Vice President

Mr. Apichart Chaivipas  
Vice President

Mr. Sombat Wanathamsudjarit  
Second Vice President

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Mr. Suthinan Nunthmanop  
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**Corporate Banking Group**

Mr. Surakiat Wongwasin  
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**Regional Corporate Banking Centers**

Tel. 230-5197

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Executive Vice President

Mrs. Jantipa Chomphoonush  
Vice President

Mr. Thavatchai Saveatasearane  
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Mrs. Kanyasiri Boonyasit  
Assistant Vice President

Mr. Sumitra Kanjianampa  
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**Commercial & Service Department**

Tel. 230-5743

Miss Suthunnee Osathanondh  
Vice President

Miss Siriporn Pintusophon  
Assistant Vice President

Mr. Prasert Tochan  
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**Industrial Department**

Tel. 230-5855

Mr. Pinai Riensavapak  
Senior Vice President

Mrs. Kampoo Visuthiphol  
Vice President

Mr. Sumate Khancharoensuk  
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**Real Estate & Construction Department**

Tel. 230-5607

Mr. Anuphun Tungsnga  
Vice President

**Small Business Department**

Tel. 230-5535

Mr. Korop Tetilert  
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Mrs. Woranart Sripoompanich  
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**Corporate Restructuring Department**

Tel. 230-6205

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Senior Vice President

Mr. Somchai Wongsapak  
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Mr. Tara Vorasinthop  
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**Credit Administration & Operations Department**

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Mr. Yuthapon Tuchinda  
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## BRANCHES IN BANGKOK AND PROVINCIAL BRANCHES

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**MAP KHA BRANCH**

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**Mr. Kitsada Laouaroon**

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**Mr. Somsak Chuesirawat**

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**ROYAL GARDEN SUBBRANCH**

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**Mrs. Sirima Pongprasop**

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**Mr. Piboon Jaruspaiboon**

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**LAEM CHABANG BRANCH**

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## NORTHEASTERN BRANCHES

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Khon kaen. 40000  
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#### Mr. Kittipong Wongpusa

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#### Mr. Amornsak Chanaroke

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#### Mr. Chakri Apinansanti

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### CHIANG RAI BRANCH

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#### Miss. Payaow Pruksa korn

Branch Manager

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#### Mrs. Chalida Charoensuk

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#### Mrs. Banyat Pangraun

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Chiang Mai. 50210  
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FAX. (053) 380-143

#### Mrs. Patchanee Lapcharoen

Branch Manager

## CENTRAL BRANCHES

### THANON KHATHATHORN-RATCHA BURI BRANCH

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#### Mr. Chanin Chanpitayakij

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#### Mr. Rungroj Kittaweepwatana

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#### Mr. Wanlop Kasemlak

Branch Manager

## SOUTHERN BRANCHES

### NIPHAT UTHIT 3 HAT YAI BRANCH

155, 157, 159/1 Niphath Uthit 3 Road,  
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#### Mr. Kosit Chantalackana

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