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THAI HOSPITALITY...WORLD-CLASS EFFICIENCY



FINANCIAL HIGHLIGHTS

Amounts Million Baht

	Consolidated Financial Statements				
	DECEMBER 31 2001	DECEMBER 31 2000	DECEMBER 31 2001	DECEMBER 31 2000	DECEMBER 31 1999
FINANCIAL STATEMENT INFORMATION					
TOTAL ASSETS	366,670	336,557	369,062	336,655	335,068
TOTAL LIABILITIES	353,051	323,524	355,443	323,622	326,143
SHAREHOLDERS' EQUITY	13,619	13,033	13,619	13,033	8,925
INTEREST AND DIVIDEND INCOME	16,059	14,888	15,850	14,890	19,217
INTEREST EXPENSES	11,501	12,942	11,501	12,943	17,313
NET INTEREST AND DIVIDEND INCOME	4,558	1,946	4,349	1,947	1,904
NON- INTEREST INCOME	3,578	2,710	3,491	2,707	2,260
NON- INTEREST EXPENSES	7,249	6,470	7,122	6,467	6,642
TOTAL INCOME	19,637	17,598	19,341	17,597	21,477
NET PROFIT (LOSS)	655	(25,064)	655	(25,064)	(11,615)
FINANCIAL RATIOS					
NET PROFIT (LOSS) TO TOTAL INCOME RATIO (%)	3.34	(142.43)	3.39	(142.43)	(54.08)
RETURN ON EQUITY (%)	4.92	(192.31)	4.92	(228.29)	(77.74)
RETURN ON ASSETS (%)	0.19	(7.45)	0.19	(7.46)	(3.36)
BASIC EARNINGS (LOSS) PER SHARE (BAHT)	0.33	(15.35)	0.33	(15.35)	(11.45)
DIVIDEND PER SHARE (BAHT)	-	-	-	-	-
PAYOUT RATIO (%)	-	-	-	-	-
BOOK VALUE PER SHARE (BAHT)	3.40	3.26	3.40	3.26	8.79
CAPITAL ADEQUACY RATIO (%)	12.67	12.95	12.53	12.94	9.87

* Remark As 2000 was the first year for balance sheet consolidation, financial ratios were not average figures

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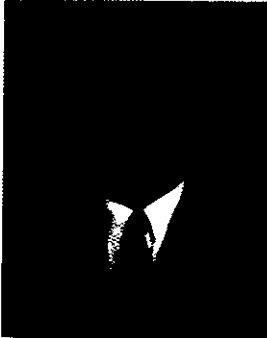


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MESSAGE FROM THE CHAIRMAN



To the Shareholders,

During 2001, Thai Military Bank Pcl continued its commitment to improve and develop its organization and operations in all areas, focusing particularly on customer service, marketing and management. The bank aimed firstly to be fully prepared against competition coming from other financial and non-financial institutions, which seemed increasingly in evidence. And secondly, to ensure that the bank can finally make profit again while economic conditions in general were still not favorable enough despite the stimulus package launched by the government.

Important development and improvement programs carried out during the year were as follows:

Organization Restructuring

The bank has initiated a program to restructure its branch operations to place more focus on making all branch offices more marketing-oriented. To support this concept, three types of business centers to handle three different fields of activities — domestic banking services, international services and branch support — were set up. The running of these business centers has been under control of regional manager or business district manager as the case may be. Each business center is responsible for supporting from 10 to 30 branches.

New units were also set up within certain function lines. One new unit is responsible for financial product and service development and delivery channel development. The aim is to keep the bank's service quality and efficiency at a high level. Other new units included one that takes responsibility in credit risk and capital market risk management. Another is the Compliance Office, which is responsible for across-the-bank oversight on compliance practices as well as exposure to credit risk and money market risk.

Human Resources Development

Recognizing that human resources play every important role to deliver the results the bank aims for, the bank in 2001 engaged two renowned human resources development consultants, CSN and Hay Group, to conduct programs that involved job valuation, salary scale readjustment and job performance appraisal. The Bank also initiated its first early retirement program planned to introduce during the period from March to June 2002. Such activities would ensure that the bank's organization and management styles are at par with international standards and in sync with the bank's marketing strategies.

Technological Development

The bank continued to upgrade its technological standards to match well with competitors in terms of service capabilities, particularly in core banking services. ALLTELL system has been

MESSAGE FROM THE CHAIRMAN

selected for data processing and delivery of core banking services

Other important development programs in technology included

Credit Scoring System

Development This involves initial credit analysis based on computer program Testing of the system is being done Real time application is expected to start in 2002

Treasury Management System

OPICS program was acquired and installed in Jan 2001 Partial application of the program has been started

Trade Finance System

The system known as EXIM BILL was acquired to replace the outdated BANK TRADE system The new system is now being implemented

Branch Retail Banking System

Installation of this system and all support equipment at all branch offices was completely done in June 2001 Every TMB branch now features a self-service box for instant depositing of checks automatic telephone answering machine, ATM, and passbook updating machine

New Products

During 2001, the bank launched its 10 new financial services as follows

TMB Senior Accounts

This service is mainly for depositors at 55 years of age or above who prepare to retire or already retired from their jobs

Easy Installment Home Loan

This credit service was conceived specially to help TMB's customers who are in need of financing on soft and easy terms for buying of residential unit or home appliances, as well as to meet their expenses on refurbishing or home improvement plan

Welfare and Housing Loan for PEA A housing loan created specially for staff of Provincial Electricity Authority

Internet On-line Loan This housing loan service can be acquired through the bank's on-line service known as TMB Direct Internet Banking

Post-Graduate Study Loan This special service aims to support those who are in pursuit of higher education at masters' and doctorate degree levels in both public and private universities in the country

Home-Lover Loan This specially designed housing loan with cooperation from

contractors and suppliers in alliance with the bank is available to customers in complete package and covers all costs from home building to furnishing and appliances buying as well as refurbishing and repair work of any kind

TMB-SME Loan This credit service is to provide working capital to small and medium

MESSAGE FROM THE CHAIRMAN

enterprises in operations for at least 3 years. Term loan and short-term funding for domestic and international trade includes O/D, P/C, L/C, L/G, DL/C, LBD, Etc.

TMB-SBE Loan This special loan is for small enterprises in operations from 1-3 years up. The service is available in term loan and working capital support for both domestic and international trade including O/D, P/C, L/C, L/G, DL/C, LBD, Etc.

Trade Finance A credit service aims at supporting trading firms, which are TMB's corporate clients both old and new.

Education Institution Loan A multi-purpose loan service given specially to personnel of education institutions, available for housing need, car buying or other purposes.

Branch Operations

In 2001, the bank managed to open its new branch offices and close down certain branch offices as follows:

- 7 new branch offices were opened at education institutions as well as government agencies and state enterprises.
- 7 loss-ridden provincial branch offices were closed down. The bank, as a result, operated with a network of 366 branch offices in total at the end of 2001.

The bank during 2001 took a strong effort in building its income through extension of business in several areas as follows:

Credit Services

The bank expanded its scope of credit services by introducing 4 new services, namely Easy Installment Home Loan, Home-Lover Loan, TMB/SME and TMB/SBE loans. As a result, the total loans at the end of 2001 (as reported in C B 11) amounted to Bht 266,329 million after NPL transfers totaling Bht 34,700 million to TAMC and the Bank's subsidiary, Phayathai Asset Management Co., Ltd., increasing by 2.8% over the end of 2000. This is far better than the whole banking system's lending performance which, in fact, retracted by 2.4% in 2001.

Deposits

The bank in 2001 effectively mobilized new deposits to maintain its liquidity level at an appropriate level while business development activities continued as planned. The bank focused mainly on taking low-cost deposits, particularly savings deposits. At the end of 2001, the bank's total deposits grew up impressively by 12.0%.

Non-Performing Loans

The bank took a very serious approach to work out its non-performing loans. The first step is to persuade the customers to accept loan restructuring or if possible settle their debts by asset

MESSAGE FROM THE CHAIRMAN

transfer. The bank during 2001 also took a strong effort to dispose foreclosed properties through public auctioning and direct sale promotion. As at the end of 2001, the Bank's NPLs stood at Bht 33,530 million in total, down by 46.4% from 2000. This resulted in a marked drop in NPL/total loans ratio from 23.2% at the end of 2000 to only 12.3% at end of 2001.

Income

The bank's income was generated from both interest-based and fee-based income. However, interest spread was exceptional low at 1.2%, making it difficult for the bank to turn its operations into profit if depends solely on interest income. The alternative was to generate more non-interest income from service fees and commission as well as securities investment, particularly low-risk government bonds.

The efforts taken by the bank as described above, with full support coming from all ranks of executives and staff, resulted in a net profit of Bht 655 million, a delightful fruition to some extent if not all glorious, given that Thailand's economic conditions got worse quite considerably in 2001 as a result of many unfavorable circumstances and tragic events occurred in other parts of the world.

The bank, however, is not at all content with its success in returning to profit. Full effort will be taken further in 2002 particularly in business development and expansion in credit services to bring in more income and profit. Cost

cutting where possible is to be implemented at once if not affect any income-generating activities and customer service enhancement. The bank would actively continue its strong resolve to cut down NPLs to a level as low as possible while effort to dispose foreclosed assets will go on unabated.

The bank's strategic activities planned for 2002 to reinforce its competitiveness and fully consistent with the Board's policy are as follows:

Credit Service Extension Plan

Funding up to Bht 20,000 million representing an increase of 8% will be allocated for extension of credit services focusing mainly on SME, housing and trade finances.

Marketing Plan

Marketing remains to be the bank's key operating function in which proactive strategies are to be taken and geared to suit the needs of customers in every aspect.

Risk Management Plan

Emphasis is mainly on 3 major risk factors, credit risk, market risk, and operations risk. This policy continues from 2001. Personnel development is to focus more on understanding of risks the bank is exposed to while development of working manuals will continue in full force for the staff to become well-versed in their job responsibilities and compliance.

MESSAGE FROM THE CHAIRMAN

practices Internal audit and control procedure will be made independent as much as possible to ensure transparency in every aspect of the bank's operations

NPL Workout Plan

The focus is on debt restructuring, case execution, and disposal of foreclosed properties

Branch Administration Plan

All branch offices will be upgraded in terms of service quality and efficiency Customer transactions will be completely electronically processed for effectiveness

Technological Development Plan

The installation of core banking system will be completed in 2002 to support marketing planning and customer service upgrading while the system will be used as basis for extension of TMB Direct Internet Banking for both retail and corporate clients

Human Resources Development Plan

Personnel of the bank will be fully geared to perform at their best and capable of delivering results that consistent with the bank's strategic direction in all manners

The success the bank achieved in 2001 came mainly from the pooled effort and cooperation provided by the bank's shareholders and valued customers as well as the public in general It is hoped that the kind and warm support from all patrons of the bank would continue strongly in 2002 and beyond The bank is firmly confident that the bank's quality of service and delivery efficiency would remain at a high level to satisfy the most demanding requirement coming from any customer Coming to a close, I would like to take this opportunity to express my sincerest thanks for everyone concerned

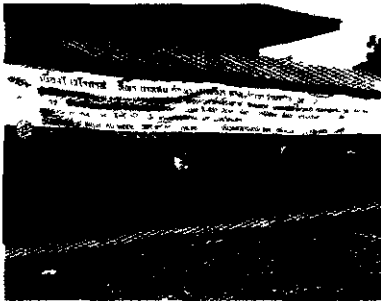


Gen Wimol Wongwanich (Retired)
Chairman of the Board

RESULTS OF OPERATIONS

Results of Operations

As Thailand's export-based economy slowed down under bad conditions in the world's market during 2001 and remedial measures launched by the government still far from taking any effect competition among commercial banks remained rather strong throughout the year. Unruffled but more resolved, the Thai Military Bank managed to move on smoothly implementing its business plans and internal development programs. The final purpose is to become strongly prominent in terms of competitiveness.



TMB's Statements of Vision, Values and Mission

With strong determination to move ahead in a concerted effort, the bank in 2001 laid down its strategic direction best explained by clear definitions of its vision, values and mission. The ultimate goal of the bank is the ability to answer to every need of its customers effectively and efficiently.

Vision

To move forward with transparency, stability and quality in all areas while service delivery must always be in the best tradition of Thai hospitality and world-class efficiency.

Values

The bank's organizational culture is based on three basic values: the customers are important in every respect and deserve the best treatment ever, professionalism always counts and last but not least the strong sense of social contribution.

Mission

The agenda are set for

- speedy NPL workout,
- higher earnings based on business growth, and
- long-term strength and stability

Strategic Achievements

Guided by its strategic direction, the bank in 2001 geared up its operations in 10 different areas as follows:

Marketing

The bank's marketing in 2001 aimed to bolster its market share in the business sector, particularly to serve the small and medium enterprises while the relatively large group of college students was viewed as a potential target. A number of new compact-sized offices were opened for business and several innovative services were introduced to serve the purpose during the year. The new services include the followings:

1. **TMB Senior Account** This is a special savings account designed to provide another choice of savings to retired government officials or corporate employees who received large pension fund or those reaching 55 years of age and preparing their retirement plans. The interest rate is set slightly above the normal savings account rate to give such prospective customers some extra earnings from their pension while safety is absolutely guaranteed.

2. **Easy Installment Home Loan** This is a type of housing loan that provides funding for customers to buy a house or build it on their own land or even to buy furniture or home

RESULTS OF OPERATIONS

appliances, renovate or make repairs in any manner

3 Housing and Welfare Loan for PEA Staff A special service provided to the staff of Provincial Electricity Authority (PEA), the loan is multi-purposed to serve all needs relating to housing and other necessities including car buying The limit for each applicant is Bht 2 million but not over 60 times of the applicant's salary

4 On-line Internet Loan A housing loan by another innovative way, this aims to provide easy and convenient interactions between TMB and its customers who are at ease with Internet approach to banking services

5 TMB Post-Graduate Study Loan A financial support for those who are in pursuit of further study at local universities for a masters' or doctorate degree in any discipline, this service is available to TMB and non-TMB customers

6 Home-Lover Loan TMB and its allied enterprise customers pooled their efforts in this service to provide customers of TMB with multi-purpose funding in an all-in-one arrangement for house construction, repair or any kind of improvement including refurbishing and home appliance buying

7 TMB-SME Loan This financial service is to boost up liquidity and provide working capital support and needed credit facilities to small and medium enterprises in operations for at least 3 years Term-loan and other facilities such as O/D, P/C, L/C, L/G, DL/C, LBD are also provided

8 TMB-SBE Loan This service is exactly the same in nature with the TMB-SME loan but designed to support

small private shopkeepers with at least 1-3 years in their own business

9 Trade Finance This is a traditional financial support for international traders who need short-term funding and credit facilities relating to import and export business

10 Educational Institution Loan This loan service is provided to staffs of any school, college and university for housing need, car buying and other needs

Credit Services

The bank's credit services, in 2001, expanded to serve financial needs of small and medium business enterprises Housing loans and trade finance were also actively promoted New financial services were designed and introduced to directly serve the needs of some target groups The overall effort pushed up the bank's year-end 2001 total loans to Bht 266,329 million, up by a modest 2.8% on the year-on-year basis but still the best among commercial banks in the same group

Branch Operations

Actions taken included

- Branch network was restructured to suit the bank's own strategic direction, business climate economic conditions and competition in the banking sector Seven mini-offices were opened at educational institutions, government agencies and state enterprises while loss-ridden branches at seven locations were closed down

- Renovation and improvement were done inside and outside at several branch offices to reflect the strong and



RESULTS OF OPERATIONS

modernistic image of the bank in terms of neatness and sense of style while everything must be technologically convenient to customers

- Branch network was reorganized to be more market-oriented in its overall operations while new units were established to provide marketing support to all branch offices

Risk Management

The bank, in 2001, stepped up its groundwork and practices in risk management as follows

- In credit risk management, works on risk analysis and the task of looking for customers were separated into two independent functions. Credit scoring system was adopted for initial analysis of customer credit standing

- Money Market Risk Management Office was set up to function separately from trading room, a preventive action relating to conflict of interest issues

- Operations Risk Management
 - Branch administration was redefined to base on the hub & spoke concept

- Compliance Office was set up to take responsibilities in supervision and control of compliance practices within various function units across the bank organizational spectrum. This is to ensure that all units strictly follow all laws and regulations applied to banking industry

NPL Workout

The bank, during 2001, went on with its strong effort to lessen the impact of the NPL problem basing on the following actions

Speeding up its debt settlement effort by offering debt restructuring plan and asset transfer to the customers as the best solutions

Giving high priority to disposal of foreclosed properties and other assets

Cooperating closely with the Legal Execution Dept. to arrange public auctioning of foreclosed properties

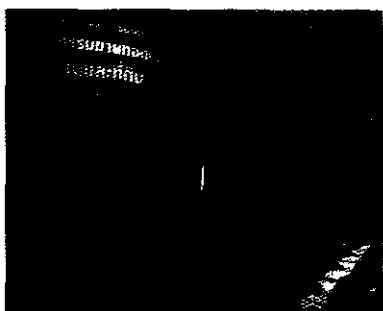
In addition to the above actions, the bank also transferred part of its NPL portfolio to the government-owned Thai Asset Management Corporation and its own subsidiary, Phayathai Asset Management Co., Ltd., worth Bht 5,578 million and Bht 29,123 million respectively. This brought down overall NPLs in the bank's portfolio to Bht 33,530 million or 12.3% of the bank's total loans at the end of 2001.

Technological Development

The bank has been fully convinced that technology now plays a vital role in modern banking business. Service delivery capability of any bank is now totally depends on technology. During 2001, new application software systems were installed. The important one was the Core Banking System, which is an all-in-one system that can process transactions of different natures. Other systems installed included Credit Scoring, Treasury Management, and Trade Finance systems.

Internal Audit

Internal audit has been recognized as a key function area that needs to be free of interference from the management to guarantee unbiased and accurate examination of all transactions carried out routinely or



RESULTS OF OPERATIONS

otherwise Two departments working on two separate internal audit functions are now reporting to the bank's Audit Committee This put the bank into a position that good corporate governance practices are strongly in evidence for all to admire

Personnel Management

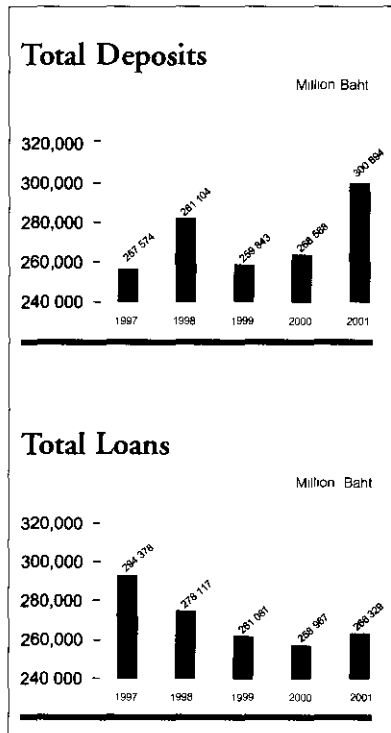
In 2001, important activities taken by the bank in personnel management included

- Introducing new approach to performance appraisal in which action plan of each staff-member is part of the

appraisal process

- The bank has adopted a new approach to revise salary scale and annual raise procedure Annual raise is now based on midpoint percentage instead of the old-fashion ladder-based system

During 2001, the bank engaged CSN & Hay Group for their consulting service in human resources management, which covered the introduction of new approach in performance appraisal, salary scale restructuring, etc



Results of Operations

For TMB, 2001 was not just another year passed by but a significantly meaningful year in its recent history TMB, during this eventful year, managed to turn itself around and went into profit once again after 3 full years of loss making since 1998 TMB's business grew up at a steady pace in all areas which can be described as follows

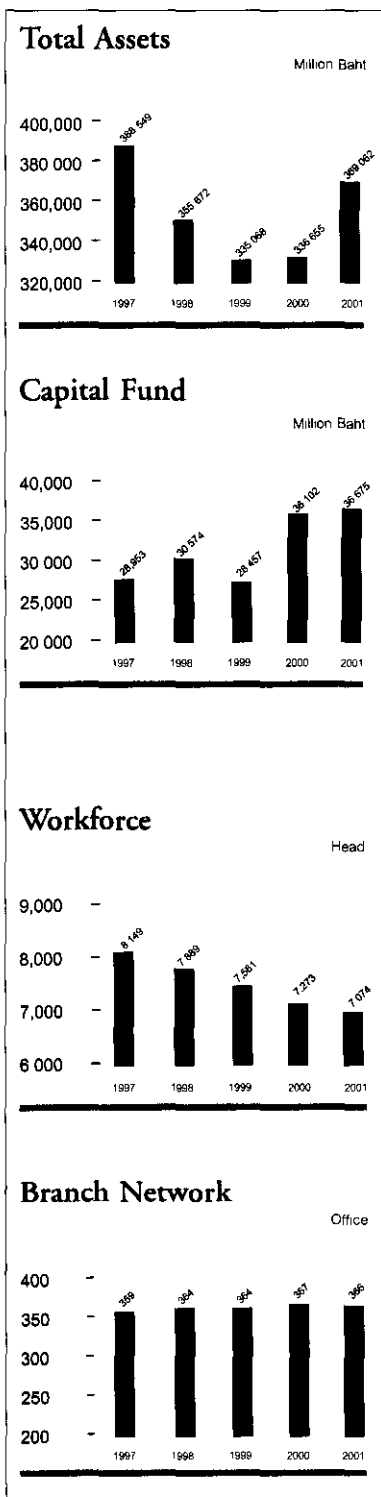
Total Deposits

The bank's total deposits at the end of 2001 reached Bht 300,894 million, rising by 12.0% from 2000 and sharing about 6.3% of the whole market Majority of the increase was in the form of low-cost deposits The results lower funding cost and better deposits structure comparing with 2000

Total Loans

Net total loans as reported in CB 11 form (total loans net of loan loss reserve) as at year-end 2001 amounted to Bht 266,329 million after Bht 34,700 million transfers made to TAMC and the bank's subsidiary, Phayathai Asset Management Co., Ltd The figure was 2.8% above the year-end 2000 total loans, a better performance if compare with 2.4% rise achieved by the whole banking system Contributing to loan growth, was the bank's effort that focused mainly on introducing a variety of new credit services designed to serve specifically from one target group to another including small and medium business enterprises Trade finance was also promoted The targets were corporate clients of all sizes in both import and export businesses At the end of 2001, loans for commerce took the

RESULTS OF OPERATIONS



second place in the bank's loan portfolio after loans that went to manufacturing industry while loans for personal consumption took the third place

As regards to the critical NPL problem, the bank's position at year-end 2001 improved markedly as NPLs dropped by 46.4% to Bht 33,530 million or only 12.3% of the total loans

Total Assets

As at the end of 2001, the bank's total assets reached Bht 369,062 million, increasing by 9.6% on the year-on-year basis. Purely, a result of well-planned deposits taking and credit services extension

Capital Fund

The bank's capital fund at year-end 2001 amounted to Bht 36,675 million. This was equal to 12.5% of risk assets. The amount consisted of tier 1 capital at Bht 22,970 million and tier 2 at Bht 13,704 million or 7.9% and 4.7% of risk assets respectively.

Comparing with 2000, the capital fund grew up by Bht 572 million or 1.6%, due chiefly to the bank's ability to earn a net profit of Bht 655 million. Seemingly small but a remarkable achievement, given that the bank had to go through its loss-ridden years since 1998.

Net Profit

The bank in 2001 made a net profit of Bht 655 million. This was made possible out a strong effort to expand business from which interest income and non-interest income could be raised within the legal and regulatory frameworks. The bank's effort paid off as a result of the following undertakings:

- Introducing innovative financial products and services to the public as well as improving and adding new delivery channels while service efficiency was enhanced in various ways including branch equipment upgrading, and technology enhancement, particularly the Internet service channel.

- Investing liquidity surplus in low-risk securities, particularly government bonds.

Workforce

As at the end of 2001, the bank's staff was 7,074 strong, lower from the end of 2000 by 199 employees or 2.7%. This was due largely to the policy for non-replacement and no new recruitment unless absolutely necessary and it would help preventing undesirable effects on the bank.

Branch Network

As at year-end 2001, the bank's branch network consisted of 366 offices of which:

- 115 locating in Bangkok Metropolitan Area,
- 248 in provincial areas, and
- 3 abroad

The bank in 2001 opened new branch offices and closed certain offices as seen appropriate as follows:

- Seven new compact-sized offices were opened at educational institutions, government agencies and state enterprises.

- Seven loss-making branches in provincial areas were closed down to cut off further losses.

RESULTS OF OPERATIONS



In summary, TMB, during 2001, continued to implement its business strategies further from 2000, focusing mainly on building both interest income and non-interest income while cost-saving exercises were put into place at

all levels. The bank continued to take its strong effort to solve its critical NPL problem while full attention was given to ways and means by which disposal of its foreclosed properties could be conducted in a speedy manner.



SME

2002, TMB's Year of SMEs

Giving them needed capital to work with and long-term support for growth

A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

The World's Economic Conditions in 2001

The world's economy in 2001 grew up weakly at 2.4%, far slower than the 3.9% reached in 2000. This was due to the poor conditions experienced by the U.S., Japan and the European Union where annual economic growth stumbled from 4.1%, 1.5% and 3.4% to 1.3%, -1.0% and 1.6% respectively. Low level of consumer spending resulted in the sharp falls in investment and industrial production almost everywhere. Japan continued to suffer from its economic recession and the large amount of bad debts in its financial sector. Sadly, the 9-11 terrorist attacks in the U.S. badly affected the world's economy in many ways. In Asia, the situation was no better than other parts of the world as demand in the world market for goods from Asia, particularly the best-selling electronic items decreased sharply. Asia's overall economic growth decelerated from 7.6% in 2000 to 5.0% in 2001. In Latin America, widespread economic slump put everything on hold as growth in the region during 2001 was negligible at 0.9%, too far different from 3.8% in 2000. The worst case was the economic crisis that hit Argentina in late 2001. The country's financial system was completely in shamble as people queued up at commercial banks to draw out their deposits while the government allowed only small withdrawals and floated the peso. The main reason behind the crisis was the pegging of the peso at par with the U.S. dollar and unrestricted use of the dollar for payments in the market while loans from abroad can be taken easily. The country's economic structure has never been strong enough to withstand such liberal monetary system.

The World Trade

The economic slumps in many parts of the world badly affected international trade. Growth in world trade during 2001 was barely visible as the figure plunged down to 1.0% from 12.4% in 2000. Regrettably, business enterprises around the world, old and new, including many hi-tech up-starts that emerged to exploit the boom of the so-called New Economy, fell by the wayside one after another. An uptum in unemployment was commonplace almost everywhere, most evidently in industrialized economies.

In some regions of the world, foreign direct investment seemed very much in decline.

Inflation Rate

Inflation around the world remained low at 1.9% during 2001, comparing favorably with 2.9% during 2000. Evidently, it was the result of the recession experienced by Japan and some Asian countries where consumer spending dramatically went down as unemployment dampened the purchasing power of consumers. On the contrary, inflation in the euro area rose from 2.3% to 2.7% on a yearly basis in 2001 as personal earnings slightly improved.



A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

Thailand's Economic Situation in 2001

Thailand's economy in 2001 expanded at a lower rate comparing with the previous year. This was due mainly to poor market conditions causing a significant drop in export of products that contributed up to 60% of the country's GDP. The export slump was caused mainly by severe economic downturn experienced by the country's major trading partners, particularly the U.S. However, the Thai economy showed some signs of growth during the first half of 2001 but export slowdown in the third quarter canceled out the good effect. As uncertainties reigned, private investment remained weak, particularly, investment in equipment and machinery. Industrial production, therefore, grew up just a little as overall production capacity was partially utilized. In its effort to revive the economy, the government took several measures to support the private sector, for example, a policy for fast budget disbursement, housing loan promotion, setting up of village funds and People's Bank, launching of SME financial support program, establishing the Thai Asset Management Corporation and promotion of domestic tourism. Despite such stimulus package from the government, the Thai economy in 2001 made a little progress. Growth was unimpressive at 1.8%, comparing with 4.6% in 2000.



Production

Agricultural Sector Badly affected by a drop in paddy price, rice farmers reduced their cultivation to match the poor market condition. Sugar cane production also dropped markedly as many plantations were ravaged by epidemic of diseases and pest attacks. As a result, Thailand's farm production during 2001 expanded slowly at 1.2%, less than half of the already low 2.7% achieved in 2000.

Prices of farm products as a whole improved by 3.2% during 2001. The steep rise in prices of certain products, particularly, cassava and sugar canes was the main reason. Cassava price rose by 39.7% due to low supply while demand in overseas markets, particularly, China continued to remain high. Sugar cane price rose by 26.8% as sugar price in the world market jumped. Prices of other items in the agricultural sector, particularly, poultry, beef, and pork, hiked up an average rate of 10.1% during the year. Higher demand in the world market for, in particular, frozen chicken was the result of a sharp fall in local supply of beef and pork in some countries where foot and mouth disease epidemic occurred and consumers turned to chicken as an alternative to beef and pork. This drove the prices of beef and pork from Thailand up considerably as demand in some overseas markets remained good.

Industrial Sector Overall industrial production grew up by a mere 1.3% in 2001, a large drop from 3.3% in 2000. Capacity utilization dropped markedly in almost every type of industry except in pulp and paper and petrochemical industries.

A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002



The best performance was seen in two different industries, the beverage and construction material. The beverage industry's production growth was basically the result of growing local demand for soft and hard drinks. Distillers increased their productions mainly to fill their depleting stocks carried over from 2000 while brewers and soft drink producers hyped up their marketing campaigns to capture larger market shares. In construction material industry, the production increased along with the sharp surge in cement production as demand at home and abroad rose markedly. The contributing factors included large infrastructure projects that have been progressively underway while demand from outside markets, particularly Bangladesh and Vietnam stayed considerably high. Slight production upturns were also seen in some other manufacturing industries, particularly, textile, petroleum, iron & steel, and gems & jewelry.

Production in some segments, particularly electronic and electrical appliance industries, decreased by 26.8% during 2001. Most notable were the drops in manufacturing of circuit board and television sets. This was due to economic downturns that severely crippled the market demand in two of Thailand's best trading partners, the U.S. and Japan. In tobacco industry, production went down under pressure of competition from imported products. In food industry, the decrease was significant in the production of refined sugar as sugar cane crops were badly damaged by plant disease and pest attacks in many growing areas.

Spending

Private Consumption

Consumption in Thailand's private sector increased at an annual rate of 3.4% in 2001, slowing down from 4.9% in the previous year. Contributing chiefly to the increase were the rises in retail trade, consumer goods import and motorcycle sale. The slower rate of increase indicated that consumers were reluctant to spend freely. Perhaps, Thailand's economy was still bruised from the crisis. However, the good prices fetched by farm products helped the farmers to earn more.

Private Investment

Investment in the private sector during 2001 hit a snag as growth was only 5.1%, down from the high rate of 17.2% reached in 2000. The main factor was a downturn in capital goods investment, particularly an 11.2% decrease in investment on imported equipment and machinery.

Export and consumer spending continued to retract, causing industrial output to remain low. This corresponded with the Board of Investment's data which pointed to severely dampened investment climate as very few promotional certificates were granted to new investors in 2001. Investment related to property market, particularly the resident segment, noticeably increased in response to the government's stimulus as housing loans on favorable terms at a low rate of interest were offered to government employees. Housing loans were also made available competitively to the public by commercial banks as liquidity in the financial market remained at a high level.

A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

Government Spending Public sector's investment showed a sign of improvement as retraction rate settled down to 6.6% annually in 2001. This compared favorably with the retraction at 9.9% in 2000. Behind the improvement were the following major factors:

- 1) A tax cut for listed companies both old and new as well as small and medium enterprises with paid-up capital of not over Bht 5 million. The tax cut for SMEs was applied to the net profit of not over Bht 3 million.
- 2) Government stimulus measure to revive the property market.
- 3) The government policy aimed to expedite budget disbursement.
- 4) Debt cut and 3-year debt moratorium to ease farmers' debt loads.

Inflation

Inflation remained low at an average rate of 1.6% in 2001, slightly higher than in 2000. This was due largely to the price rises at 2.2% in non-food items and 0.7% in food and beverage. The rise in CPI was caused mainly by:

- 1) A series of oil price hikes which affected electricity rates.
- 2) A rise in both wholesale and retail prices of LPG.
- 3) Jacking up of car and pick-up truck prices by assemblers in response to rises in costs of parts and materials and the hike in inter-provincial bus fares.
- 4) Tax hike on liquor and tobacco products.
- 5) Weak value of the Baht resulted in paying more for imported goods.

International Activities

Export Thailand's export in 2001 stood at USD 63.2 billion, down by 6.9% from 2000. The predominant factor behind the fall was the low demand for manufactured products that made up to 67.1% of the country's total export. Overall export value dipped by 6.4% over the previous year. Export of goods that declined sharply were circuit boards, other electronic products and TV sets. Other products that contributed up to 15.5% of total export also suffered a 12.9% decrease. The decline in export of primary and agro-industrial products that made up to 18.0% of total export was minimal at only 0.7%. However, good export performances were seen in frozen duck and chicken products, precious stones, automobiles and auto parts, and sugar.

Import Thailand's import in 2001 retracted by 2.8% over 2000. The total value was at USD 60.7 billion. The stagnated economy and export slump were the key factors in import decline. As a result, import of raw materials for reprocessing in export industries shrunk while domestic demand for fuel and oil products dipped noticeably. The government policy in favor of using locally available materials and products in its agencies also contributed to the import decline. Crude oil, circuit board, chemicals, iron and steel, and metal products were all at the receiving end of the decline.

Balance of Trade A surplus of USD 2.5 billion was the result at the end of 2001, less impressive comparing with the USD 5.5 billion surplus made in 2000. The USD 2.0 billion surplus occurred

A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

almost solely in the second half of the year as unfavorable circumstances put a brake on import. A surplus in services and contributions was slightly smaller comparing with 2000. This was due to slackening in inflows from tourism while, on the contrary, the outflows jumped. As overseas labor markets shrunk, remittances made by Thai workers abroad also went into a decline. The current account balance produced a surplus of only USD 6.2 billion, a very significant downward adjustment from USD 9.4 billion achieved in 2000.



Net Capital Movement A deficit of USD 5.5 billion in 2001 was a significant improvement from the deficit of USD 10.3 billion in 2000. Net capital outflows in the private and public sectors, through the Ministry of Finance amounted to USD 4.5 billion and USD 0.6 billion respectively. Mainly responsible for smaller deficit was the private sector as foreign debt payments during the year through Bangkok International Banking Facility System (BIBF) and by non-bank businesses were much less comparing with the past few years. At the same time, foreign investors invested cautiously in the stock market in response to a lingering bearish trend. Deficit in net capital movement was larger in the public sector because the Bank of Thailand repaid the IMF loan up to USD 3.1 billion while some state enterprises made their long-term foreign debt repayments.

Balance of Payments was in surplus by USD 1.3 billion, contrasting sharply with the deficit of USD 1.6 billion in 2000. The surplus was an effect of a significant improvement in net capital movement as private sector's debt payment dropped markedly. The country's international

reserve as at year-end 2001 stood at USD 33.0 billion, improving slightly from USD 32.6 billion as at year-end 2000.

Fiscal Condition

The government, in 2001, opted for deficit budgeting to revive the economy. The government set its expenditure at Bht 910.0 billion while revenue amounted to Bht 805.0 billion leaving a deficit balance of Bht 105 billion or 1.9% of GDP to be funded by public debts. Some significant points are as follows:

- Revenue

Government's net revenue intake amounted to Bht 765.4 billion, increased slightly by 2.4% from last fiscal year. Personal income tax grew up by 9.9% over the previous fiscal year as employment climate improved. Excise tax collection was up 7.0% from previous fiscal year as higher tax rates were applied to liquor and tobacco products.

Tax revenue decreased significantly in collection of specific business tax and value-added tax. The former went down by 32.0% due to a cut in tax on real estate transactions while the latter was less by 8.0%. The fall in net revenue from VAT was due to the increase by Bht 12.7 billion in government's contributions granted to village administrative councils around the country.

- Expenditure

At the end of fiscal year 2001, the government's expenditure disbursement totaled Bht 876.0 billion. This included disbursement in the current fiscal year at Bht 784.9 billion and Bht 91.0 billion carried over from the previous fiscal year. Total disbursement increased by 3.0% over the previous fiscal year. Budget disbursement during the current fiscal

A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

year was done up to 88.4% of the total budget, slightly better than 88.0% made in the previous fiscal year. Among the expenditure items, interest payment increased the most at 9.4%. Smaller increases in other expenditure items along the line included contributions and remittances, costs of goods and services and salaries and wages, which aggregate-ly amounted to 46.2% of fixed expenditure. The budget, therefore, showed a net cash deficit of Bht 107.9 billion, comprising on-budget deficit of Bht 110.6 billion and off-budget surplus at Bht 2.7 billion.

Foreign Debts

Overall foreign debt outstanding as at the end of 2001 stood at USD 67.3 billion, down by USD 12.4 billion from USD 79.7 billion at the end of 2000. The drop took effect in the long-term debts rather than in the short-term ones.

- Foreign debts taken by the private sector as at the end of 2001 amounted to USD 39.0 billion, decreasing by USD 6.7 billion from 2000. The banking sector managed to reduce their debts by USD 0.6 billion, mostly in overdraft facilities and BIBF debts. In non-bank sectors, foreign debt outstanding went down substantially by USD 3.9 billion, mainly due to long-term loan payback made by the petroleum industrial firms.

- Foreign debt outstanding in the public sector at year-end 2001 stood at USD 28.3 billion, decreasing by USD 5.6 billion from 2000. The reduction was mostly the effect of long-term loan repayments and the Bank of Thailand's payback of IMF loans. However, some of the loans were refinanced through euro

commercial paper (ECP). This resulted in a substantial increase in short-term loans.

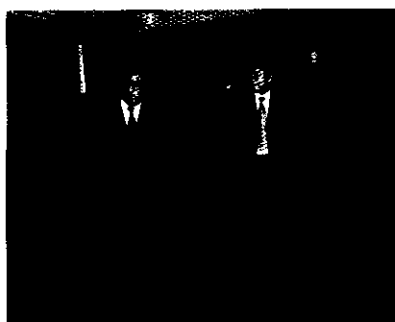
- Foreign debt ratios. At the end of 2001, the ratios between short- and long-term debts, and between private and public debts were 80.20 and 57.43 respectively. In 2000, the same ratios were 82.18 and 58.42 respectively.

Monetary Conditions

Liquidity and Interest Rates

Liquidity in the financial system generally continued to remain at a high level from 2000 despite 14 days repurchase rate in the bond market jumped from 1.50% p.a. to 2.50% p.a. in early June 2001. Deposits in commercial banks continued to grow throughout the second half of the year while lending activities in the banking system were not robust enough to make any impact on liquidity surplus in the market. However, the tragic event following the 9-11 terrorist attacks in the U.S. on the World Trade Center and Pentagon somewhat shook up the financial market. Alerted by the event, the Bank of Thailand decided to provide the market with additional liquidity through its repurchasing facilities to eliminate interest rate fluctuation. The high level of liquidity returned shortly afterward and toward the end of 2001 interest rate on savings deposits were cut down from 2.50% p.a. to 2.25% p.a. in response to the Bank of Thailand's low interest rate policy.

Interest rates in money market moved up and down on a narrow band throughout 2001 as liquidity in the market remained as a high level. Repo rate for 1 day moved between 1.00%-2.8125% p.a., averaging at 1.7456% p.a. High liquidity level forced the local commercial banks



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to cut their interest rates deposits and loans down from time to time. The interest rate cuts helped commercial banks to keep their liquidity surpluses from rising too high and at the same time allowed them to deal with problem loans on terms that are positive enough to arrange successful debt restructuring with their problem loan customers. Low interest rates also helped the banks to provide attractive credit services to new customers. In 2001, the banking system cut their interest rates twice. The first one in February was by 0.50% and the second one in December took the rates down by 0.25%. The two cuts brought interest rates down to the lowest level in Thailand's banking history. During 2001, interest rate for savings and 3-month fixed deposit accounts moved between 1.75%-2.50% p.a. and between 2.25%-3.00% p.a. respectively. In loan interest rates, the minimum lending rates (MLR) of the top five commercial banks moved between 7.20%-7.875% p.a.

Bank Deposits and Loans

During the first quarter of 2001, deposits in commercial banks grew up again after a slight dip as the money drawn out for activities during the official and traditional Chinese New Year celebrations cycled back to the banking system. Deposits went down again during the second and third quarters, particularly in June. This was mainly the effects of income tax payments made by the private and state enterprises and private investments in debt securities issued during September. Bank deposits subsequently went up again in the fourth quarter and by the end of 2001 the total deposits in the banking system climbed up to reach Bht 5,009.1 billion or 4% above the year-end 2000 figure.

Total loans in the banking system at the end of 2001 amounted to Bht 4,447.9 billion (including loans in BIBF basing on exchange rate at month-end). The figure shrunk by 5.8% from year-end 2000, due mainly to the continuity of BIBF loan repayments made possible in part by the support from local debt market as new issues of debt instruments were well received. The total loan shrinkage was also linked to transferring of NPLs from two state-owned banks to the Thai Asset Management Corporation in June. Other commercial banks also took the opportunity to transfer some of their NPLs to TAMC during the second half of 2001. This significantly helped easing the loan loss provision pressure within the banking system and provided some room for commercial banks to lend more. However, commercial banks continued to lend out cautiously as usual.

Money Base and Money Supply

Money Base as at the end of 2001 stood at Bht 556.3 billion, increasing by 5.5% from 2000. This was due to some favorable factors in the supplyside, particularly, net increase in foreign assets as well as current account surplus and sharper interest in Thailand's from foreign investors. Net claims to financial institutions decreased considerably as the Bank of Thailand scaled down its repurchase facilities in its attempt to keep the high level of liquidity in the market under control.

Money supply at the end of 2001 grew up noticeably from 2000. Growth in public debts and deficit budgeting as well as a rise in foreign assets during the first half of the year were the contributing factors. M2A as at year-end 2001 grew

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up by 4.6% from the end of 2000 and M3 correspondingly expanded by 5.7% to stay at Bht 6,311.6 billion

Exchange Rate

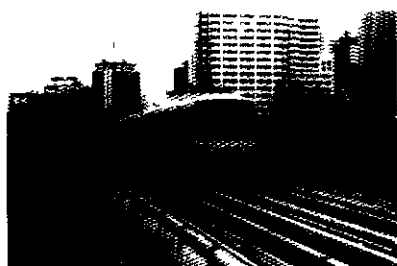
During 2001, movements in value of the Baht corresponded relatively to Japanese Yen movements. The Baht could not hold its ground during the first half of the year because interest rates in the local money market plunged to a very low level while all signs seemed to suggest that it was quite difficult for Japan to emerge from its long-running economic recession. The Yen was weakened further against the U.S. dollar during the first half of the year. As a result, the values of the Baht and other currencies in the region followed the Yen's pattern. But the Baht gained back strength as its value appreciated markedly during the second half of the year as interest rates in the local money market climbed up during the third quarter. Other factors included a considerable drop in foreign debts and the strong international reserve position. As investors' confidence in the Baht reemerged, some outside factors helped the Baht to stabilize. The U.S. dollar lost its strength as economic downturn hit the U.S. economy causing the Federal Reserve Board to make a series of discount rate cuts. The situation in the U.S. deteriorated following the shocking 9-11 terrorist attacks in New York and Washington.

As the year moved on to its end, the exchange rates between the Baht and the U.S. dollar fluctuated within the range of Bht 42.64 to 45.62/USD, averaging at Bht 44.47/USD which was considerably weaker than average exchange rate at Bht 40.16/USD in the previous year.

The World's Economic Trends in 2002

It is expected that the world's situation would improve economically and growth continue at around 2.8% annually if nothing gets worse particularly regional conflicts and terrorist threats. Annual growth figures for the U.S. and euro area are expected at 2.3% and 1.4% respectively. Rate cuts made by Federal Reserve Board in 2001 pulled the U.S. economy back from the brink of full recession to regain its footing while it seems most likely that Japanese economy would shrink further by 1% in 2002 as the government's economic reform shows no sign of progress. Nothing has come up so far to solve the deadly grip of enormous bad loans in Japanese banking system. The economy may recede further by 1.0% in 2002. The economy of the euro area is expected to maintain its slow pace even though the euro was declared the common currency of 12 EU countries in early 2002. This was due mainly to the poor economic conditions and rising unemployment in Germany while the government opted for high deficit budget to revitalize the economy.

The prospects of most economies in East and Southeast Asia in 2002 would remain the same as in 2001 or getting a little better in the second half of the year except some countries like South Korea and Singapore. Korea's growth figure is expected to improve over 2001 from 3% to 5% while Singapore would stage a comeback as its annual growth would reverse from -2.0% in 2001 to 3.2%. Growth of Indonesia's economy may reach 3.5%, slightly better than 3.3% achieved in 2001. China's economic



A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

growth would remain at a high annual rate of 7.0%, slightly lower than the 7.3% rate last year

Thailand's Economic Trends in 2002

The Thai economy in 2002 looks set for a growth between 2.0% and 3.0% annually. The contributing factors are expected to include the followings

- Economic conditions in Thailand's major trading partners, particularly the U.S., show some signs of significant improvement and Thailand would benefit from the surge in its export
- China's membership in the World Trade Organization would effect Thailand's international trade to some extent in both negative and positive manners. While lowly priced products from China may have some edge over Thai products in the world market, China has to open its market wider for goods and investment from Thailand. And it is possible that some third country investors may use Thailand as their regional bases for their China operations. At the same time, large investment projects may move from China to Thailand to make use of Thailand's geographical position and other advantages
- The government's economic stimulus package basing on new fiscal policies, particularly the extension of 7% VAT collection, streamlining of budget disbursement procedure in normal expenditure and state enterprise investment projects as well as the allocation of special fund for contingency projects to strengthen the economy at grassroots level
- The introduction of financial measures to revive the economy such as

the establishment of Thai Asset Management Corporation to help lessening the NPL problem in the financial sector, promoting SME financial assistance through state-owned financial institutions and tax cuts to help troubled property sector

Economic Trends Sector by Sector

Spending

It is expected that private spending in 2002 would increase by 3.6% annually in response to the government's stimulus measures aiming to increase domestic consumption in the private sector such as the policy for quick budget disbursement and the promotion of housing loans to revive the property market. Consumption of goods and services in the public sector is expected to increase by 8.0% as the government's expenditure for 2002 grew up by 12.4% over 2001 while special purpose budget amounting to Bht 58,000 million has been set aside to support economic activities at the grassroots level

Private Investment

It is expected that private investment in 2002 would continue to grow from the end of 2001 by 5% due to an upturn in foreign investment as some multi-national corporations upgraded their industrial bases in Thailand or relocated from other regions to alleviate their exposures to high economic and political risk. Investment in public sector would definitely improve to some extent as budget for infrastructure increased by 2.8% over the previous year. Contingency measures taken by the government to stimulate the economy would result in more public



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spending Overall growth in public investment in 2002, therefore, may grow by 3% over the previous year

Inflation

Inflation in 2002 is expected to remain at 1.6% as in 2001. Inflationary pressure would come mainly from increases in prices of oil and raw materials used in export industries. Adjustment in price control on LPG and better prices fetched by some agricultural products, particularly rice, rubber and cassava also contribute to inflation.

Foreign Trade

Export in 2002 is expected to rise by 2.3% over the previous year, reaching around USD 64.6 billion. It looks better comparing with 2001 during which export retracted by 6.9%. Effort by the government to promote expansion in export and the cooperation between government and private sectors to smooth out problems that hamper export growth contribute largely to the upturn. Positive factors include economic recovery experienced by Thailand's major trading partners and the open-door policy adopted by China and India. The rise in direct foreign investment to produce export goods also helps pushing Thailand's export.

Import is expected to reach USD 63.5 billion in 2002, increasing by 4.6% from the previous year. The increase will be found mostly in raw materials and oil products as a result of a rise in demand from export industries. This would, therefore, reduce balance of trade and current account surpluses significantly. The surpluses are expected to come down to USD 1.2 billion and USD 5.0 billion from USD 2.5 billion and USD

6.2 billion in 2001 respectively.

Fiscal Conditions

In fiscal year 2002 (Oct 2001-Sept 2002), the government's revenue was set at Bht 823 billion, increasing over the previous fiscal year by 2.2% while expenditure was earmarked at Bht 1,023 billion, a rise of 12.4%. The deficit budgeting was adopted once again by the government to combat economic ills through supply-side measures aimed to increase domestic spending by both the public and private sectors. The government also set aside Bht 58 billion to finance contingent projects aiming to speed up economic recovery.

Commercial Bank Deposits and Loans

Deposits

It is expected that deposits in the commercial banking system would continue to increase in 2002 despite the possibility that interest rates will remain at a low level comparing with 2001. Private saving pattern tends to be more in favor of long-term time deposits.

Loans

Commercial bank lending looks set to increase to some extent in 2002 as interest rates continue to remain low. Lending would be at a quicker pace particularly in retail credit services while lending to business enterprises will be cautiously done and go mainly to enterprises completely recovered from the effects of the economic crisis and having high profit-making potentials. SME financing will be rather active in response to the government's stimulus package in support of SMEs. Large corporate accounts will continue to receive strong support from commercial banks, particularly those backed with



A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

strong performance or connected with large multi-national corporations. Commercial banks are hard pressed to dispose their foreclosed properties in one way or another. This also leads to increase in lending. Contributing to growth in commercial bank loans, in large part, is the high level of liquidity surplus and it seems most likely to remain so throughout 2002. The Bank of Thailand, on Jan 21, 2002, cut down its 14-day bond repurchase rate from 2.25% p.a. to 2.0% p.a.

Interest rate trend in 2002 is most likely to remain stable due to many factors. The Ministry of Finance adjusted its projection of GDP growth rate to 3.4%-3.6% annually as government expenditure was earmarked to reach Bht 1.01 trillion during fiscal year 2002. This would help keeping liquidity in the market at a high level while private consumption would continue at a lively pace due mainly to low inflation rate. The Bank of Thailand's 14-day repurchase rate would remain at 2.0% p.a. until the fourth quarter. This is to prevent flowing out of deposits from the banking system to other high yielding sources.

Stock Market Conditions

Uncertainties seem very much predictable in Thailand's stock market as elements of risk from inside and outside still clearly in evidence during the first half of 2002. However, certain positive factors are in evidence. One such factor is the low level of interest rates seen around the world. This would help investment climate in many parts of the world to improve considerably and Thailand may benefit from that. Another is the positive trend in the Thai economy. This may lead to a strong recovery during the second half of 2002 as the government's stimulus package starts to take effect. The Thai stock market, in effect, may pick up and rally strongly from the doldrums. Other positive factors are support from the government for the privatization of state enterprises and their listing in the stock market as well as capital market deregulation that would lead to participation of up to Bht 100 billion by foreign mutual funds such as Lotus Matching Fund and others. On the negative side, the most obvious is the highly volatile situation in the Middle East. However, local investors tend to be more cautious in their investing tactics, concentrating mostly on stocks of companies with good results and proved to be consistent in paying their dividends. This helps the local stock market to stay relatively active.

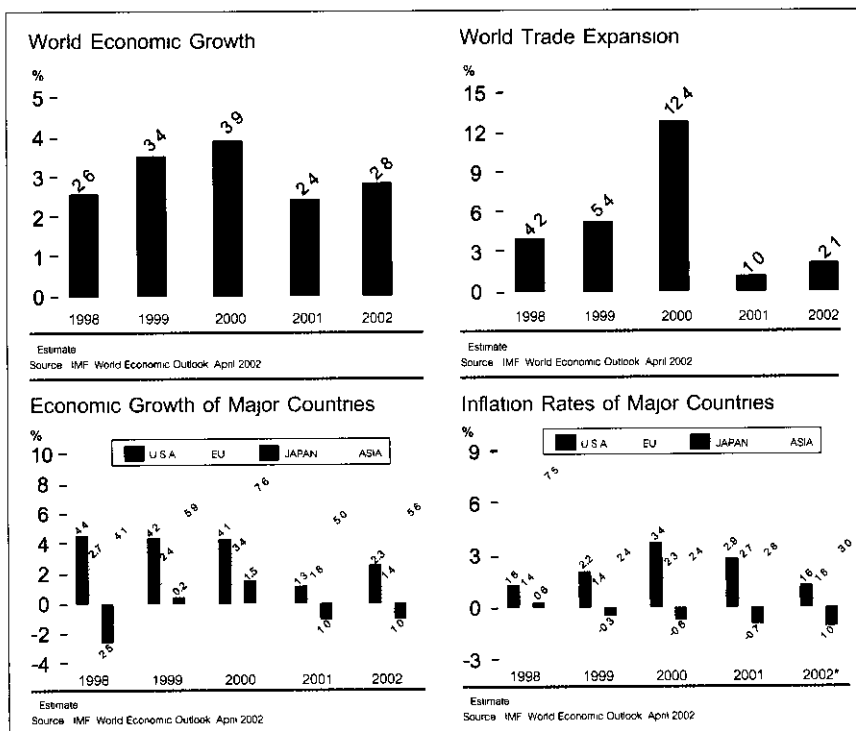
A SUMMARY OF ECONOMIC CONDITIONS IN 2001 AND TRENDS IN 2002

Thailand Economic Outlook

	2001	2002 ^E
GDP Growth Rate, (1988 price,%)	1.8	2.0 - 3.0
Expenditure (% , 1988=100)		
Consumption	3.2	4.2
Private	3.4	3.6
Public	1.9	8.0
Investment	0.8	4.3
Private	5.1	5.0
Public	-6.6	3.0
Inflation Rate (%)	1.6	1.6
International Trade (US\$ billions)		
Export	63.2	64.6
Growth Rate (%)	-6.9	2.3
Import	60.7	63.5
Growth Rate (%)	-2.8	4.6
Balance of Trade	2.5	1.2
Current Account Balance	6.2	5.0
Ratio to GDP (%)	5.4	4.2
Exchange Rate (Bht/US\$)	44.5	44.0 - 45.0

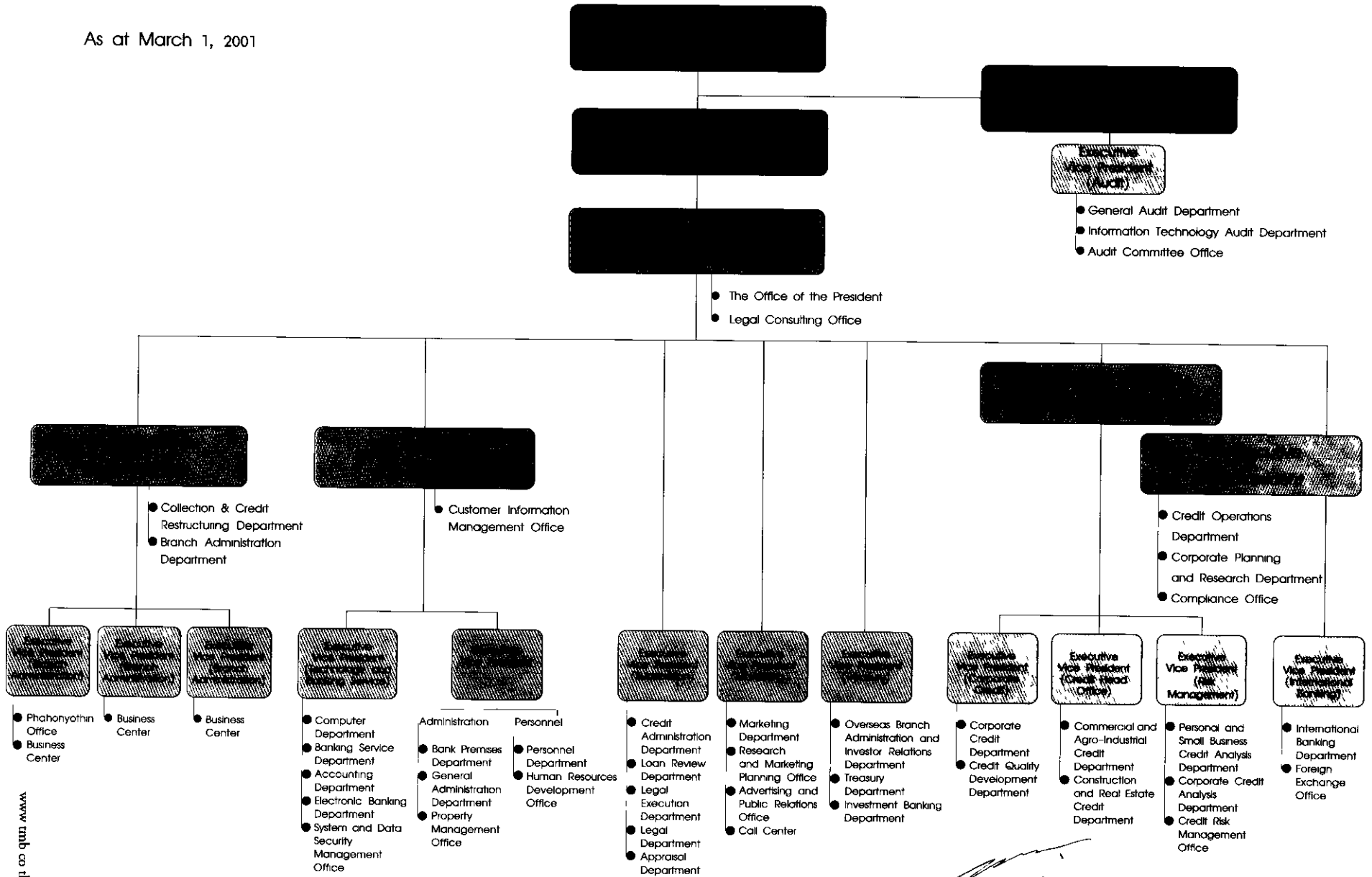
Remarks E = Estimated, As of March 2002

Sources NESDB



ORGANIZATION CHART

As at March 1, 2001



BOARD OF DIRECTORS



General Sampao Choosri
Chairman of the Advisory Committee



General Wimol Wongwanich
Chairman of the Board



Admiral Narong Yuthavong
Director



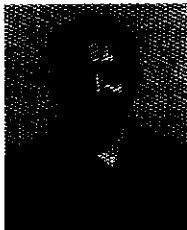
Admiral Prasert Boonsong
Director



General Surayud Chulanont
Vice Chairman



Air Chief Marshal Pong Maneesilpa
Director



Tawee Butsunorn
Director and
Chairman of the Executive Board



Somchai Sakulsurat
President and Chief Executive Officer



Bodi Chunnananda
Director and
Chairman of Audit Committee



Prayoon Chindapradist
Director and
Audit Committee Member



General Pang Malakul
Director

BOARD OF DIRECTORS



Twatchai Yongkittikul
Director and Executive Director



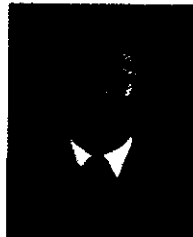
Somchatr Intrathut
Director and
Audit Committee Member



Paiboon Limpaphayom
Director and Executive Director



Sommai Phasee
Director



Akadej Bijaphala
Director and
Senior Executive Vice President



Puntip Surathin
Director

AUDITOR'S REPORT

To the Shareholders of Thai Military Bank Public Company Limited

I have audited the consolidated balance sheets of Thai Military Bank Public Company Limited and subsidiary as at December 31, 2001 and 2000, and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years then ended, and the separate financial statements of Thai Military Bank Public Company Limited for the same periods. The Bank's management are responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Thai Military Bank Public Company Limited and subsidiary as at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the years then ended, and the financial position of Thai Military Bank Public Company Limited as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years then ended in conformity with generally accepted accounting principles.

Without qualifying my opinion, I draw attention to Note 2.3 to the financial statements. The operations of the Bank have been affected and will continue to be affected for the foreseeable future by the economic conditions in Thailand and the Asia Pacific Region in general. The ultimate effect that these uncertainties will have on the financial statements cannot presently be determined.



Nirand Lilamethwat
Certified Public Accountant
Registration Number 2316

KPMG Audit (Thailand) Limited
Bangkok, February 19, 2002

BALANCE SHEETS

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

AS AT DECEMBER 31, 2001 AND 2000

	December 31, 2001 Baht	December 31, 2000 Baht	December 31, 2001 Baht	December 31, 2000 Baht
ASSETS				
Cash	6,245,793,005	5,497,360,782	6,245,763,004	5,497,360,782
Interbank and money market items (Notes 4 1 4 4 & 4 25)				
Domestic items				
Interest bearing	10,872,724,032	10,450,333,008	10,872,724,032	10,450,333,008
Non-interest bearing	4,414,519,396	2,083,727,046	4,414,519,396	2,083,727,046
Foreign items				
Interest bearing	2,071,063,552	899,719,481	2,071,063,552	899,719,481
Non-interest bearing	753,287,742	561,764,054	753,287,742	561,764,054
Total Interbank and Money Market Items - net	18,111,594,722	13,995,543,589	18,111,594,722	13,995,543,589
Investments (Notes 3 6 4 2 4 4 19 4 26 & 4 28)				
Current investments - net	7,468,405,593	3,218,594,747	7,468,405,593	3,218,594,747
Long-term investments - net	42,480,748,945	33,507,182,334	42,090,572,481	33,507,182,334
Investments in subsidiary and associated companies - net	559,121,578	266,541,926	2,682,019,018	1,344,722,224
Total Investments - net	50,508,276,116	36,992,319,007	52,240,997,092	38,070,499,305
Loans and accrued interest receivables (Notes 4 3 4 4 & 4 27)				
Loans (Note 3 3)	268,663,518,926	269,184,202,946	272,708,394,657	269,722,610,231
Accrued interest receivables	3,904,745,261	5,744,078,750	3,918,781,918	5,747,243,133
Total Loans and Accrued Interest Receivables	272,568,264,187	274,928,281,696	276,627,176,575	275,469,853,364
Less Allowance for doubtful accounts (Notes 3 4 & 4 5)	(4,920,049,064)	(9,043,335,883)	(4,892,391,902)	(9,043,335,883)
Less Revaluation allowance for debt restructuring (Notes 3 5 & 4 6)	(1,486,969,280)	(1,711,825,000)	(1,486,969,280)	(1,711,825,000)
Loans and Accrued Interest Receivables - net	266,161,245,843	264,173,120,813	270,247,815,393	264,714,692,481
Properties foreclosed - net (Notes 3 10 4 4 & 4 7)	13,471,939,295	4,577,116,358	10,060,391,695	3,056,371,184
Customers' liability under acceptances	1,268,944,645	1,659,607,272	1,268,944,645	1,659,607,272
Premises and equipment - net (Notes 3 8 4 4 & 4 8)	8,224,967,154	7,966,780,079	8,219,993,653	7,965,986,585
Accrued interest receivables - net	744,580,887	616,980,510	743,897,602	616,980,510
Other assets - net (Notes 4 4 & 4 23)	1,932,856,977	1,078,050,262	1,922,342,314	1,078,050,262
Total Assets	366,670,198,644	336,556,878,672	369,061,740,120	336,655,091,970

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

BALANCE SHEETS

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

AS AT DECEMBER 31, 2001 AND 2000

	December 31 2001 Baht	December 31 2000 Baht	December 31 2001 Baht	December 31 2000 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits (Note 4 9)				
Deposits in Baht	299,582,975,508	267,403,012,012	299,737,251,680	267,500,395,963
Deposits in foreign currencies	1,157,035,545	1,087,428,080	1,157,035,545	1,087,428,080
Total Deposits	300,740,011,053	268,490,440,092	300,894,287,225	268,587,824,043
Interbank and money market items (Note 4 10)				
Domestic items				
Interest bearing	11,023,128,818	9,052,328,785	11,023,128,818	9,052,328,785
Non-interest bearing	293,128,472	196,536,358	293,128,472	196,536,358
Foreign items				
Interest bearing	5,237,508,753	6,648,261,399	5,237,508,753	6,648,261,399
Non-interest bearing	22,215,056	26,199,112	22,215,056	26,199,112
Total Interbank and Money Market Items	16,575,981,099	15,923,325,654	16,575,981,099	15,923,325,654
Liability payable on demand	840,509,662	480,745,996	840,509,662	480,745,996
Borrowings (Note 4 11)				
Short-term borrowings	-	2,163,136,675	-	2,163,136,675
Long-term borrowings	17,607,000,000	20,592,078,000	17,607,000,000	20,592,078,000
Total Borrowings	17,607,000,000	22,755,214,675	17,607,000,000	22,755,214,675
Subordinated debentures cum preferred shares (Note 4 12)	9,957,783,900	9,957,783,900	9,957,783,900	9,957,783,900
Bank's liability under acceptances	1,268,944,645	1,659,607,272	1,268,944,645	1,659,607,272
Accrued interest payables	1,438,387,445	1,727,939,163	1,438,419,533	1,727,952,751
Other payables	2,194,487,094	674,855,615	2,193,422,343	676,209,940
Other liabilities (Notes 3 7 3 9 & 4 13)	2,428,078,715	1,854,276,533	4,666,376,682	1,853,737,967
Total Liabilities	353,051,183,613	323,524,188,900	355,442,725,089	323,622,402,198

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

BALANCE SHEETS

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

AS AT DECEMBER 31, 2001 AND 2000

	December 31 2001 Baht	December 31, 2000 Baht	December 31 2001 Baht	December 31 2000 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY				
Share capital (Note 4 14)				
Authorized share capital, Baht 10 par value				
3,000,099,600 preferred shares	<u>30,000,996,000</u>	<u>30,000,996,000</u>	<u>30,000,996,000</u>	<u>30,000,996,000</u>
2,064,867,600 ordinary shares	<u>20,648,676,000</u>	<u>20,648,676,000</u>	<u>20,648,676,000</u>	<u>20,648,676,000</u>
Issued and fully paid-up share capital				
1 992,099,600 preferred shares	19,920,996,000	19,920,996,000	19,920,996,000	19,920,996,000
2,010,867,600 ordinary shares	20,108,676,000	20,108,676,000	20,108,676,000	20,108,676,000
Premium on preferred shares (Note 4 14)	1,220,100	1,220,100	1,220,100	1,220,100
Premium on ordinary shares (Note 4 14)	5,449,488,818	5,449,488,818	5,449,488,818	5,449,488,818
Surplus on fixed assets revaluation (Notes 3 8 4 16 & 4 30)	965,467,000	988,226,000	965,467,000	988,226,000
Unrealized gain (loss) on revaluation of investments - net (Notes 3 6 & 4 2)	(943,205,465)	(913,965,117)	(943,205,465)	(913,965,117)
Foreign currency translation (Note 3 7)	(94,334,865)	(54,444,736)	(94,334,865)	(54,444,736)
Retained earnings (deficit)				
Appropriated - Legal reserve	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
- Others	8,717,165,400	8,717,165,400	8,717,165,400	8,717,165,400
Unappropriated (deficit)	(42,606,457,957)	(43,284,672,693)	(42,606,457,957)	(43,284,672,693)
Total Shareholders' Equity	13,619,015,031	13,032,689,772	13,619,015,031	13,032,689,772
Total Liabilities and Shareholders' Equity	366,670,198,644	336,556,878,672	369,061,740,120	336,655,091,970

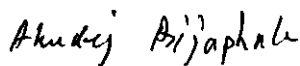
OFF-BALANCE SHEET ITEMS -**CONTINGENCIES (Note 4 18)**

Aval to bills and guarantees of loans (Note 4 25)	8,847,044,497	6,762,007,729	8,847,044,497	6,762,007,729
Liability under unmatured import bills	1,168,924,701	1,117,907,606	1,168,924,701	1,117,907,606
Letter of credit (Note 4 27)	10,065,488,576	6,664,847,170	10,065,488,576	6,664,847,170
Other contingencies (Note 4 27)	71,119,798,317	80,329,571,093	71,119,798,317	80,329,571,093



(Somchai Sakulsurarat)

President and Chief Executive Officer



(Akadej Bijaphala)

Director and Senior Executive Vice President

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

STATEMENTS OF INCOME

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001 Baht	2000 Baht	2001 Baht	2000 Baht
Interest and dividend income (Note 3 1)				
Loans	13,764,065,212	12,977,992,545	13,555,996,432	12,979,802,603
Interbank and money market items	381,979,627	686,397,430	381,979,627	686,397,430
Investments	1,912,698,225	1,223,751,218	1,912,014,940	1,223,751,218
Total Interest and Dividend Income	16,058,743,064	14,888,141,193	15,849,990,999	14,889,951,251
Interest expenses (Note 3 2)				
Deposits	7,728,438,771	9,025,498,581	7,729,193,585	9,027,059,649
Interbank and money market items	776,321,730	969,669,534	776,321,730	969,669,534
Short-term borrowings	67,387,379	215,626,085	67,387,379	215,626,085
Long-term borrowings	2,928,499,283	2,730,986,859	2,928,499,283	2,730,986,859
Total Interest Expenses	11,500,647,163	12,941,781,059	11,501,401,977	12,943,342,127
Net income from interest	4,558,095,901	1,946,360,134	4,348,589,022	1,946,609,124
Bad debt and doubtful accounts (Notes 3 4 & 4 5)	299,764,467	23,170,043,963	272,107,306	23,170,043,963
Loss on debt restructuring	(112,794,496)	50,136,076	(253,667,679)	50,136,076
Net income (loss) from interest after bad debt, doubtful accounts and loss on debt restructuring	4,371,125,930	(21,273,819,905)	4,330,149,395	(21,273,570,915)
Non-interest income				
Gain on investments	631,937,360	235,848,266	631,937,360	235,848,266
Share of profit on equity (Notes 3 6 & 4 30)	369,493,622	41,486,844	282,503,081	(880,332,857)
Fees and service income				
Acceptances, aval and guarantees	770,281,377	685,904,891	770,281,377	685,904,891
Others	1,311,839,358	1,219,197,164	1,311,839,358	1,219,197,164
Gain on exchange (Note 3 7)	362,623,120	403,836,176	362,623,120	403,836,176
Gain on sales of assets	-	53,089,868	-	971,908,369
Other income	131,851,407	70,808,300	131,849,742	70,808,300
Total Non-interest Income	3,578,026,244	2,710,171,509	3,491,034,038	2,707,170,309

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

STATEMENTS OF INCOME

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001 Baht	2000 Baht	2001 Baht	2000 Baht
Non-interest expenses				
Personnel expenses	2,025,890,228	2,087,871,620	2,006,010,416	2,086,884,009
Premises and equipment expenses (Note 4 30)	1,306,297,234	1,218,490,000	1,310,785,227	1,218,327,769
Taxes and duties	551,702,954	544,448,410	548,685,402	544,438,410
Fees and service expenses	278,718,518	125,529,473	278,718,518	125,529,473
Directors' remuneration (Note 4 22)	25,840,000	21,763,600	25,000,000	21,763,600
Loss on impairment of properties foreclosed and other assets	995,565,306	357,136,860	909,330,059	357,136,860
Contribution to Financial Institutions				
Development Fund	1,212,518,360	1,156,594,525	1,212,518,360	1,156,594,525
Loss on sales of assets	40,228,903	-	34,996,877	-
Other expenses	812,305,918	957,743,842	795,470,046	956,166,949
Total Non-interest Expenses	<u>7,249,067,421</u>	<u>6,469,578,330</u>	<u>7,121,514,905</u>	<u>6,466,841,595</u>
Net income (loss) before income tax	700,084,753	(25,033,226,726)	699,668,528	(25,033,242,201)
Income tax (Note 3 11)	44,629,017	30,604,096	44,212,792	30,588,621
Net income (loss)	<u>655,455,736</u>	<u>(25,063,830,822)</u>	<u>655,455,736</u>	<u>(25,063,830,822)</u>
Basic earnings (loss) per share (Notes 3 12 & 4 15)	<u>0 33</u>	<u>(15 35)</u>	<u>0 33</u>	<u>(15 35)</u>
Numbers of weighted average ordinary shares (shares)	<u>2,010,867,600</u>	<u>1,632,605,305</u>	<u>2,010,867,600</u>	<u>1,632,605,305</u>
Diluted Earnings per share (Notes 3 12 & 4 15)	<u>0 16</u>		<u>0 16</u>	
Numbers of weighted average ordinary shares (including potential ordinary shares) (shares)	<u>4,002,967,200</u>		<u>4,002,967,200</u>	

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Consolidated Financial Statements and Bank Only Financial Statements

	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Balance as at December 31, 2000	40,029,672,000	5,450,708,918	988,226,000	(913,965,117)	(54,444,736)	(32,467,507,293)	13,032,689,772
Surplus on fixed assets revaluation (Note 4.16)	-	-	(22,759,000)	-	-	22,759,000	-
Unrealized gain (loss) on revaluation of investments (Notes 3.6 & 4.2)	-	-	-	(29,240,348)	-	-	(29,240,348)
Foreign currency translation	-	-	-	-	(39,890,129)	-	(39,890,129)
Unrecognized transactions in the statements of income	-	-	(22,759,000)	(29,240,348)	(39,890,129)	22,759,000	(69,130,477)
Net income	-	-	-	-	-	655,455,736	655,455,736
Balance as at December 31, 2001	40,029,672,000	5,450,708,918	965,467,000	(943,205,465)	(94,334,865)	(31,789,292,557)	13,619,015,031

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Consolidated Financial Statements and Bank Only Financial Statements

	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Balance as at December 31, 1999 - as previously reported	10,149,672,000	5,642,735,025	1,013,173,000	(457,885,919)	6,282,874	(7,494,701,037)	8,859,275,943
Adjustments from change in accounting policy on recording subsidiary and associated companies to equity method (Note 4 30)	-	-	-	-	-	66,077,566	66,077,566
Balance as restated	10,149,672,000	5,642,735,025	1,013,173,000	(457,885,919)	6,282,874	(7,428,623,471)	8,925,353,509
Increase (decrease) during year	29,880,000,000	(192,026,107)	-	-	-	-	29,687,973,893
Surplus on fixed assets revaluation (Notes 4 16 & 4 30)	-	-	(24,947,000)	-	-	24,947,000	-
Unrealized gain (loss) on revaluation of investments (Notes 3 6 & 4 2)	-	-	-	(456,079,198)	-	-	(456,079,198)
Foreign currency translation	-	-	-	-	(60,727,610)	-	(60,727,610)
Unrecognized transactions in the statements of income	-	-	(24,947,000)	(456,079,198)	(60,727,610)	24,947,000	(516,806,808)
Net loss	-	-	-	-	-	(25,063,830,822)	(25,063,830,822)
Balance as at December 31, 2000	40,029,672,000	5,450,708,918	988,226,000	(913,965,117)	(54,444,736)	(32,467,507,293)	13,032,689,772

STATEMENTS OF CASH FLOWS

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001 Baht	2000 Baht	2001 Baht	2000 Baht
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	655,455,736	(25,063,830,822)	655,455,736	(25,063,830,822)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	670,877,171	646,469,325	670,191,747	646,440,693
Loss on diminution in value of securities and other assets	1,038,977,787	793,959,167	952,742,540	793,959,167
Share of (profit) loss in subsidiary and associated companies	(369,493,622)	(41,486,844)	(282,503,082)	880,332,857
Bad debt, doubtful accounts and loss on debt restructuring	(369,119,154)	23,220,180,039	(356,832,273)	23,220,180,039
(Gain) on sales of premises and equipment	(25,995,333)	(3,490,672)	(25,995,333)	(3,490,672)
(Gain) on sales of investments	(675,349,841)	(672,670,573)	(675,349,841)	(672,670,573)
Amortization of premium (discount) on investments	196,487,869	30,298,157	196,487,869	30,298,157
(Gain) loss on translation of foreign currencies	49,298,582	(197,213,154)	49,298,582	(197,213,154)
Decrease in interest and dividend receivables	870,067,726	3,943,177,053	859,878,738	3,940,012,670
(Increase) decrease in non-interest receivables	(1,175,535)	29,279,200	5,559,928	29,279,200
(Decrease) in accrued interest expenses	(289,551,718)	(656,400,482)	(289,533,218)	(656,386,893)
(Decrease) in accrued non-interest expenses	(91,290,970)	(59,921,929)	(92,655,066)	(60,482,938)
Net income from operations before changes in operating assets and liabilities	1,659,188,698	1,968,348,465	1,666,746,327	2,886,427,731
(Increase) decrease in operating assets				
Interbank and money market items (assets)	(4,408,103,641)	8,777,763,122	(4,408,103,641)	8,777,763,122
Securities purchased under resale agreements	-	1,000,000,000	-	1,000,000,000
Investment in trading securities	42,309,404	(5,095,575)	42,309,404	(5,095,575)
Loans	(17,598,695,416)	(17,718,666,184)	(19,366,537,230)	(18,257,073,468)
Properties foreclosed	(1,429,453)	(192,121,734)	587,091,125	1,328,623,440
Other assets	(842,718,196)	344,062,589	(838,972,850)	344,062,589
Increase (decrease) in operating liabilities				
Deposits	32,308,393,049	8,597,757,608	32,365,285,270	8,695,141,559
Interbank and money market items (liabilities)	846,683,008	(10,994,545,900)	846,683,008	(10,994,545,900)
Liability payable on demand	327,399,604	(265,787,191)	327,399,604	(265,787,191)
Securities sold under repurchase agreements	-	(3,300,000,000)	-	(3,300,000,000)
Other liabilities	1,426,198,814	(2,089,012,567)	3,664,137,105	(2,087,635,800)
Net cash provided by (used in) operating activities	13,759,225,871	(13,877,297,367)	14,886,038,122	(11,878,119,493)

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

STATEMENTS OF CASH FLOWS

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001 Baht	2000 Baht	2001 Baht	2000 Baht
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of held-to-maturity available-for-sale and general investments	(24,621,774,891)	(36,878,289,629)	(25,753,482,574)	(38,878,289,629)
Proceeds from sales of held-to-maturity, available-for-sale and general investments	17,821,027,644	17,967,928,449	17,821,027,644	17,967,928,449
Purchases of premises and equipment	(935,978,241)	(319,638,617)	(931,112,810)	(318,816,491)
Proceeds from sales of premises and equipment	35,924,123	66,623,966	35,924,123	66,623,966
Net cash used in investing activities	(7,700,801,365)	(19,163,375,831)	(8,827,643,617)	(21,162,553,705)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuing subordinated debentures	-	6,545,000,000	-	6,545,000,000
Redemption of subordinated debentures	(5,485,342,082)	(3,305,836,493)	(5,485,342,082)	(3,305,836,493)
Increase in issued and fully paid-up preferred shares	-	19,920,000,000	-	19,920,000,000
Increase in issued and fully paid-up ordinary shares	-	9,960,000,000	-	9,960,000,000
Decrease in premium on ordinary shares	-	(192,026,107)	-	(192,026,107)
Foreign currency translation	(39,890,129)	(60,727,610)	(39,890,129)	(60,727,610)
Net cash provided by (used in) financing activities	(5,525,232,211)	32,866,409,790	(5,525,232,211)	32,866,409,790
Effect of exchange rate on cash and cash equivalents	215,239,928	231,940,679	215,239,928	231,940,679
Increase in cash and cash equivalents	748,432,223	57,677,271	748,402,222	57,677,271
Cash and cash equivalents as at January 1, (Note 3 13)	5,497,360,782	5,439,683,511	5,497,360,782	5,439,683,511
Cash and cash equivalents as at December 31, (Note 3 13)	6,245,793,005	5,497,360,782	6,245,763,004	5,497,360,782
Supplementary information of cash flows				
Cash paid during the year for				
Interest expense	11,790,198,881	13,598,181,542	11,790,935,196	13,599,729,021
Income tax	64,301,090	26,445,432	63,884,864	26,429,957

Note to the financial statements form an integral part of these statements

NOTES TO FINANCIAL STATEMENTS

THAI MILITARY BANK PUBLIC COMPANY LIMITED AND SUBSIDIARY

DECEMBER 31, 2001 AND 2000

1 GENERAL INFORMATION

Thai Military Bank Public Company Limited was registered as a public limited company in Thailand and was granted a licence to conduct the commercial banking business. Its head office located at 3000 Phahon Yothin Road, Ladyao Subdistrict, Chatuchak District, Bangkok, Thailand. The Bank has branches throughout Thailand and certain overseas. At December 31, 2001 and 2000 the numbers of the Bank's staff were 7,074 and 7,273 respectively.

2 BASIS OF FINANCIAL STATEMENT PRESENTATION AND ECONOMIC ENVIRONMENT

- 2.1 The consolidated and the Bank only financial statements have been presented in accordance with the announcements of the Bank of Thailand dated May 10, 2001 prescribing the form of the balance sheet and profit and loss account of commercial banks and in conformity with generally accepted accounting principles practiced in Thailand, and the regulation of the Stock Exchange of Thailand.
- 2.2 The consolidated financial statements include the accounts of the Head Office, all domestic and overseas branches, the Bangkok International Banking Facilities business, and the financial statements of a subsidiary namely Phayathai Asset Management Company Limited, of which the Bank has power to control and holds more than 50% of its issued capital. The significant inter-company transactions and balances have been eliminated. The consolidated financial statements of 2001 exclude two subsidiaries, which are Designee for ETA Contract Limited and NSRF (Thailand) Limited and the consolidated financial statement of 2000 excluded three subsidiaries, which were Designee for ETA Contract Limited, TMB Property Development Company Limited and NSRF (Thailand) Limited, as the financial statements of these subsidiaries are deemed not have a material effect on the consolidated financial position and results of operations and cash flows. The financial position and results of operations of subsidiaries, which are excluded in the consolidated financial statements, are presented as supplemental information in the accompanying Note 4.2 to the financial statements.

The Bank only financial statements include the accounts of the Head Office, all domestic and overseas branches and the Bangkok International Banking Facilities business. The significant interoffice transactions have been eliminated.

As required by Thai law and regulatory requirements, The Bank's financial statements have been prepared in the Thai language. They have been translated into English for the convenience of the reader.

- 2.3 The operations of the Bank and subsidiary may continue to be influenced for the foreseeable future by the economic conditions in Thailand and the Asia Pacific Region in general. The consolidated financial statements of the Bank and subsidiary and the Bank only financial statements reflect the management's current assessment of the impact of current economic conditions on the financial position of the Bank. However, actual results could differ from the management estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of Interest Income

Interest and discount income on loans are generally recognized on an accrual basis. In accordance with the Bank of Thailand's regulation, interest in arrears more than 3 months, regardless of whether the loans are covered by collateral, is not accrued but is instead recognized as income on a cash basis.

The Bank has reversed against accrued interest income on loans, which has been recognized as income for interest in arrears more than 3 months, in accordance with the Bank of Thailand's regulation

3.2 Recognition of Interest Expenses

Interest expenses on deposits, borrowings, and deferred discount or premium are recognized on an accrual basis. Premium expenses on currency hedging contracts of borrowings are amortized using the straight-line method over the term of contracts.

3.3 Loans

Loans (except overdrafts) are shown exclusive of accrued interest receivables. Unearned discounts received in advance on loans are shown as deduction of loans.

3.4 Allowance for Doubtful Accounts

The Bank provides an allowance for doubtful accounts by analyses of individual accounts based on previous collection experience and in compliance with the Commercial Banking Act and prescriptions of the Bank of Thailand.

The Bank of Thailand announced revised regulations regarding loan classification that require banks to categorize their loan portfolios into six categories and to set minimum reserves based on these categories. Those are 1%, 2%, 20%, 50% and 100% for Pass, Special Mention, Substandard, Doubtful and Doubtful of Loss, respectively and Loss classification which are required to be written off. The period that a loan is past due is the principal criteria utilized in classifying a loan. The maximum collateral value used in calculating the required allowance for doubtful accounts is based on the type of collateral and the date of the most recent valuation. However, the regulation regarding the minimum allowance for doubtful accounts are subject to change.

The minimum allowance for doubtful accounts to be provided under the Bank of Thailand regulations was initially set at 20% of the calculated amount, which increases to 100% of the calculated amount on a pro rata basis over five semi-annual periods from December 31, 1998 to December 31, 2000.

Additional allowance for doubtful accounts is charged to expense of the period.

Doubtful of Loss and Loss classification have been written off from the allowance for doubtful accounts according to the Bank of Thailand's regulation dated September 21, 1999 regarding the instruction for commercial banks to write off debts from the accounts.

Bad debts recovered are credited to the allowance for doubtful accounts.

3.5 Troubled Debt Restructuring

Foreclosed assets transferred from troubled debt restructurings, are recorded at the lower of fair value of the assets or total amount of debt. Where restructuring a loan involves modification of its terms, the present value of the future cash flows expected to be received from those customers is calculated by using discount rates equivalent to the market rates of interest at the time of restructuring. The difference between the present value of the future cash flows expected to be received from those customers and the outstanding balances of investment in loans is recorded as an allowance for revaluation on debt restructuring in the balance sheet. This allowance for revaluation is amortized to the statement of income according to the amounts received over the remaining period of the debt restructuring contracts.

3 6 Investments

The Bank classified debt instruments and marketable equity securities as trading securities, available-for-sale securities or held-to-maturity debt instruments and classified non-marketable equity securities as general investments, investments in the subsidiary or associated companies

Trading securities classified as current investments and are stated at fair value. Unrealized gains or losses arising from their revaluation are presented in the statement of income.

Available-for-sale securities classified as current or long-term investments and are stated at fair value. Unrealized gains or losses arising from their revaluation are presented as a separate component of shareholders' equity. Loss on impairment of securities is presented in the statement of income.

Held-to-maturity debt instruments classified as current or long-term investments and are stated at amortized cost. The amortization of the difference between historical cost and face value is recognized by the effective interest method. Loss on impairment of debt instruments is presented in the statement of income.

General investments classified as current or long-term investments and are stated at cost. Loss on impairment of investment is presented in the statement of income.

Investments in subsidiary and associated companies are recorded using the equity method and not included investments in the related companies of which the Bank owns over 20% of the paid up capital, and the Bank intends to hold such investments on a temporary basis, because these companies have been in liquidation and the Bank has recorded these investments at cost, net of allowance for impairment.

The recording of investments in subsidiary and associated companies by using the equity method is based on financial information from financial statements audited or reviewed by the auditors, or either based on management information, which had not been audited or reviewed by the auditors in accordance with the auditing standards or standards on review.

Gains or losses on sales of securities are recognized when the securities are disposed. The cost of securities sold is calculated using the weighted average method.

Interest income on investments is recognized on an accrual basis and dividend income is recognized when declared.

The market values of debt instruments in government securities are computed using the Bank of Thailand's yield curve, adjusted by an appropriate risk factor.

The market values of debt instruments in the domestic market (other than listed bonds) are based on the market values appraised by reliable institutions, by using yields of those debt instruments, or by computations based on the Bank of Thailand's yield curve, adjusted by an appropriate risk factor. The institutions performing appraisals have to provide written documentation of the reliable basis for their appraisal.

In the case of marketable securities, the market values of investment represent the latest bidding price at the end of the period.

3 7 Translation of Foreign Currencies

Assets and liabilities in foreign currencies are recorded when transactions occur, at the buying and selling rates specified by the Bank. On the balance sheet date, these amounts are translated at the reference rates announced by the Bank of Thailand at period end and gain or loss from translation is recognized in that period. Forward exchange contracts are recorded at the rates of exchange agreed upon. On the balance sheet date, these amounts are translated at the reference

rates announced by the Bank of Thailand at period end and gain or loss from translation is recognized in the period. For forward exchange contracts, the difference between the forward rate agreed upon and the spot rate at the date of the forward exchange contracts is amortized to the statement of income over the period of the contracts.

The financial statements of overseas branches and the Bangkok International Banking Facilities business are translated at the reference rates announced by the Bank of Thailand at period end, and gain or loss from translation is presented in shareholders' equity.

The Bank manages exchange rate exposure by buying or selling forward contracts and by managing the net position in foreign currencies in compliance with the Bank's policies and prescriptions of the Bank of Thailand.

3.8 Depreciation and Amortization

Land is stated at revalued cost. Buildings are stated at revalued cost less accumulated depreciation, and equipment is stated at cost less accumulated depreciation. Surplus on fixed asset revaluation is presented in shareholders' equity. Loss on impairment of assets is included in the statement of income. The Bank's management believes that the results of the land and premises revaluation, at the end of period, has no significant impact on the financial statements.

Depreciation of buildings and equipment are computed using the straight-line method at rates approximating the useful lives of assets as follows:

Depreciation of buildings is computed at a rate of 5% on cost.

Depreciation on the revalued incremental cost of buildings is computed using the straight-line method over their remaining useful lives, presented in premises and equipment expenses.

Depreciation of equipment is computed at a rate of 20% on cost.

Leasehold improvements are amortized within the lease terms or within 10 years if there is no lease term.

Depreciation of overseas branches is computed at rates specified by laws applicable in each locality at 4-25% on cost.

3.9 Provident Fund and Retirement Fund

The Bank and its permanent employees jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is contributed to by the employees and the Bank. The fund is managed by Thai Life Insurance Company Limited, with returns and rights of employees as prescribed by regulations on Provident Fund and is therefore not presented in the balance sheets.

The Bank has a retirement fund payable to employees at the time of termination of services with the Bank. According to the Bank's regulations, only the Bank (not the employees) is required to contribute to the fund, which is credited to individual employee accounts. The amounts contributed to the fund are recognized as expenses in that period.

Provident funds of certain overseas branches are established for local employees and managed by financial institutions.

3.10 Properties Foreclosed

Prior to 2001, immovable properties foreclosed were stated at lower of appraised value or book value of debts.

The Institute of Certified Accountants and Auditors of Thailand (ICAAT) issued the Announcement No. 003/2544-2546 "Cancellation of Thai Accounting Standard Interpretation (TASI) - Assets Received in Satisfaction of a Receivable", dated December 6, 2001, to cancel the TASI, as the Thai Accounting Standard Interpretation (TASI) No. 1, Assets Received in

Satisfaction of a Receivable is interpreted on Thai Accounting Standard (TAS) No. 34 "Accounting for Troubled Debt Restructuring", which has not yet been approved by the Board of Supervision of Audit Profession and the ICAAT is under consideration of the revision of the TAS No. 34. Consequently, ICAAT issued the Announcement No. 005/2544-2546 "Cancellation of Announcement No. 003/2544-2546" dated December 25, 2001. As the Thai Accounting Standard (TAS) No. 34, "Accounting for Troubled Debt Restructuring", has not yet been approved by the Board of Supervision of Audit Profession, therefore this TAS has not yet become effective and the TASI, "Assets Received in Satisfaction of a Receivable", shall not take effect accordingly. The ICAAT therefore has no necessity to announce the cancellation of such TASI.

As a result of such announcements issued by the ICAAT, the Bank's management have an opinion that Thai Accounting Standard (TAS) No. 34 Accounting for Troubled Debt Restructuring, which has not yet been approved by the Board of Supervision of Audit Profession, therefore, a result of it invalid by the provision of Section 43 of the Accounting Act B.E. 2543 as well as Thai Accounting Standard Interpretation (TASI) No. 1, Assets Received in Satisfaction of a Receivable is not legally effective.

In 2001, the Bank recognized immovable properties foreclosed acquired from debt settlement at the net fair value, which however shall not exceed the principal and accrued interest payable that the Bank is legally entitled to collect from the debtor. The Bank, therefore, recognized unearned interest as the income approximately of Baht 613 million in the statement of income for the year ended December 31, 2001. However, on a conservative basis the Bank also set an allowance for diminution in future value of such properties foreclosed if those properties would have disposed of in the future. The value of such property foreclosed was adjusted on the transfer date to state in net fair value but not exceeding its book value of debtor.

Loss on impairment is charged to the statement of income. Gains or losses on sales of properties foreclosed are recognized in the statement of income upon disposals.

3.11 Income Tax

Income tax is computed on taxable income specified in the Revenue Code and recognized as expense in the period.

3.12 Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for ordinary shares for the year by the number of ordinary shares outstanding and called up at the end of year for 2001, and by the weighted average number of ordinary shares outstanding and called up during the year for 2000.

Diluted earnings per share is computed by dividing net income for the year adjusted by dividend of convertible preferred shares and interest expenses of convertible subordinated debentures (if any) by the aggregate weighted average number of ordinary shares, on the assumption that conversion of all ordinary shares equivalents have been made at the beginning of year. Ordinary shares equivalents consist of convertible preferred shares.

3.13 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in collection.

3.14 Estimation

Preparation of financial statements in conformity with generally accepted accounting principles in Thailand requires management 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 may differ from those estimates.

4 SUPPLEMENTARY INFORMATION

4.1 Interbank and Money Market Items

Interbank and money market items at December 31, 2001 consisted of

Amounts Million Baht			
Consolidated Financial Statements and Bank Only Financial Statements			
December 31, 2001			
	<u>At Call</u>	<u>Term</u>	<u>Total</u>
1 <u>Domestic</u>			
The Bank of Thailand and Financial Institutions Development Fund	4,359 21	-	4 359 21
Commercial banks	54 33	10,194 10	10,248 43
Other banks	0 85	-	0 85
Other financial institutions	<u>135 97</u>	<u>373 19</u>	<u>509 16</u>
Total	4,550 36	10,567 29	15,117 65
<u>Add</u> Accrued interest receivables	-	171 75	171 75
<u>(Less)</u> Allowance for doubtful accounts	<u>(0 80)</u>	<u>(1 36)</u>	<u>(2 16)</u>
Total Domestic	<u>4,549 56</u>	<u>10,737 68</u>	<u>15 287 24</u>
2 <u>Foreign</u>			
US Dollar	1,300 40	1,064 37	2 364 77
Japanese Yen	154 34	-	154 34
Other currencies	<u>235 32</u>	<u>65 23</u>	<u>300 55</u>
Total	1,690 06	1,129 60	2,819 66
<u>Add</u> Accrued interest receivables	<u>0 71</u>	<u>3 98</u>	<u>4 69</u>
Total Foreign	<u>1,690 77</u>	<u>1,133 58</u>	<u>2,824 35</u>
Total Domestic and Foreign	<u>6,240 33</u>	<u>11,871 26</u>	<u>18,111 59</u>

Interbank and money market items at December 31, 2000 consisted of

Amounts Million Baht			
Consolidated Financial Statements and Bank Only Financial Statements			
December 31, 2000			
	<u>At Call</u>	<u>Term</u>	<u>Total</u>
1 <u>Domestic</u>			
The Bank of Thailand and Financial Institutions Development Fund	2,020 33	-	2,020 33
Commercial banks	64 79	10,092 00	10,156 79
Other banks	0 20	0 01	0 21
Finance, finance and securities, securities and credit foncier companies	15 00	-	15 00
Other financial institutions	<u>108 93</u>	<u>66 02</u>	<u>174 95</u>
Total	2,209 25	10 158 03	12,367 28
<u>Add</u> Accrued interest receivables	-	167 89	167 89
<u>(Less)</u> Allowance for doubtful accounts	<u>(0 56)</u>	<u>(0 55)</u>	<u>(1 11)</u>
Total Domestic	<u>2,208 69</u>	<u>10,325 37</u>	<u>12,534 06</u>

2 Foreign

	<u>At Call</u>	<u>Term</u>	<u>Total</u>
US Dollar	385 27	897 98	1,283 25
Japanese Yen	48 36	-	48 36
German Mark	7 26	-	7 26
Other currencies	<u>259 17</u>	<u>10 05</u>	<u>269 22</u>
Total	700 06	908 03	1,608 09
<u>Add</u> Accrued interest receivables	1 25	2 42	3 67
<u>(Less)</u> Allowance for doubtful accounts	<u>-</u>	<u>(150 28)</u>	<u>(150 28)</u>
Total Foreign	<u>701 31</u>	<u>760 17</u>	<u>1,461 48</u>
Total Domestic and Foreign	<u>2,910 00</u>	<u>11,085 54</u>	<u>13,995 54</u>

The Bank had loans and accrued interest receivables with closed financial institutions whose rehabilitation plans were not approved by the Financial Sector Restructuring Authority on December 8, 1997. In 1999, the Bank received 3-5 years-negotiable certificates of deposit issued by Krung Thai Bank Public Company Limited on behalf of the Financial Institutions Development Fund in the amount of Baht 10,077 05 million due in 2001 to 2003. Interest is payable annually at a rate of 2% per annum.

At December 31, 2001 and 2000 the Bank balances the negotiable certificates of deposit of Baht 10,065 35 million and Baht 10,077 05 million, respectively at face value. In accordance with the Bank's investing policy and the current market condition, management believe that the Bank's reinvestment rate is approximately 2% per annum. As such, the calculated fair value of these negotiable certificates of deposit is not significantly different from the face value.

At December 31, 2000 non-performing loans represent loans with principal or interest payments overdue more than three months. The Bank has non-performing loans to banks and money market on this basis of Baht 123 16 million.

4.2 Investments

4.2.1 Investments at December 31, 2001 and 2000 consisted of

	Consolidated		Amounts Million Baht	
	Financial Statements		Bank Only	
	December 31, 2001		December 31, 2001	
	<u>Cost Value/ Book Value</u>	<u>Market Value</u>	<u>Cost Value/ Book Value</u>	<u>Market Value</u>
1 <u>Current investments</u>				
1.1 Trading investment				
1.1.1 Marketable equity securities	29 10	29 06	29 10	29 06
<u>(Less)</u> Allowance for revaluation	<u>(0 04)</u>	<u>-</u>	<u>(0 04)</u>	<u>-</u>
Total	<u>29 06</u>	<u>29 06</u>	<u>29 06</u>	<u>29 06</u>
1.2 Available for-sales-securities				
1.2.1 Government and state enterprise securities	6,814 74	6,865 16	6,814 74	6,865 16
1.2.2 Private debt instruments	596 85	450 04	596 85	450 04
1.2.3 Marketable equity securities	<u>27 77</u>	<u>24 15</u>	<u>27 77</u>	<u>24 15</u>
Total	7,439 36	7,339 35	7,439 36	7,339 35
<u>Add</u> Allowance for revaluation	54 22	-	54 22	-
<u>(Less)</u> Allowance for impairment	<u>(154 23)</u>	<u>-</u>	<u>(154 23)</u>	<u>-</u>
Total	<u>7,339 35</u>	<u>7,339 35</u>	<u>7,339 35</u>	<u>7,339 35</u>
1.3 Held-to-maturity debt instruments				
1.3.1 Government and state enterprise securities	<u>100 00</u>	<u>102 01</u>	<u>100 00</u>	<u>102 01</u>
Total Current Investments - net	<u>7,468 41</u>	<u>7,470 42</u>	<u>7,468 41</u>	<u>7,470 42</u>

	Amounts Million Baht			
	Consolidated		Bank Only	
	Financial Statements		Financial Statements	
	December 31, 2001		December 31, 2001	
	Cost Value/ Book Value	Market Value	Cost Value/ Book Value	Market Value
2 Long-term investments				
2.1 Available-for-sale securities				
2.1.1 Government and state enterprise securities	2,443 27	2,508 29	2,443 27	2,508 29
2.1.2 Private debt instruments	849 94	902 31	849 94	902 31
2.1.3 Marketable equity securities	<u>1,941 37</u>	<u>766 49</u>	<u>1,941 37</u>	<u>766 49</u>
Total	5,234 58	4,177 09	5,234 58	4,177 09
(Less) Allowance for revaluation	(1,049 47)	-	(1,049 47)	-
(Less) Allowance for impairment	<u>(8 02)</u>	-	<u>(8 02)</u>	-
Total	<u>4,177 09</u>	<u>4,177 09</u>	<u>4,177 09</u>	<u>4,177 09</u>
2.2 Held-to-maturity debt instruments				
2.2.1 Government and state enterprise securities	37,414 41	36,123 86	37,024 23	35,733 68
2.2.2 Private debt instruments	<u>298 34</u>	<u>520 86</u>	<u>298 34</u>	<u>520 86</u>
Total	37,712 75	36,644 72	37,322 57	36,254 54
Add Allowance for revaluation	52 05	-	52 05	-
Total	<u>37,764 80</u>	<u>36,644 72</u>	<u>37,374 62</u>	<u>36,254 54</u>
2.3 General investments				
2.3.1 Domestic non-marketable equity securities	1,241 15	728 11	1,241 15	728 11
2.3.2 Foreign non-marketable equity securities	<u>105 52</u>	<u>8 86</u>	<u>105 52</u>	<u>8 86</u>
Total	1,346 67	736 97	1,346 67	736 97
(Less) Allowance for impairment	<u>(807 81)</u>	-	<u>(807 81)</u>	-
Total	<u>538 86</u>	<u>736 97</u>	<u>538 86</u>	<u>736 97</u>
Total Long-term Investments-net	<u>42,480 75</u>	<u>41,558 78</u>	<u>42,090 57</u>	<u>41,168 60</u>

	Amounts Million Baht	
	Consolidated Financial Statements and	
	Bank Only Financial Statements	
	December 31, 2000	
	Cost Value/ Book Value	Market Value
1 Current investments		
1.1 Available for-sales-securities		
1.1.1 Government and state enterprise securities	2,045 78	2,072 79
1.1.2 Private debt instruments	485 05	325 97
1.1.3 Marketable equity securities	<u>18 20</u>	<u>3 72</u>
Total	2,549 03	2,402 48
Add Allowance for revaluation	26 80	-
(Less) Allowance for impairment	<u>(173 35)</u>	-
Total	<u>2,402 48</u>	<u>2,402 48</u>
1.2 Held-to-maturity debt instruments		
1.2.1 Government and state enterprise securities	<u>816 11</u>	<u>847 44</u>
Total Current Investments - net	<u>3,218 59</u>	<u>3,249 92</u>

		Amounts Million Baht	
		Consolidated Financial Statements and	
		Bank Only Financial Statements	
		December 31, 2000	
		Cost Value/ Book Value	Market Value
2	<u>Long-term investments</u>		
2.1	Available-for-sale securities		
2.1.1	Government and state enterprise securities	4,281 88	4,588 86
2.1.2	Private debt instruments	1,475 62	1 581 62
2.1.3	Marketable equity securities	<u>2,210 17</u>	<u>731 13</u>
	Total	7,967 67	6 901 61
	(Less) Allowance for revaluation	(1,020 62)	-
	(Less) Allowance for impairment	<u>(45 44)</u>	<u>-</u>
	Total	<u>6,901 61</u>	<u>6,901 61</u>
2.2	Held-to-maturity debt instruments		
2.2.1	Government and state enterprise securities	25 714 85	21,683 55
2.2.2	Private debt instruments	<u>298 34</u>	<u>455 28</u>
	Total	<u>26,013 19</u>	<u>22,138 83</u>
2.3	General investments		
2.3.1	Domestic non-marketable equity securities	1,551 65	732 19
2.3.2	Foreign non-marketable equity securities	<u>148 00</u>	<u>50 40</u>
	Total	1,699 65	782 59
	(Less) Allowance for impairment	<u>(1,107 27)</u>	<u>-</u>
	Total	<u>592 38</u>	<u>782 59</u>
	Total Long-term Investments-net	<u>33,507 18</u>	<u>29,823 03</u>

At December 31, 2001, available-for-sale and held-to-maturity debt instruments classified by the remaining maturity are as follows

		Amounts Million Baht				
		Consolidated Financial Statements				
		December 31, 2001				
		Within	Over	Over	Over	
		1 year	1-5 years	5-10 years	10 years	
		Total				
Available-for-sale securities						
	Government and state enterprise securities	-	495 94	7,757 20	1,004 87	9,258 01
	Private debt instruments	<u>604 87</u>	<u>841 92</u>	<u>-</u>	<u>-</u>	<u>1,446 79</u>
	Total	604 87	1,337 86	7,757 20	1,004 87	10,704 80
	Add (Less) Allowance for revaluation	1 54	104 63	78 94	(7 74)	177 37
	(Less) Allowance for impairment	<u>(156 37)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156 37)</u>
	Total	<u>450 04</u>	<u>1,442 49</u>	<u>7,836 14</u>	<u>997 13</u>	<u>10,725 80</u>
Held-to-maturity debt instruments						
	Government and state enterprise securities	100 00	1,022 62	31,553 56	4,838 23	37,514 41
	Private debt instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>298 34</u>	<u>298 34</u>
	Total	100 00	1,022 62	31,553 56	5,136 57	37,812 75
	Add Allowance for revaluation	<u>-</u>	<u>-</u>	<u>31 36</u>	<u>20 69</u>	<u>52 05</u>
	Total	<u>100 00</u>	<u>1,022 62</u>	<u>31,584 92</u>	<u>5,157 26</u>	<u>37,864 80</u>
	Total Debt Instruments	<u>550 04</u>	<u>2,465 11</u>	<u>39,421 06</u>	<u>6,154 39</u>	<u>48,590 60</u>

	Bank Only Financial Statements				Amounts	Million Baht
	December 31, 2001				<u>Total</u>	
	Within	Over	Over	Over		
	<u>1 year</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>10 years</u>		
Available-for-sale securities						
Government and state enterprise securities	-	495 94	7,757 20	1,004 87	9,258 01	
Private debt instruments	<u>604.87</u>	<u>841.92</u>	-	-	<u>1,446.79</u>	
Total	604 87	1,337 86	7,757 20	1,004 87	10,704 80	
<u>Add</u> (Less) Allowance for revaluation	1 54	104 63	78 94	(7 74)	177 37	
<u>(Less)</u> Allowance for impairment	<u>(156 37)</u>	-	-	-	<u>(156 37)</u>	
Total	<u>450 04</u>	<u>1,442 49</u>	<u>7,836 14</u>	<u>997 13</u>	<u>10,725 80</u>	
Held-to-maturity debt instruments						
Government and state enterprise securities	100 00	1,022 62	31,163 38	4,838 23	37,124 23	
Private debt instruments	-	-	-	<u>298 34</u>	<u>298 34</u>	
Total	100 00	1,022 62	31,163 38	5,136 57	37,422 57	
<u>Add</u> Allowance for revaluation	-	-	<u>31 36</u>	<u>20 69</u>	<u>52 05</u>	
Total	<u>100 00</u>	<u>1,022 62</u>	<u>31,194 74</u>	<u>5,157 26</u>	<u>37,474 62</u>	
Total Debt Instruments	<u>550 04</u>	<u>2,465 11</u>	<u>39,030 88</u>	<u>6,154 39</u>	<u>48,200 42</u>	

At December 31, 2000, available-for-sale and held-to-maturity debt instruments classified by the remaining maturity are as follows

	Consolidated Financial Statements and				Amounts	Million Baht
	Bank Only Financial Statements				<u>Total</u>	
	December 31, 2000					
	Within	Over	Over	Over		
<u>1 year</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>10 years</u>			
Available-for-sale securities						
Government and state enterprise securities	-	1,664 21	3,556 29	1,107 16	6,327 66	
Private debt instruments	<u>485 05</u>	<u>1,402 42</u>	<u>73 20</u>	-	<u>1,960 67</u>	
Total	485 05	3,066 63	3,629 49	1,107 16	8,288 33	
<u>Add</u> Allowance for revaluation	14 27	308 87	131 73	10 07	464 94	
<u>(Less)</u> Allowance for impairment	<u>(173 35)</u>	<u>(10 69)</u>	-	-	<u>(184 04)</u>	
Total	<u>325 97</u>	<u>3,364 81</u>	<u>3,761 22</u>	<u>1,117 23</u>	<u>8,569 23</u>	
Held-to-maturity debt instruments						
Government and state enterprise securities	816 11	152 68	22,189 14	3,373 03	26,530 96	
Private debt instruments	-	-	-	<u>298 34</u>	<u>298 34</u>	
Total	<u>816 11</u>	<u>152 68</u>	<u>22,189 14</u>	<u>3,671 37</u>	<u>26,829 30</u>	
Total Debt Instruments	<u>1,142 08</u>	<u>3,517 49</u>	<u>25,950 36</u>	<u>4,788 60</u>	<u>35,398 53</u>	

Unrealized gain (loss) on revaluation of investments as of December 31, 2001 and 2000 are as follows

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Unrealized gain on revaluation of investments		
Debt instruments	303 36	466 92
Equity securities	<u>63 64</u>	<u>51 06</u>
Total	<u>367 00</u>	<u>517 98</u>
Unrealized loss on revaluation of investments		
Debt instruments	(73 94)	(1 98)
Equity securities	<u>(1,236 27)</u>	<u>(1,429 97)</u>
Total	<u>(1,310 21)</u>	<u>(1,431 95)</u>
Unrealized gain (loss) on revaluation of investments-net		
Debt instruments	229 42	464 94
Equity securities	<u>(1,172 63)</u>	<u>(1,378 91)</u>
Total	<u>(943 21)</u>	<u>(913 97)</u>

For the years ended December 31, 2001 and 2000 the Bank had gains on sales of securities of Baht 675 35 million and Baht 672 67 million, respectively, losses on impairment of investments of Baht 116 40 million for 2001 and Baht 436 82 million for 2000, and reversal of allowance for impairment of securities of Baht 73 20 million for 2001, all of which were included in the statement of income

Investments with over 10 % shareholdings of the paid-up share capital (excluding investment in subsidiaries and associates) are summarized as follows

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Manufacturing and commerce	3 30	108 24
Property development and construction	1,287 06	1,295 19
Infrastructure and service	101 97	74 46
Other	<u>125 89</u>	<u>125 89</u>
Total	1,518 22	1,603 78
(Less) Allowance for revaluation	(1,047 49)	(1,110 66)
Allowance for impairment	<u>(197 16)</u>	<u>(200 53)</u>
Net	<u>273 57</u>	<u>292 59</u>

4.2.2 Investments in Subsidiary and Associated Companies

Investments in subsidiary and associated companies at December 31, 2001 and 2000 are as follows

Amounts Million Baht					
Consolidated Financial Statements					
December 31, 2001					
Type of Business	Type of Share Capital	Holding Percentage	Investments		
			Cost Method	Equity Method	
<u>Subsidiary Companies</u>					
Designee for ETA Contract Limited	Utility	Ordinary	99.40%	0.01	0.01
NSRF (Thailand) Company Limited	Utility	Ordinary	59.80%	0.01	0.01
<u>Associated Companies</u>					
TMB Asset Management Company Limited	Financial Institution	Ordinary	45.00%	36.16	72.73
Phayathai Property Fund	Mutual Fund	Investment Unit	30.00%	180.00	196.08
The Thai Business Fund 1	Mutual Fund	Investment Unit	33.33%	<u>290.29</u>	<u>290.29</u>
Total Investments in Subsidiaries and Associates				<u>506.47</u>	<u>559.12</u>

For the year 2001, the Bank has changed its accounting policy of investments in a subsidiary company by transferring from the category of investments in subsidiary to the general investments as the Bank intends to hold such investments on a temporary basis, this company has been in liquidation. The investment is TMB Property Development Company Limited, and the transferred value has been recognized at the remaining carrying amount of investment as of March 27, 2001 (the dissolution date registered with the Ministry of Commerce) of Baht 4.17 million, and the Bank has no gain or loss on transfer of such investment.

Amounts Million Baht					
Consolidated Financial Statements					
December 31, 2000					
Type of Business	Type of Share Capital	Holding Percentage	Investments		
			Cost Method	Equity Method	
<u>Subsidiary Companies</u>					
Designee for ETA Contract Limited	Utility	Ordinary	99.40%	0.01	0.01
TMB Property Development Company Limited	Property	Ordinary	99.93%	0.17	3.95
NSRF (Thailand) Company Limited	Utility	Ordinary	59.80%	0.01	0.01
<u>Associated Companies</u>					
TMB Asset Management Company Limited	Financial Institution	Ordinary	45.00%	36.16	72.17
Phayathai Property Fund	Mutual Fund	Investment Unit	30.00%	<u>180.00</u>	<u>190.40</u>
Total Investments in Subsidiaries and Associates				<u>216.35</u>	<u>266.54</u>

Amounts Million Baht

Bank Only Financial Statements					
December 31, 2001					
Type of Business	Type of Share Capital	Holding Percentage	Investments		
			Cost Method	Equity Method	
<u>Subsidiary Companies</u>					
Phayathai Asset Management Company Limited	Financial Institution	Ordinary	100 00%	2,800 00	2,122 90
Designee for ETA Contract Limited	Utility	Ordinary	99 40%	0 01	0 01
NSRF (Thailand) Company Limited	Utility	Ordinary	59 80%	0 01	0 01
<u>Associated Companies</u>					
TMB Asset Management Company Limited	Financial Institution	Ordinary	45 00%	36 16	72 73
Phayathai Property Fund	Mutual Fund	Investment Unit	30 00%	180 00	196 08
The Thai Business Fund 1	Mutual Fund	Investment Unit	33 33%	<u>290 29</u>	<u>290 29</u>
Total Investments in Subsidiaries and Associates				<u>3,306 47</u>	<u>2,682 02</u>

Amounts Million Baht

Bank Only Financial Statements					
December 31, 2000					
Type of Business	Type of Share Capital	Holding Percentage	Investments		
			Cost Method	Equity Method	
<u>Subsidiary Companies</u>					
Phayathai Asset Management Company Limited	Financial Institution	Ordinary	100 00%	2,000 00	1,078 18
Designee for ETA Contract Limited	Utility	Ordinary	99 40%	0 01	0 01
TMB Property Development Company Limited	Property	Ordinary	99 93%	0 17	3 95
NSRF (Thailand) Company Limited	Utility	Ordinary	59 80%	0 01	0 01
<u>Associated Companies</u>					
TMB Asset Management Company Limited	Financial Institution	Ordinary	45 00%	36 16	72 17
Phayathai Property Fund	Mutual Fund	Investment Unit	30 00%	<u>180 00</u>	<u>190 40</u>
Total Investments in Subsidiaries and Associates				<u>2,216 35</u>	<u>1,344 72</u>

The following are the financial statements of subsidiary companies of which the Bank owns more than 50% of the paid-up share capital

Phayathai Asset Management Company Limited

Condensed Balance Sheets

As at December 31, 2001 and 2000

(Audited)

	December 31, 2001	December 31, 2000
	<u>Baht</u>	<u>Baht</u>
Assets		
Cash	30,001	-
Interbank and money market items	154,308,261	97,397,540
Investments	390,176,465	-
Investments in loans - net	30,229,657,002	3,876,122,530
Loans and accrued interest receivable	73,013,421	-
Properties foreclosed - net	3,415,836,287	1,525,033,861
Equipment - net	4,973,501	793,494
Other account receivables	2,248,358,523	1,376,767
Other assets	<u>4,470,985</u>	<u>-</u>
Total Assets	<u>36,520,824,446</u>	<u>5,500,724,192</u>
Liabilities and Shareholders' Equity		
Liabilities		
Interbank and money market items	34,086,090,241	3,500,000,000
Accrued interest payables	14,085,082	3,164,384
Other liabilities	<u>4,398,345</u>	<u>561,009</u>
Total Liabilities	34,104,573,668	3,503,725,393
Shareholders' Equity	<u>2,416,250,778</u>	<u>1,996,998,799</u>
Total Liabilities and Shareholders' Equity	<u>36,520,824,446</u>	<u>5,500,724,192</u>

Phayathai Asset Management Company Limited

Condensed Statement of Income

For the Year Ended December 31, 2001 and

For the Period August 9, 2000 through December 31, 2000

(Audited)

	2001	2000
	<u>Baht</u>	<u>Baht</u>
Interest income		
Investments in loans	358,954,513	1,354,325
Loans	1,574,675	-
Interbank and money market items	754,814	1,561,068
Investments	<u>683,285</u>	<u>-</u>
Total interest income	361,967,287	2,915,393
Interest expenses		
Interbank and money market items	<u>152,460,408</u>	<u>3,164,384</u>
Net income from interest	209,506,879	(248,991)
Loss on impairment of investments in loans	250,149,827	-
Loss on debt restructuring	<u>140,873,182</u>	<u>-</u>
Net income(loss) from interest after loss on impairment of investments in loans and loss on debt restructuring	(181,516,130)	(248,991)

Phayathai Asset Management Company Limited
Condensed Statement of Income
For the Year Ended December 31, 2001 and
For the Period August 9 2000 through December 31, 2000
(Audited)

	2001	2000
	<u>Baht</u>	<u>Baht</u>
Non - interest income	11 742,830	-
Loss on sales of investments in loans	76,496,840	-
Non-interest expenses	<u>134,061,655</u>	<u>2,736,735</u>
Net loss before income tax	(380,331,795)	(2,985,726)
Income tax	<u>416,226</u>	<u>15,475</u>
Net loss	<u>(380,748,021)</u>	<u>(3,001,201)</u>

Phayathai Asset Management Company Limited
Condensed Statement of Cash Flows
For the Year Ended December 31, 2001 and
For the Period August 9, 2000 through December 31, 2000
(Audited)

	2001	2000
	<u>Baht</u>	<u>Baht</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(380,748,021)	(3,001,201)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	685,425	28,632
Loss on impairment of investments in loans	250,149,827	-
Loss on debt restructuring	140,873 182	-
Loss on sales of investments in loans	76,496,840	-
Gain on collection	(264,156,643)	-
Loss on impairment of properties foreclosed	86,235,247	-
Increase in accrued interest receivables	(750,210)	(13,588)
Increase in accrued interest payables	10,920,698	3,164,384
Increase in accrued non-interest expenses	<u>1,706,817</u>	<u>561,009</u>
Net income (loss) from operations before changes in operating assets and liabilities	(78,586,838)	739,236
(Increase) decrease in operating assets		
Investments in loans	(27,952,134,468)	(3,876,122,530)
Loans	(72,964,997)	-
Properties foreclosed	(586,023,000)	(1,525,033,861)
Other assets	(2,246,390,602)	(1,376,767)
Increase (decrease) in operating liabilities		
Other liabilities	<u>1,973,782</u>	<u>-</u>
Net cash used in operating activities	(30,934,126,123)	(5,401,793,922)

Phayathai Asset Management Company Limited
Condensed Statement of Cash Flows
For the Year Ended December 31, 2001 and
For the Period August 9, 2000 through December 31, 2000
(Audited)

	2001	2000
	<u>Baht</u>	<u>Baht</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(390,176,465)	-
Purchases of equipment	<u>(4,865,432)</u>	<u>(822,126)</u>
Net cash used in investing activities	(395,041,897)	(822,126)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in issued and fully paid - up ordinary shares	160,000,000	400,000,000
Increase in premium on ordinary shares	640,000,000	1,600,000,000
Proceeds from loans from bank	<u>30,586,090,241</u>	<u>3,500,000,000</u>
Net cash provided by financing activities	<u>31,386,090,241</u>	<u>5,500,000,000</u>
Increase in cash and cash equivalents	56,922,221	97,383,952
Cash and cash equivalents as at beginning of period	<u>97,383,952</u>	<u>-</u>
Cash and cash equivalents as at end of period	<u>154,306,173</u>	<u>97,383,952</u>
Supplementary information of cash flows		
Cash paid during the period for		
Interest expenses	141,539,710	-
Income tax	416,226	15,475

Designee for ETA Contract Limited
Condensed Balance Sheets

As at December 31, 2001 and 2000

	2001	2000
	<u>Baht</u>	<u>Baht</u>
	(Unaudited)	(Audited)
Assets		
Current assets	<u>19,700</u>	<u>19,700</u>
Total Assets	<u>19,700</u>	<u>19,700</u>
Liabilities and Shareholders' Equity		
Current liabilities	6,000	6,000
Shareholders' equity	<u>13,700</u>	<u>13,700</u>
Total Liabilities and Shareholders' Equity	<u>19,700</u>	<u>19,700</u>

Designee for ETA Contract Limited
Condensed Statements of Income

For the Years Ended December 31, 2001 and 2000

	2001	2000
	<u>Baht</u>	<u>Baht</u>
	(Unaudited)	(Audited)
Income	12,000	12,000
Expenses	<u>12,000</u>	<u>12,000</u>
Net income	<u>-</u>	<u>-</u>

TMB Property Development Company Limited
Condensed Balance Sheets
As at March 27, 2001 and December 31, 2000
(Audited)

	March 27, 2001	December 31, 2000
	<u>Baht</u>	<u>Baht</u>
Assets		
Current assets	6,424,223	4,581,874
Other assets	<u>15,491</u>	<u>114,983</u>
Total Assets	<u>6,439,714</u>	<u>4,696,857</u>
Liabilities and Shareholders' Equity		
Current liabilities	1,916,450	250,200
Other liabilities	<u>351,000</u>	<u>494,000</u>
Total Liabilities	2,267,450	744,200
Shareholders' equity	<u>4,172,264</u>	<u>3,952,657</u>
Total Liabilities and Shareholders' Equity	<u>6,439,714</u>	<u>4,696,857</u>

TMB Property Development Company Limited
Condensed Statements of Income
For the period January 1, 2001 through March 27, 2001 and
For the Year Ended December 31, 2000
(Audited)

	March 27, 2001	December 31, 2000
	<u>Baht</u>	<u>Baht</u>
Revenues		
Commission income	28,037	1,845,925
Service income	2,065,562	3,676,389
Interest income	<u>11,607</u>	<u>20,169</u>
Total Revenues	<u>2,105,206</u>	<u>5,542,483</u>
Expenses		
Administrative expenses	1,742,017	4,134,424
Income tax	<u>143,582</u>	<u>422,418</u>
Total Expenses	<u>1,885,599</u>	<u>4,556,842</u>
Net income	<u>219,607</u>	<u>985,641</u>

The Extraordinary General Meetings of Shareholders of TMB Property Development Company Limited held on February 2, 2001 and February 26, 2001 passed a special resolution to dissolve the Company. This dissolution was registered with the Ministry of Commerce on March 27, 2001 and the Company has since then been in liquidation.

At December 31, 2001 the Bank intends to hold temporarily in the shares in this related company since this company has been in liquidation.

NSRF (Thailand) Limited
Condensed Balance Sheets
As at December 31, 2001 and 2000

	2001	2000
	<u>Baht</u>	<u>Baht</u>
	(Unaudited)	(Audited)
Assets		
Current assets	31,000	31,000
Other assets	<u>3,350</u>	<u>4,020</u>
Total Assets	<u>34,350</u>	<u>35,020</u>
Liabilities and Shareholders' Equity		
Current liabilities	9,350	10,020
Shareholders' equity	<u>25,000</u>	<u>25,000</u>
Total Liabilities and Shareholders' Equity	<u>34,350</u>	<u>35,020</u>

NSRF (Thailand) Limited
Condensed Statements of Income
For the Years Ended December 31, 2001 and 2000

	2001	2000
	<u>Baht</u>	<u>Baht</u>
	(Unaudited)	(Audited)
Income	12,670	12,670
Expenses	<u>12,670</u>	<u>12,670</u>
Net income	<u>-</u>	<u>-</u>

4.3 Classified Loans and Accrued Interest Receivables

Loans at December 31, 2001 and 2000 are classified as follows

4.3.1 Classified by Type of Loans

	Amounts Million Baht			
	Consolidated		Bank Only	
	Financial Statements		Financial Statements	
	<u>December 31, 2001</u>	<u>December 31, 2000</u>	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Overdrafts	37,480 85	39,202 19	32,450 32	38,922 25
Loans	204,079 14	196,267 83	216,053 05	197,253 53
Bills	25,400 72	25,206 91	22,502 22	25,039 56
Others	<u>1,702 81</u>	<u>8,507 27</u>	<u>1,702 81</u>	<u>8,507 27</u>
Total	268,663 52	269,184 20	272,708 40	269,722 61
<u>Add</u> Accrued interest				
receivables	3,904 75	5,744 08	3 918 78	5,747 24
<u>(Less)</u> Allowance for				
doubtful accounts	(4,920 05)	(9,043 34)	(4,892 39)	(9,043 34)
Revaluation allowance				
for debt restructuring	<u>(1,486 97)</u>	<u>(1,711 82)</u>	<u>(1,486 97)</u>	<u>(1,711 82)</u>
Total	<u>266 161 25</u>	<u>264,173 12</u>	<u>270,247 82</u>	<u>264,714 69</u>

4.3.2 Classified by the Maturity of Contracts

	Consolidated		Bank Only	
	Financial Statements		Financial Statements	
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000
Within 1 year	69,662 77	98,842 38	73,779 37	98,842 38
Over 1 year	<u>199,000 75</u>	<u>170,341 82</u>	<u>198,929 03</u>	<u>170,880 23</u>
Total	<u>268,663 52</u>	<u>269,184 20</u>	<u>272,708 40</u>	<u>269,722 61</u>

4.3.3 Classified by Currencies and Residency of Debtors

	Consolidated Financial Statements					
	December 31, 2001			December 31, 2000		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	261,960 67	20 30	261,980 97	258,903 91	26 82	258,930 73
US Dollar	5,624 48	272 98	5 897 46	6,941 32	1,240 91	8,182 23
Other currencies	<u>536 49</u>	<u>248 60</u>	<u>785 09</u>	<u>1,609 24</u>	<u>462 00</u>	<u>2,071 24</u>
Total	<u>268,121 64</u>	<u>541 88</u>	<u>268,663 52</u>	<u>267,454 47</u>	<u>1,729 73</u>	<u>269,184 20</u>

	Bank Only Financial Statements					
	December 31, 2001			December 31, 2000		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	266,005 55	20 30	266,025 85	259,442 32	26 82	259 469 14
US Dollar	5,624 48	272 98	5,897 46	6,941 32	1,240 91	8 182 23
Other currencies	<u>536 49</u>	<u>248 60</u>	<u>785 09</u>	<u>1,609 24</u>	<u>462 00</u>	<u>2,071 24</u>
Total	<u>272,166 52</u>	<u>541 88</u>	<u>272,708 40</u>	<u>267,992 88</u>	<u>1,729 73</u>	<u>269,722 61</u>

4.3.4 Classified by Type of Business and by Classification

	Consolidated Financial Statements					
	December 31, 2001					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agriculture and mining	5,983 10	1,109 73	508 63	718 85	1,242 37	9,562 68
Manufacturing and commerce	105,386 50	7,013 74	5,782 60	7,594 66	6,775 17	132,552 67
Property development and construction	23,068 65	1,175 90	3,304 49	1,763 68	2,896 44	32,209 16
Infrastructure and services	35,825 30	1,155 89	1,562 33	2,215 82	2,161 82	42,921 16
Housing loans	20,395 66	1,880 43	965 89	743 59	7,425 45	31,411 02
Others	<u>16,258 53</u>	<u>1,600 36</u>	<u>927 19</u>	<u>287 06</u>	<u>933 69</u>	<u>20,006 83</u>
Total	<u>206,917 74</u>	<u>13,936 05</u>	<u>13,051 13</u>	<u>13,323 66</u>	<u>21,434 94</u>	<u>268,663 52</u>

	Consolidated Financial Statements					
	December 31, 2000					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agriculture and mining	5,300 50	666 45	1,014 03	558 13	2,269 84	9,808 95
Manufacturing and commerce	80,850 47	8,077 45	16,745 56	5,586 89	23,984 88	135,245 25
Property development and construction	22,673 64	3,300 85	2,013 36	1,574 35	9,039 75	38,601 95
Infrastructure and services	25,575 98	2,053 35	4,606 75	997 04	6,852 04	40,085 16
Housing loans	17,897 76	1,600 62	1,191 81	873 09	7,820 63	29,383 91
Others	<u>12 041 91</u>	<u>394 41</u>	<u>516 97</u>	<u>1 521 80</u>	<u>1,583 89</u>	<u>16,058 98</u>
Total	<u>164,340 26</u>	<u>16,093 13</u>	<u>26,088 48</u>	<u>11,111 30</u>	<u>51,551 03</u>	<u>269,184 20</u>

Bank Only Financial Statements

December 31, 2001

	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agriculture and mining	5,139 12	1,109 73	314 80	718 85	1,242 37	8,524 87
Manufacturing and commerce	92,211 86	7,013 74	3,332 16	6,866 85	6,775 17	116,199 78
Property development and construction	17,935 31	1,175 90	1,921 94	1,214 65	2,896 44	25,144 24
Infrastructure and services	33,648 82	1,155 89	1,054 53	1,796 68	2,161 82	39,817 74
Housing loans	20,395 66	1,880 43	965 89	743 59	7,425 45	31,411 02
Others	<u>48,293 66</u>	<u>1,600 36</u>	<u>556 41</u>	<u>226 63</u>	<u>933 69</u>	<u>51,610 75</u>
Total	<u>217,624 43</u>	<u>13,936 05</u>	<u>8,145 73</u>	<u>11,567 25</u>	<u>21,434 94</u>	<u>272,708 40</u>

Bank Only Financial Statements

December 31, 2000

	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Agriculture and mining	5,300 50	666 45	1,014 03	558 13	2,269 84	9,808 95
Manufacturing and commerce	80,042 61	8,077 45	16,745 56	5,586 89	23,984 88	134,437 39
Property development and construction	21,142 16	3,300 85	2,013 36	1,574 35	9,039 75	37,070 47
Infrastructure and services	25,004 85	2,053 35	4,606 75	997 04	6,852 04	39,514 03
Housing loans	17,897 76	1,600 62	1,191 81	873 09	7,820 63	29,383 91
Others	<u>15,490 79</u>	<u>394 41</u>	<u>516 97</u>	<u>1,521 80</u>	<u>1,583 89</u>	<u>19,507 86</u>
Total	<u>164,878 67</u>	<u>16,093 13</u>	<u>26,088 48</u>	<u>11,111 30</u>	<u>51,551 03</u>	<u>269,722 61</u>

4 3 5 Classified Loans and Accrued Interest Receivables

The Bank and a subsidiary has classified loans, accrued interest receivables and allowance for doubtful accounts in accordance with the announcement of the Bank of Thailand dated March 17, 2000, regarding loan loss classifications

At December 31, 2001, the Bank and a subsidiary have classified loans and accrued interest receivables (excluding loans to banks and money market items) in accordance with the announcement as follows

Amounts Million Baht

Consolidated Financial Statements

December 31, 2001

	Loans and Accrued Interest Receivables	Total Debt After Net of Collaterals	% Provision	Set up Amounts
Pass	189,469 76	105,645 98	1	1,056 46
Special mention	13,601 29	2,508 52	2	50 17
Substandard	13,324 56	1,601 97	20	320 39
Doubtful	13,817 31	4,268 49	50	2,134 25
Doubtful of loss	<u>21,767 51</u>	<u>51 43</u>	100	<u>51 43</u>
Total	<u>251,980 43</u>	<u>114,076 39</u>		3,612 70
Allowance for doubtful accounts on accrued interest receivables of restructured loans *				176 00
Excess from Bank of Thailand minimum requirement				<u>1,131 35</u>
Total				<u>4,920 05</u>

At December 31, 2001, Phayathai Asset Management Company Limited (subsidiary) has classified investments in loans and loans in accordance with the announcement as follows

	December 31, 2001			
	Investments in Loans and Loans	Total Debt After Net of Collaterals	% Provision	Set up Amounts
Pass	23,477 40	40 62	1	0 41
Substandard	4,905 41	72 84	20	14 57
Doubtful	2,141 78	413 97	50	206 98
Doubtful of loss	<u>28 19</u>	<u>28 19</u>	100	<u>28 19</u>
Total	<u>30,552 78</u>	<u>555 62</u>		<u>250 15</u>

* The Bank has set up an allowance for doubtful accounts of Baht 176 million for accrued interest receivables of restructured loans with defaults in payment for 3 months consecutively

At December 31, 2000, the Bank and a subsidiary have classified loans and accrued interest receivables (excluding loans to banks and money market items) in accordance with the announcement as follows

	Consolidated Financial Statements December 31, 2000			
	Loans and Accrued Interest Receivables	Total Debt After Net of Collaterals	% Provision	Set up Amounts
Pass	154,395 33	59,845 74	1	598 46
Special mention	15,682 63	3,307 34	2	66 15
Substandard	26,883 80	11,737 02	20	2,347 40
Doubtful	11,415 39	3,644 39	50	1,822 19
Doubtful of loss	<u>52,818 26</u>	<u>-</u>	100	<u>-</u>
Total	<u>261,195 41</u>	<u>78,534 49</u>		<u>4,834 20</u>
Excess from Bank of Thailand minimum requirement				<u>4,209 14</u>
Total				<u>9,043 34</u>

At December 31, 2000, Phayathai Asset Management Company Limited has investments in loans totalling Baht 3,876 12 million, which is classified as Pass classification

Non-performing loans represent loans with principal or interest payments overdue more than three months At December 31, 2001 and 2000, the Bank and a subsidiary have non-performing loans on this basis of Baht 40,191 88 million which represents 14 96% of total loans (excluding loans to banks and money market items) for 2001 and Baht 62,547 83 million which represents 23 24 % for 2000

Non-performing investments in loans of Phayathai Asset Management Company Limited represent loans with principal or interest payments overdue more than three months At December 31, 2001, Phayathai Asset Management Company Limited has non-performing investments in loans on this basis of Baht 7,075 37 million

At December 31, 2001 and 2000 the Bank and a subsidiary have provided an allowance for doubtful accounts of Baht 4,920 05 million and Baht 9,043 34 million, respectively, which is above 100% of calculated allowance for doubtful accounts as required by the Bank of Thailand to be provided The Bank's loans are still in the process of being collected, restructured, renegotiated, and the Bank is in the process of improving credit management and risk management and a qualitatively reviewed, which may affect the classification of loans and accrued interest receivables and the resulting estimate of allowance for doubtful accounts

At December 31, 2001 and 2000 the Bank has classified loans and accrued interest receivables (excluding loans to banks and money market items) in accordance with the announcement as follows

Amounts Million Baht

Bank Only Financial Statements				
December 31, 2001				
	Loans and Accrued Interest Receivables	Total Debt After Net of Collaterals	% Provision	Set up Amounts
Pass	200,176 45	105,615 18	1	1,056 15
Special mention	13,601 29	2,508 52	2	50 17
Substandard	8,419 16	1,529 13	20	305 83
Doubtful	12,060 90	4,242 93	50	2,121 46
Doubtful of loss	<u>21,767 51</u>	<u>51 43</u>	100	<u>51 43</u>
Total	<u>256,025 31</u>	<u>113,947 19</u>		3,585 04
Allowance for doubtful accounts on accrued interest receivables of restructured loans *				176 00
Excess from Bank of Thailand minimum requirement				<u>1,131 35</u>
Total				<u>4,892 39</u>

* The Bank has set up an allowance for doubtful accounts of Baht 176 million of accrued interest receivables in restructured loans with defaults in payment for 3 months consecutively

Amounts Million Baht

Bank Only Financial Statements				
December 31, 2000				
	Loans and Accrued Interest Receivables	Total Debt After Net of Collaterals	% Provision	Set up Amounts
Pass	154,933 74	59,845 74	1	598 46
Special mention	15,682 63	3,307 34	2	66 15
Substandard	26,883 80	11,737 02	20	2,347 40
Doubtful	11,415 39	3,644 39	50	1,822 19
Doubtful of loss	<u>52,818 26</u>	<u>-</u>	100	<u>-</u>
Total	<u>261,733 82</u>	<u>78,534 49</u>		4,834 20
Excess from Bank of Thailand minimum requirement				<u>4,209 14</u>
Total				<u>9,043 34</u>

Non-performing loans represent loans with principal or interest payments overdue more than three months. At December 31, 2001 and 2000 the Bank has non-performing loans on this basis of Baht 33,530 07 million which represents 12.30 % of total loans (excluding loans to banks and money market items) for 2001 and Baht 62,547 83 million which represent 23.19 % for 2000.

At December 31, 2001 and 2000 the Bank has provided an allowance for doubtful accounts of Baht 4,892 39 million and Baht 9,043 34 million, respectively, which is above 100 % of calculated allowance for doubtful accounts as required by the Bank of Thailand to be provided. The Bank's loans are still in the process of being collected, restructured, renegotiated, and the Bank is in the process of improving credit management and risk management and a qualitatively reviewed, which may affect the classification of loans and accrued interest receivables and the resulting estimate of allowance for doubtful accounts.

4.3.6 Troubled Debt Restructuring

For the year ended December 31, 2001 the Bank and subsidiary have entered into contracts for troubled debt restructuring as follows

Consolidated Financial Statements							
For the year ended December 31, 2001							
Type of Restructuring	Recorded Amounts of Debt				Assets Acquired		Loss on Debt Restructuring
	Numbers of Receivables	Before Restructuring	Numbers of Receivables	After Restructuring	Type	Fair Value	
Transfer of assets	12	739 42	-	-	Land and building	588 54	140 88
					Cash	10 00	
Modification of terms	46	15,361 32	23	11,566 93	-	-	2,160 49
					Land and building	10 80	0 71
Various restructuring	<u>2</u>	<u>137 60</u>	<u>2</u>	<u>131 56</u>			
Total	<u>60</u>	<u>16,238 34</u>	<u>25</u>	<u>11,698 49</u>		<u>609 34</u>	<u>2,302 08</u>

Amounts Million Baht

Bank Only Financial Statements							
For the year ended December 31, 2001							
Type of Restructuring	Recorded Amounts of Debt				Assets Acquired		Loss on Debt Restructuring
	Numbers of Receivables	Before Restructuring	Numbers of Receivables	After Restructuring	Type	Fair Value	
Modification of terms	46	15,361 32	23	11,566 93	-	-	2,160 49
					Land and building	10 80	0 71
Various restructuring	<u>2</u>	<u>137 60</u>	<u>2</u>	<u>131 56</u>			
Total	<u>48</u>	<u>15,498 92</u>	<u>25</u>	<u>11,698 49</u>		<u>10 80</u>	<u>2,161 20</u>

Amounts Million Baht

For the year ended December 31, 2001, interest income recognized on restructured loans was Baht 465 86 million, principal and interest of Baht 767 17 million was collected

As at December 31 2001, the Bank has numbers of troubled debt restructuring receivables of 43 with the carrying amounts of Baht 19,853 91 million

At December 31, 2000, the Bank has entered into contracts for troubled debt restructuring as follows

Consolidated Financial Statements and Bank Only Financial Statements							
December 31, 2000							
Type of Restructuring	Recorded Amounts of Debt				Assets Acquired		Loss on Debt Restructuring
	Numbers of Receivables	Before Restructuring	Numbers of Receivables	After Restructuring	Type	Fair Value	
Transfer of assets	2	120 08	1	43 30	Land and building	40 00	36 79
Modification of terms	276	44,685 52	72	21,852 82	-	-	3,292 17
Various restructuring	10	4,903 12	8	2,439 55	Land	145 30	307 33
					Ordinary shares	125 97	
Total	<u>288</u>	<u>49,708 72</u>	<u>81</u>	<u>24,335 67</u>		<u>311 27</u>	<u>3,636 29</u>

Amounts Million Baht

For the year ended December 31, 2000, interest income recognized on restructured loans was Baht 656 75 million, principal and interest of Baht 1,326 57 million was collected

4.4 Classified Assets

Classified assets, which consist of investment in securities, loans and accrued interest receivables (including loans to banks and money market items), properties foreclosed, premises and equipment and other assets, at December 31, 2001 and 2000, were classified as follows

Consolidated Financial Statements						
December 31, 2001						
Type of Assets						
	Investments in Securities	Loans and Accrued Interest Receivables	Properties Foreclosed	Premises and Equipment	Other Assets	Total
Pass	-	207,455 80	-	-	-	207,455 80
Special mention	-	13,936 80	-	-	-	13,936 80
Substandard	-	13,330 84	-	-	-	13,330 84
Doubtful	-	13,817 31	-	-	-	13,817 31
Doubtful of loss	2,280 50	21,767 51	1,818 46	75 87	370 23	26,312 57
Total	<u>2,280 50</u>	<u>270,308 26</u>	<u>1,818 46</u>	<u>75 87</u>	<u>370 23</u>	<u>274,853 32</u>

At December 31, 2001, Phayathai Asset Management Company Limited has classified assets as follows

Consolidated Financial Statements				
December 31, 2001				
Type of Assets				
	Investments in Loans	Loans	Properties Foreclosed	Total
Pass	23,404 44	72 96	-	23,477 40
Substandard	4,905 41	-	-	4,905 41
Doubtful	2,141 78	-	-	2,141 78
Doubtful of loss	28 19	-	83 74	111 93
Total	<u>30,479 82</u>	<u>72 96</u>	<u>83 74</u>	<u>30,636 52</u>

Consolidated Financial Statements						
December 31, 2000						
Type of Assets						
	Investments in Securities	Loans and Accrued Interest Receivables	Properties Foreclosed	Premises and Equipment	Other Assets	Total
Pass	-	164,530 75	-	-	-	164,530 75
Special mention	-	16,093 95	-	-	-	16,093 95
Substandard	-	27,185 06	-	-	-	27,185 06
Doubtful	-	11,733 29	-	-	-	11,733 29
Doubtful of loss	2,837 86	52,833 26	828 67	78 89	365 09	56,943 77
Total	<u>2,837 86</u>	<u>272,376 31</u>	<u>828 67</u>	<u>78 89</u>	<u>365 09</u>	<u>276,486 82</u>

At December 31, 2000, Phayathai Asset Management Company Limited has investments in loans in the pass classification totalling Baht 3,876 12 million

	Bank Only Financial Statements					Amounts	Million Baht
	December 31, 2001						
	Type of Assets						
	Investments in Securities	Loans and Accrued Interest Receivables	Properties Foreclosed	Premises and Equipment	Other Assets	Total	
Pass	-	218,162 49	-	-	-	218,162 49	
Special mention	-	13,936 80	-	-	-	13,936 80	
Substandard	-	8,425 44	-	-	-	8,425 44	
Doubtful	-	12,060 89	-	-	-	12,060 89	
Doubtful of loss	<u>2,280 50</u>	<u>21,767 51</u>	<u>931 26</u>	<u>75 87</u>	<u>370 23</u>	<u>25,425 37</u>	
Total	<u>2,280 50</u>	<u>274,353 13</u>	<u>931 26</u>	<u>75 87</u>	<u>370 23</u>	<u>278,010 99</u>	

	Bank Only Financial Statements					Amounts	Million Baht
	December 31, 2000						
	Type of Assets						
	Investments in Securities	Loans and Accrued Interest Receivables	Properties Foreclosed	Premises and Equipment	Other Assets	Total	
Pass	-	165,069 16	-	-	-	165 069 16	
Special mention	-	16,093 95	-	-	-	16,093 95	
Substandard	-	27 185 06	-	-	-	27,185 06	
Doubtful	-	11,733 29	-	-	-	11,733 29	
Doubtful of loss	<u>2,837 86</u>	<u>52,833 26</u>	<u>25 21</u>	<u>78 89</u>	<u>365 09</u>	<u>56,140 31</u>	
Total	<u>2,837 86</u>	<u>272,914 72</u>	<u>25 21</u>	<u>78 89</u>	<u>365 09</u>	<u>276,221 77</u>	

4.5 Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts during the years ended December 31, 2001 and 2000 are as follows

	Consolidated Financial Statements						Amounts	Million Baht
	December 31, 2001							
	Pass	Special Mention	Substandard	Doubtful	Doubtful of Loss	Allowance for Doubtful Accounts Exceed the BOT Minimum Requirement *	Total	
Balance at beginning								
of the year	598 46	66 15	2,347 40	1,822 19	-	4,209 14	9,043 34	
Provision during the year	452 87	(16 00)	(1 878 46)	514 03	4,200 95	(2,901 79)	371 60	
Reversed due to debt restructuring	-	-	-	-	1,766 28	-	1,766 28	
Bad debt recovered	-	-	-	-	2,938 33	-	2,938 33	
Bad debt written off	-	-	(150 29)	(206 04)	(8,860 33)	-	(9,216 66)	
Others	<u>5 13</u>	<u>0 02</u>	<u>1 74</u>	<u>4 07</u>	<u>6 20</u>	<u>-</u>	<u>17 16</u>	
Balance at end of the year	<u>1,056 46</u>	<u>50 17</u>	<u>320 39</u>	<u>2,134 25</u>	<u>51 43</u>	<u>1,307 35</u>	<u>4,920 05</u>	

* The Bank has set up an allowance for doubtful accounts of Baht 176 million for accrued interest receivables of restructured loans with defaults in payment for 3 months consecutively

Amounts Million Baht

Bank Only Financial Statements

December 31, 2001

	Pass	Special Mention	Substandard	Doubtful	Doubtful of Loss	Allowance for Doubtful Accounts Exceed the BOT Minimum Requirement*	Total
Balance at beginning of the year	598 46	66 15	2,347 40	1,822 19	-	4,209 14	9,043 34
Provision during the year	452 56	(16 00)	(1,893 03)	501 25	4,200 95	(2,901 79)	343 94
Reversed due to debt							
Restructuring	-	-	-	-	1,766 28	-	1,766 28
Bad debt recovered	-	-	-	-	2,938 33	-	2,938 33
Bad debt written off	-	-	(150 29)	(206 04)	(8,860 33)	-	(9,216 66)
Others	<u>5 13</u>	<u>0 02</u>	<u>1 74</u>	<u>4 07</u>	<u>6 20</u>	<u>-</u>	<u>17 16</u>
Balance at end of the year	<u>1,056 15</u>	<u>50 17</u>	<u>305 82</u>	<u>2,121 47</u>	<u>51 43</u>	<u>1,307 35</u>	<u>4,892 39</u>

* The Bank has set up an allowance for doubtful accounts of Baht 176 million for accrued interest receivables of restructured loans with defaults in payment for 3 months consecutively

The Bank had loans and accrued interest receivables with closed financial institutions whose rehabilitation plans were not approved by Financial Sector Restructuring Authority on December 8, 1997. The Bank had fully provided and written off an allowance for doubtful accounts

During 2001, the Bank has received cash settlement and promissory notes issued by Financial Institutions Asset Management Corporation of Baht 915 56 million and Baht 228 63 million, respectively. Such promissory notes are 3-5 years maturities and due in 2002-2004, with interest payment at a rate of 7.00%-11.189% per annum, payable semi-annually. The Bank has reduced the excess allowance for doubtful accounts of Baht 1,144 19 million and presented in the statement of income for the year ended December 31, 2001

Amounts Million Baht

Consolidated Financial Statements
and Bank Only Financial Statements

December 31, 2000

	Pass	Special Mention	Substandard	Doubtful	Doubtful of Loss	Allowance for Doubtful Accounts Exceed the BOT Minimum Requirement	Total
Balance at beginning of the year	610 30	226 88	946 43	3,197 18	23,861 78	(11,891 28)	16,951 29
Provision during the year	(34 91)	(160 89)	1,394 41	(1,378 63)	6,670 08	16,100 42	22,590 48
Reversed due to debt							
Restructuring	-	-	-	-	2,015 87	-	2,015 87
Bad debt recovered	-	-	-	-	654 74	-	654 74
Bad debt written off	-	-	-	-	(33,214 84)	-	(33,214 84)
Others	<u>23 07</u>	<u>0 16</u>	<u>6 56</u>	<u>3 64</u>	<u>12 37</u>	<u>-</u>	<u>45 80</u>
Balance at end of the year	<u>598 46</u>	<u>66 15</u>	<u>2,347 40</u>	<u>1,822 19</u>	<u>-</u>	<u>4,209 14</u>	<u>9,043 34</u>

4.6 Revaluation Allowance for Debt Restructuring

Changes in the revaluation allowance for debt restructuring during the years ended December 31, 2001 and 2000 are as follows

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	December 31, <u>2001</u>	December 31, <u>2000</u>
Balance at beginning of the year	1,711.82	1,246.22
Increase (decrease) during the year	<u>(224.85)</u>	<u>465.60</u>
Balance at end of the year	<u>1,486.97</u>	<u>1,711.82</u>

4.7 Properties Foreclosed

Changes in the properties foreclosed during the years ended December 31, 2001 and 2000 are as follows

	Amounts Million Baht			
	Consolidated Financial Statements			
	December 31, 2001			
	Beginning <u>Balance</u>	Increase <u> </u>	Disposal <u> </u>	Ending <u>Balance</u>
Type of Properties Foreclosed				
Assets from settlement				
Immovable assets	5,405.79	10,633.14	(802.36)	15,236.57
Other				
Immovable assets	-	53.83	-	53.83
Less Allowance for impairment	<u>828.67</u>	<u>1,006.02</u>	<u>(16.23)</u>	<u>1,818.46</u>
Properties Foreclosed - net	<u>4,577.12</u>	<u>9,680.95</u>	<u>(786.13)</u>	<u>13,471.94</u>
	Consolidated Financial Statements			
	December 31, 2000			
	Beginning <u>Balance</u>	Increase <u> </u>	Disposal <u> </u>	Ending <u>Balance</u>
Type of Properties Foreclosed				
Assets from settlement				
Immovable assets	4,918.20	707.08	(219.49)	5,405.79
Less Allowance for impairment	<u>599.59</u>	<u>1,176.14</u>	<u>(947.06)</u>	<u>828.67</u>
Properties Foreclosed - net	<u>4,318.61</u>	<u>(469.06)</u>	<u>727.57</u>	<u>4,577.12</u>

	Amounts Million Baht			
	Bank Only Financial Statements			
	December 31, 2001			
	Beginning <u>Balance</u>	Increase <u> </u>	Disposal <u> </u>	Ending <u>Balance</u>
Type of Properties Foreclosed				
Assets from settlement				
Immovable assets	3,081.58	8,572.28	(716.04)	10,937.82
Other				
Immovable assets	-	53.83	-	53.83
Less Allowance for impairment	<u>25.21</u>	<u>922.28</u>	<u>(16.23)</u>	<u>931.26</u>
Properties Foreclosed - net	<u>3,056.37</u>	<u>7,703.83</u>	<u>(699.81)</u>	<u>10,060.39</u>

Amounts Million Baht

Bank Only Financial Statements

December 31, 2000

	Beginning <u>Balance</u>	Increase <u> </u>	Disposal <u> </u>	Ending <u>Balance</u>
Type of Properties Foreclosed				
Assets from settlement				
Immovable assets	4,918 20	707 08	(2,543 70)	3,081 58
<u>Less</u> Allowance for impairment	<u>599 59</u>	<u>372 68</u>	<u>(947 06)</u>	<u>25 21</u>
Properties Foreclosed - net	<u>4,318 61</u>	<u>334 40</u>	<u>(1,596 64)</u>	<u>3,056 37</u>

648 Premises and Equipment

4 8 1 Changes in premises and equipment (including revalued incremental cost) for the year ended December 31, 2001 are summarized as follows

Consolidated Financial Statements													Amounts Million Baht		
	Book Value		Changes in Cost					Changes in Accumulated Depreciation					Allowance	Book Value	
	At Beginning		Diff in Exchange Rate	Purchased	Transfer from Other Assets	Disposal / Transfer	At End of Year	At Beginning		Diff in Exchange Rate	Depreciation	Disposal/ Transfer	At End of Year	for Impairment	at End of Year
	of Year	of Year						of Year	of Year						
Land															
Cost	3,679 98	3,749 98	-	-	-	(26 88)	3,723 10	-	-	-	-	-	(64 90)	3,658 20	
Revalued Incremental cost															
(Year 1993)	882 10	882 10	-	-	-	-	882 10	-	-	-	-	-	-	882 10	
Buildings															
Cost	2,611 18	4,273 95	-	76 60	-	(40 93)	4,309 62	1,653 89	-	211 90	(9 50)	1,856 29	(10 97)	2,442 36	
Revalued Incremental cost															
(Year 1993)	106 13	307 19	-	-	-	-	307 19	201 06	-	22 76	-	223 82	-	83 37	
Equipment	687 39	4,185 64	0 13	642 25	-	(120 05)	4,707 97	3,498 25	0 11	409 40	(117 80)	3,789 96	-	918 01	
Work in installation	-	-	-	240 92	-	-	240 92	-	-	-	-	-	-	240 92	
Total	<u>7,966 78</u>	<u>13,398 86</u>	<u>0 13</u>	<u>959 77</u>	<u>-</u>	<u>(187 86)</u>	<u>14,170 90</u>	<u>5,353 20</u>	<u>0 11</u>	<u>644 06</u>	<u>(127 30)</u>	<u>5,870 07</u>	<u>(75 87)</u>	<u>8,224 96</u>	

1 Depreciation for the year ended December 31, 2001 in the amount of Baht 644 06 million is presented in premises and equipment expenses

2 At December 31, 2001, premises and equipment at cost of Baht 3,182 80 million are fully depreciated, but still in use

4.8.2 Changes in premises and equipment (including revalued incremental cost) for the year ended December 31, 2000 are summarized as follows

	Consolidated Financial Statements												Amounts	Million Baht
	Book Value	Changes in Cost						Changes in Accumulated Depreciation					Allowance	Book Value
	At Beginning												for	at End
	of Year	At Beginning	Diff in	Purchased	Transfer from	Disposal /	At End of	At Beginning	Diff in	Depreciation	Disposal /	At End of	Impairment	of Year
	of Year	Exchange Rate		Other Assets	Transfer	Year	of Year	Exchange Rate		Transfer	Year			
Land														
Cost	3,656 51	3,709 65	-	0 17	40 16	-	3,749 98	-	-	-	-	-	(70 00)	3,679 98
Revalued														
Incremental cost														
(Year 1993)	882 10	882 10	-	-	-	-	882 10	-	-	-	-	-	-	882 10
Buildings														
Cost	2,783 92	4,235 19	-	15 63	26 12	(2 99)	4,273 95	1,446 18	-	209 51	(1 80)	1,653 89	(8 88)	2,611 18
Revalued														
Incremental cost														
(Year 1993)	131 07	309 85	-	-	-	(2 66)	307 19	178 78	-	23 50	(1 22)	201 06	-	106 13
Buildings	<u>821 01</u>	<u>3,959 79</u>	<u>1 69</u>	<u>268 50</u>	<u>-</u>	<u>(44 34)</u>	<u>4,185 64</u>	<u>3,138 77</u>	<u>1 28</u>	<u>382 39</u>	<u>(24 19)</u>	<u>3,498 25</u>	<u>-</u>	<u>687 39</u>
Total	<u>8,274 61</u>	<u>13,096 58</u>	<u>1 69</u>	<u>284 30</u>	<u>66 28</u>	<u>(49 99)</u>	<u>13,398 86</u>	<u>4,763 73</u>	<u>1 28</u>	<u>615 40</u>	<u>(27 21)</u>	<u>5,353 20</u>	<u>(78 88)</u>	<u>7,966 78</u>

1 Depreciation for the year ended December 31, 2000 in the amount of Baht 615.40 million is presented in premises and equipment expenses

2 At December 31, 2000, premises and equipment at cost of Baht 2,348.57 million are fully depreciated, but still in use

4 8 3 Changes in premises and equipment (including revalued incremental cost) for the year ended December 31, 2001 are summarized as follows

	Bank Only Financial Statements												Amounts	Million Baht
	Book Value		Changes in Cost					Changes in Accumulated Depreciation					Allowance	Book Value
	At Beginning												for	at End
	of Year		At Beginning	Diff in	Purchased	Transfer from	Disposal /	At End of	At Beginning	Diff in	Depreciation	Disposal /	At End of	Impairment
		of Year	Exchange Rate		Other Assets	Transfer	Year	of Year	Exchange Rate		Transfer	Year		
Land														
Cost	3,679 98	3,749 98	-	-	-	(26 88)	3 723 10	-	-	-	-	-	(64 90)	3,658 20
Revalued														
Incremental cost														
(Year 1993)	882 10	882 10	-	-	-	-	882 10	-	-	-	-	-	-	882 10
Buildings														
Cost	2,611 18	4,273 95	-	76 60	-	(40 93)	4,309 62	1,653 89	-	211 90	(9 50)	1,856 29	(10 97)	2,442 36
Revalued														
Incremental cost														
(Year 1993)	106 13	307 19	-	-	-	-	307 19	201 06	-	22 76	-	223 82	-	83 37
Equipment	686 60	4,184 82	0 13	638 48	-	(120 05)	4,703 38	3,498 22	0 11	408 72	(117 80)	3,789 25	-	914 13
Work in installation	-	-	-	239 83	-	-	239 83	-	-	-	-	-	-	239 83
Total	<u>7,965 99</u>	<u>13,398 04</u>	<u>0 13</u>	<u>954 91</u>	<u>-</u>	<u>(187 86)</u>	<u>14,165 22</u>	<u>5,353 17</u>	<u>0 11</u>	<u>643 38</u>	<u>(127 30)</u>	<u>5,869 36</u>	<u>(75 87)</u>	<u>8,219 99</u>

1 Depreciation for the year ended December 31, 2001 in the amount of Baht 643 38 million is presented in premises and equipment expenses

2 At December 31 2001, premises and equipment at cost of Baht 3,182 80 million are fully depreciated, but still in use

4.8.4 Changes in premises and equipment (including revalued incremental cost) for the year ended December 31, 2000 are summarized as follows

	Bank Only Financial Statements												Amounts	Million Baht
	Book Value	Changes in Cost						Changes in Accumulated Depreciation					Allowance	Book Value
	At Beginning												for	at End
	of Year	At Beginning	Diff in	Purchased	Transfer from	Disposal /	At End of	At Beginning	Diff in	Depreciation	Disposal /	At End of	Impairment	of Year
	of Year	Exchange Rate		Other Assets	Transfer	Year	of Year	Exchange Rate		Transfer	Year			
Land														
Cost	3,656 51	3,709 65	-	0 17	40 16	-	3,749 98	-	-	-	-	-	(70 00)	3,679 98
Revalued														
Incremental cost														
(Year 1993)	882 10	882 10	-	-	-	-	882 10	-	-	-	-	-	-	882 10
Buildings														
Cost	2,783 92	4,235 19	-	15 63	26 12	(2 99)	4,273 95	1,446 18	-	209 51	(1 80)	1,653 89	(8 88)	2,611 18
Revalued														
Incremental cost														
(Year 1993)	131 07	309 85	-	-	-	(2 66)	307 19	178 78	-	23 50	(1 22)	201 06	-	106 13
Equipment	<u>821 01</u>	<u>3,959 79</u>	<u>1 69</u>	<u>267 68</u>	<u>-</u>	<u>(44 34)</u>	<u>4,184 82</u>	<u>3,138 77</u>	<u>1 28</u>	<u>382 36</u>	<u>(24 19)</u>	<u>3,498 22</u>	<u>-</u>	<u>686 60</u>
Total	<u>8,274 61</u>	<u>13,096 58</u>	<u>1 69</u>	<u>283 48</u>	<u>66 28</u>	<u>(49 99)</u>	<u>13,398 04</u>	<u>4 763 73</u>	<u>1 28</u>	<u>615 37</u>	<u>(27 21)</u>	<u>5,353 17</u>	<u>(78 88)</u>	<u>7,965 99</u>

1 Depreciation for the year ended December 31, 2000 in the amount of Baht 615 37 million is presented in premises and equipment expenses

2 At December 31, 2000, premises and equipment at cost of Baht 2,348 57 million are fully depreciated, but still in use

4.9 Deposits

Deposits at December 31, 2001 and 2000 are classified as follows

	Consolidated		Bank Only	
	Financial Statements		Financial Statements	
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000
1 <u>Classified by Type of Deposits</u>				
Current	6,176 67	4,928 32	6,207 74	4,928 32
Savings	81,193 54	61,161 49	81,316 75	61,258 87
Term				
- Within 6 months	130,899 29	136,592 11	130,899 29	136,592 11
- 6 months not over 1 year	17 30	10 49	17 30	10 49
- Over 1 year	77,297 71	62,315 53	77,297 71	62,315 53
Certificates of deposit	<u>5,155 50</u>	<u>3,482 50</u>	<u>5,155 50</u>	<u>3,482 50</u>
Total	<u>300,740 01</u>	<u>268,490 44</u>	<u>300,894 29</u>	<u>268,587 82</u>
2 <u>Classified by Maturity of Contracts</u>				
Within 1 year	273,359 59	264,926 97	273,513 87	265,024 35
Over 1 year	<u>27,380 42</u>	<u>3 563 47</u>	<u>27,380 42</u>	<u>3,563 47</u>
Total	<u>300,740 01</u>	<u>268,490 44</u>	<u>300,894 29</u>	<u>268,587 82</u>

3 Classified by Currencies and Residency of Depositors

	Consolidated Financial Statements					
	December 31, 2001			December 31, 2000		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	299,119 74	463 23	299,582 97	267,062 33	340 69	267,403 02
US Dollar	475 00	202 16	677 16	304 79	276 87	581 66
Other currencies	<u>394 63</u>	<u>85 25</u>	<u>479 88</u>	<u>450 73</u>	<u>55 03</u>	<u>505 76</u>
Total	<u>299,989 37</u>	<u>750 64</u>	<u>300,740 01</u>	<u>267,817 85</u>	<u>672 59</u>	<u>268,490 44</u>

	Bank Only financial Statements					
	December 31, 2001			December 31, 2000		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	299,274 02	463 23	299,737 25	267,159 71	340 69	267,500 40
US Dollar	475 00	202 16	677 16	304 79	276 87	581 66
Other currencies	<u>394 63</u>	<u>85 25</u>	<u>479 88</u>	<u>450 73</u>	<u>55 03</u>	<u>505 76</u>
Total	<u>300,143 65</u>	<u>750 64</u>	<u>300,894 29</u>	<u>267,915 23</u>	<u>672 59</u>	<u>268,587 82</u>

4 10 Interbank and Money Market Items

Interbank and money market items at December 31, 2001 consisted of

	Amounts Million Baht		
	Consolidated Financial Statements and Bank Only Financial Statements		
	December 31, 2001		
	<u>At Call</u>	<u>Term</u>	<u>Total</u>
1 Domestic			
The Bank of Thailand and Financial Institutions			
Development Fund	-	1,006 66	1,006 66
Commercial banks	37 23	-	37 23
Other banks	212 87	570 58	783 45
Finance, finance and securities, securities and credit foncier companies	114 68	2 26	116 94
Other financial institutions	<u>4,111 36</u>	<u>5,260 62</u>	<u>9,371 98</u>
Total Domestic	<u>4,476 14</u>	<u>6,840 12</u>	<u>11,316 26</u>
2 Foreign			
US Dollar	263 58	4,308 61	4,572 19
Japanese Yen	-	335 82	335 82
Other currencies	<u>153 02</u>	<u>198 69</u>	<u>351 71</u>
Total Foreign	<u>416 60</u>	<u>4,843 12</u>	<u>5,259 72</u>
Total Domestic and Foreign	<u>4,892 74</u>	<u>11,683 24</u>	<u>16,575 98</u>

Interbank and money market items at December 31, 2000 consisted of

	Amounts Million Baht		
	Consolidated Financial Statements and Bank Only Financial Statements		
	December 31, 2000		
	<u>At Call</u>	<u>Term</u>	<u>Total</u>
1 Domestic			
The Bank of Thailand and Financial Institutions			
Development Fund	-	799 60	799 60
Commercial banks	60 74	432 70	493 44
Other banks	137 01	162 01	299 02
Finance, finance and securities, securities and credit foncier companies	78 57	2 67	81 24
Other financial institutions	<u>1,639 94</u>	<u>5,935 63</u>	<u>7,575 57</u>
Total Domestic	<u>1,916 26</u>	<u>7,332 61</u>	<u>9,248 87</u>
2 Foreign			
US Dollar	233 45	5,523 92	5,757 37
Other currencies	<u>180 62</u>	<u>736 47</u>	<u>917 09</u>
Total Foreign	<u>414 07</u>	<u>6,260 39</u>	<u>6,674 46</u>
Total Domestic and Foreign	<u>2,330 33</u>	<u>13,593 00</u>	<u>15,923 33</u>

4 11 Borrowings

Borrowings at December 31, 2001 and 2000 classified by type of instruments and source of funds are as follows

Amounts Million Baht

	Consolidated Financial Statements and Bank Only Financial Statements					
	December 31, 2001			December 31, 2000		
	<u>Domestic</u>	<u>Overseas</u>	<u>Total</u>	<u>Domestic</u>	<u>Overseas</u>	<u>Total</u>
Subordinated debentures	14,287 00	-	14,287 00	14,287 00	5,148 22	19,435 22
Debentures	<u>3,320 00</u>	-	<u>3,320 00</u>	<u>3,320 00</u>	-	<u>3,320 00</u>
Total	<u>17,607 00</u>	-	<u>17,607 00</u>	<u>17,607 00</u>	<u>5,148 22</u>	<u>22,755 22</u>

Short-term Borrowings at December 31, 2000 are as follows

Short-term Borrowings-Overseas

On April 20, 1994 the Bank issued subordinated debentures of US dollars 50 million which is payable on April 20, 2001. Interest is payable semi-annually in April and October at a floating rate equal to LIBOR plus 1.2% per annum. On April 25, 2001 the Bank redeemed all these subordinated debentures.

Long-term borrowings - subordinated debentures and debentures at December 31, 2001 and 2000 consisted of

Amounts Million Baht

			Consolidated Financial Statements and Bank Only Financial Statements	
<u>Currency</u>	<u>Type</u>	<u>Maturity Year</u>	<u>December 31, 2001</u>	<u>December 31, 2000</u>
US\$	Subordinated debentures	2005	-	2,985 08
Baht	Subordinated debentures	2005	6,000 00	6,000 00
Baht	Subordinated debentures	2007	7,000 00	7,000 00
Baht	Subordinated debentures	2009	742 00	742 00
Baht	Subordinated debentures	2010	545 00	545 00
Baht	Debentures	2006	<u>3,320 00</u>	<u>3,320 00</u>
Total			<u>17,607 00</u>	<u>20,592 08</u>

Long-term Borrowings - Domestic

On May 18, 1995, the Bank issued subordinated debentures in the amount of Baht 1,000 million due on May 18, 2007. Interest is payable semi-annually in May and November at the rate equal to MLR - 1% per annum.

On November 17, 1998, the Bank issued subordinated debentures of Baht 6,000 million which is payable on November 17, 2005, with a call option at the end of fifth year. Interest is payable quarterly in February, May, August and November at the higher of the floating rate equal to maximum fixed deposit rate of the Bank plus 4.0% per annum or 12.5% per annum.

On September 20, 1999, the Bank issued 10-year subordinated debentures of Baht 742 million, with interest rate of 5% per annum, payable annually.

On November 17, 2000, the Bank issued subordinated debentures of Baht 6,000 million which is payable on November 17, 2007, with a call option at the end of fifth year. Interest is payable quarterly in February, May, August and November at the higher of the floating rate equal to maximum fixed deposit rate of the Bank plus 3.0% per annum or 7.5% per annum.

On December 28, 2000, the Bank issued 10-year subordinated debentures of Baht 545 million, with interest rate of 3.5% per annum, payable annually.

Long-term Borrowings - Overseas

On May 17, 1995, the Bank issued subordinated debentures of US dollars 100 million which is payable in 2005. Interest is payable semi-annually in May and November at an interest rate for the first year to the fifth year equal to LIBOR plus 1.0% per annum and for the sixth year to the tenth year equal to LIBOR plus 2.25% per annum. On May 21, 2001 the Bank redeemed all these subordinated debentures with a call option.

As at December 31, 2000 the Bank had outstanding balance of subordinated debentures of US dollars 69 million equivalent to Baht 2,985.08 million

- 4.12 The Issuance of Preferred Shares cum the Subordinated Debentures No 5 and the Issuance of 6/1st to 6/29th Debentures**
- On June 7, 1999, the Bank issued Class A Preferred Shares of 99,600 shares ("Preferred Shares") with par value of Baht 10 and with liquidation preference upon liquidation. On the same day, the Bank issued the Thai Military Bank PLC Subordinated Debentures No 5 due upon liquidation ("Subordinated Debentures No 5") of 99,600 units with an offering price of Baht 100,000 each. These securities are offered to the Mutual Fund for Preferred Shares-Subordinated Debentures of Thai Military Bank PLC ("Mutual Fund"). On the same day, the Bank also entered into The Master Investment in Securities Agreement ("Master Agreement") with the Mutual Fund in order to specify various terms and conditions on these two inter-related securities. In this regard, the Bank received funds from the issuances of these securities totalling of Baht 9,960 million. The Mutual Fund sold the unit trusts and received funds from the institutional investors according to the announcement of the Securities and Exchange Commission.

The preferred shares are noncumulative. In the event that the Bank has declared to pay the dividend to the holders of the ordinary shares in any accounting year, the Bank shall declare dividends to the holders of the Preferred Shares in such accounting year, at the following rate per Preferred Shares per year:

- (1) If the Bank has paid the interest on the Subordinated Debentures No 5 in full on each due date as specified in the terms and conditions of the Subordinated Debentures No 5, or if the Subordinated Debentures No 5 are redeemed, the dividend shall be at the rate of Baht 1, or
- (2) If the Bank has not paid the interest on the Subordinated Debentures No 5 in full on each due date as specified in the terms and conditions of the Subordinated Debentures No 5, the dividend shall be at a rate equal to the amount of the annual interest on the Subordinated Debentures No 5 as specified in the Prospectus, less the interest paid on the Subordinated Debentures No 5 in such accounting year.

In the event the Bank does not pay a dividend to the ordinary shareholders and consequently is not required to pay a dividend to the holders of the Preferred Shares in such accounting year, the Bank, at its sole discretion, may pay all or some of the dividends to the holders of the Preferred Shares, if there is sufficient profit.

The Liquidation Preference shall be reduced to par value of the Preferred Share in the following events:

- (1) If the Subordinated Debentures No 5 are redeemed, or
- (2) If, upon the liquidation of the Bank for whatsoever reason, the holders of the Subordinated Debentures No 5 have applied for repayment or have received repayment under the Subordinated Debentures No 5, whether or not they have been repaid in full.

Upon the redemption of the Subordinated Debentures No 5, the liquidation preference shall be reduced to par value at Baht 10 each and the Preferred Shares may be converted into ordinary shares of the Bank at a ratio of one Preferred Share per one ordinary share. The Master Agreement specifies that the Fund shall convert such Preferred Shares when requested by the Bank.

The Subordinated Debentures No 5 will be due upon liquidation. However, the Bank may redeem the Subordinated Debentures prior to their due date under the conditions as follows:

- (1) The redemption is made on the date of the fifth anniversary from the issuing date of the Subordinated Debentures No 5, or
- (2) If the Bank can demonstrate that the interest of the Subordinated Debentures No 5 can or will no longer be deducted as the Bank expenses for tax purposes, or
- (3) If the Bank is informed by the Bank of Thailand that the entire amount of the Preferred Shares and the Subordinated Debentures No 5 can or will no longer be counted as the Tier 1 capital fund to risk asset ratio rate of the Bank, or
- (4) If the Bank can raise capital in an equal amount or greater than the Subordinated Debentures No 5 or the Bank has Tier 1 capital fund in excess of the minimum ratio stipulated by the Bank of Thailand after the redemption of the Subordinated Debentures No 5.

All of the above cases require prior approval from the Bank of Thailand. In addition, the redemption price of the Subordinated Debentures No 5 per unit will be reduced proportionately with the declining rate of the Tier 1 capital to risk asset ratio. The interest rate of the Subordinated Debentures is 15% per annum payable every six months on the last business days in April and October of each year, provided that the interest will be paid only when the Bank is required to make

dividend payments on the Preferred Shares. The Bank shall have the right to pay all or part of the interest if the Bank has an option to pay the dividend on the Preferred Shares. The interest unpaid in any year shall not be cumulative for payment in the following year. The Master Agreement has specified that prior to the redemption of the Subordinated Debentures No. 5, the transfer of Preferred Shares to any person may be made only if the Fund transfers the Preferred Shares simultaneously with the Subordinated Debentures No. 5 to the same transferee and such transferee agrees in writing to be bound according to the terms and conditions of the Master Agreement in all respects. The Bank and the Mutual Fund have agreed that whenever the Subordinated Debentures No. 5 are redeemed the liquidation preference upon the dissolution and liquidation of the Preferred Shares shall be reduced to par value. The Master Agreement has also specified that the Fund, as the holders of the Preferred Shares, agrees and accepts that the redemption payment made by the Bank under the Subordinated Debentures No. 5 to the Fund hereof shall be deemed as the complete payment made to the Fund as the holders of the Preferred Shares, under the Bank's Articles of Association.

Also on June 7, 1999, the Bank issued the 6/1st to 6/29th Debentures of Thai Military Bank PLC, with a final redemption in 2006, in the amount of 13,824,480 units, with par value of Baht 1,000 per unit, totalling Baht 13,824.48 million. The Bank offered the 6/1st to 6/29th Debentures at a discount from par value and received total proceeds of Baht 3,320 million. Debentures 6/1st through 6/28th will mature in successive three month intervals from June 1999, each having a par value of Baht 375.16 million and bearing no interest. Debenture 6/29th will be redeemed in June 2006 (together with Debentures 6/28th), at a par value of Baht 3,320 million and bear no interest. The Bank may redeem all outstanding Debentures on the fifth anniversary date, as from the issuing date, or on each redemption date 6/1st to 6/29th, in whole only, at their accreted value on the redemption date, by advising the debentures holders at least 30 days but not over 60 days prior to the redemption date.

Since the Bank will apply for the Tier 1 capital support scheme in accordance with the Notification of Ministry of Finance by issuing class B preferred shares for sale to the Ministry of Finance and/or the joint investors. The class B preferred shares will have the right and status as specified in the mentioned notification of the Ministry of Finance.

On October 11, 1999, as a result, the Bank and the Mutual Fund agree to amend the Master Agreement dated June 7, 1999, summarized as follows:

- (1) In the event of the operating losses arising from the assets existed before the Ministry of Finance injects the fund to increase the capital and it is necessary to reduce the capital whether at one time or several times, the Mutual Fund agrees to allow the Bank to reduce the capital and to give up any right to protest or object the capital reduction on the part of the ordinary shares and to allow the reduction to the redemption price and the release of debts to be paid under the Subordinated Debentures No. 5, also to allow the release of debts to be paid to the Mutual Fund as the holder of the Preferred Shares as specified in the amended agreement. However, the amount should not exceed the deficit as at the date of the capital injection by the Ministry of Finance together with the losses which may occur later on due to the assets existed prior to the capital injection of the Ministry of Finance.
- (2) In the event of the capital reduction due to the operating losses arising from the assets existing after the capital injection of the Ministry of Finance, the Mutual Fund agrees to allow the Bank to reduce the capital and to give up any right to protest or object the capital reduction on the part of the Preferred Shares according to the proportions of the holdings of ordinary shares, Preferred Shares and class B preferred shares.
- (3) The Mutual Fund agrees that after the reduction of ordinary shares and the deficit still remain, the Mutual Fund will allow the reduction of the redemption price per unit of the Subordinated Debentures No. 5 from the face value to be equal to the face value per unit of the Subordinated Debentures No. 5 subtracted by the amount of the average remaining deficit. The Mutual Fund agrees to release the Bank's debts in the amount equals to the average remaining deficit subtracted from the face value of the Subordinated Debentures No. 5.
- (4) In the event that remaining redemption price per unit is equal to Baht zero, the Mutual Fund agrees to release the debts that the Bank is responsible to pay to the Mutual Fund in the amount per share equals to Baht one hundred thousand subtracted by the par value of the Preferred Share. The Mutual Fund agrees that the Subordinated Debentures No. 5 be redeemable immediately. The redemption price will be Baht zero and the Mutual Fund agrees to convert the Preferred Shares to ordinary shares immediately. This agreement constitutes as the application for the such conversion to the Bank. If it is necessary to reduce the capital on the part of ordinary shares converted from the Preferred Shares because the deficit still remain, the Mutual Fund agrees to allow the Bank to reduce the capital on the part of the mentioned ordinary shares.

- (5) In the event that there is the redemption of the Subordinated Debentures No 5 and the redemption price per unit is over Baht zero, the Mutual Fund agrees to release the debts which the Bank is responsible to pay to the Mutual Fund according to the Bank's Articles of Association in the amount of one Preferred Share equals to Baht one hundred thousand subtracted by the par value of the Preferred Share then subtracted by the remaining redemption price per unit
- (6) In the event that the redemption price of the Subordinated Debentures No 5 has reduced according to the above specified conditions and later on there is an increase in the proportion of the Tier 1 capital against the risk assets (which is shown in the latest percentage) the redemption price shall not increase in line with the increase in the proportion of the Tier 1 capital against the risk assets
- (7) After the capital reduction and the reduction of the redemption price of the Subordinated Debentures No 5 according to specified conditions and procedures, if later on there is another capital reduction due to the operating losses arising from the assets existed prior to the capital injection by the Ministry of Finance, the same methods, conditions and procedures already specified will be applied
- (8) In the event of the Bank's liquidation, the Preferred Shares will be at the level as the class B preferred shares and other classes of preferred shares (if any) and have the preferential right over the ordinary shares in receiving the capital redemption portion in the debt repayments

The Bank presented the above mentioned financial instruments in the financial statements as preferred shares of approximately Baht 1 million and premium on preferred shares of Baht 1 22 million in shareholders' equity, subordinated debentures cum preferred shares of Baht 9,957 78 million in liabilities, and debentures of Baht 3,320 million in borrowings which complied with the Accounting Standard Committee's Interpretation No 3 "Hybrid Financial Instruments issued by Financial Institutions" of The Institute of Certified Accountants and Auditors of Thailand. However, the above mentioned subordinated debentures cum preferred shares are still treated as Tier 1 capital totalling Baht 9,959 60 million according to Bank of Thailand's letter ref No B O T For 2414/2542 dated July 7, 1999

For the years ended December 31, 2001 and 2000, the Bank recognized interest expense from debentures of Baht 1,502 91 million and Baht 1,501 79 million, respectively

4 13 Liabilities under Finance Lease Agreements

At December 31, 2001 the Bank has liabilities under financial lease agreements for computers and equipment payable monthly within 3 years. The amounts of liabilities with repayment due in 2002 are amounting Baht 0 77 million

At December 31, 2000 the Bank has liabilities under financial lease agreements for computers and equipment payable monthly within 3 years. The amounts of liabilities with repayment due in 2001 are amounting Baht 20 20 million and Baht 5 18 million for 2002, respectively

4 14 Share Capital

The 2000 Annual General Meeting of Shareholders held on April 27, 2000, passed the following resolutions

- 1 To decrease the authorized share capital from Baht 30,649 672 million to Baht 10,649 672 million by canceling the unissued 2,000 million class B preferred shares, of Baht 10 par value
- 2 To increase the authorized share capital from Baht 10,649 672 million to Baht 50,649 672 million by issuing 3,000 million class B preferred shares, of Baht 10 par value and 1,000 million ordinary shares, of Baht 10 par value
- 3 Approval is given to propose participation in the Tier 1 capital support program according to the Notification of the Ministry of Finance Re Rules, Conditions and Procedures for Financial Institutions Applying for Support from the Ministry of Finance under the Tier 1 Capital Support Program and Tier 2 Capital Support Program dated September 29, 1998, and the same notification (No 2) dated June 12, 1999 not exceeding Baht 25,000 million, providing that the Bank has to provide allowance for doubtful accounts not less than 100% as required by the Bank of Thailand

On May 4, 2000, the Bank registered the new authorized share capital to be 2,064,867,600 ordinary shares of Baht 10 par value, and 3,000,099,600 preferred shares of Baht 10 par value, totalling authorized share capital of Baht 50,649 672 million

On May 19, 2000, the Bank registered the additional paid-up share capital to be Baht 40,029,672,000 as a result of issuance of 996 million new ordinary shares, of Baht 10 par value, totalling of Baht 9,960 million to the existing shareholders and the Private Placement and 1,992 million new class B with voting right and non-cumulative preferred shares, of Baht 10 par value, totalling of Baht 19,920 million

Expenses incurred relating to the issuance of share capital, such as underwriting fees, prospectus expenses and legal consultant fees and other expenses have been recorded as deduction from the premium on ordinary shares

In this regard, buyers of new ordinary shares will receive new ordinary shares together with derivative warrants to buy class B preferred shares from the Ministry of Finance by the ratio of 1 new ordinary share to 2 derivative warrants (the total amount of warrants equal to 1,992 million units)

The characteristics of the derivative warrants are that 1 unit of warrant can exercise for 1 class B preferred share from the Ministry of Finance at the exercise price of Baht 10.85 within 3 years from May 19, 2000 to May 19, 2003

The class B preferred shares with voting right and non-cumulative of dividend, and having the right to receive dividend prior to the ordinary shares, issued to the Ministry of Finance under the Tier 1 Capital Support Scheme. The rights and benefits of the class B preferred shares are summarized as follows

- Right to receive dividend prior to ordinary shares at the rate of 3.75% per annum. If any year the Bank pays dividend for ordinary shares at the rate higher than that of class B preferred shares, the Bank has to pay the same rate of dividends for class B preferred shares
- In case of, the profit is inadequate to pay dividend for class B preferred shares at the determined rate, the Bank will pay dividend for class B preferred shares according to the eligible profit and financial ability
- In the event of the capital reduction due to the operating losses arising from the assets acquiring after the capital injection of the Ministry of Finance, the Bank will reduce the capital in proportions of the ordinary share holdings, class A preferred shares holdings and class B preferred share holdings
- In the event of the Bank's liquidation, the class B preferred shares will be at the level as other classes of preferred shares and have the preferential right over the ordinary shares in receiving the capital redemption portion in the debt repayments

Class B preferred shares will have the preemptive right for 10 years starting from the receiving date of paid up class B preferred shares from the Ministry of Finance. At the redeem date, the preemptive right of class B preferred shares will be terminated immediately and will have the same right as ordinary shares and shall be converted to be ordinary shares under the condition that one class B preferred share shall be entitled to convert to one ordinary share. The holders of class B preferred shares can exercise the right yearly on March 20, June 20, September 20 and December 20. The first exercise date is on June 20, 2000

The structure of shareholders at December 31, 2001 and 2000 are summarized as follow

Classified by Type of Persons

	<u>Percentage</u>	
	Consolidated Financial Statements and Bank Only Financial Statements	
	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Individuals	4.38	4.41
Juristic entities	95.62	95.59

Classified by Nationality

	<u>Percentage</u>	
	Consolidated Financial Statements and Bank Only Financial Statements	
	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Thai	97.54	97.02
Foreign	2.46	2.98

Restrictions on Dividend Payment

In accordance with Bank of Thailand announcement regarding bad or doubtful assets, the Bank is 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 assets has not been fully provided

4.15 Earnings (Loss) per Share

	Consolidated Financial Statements and Bank Only Financial Statements		
	For the Year Ended December 31, 2001		
	Net income (Baht)	Shares	Earnings per Share (Baht)
Basic earning per share			
Net income of ordinary shareholders	655,455,736	2,010,867,600	0.33
The effect of equivalent ordinary share dilution			
Convertible preferred shares	-	1,992,099,600	-
Diluted earnings per share	<u>655,455,736</u>	<u>4,002,967,200</u>	<u>0.16</u>

For the year ended December 31, 2000 equivalent ordinary share affected to the decline of net loss per share, therefore the diluted loss per share was not presented

4.16 Surplus on Fixed Asset Revaluation

At December 31, 2001 and 2000, surplus on fixed asset revaluation represented the surplus on land revaluation in the amount of Baht 882.10 million and Baht 882.10 million, respectively, and the surplus on building revaluation in the amount of Baht 83.37 million and Baht 106.13 million, respectively, (net of accumulated depreciation in the amount of Baht 223.82 million and Baht 201.06 million, respectively)

The land and building revaluation was assessed by an independent appraisal company. The land and buildings valuation was approved by the Bank of Thailand in its letters dated February 16, 1993 and June 14, 1993.

Surplus on building revaluation is transferred directly to deficit when the surplus is realized.

4.17 Capital Requirements

The Bank's capital maintained in ratio to risk assets, as required by the Bank of Thailand, at December 31, 2001 and 2000 consisted of

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	December 31, <u>2001</u>	December 31, <u>2000</u>
Tier 1 capital		
Issued and fully paid share capital and premium on ordinary and preferred shares	45,480.38	45,480.38
Legal reserve	2,100.00	2,100.00
Others reserve	8,717.17	8,717.17
Net loss after appropriation	(43,284.67)	(43,284.67)
Subordinated debentures cum preferred shares	<u>9,957.38</u>	<u>9,957.38</u>
Total	<u>22,970.26</u>	<u>22,970.26</u>

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	December 31, 2001	December 31, 2000
Tier 2 capital		
Surplus on land revaluation	617 47	617 47
Surplus on premises revaluation	41 69	53 07
Provision for pass assets classification	1,560 00	976 38
Subordinated debentures	<u>11,485 12</u>	<u>11,485 12</u>
Total	<u>13,704 28</u>	<u>13,132 04</u>
Total	<u>36,674 54</u>	<u>36,102 30</u>

The Bank of Thailand announcement requires that banks registered in Thailand maintain a ratio of capital fund to assets and commitments of not less than 8.5% and that Tier 1 capital must be not less than 4.25% of those assets and commitments

At December 31, 2001, and 2000, capital adequacy ratios maintained by the Bank are

	Consolidated		Percentage	
	Financial Statements		Bank Only	
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000
Tier 1 capital	7 93	8 24	7 85	8 23
Total capital	12 67	12 95	12 53	12 94

The consolidated financial statements include the financial statements of the Bank and Phayathai Asset Management Company Limited

4.18 Contingencies

Contingencies at December 31, 2001 and 2000 consisted of

	Amounts Million Baht					
	Consolidated Financial Statements and Bank Only Financial Statements			Consolidated Financial Statements and Bank Only Financial Statements		
	December 31, 2001			December 31, 2000		
	Foreign		Total	Foreign		Total
	Baht	Currency		Baht	Currency	
Aval to bills	4,826 80	-	4,826 80	2,402 79	4 07	2,406 86
Guarantee of loans	1,978 09	2,042 16	4,020 25	1,691 88	2,663 26	4,355 14
Other guarantees	32,122 94	4,067 75	36 190 69	35,698 92	5,448 31	41,147 23
Letters of credit	779 12	9,286 37	10,065 49	441 00	6,223 85	6,664 85
Exchange rate contracts						
Forward exchange bought	-	2,727 76	2,727 76	-	8,081 28	8,081 28
Forward exchange sold	-	5,122 64	5,122 64	-	6,403 19	6,403 19
Unused credit line of overdrafts	27,078 66	0 04	27,078 70	24,696 76	0 51	24,697 27
Others	<u>229 21</u>	<u>939 71</u>	<u>1,168 92</u>	<u>148 15</u>	<u>970 36</u>	<u>1,118 51</u>
Total	<u>67,014 82</u>	<u>24,186 43</u>	<u>91,201 25</u>	<u>65,079 50</u>	<u>29,794 83</u>	<u>94,874 33</u>

The Bank issued a letter of guarantee to a foreign bank in accordance with a security purchase contract dated April 3, 1996 in proportion with the shareholding percentage at the rate of 10% which is in the amount of Hong Kong Dollar 72.65 million and USD 0.07 million. At December 31, 2001 and 2000 the outstanding amount, in proportion with the shareholding percentage, are Hong Kong Dollar 8 million.

In addition, at December 31, 2001 and 2000 legal proceedings from guarantees and others, which were the general practice of commercial banks, had been brought against the Bank in 95 cases amounting to Baht 5,961.23 million for 2001 and in 107 cases amounting to Baht 5,788.73 million for 2000 including a law suit which the Bank as a joint defendant together with 5 other financial institutions under a loan syndication, which the debtor as a plaintiff claim for damages in the amount of Baht 26,131.59 million as result of the lenders under the loan syndication suspended the loans. The Bank's responsibility is only in proportion with the credit line (15%). Management believe that the liability, if any, resulting from the litigation will not be material to the Bank's financial position and results of operations.

4.19 Pledged Assets

At December 31, 2001 and 2000 Government securities has been used as collateral at face value as follows

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	December 31, 2001	December 31, 2000
Pledged as securities for repurchase agreements	<u>9,036.30</u>	<u>8,191.30</u>
Total	<u>9,036.30</u>	<u>8,191.30</u>

4.20 Related Party Transactions

Loans and commitments made to employees from the rank of department manager upward, and to enterprises, the shares of which are held by the Bank, directors or employees from the rank of department manager upward totalling over 10% of their paid-up capital, according to the prescriptions of the Bank of Thailand, are summarized as follows

	Consolidated Financial Statements		Bank Only Financial Statements	
	Average Balance at the		Average Balance at the	
	End of Month December 31, 2001	End of Month December 31, 2001	End of Month December 31, 2001	End of Month December 31, 2001
Loans	531.27	760.31	34,617.36	9,269.70
Commitments	1,919.13	1,813.91	1,919.13	1,813.91

	Consolidated Financial Statements		Bank Only Financial Statements	
	Average Balance at the		Average Balance at the	
	End of Month December 31, 2000	End of Month December 31, 2000	End of Month December 31, 2000	End of Month December 31, 2000
Loans	584.91	5,442.62	4,084.91	8,942.62
Commitments	2,638.19	2,863.42	2,638.19	2,863.42

4.21 Significant Transactions with Subsidiary, Associated and Related Companies

4.21.1 Investments in subsidiary, associated and related companies at December 31, 2001 and 2000 are as follows

	Amounts Million Baht					
	Consolidated Financial Statements					
	December 31, 2001					
	Type of Business	Type of Share Capital	Holding Percentage	Investment Cost Method	Investment Equity Method	Dividend
<u>Subsidiary Companies</u>						
Designee for ETA Contract Limited	Utility	Ordinary	99.40%	0.01	0.01	-
NSRF (Thailand) Company Limited	Utility	Ordinary	59.80%	0.01	0.01	-
<u>Associated Companies</u>						
TMB Asset Management Company Limited	Financial Institution	Ordinary	45.00%	36.16	72.73	13.50
Phayathai Property Fund	Mutual Fund	Unit	30.00%	180.00	196.08	11.49
The Thai Business Fund 1	Mutual Fund	Unit	33.33%	290.29	290.29	6.34
<u>Related Companies</u>						
Ajala Company Limited	Property	Ordinary	99.99%	0.05	-	-
TMB Property Development Company Limited	Property	Ordinary	99.93%	4.17	-	-
Nava Securities (Singapore) Pte Ltd	Financial Institution	Ordinary	51.00%	-	-	-
Total				<u>510.69</u>	<u>559.12</u>	<u>31.33</u>

Amounts Million Baht

Consolidated Financial Statements

December 31, 2000

	Type of Business	Type of Share Capital	Holding Percentage	Investment Cost Method	Investment Equity Method	Dividend
<u>Subsidiary Companies</u>						
Designee for ETA Contract Limited	Utility	Ordinary	99.40%	0.01	0.01	-
TMB Property Development Company Limited	Property	Ordinary	99.93%	0.17	3.95	-
NSRF (Thailand) Company Limited	Utility	Ordinary	59.80%	0.01	0.01	-
<u>Associated Companies</u>						
TMB Asset Management Company Limited	Financial Institution	Ordinary	45.00%	36.16	72.17	17.55
Phayathai Property Fund	Mutual Fund	Unit	30.00%	180.00	190.40	16.20
<u>Related Companies</u>						
Ajala Company Limited	Property	Ordinary	99.99%	0.05	-	-
Nava Securities (Singapore) Pte Ltd	Financial Institution	Ordinary	51.00%	-	-	-
Total				<u>216.40</u>	<u>266.54</u>	<u>33.75</u>

4.21.2 Investments in subsidiary, associated and related companies at December 31, 2001 and 2000 are as follows

Amounts Million Baht

Bank Only Financial Statements

December 31, 2001

	Type of Business	Type of Share Capital	Holding Percentage	Investment Cost Method	Investment Equity Method	Dividend
<u>Subsidiary Companies</u>						
Phayathai Asset Management Company Limited	Financial Institution	Ordinary	100.00%	2,800.00	2,122.90	-
Designee for ETA Contract Limited	Utility	Ordinary	99.40%	0.01	0.01	-
NSRF (Thailand) Company Limited	Utility	Ordinary	59.80%	0.01	0.01	-
<u>Associated Companies</u>						
TMB Asset Management Company Limited	Financial Institution	Ordinary	45.00%	36.16	72.73	13.50
Phayathai Property Fund	Mutual Fund	Unit	30.00%	180.00	196.08	11.49
The Thai Business Fund 1	Mutual Fund	Unit	33.33%	290.29	290.29	6.34
<u>Related Companies</u>						
Ajala Company Limited	Property	Ordinary	99.99%	0.05	-	-
TMB Property Development Company Limited	Property	Ordinary	99.93%	4.17	-	-
Nava Securities (Singapore) Pte Ltd	Financial Institution	Ordinary	51.00%	-	-	-
Total				<u>3,310.69</u>	<u>2,682.02</u>	<u>31.33</u>

Amounts Million Baht

Bank Only Financial Statements						
December 31, 2000						
	Type of Business	Type of Share Capital	Holding Percentage	Investment Cost Method	Investment Equity Method	Dividend
<u>Subsidiary Companies</u>						
Phayathai Asset Management Company Limited	Financial Institution	Ordinary	100.00%	2,000.00	1,078.18	-
Designee for ETA Contract Limited	Utility	Ordinary	99.40%	0.01	0.01	-
TMB Property Development Company Limited	Property	Ordinary	99.93%	0.17	3.95	-
NSRF (Thailand) Company Limited	Utility	Ordinary	59.80%	0.01	0.01	-
<u>Associated Companies</u>						
TMB Asset Management Company Limited	Financial Institution	Ordinary	45.00%	36.16	72.17	17.55
Phayathai Property Fund	Mutual Fund	Unit	30.00%	180.00	190.40	16.20
<u>Related Companies</u>						
Ajala Company Limited	Property	Ordinary	99.99%	0.05	-	-
Nava Securities (Singapore) Pte Ltd	Financial Institution	Ordinary	51.00%	-	-	-
Total				<u>2,216.40</u>	<u>1,344.72</u>	<u>33.75</u>

4.21.3 Significant loans and accrued interest receivables, other assets, deposits, borrowings, other liabilities, contingencies, income and expenses of the Bank with its subsidiary, associated and related companies (whose shares are over 20 % of their paid-up capital held by the Bank or the Bank's major shareholders) at December 31, 2001 and 2000 and for the years ended December 31, 2001 and 2000 are as follows

	Amounts Million Baht			
	Consolidated		Bank Only	
	Financial Statements	Financial Statements	Financial Statements	Financial Statements
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000
<u>Loans and Accrued Interest Receivables</u>				
(Before net off allowance for doubtful accounts)				
<u>Subsidiary Company</u>				
Phayathai Asset Management Company Limited	-	-	34,100.18	3,503.16
<u>Other Assets</u>				
<u>Subsidiary Company</u>				
Phayathai Asset Management Company Limited	-	-	0.33	-
<u>Associated Companies</u>				
Phayathai Property Fund	-	4.07	-	4.07
The Thai Business Fund 1	1.54	-	1.54	-
<u>Deposits and Borrowings</u>				
<u>Subsidiary Companies</u>				
Phayathai Asset Management Company Limited	-	-	154.28	97.38
TMB Property Development Company Limited	-	4.58	-	4.58
<u>Associated Companies</u>				
TMB Asset Management Company Limited	0.10	0.91	0.10	0.91
Phayathai Property Fund	35.37	10.85	35.37	10.85
<u>Related Companies</u>				
Ajala Company Limited	58.85	8.63	58.85	8.63
TMB Property Development Company Limited	4.66	-	4.66	-

	Amounts Million Baht			
	Consolidated		Bank Only	
	Financial Statements		Financial Statements	
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000
<u>Other Liabilities</u>				
<u>Subsidiary Company</u>				
Phayathai Asset Management Company Limited	-	-	2,241.37	1.39
<u>Related Companies</u>				
Ajala Company Limited	-	0.03	-	0.03
TMB Property Development Company Limited	0.01	-	0.01	-
<u>Contingencies</u>				
<u>Related Company</u>				
Thanapol Finance and Securities Public Company Limited	1.19	1.19	1.19	1.19

For the years ended December 31, 2001 and 2000

	Amounts Million Baht			
	Consolidated		Bank Only	
	Financial Statements		Financial Statements	
	December 31, 2001	December 31, 2000	December 31, 2001	December 31, 2000
<u>Interest and Dividend Income</u>				
Subsidiary Companies	-	-	152.46	3.16
<u>Non-interest Income</u>				
<u>(Commission and Service Income)</u>				
Subsidiary Companies	-	-	0.13	-
Associated Companies	47.35	43.82	47.35	43.82
<u>Interest Expenses</u>				
Subsidiary Companies	-	0.02	0.75	1.58
Associated Companies	0.11	-	0.11	-
Related Companies	0.06	0.23	0.06	0.23
<u>Other Expenses</u>				
Subsidiary Companies	-	5.52	-	5.52
Associated Companies	35.32	43.89	34.42	43.89
Related Companies	2.09	-	2.09	-

At December 31, 2001 average balance of loans, deposits and contingencies are as follows

	Amounts Million Baht		
	Consolidated Financial Statements		
	December 31, 2001		
	Average Loans At the End of Month	Average Deposits At the End of Month	Average Contingencies At the End of Month
<u>Associated Companies</u>			
TMB Asset Management Company Limited	-	2.80	-
Phayathai Property Fund	-	16.08	-
<u>Related Companies</u>			
Ajala Company Limited	-	26.81	-
TMB Property Development Company Limited	-	5.16	-
Thanapol Finance and Securities Public Company Limited	-	-	1.19

Amounts Million Baht
Bank Only Financial Statements
December 31, 2001

	Average Loans At the End of Month	Average Deposits At the End of Month	Average Contingencies At the End of Month
<u>Subsidiary Company</u>			
Phayathai Asset Management Company Limited	8,509.39	152.14	-
<u>Associated Companies</u>			
TMB Asset Management Company Limited	-	2.80	-
Phayathai Property Fund	-	16.08	-
<u>Related Companies</u>			
Ajala Company Limited	-	26.81	-
TMB Property Development Company Limited	-	5.16	-
Thanapol Finance and Securities Public Company Limited	-	-	1.19

Amounts Million Baht
Consolidated Financial Statements and
Bank Only Financial Statements
December 31, 2001

<u>Allowance for doubtful accounts</u>	340.86
<u>Subsidiary Company</u>	340.86

4.21.4 Significant transactions between the Bank and its related parties, which the Bank's executive officers are the directors with having controls or significant influences and which the Bank owns equal to or more than 10% to 20% of their paid-up capital. At December 31, 2001 and 2000 and for the year ended December 31, 2001 are as follows:

	Consolidated Financial Statements December 31, 2001	Bank Only Financial Statements December 31, 2001	Consolidated and Bank only Financial Statements December 31, 2000
Amounts Million Baht			
<u>Loans and accrued interest receivables</u>			
<u>(Before net off allowance for doubtful accounts)</u>			
Mahachai Land Development Co.,Ltd	50.24	50.24	50.95
Thoon Ruamkarn Co.,Ltd	12.29	12.29	12.29
CH Karnchang PCL	437.89	437.89	485.28
M Thai Estate Co.,Ltd	53.96	-	-
S-One Capital Co.,Ltd	<u>0.66</u>	<u>0.66</u>	<u>-</u>
Total	<u>555.04</u>	<u>501.08</u>	<u>548.52</u>
<u>Deposits</u>			
Vanachai Group Co.,Ltd	-	-	23.99
CH Karnchang PCL	1.29	1.29	17.48
T A B Broker Co.,Ltd	0.09	0.09	0.02
M Thai Estate Co.,Ltd	4.00	4.00	3.94
Pathumthani Jute Mill Co.,Ltd	1.56	1.56	0.85
Mahachai Land Development Co.,Ltd	2.16	2.16	1.79
Paiboon Insurance Co.,Ltd	23.33	23.33	19.88
S-One Capital Co.,Ltd	<u>-</u>	<u>-</u>	<u>0.02</u>
Total	<u>32.43</u>	<u>32.43</u>	<u>67.97</u>
<u>Accrued interest payables</u>	0.19	0.19	0.10
<u>Contingencies</u>	1,919.12	1,919.12	2,615.86

At December 31, 2001 average balance of loans, deposits and contingencies are as follows

	Consolidated Financial Statements		Bank Only Financial Statements	
	December 31, 2001		December 31, 2001	
	Average Loans	Average Deposits	Average Loans	Average Deposits
	At the End of Month	At the End of Month	At the End of Month	At the End of Month
M Thai Estate Co ,Ltd	70 02	3 97	-	3 97
Mahachai Land Development Co ,Ltd	46 96	1 83	46 96	1 83
Paiboon Insurance Co ,Ltd	2 36	55 55	2 36	55 55
S-One Capital Co ,Ltd	0 66	0 02	0 66	0 02
Thoon Ruamkam Co ,Ltd	12 29	-	12 29	-
CH Karnchang PCL	659 50	101 58	659 50	101 58
Pathumthani Jute Mill Co ,Ltd	0 02	2 15	0 02	2 15
T A B Broker Co ,Ltd	-	0 12	-	0 12
Total	<u>791 81</u>	<u>165 22</u>	<u>721 79</u>	<u>165 22</u>

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	December 31, 2001	
Allowance for doubtful accounts		3 64
Average contingencies		1,813 89
<u>For the year ended</u>		
Interest income		42 54
Non-interest income		0 52
Interest expenses		0 40

The related parties included the restructuring debtors

4 21 5 Significant transactions between the Bank and its related parties, which the Bank's executive officers are the directors with having controls or significant influences and which the Bank owns less than 10 % of their paid-up capital At December 31, 2001 and 2000 and for the year ended December 31, 2001 are as follows

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	December 31, 2001	December 31, 2000
<u>Loans and accrued interest receivables</u>		
<u>(Before net off allowance for doubtful accounts)</u>		
Nava Leasing PCL	79 95	100 00
Charan Insurance PCL	8 03	1 28
Bangkok Polyester Co ,Ltd	1,319 26	1,339 02
Thai Watana Pharmaceutical Dextrose Co ,Ltd	1,111 71	138 78
Thai Asia Pacific Brewery Co ,Ltd	210 00	280 00
Peroxy Thai Co ,Ltd	10 63	21 25
Bangkok Expressway PCL	3,812 37	4,013 18

Amounts Million Baht

Consolidated Financial Statements and Bank Only Financial Statements		
	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Northeast Agriculture Industry Co ,Ltd	-	158 39
Bridge View Co ,Ltd	944 76	949 21
Kad Suan Kaew Co ,Ltd	2,288 75	2,287 88
Kangwal Polyester Co ,Ltd	1,596 75	1,431 01
Pathumthani Water Co ,Ltd	-	2,006 83
Total	<u>11,382 21</u>	<u>12,726 83</u>
<u>Deposits</u>		
Nava Leasing PCL	3 11	7 43
Charan Insurance PCL	121 87	119 62
CGU Assurance (Thailand) Co ,Ltd	295 00	33 63
Bangkok Polyester Co ,Ltd	17 58	7 77
Thai Watana Pharmaceutical Dextrose Co ,Ltd	-	0 04
Thai Asia Pacific Brewery Co ,Ltd	48 89	29 28
Thai British Security Printing PCL	0 72	0 33
Bangkok Expressway PCL	116 93	162 75
Northeast Agriculture Industry Co ,Ltd	-	0 40
Bridge View Co ,Ltd	6 75	21 04
Kad Suan Kaew Co ,Ltd	1 06	0 08
Kangwal Polyester Co ,Ltd	13 18	11 56
Pathumthani Water Co ,Ltd	-	0 03
Total	<u>625 09</u>	<u>393 96</u>
<u>Accrued interest payables</u>	0 90	1 81
<u>Contingencies</u>	172 40	280 15

At December 31, 2001 average balance of loans, deposits and contingencies are as follows

Consolidated Financial Statements and Bank Only Financial Statements		
<u>December 31, 2001</u>		
	<u>Average Loans at the End of Month</u>	<u>Average Deposits at the End of Month</u>
Nava Leasing PCL	100 84	6 14
Charan Insurance PCL	3 11	121 08
CGU Assurance (Thailand) Co ,Ltd	-	2,639 39
Bangkok Polyester Co ,Ltd	1,341 36	24 50
Thai Watana Pharmaceutical Dextrose Co ,Ltd	737 73	0 04
Thai Asia Pacific Brewery Co ,Ltd	254 62	35 55
Thai British Security Printing PCL	-	0 59
Peroxy Thai Co ,Ltd	17 98	-
Bangkok Expressway PCL	3,927 87	100 53
Northeast Agriculture Industry Co ,Ltd	158 39	0 40
Bridge View Co ,Ltd	908 48	16 89
Kad Suan Kaew Co ,Ltd	2,124 14	0 43
Kangwal Polyester Co ,Ltd	1,507 39	15 42
Total	<u>11,081 91</u>	<u>2,960 96</u>

Amounts Million Baht

December 31, 2001

Allowance for doubtful accounts	310 04
Average contingencies	236 97

For the year ended

Interest income	652 19
Non-interest income	5 50
Interest expenses	5 17

The related parties included the restructuring debtors

4 21 6 Significant transactions between the Bank and its related parties, which the Bank's executive officers owns their shares, or who are the directors with having controls or significant influences At December 31, 2001 and 2000 and for the year ended December 31, 2001 are as follows

Amounts Million Baht

Consolidated Financial Statements

and Bank Only Financial Statements

December 31, 2001 December 31, 2000Loans and accrued interest receivables(Before net off allowance for doubtful accounts)

Vanachai Panel Industries Co ,Ltd	-	1,678 61
North Bangkok Expressway PCL	744 54	-
Shin Corporation PCL	1,000 00	480 24
Advance Info Service PCL	1,000 00	-
Ratchaburi Electricity Generating PCL	773 47	792 94
Wang Kanai Sugar Co ,Ltd	1,956 15	1,987 77
Tor Tor Bor 5 Co ,Ltd	1,545 32	1,550 52
Newimperial Hotel PCL	19 51	-
T C C Business Co ,Ltd	0 01	-
Total	<u>7,039 00</u>	<u>6,490 08</u>

Deposits

Vanachai Panel Industries Co ,Ltd	-	94 81
Vanachai Chemical Industries Co ,Ltd	-	5 51
Particle Planner Co ,Ltd	-	4 33
National Finance PCL	3 36	-
M B K Properties Co ,Ltd	21 25	-
Samakhomwarasansart Thammasart	0 25	-
Shin Corporation PCL	0 82	-
Advance Info Service PCL	3 41	-
North Bangkok Expressway PCL	30 06	12 81
Phutathum Insurance Co ,Ltd	79 61	17 51
Syn Mun Kong Insurance PCL	0 01	0 01
BLACK CANYON Co ,Ltd	-	0 96
Wang Kanai Sugar Co ,Ltd	16 56	9 85
Tor Tor Bor 5 Co ,Ltd	<u>358 11</u>	<u>361 58</u>
Total	<u>513 44</u>	<u>507 37</u>

Accrued interest payables

1 97 0 29

Contingencies

1 92 1 52

At December 31, 2001 average balance of loans, deposits and contingencies are as follows

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	December 31, 2001	
	Average Loans at the End of Month	Average Deposits at the End of Month
Vanachai Group Co ,Ltd	-	25 89
Thai Airways International	64 77	354 06
Airport Authority of Thailand	-	368 54
North Bangkok Expressway PCL	767 12	20 69
Vanachai Panel Industnes Co ,Ltd	1,568 89	49 43
Vanachai Chemical Industries Co ,Ltd	-	6 09
Particle Planner Co ,Ltd	-	4 79
National Finance PCL	-	1 77
M B K Properties Co ,Ltd	-	25 81
Samakhomwarasansart Thammasart	-	0 16
Shin Corporation Co ,Ltd	662 31	0 77
Advance Info Service PCL	1,000 00	457 45
Ratchaburi Electricity Generating PCL	780 75	-
Phutathum Insurance Co ,Ltd	-	103 94
Syn Mun Kong Insurance PCL	-	0 01
BLACK CANYON Co ,Ltd	-	1 65
Wang Kanai Sugar Co ,Ltd	1,960 11	54 21
Tor Tor Bor 5 Co ,Ltd	1,536 30	373 73
Newimperial Hotel PCL	19 51	0 01
T C C Business Co ,Ltd	0 01	-
Total	<u>8,359 77</u>	<u>1,849 00</u>

	Amounts Million Baht	
	Consolidated Financial Statements	Bank Only Financial Statements
	December 31, 2001	December 31, 2001
Allowance for doubtful accounts	138 01	138 01
Average contingencies	7 41	7 41
<u>For the year ended</u>		
Interest income	304 54	304 54
Non-interest income	3 26	3 23
Interest expenses	20 16	20 16

4.21.7 Additionally significant transactions between the Bank and its directors and employees from the rank of department manager upward at December 31, 2001 and 2000 and for the year ended December 31, 2001 are as follows

	Amounts Million Baht	
	Consolidated Financial Statements and Bank Only Financial Statements	
	<u>December 31, 2001</u>	<u>December 31, 2000</u>
Welfare loans	25.82	23.76
Loans and accrued interest receivables	38.87	39.88
Deposits	178.32	174.63
Accrued interest payables	1.47	0.98

At December 31, 2001 average balance of loans, deposits and contingencies are as follows

	Amounts Million Baht
	<u>December 31, 2001</u>
Average welfare loans at the end of month	27.66
Average loans at the end of month	44.48
Average deposits at the end of month	211.14
Average contingencies at the end of month	0.12

At December 31, 2001 the balances of allowance for doubtful accounts and contingencies are as follows

	Amounts Million Baht
	<u>December 31, 2001</u>
Allowance for doubtful accounts	0.15
Average contingencies	0.12

For the year ended

Interest income	2.87
Interest expenses	4.88

The pricing and interest policy for related party transactions

The Bank's policy of price and interest rate are as follows

- Interest rate of loans are in accordance with the market rate except for the interest rate of staff welfare loans are in accordance with the Bank's regulations and interest rate of loans to certain subsidiary and related companies is based on the deposit interest rate
- Interest rate of deposits is in accordance with the market rate
- Fees and service income is in accordance with the market price except for that the monthly service income as the agent for debt collections and receiving debt repayments to a subsidiary is equal to Baht 10,000, and the annual registrar fee received from an associated company and the trialing fee received from an associated company are charged at the rate based on conditions specified in the contracts negotiated under normal course of business, which have been determined by the size of funds and purchase and sale volume of investment units of which the Bank act as the selling agent of funds
- The Bank entered into the office rental and service agreements with an associated company, and the rental and service fees were determined on the basis as mutually agreed

4 22 Other Benefits Payable to the Directors and Executives

The Bank's directors and executives who are from the rank of department manager upward do not receive other benefits, money items nor non-money items, except for the benefits that are normally paid such as salary, bonus, directors' fee and pension funds

4 23 Long-Term Lease Agreements

At December 31, 2001 and 2000 the Bank had lease contracts covering branch offices amounting to Baht 202 66 million and Baht 219 80 million, respectively, the majority of which were made with the Ministry of Finance The Bank is required to arrange for fire insurance with the lessor as a beneficiary The Bank is responsible for property tax and is not allowed to sublease the properties

4 24 The Financial Position and Results of Operations

The financial position separated by domestic and overseas business as at December 31, 2001 and 2000 are summarized as follows

4 24 1 Financial Position Separated by Type of Business

	Amounts Million Baht			
	Consolidated Financial Statements			
	December 31, 2001			
	Domestic <u>Business</u>	Overseas <u>Business</u>	Eliminated <u>Transactions</u>	<u>Total</u>
Total assets	514,457 82	6,913 06	(154,700 68)	366,670 20
Interbank and money market items (assets)	16,621 14	2,067 48	(577 03)	18,111 59
Loans	268,097 11	3,097 55	(2,531 14)	268,663 52
Investments	50,508 28	-	-	50,508 28
Deposits	300,313 33	426 68	-	300,740 01
Interbank and money market items (liabilities)	14,783 18	4,888 80	(3,096 00)	16,575 98
Borrowings	17,607 00	-	-	17,607 00
Subordinated debentures cum preferred shares	9,957 78	-	-	9,957 78
Contingencies	91,432 51	53 57	(284 83)	91,201 25

	Amounts Million Baht			
	Consolidated Financial Statements			
	December 31, 2000			
	Domestic <u>Business</u>	Overseas <u>Business</u>	Eliminated <u>Transactions</u>	<u>Total</u>
Total assets	443,966 31	15,166 28	(122,575 71)	336,556 88
Interbank and money market items (assets)	13,157 23	1,396 80	(558 49)	13,995 54
Loans	268,312 64	8,755 44	(7,883 88)	269,184 20
Investments	36,992 32	216 31	(216 31)	36,992 32
Deposits	267,935 59	554 85	-	268,490 44
Interbank and money market items (liabilities)	17,907 54	6,462 86	(8,447 07)	15,923 33
Borrowings	17,607 00	6,489 34	(1,341 12)	22,755 22
Subordinated debentures cum preferred shares	9,957 78	-	-	9,957 78
Contingencies	95,567 16	62 10	(754 93)	94,874 33

The financial results separated by domestic and overseas business for the years ended December 31, 2001 and 2000 are summarized as follows

4.24.2 Results of Operations Separated by Type of Business

	Amounts Million Baht			
	Consolidated Financial Statements			
	For the Year ended December 31, 2001			
	Domestic Business	Overseas Business	Eliminated Transactions	Total
Interest and dividend income	16,065.14	617.82	(624.21)	16,058.75
Interest expenses	<u>11,575.57</u>	<u>552.48</u>	<u>(627.40)</u>	<u>11,500.65</u>
Net income from interest	4,489.57	65.34	3.19	4,558.10
Non-interest income	3,615.18	57.89	(95.04)	3,578.03
Non-interest expenses	<u>7,444.32</u>	<u>83.57</u>	<u>(91.85)</u>	<u>7,436.04</u>
Net income before income tax	<u>660.43</u>	<u>39.66</u>	<u>-</u>	<u>700.09</u>

	Amounts Million Baht			
	Consolidated Financial Statements			
	For the Year ended December 31, 2000			
	Domestic Business	Overseas Business	Eliminated Transactions	Total
Interest and dividend income	14,830.53	1,105.01	(1,047.40)	14,888.14
Interest expenses	<u>12,984.01</u>	<u>1,000.10</u>	<u>(1,042.33)</u>	<u>12,941.78</u>
Net income from interest	1,846.52	104.91	(5.07)	1,946.36
Non-interest income	2,627.63	77.47	5.07	2,710.17
Non-interest expenses	<u>29,524.61</u>	<u>165.15</u>	<u>-</u>	<u>29,689.76</u>
Net income (loss) before income tax	<u>(25,050.46)</u>	<u>17.23</u>	<u>-</u>	<u>(25,033.23)</u>

4.25 Transactions with Closed Financial Institutions

At December 31, 2000 the Bank had loans and accrued interest receivables in the amount of Baht 15.00 million with closed domestic financial institutions. For those amounts which have not yet been exchanged for negotiable certificates of deposit with the Krung Thai Bank Public Company Limited on behalf of the Financial Institutions Development Fund.

At December 31, 2001 and 2000 the Bank had commitments with closed domestic financial institutions of Baht 1.19 million.

4.26 Transactions with Ailing Financial Institutions, Which Have Been Supervisory Controlled and Ordered to Write Down Capital and Recapitalize

At December 31, 2000 the Bank had investments in securities in these ailing financial institutions, which were non-subordinated and unsecured debt instruments (available-for-sale securities), at a fair value of Baht 314.27 million.

4.27 Transactions with Listed Companies Under Rehabilitation Plan

At December 31, 2001 and 2000 the Bank had loans and accrued interest receivables with listed companies under rehabilitation plan of Baht 2,262.94 million and Baht 417.23 million, respectively which were included non-performing loans of Baht 77.71 million for 2000. The Bank had fully provided an allowance for doubtful accounts for these loans.

At December 31, 2001 and 2000 the Bank had commitments with listed companies under rehabilitation plan in the amount of Baht 145.82 million and Baht 600.32 million, respectively.

4 28 Investments in Securities in Ailing Other Companies under Rehabilitation Plan

At December 31, 2001 and 2000 the Bank had investments in securities in ailing other companies under rehabilitation plan. Of these investments, non-subordinated debt instruments and secured debt instruments, (available-for-sale securities) are shown at fair value of Baht 11 70 million and Baht 11 70 million, respectively and ordinary shares (general investments) are shown at book value (net of allowance for decline in value of securities) of Baht 141 73 million and Baht 392 73 million, respectively.

4 29 Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Accounting Policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognized, in respect of each class of financial assets and financial liabilities are disclosed in Note 3.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Bank and its subsidiaries. The Bank and its subsidiaries have adopted the policy of only dealing with creditworthy counterparts and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the balance sheets net of any applicable provision for loss, represents the Bank's maximum exposure to credit risk.

The Bank has to take certain risks related to its issuing of guarantees against loans and other obligations as well as its issuing of letters of credit and endorsements on commercial bills and notes for the customers. Such obligatory activities need careful attention to financial information provided by the customers in the same manner as done in direct lending. The Bank normally demands the placement of adequate collateral by the customers in various acceptable forms including, for example, bank deposits, securities and personal guarantee. The Bank also makes it a standard practice to set conditions to minimize the elements of risk as normally done in other credit granting procedures.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate movements are materially significant to the Bank's largest source of income because interest rates affect directly the Bank's income and expenses over assets and liabilities. The Bank manages its interest rate policy through a high level interest rate committee that meet on a weekly basis to assess the market conditions and make changes if necessary. The Bank also puts into practice the Asset and Liability Management Program (ALM) to systematically analyze and manage its assets and liabilities.

Most of the Bank's financial assets such as loans, earn interest at floating rates, based on MRR, MLR, MOR, interest rate of time deposits or other benchmark floating rate (SIBOR or LIBOR).

Information concerning fixed versus floating rate of loans at December 31, 2001 and 2000 are as follows

	Consolidated		Amounts Million Baht	
	Financial statements		Bank Only	
	December 31,	December 31,	December 31,	December 31
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Fixed interest rate	15,827	22,752	15,827	22,752
Floating interest rate	<u>252,837</u>	<u>246,432</u>	<u>256,881</u>	<u>246,971</u>
Total	<u>268,664</u>	<u>269,184</u>	<u>272,708</u>	<u>269,723</u>

Currency Risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates

The Bank enters into derivative transactions for two main purposes

- Hedging of the Bank's exposure

The derivatives which the Bank enters into are foreign currency forward bought/sold contracts. The purpose of these transactions is to manage the Bank's exposures on its assets and liabilities. The amounts and term of any foreign currency forward bought /sold contract are based on the amounts and term structure of assets and liabilities of the Bank.

The associated exposures are counter party risk and price/ market risk. The control procedures adopted are limits approval and approval must be given by the Assets and Liabilities Management Committee. Trading and speculative derivative transactions are prohibited.

- Hedging of the customers' exposure

The derivatives which the Bank enters into are foreign currency forward bought/sold contracts. The purpose of these transactions is to satisfy the Bank customers' need and to hedge the customers' exchange rate risk.

The Bank controls credit risk and default risk by adopting procedures similar to those used when granting loans and close control in the case of default contracts. Customers may only enter into hedging forward bought/sold contracts. Trading and speculative derivative transactions are prohibited.

The amounts, exchange rate and term of the foreign currency forward bought/sold contract must be confirmed and agreed in written document from both the Bank and the customers within the credit line approved by the Credit Committee.

The significant financial assets and liabilities classified by maturity with average effective rate of interest and dividend at December 31, 2001 are summarized as follows

	Amounts Million Baht									Average Rate(%) per annum
	Consolidated Financial Statements									
	December 31, 2001									
	<u>At call</u>	<u>within 1 month</u>	<u>over 1-3 months</u>	<u>over 3-12 months</u>	<u>over 1-5 years</u>	<u>over 5-10 years</u>	<u>over 10 years</u>	<u>No Maturity</u>	<u>Total</u>	
Financial Assets										
Cash	6,245 79	-	-	-	-	-	-	-	6,245 79	-
Interbank and money market items	6,352 27	1,031 70	153 63	130 54	10,264 57	4 60	-	-	17,937 31	2 82
Investments in securities - net	11 70	-	300 75	237 59	2,465 11	39,421 06	6,154 39	1,917 68	50,508 28	4 21
Loans	42,164 58	7,478 85	12,410 87	7,608 47	41,722 12	112,767 25	44,511 38	-	268,663 52	5 04
Financial Liabilities										
Deposits	87,370 21	49,879 50	94,716 09	41,393 79	27,380 42	-	-	-	300,740 01	2 68
Interbank and money market items	4,898 99	3,954 00	1,748 07	2,683 92	3,291 00	-	-	-	16,575 98	4 35
Securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	1 42
Borrowings	-	-	-	-	9,320 00	8,287 00	-	-	17,607 00	15 42
Subordinated debentures cum preferred shares	-	-	-	-	9,957 78	-	-	-	9,957 78	-
Off-balance Sheet										
Forward bought	82 22	1,618 66	287 73	739 15	-	-	-	-	2,727 76	-
Forward sold	0 61	2,595 89	839 70	1,686 44	-	-	-	-	5,122 64	-

The significant financial assets and liabilities classified by maturity with average effective rate of interest and dividend at December 31, 2000 are summarized as follows

	Amounts Million Baht									Average Rate(%) per annum
	Consolidated Financial Statements									
	December 31, 2000									
	<u>At call</u>	<u>within 1 month</u>	<u>over 1-3 months</u>	<u>over 3-12 months</u>	<u>over 1-5 years</u>	<u>over 5-10 years</u>	<u>over 10 years</u>	<u>No Maturity</u>	<u>Total</u>	
Financial Assets										
Cash	5,497 36	-	-	-	-	-	-	-	5,497 36	-
Interbank and money market items	3,017 47	822 26	30 04	29 51	10,071 09	5 00	-	-	13,975 37	3 84
Investments in securities - net	11 70	-	-	1,130 38	3,517 50	25,950 37	4,788 60	1,593 77	36,992 32	4 48
Loans	39,143 51	37,645 44	14,263 69	7,789 75	39,499 78	75,392 33	55,449 70	-	269,184 20	4 75
Financial Liabilities										
Deposits	66,089 81	58,177 35	95,374 83	45,284 98	3,563 47	-	-	-	268,490 44	3 46
Interbank and money market items	2,330 33	4,183 34	2,050 34	5,988 14	1,371 18	-	-	-	15,923 33	4 35
Securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	1 45
Borrowings	-	-	-	2,163 15	8,985 07	11,607 00	-	-	22,755 22	16 07
Subordinated debentures cum preferred shares	-	-	-	-	-	9,957 78	-	-	9,957 78	-
Off-balance Sheet										
Forward bought	80 42	5,796 47	1,815 95	388 44	-	-	-	-	8,081 28	-
Forward sold	28 15	1,840 45	1,927 23	2,607 36	-	-	-	-	6,403 19	-

The significant financial assets and liabilities classified by maturity with average effective rate of interest and dividend at December 31, 2001 are summarized as follows

	Amounts Million Baht									Average Rate(%) per annum
	Bank Only Financial Statements									
	December 31, 2001									
	<u>At call</u>	<u>within 1 month</u>	<u>over 1-3 months</u>	<u>over 3-12 months</u>	<u>over 1-5 years</u>	<u>over 5-10 years</u>	<u>over 10 years</u>	<u>No Maturity</u>	<u>Total</u>	
Financial Assets										
Cash	6,245 76	-	-	-	-	-	-	-	6,245 76	-
Interbank and money market items	6,352 27	1,031 70	153 63	130 54	10,264 57	4 60	-	-	17,937 31	2 82
Investments in securities - net	11 70	-	300 75	237 59	2,465 11	39,030 88	6,154 39	4,040 58	52,241 00	4 20
Loans	46,282 42	7,478 85	12,410 87	7,607 23	41,722 12	112,695 53	44,511 38	-	272,708 40	4 94
Financial Liabilities										
Deposits	87,524 49	49,879 50	94,716 09	41,393 79	27,380 42	-	-	-	300,894 29	2 68
Interbank and money market items	4,898 99	3,954 00	1,748 07	2,683 92	3,291 00	-	-	-	16,575 98	4 35
Securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	1 42
Borrowings	-	-	-	-	9,320 00	8,287 00	-	-	17,607 00	15 42
Subordinated debentures cum preferred shares	-	-	-	-	9,957 78	-	-	-	9,957 78	-
Off-balance Sheet										
Forward bought	82 22	1,618 66	287 73	739 15	-	-	-	-	2,727 76	-
Forward sold	0 61	2,595 89	839 70	1,686 44	-	-	-	-	5,122 64	-

The significant financial assets and liabilities classified by maturity with average effective rate of interest and dividend at December 31, 2000 are summarized as follows

	Amounts Million Baht									
	Bank Only Financial Statements									
	December 31, 2000									
	<u>At call</u>	<u>within 1 month</u>	<u>over 1-3 months</u>	<u>over 3-12 months</u>	<u>over 1-5 years</u>	<u>over 5-10 years</u>	<u>over 10 years</u>	<u>No Maturity</u>	<u>Total</u>	<u>Average Rate(%) per annum</u>
Financial Assets										
Cash	5,497 36	-	-	-	-	-	-	-	5,497 36	-
Interbank and money market items	3,017 47	822 26	30 04	29 51	10,071 09	5 00	-	-	13,975 37	3 84
Investments in securities - net	11 70	-	-	1,130 38	3,517 50	25,950 37	4,788 60	2,671 95	38,070 50	4 48
Loans	39,143 51	37,645 44	14,263 69	7,789 75	39,499 78	78,892 33	52,488 11	-	269,722 61	4 75
Financial Liabilities										
Deposits	66,187 19	58,177 35	95,374 83	45,284 98	3,563 47	-	-	-	268,587 82	3 46
Interbank and money market items	2,330 33	4,183 34	2,050 34	5,988 14	1,371 18	-	-	-	15,923 33	4 35
Securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	1 45
Borrowings	-	-	-	2,163 15	8,985 07	11,607 00	-	-	22,755 22	16 07
Subordinated debentures cum preferred shares	-	-	-	-	-	9,957 78	-	-	9,957 78	-
Off-balance Sheet										
Forward bought	80 42	5,796 47	1,815 95	388 44	-	-	-	-	8,081 28	-
Forward sold	28 15	1,840 45	1,927 23	2,607 36	-	-	-	-	6,403 19	-

Estimated Market Value of Financial Instruments

The market values have been estimated by using available market information and appropriate valuation methodologies. The following is a summary of carrying amounts and estimated market values of significant financial instruments as at December 31, 2001 and 2000 are as follows

	Consolidated		Amounts Million Baht	
	Financial Statements		Bank Only	
	December 31, 2001		December 31, 2001	
	Carrying	Market	Carrying	Market
	Amounts	Value	Amounts	Value
Financial Assets				
Cash	6,245 79	6,245 79	6,245 76	6,245 76
Interbank and money market items	18,111 59	18,111 59	18,111 59	18,111 59
Investments in securities-net	50,508 28	49,588 32	52,241 00	51,614 39
Loans and accrued interest receivables-net	266,161 25	266,161 25	270,247 82	270,247 82
Financial Liabilities :				
Deposits	300,740 01	300,940 67	300,894 29	301,094 95
Interbank and money market items	16,575 98	16,719 08	16,575 98	16,719 08
Borrowings and subordinated debentures cum				
Preferred shares	27,564 78	27,564 78	27,564 78	27,564 78

	Consolidated		Amounts Million Baht	
	Financial Statements		Bank Only	
	December 31, 2000		December 31, 2000	
	Carrying	Market	Carrying	Market
	Amounts	Value	Amounts	Value
Financial Assets				
Cash	5,497 36	5,497 36	5,497 36	5,497 36
Interbank and money market items	13,995 54	13,995 54	13,995 54	13,995 54
Investments in securities-net	36,992 32	33,339 50	38,070 50	35,336 50
Loans and accrued interest receivables-net	264,173 12	264,173 12	264,714 69	264,714 69
Financial Liabilities :				
Deposits	268,490 44	268,615 14	268,587 82	268,712 52
Interbank and money market items	15,923 33	16,135 33	15,923 33	16,135 33
Borrowings and subordinated debentures cum				
Preferred shares	32,713 00	32,713 00	32,713 00	32,713 00

Methods and assumptions in estimating market value or fair value of financial instruments are as follows

- Cash and interbank and money market items (Assets)
The fair value is approximated by the carrying value
- Securities purchased under resale agreements
The fair value is approximated by the carrying value
- Investments in securities
The market value of investments in securities is disclosed in Notes 3.6 and 4.2 to the financial statements

- Loans and accrued interest receivables
The fair value is based on carrying value of loans and accrued interest receivables net of allowance for doubtful accounts due to most of loans being floating rate loans
- Deposits
The carrying value of deposits approximates fair value, except the negotiable certificates of deposit have been calculated using the current yield of negotiable certificates of deposit
- Interbank and money market items (Liabilities)
The fair value is calculated by using the expected yield of borrowings
- Securities sold under repurchase agreements
The fair value is approximated by the carrying value
- Borrowings and subordinated debentures cum preferred shares
The fair value is approximated by the carrying value

4 30 Changes in Accounting Policies

4 30 1 Change in Accounting Policy of Investments in Subsidiary and Associated Companies

For the period 2000, the Bank has changed its accounting policy in relation to investments in subsidiary and associated companies from the cost method to the equity method to conform with Accounting Standard No 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries", and No 45 "Accounting for Investments in Associates", and in accordance with the Notification of the Bank of Thailand dated July 19, 2000

According to the change in accounting policy, the Bank should apply the retrospective and disclosure. The comparative financial statements of each period prior to 2000 have been restated as comparative information in order to present as if the Bank has applied and recorded investments in subsidiary and associated companies by this method since the acquiring date. The affected amounts of prior periods have been adjusted against the deficit at the beginning of period.

The recording of investments in subsidiary and associated companies by using the equity method is either based on financial information from financial statements audited or reviewed by the auditors, or based on management information, which had not been audited or reviewed by the auditors in accordance with the auditing standards or standards on review.

The effects on the Bank's financial position and the results of operations for the year ended December 31, 2000 are as follows:

	Amounts Million Baht Consolidate and Bank Only Financial Statements <u>December 31, 2000</u>
Decrease in net income for the year	(11 82)
Increase in retained earnings at beginning of the year	66 08
Increase in investments in securities at the end of the year	54 26

4.30.2 Change in Accounting Policy of Surplus on Fixed Assets Revaluation

Commencing from the year ended December 31, 2000, the Bank has changed its accounting policy in relation to the surplus on fixed assets revaluation shown in the shareholders' equity to be transferred directly to deficit when that surplus is realized, which is to conform with the amendment of accounting standards on December 26, 2000. The Bank should apply the retrospective by restating the comparative financial statements of each period prior to 2000 in order to present as if the Bank has applied the new accounting policy throughout.

The effects on the financial position and the results of operations for the year ended December 31, 2000 are as follows:

	Amounts Million Baht
	Consolidated Financial Statements and Bank Only Financial Statements
	<u>December 31, 2000</u>
Decrease in net income for the period	(24.95)

4.31 Increasing the Tier 1 Capital

On May 4, 2000, the Ministry of Finance approved to support the Tier 1 capital of the Bank by acquiring the new issuing preferred shares not exceeding Baht 19,920 million. On the same day, the Bank is required to invest in Government bonds in full amount. On April 27, 2000, the 2000 Annual General Meeting of Shareholders passed a resolution to submit an application to the Ministry of Finance applying for injection of Tier 1 capital not exceeding the amount of Baht 25,000 million.

On May 19, 2000, the Bank offered 1,992 million class B preferred shares of Baht 10 par value to the Ministry of Finance in the amount of Baht 19,920 million and on the same day, the Bank has taken the same amount to purchase 10-year Government bonds issued by the Ministry of Finance under Tier 1 Capital Support Program, with interest rate at 2.75% per annum, payable annually.

The Bank has provided 100% provisions in the amount of Baht 35,756.77 million in accordance with the Bank of Thailand's regulation for Tier 1 Capital Support Program as a condition under Tier 1 Capital Support Program.

4.32 Phayathai Asset Management Company Limited

Phayathai Asset Management Company Limited (the "PAMC") was registered with the Ministry of Commerce on August 9, 2000 and registered with the Bank of Thailand to operate the business as an asset management company on September 1, 2000. The Bank holds approximate 100% of the share capital of PAMC.

In the fourth quarter of year 2000, the Bank entered into contracts to transfer assets under the category of Doubtful of Loss debtors with collaterals and without collaterals already written off and classified properties foreclosed to PAMC in the amount of Baht 5,401.16 million with the net book value summarized as follows:

<u>Classified Asset Categories</u>	Amounts Million Baht
	<u>Net Book Value</u>
Loans and accrued interest receivables	2,961.59
Properties foreclosed	<u>1,520.75</u>
Total	<u>4,482.34</u>

The Bank earned a profit from the mentioned asset transfers in the amount of Baht 918.82 million and realized the reduction in the share of profit in subsidiary company in the same amount according to the equity method and the mentioned profit had been eliminated in the consolidated financial statements. In addition, the Bank granted loans to PAMC under the loan agreement (without collaterals), in the amount of Baht 3,500 million with repayment due on December 20, 2010. The interest is payable semi-annually in June and December, at the rate equal to the savings interest rate plus 0.25% per annum.

Consequently, the Bank submitted a letter dated December 14, 2000 to the Bank of Thailand to seek an approval, by confirming the intention to transfer assets to PAMC as a true sales. The Bank of Thailand had given its approving in its letter dated January 11, 2001

PAMC had entered into a purchase / sale contract with the Bank dated December 20, 2000, dealing with the sale of Substandard assets. It appeared that under the said contract, there were 15 sub-standard debtors who did not meet the provisions of the Asset Management Decree, or lacked of qualifications to transfer to PAMC or errors being made in the recording of collateral information. Therefore, PAMC had refused the purchase and revised the transfer price with the Bank, thereby reducing the amount by Baht 97.56 million. The Bank had already made repayment and adjusted the profit regarding the transferred assets and also adjusted the same amount of profit sharing in the subsidiary company according to the equity method. There were 3 non-performing debtors who have had errors being made in the recording of collateral information. Therefore, PAMC had revised the transfer price with the Bank, thereby increasing the amount by Baht 418.12 million. The Bank had already net offset this transaction with the repayment to PAMC according to the order of Legal Execution Department.

In 2001, the Bank transferred assets under the category of Doubtful and Doubtful of Loss debtors with collaterals and without collaterals already written off and classified properties foreclosed to PAMC in the amount of Baht 29,149.67 million with the net book value summarized as follows:

<u>Classified Asset Categories</u>	Amounts Million Baht
	<u>Net Book Value</u>
Loans and accrued interest receivables	28,464.34
Properties foreclosed	<u>659.06</u>
Total	<u>29,123.40</u>

The Bank earned a profit from the mentioned asset transfers in the amount of Baht 26.27 million and realized the reduction in the share of profit in subsidiary company in the same amount according to the equity method and the mentioned profit had been eliminated in the consolidated financial statements. In addition, the Bank granted loans to PAMC (without collaterals), in the amount of Baht 30,586.09 million with repayment due on December 19, 2010. The interest is payable semi-annually, at the rate equal to the savings interest rate plus 0.25% per annum.

At December 31, 2001 and 2000, the Bank had obligations to register the transfer of ownership of the mentioned transferred assets.

The transferring conditions of such assets are that the Bank (transferor) would deliver the documents of these assets to the Company (transferee) within 30 days from the transferring date (the date stated in the contract to transfer non-performing assets) except the contracting parties agreed to extend the delivering period. Thus, the transferor or transferee have the right to revise the transferring prices of such assets within 180 days from the transferring date.

PAMC entered into a contract to appoint the Bank to be the agent for debt collections and receiving debt repayments for PAMC. This must be in accordance with the conditions on debt collections and receiving debt repayments as mutually agreed. The contract had a maturity period of 10 years from the contract date. PAMC would pay a monthly fee in the amount of Baht 10,000 to the Bank. However for the year 2000, the Bank did not earn any service income as the agent for debt collections and receiving debt repayments, because the Bank had not provided the mentioned service according to the above agreement. For the year ended December 31, 2001, the Bank has started to provide service as the mentioned agent for debt collections and receiving debt repayments.

Thai Military Bank Public Company Limited assigned the Bank's employees to work as the staff of Phayathai Asset Management Company Limited. Therefore, a portion of the expenses related to the mentioned staff was paid and recorded as the expenses of the Bank. However, commencing from January 2001, PAMC paid and fully recognized such personnel expenses, which incurred in the year 2001 in the statement of income of PAMC.

4.33 Thai Asset Management Corporation

On October 12, 2001, the Bank and a subsidiary company entered into the agreements with the Thai Asset Management Corporation (TAMC), to transfer non-performing assets in accordance with the Emergency Decree on The Thai Asset Management Corporation B.E. 2544. The transferred price of the non-performing assets equaled the value of assets being the collateral but not exceed the book value less the required amounts of allowance on the transferred date in accordance with the regulations of the Bank of Thailand.

In the fourth quarter of 2001, the Bank transferred loans of 130 accounts, with the book value net off allowance for doubtful accounts, of Baht 5,577.50 million as at the transfer date. The Bank has estimated that losses on transferred approximately Baht 67.50 million and recorded by offsetting with the allowance for doubtful accounts.

In the fourth quarter of 2001, the Subsidiary transferred loans of 8 accounts, at cost of Baht 466.67 million as at the transfer date. The Subsidiary has estimated that losses on transferred approximately of Baht 76.50 million and recognized in the statement of income.

TAMC has to complete its check on the values of the transferred assets within 180 days from the transfer date. Confirmation letter on the value of assets transferred has to issue within 7 days from the completion date of the checking. The settlement of the transfer value will be done by issuing of non-negotiable promissory notes with availed by the Financial Institutions Development Fund (FIDF). The promissory notes are due in 10 years from their issuing date but TAMC has an option to redeem each of them before due date. The interest rate of promissory notes is average rate of five largest domestic commercial banks and payable on the last working day of each year. The interest payment is to be paid by non-negotiable promissory notes with availed by the FIDF due in one year from the issuing date. However, TAMC has the right to extend the maturities of the promissory notes for interest payment as it deems appropriate.

As at December 31, 2001, the Bank and the Subsidiary have not yet received confirmation letters on the transfer values and the promissory notes from TAMC as it is still checking the values of the transferred assets.

In accordance with the conditions of the Emergency Decree on The Thai Asset Management Corporation B.E. 2544, the TAMC and the transfers are jointly responsible for the profits or losses from managing the non-performing assets by the TAMC, in accordance with the conditions specified in the agreements at the end of the fifth year and at the end of the tenth year commencing July 1, 2001.

In case of losses, the transferors will be responsible for the first portion of losses, not exceeding 20% of the transfer price. The second portion of losses, not exceeding 20% of the transfer price, will be equally shared between the TAMC and the transferors. The remaining losses will be absorbed by the TAMC.

In case of profits, the first portion of profits, not exceeding 20% of the transfer price, will be equally shared between the TAMC and the transferors. Should there be any profits remaining, the transferors are entitled to the remaining profits up to an amount not exceeding the book value of non-performing assets less the transfer price and the transferors' share in the first portion of the profits.

4.34 Reclassification

The financial statements for the year ended December 31, 2000, were reclassified to conform with the presentation in the financial statements for the year ended December 31, 2001.

FINANCIAL STATISTICS AND RESULTS OF OPERATIONS

AS AT DECEMBER 31, 2001 AND 2000

(Million Baht)

ASSETS

Cash	6,246	5,497
Interbank and money market items - net	18,112	13,995
Investment - net	52,241	38,071
Loans and accrued interest receivables - net	270,248	264,715
Properties foreclosed - net	10,060	3,056
Customers' liability under acceptances	1,269	1,660
Premises and equipment - net	8,220	7,966
Accrued interest receivables - net	744	617
Other assets - net	1,922	1,078
Total Assets	369,062	336,655

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits	300,894	268,588
Interbank and money market items	16,576	15,923
Liability payable on demand	841	481
Borrowings	17,607	22,755
Subordinated debentures cum preferred shares	9,958	9,958
Bank's liability under acceptances	1,269	1,660
Accrued interest payables	1,439	1,728
Other payable	2,193	676
Other liabilities	4,666	1,853
Total Liabilities	355,443	323,622
Shareholders' Equity	13,619	13,033
Total Liabilities and Shareholders' Equity	369,062	336,655

OFF-BALANCE SHEET ITEMS-CONTINGENCIES

Aval to bills and guarantees of loans	8,847	6,762
Liability under unmatured import bills	1,169	1,118
Letters of credit	10,065	6,665
Other contingencies	71,120	80,330

Interest and dividend income 15,850 14,890

Interest expenses 11,501 12,943

Net income from interest 4,349 1,947

Bad debt and doubtful accounts 272 23,170

Loss on debt restructuring (253) 50

Net income (loss) from interest after bad debt,
doubtful accounts and loss on debt restructuring 4,330 (21,273)

Non-interest income 3,491 2,707

Non-interest expenses 7,122 6,467

NET INCOME (LOSS) BEFORE INCOME TAX 699 (25,033)

Income tax 44 31

NET INCOME (LOSS) 655 (25,064)**EARNINGS (LOSS) PER SHARE (Baht) 0 33 (15 35)****ORDINARY SHARES (Million shares) 2,010 8676 2,010 8676****NUMBER OF EMPLOYEES 7,074 7,273****NUMBER OF BRANCHES 366 367**

*The financial statements of 2001 and 2000 are presented in accordance with the announcement of the Bank of Thailand date May 10, 2001

FINANCIAL STATISTICS AND RESULTS OF OPERATIONS

AS AT DECEMBER 31, 1999, 1998 AND 1997

(Million Baht)

ASSETS

Cash	5,440	4,058	5,081
Interbank and money market items	24,246	29,835	38,792
Securities purchased under resale agreements	1,000	4,500	10,700
Investment in securities - net	18,271	14,147	12,874
Loans and accrued interest receivables - net	270,949	287,770	299,864
Properties foreclosed - net	4,318	4,205	4,022
Customers' liability under acceptances	706	988	1,918
Premises and equipment - net	8,475	8,927	9,654
Other suspense accounts	513	55	3,912
Accrued interest receivables	327	234	294
Other receivables	372	222	198
Other assets - net	451	731	1,240

Total Assets	335,068	355,672	388,549
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LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits	259,843	281,104	257,574
Interbank and money market items	26,814	28,825	84,816
Liability payable on demand	745	426	438
Securities sold under repurchase agreements	3,300	2,000	500
Borrowings	18,753	14,773	10,536
Subordinated debentures cum preferred shares	9,958	-	-
Bank's liability under acceptances	706	988	1,918
Accrued interest payables	2,384	3,921	6,611
Other payable	2,325	1,114	1,473
Other liabilities	1,315	1,567	2,451

Total Liabilities	326,143	334,718	366,317
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Shareholders' Equity	8,925	20,954	22,232
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Total Liabilities and Shareholders' Equity	335,068	355,672	388,549
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OFF-BALANCE SHEET ITEMS-CONTINGENCIES

Aval to bills and guarantees of loans	6,348	7,284	12,949
Liability under unmatured import bills	1,589	2,373	3,456
Letters of credit	6,076	10,885	20,215
Other contingencies	78,525	83,159	125,208

Interest and dividend income	19,217	41,722	40,041
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Interest expenses	17,313	38,378	31,022
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Net income from interest	1,904	3,344	9,019
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Bad debt, doubtful accounts and loss on restructuring loans	9,110	4,609	3,505
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Net income (loss) from interest after bad debt, doubtful accounts and loss on debt restructuring	(7,206)	(1,265)	5,514
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Non-interest income	2,260	3,305	3,907
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Non-interest expenses	6,642	9,670	7,459
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NET INCOME (LOSS) BEFORE INCOME TAX	(11,588)	(7,630)	1,962
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Income tax	27	70	594
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NET INCOME (LOSS)	(11,615)	(7,700)	1,368
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EARNINGS (LOSS) PER SHARE (Baht)	(11.45)	(8.01)	2.67
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ORDINARY SHARES (Million shares)	1,014,867.6	1,014,867.6	513,207.6
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NUMBER OF EMPLOYEES	7,561	7,889	8,149
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NUMBER OF BRANCHES	364	364	359
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*The financial statements of 1999, 1998 and 1997 are presented in compliance with the Ministerial Regulation No 7 (B.E. 2539)

RESULTS OF OPERATIONS IN 2001

The Bank's Board of Directors has reported the results of the operations on follows -

	Amounts Baht
Retained deficit brought forward	(43,284,672,693)
Net income for the year ending December 31, 2001	655,455,736
Amortization of surplus on fixed assets revaluation	22,759,000
Retained deficit carried forward	<u>(42,606,457,957)</u>

The Banks' Board of Directors has decided that there will be no dividend payments

ADDITIONAL INFORMATION

Thai Military Bank Public Company Limited

Main business	Commercial banking
Head Office	3000 Phahon Yothin Road, Chatuchak, Bangkok 10900
Registration No	Bor Mor Jor (Public Limited Company) 248
Website	http // www tmb co th
Tel	0-2299-1111
Fax	0-2273-7121-4

Registered capital/Paid-up capital/Number of shares

The bank registered its capital at Bht 50,649 67 million divided into

- ordinary shares of 2,064,867,600 shares at a par value of Bht 10 each with a total value of Bht 20,648 68 million and,
- preferred shares of 3,000,099,600 shares at a par value of Bht 10 each with a total value of Bht 30,000 99 million

Paid-up capital totaled Bht 40,029 67 million divided into

- ordinary shares of 2,010,867,600 shares at a par value of Bht 10 each with a total value of Bht 20,108 68 million, and
- preferred shares series A of 99,600 shares at a par value of Bht 10 each with a total value of Bht 0 99 million,
- preferred shares series B of 1,992,000,000 shares at a par value of Bht 10 each with a total value of Bht 19,920 million

Other Referral Parties

Share Registrar	Thailand Securities Depository Co , Ltd The Stock Exchange of Thailand Building 62 Ratchadapisek Road, Klongtoey Bangkok 10110, Thailand Tel 0-2359-1200-1	
Auditors	Mr Nirand Lilamethwat	CPA No 2316
	Or Mr Supote Singsaneh	CPA No 2826
	Or Mr Therdtong Thepmangkorn	CPA No 3787
	Or Mrs Wilai Buranakitsophon	CPA No 3920
	KPMG Audit (Thailand) Limited 21 st -22 nd Fl , Empire Tower 195 South Sathorn Road Sathorn, Bangkok 10120 Tel 0-2677-2000	
Legal Advisor	Lt Gen Sming Tailangka Mr Punlop Pisitsungkakarn Mr Chaicham Wibunsin 3000 Phahon Yothin Road Ladyao, Chatuchak, Bangkok 10900 Tel 0-2299-1111	

Other Investments

As at December 31, 2001, investments in other companies in which the Thai Military Bank Public Company Limited held more than 10% of the paid-up capital in each company are as follows

Company	Head Office Location	Type of Business	Type of Capital (Shares)	Paid-up Capital (Shares)	TMB's ownership		
					Amount (Shares)	Percentage	Amount (Baht) (net of allowance for diminution in value)
1 Phayathai Asset Management Company Limited Tel 0-2245-0001 Fax 0-2273-7417	Bangkok	Financial Institution	Ordinary	56,000,000	56 000,000	100 00	2,122 897,440 60
2 Designee for ETA Contract Co , Ltd Tel 0-2299-1566 Fax 0-2299-1237	Bangkok	Utility	Ordinary	1 000	994	99 40	13,617 80
3 NSRF (Thailand) Limited Tel 0-2299-1566 Fax 0-2299-1237	Bangkok	Utility	Ordinary	1 000	598	59 80	14 950 00
4 TMB Asset Management Co , Ltd Tel 0-2636-1800 Fax 0-2636-1820	Bangkok	Financial Institution	Ordinary	10,000,000	4,499,999	45 00	72,724,574 67
5 Phayathai Property Fund Tel 0-2636-1818 Fax 0-2636-1820	Bangkok	Mutual Fund	Unit	60,000,000	17,999,800	30 00	196 076,435 40
6 The Thai Business Fund 1 Tel 0-2670-4900 Fax 0-2679-1824	Bangkok	Mutual Fund	Unit	90,000,000	30 000 000	33 33	290,292,000 00
7 CH Kamchang Public , Ltd Tel 0-2277-0460 Fax 0-2275-7029	Bangkok	Property	Ordinary	105,000,000	10,500,000	10 00	154,350,000 00
8 Phatumthani Jute Mill Co , Ltd Tel 0-2246-9668-9 Fax 0-2246-9669	Bangkok	Industry	Ordinary	330,000	33 000	10 00	3,300,000 00
9 T A B Brokers Co ,Ltd Tel 0-2246-9793	Bangkok	Service	Ordinary	50,000	5,000	10 00	500,000 00
10 Paiboon Insurance Co ,Ltd Tel 0-2246-9635-54 Fax 0-2246-9660	Bangkok	Service	Ordinary	2,000,000	200,000	10 00	30,200,000 00
11 Mahachai Land Development Co ,Ltd Tel 0-2398-0027 Fax 0-2399-2446	Bangkok	Property	Ordinary	4 000 000	400,000	10 00	0 00
12 Wholesale Town Co ,Ltd Tel 0-2531-6860 Fax 0-2532-3009	Bangkok	Property	Ordinary	22 000	2,200	10 00	1 653,080 00
13 Bangkok Pattaya Hospital Co ,Ltd Tel 0-3842-7770-7 Fax 0-3842-7777	Bangkok	Service	Ordinary	14,000,000	1 400 000	10 00	39 762 000 00
14 M Thai Estate Co ,Ltd Tel 0-2261-1144 Fax 0-2261-1143	Bangkok	Property	Ordinary	30 000 000	3,000,000	10 00	0 00
15 S-One Capital Co Ltd Tel 0-2652-1510-4	Bangkok	Financial Institution	Ordinary	30,000,000	3,000,000	10 00	11,042,251 40
16 TPF Leasing Co ,Ltd Tel 0-2639-9180-91 Fax 0-2639-9192	Bangkok	Financial Institution	Ordinary	6 000 000	600,000	10 00	0 00
17 C G U Life Assurance (Thai) co , Ltd Tel 0-2275-0026	Bangkok	Service	Ordinary	50 000 000	5 000,000	10 00	27,500,000 00
18 NAVA SC Securities Investment Ltd Tel 2822-6888 Fax 2845-0971	Hongkong	Financial Institution	Ordinary Preferred	95 001,000 74 925	9,500,100 7,492	10 00 10 00	0 00

Statement of the Audit Committee

Important responsibilities performed by the bank's Audit Committee in 2001 can be summed up as follows

- 1 Reviewing the bank's quarterly, half-yearly and yearly financial statements for the bank to report its financial statements basing on true and accurate data and information in a manner consistent with the generally accepted accounting principles and standards as well as regulatory requirements
- 2 Reviewing the bank's internal control to ensure that appropriate, adequate and effective procedures are in place taking focus particularly on risk management and transparency in all management and operational matters. The Committee also advised and supported the bank's management on personnel development relating to self-performance appraisal for effective risk-based internal control and audit
- 3 Taking responsibility in selecting external auditor and fixing of appropriate auditing fee for the annual ordinary general shareholders' meeting to approve
- 4 Reviewing the bank's compliance practices to ensure that related regulatory and legal requirements were strictly followed. Points of observation and recommendations were made for the management to steer clear of damaging circumstances while stressing that the management needs to closely supervise the staff to strictly adhere to all legal and regulatory requirements at all times
- 5 Supervising the bank's internal audit functions performed by General Audit Dept and Information Technology Dept. The Committee was responsible for guiding both departments in their preparation of auditing plans and scrutinizing their auditing reports to ensure that all auditing activities were independently and effectively conducted at any time
- 6 Providing points of view and observation for the bank's management via the Board of Directors. The purpose was to help improving, where possible, effectiveness and efficiency in the bank's administration and operations

The Committee has performed its reviewing responsibilities in accordance with its mandate and closely monitored the bank's operations. Its role is to represent the shareholders in taking preventive measures against excessive risk-takings and damaging effects in the bank's day-to-day operations. Throughout the past year, the bank's Board of Directors and the management seriously put a strong emphasis on prudent and transparent practices to keep the bank's exposure to all kinds of risk under control.



Bodi Chunnananda
Chairman of Audit Committee

Scope of Operations

Thai Military Bank Pcl has been licensed by the Ministry of Finance to operate its commercial banking business as consented by the Bank of Thailand as well as its securities business as consented by the Securities and Exchange Commission. The bank's scope of operations covers the followings:

- 1 Commercial banking business
- 2 Off-shore banking (Bangkok International Banking Facilities)
- 3 Investment banking
- 4 Private trust fund management and provident fund management
- 5 Securities trading and underwriting of debt securities
- 6 Mutual fund transfer agency

The bank operates on its own concept of market segmentation. Customers were clearly defined into different groups known as SME (Medium and Small Enterprises), Premier, Mass, Students and Wholesale (large corporate entities). The purpose was to make it more efficient in developing innovative financial products and services that directly serve the banking needs of each group while individual customers can expect better benefits out of full service banking at any branch office of the bank's domestic branch network, which as at 31 Dec 2001 consisted of 363 branch offices including 115 offices in Bangkok and its vicinity and 248 provincial branch offices. The bank also maintained 3 overseas branches, each in Vientiane, the capital of Lao PDR, Cayman Islands and Hong Kong.

Business Characteristics of Subsidiary and Affiliated Companies

Subsidiary Companies

- 1 **Phayathai Asset Management Co , Ltd**
Established by the bank to manage impaired assets, particularly the non-performing loans transferred from the bank, aiming to recover the debts as much as possible.
- 2 **Designee for ETA Contracts Co , Ltd**
Established specially under the agreement made between a group of major creditors and Bangkok Expressway Pcl to hold all titles transferred from the Phase 2 Expressway Building and Operating Concession Agreement signed between the Express way and Rapid Transit Authority of Thailand and Bangkok Expressway Co , Ltd. The Bank, acting as its security agent, is BECL's largest shareholder.
- 3 **NSRF (Thailand) Co , Ltd**
Established specially under the agreement made between a group of major creditors and North Bangkok Expressway Pcl to hold all titles transferred from the Bang Pa-In - Pakkred Expressway Building and Operating Concession Agreement signed between the Expressway and Rapid Transit Authority of Thailand and North Bangkok Expressway Co , Ltd. The bank, acting as its security agent, is NBECL's largest shareholder.

Affiliated Companies

- 1 **TMB Asset Management Co , Ltd**
This is a company established by the bank to engage in the business of mutual fund and private trust fund management under the provision of the Securities and Exchange Act and licensed by the Ministry of Finance with the consent of the Securities and Exchange Commission.
- 2 **Phayathai Property Fund**
Operated as a mutual fund offering institutional investors opportunities to make long-term investment on prime properties the fund has acquired for subleasing, the Fund issued its investment units on a non-redeemable basis.
- 3 **Thai Business Fund 1**
This is a property mutual fund established under the provision of the Securities and Exchange Act offering institutional investors investment opportunities on its non-redeemable investment units.

Subsidiary and Affiliated Companies

Unit Million Baht

Companies									
Subsidiary Companies									
Phayathai Asset Management Co , Ltd	Financial Institution	100 00	Total	373 71	Total	2 91	Total	-	
Designee for ETA Contracts Co , Ltd	Utility	99 40	Total	0 01	Total	0 01	Total	0 01	
NSRF (Thailand) Limited	Utility	59 80	Total	0 01	Total	0 01	Total	0 01	
Affiliated Companies									
TMB Asset Management Co , Ltd	Financial Institution	45 00	Total	220 86	Total	202 32	Total	148 06	
Phayathai Property Fund	Mutual Fund	30 00	Total	66 70	Total	80 22	Total	96 88	
The Thai Business Fund 1	Mutual Fund	33 33	Total	120 46	Total	-	Total	-	

Income Structure

From its non-consolidated financial statements as at the end of 2001, the bank's net interest and dividend income after provision for bad and doubtful debts and losses from debt restructuring amounted to Bht 4,330 million. In 2000, the income as such showed a negative figure of (Bht 21,274 million). The bank's non-interest income for 2001 amounted to Bht 3,491 million, increasing from 2000 by Bht 784 million or 29%.

Unit Million Baht

Net income (loss) from interest after bad debt, doubtful accounts and loss on debt restructuring	4,371	54 99	(21,274)	(114 60)	4,330	55 36	(21,274)	(114 58)	(7,207)	(145 71)
Non-interest income										
Gain on investments	632	7 95	236	1 27	632	8 08	236	1 27		
Share of profit on equity	369	4 64	41	0 22	282	3 61	(881)	(4 74)	55	1 11
Fees and service income	2,082	26 19	1,905	10 26	2,082	26 62	1,905	10 26	1,624	32 83
Gain on exchange	363	4 57	404	2 18	363	4 64	404	2 18	401	8 11
Gain on sales of assets	-	-	53	0 29	-	-	972	5 23	85	1 72
Other income	132	1 66	71	0 38	132	1 69	71	0 38	96	1 94
Total Non-interest income	3,578	45 01	2,710	14 60	3,491	44 64	2,707	14 58	2,261	45 71
Total income	7,949	100 00	(18,564)	(100 00)	7,821	100 00	(18,567)	(100 00)	(4,946)	(100 00)

Significant Changes and Developments in the Bank's Operations

During 2000-2001, the bank focused its implementation of significant changes and developments on organizational restructuring. The aim was to make the bank structurally strong against any economic repercussion and at the same time turn the bank into an effective banking institution excelling in retail banking capable of providing the best in customer service and care consistent to its vision and mission statement. The bank has introduced its new corporate logo and slogan to match its new corporate identity. Branch offices have been renovated and re-equipped to reflect the bank's redefined image aiming to attract new customers and provided efficient services to all customers.

In 2000, the bank put into effect the following significant changes and developments:

- The bank increased its registered capital from Bht 30,650 million to Bht 50,650 million, part of which at Bht 19,920 million came from the Ministry of Finance's Tier 1 Capital Support Scheme. The bank also increased its reserve against classified assets to meet the Bank of Thailand's regulatory requirement.

- The change in equity holding structure provided opportunity for well-respected outsiders and representatives of the bank's major private shareholders to sit at the bank's Board of Directors and Board of Executive Directors, reflecting a high degree of transparency.

- The bank hired two foreign consulting firms to develop retail-banking strategies and start a risk management system.

- The bank appointed Mr. Somchai Sakulsurarat as its new president and CEO to replace Dr. Thanong Bidaya on July 1, 2000.

- A subsidiary known as Phayathai Asset Management was set up by the bank.

- The bank took a major step in organizational restructuring to be more consistent with the prevailing economic situation and regulatory requirements as follows:

1. Establishing 5 new departments and 3 offices, namely Metropolitan Branch Administration Dept., Provincial Branch Administration Dept., Marketing Dept., Personal and Small Business Credit Analysis Dept., Corporate Credit Analysis Dept., Legal Consulting Office, Compliance Office and Credit Risk Management Office.

2. Reorganizing 6 departments into 3 departments as follows:

- 2.1 Metropolitan Credit Quality Development Depts. 1 and 2 were reorganized into Metropolitan Credit Quality Development Dept.

- 2.2 Provincial Credit Quality Development Depts. 1 and 2 were reorganized into Provincial Credit Quality Development Dept.

- 2.3 Head Office Credit Quality Development Depts. 1 and 2 were reorganized into Credit Quality Development Dept.

3. Reorganizing Loan Recovery and Legal Dept. into two separate units known as Legal Execution Dept. and Legal Dept. Names of Audit Depts. 1 and 2 were changed to General Audit Dept. and Information Technology Audit Dept.

In 2001, significant changes made by the bank were as follows:

- The bank acquired the services of two consulting firms. One of them was ALLTELL for the bank's computerized systems upgrading and the other, CSN, for human resources development systems.

- Restructuring of branch network operations and service procedures was carried out while new units were set up:

1. The marketing function line was redeveloped to contain 4 units including a department and three offices, namely, Marketing Dept., Research and Marketing Planning Office, Advertising and Public Relations Office and Customer Service Office.

2. The treasury function line was redeveloped to include 2 new units, namely Money Market Operations Office and Money Market Risk Management Office.

3. Three new units were established, namely, Information Technology Management Office, Asset Management Office and Computer Security Management Office.

Furthermore, the bank has started its development of branch network to make all of its branch offices more dynamic in terms of customer service. This was made possible by lessening their workload in routine operational matters through the introduction of operating "hubs" or administrative and business centers to assist branch offices operating under each hub's supervisory roles. The Bank also introduced its "Family Branch" concept by setting up a pilot branch office at See Mum Mueng Market, Rangsit, a well-populated

suburban area, north of Bangkok. The aim is to increase branch office efficiency in customer service and promotion of the bank's innovative financial products and services to serve customers' needs in all aspects including deposit services, credit services, electronic banking services, etc. The bank also systematically delegated credit granting and debt restructuring authorities to branch offices while working groups at regional level were set up to facilitate the processing of credit applications coming from branch offices under the regional supervision.

As from 4 April 2001, the Ministry of Finance has replaced the Royal Thai Army as the bank's largest shareholder with a holding of 49.84%. This was the result of the bank's decision to accept the tier 1 capital support from a program organized by the Ministry of Finance to help financial institutions raising their capital bases to meet the regulatory standard.

The Bank's Marketing and Competition in the Market

Evidently, banking sector has become more dynamic in its effort to ride out the hard time brought about by economic downturn. All commercial banks reinvented themselves broadly in terms of core management structure and human resources planning and development. They have been highly competitive in their efforts to offer the public with innovative banking services.

As banking trends have changed significantly, most of the local banks focus on retailing, presumably believing that good business prospects can be found in the retailing market with low risks while high returns can be expected. In the past year, many commercial banks launched their strategic retail financing services offering unprecedented low rates of interest on very easy terms and conditions. Apparently, their aims were to boost up their interest-based and fee-based incomes.

Currently, the banking community in Thailand consists of 31 local and branches of foreign banks. The number includes full-service 13 local banks and 18 branches of foreign banks. The local banks operate 3,701 branch offices around the country. The largest market share is, normally, taken by the first 4 largest banks up to 60%. TMB is the sixth largest in terms of total assets. The bank's market shares in deposits and credit services are presently at around 6.27% and 7.36% respectively. The table below shows the net positions in total assets, total deposits, total loans and capital fund of the 13 local banks.

Banks	Total Assets	Total Deposits	Total Loans	Capital Fund	Total Assets	Total Deposits	Total Loans	Capital Fund
BBL	1,248,748	22.04	1,071,931	22.34	718,142	19.37	88,579	20.28
KTB	976,468	17.24	866,955	18.07	700,413	18.89	61,076	13.98
TFB	774,385	13.67	664,846	13.85	466,140	12.58	66,707	15.27
SCB	715,391	12.63	600,990	12.52	456,267	12.31	77,923	17.84
BAY	438,560	7.74	372,250	7.76	342,277	9.23	41,099	9.41
TMB	369,062	6.51	300,894	6.27	272,708	7.36	36,675	8.40
SCIB	297,840	5.26	262,153	5.46	209,574	5.65	13,120	3.00
BT	271,202	4.79	168,935	3.52	137,854	3.72	12,582	2.88
BMB	189,946	3.35	173,389	3.61	135,929	3.67	9,804	2.24
BOA	159,372	2.81	139,419	2.91	109,106	2.94	12,706	2.91
DTDB	99,019	1.75	77,173	1.61	75,245	2.03	10,503	2.40
SCNB	69,920	1.23	57,650	1.20	62,074	1.67	3,233	0.74
UOBR	54,929	0.97	42,045	0.88	21,144	0.57	2,742	0.63
Total	5,664,841	100.00	4,798,630	100.00	3,706,874	100.00	436,747	100.00

Source: C.B. 1.1

Obviously, competition among the local banks in retailing services has been very strong and unrelenting while non-bank financial service firms have now intruded into the financial market traditionally exclusive to commercial banks. These quasi-financial business operators have their cutting edges as their domain is not regulated by the authorities while all commercial banks are subject to strict regulatory control and closely supervised by the Bank of Thailand.

However, opportunities are still open wide for commercial banks to develop their competitiveness to win the favor of retail customers in a variety of ways. Financial services and products, particularly deposit services, certain types of credit services, and credit card products as well as effective branch management could be the main avenues for any bank to reach out effectively to their untapped customers through their branch offices. Evidently, commercial banks are now using advanced technologies to provide innovative, fast and easy services to its customers and at the same time aiming to attract new customers. It is most likely that all major banking services would be entirely IT-based not long from now.

It is necessary for commercial banks to study their banking environment, particularly, market conditions and consumer behavior in order to understand the market trends and prepare themselves accordingly. It is also important for all commercial banks to put into place properly organized management team and highly effective management policies where risk management is central to all key activities and emphasis on customer financial disciplines must remain strong at all time.

Risk Factors

Traditionally, banks and the money market are closely connected and linked to the ups and downs of economic conditions both at home and abroad. Because banks in general provide their customers with a wide variety of financial services, they are constantly exposed to several kinds of risk known as credit risk, interest rate risk, exchange risk, investment risk, liquidity risk, capital risk, regulatory risk and operations risk. Recognizing that taking risk is normal in its day-to-day operations, the bank has been actively taking various risk factors under review and systematic analysis in order that exposure to all risk factors is properly managed and adequately covered. The bank's risk management activities are based on preplanned procedures primarily involving risk coverage measures and assessment on a continuing basis.

(1) Credit Risk

- **Credit Services** (including the issuing of letters of guarantee, letters of credit and aval) The bank has adopted its prudent practices in credit granting using a set of standard procedures. Granting is based on major credit factors as follows:

1. The debtor's ability to pay back

2. The risk spreading is done systematically by types of industry as well as by individual account basis. This is to keep the bank's credit services from being narrowly concentrated. As at 31 Dec. 2001, the majority of the bank's loans to its customers, excluding Phayathai Asset Management Co., Ltd., were in manufacturing and commerce (retail and wholesales businesses as well as import and export). The percentage was 48.6% of total loans. Loans for other purposes, particularly housing, service businesses in general and public utilities accounted for 13.1%, 10.8% and 5.9% respectively.

3. Business trends and prospects

To keep its exposure to credit risk in such sectors, particularly payment defaults, the bank has been carefully carved out its credit granting procedures with built-in check and balance mechanism. Credit approval is currently a committee-based function while granting the approved credit facilities is a sole responsibility of one particular unit, another is independently responsible for credit analysis. A function unit known as Credit Risk Management Office was set up to analyze business trends, making assessments, provide data support, set risk spreading policy and evaluate the risk-return trade-off. In addition, the Bank has routinely used risk grading tools and credit scoring model with all credit applications. After the granting of any credit facility is finalized, the customer's activities and financial performance would be closely monitored as part of loan portfolio management system which calls for credit review, control and follow-up, collateral review and re-evaluation of appraisal value from time to time. This includes the use of outside appraisal services on certain cases under principles set by the Bank of Thailand.

- **Debt Restructuring** The bank's debt restructuring is by all means an extremely serious matter. The aim is to reduce the size of its NPLs using mixed methods such as interest rate reduction, extension of repayment period, settlement by asset transfer, debt-to-equity conversion, etc. Each NPL account taken for restructuring must go through a credit analysis procedure. This brings the

customer's cash flow and ability to pay back into focus. Under the prevailing static economic conditions, the bank is undeniably exposed to high credit risk in which some restructured accounts may possibly fail to meet payment obligations, resulting in a rising in relapse rate. Besides, a few good accounts may unsuspectingly fail to perform as usual. Such trends would require the bank to set aside higher provision for credit losses and unavoidably become extremely prudent in its credit risk management.

- **Non-Performing Loans Management** Closely watching its NPL portfolio and taken measures to work out those NPLs, the bank also set aside its provision for doubtful debts as required by the Bank of Thailand. Besides, a large number of NPL accounts were transferred to Phayathai Asset Management Co., Ltd. (PAMC), the Bank's wholly owned subsidiary, and the government-owned Thai Asset Management Corporation (TAMC). The bank, however, has been closely monitoring PAMC's impaired asset management to ensure that maximizing recovery rate on those assets is aimed for.

(2) Interest Rate Risk

Volatility in interest rates has directly affected the bank's sources of income. This is because interest rates are key factors in the rise and fall of income and expenses over the bank's assets and liabilities. Interest rate policy is normally set by a group of top executives who meet on a weekly basis to discuss and lay down guidelines for adjusting of interest rates when and where necessary in response to the prevailing market conditions. The interest risk management is conducted under the bank's own asset and liability management program, which, in itself, a tool for asset and liability analysis. However, the bank has opted for floating interest rates on its various assets and liabilities to eliminate interest rate mismatch which could be highly damaging.

(3) Exchange Risk

The bank has a policy to use derivative instruments as hedging tools against exchange risk for two different reasons as follows:

- **To accommodate the Bank's risk management needs** The derivative instruments used by the bank under this purpose are forward foreign exchange bought/sold contracts. The bank would buy or sell a forward exchange contract at an amount on a specific period of time to manage its assets and liabilities. The risk involved may come from defaults by a counter-party and changes in exchange rates which are known as counter-party risk and price risk or market risk. Forward exchange transactions are under control of the bank's Asset and Liability Management Committee (ALCO). The amount and term of each contract are to be approved by the committee in advance. The bank has no policy to use this kind of derivative for speculative purpose. The bank operates a tight control system by giving its ALCO full authority to screen authorization, setting contract amount limits for trading and investment taking into account various risk factors, particularly price volatility as well as a trade-off between returns and losses from trading and investment. Besides, the committee has the authority to closely control, follow up and evaluate the performance of responsible officers to ensure that all forward exchange transactions are conducted fully in compliance with the Bank of Thailand's regulations and fall within the limits and guidelines as set and approved by the bank. The bank's ALCO met regularly to readjust its strategic direction in response to prevailing circumstances.

- **To accommodate hedging needs of customers** The derivative instruments arranged to serve customers' needs are normally forward foreign exchange bought/sold contracts. The purpose is mainly to provide the customers with hedging against exchange risk. Each forward exchange contract signed between the bank and any customer is subject to approval process in the same manner as in credit facilities processing. The bank uses close supervision and follow-up method to guard against possible breach of obligations by the customers. Besides, the customers are also required to show clear evidences of their business obligations on which their hedging needs are based on as the bank has no policy to provide any customer with speculative forward exchange contract. Any contract is arranged to fall within the limit set and approved by the bank's credit committee.

(4) Investment Risk

The bank's investment authority is systematically delegated down the line beginning from the Board of Directors, Board of Executive Directors and Asset and Liability Management Committee (ALCO) to individual executives in the money market function line. The authority for each management layer is well defined and put into record in the authorization book. ALCO is responsible for defining investment policy to serve different purposes, setting securities selection principles for investment, allocating funds for securities investment as well as taking supervisory role to keep investment within the policy guideline and budget as fixed.

Capital allocation principles are used in securities investment taking into account securities ratings and counter-party information to fix individual securities and gross investment limits as well as loss limit. However, the bank's capital fund adequacy is an important factor as regards to investment risk.

Money Market Risk Management Office is responsible for reporting on investment position, results and level of risk exposure as well as the prevailing conditions of the capital market. The reports cover each investment portfolio as handled by each responsible executive, ALCO, the Executive Board and the Board of Directors. The information contained in the reports are taken as basis for redefining of strategic direction, if necessary, to make sure that the investment is kept consistent at all times with the bank's main business objectives and corresponding well with prevailing conditions in the capital market.

Furthermore, investment accounting is done in a manner consistent with the generally accepted accounting standards set specifically for securities investment. The standards require revaluation of all securities on a monthly basis to recognize the up-to-date and true value of each investment portfolio. If the market value or expected return on investment of any particular securities dropped below its book value, the bank would allocate its additional reserve for losses or diminution in value of the securities and recognize the losses at once. The bank also takes accounting standards on diminution in asset value to evaluate its various other assets and use the same method of loss recognition. Accepting the new accounting standards provided an opportunity for the bank to update the positions of its investment portfolios and use the information to readjust its investment policy to suit the market conditions lessening its investment risk exposure in the process.

(5) Liquidity Risk

The bank's top-level Income and Expense Committee and Asset and Liability Management Committee are responsible for using current information on the bank's deposits, loans, earnings and liquidity, to set guidelines for liquidity management that suit well with the conditions in the money and capital markets. The two committees also routinely assess the economic and political situation at home and abroad to measure significant changes that may affect the bank's operations and liquidity position.

(6) Capital Risk

As at 31 Dec 2001, the bank's capital to risk assets ratio stood at 12.53%, noticeably higher than the Bank of Thailand's regulatory standard of 8.5%. Nevertheless, the capital ratio may be affected by bad operating results. It is, therefore, necessary for the bank to keep its capital fund position stable against the impact of bad operating results. Moreover, the bank has opted for maintaining its doubtful debt provision at a level well above the Bank of Thailand's requirement.

(7) Regulatory Risk

The commercial bank business is subject to various types of legal and regulatory control administered by different government agencies. Legislative and regulatory changes as well as new policies adopted by the Bank of Thailand might significantly affect the commercial banking business. Legislative measures that focus directly on the banking business have been studied by the bank, particularly, the new bill on financial institutions which is now being debated upon in the Parliament, and the Financial Electronic Transactions Act BE 2544 (2001). The latter one has been promulgated but not yet so far been enforced as an auxiliary decree to specify types of financial electronic transactions for control is still not ready. Besides, several sets of rules and regulations as well as announcements relating to traditional commercial banking and new financial services that might be offered by commercial banks are brought under review by the authorities for amendment where required. Put under review as well are the applying of BIS capital fund standard, revising of accounting standards with accurate interpretation, expanding the scopes of commercial banking and other financial businesses. To deal with the regulatory risk, the bank has taken some precautionary actions, particularly, the following up on the related legislative and regulatory developments. The study of their impacts on the bank is being done so that the bank would be able to come up quickly with the right actions in response to new legal and regulatory requirements.

(8) Operations Risk

To manage its exposure to operations risk, the bank has produced a series of working manuals for the staff to study and follow. An independent unit known as Compliance Office has been established to supervise all function units on compliance matters. The Bank also revised and updated its management systems and reinvented its branch administration taking into practice the Hub & Spoke concept. The aim is to facilitate the delivery of its banking services in an efficient and effective manner.

Shareholding and Management Structures

Shareholding

A group of 10 largest shareholders classified by their shareholding percentages (as at the last share registration book closing date)

Group of Shareholders	31 Dec 2001		
	Number of Shares	Percentage of Total Shares	Unit Share
1 Ministry of Finance	3,191,463	1,991,994,600	49.84
2 Royal Thai Army	301,347,293	-	7.53
3 National Finance Public Company Limited	152,400,040	-	3.81
4 Mr Panthongtae Shinawatra	150,000,000	-	3.75
5 Tor Tor Bor 5 Company Limited	142,041,694	-	3.55
6 Thai Life Insurance Company Limited	119,872,460	-	2.99
7 Royal Thai Navy	43,981,709	-	1.10
8 Royal Thai Air Force	37,823,682	-	0.94
9 T C C Ruamtun Company Limited	26,295,400	-	0.66
10 HSBC (SINGAPORE) NOMINEES PTE LTD	19,168,766	-	0.48

The Management

The Management Structure

Basically, the bank operates with three panels of distinguished persons known as the Board of Directors, the Board of Executive Directors and the Audit Committee

1 The mandate of Board of Directors

- 1 To direct the bank's operations as required by laws, the bank's own objectives, Articles of Association, and resolutions adopted by the shareholders' meetings
- 2 To declare interim dividends for the shareholders
- 3 To fix the payments of bonus, rewards or other kinds of compensation for the staff and employees of the bank or other parties who work for the bank on a regular or non-regular basis. However, there is an exception as Article 22 of the bank's Articles of Association states that the directors of the bank are required to receive the remuneration in the forms of meeting allowance, bonus, rewards, other allowances and welfare benefits or any other compensations as fixed under the consent of the shareholders' meeting
- 4 To appoint or discharge any personnel of the bank. In the execution of their mandate, the Board of Directors may assign any director or a group of directors or any other person or persons to take actions on their behalf

2 The mandate of the Board of Executive Directors

To execute their responsibilities in the management of the Bank as delegated by the Board of Directors and to take responsibility in screening applications for credit facilities and make recommendations before submitting the applications for consideration by the Board of Directors

3 The mandate of the Audit Committee

The audit committee consists of 3 board directors appointed by the Board of Directors at a meeting with a term of 2 years for each appointment

- 1 To see to it that all financial statement of the Bank are true and accurate, complete, adequate and reliable
- 2 To see to it that the Bank's proper and effective internal control system is in place
- 3 To consider and select an external auditor for appointment
- 4 To see to it that the Bank operates in compliance with related regulations and laws
- 5 To see to it that no conflict of interest will take place
- 6 To prepare a report on the committee's own activities for disclosure in the Bank's annual report
- 7 To carry out other activities as assigned by the Board of Directors

Maximum Number of Board Directors

The Bank's operates under control of its Board of Directors which consists of, at least, 9 persons or more but the number must not exceed 22 persons depending on the decision of a shareholder's meeting However, half of the directors must be residents of the Kingdom of Thailand (Article 14 Section 4 Directors)

Names, Positions and Experience of the Director as of December 2001

1	General Wimol Wongwanich Chairman of the Board of Directors	1995 1992-1994 1995-Present	Commander-in-Chief, Royal Thai Army Chairman of the Board of Executive Directors Chairman of the Board of Directors	Chulachomklao Royal Military Academy The National Defence College, the National Defence Course, Class 30
2	General Surayud Chulanont Vice Chairman of the Board of Directors	1997 1998 1999-2000 1999-Present	Army Special Advisor Commander-in-Chief, Royal Thai Army Chairman of the Board of Executive Directors Vice Chairman of the Board of Directors	Chulachomklao Royal Military Academy Command and General Staff College, Royal Thai Army The National Defence College
3	Admiral Narong Yuthavong Director	1996 1998 2000 2001	Assistant Chief of Staff for Intelligence Commander-in-Chief, Royal Thai Fleet Deputy Supreme Commander Royal Thai Armed Forces Supreme Commander, Royal Thai Armed Force	BA
4	Admiral Prasert Boonsong Director	1997 1998 1999 2000-Present	Deputy Chief of Staff, Royal Thai Navy Chief of Staff, Royal Thai Navy Assistant Commander-in-Chief, Royal Thai Navy Commander-in-Chief, Royal Thai Navy	Royal Thai Naval Academy International Communication Course, HMS MERCURY, UK Master of Science in Operations Research (with Distinction) U S Naval Postgraduate School, U S A Royal Thai Naval Staff College Royal Thai Naval War College Thai National Defence College

5 Air Chief Marshal Pong Maneesilpa Director	1998	Director General Aeronautical Engineering, Air Support Command	Royal Thai Air Force Academy
	1999	Commander, Air Combat Command	
	2000-Present	Commander-in-Chief, Royal Thai Air Force	
6 General Pang Malakul Director	1998	Chairman of Army Advisory Board	Chulachomkiao Royal Military Academy
	1995-1999	Director Royal Thai Army Radio and Television Station	Sandhurst Royal Military Academy, England
	Present	Chairman of the Board of Directors, Pibool Insurance Company Limited	Command and General Staff College, RTA, Australian Armed Forces Staff College
		Chairman of the Board of Directors, Don Muang Tollway Public Company Limited	The National Defence College, The National Defence Course for the Joint State-Private Sectors, Class 5
		Board Director of Thai Asia Pacific Brewery Company Limited	
		Board Director of Maejo University Council	
Board Director of Mae Fah Luang Foundation (Under Royal Patronage)			
Board Director of the Heart Foundation of Thailand			
President of Native Thai Orchid Foundation			
7 Mr Prayoon Chindapradist * Director Audit Director	1991-1994	Chairman of Executive Board, Commercial Union Insurance (Thailand) Company Limited	BA (Laws) Thammasat University
	1991-Present	Chairman of Executive Board, Shinnawatra Computer and Communication Company Limited	Higher Diploma of Accountancy Thammasat University
1991-Present		Chairman of Executive Board, Suntech Group Company	
8 Mr Somchati Intrathut ** Director Audit Director	1993-1996	First Executive Vice President	BA (Business Administration) The University of Manila
	1996-1997	Director and Senior Executive Vice President, Thai Military Bank Public Company Limited	MA (Personnel and Marketing), Chulalongkorn University
	1997	President and Chief Executive Officer, Thai Military Bank Public Company Limited	The National Defence College, the National Defence Course for the Joint State-Private Sectors, Class 4
	1998	Chairman of Advisory Board, Kantana Group of Companies	
9 Mr Bodi Chunnananda Director Chairman of Audit Committee	1996	Minister of Finance	BA (Accountancy) Chulalongkorn University
	1998	Law Councillor of The Council of State Senator	MA (Business Administration), Wayne State University, U S A The National Defence College, the National Defence Course, Class 19 Honorary Doctorate Degree, (Financial Economics), Ramkhamhaeng University

* Attending a seminar on " Manual for Board Directors in Financial Institutions" organized on Dec 20 2001 at the UN Conference Center, Bangkok

** Attending a special seminar on " The Role of Corporate Directors in Setting of Remuneration Policy " organization on Dec 13 2001 at Le Royal Menden

10	Mr Twatchai Yongkittikul Director	1995-Present	Secretary General, The Thai Banker's Association	BA (Economics) Thammasat University MA (Development Economics) Williams College Massachusett MS (Economics) University of Illinois Ph D (Economics), University of Illinois , U S A The National Defence College
11	Mr Sommai Phasee Director	1994 1996 1997 1998-Present	Deputy Director-General, the Fiscal Policy Office Inspector-General, Ministry of Finance Director-General, the Fiscal Policy Office Deputy Permanent Secretary of Finance	BA (Economics), Thammasat University MA (Economics), Thammasat University MA (Planning and Development), Vanderbilt University, Tennessee, U S A
12	Mr Tawee Butsunorn Director Chairman of the Board of Executive Directors	1992-1999 1999-Present	Deputy Managing Director, Siam Cement Public Company Limited Advisor, Siam Cement Public Company Limited	BA (Engineering), Chulalongkorn University Advanced Management (AMP), Harvard University Honorary Doctorate Degree, Chulalongkorn University Honorary Doctorate Degree, King Mongkut Institute of Technology, Lat Krabang Honorary Doctorate Degree, Burapha University
13	Mr Paiboon Limpaphayom Director and Executive Director	1994-1998 1996 1999-2001 2000-2001	Chairman of the Executive Board Shinnawatra Computer and Communications Group Vice Chairman of Executive Committee of Lao Telecommunication Co , Ltd Chairman of the Board, Advance Info Service Public Company Limited Vice Chairman Shin Corporations Public Company Limited Director, ITV Public Company	BA (Electrical Engineering) Chulalongkorn University MA (Electrical Engineering) University of Illinois, U S A Ph D (Electrical Engineering) Iowa State University, U S A Advanced Management, BSAM, Canada The National Defence College, the National Defence Course, Class 33
14	Mr Suphadej Poonpipat Director and Executive Director	1980-1997 1997-Present 1992-1998 1998-Present 1989-Present	President & Chief Executive Officer, National Finance and Securities Public Company Limited President & Chief Executive Officer, National Finance Public Company Limited Director, Advance Info Service Public Company Limited Director and Chairman of Audit Committee, Advance Info Service Public Company Limited Director, MBK Properties and Development Public Company Limited	BA (Commerce and Accountancy) Chulalongkorn University MA (Economics) University of Wisconsin, U S A

15 Mrs Puntip Surathin Director	1996	Deputy Comptroller-General, the Comptroller General' s Department	BA (Accountancy), Chulalongkorn University
	1998	Advisor, Privatization and Performance Evaluation	MA (Business Administration), Fort Hays Kansas State College, U S A
	2000-Present	Chief Inspector-General, Ministry of Finance	
16 Mr Somchai Sakulsurarat President and Chief Executive Officer	1996-1997	President and Chief Executive Officer, Bank of Ayudhya Public Company Limited	BA (Economics) Thammasat University
	1997-2000	President and Chief Executive Officer, Bangkok Metropolitan Bank Public Company Limited	MA (Management) SASIN Graduate Institute of Business Administration
	2000-Present	President and Chief Executive Officer, Thai Military Bank Public Company Limited	
17 Mr Akadej Bjaphala Director and Senior Executive Vice President Secretary to the Executive Board	1993-1997	First Executive Vice President	BA (Engineering), Chulalongkorn University
	1997	Senior Executive Vice President	
	1997-Present	Director and Senior Executive Vice President	MA (Business Administration), National Institute of Development Administration Advanced Management (AMP), Harvard University The National Defence College, the National Defence Course for the Joint State-Private Sectors, Class 366
18 Mr Montri Visoldilokpun First Executive Vice President	1993-1994	Senior Vice President	MA (Applied Statistics), National Institute of Development Administration
	1994-1997	Executive Vice President	
	1997-Present	First Executive Vice president	
19 Mr Narathorn Wongvises First Executive Vice President	1995-1997	First Executive Vice President Bank of Ayudhya Public Company Limited	MA (Science), The San Jose State University, U S A
	1997-2000	Senior Executive Vice President Bangkok Metropolitan Bank Public Company Limited	
	2000-Present	First Executive Vice President	
20 Mrs Salinee Wangtal First Executive Vice President	1981-2001	Director Financial Institutions Resolution Office	MA (Business Administration), Columbia University, U S A
	2001-Present	First Executive Vice President	

Equity Holdings by Members of the Board and the Bank's Executive Officers

Name	Types of Securities held as at 31 December 2001			Number of TMB Shares Increase (Decrease) between 2001
	Common Shares	Warrants	Series B Preferred Shares	
1 General Wimol Wongwanich Chairman of the Board of Directors	38,458	20,000	-	-
2 General Surayud Chulanont Vice Chairman of the Board of Directors	65,000	30,000	-	-
3 Admiral Narong Yuthavong * Director	468	-	-	-
4 Admiral Prasert Boonsong Director	84	-	-	-
5 Air Chief Marshal Pong Maneesilpa Director	20,000	40,000	-	-
6 General Pang Malakul Director	919,424	415,116	-	-
7 Mr Prayoon Chindapradist Director	3,592	1,656	-	-
8 Mr Somchati Intrathut Director	40,100	104	-	-
9 Mr Bodi Chunnananda Director	-	-	-	-
10 Mr Twatchai Yongkittikul Director	-	-	-	-
11 Mr Sommai Phasee Director	-	-	-	-
12 Mr Tawee Butsunorn Director and Chairman of the Board of Executive Directors	-	-	-	-
13 Mr Paiboon Limpaphayom Director	-	-	-	-
14 Mr Suphadej Poonpipat Director	-	-	-	-
15 Mrs Puntip Surathin Director	-	-	-	-
16 Mr Somchai Sakulsurat President and Chief Executive Officer	-	-	-	- Common Shares (100,000)
17 Mr Akadej Bijaphala Director and Senior Executive Vice President	16,756	-	-	- Common Shares 1,800 - Warrants (6,900)
18 Mr Montri Visoldilokpun First Executive Vice President	-	-	-	-
19 Mr Narathorn Wongvises First Executive Vice President	-	-	-	-
20 Mrs Salinee Wangtal* First Executive Vice President	-	-	-	-

* Appointed during the year 2001

Search for Directors

The search for qualified persons to sit as directors at the Board in the past was a process carried out by an ad hoc committee. It was the responsibility of a director or directors to nominate the most qualified persons for the Board to consider. The nomination was done basing on the criteria set in the Bank's Articles of Association. After a resolution is taken in favor of any person, the Board will send its representative to make contact and invite that person to take the Bank's directorship. If the person accept the invitation, the representative will inform the Board of the acceptance for appointment. After the appointment is in effect, the Board will inform the shareholders of the appointment at the next shareholders' meeting. Up to the present, the Bank is still without its nominating committee.

Director election process at the shareholders meeting

A shareholder may nominate anyone to fill a vacancy at the Board of Directors. Once the consent is given by the meeting, the election process will take place under the following procedure:

- (1) The voting right is based on the one-share-one-vote system.
- (2) Each shareholder must vote for one or more nominees with all his shares as decided by the meeting. The voting right cannot be split for multiple voting.
- (3) The election results will base on ranking from the highest to the lowest. The person receiving the highest votes and the next down will be declared elected in a number corresponding to the number of vacancies at the Board. In case of a tie by two or more persons that exceeds the vacancies left at the Board, the chair at the meeting will have a final say in favor of anyone as seen appropriate.

Director and executive remuneration in 2001

Cash remuneration

- (1) Total remuneration for 19 directors amounted to Bht 19.3 million (meeting allowance and perks)
- (2) Total remuneration for 6 executive directors amounted to Bht 4.8 million (meeting allowance)
- (3) Total remuneration for 3 audit committee members amounted to Bht 0.9 million
- (4) Total remuneration for 5 executive officers from the rank of executive vice president up amounted to Bht 24,967,440

Other remuneration

The bank's provident fund contribution for executive officers from the rank of executive vice president up amounted to Bht 1,713,754.

Corporate Governance Practices

To comply with the Code of Best Practices adopted by the Stock Exchange of Thailand as guidelines in good corporate governance for directors of all listed companies, the bank's Board of Directors, during 2001, has taken the following practices:

- a) The Board of Directors has been structured to include directors who are the bank's top executives as well as independent and outside directors. The Board also set up its Audit Committee to oversee the bank's preparation of financial statements as well as internal control and corporate governance practices.
- b) The bank's directors carried out their duties to comply with the laws, objectives and regulations of the company, as well as resolutions adopted by shareholders' meetings as part of their responsibility toward the shareholders. The Board's responsibilities include setting out policies and strategic direction, taking close supervision over the management and watching operating results.
- c) The bank's Board of Directors held its meetings regularly once a month while the Board of Executive Directors and the Audit Committee held their meetings twice a month.
- d) All of the bank's financial statements and general information disclosed to the Stock Exchange of Thailand and the shareholders have been thoroughly checked to ensure that all data are accurate, complete and sufficient to reflect the actual and true positions of the bank's assets, compiled and presented in conformity with the generally accepted accounting principles.

Inside Information Practices

Being well aware of the fact that all of the bank's financial statements prepared for the Stock Exchange of Thailand must be kept strictly confidential prior to public disclosure as they might effect the market value of the bank's shares and position, the Board, at its meeting No 2/2001, held on 20 February 2001, took a resolution that required all of the bank's financial statements to be checked by the Audit Committee and then double checked by the Board of Executive Directors within the same day before sending them to the Stock Exchange for public disclosure

Internal Control Practices

During its special meeting No 1 held on 31 January 2002 in which all 3 members of the Audit Committee took part, the Board discussed and made an assessment on the bank's internal control system and approved the internal control appraisal form proposed by the management and the General Audit Dept. The form covers 5 major areas of operations particularly, organization and environment, risk management, the management's supervision, information and communication systems, and follow-up system. The Board found the bank's internal control system for its subsidiary companies as sufficient and appropriate. Care were properly taken by the responsible operating officers and the executives in charge as regards to transactions with major shareholders while assets of the bank and its subsidiaries were well protected against improper use of authority by the bank's executives.

In keeping the operations of subsidiary companies under control, the bank's executives were appointed as their directors to provide policy guidelines for all operating matters. The executives were also responsible for having up-to-date operating results and other financial information from the subsidiaries. The bank's investment unit was also assigned to coordinate with the directors acting as the bank's representatives in reviewing and analyzing financial information of the subsidiaries. The data obtained were then reported to the bank's management for policy setting.

Interrelated Transactions

1) Information on transactions with persons which might be taken as conflict of interest are disclosed in the Notes to Financial Statements, particularly, the Notes Nos 4.2.2, 4.20, 4.21 and 4.32

2) Such interrelated transactions are normal as far as the traditional business activities are concerned

The rates of interest imposed on welfare loans were based on the bank's regulations while interest rates on loans given to interrelated business enterprises were based on a standard rate for deposits. Preferable service charges or rates of commission on transactions with interrelated persons or business enterprises were carefully screened and considered by a standing committee composing of the bank's top ranking executives. The committee normally discussed the impact of the transactions as related to long-term benefits of the bank.

3) It is required by the bank's regulations that all interrelated transactions must be taken through procedural steps carried out by working groups and committees concerned before final approval is to be made.

4) It is believed by the bank that interrelated transactions will continue to be part of the bank's normal course of business for which the bank's has firmly established an appropriate approval procedure.

Clarification and Analysis of the Bank's Financial Position and Results of Operations**Financial Position and Results of Operations as Compared to Competitors****- Profitability**

According to the bank-only and consolidated financial statements, the bank, in 2001, made a net profit of Bht 655 million which was above the target by Bht 104 million and if compared with the net loss of Bht 25,064 million in 2000, the profit was amazingly outstanding. This is because the Bank managed to increase its lending by 1.1% from the previous year, comparing favorably with the first four largest banks as their lending altogether was down by 4.6% over the previous year. Other factors included mobilization of low-cost funding, particularly, savings deposits and the promoting of activities that generated non-interest income, particularly, service fees and commission as well as profit made from investment.

Results of Operations**- Interest Income and Dividends**

Based on the bank-only financial statements, interest income and dividends of the bank in 2001 amounted to Bht 15,850 million, increasing from the previous year by Bht 960 million or 6.45%. This was due largely to the interest income of Bht 13,556 million, increasing by Bht 576 Million or 4.44% from the previous year.

From the consolidated financial statements, the bank's interest income and dividends amounted to Bht 16,059 million, increasing by Bht 1,171 million or 7.86% from the previous year, composing largely of Bht 13,764 million in interest income with an increase of Bht 786 million or 6.06% from the previous year. On the consolidated financial statements, interest income from securities investment was Bht 1,912 million, increasing by Bht 689 million or 56.30% from the previous year.

- Non-Interest Income

The bank-only financial statements for 2001 showed an amount of Bht 3,491 million in non-interest income with Bht 784 million or 28.96% increase over the previous year. Largely, the increase came from the rising in the sharing of profit basing on the equity method, which amounted to Bht 1,163 million or 132.09%. From the consolidated financial statements, the bank's non-interest income amounted to Bht 3,578 million, an upsurge of Bht 868 million or 32.02% from the previous year. This was largely due to the rising in the sharing of profit, basing on the equity method, which amounted to Bht 328 Million or 790.64%. And from the bank only and consolidated financial statements, the bank's income from fees and commission increased by Bht 177 million or 9.29% while profit from investment increased by Bht 396 Million or 167.94%.

- The Bank's Income Structure

In 2001, the bank's net interest income and dividends based on the bank-only financial statements increased over the previous year by Bht 2,402 million or 123.39% while interest income and dividends on consolidated financial statements increased by Bht 2,612 million or 134.19%. As a result of the bank's success in generating savings deposits as low-cost funding for its investment in bonds and securities, its profit from investment rose to Bht 632 Million. This made the bank's non-interest income climbing above the previous year by 28.96% in the bank only financial statements or by 32.02% in the consolidated financial statements. This was due to the change in the bank's policy as it aimed for a larger share of non-interest income in its overall income structure, part of which through the promotion of credit and debit card services as well as expanding its trade finance facilities.

- Interest Expenses

From the bank-only and consolidated financial statements for 2001, the bank's interest expenses amounted to Bht 11,501 million, declining by Bht 1,442 or 11.14% over the previous year. This was due to the success in attracting sizable volume of low-cost deposits, particularly, the savings deposits which shared only 23% of the total deposit structure in 2000 and by 2001 the share increased to 27%. Apart from that, the bank during 2001 opted to lower its deposit interest rates from time to time in response to the changes in market conditions, resulting in a significant decline in its interest expenses.

- Non-Interest Expenses

From the bank-only financial statements, the bank's non-interest expenses in 2001 amounted to Bht 7,122 million, increasing by Bht 655 million or 10.12% over the previous year. This was due largely to the contribution of Bht 1,213 million made to the Financial Institutions Development Fund, a bigger amount by Bht 56 million or 4.84% comparing with the previous year. The larger contribution was the result of an increase by Bht 32,305 million or 12.03% from 2000 in deposits.

Expenses on premises and equipment stood at Bht 1,311 million, higher by Bht 92 million or 7.59% over the previous year. This was largely caused by the effects of branch office renovation to enhance customer service and promote the bank's new corporate identity as well as a significant increase by Bht 153 million or 122.03% in expenses in commission and fees. The bank also had to absorb impairment of foreclosed properties and other assets, which markedly increased over the year by

Bht 552 million or 154.62%. On the other hand, personnel expenses in 2001 at Bht 2,006 million declined by Bht 81 million or 3.88% as the bank made not a single new recruitment to replace those who has resigned or reached their retirement age.

Basing on the consolidated financial statements, the bank's non-interest expenses for 2001 at Bht 7,249 million was higher by Bht 779 million or 12.05% than the previous year. This was due to Bht 56 million or 4.84% increase in FIDF contribution, Bht 88 million or 7.21% increase in premises and equipment expenses, Bht 153 million or 122.03% increase in expenses on commission and fees as well as a significant increase in losses from impairment of foreclosed properties and other assets by Bht 638 million or 178.76%. However, personnel expenses decreased by Bht 62 million or 2.97% over the previous year.

Financial Position

Total Assets

a Assets

The bank's assets in the bank-only financial statements as at the end of 2001 totaled Bht 369,062 million, increasing by Bht 32,407 million or 9.6% from 2000 while the assets in the consolidated financial statements amounted to Bht 366,670 million, showing an increase of Bht 30,113 million or 8.9%. The assets serve mainly as basis for the bank's operations included loans, inter-bank and money market items and net securities investment. Loans accounted for 74% and 73% of the bank's assets in the non-consolidated and the consolidated financial statements respectively.

Loans in the bank-only financial statements as at year-end 2001 amounted to Bht 272,708 million, increasing by Bht 2,986 million or 1.1% over 2000 while the same figure in the consolidated financial statements amounted to Bht 268,664 million, declining by Bht 521 million or 0.2% from year-end 2000.

Inter-bank and money market items at year-end 2001 amounted to Bht 18,112 million, increasing by Bht 4,116 million or 29.4% from year-end 2000 as shown in both non-consolidated and consolidated financial statements.

The bank's net securities investment in the bank-only financial statements at year-end 2001 amounted to Bht 52,241 million, showing an increase of Bht 14,170 million or 37.2% over 2000. In the consolidated financial statements the same figure amounted to Bht 50,508 million, showing a year-on-year increase of Bht 13,516 million or 36.5%.

b Liabilities

The bank's liabilities as at the end of 2001 in the bank-only financial statements amounted to Bht 355,443 million, increasing by Bht 31,820 million or 9.8% over 2000. In the consolidated financial statements, the figure was Bht 353,051 million, increasing by Bht 29,527 million or 9.1% from year-end 2000. Major parts of the liabilities were deposits, borrowings, and inter-bank and money market items. The largest part was deposits, forming up to 85.0% of the Bank's total liabilities as shown both in the bank-only and consolidated financial statements.

The bank's total deposits as shown in the bank-only financial statements and consolidated financial statements as at year-end 2001 amounted to Bht 300,894 million and Bht 300,740 million, increasing by Bht 32,306 million and Bht 32,250 million respectively. The increasing rate was 12.0% for both figures.

The bank's borrowings in both bank-only and consolidated financial statements as at the end of 2001 amounted to Bht 17,607 million, declining by Bht 5,148 million or 22.63% from 2000.

The Bank's inter-bank and money market items in the bank-only and consolidated financial statements amounted to Bht 16,576 million, increasing from the end of 2000 by Bht 653 million or 4.1%.

Quality of Assets

In 2001, the bank aimed to workout its non-performing loans up to Bht 40,000 million. This was done through stepping up its debt collection effort and debt restructuring arrangements. As at the end of Dec 2001, the bank's NPL amounted to Bht 33,530 million or 12.30% of the total loans. The figure decreased by only Bht 29,142 million from year-end 2000, which was far below the target. During the year, the bank transferred its NPL accounts that fit with the qualification standards to the Thai Asset Management Corporation (TAMC) up to Bht 5,578 million. More of the NPLs at Bht 29,123 million were transferred to its subsidiary, Phayathai Asset Management Co., Ltd while the bank's bad debts were written off up to Bht 9,217 million. The bank partly succeeded in its debt restructuring effort as the problem loans up to Bht 19,854 million were restructured.

As at Dec 31, 2001, the bank's loans and accrued interest receivables (excluding inter-bank and money market items) classified to the Bank of Thailand's debt classification standards as follows:

Based on bank-only financial statements

				Millions of Baht
Pass	200,176.45	105,615.18	1	1,056.15
Special mention	13,601.29	2,508.52	2	50.17
Substandard	8,419.16	1,529.13	20	305.83
Doubtful	12,060.90	4,242.93	50	2,121.46
Loss	21,767.51	51.43	100	51.43
Total	256,025.31	113,947.19		3,585.04
Loss provision for accrued interest receivables on restructured loans*				176.00
Loan loss provision in excess of minimum requirement regulated by the Bank of Thailand				1,131.35
Total				4,892.39

Remark *The bank set aside Bht 176 million as a provision for loss on accrued interest receivables in connection with restructured accounts having a record of 3 month consecutive payment defaults.

Based on consolidated financial statements

				Millions of Baht
Pass	189,469.76	105,645.98	1	1,056.46
Special mention	13,601.29	2,508.52	2	50.17
Substandard	13,324.56	1,601.97	20	320.39
Doubtful	13,817.31	4,268.49	50	2,134.25
Loss	21,767.51	51.43	100	51.43
Total	251,980.43	114,076.39		3,612.70
Loss provision for accrued interest receivables on restructured loans*				176.00
Loan loss provision in excess of minimum requirement regulated by the Bank of Thailand				1,131.35
Total				4,920.05

Remark *The bank set aside Bht 176 million as a provision for loss on accrued interest receivables in connection with restructured accounts having a record of 3 month consecutive payment defaults.

Loans with payment defaults as at Dec 31, 2001

	Millions of Baht
Over 1 month to 3 months	12,640
Over 3 months to 6 months	6,389
Over 6 months to 12 months	8,495
Over 12 months	18,646
Total	46,170

(a) Loans

- Concentration of loans

- 1 At 26.2% in loans for retail, wholesales and services under SME support program
- 2 At 25.8% in loans for manufacturing and export sectors under industrial finance program in support of industries with foreign exchange earnings and job creating potentials
- 3 At 15.1% in small housing loans and consumer credits

- Percentages of NPLs where income recognition was suspended as regulated by compliance unit (by loan types)

Term loans	83.0%	of total NPL outstanding
Overdraft	13.6%	- do -
Local bills	1.6%	- do -
Trade finance	0.9%	- do -
Others	0.9%	- do -

- Terms for income recognition suspension

- 1 For loans not subject to restructuring, accrued interest receivables will not be recognized as income if interest payment was past due more than 3 months
- 2 For restructured loans
 - 2.1 During the observation period covering the first 3 months, if default takes place on the first payment, accrued interest receivables will not be recognized as income
 - 2.2 If the first interest payment in the observation period is made on due and the loan was reclassified as normal but the following payment became overdue up to 4 months up, accrued interest receivables on the account will not be recognized as income
- 3 For loans classified as doubtful or loss, all accrued interest receivables will not be recognized as income

- Loan security requirement

- 1 Loans are granted up to 80% of the appraised security value, which is considered sufficient as far as credit risk coverage is concerned
- 2 In case of repayment of a loan is not made in accordance with the agreement, the bank is in a position to place any loan security under legal procedures for forced repayment as specified in the terms and conditions of pledging, mortgaging or letter of guarantee agreements. It is provided also that the bank can agree to asset transfer arrangement basing on fair value of the security to settle the debts or to sell them to effect debt settlement

- Policy on the provisions for doubtful debts and adjustment in value of restructured loans

As at Dec 31, 2001, the bank and its subsidiaries maintained their provisions for doubtful debts at not less than 100% of the minimum requirement as required by the Bank of Thailand. The bank and its subsidiaries set aside Bht 4,920.05 million for doubtful debt provision and Bht 1,486.97 million for adjustment in value of restructured loans. This is to cover losses in non-collectible debts.

(b) Investment in Securities

The bank's net investment in securities as shown in the bank-only financial statements based on fair value as at year-ends 2001 and 2000 were Bht 52,241 million and Bht 38,070 million respectively. The net value of the investment portfolio grew up by 37.23% from 2000, mainly by additional investment in debt securities issued by government agencies and state enterprises. As at year-end 2001, such debt securities accounted for 85.65% of total portfolio book value. Holding of private sector's debt securities and equity investment in subsidiary and affiliated companies accounted for only 3.22% and 4.95% respectively while investment in marketable equity securities was 6.18%. The bank has sufficiently set aside its provision for impairment in value of its securities investment in accordance with the generally accepted accounting standards.

The bank's investment in securities and provision for impairment as classified by types of securities shown in the bank-only financial statements as at Dec 31, 2001 are as follows:

	Millions of Baht		
1 Government & state enterprise debt securities	46,382.24	167.49	46,549.73
2 Private sector's debt securities	1,745.13	(94.44)	1,650.69
3 Investment in subsidiary and affiliated companies	2,682.02	-	2,682.02
4 Equity securities	3,344.92	(1,986.36)	1,358.56

Liquidity

In 2001, the bank's main funding of its operations came from deposits, which increased by Bht 32,365 million, mostly in savings and fixed deposits.

During 2001, loan cash outflow amounted to Bht 19,367 million of which Bht 2,986 million was on-balance sheet increase while non-cash accounting adjustment for bad write-offs, impaired asset transfer to TAMC and transfer of securities for debt settlements amounted to Bht 16,381 million. The increase of the Bank's assets shown in the inter-bank and money market items by Bht 4,408 million was due purely to the rise in the bank's cash deposits at other financial institutions.

The bank's cash outflow in investment activities amounted to Bht 8,828 million while its additional investment in securities both for long-term holding and for trading were at Bht 25,753 million. Fund used in land, premises and equipment amounted to Bht 931 million while Bht 5,485 million was spent to redeem its subordinated debentures.

Capital Expenditure

In the second financial period of 2001, the bank increased its stakes in Phayathai Asset Management Co., Ltd. by Bht 800 million which constituted around 100% of 16 million subscribed shares at a par value of Bht 50 each. The capital increase was approved by the Bank of Thailand in support of the bank's action on impaired asset management. Currently, the bank has no policy to invest further in its subsidiaries with the exception of debt-to-equity conversion as a result of debt restructuring. As at the end of 2001, the bank's equity holding in Phayathai Asset Management Co., Ltd. remained at Bht 2,122.90 million.

Sources of Fund**- Funding Structure**

As at year-end 2001, the bank's funding consisted largely of deposits at 81.53%. Smaller shares in the funding included inter-bank and money market items at 4.49%, borrowings, subordinated debentures and preferred shares combined at 7.47%, shareholder's equity at 3.69% and other items at 2.82%. The Bank's use of fund was mainly for lending at 73.89% while inter-bank and money market items and securities investment took 4.91% and 14.16% respectively. Other uses combined up to 7.04%.

- Shareholders' Equity

Shareholders' equity in both bank-only and consolidated balance sheets as at the end of 2001 amounted to Bht 13,619 million, increasing by Bht 586 million or 4.5% from the previous year. This was due mainly to the net profit of Bht 655 million made during 2001.

but offset by an extra loss in currency translation of financial statements and additional net loss in securities investment which amounted to Bht 40 million and Bht 29 million respectively

- Return on Shareholders' Equity

From the 3 years bank-only financial statements for 1999 - 2001, return on shareholders' equity (ROE) were as follows

For 1999, the ROE was at - 77.74%

For 2000, the ROE was at - 228.29%

For 2001, the ROE was at 4.92%

- Liabilities

The bank's liabilities in the bank-only financial statements as at the end of 2001 amounted to Bht 355,443 million, increasing by 9.83% in comparison with the liabilities of Bht 323,622 million as at the end of 2000. Consolidated liabilities of the bank and its subsidiaries at year-ends 2001 and 2000 were Bht 353,051 million and Bht 323,624 million respectively. The year-on-year increase was at 9.13%. The bank's liabilities composed mainly of deposits, inter-bank and money market items and borrowings.

Total deposits in the bank-only financial statements as at year-end 2001 reached Bht 300,894 million, showing an increase of 12.02% comparing with Bht 268,587 million as at year-end 2000. Nearly all of the increase came from domestic deposits as a result of a campaign to attract funding for various business activities. Consolidated financial statements as at year-ends 2001 and 2000 show the bank and its subsidiaries having total deposits at Bht 300,740 million and Bht 268,490 million respectively. The year-on-year increase was 12.01%.

Inter-bank and money market items in the bank-only and consolidated financial statements as at year-end 2001 were exactly the same at Bht 16,576 million, increasing by Bht 4.10% if compared with Bht 15,923 million as at year-end 2000. The amount of the domestic items increased by 22.36% while the foreign items decreased by 20.71%.

The bank's borrowings as at year-end 2001 in both the bank-only and consolidated financial statements were the same at Bht 17,607 million, decreasing by 22.62% from Bht 22,755 million as at the end of 2000. This was due to the bank's decision to redeem its subordinated debentures ahead of maturity date.

Relationship between Sources of Fund and Uses of Fund

Deposits provided the largest funding for the bank while use of fund was mainly for lending out to its customers. As at year-end 2001, deposits and loans in the bank-only financial statements classified by remaining period of their terms were as follows:

Not longer than 1 year	73,779	27.05	273,514	90.90
Longer than 1 year	198,929	72.95	27,380	9.10
Total	272,708	100.00	300,894	100.00

In the bank-only financial statements, deposits as at year-end 2001 with remaining term of not longer than 1 year amounted to Bht 273,514 million, increasing over 2000 by Bht 8,490 million or 3.2%. Deposits with remaining term longer than 1 year amounted to Bht 27,380 million, a Bht 23,817 million increase or 668.4% from 2000. This was because depositors found it better to keep their money in fixed deposits with the most attractive rate of interest while interest rates in general kept falling successively.

The bank's deposits with the remaining term of not longer than 1 year in the consolidated financial statements by year-end 2001 amounted to Bht 273,360 million, increasing from year-end 2000 by Bht 8,433 million or 3.2%. For deposits with remaining term of longer than 1 year, the amount was the same with that shown in the bank-only financial statements.

Loans with remaining term of not longer than 1 year in the bank-only financial statements as at year-end 2001 amounted to Bht 73,779 million, decreasing from 2000 by Bht 25,063 million or 25.4%. For loans with remaining term of longer than 1 year, the overall outstanding balance as at year-end 2001 amounted to Bht 198,929 million, increasing from 2000 by Bht 28,049 million or 16.4%.

Loans with remaining term of not longer than 1 year in the consolidated financial statements as at year-end 2001 amounted to Bht 69,663 million, decreasing by Bht 29,180 million or 29.5% from 2000. But loans with remaining term longer than 1 year rose to Bht 199,001 million, an upswing of Bht 28,659 million or 16.8% from year-end 2000.

If compare the timings between deposits and loans, it is clearly seen the timing mismatch of funding and use of fund. But it is quite normal in commercial banking, particularly the period longer than 1 year as shown in both bank-only and consolidated financial statements. Loans were bigger than deposits by Bht 171,549 million and Bht 171,620 million respectively. The mismatch had no impact on the bank's funding structure because most of depositors preferred to keep their deposits in the Bank in continuing fashion. However, long-term funding alternatives can be found in the issuing of subordinated or senior debentures if needed.

Maintaining of Capital Ratio in Compliance with Regulatory Requirement

The bank's capital to risk assets ratio as at the end of 2001 was 12.53% which was above the Bank of Thailand's minimum requirement.

Major Factors or Influences Affecting the Operations of Subsidiary Companies

As at 31 Dec 2001, according to the bank-only financial statements, the Bank maintained its stakes in subsidiary companies up to Bht 2,122.90 million. The holding was 100% of the share capital in Phayathai Asset Management Co., Ltd. This subsidiary took low quality debts from the bank with an aim to turn them into performing assets in one way or another. Naturally, the business environment both the bank and the company are in seems very comparable. As for other subsidiaries, the Designee for ETA Contracts Co., Ltd. and the NSRF Co., Ltd. which were formed under the loan agreements made between the bank and the Bangkok Expressway Co., Ltd. and North Bangkok Expressway Co., Ltd. for its construction of second-stage expressway and Pakkred-Bang Pa-In expressway extension respectively. The objectives for both subsidiaries are to take actions if the companies default on their loan payment. As long as the two contractors manage to pay the bank as agreed, both subsidiaries will have nothing to perform or show any results.

Business Objectives

The bank continue to implement its business plans to reach objectives as aimed for, particularly the position as a leading bank in retail banking with focus on medium and small enterprises. The bank also aimed to provide trade finance to its customers at branch offices under its one-stop banking concept. To turn this concept into reality, the bank upgraded its technology-based services and work systems to enhance its capacity as a multi-channel bank with an aim to make its customer service more efficient and highly competitive. The use of new technologies makes it possible for the bank to introduce innovative financial services and products to the public. To enhance the bank's profitability, actions were taken to generate customer transactions and build effectiveness into its management of various assets and liabilities, particularly loan portfolios of both performing and non-performing loans as well as foreclosed properties.

Progress Towards Business Objectives

The bank, during 2001, has been able to reach its objectives as planned in all areas. Significant achievements included the above-target performance in generating customer transactions as deposits, particularly the savings accounts, grew up beyond the target. Savings deposits provided the bank with low-cost funding. This helped the bank to effectively manage its funding costs. In loans, the bank managed to increase its lending by 1.1% over the previous year despite uncertainties in the aspects of economic recovery. The loan growth achievement was far better than the combined performance of the top 4 banks (Bangkok Bank, Thai Farmers Bank, Siam Commercial Bank and Bank of Ayudhya), all larger in terms of assets than TMB, as their combined loans shrunk by 4.6% from 2000. The bank could increase its loans even though part of its low-quality loans were transferred to the Thai Asset Management Corp. and Phayathai Asset Management Co., Ltd.

Projects for the Future

The bank is currently pushing for improvement in its market and financial positions. The year 2002 continued to be another year of development for the Bank as far as its strategy direction is concerned. Projects to be carried out in 2002 in continuation from 2001 are basically related to IT systems, including the installation of Core Banking, Treasury and Investment, Imaging of Cheques and Signatures, Credit Scoring and Trade Finance systems.

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Mr Bodi Chunnananda (Independent Director)

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Mr Anant Santichewasatan

As at January 16, 2002

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Akadej Bijaphala

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Chutarat Mayalarp

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Niwat Tutiyapak

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(SMALL AND MEDIUM BUSINESS SEGMENT MANAGEMENT)

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Choont Comolrujnanda

FIRST VICE PRESIDENT

Perapong Pragobsop

As at February 13, 2002

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5	Aom Yai	Tel 0-2810-3325-30 Fax 0-2810-3325
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12	Ban Khai	Tel 0-3864-1001-3 Fax 0-3864-1001
13	Ban Luang	Tel 0-5476-1076, 0-5476-1003 Fax 0-5476-1076
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15	Ban Phu	Tel 0-4228-1264 Fax 0-4228-1265
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17	Ban Rai	Tel 0-5653-9002-4 Fax 0-5653-9004
18	Ban Suan-Chon Bun	Tel 0-3879-9405-6 Fax 0-3879-9301-4
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20	Bang Bon	Tel 0-2451-0630-4 Fax 0-2451-0634
21	Bang Bua Subbranch	Tel 0-2972-9693-6 Fax 0-2972-9694
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23	Bang Chak Subbranch	Tel 0-2332-9290-4 Fax 0-2332-9290-4

24	Bang Kapi Subbranch	Tel 0-2375-6347, 0-2375-7556 Fax 0-2375-7558
25	Bang Khae	Tel 0-2454-8110-2, 0-2804-5686 Fax 0-2454-8110
26	Bang Khen	Tel 0-2513-2805, 0-2513-2807 Fax 0-2513-3132
27	Bang Khru Subbranch	Tel 0-2819-2165-9 Fax 0-2819-2165-9
28	Bang Khun Non	Tel 0-2424-2826, 0-2424-2832 Fax 0-2424-2829
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118	Maha Sarakham Tel 0-4372-2111-3 Fax 0-4372-2113	148	Nong Khaem Tel 0-2420-4543, 0-2420-3680 Fax 0-2420-4543
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230	Samut Sakhon Tel 0-3441-2333 Fax 0-3442-5993	260	Sukhumwit 11 Tel 0-2254-1330-2, 0-2651-0243 Fax 0-2651-0242
231	Samut Songkhram Tel 0-3471-5454-5 Fax 0-3471-5456	261	Sung Men Tel 0-5454-1231 Fax 0-5454-1360
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247	Si Yak Kuang Sing-Chiang Mai Tel 0-5341-0980-7 Fax 0-5341-0983	277	Talad Santisuk Tel 0-7423-0575-6 Fax 0-7423-0575
248	Stam University Subbranch Tel 0-2868-5338, 0-2868-5375 Fax 0-2868-5338	278	Talad Si Mum Muang-Rangsit Tel 0-2536-4173-7 Fax 0-2536-4173-7
249	Silom Tel 0-2236-4432, 0-2236-4824 Fax 0-2236-4410	279	Talad Varorot-Chiang Mai Tel 0-5323-3117-8 Fax 0-5325-2882
250	Sing Bun Tel 0-3651-1326 Fax 0-3651-2276	280	Taling Chan Subbranch Tel 0-2880-8070-3 Fax 0-2880-8070-3
251	Sinnthorn Road Subbranch Tel 0-2881-1770-4 Fax 0-2881-1770-4	281	Tao Poon Tel 0-2585-1123 Fax 0-2585-1233
252	Sinraj Tel 0-2411-3606, 0-2866-2674-8 Fax 0-2411-3552	282	Taphan Hin Tel 0-5662-1325, 0-5662-1194 Fax 0-5662-1477
253	Soi Thong Lo Tel 0-2391-7286, 0-2392-3359 Fax 0-2391-9106	283	Tha Phra Subbranch Tel 0-2869-0910-6 Fax 0-2869-0915
254	Somdej Prapinklao Hospital Tel 0-2460-0269-70 Fax 0-2476-3061	284	Tha Rua Tel 0-3456-1822, 0-3456-2046 Fax 0-3456-1745
255	Songkhla Tel 0-7431-2720, 0-7431-1333 Fax 0-7431-4803	285	Thalang Tel 0-7631-1366-7 Fax 0-7631-1501
256	Sripatum University Subbranch Tel 0-2579-8473, 0-2579-2268 Fax 0-2579-8473		

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286	Thammasat-Rungsit Tel 0-2516-9970-3 Fax 0-2516-9973	316	Thanon Snnakanntara Tel 0-2320-0098-100 Fax 0-2320-0099
287	Thammasat-Thaphrachan Subbranch Tel 0-2225-8186-8 Fax 0-2225-8186-8	317	Thanon Snnakanntara-La Salle Subbranch Tel 0-2748-7482-6 Fax 0-2748-7483
288	Thanon Asia-Nakhon Sawan Tel 0-5622-8223-5 Fax 0-5622-8224	318	Thanon Sukhaphiban 2 Subbranch Tel 0-2704-8156-60 Fax 0-2704-8156
289	Thanon Borommaratchonni Tel 0-2434-9791-2 Fax 0-2434-2411	319	Thanon Sukhaphiban 3 Tel 0-2735-2581-4 Fax 0-2735-2585
290	Thanon Chan Tel 0-2213-1308-9 Fax 0-2213-2541	320	Thanon Sukhumwit-Chonbun Subbranch Tel 0-3826-0960-3 Fax 0-3826-0960-3
291	Thanon Charoen Nakhon Subbranch Tel 0-2862-4910-4 Fax 0-2862-4910-4	321	Thanon Sukhumwit K M 28- Samutprakan Subbranch Tel 0-2702-3418-21 Fax 0-2702-3426
292	Thanon Chom Thong Tel 0-2468-8190 Fax 0-2476-3951	322	Thanon Sukprayun-Chachoengsao Subbranch Tel 0-3882-3793-7 Fax 0-3882-3796
293	Thanon Ekkachai Tel 0-2893-2040-5 Fax 0-2893-2040-5	323	Thanon Suratthani-Phunphin Tel 0-7728-3459-61 Fax 0-7728-3460
294	Thanon Jetjammong Tel 0-3827-8780-2 Fax 0-3827-8781	324	Thanon Thepharak Tel 0-2383-5618-20 Fax 0-2383-5620
295	Thanon New Phetchabun Subbranch Tel 0-2319-1520-4 Fax 0-2319-1522	325	Thanon Thepharak K M 3 Subbranch Tel 0-2753-2860-6 Fax 0-2753-2864
296	Thanon Phahon Yothin-Chiang Rai Tel 0-5371-4886-7 Fax 0-5371-4890	326	Thanon Thepharak K M 22 Tel 0-2706-0992-8 Fax 0-2706-0992-8
297	Thanon Phahon Yothin- Sapanmai Subbranch Tel 0-2972-5583-7 Fax 0-2972-5587	327	Thanon Tawanon Tel 0-2950-0251-5 Fax 0-2591-0390
298	Thanon Phahon Yothin-Sarabun Tel 0-3631-8270-3 Fax 0-3631-8270	328	Thanon Wat King Kaeo Tel 0-2750-1920-2 Fax 0-2750-1923
299	Thanon Phatthanakan Subbranch Tel 0-2722-6845-9 Fax 0-2722-6849	329	Thap Than Tel 0-5659-1220-2 Fax 0-5659-1220-2
300	Thanon Phet Kasem-Hat Yai Tel 0-7423-6403-4 Fax 0-7423-6405	330	That Phanom Tel 0-4254-1008-9 Fax 0-4254-1010
301	Thanon Phibun Songkram Tel 0-2526-2020-2 Fax 0-2526-2022	331	Thatthong Tel 0-2391-3146, 0-2392-9235 Fax 0-2392-3495
302	Thanon Phibunla-lat-Nakhon Ratchasima Tel 0-4427-5200-3 Fax 0-4427-5203	332	Thoeng Tel 0-5379-5001 Fax 0-5379-5002
303	Thanon Phosi-Udon Thani Tel 0-4224-9551-3 Fax 0-4224-9554	333	Thung Song Tel 0-7541-2446-8 Fax 0-7541-2447
304	Thanon Phrommarat-Ubon Ratchathani Tel 0-4524-0214-8 Fax 0-4524-0214-8	334	Thung Tako Tel 0-7753-6007 Fax 0-7753-6122
305	Thanon Prachauthit Subbranch Tel 0-2870-9124-8 Fax 0-2870-9124-8	335	Trakan Phutphon Tel 0-4548-1111 Fax 0-4548-1015
306	Thanon Prajak-Nakon Ratchasima Tel 0-4426-7675, 0-4426-7760 Fax 0-4426-7798	336	Trang Tel 0-7521-0811 Fax 0-7521-8344
307	Thanon Rama IX Tel 0-2643-0383-4 Fax 0-2643-0212	337	Trat Tel 0-3952-0636-9 Fax 0-3952-0637
308	Thanon Rama IX-Thanon Sen 7 Subbranch Tel 0-2718-2743-8 Fax 0-2718-2743-8	338	Tr Phet Tel 0-2221-1371, 0-2221-2908 Fax 0-2221-8706
309	Thanon Rathakhan-Hat Yai Tel 0-7423-8801-2 Fax 0-7423-8800	339	U Thong Tel 0-3555-2009, 0-3555-2020 Fax 0-3555-2007
310	Thanon Rattana Thibet Tel 0-2921-8740-4 Fax 0-2921-8740-4	340	Ubon Ratchathani Tel 0-4524-1313, 0-4524-1357 Fax 0-4524-2572
311	Thanon Sai Luat Tel 0-2388-0919-20 Fax 0-2701-7102	341	Udom Suk Tel 0-2383-9223-7 Fax 0-2383-9227
312	Thanon Samakkhi Tel 0-2574-6291 Fax 0-2574-6221	342	Udon Thani Tel 0-4224-1130, 0-4224-1594 Fax 0-4224-4391
313	Thanon Setthakit 1-Samut Sakhon Tel 0-3481-5609-13 Fax 0-3481-5608	343	Uthai Thani Tel 0-5651-1122 Fax 0-5651-1613
314	Thanon Song Prapha Subbranch Tel 0-2929-7100-4 Fax 0-2929-7100-4	344	Uthai-Ayutthaya Tel 0-3533-5417 Fax 0-3533-5418
315	Thanon Snnchan-Khon Kaen Tel 0-4324-6490-2 Fax 0-4324-6492	345	Uttaradit Tel 0-5541-1655, 0-5541-1800 Fax 0-5541-2380

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346	Vajira Hospital-Phuket Tel 0-7623-7237-40 Fax 0-7623-7241	353	Wong Wien Yai Tel 0-2472-1304, 0-2472-1432 Fax 0-2890-0361-2
347	Vibhavadi Rangsit Road Subbranch Tel 0-2644-4100-4 Fax 0-2644-4103	354	Wongwien Sra Kaew-Lop Bun Tel 0-3641-3369, 0-3642-2670 Fax 0-3642-2915
348	Vientiane Tel 007(856) 2121-7174 Fax 007(856) 2121-6486	355	Worachak Tel 0-2222-7722 Fax 0-2222-7714
349	Wang Muang Tel 0-3635-9211-3 Fax 0-3635-9213	356	Yala Tel 0-7321-4029 Fax 0-7321-4384
350	Wang Noi Tel 0-3521-5649-53 Fax 0-3521-5649-53	357	Yasothon Tel 0-4571-2301-3 Fax 0-4571-2303
351	Wararat Shopping Center Tel 0-2287-0962, 0-2287-3683 Fax 0-2287-0961	358	Yawaraj Tel 0-2225-9453, 0-2225-7290 Fax 0-2225-8254
352	Wihan Daeng Tel 0-3637-7258-9 Fax 0-3637-7725		

As at April 30, 2002

CURRENCY EXCHANGE SERVICE OFFICES

Ao Phranang	Tel 0-7563-7424
Chaiyaphum Road	Tel 0-5323-3158
Chaweng Beach	Tel 0-7742-2492
Chaweng Beach 2	Tel 0-7741-3346
Chiang Inn Plaza	Tel 0-5327-0375
Chiang Mai Airport	Tel 0-5327-7975
Chiang Rai	Tel 0-5371-5657
Donmuang Airport	
International Passenger Terminal 1	
Departure Hall	Tel 0-2535-2461-2
Departure Lounge	Tel 0-2535-2460, 0-2535-2463
Arrival Hall (North)	Tel 0-2535-2465, 0-2535-4689
Arrival Hall (South)	Tel 0-2535-2646
International Passenger Terminal 2	
Departure Hall	Tel 0-2535-4964-5
Departure Lounge	Tel 0-2535-4966-7
Arrival Hall	Tel 0-2535-4572, 0-2 535-4968
Visa	Tel 0-2535-2544
Domestic Passenger Terminal	
Departure Hall	Tel 0-2535-3172
Arrival Hall (North)	Tel 0-2535-2374
Arrival Hall (South)	Tel 0-2535-3171
Hua Hin	Tel 0-3253-2372
Indra-Pratunam	Tel 0-2208-0982-3
Jomtien Beach	Tel 0-3823-2074
Karon Beach	Tel 0-7639-6978
Kata Beach	Tel 0-7633-0088
Ko Samui	Tel 0-7742-0360-2, 0-7742-1143
Lamai Beach 2	Tel 0-7742-4097
Landmark Plaza	Tel 0-2252-6032, 0-2252-6092

Loi Khro Road	Tel 0-5320-6541
Mae Hong Son	Tel 0-5362-0123
Mae Sai	Tel 0-5373-3145-6
Mah Boonkrong Center	Tel 0-2215-2136-7, 0-2217-9234
Mun Muang Road	Tel 0-5327-0376
Nana	Tel 0-2253-0968
National Stadium	Tel 0-2612-3132
Patong Beach	Tel 0-7634-0092
Pattaya	Tel 0-3842-0817
Pattaya Beach Road	Tel 0-3842-1559
Phat Phong Road	Tel 0-2235-2319
Phranang Inn	Tel 0-7563-7425
Phuket Airport	Tel 0-7632-7125
Promptong	Tel 0-2663-7485
Sukhumwit 15	Tel 0-2651-0011
Thanon Khao San	Tel 0-2281-9509
Thanon Khao San 2	Tel 0-2629-1225
Thanon Phahon Yothin-Chiang Rai	Tel 0-5371-4886-7
Thaveewong-Patong Beach	Tel 0-7634-0839
U-tapao Airport	Tel 0-3824-5595

INTERNATIONAL BUSINESS CENTERS

Asok	Tel	0-2260-0895, 0-2260-3849	Fax	0-2260-3852
Chaeng Watthana	Tel	0-2982-9548-9	Fax	0-2982-9547
Chon Buri	Tel	0-3827-0794, 0-3828-3526	Fax	0-3828-3652
Hat Yai	Tel	0-7435-5314, 0-7435-5749	Fax	0-7423-5300
Krung Kasem	Tel	0-2221-1085, 0-2226-1598	Fax	0-2221-1275
Phaya Thai	Tel	0-2245-8142, 0-2245-8951	Fax	0-2245-7902
Rayong	Tel	0-3886-1083	Fax	0-3886-1082
Samut Sakhon	Tel	0-3481-1419-20	Fax	0-3481-1418
Si Yak Kuang Sing-Chiang Mai	Tel	0-5341-0102-3, 0-5341-0987	Fax	0-5341-0909
Surawong	Tel	0-2267-7807-8	Fax	0-2267-7806
Thanon Borommaratchonni	Tel	0-2435-6819, 0-2886-5435-6	Fax	0-2434-1756
Theparak	Tel	0-2753-3600-1	Fax	0-2753-3602

OVERSEAS BRANCHES

CAYMAN ISLANDS BRANCH	C/O 3000 Phahon Yothin Road, Chatuchak, Bangkok 10900, Thailand		
	Tel	(662) 0-2273-7167, 0-2299-1439	
	Fax	(662) 0-2273-7150, 0-2273-7168	
HONG KONG BRANCH	Room 1601, 16 th Floor, New World Tower 1, 18 Queen's Road, Central, Hong Kong		
	Tel	001 (852) 2845-6677	
	Fax	001 (852) 2845-1182	
	E-mail	tmbhk@netvigator.com	
VIENTIANE BRANCH	69 Khoun Boulom Road, Chanthabouli, Vientiane, Lao People's Democratic Republic		
	Tel	007 (856) 2121-7174, 2121-6486	
	Fax	007 (856) 2121-6486	
	E-mail	tmbvte@laonet.net	

MAIN CORRESPONDENT BANKS

ASIA

CHINA

Bank of China

HONG KONG

Liu Chong Hing Bank Ltd

Hong Kong and Shanghai Banking Corp

LAOS

Banque pour le Commerce Exterieur Laos

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SINGAPORE

United Overseas Bank Ltd

VIETNAM

Bank of Foreign Trade of Vietnam

(VIETCOMBANK)

Industrial & Commercial Bank of Vietnam

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Lloyds Bank Plc

National Westminster Bank Plc

Standard Chartered Bank

GERMANY

Commerzbank AG

Deutsche Bank AG

Dresdner Bank AG

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Toronto Dominion Bank

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Bank of New York

Bankers Trust Co

Chase Manhattan Bank N A

Citibank N A

First Union National Bank

Riggs Bank N A

Union Bank of California

and Other Correspondents

Throughout the World

