

**The Royal Crest**  
**Commemoration of the sixth-cycle (72<sup>nd</sup>) Birthday Anniversary**  
**of His Majesty King Bhumibol Adulyadej on December 5, 1999**

On the highly auspicious occasion of His Majesty King Bhumibol Adulyadej the Great's 72<sup>nd</sup> Birthday on December 5, 1999, the Siam Commercial Bank PCL., as well as every Thai citizen in this land, most joyfully and loyally join hands in wishing His Majesty a long and happy life.

Every man and woman in this entire nation is proud and grateful to serve a Monarch who has tirelessly dedicated every single moment of His life to the well-being and happiness of His subjects.

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED

**HIGHLIGHTS**

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

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

	DECEMBER 31, 1998 (MILLION BAHT)	DECEMBER 31, 1998 (MILLION BAHT)	DECEMBER 31, 1997 (MILLION BAHT)	CHANGE (PERCENT)
<b>AT END OF PERIOD</b>				
ASSETS	716,411.8	705,987.9	717,160.7	(1.6)
DEPOSITS	606,844.0	591,149.8	558,979.6	5.8
LOANS				
(net of allowance for doubtful accounts)	505,991.0	512,845.8	550,007.0	(6.8)
SHAREHOLDERS' EQUITY	21,343.9	38,069.1	41,715.2	(8.7)
NUMBER OF SHARES	588,760,073	588,760,073	545,626,568	7.9
NUMBER OF BRANCHES/OFFICES				
- NATIONWIDE	489	489	463	26
- OVERSEAS	7	7	7	-
NUMBER OF EMPLOYEES	12,220	12,220	12,679	(459)
<b>FOR THE YEAR</b>				
INCOME (LOSS) BEFORE INCOME TAX	(19,668.1)	(12,410.5)	5,232.0	(337.2)
NET INCOME (LOSS)	(19,559.0)	(12,410.5)	3,194.3	(488.5)
EARNINGS (LOSS) FOR THE YEAR PER SHARE (BAHT)	(33.99)	(21.57)	8.37	(357.7)
DIVIDENDS PER SHARE (BAHT)	-	-	3.50	(100.0)
(1998 dividend as proposed in shareholders' meeting)				
ROA (%)		(1.74)	0.51	(441.2)
ROE (%)		(31.11)	7.75	(501.4)
EXCHANGE RATE (BAHT/USD)		36.68	47.24	(22.4)

## THE BOARD OF DIRECTORS' REPORT

Dear Shareholders:

Thailand continued to suffer from the impacts of economic recession in 1998 with worsen economic contraction, sluggish exports, and weak local demand as consumers' real incomes were falling and inflation remained high. The restrictive monetary and fiscal policies imposed by the government significantly reduced public and private expenditures. Liquidity shortage in all business sectors also caused substantial decline in investment. In 1998, the Thai economy registered a negative growth of 8.6% with average inflation of 8.1%, and high current account surplus at 11.2% of GDP.

The adverse economic impacts and the restrictive regulatory requirements, such as reclassifications of loans and strict loan-loss provisioning, on local financial institutions imposed by the authority in the financial reformation following the IMF financial assistance had brought significant change to the country's financial system. In 1998, financial institutions suffered from the unfavorable economic situation and the implementation of the government's stringent measures aimed at strengthening the Baht and long-term financial stability of local financial institutions as well as reducing potential risks. Furthermore, the continuing liquidity crisis in the commercial sector, and the severely depressed local stock index, resulted in significant depreciation of financial wealth and resulted in rapid increase in non-performing loans at most financial institutions. Banks had to face higher loan loss reserve and thus new capital requirement. However, the depressed economy was not conducive to support the capital raising plans of most financial institutions. Therefore, the government announced measures on August 14, 1998 aimed at assisting the remaining financial institutions in raising capital in order to strengthen financial stability and to support the country's economic recovery. Weak financial institutions were taken over by the government, some being taken over by foreign banks. In 1998, all commercial banks incurred losses under such tough economic environment.

Siam Commercial Bank was also significantly affected by such unfavorable conditions despite the 8% increase in gross revenues from interest, dividend and non-interest income over last year. The Bank recognized Baht 9,335 million for unrealized loss on investment and charged to the profit and loss statement, including loss from the decline in long-term investment value treated as permanent loss in June 1998. It paid Baht 2,319 million for the FIDF contributions, and provided Baht 11,289 million for bad debt and doubtful accounts allowance, resulting in a net loss of Baht 12,411 million for the year 1998. As at December 1998, the Bank total assets amounted to Baht 705,988 million, declining somewhat from last year. Total loans were Baht 544,268 million, total deposits of Baht 591,150 million, and the bank's market shares for total deposits, net loans and total assets of 13.5%, 13.0%, 12.7% respectively. The most challenging problem of financial institutions was the rapid increase in non-performing loans (NPL). Based on the definition for NPL as loans with principal or interest past due for more than 3 months, the Bank had Baht 190,034 million of NPL, or 34.3% of total loans including loans to financial institutions as of December 31, 1998. The Bank had given top priority to this problem, and implemented various measures to restructure debt, improve assets quality, tighten lending policies, expedite loan settlement through legal proceedings, and dispose of foreclosed assets in order to reduce NPL.

In 1998, the Bank presented a consolidated annual financial statements for the first time in compliance with the Securities Exchange Commission (SEC) and The Stock Exchange of

Thailand (SET) requirements. The consolidated financial statements showed total assets of Baht 716,412 million and shareholders' equity of Baht 21,344 million, compared with the Bank's financial statements (cost method) which showed total assets of Baht 705,988 million and Baht 38,069 million for the shareholders' equity. The lower shareholders' equity in the consolidated financial statements was due to a one-time charge of Baht 11,373 million in four subsidiaries holding companies which the Bank plans to discontinue their operation, and another one-time charge of Baht 5,352 million from other subsidiaries and associated companies accumulated losses up to year-end 1998. The Bank recognized those accumulated losses in its consolidated financial statements for 1998. The profit and loss statement showed net loss at Baht 19,559 million.

In order to strength the capital base, the Bank had started its recapitalization plan since late 1997. Subsequently, the extraordinary shareholders' meeting held on July 2, 1998 approved the increase in registered capital from Baht 10,000 million to Baht 40,000 million. However, rapid changes in the business and economic environment were not conducive for the Bank to sell equity shares as planned as it was not in the best interests to the Bank and its shareholders. Thus, the Bank waited until the government announced its capital support program for financial institutions on August 14, 1998. The Bank revised its capitalization plan to fit in with the program. In October the Bank raised Baht 6,000 million in subordinated convertible bonds which was well-received by local investors. The Bank's tier-2 capital rose from 2.01% to 3.14%. To maximize benefits to the Bank's and shareholders, the Bank joined the Government tier-1 and tier-2 capital support program. In December 1998, the Bank became the first bank to obtain approval to receive fund by selling subordinated bonds to the government. Because of the new loans extended by the Bank since August 14, 1998 to September 30, 1998, the Bank was entitled to receive Baht 1,665 million through sales of subordinated bonds at a low interest rate of 6% per annum and was formally executed on January 6, 1999. The government is considering the additional purchase of the Bank's subordinated bonds with regard to the loss incurred from the debt restructuring and new loans extended by the Bank in the last quarter of 1998, amounting to about Baht 3,000 million. As part of the Bank's operating plan, the Bank plans to continue to seek tier-2 capital assistance from the government to maintain at least 4.25% ratio. This tier-2 capital participation at low interest will support the Bank's future business expansion plans. As for the government's participation (1:1 with other investors) in the tier-1 program, the government is considering investing in the preferred stocks issued by the Bank to raise capital. The applicable conditions include the immediate full allowance for bad debt and doubtful accounts by the Bank to replace the gradual provisioning from 1999 to 2000 which all Banks were allowed. For this capital raising plan, an increase of registered capital from Baht 40,000 million to Baht 70,000 million was proposed for approval in the shareholders' meeting held on March 10, 1999, and the Bank expected to raise Baht 45,000 million to Baht 65,000 million in new capital. After allocation of shares for prior commitment, the remaining 6,191.2 million shares will be available for issuance as preferred shares to support the capital increase plan proposed to the government. As for the actual sale of preferred shares, the Board of Directors will implement the appropriate steps as authorized by the shareholders' resolution. The Bank believes that the capital increase will put the Bank in a strong position to tackle its NPL problem, to maintain high service standards, and to support future business expansion.

Despite the tough business conditions, the Bank steadily continue with its tradition of hardwork, flexibility and being prepared to face changes and to handle problems. These included organization and management restructuring, product developments, efficiency improvement. The Bank still operated under its basic beliefs, which are *"To be intent on the*

*best service, to work as a team, to respect individual human value, to practice quality and rational management, and to participate to the best of our ability in our social and national interests*". Our purpose is to be the Bank that is well managed and capable of producing excellent operating results on a consistent basis. The Bank expects to improve its operating results to satisfactory level within the next 3 years.

In 1998, organization changes were carried out to support policies to improve assets quality, troubled debt restructuring, sales of foreclosed assets. These included the establishment of 6 working groups to restructure the various types of loans, and an Assets Management Office to turn the various loan-related assets into cash. Other organizational changes included the new direct reporting link between the Internal Audit Department, Information Systems Audit Department and the President and Chief Executive Officer for greater efficiency and transparency. In 1998, the Bank was successful in its implementation of the ISO 9002 quality standards to its various service-related functions. In late 1998, the Bank received a certification of quality standard for the service provided by its 151 branches with *Full Service Operations* which included credit and general banking operations. The Bank wishes to implement these work standards to all its branches nationwide, including other services of the Bank. In February 1999, the Bank also received a certification for its *import services* in addition to a prior certification for its *export services*. *The SCB Club* was another service which the Bank aimed at alleviating the country's adverse economic impacts by providing working capital to keep producers (SCB Club members) of essential consumer goods in operation and employing more workers. Furthermore, the introduction of the Smart Card issued to clients, their employees, and the Bank's employees to facilitate business transactions among the SCB Club members in order to support to full cycle of production, income and expenditure, during severe economic contraction. This would contribute positively to the economic recovery process and reflected the Bank's commitment towards social concerns.

As for the Bank's overall operations in 1999, the Bank is determined to achieve its goals and to restore profitability despite the tough business conditions since early 1998. For the coming year 1999, to accomplish our on-going mission, the Bank's objectives will be to: "*Strive to Develop the Assets Quality, Turn the Crises into Opportunities, Enhance Customer Relations, Further our Learning Organization and Quality System (ISO 9002)*". The Bank hopes to fulfill its recapitalization goals soon in order to create a strong foundation to support long term business endeavors. Most of all, the Bank would like to extend its gratitude and appreciation to all shareholders for your continuing support, and would like to take this opportunity to assure you that we will proceed in a cautious manner to minimize risks, to ensure the Bank's continuing service commitment to its clients, and to maintain its position as one of the country's leading banks.

**DR. CHIRAYU ISRANGKUN NA AYUTHAYA**  
Chairman

**DR. OLARN CHAIPRAVAT**  
President and Chief Executive Officer

## **BOARD OF DIRECTORS AND COMMITTEES**

### **BOARD OF DIRECTORS**

#### **1. DR. CHIRAYU ISARANGKUN NA AYUTHAYA**

POSITION : **Chairman**

EDUCATION : - B. Sc. (Economics) Hons., London School of Economics, University of London, U.K.  
- Ph. D. (Economics), Australian National University, Australia

PAST POSITIONS : - Minister of the Prime Minister's Office Government House  
- Minister of Industry, Ministry of Industry

PRESENT POSITIONS : - Director-General, The Crown Property Bureau  
- Grand Chamberlain, The Royal Household Bureau  
- Chairman, Dheves Insurance Public Company Limited

#### **2. MR. PRACHITR YOSSUNDARA**

POSITION : **Director**

EDUCATION : B. Comm., Birmingham University, U.K.

PAST POSITIONS : - Director, Assistant to the Governor, Bank of Thailand  
- President and Chief Executive Officer, Siam Commercial Bank

PRESENT POSITIONS : - Chairman, The Samaggi Insurance Public Company Limited  
- Chairman, Samitivej Public Company Limited  
- Chairman, Princess Maha Chakri Sirindhorn Foundation  
- Director, The Siam Cement Public Company Limited

#### **3. M.L. THAWISAN LADAWAN**

POSITION : **Director**

EDUCATION : - LL.B., Thammasat University, Thailand  
- Diplome d' Etudes Superieures de Droit International Public,  
Universite de Paris, France  
- LL.D. honoris causa, Ramkumheang University, Thailand

PAST POSITIONS : - First Secretary, Royal Thai Embassy, Brussels, Belgium  
- Deputy Director-General, Department of Protocol, Ministry of Foreign Affairs  
- His Majesty's Principal Private Secretary

PRESENT POSITION : - Privy Councillor

#### **4. MR. ANAND PANYARACHUN**

POSITION : **Director**

EDUCATION : B.A. (Honours), Trinity College, University of Cambridge, U.K.

PAST POSITIONS : - Prime Minister of Thailand  
- Permanent Secretary for Foreign Affairs  
- Ambassador to the United States of America and concurrently  
Permanent Representative of Thailand to the United Nations

PRESENT POSITIONS : - Chairman, Thailand Development Research Institute Foundation (TDRI)

- Chairman, Saha-Union Public Company Limited
- Chairman, Union Textile Industries Public Company Limited

**5. MR. VIROJ PHUTRAKUL**

- POSITION :** **Director**
- EDUCATION :** B.A. (Economics), Sheffield University, U.K.
- PAST POSITIONS :**
- Chairman, Lever Brothers (Thailand) Limited
  - Chairman, Industrial Estate Authority of Thailand
- PRESENT POSITIONS :**
- Senator
  - Executive Chairman, Boonrawd Asia Company Limited
  - Executive Chairman, Central Trading Company Limited
  - Director, The Federation of Thai Industries

**6. MR. SANSERN KRAICHITTI**

- POSITION :** **Director**
- EDUCATION :**
- LL.B., Thammasat University, Thailand
  - Barrister-at-Law, Lincoln's Inn, U.K.
  - National Defence College, Thailand
- PAST POSITIONS :**
- Chief Justice of the Court of Appeals
  - President of the ASEAN Law Association
- PRESENT POSITIONS :**
- Senator
  - The National Research Council, Chairman of Legal Division
  - Council Member, Asia-Pacific Parliamentarians Union
  - Chairman of the Screening Committee on Administrative and Judicial Affairs

**7. M.L. USNI PRAMOJ**

- POSITION :** **Director**
- EDUCATION :**
- B.A. (Jurisprudence), Oxford University, U.K.
  - Barrister-at-Law, Gray's Inn, London, U.K.
- PRESENT POSITIONS :**
- Privy Councillor
  - Manager, His Majesty's Private Property
  - Chairman, affiliate companies of The Crown Property Bureau

**8. MR. PIYA BHIROM BHAKDI**

- POSITION :** **Director**
- EDUCATION :**
- Master Brewer (Domens Lehr-und Versuchsanstalt Puer Brauer), Germany
  - Doctorate Degree honoris causa in Engineering from Chiangmai University, Thailand
  - Doctorate Degree honoris causa in Agricultural Development from Kasetsart University, Thailand
- PRESENT POSITIONS :**
- President and Chairman of the Executive Board, Boonrawd Brewery Company Limited
  - Chairman, B.B. Group Company Limited

- Chairman, Samithipol Company Limited

#### **9. M.R. DISNADDA DISKUL**

**POSITION :** **Director** (Resigned from February 2, 1999)

**EDUCATION :** B. Sc. (Economics), Indiana University (Bloomington), U.S.A.

**PAST POSITIONS :**

- Private Secretary of Her Royal Highness The Princess Mother
- Civil Servant, Research Division, National Economic Development Board

**PRESENT POSITIONS :**

- Secretary-General, Mae Fah Luang Foundations under Royal Patronage
- Chairman, Committee for Implementation of The Doi Tung Development Project
- Managing Director, Doi Tung Development Project Coordinating Center
- Advisory Board Member, The Crown Property Bureau
- Board Member, Volunteer Doctors Foundation of Her Royal Highness The Princess Mother
- Board Member, Protheses Foundation under The Patronage of Her Royal Highness The Princess Mother

#### **10. MR. CHUMPOL NA LAMLIENG**

**POSITION :** **Director** (Appointed from April 1, 1998)

**EDUCATION :**

- B. Sc., Mechanical Engineering, University of Washington, U.S.A.
- M.B.A., Harvard Business School, U.S.A.

**PAST POSITION :**

- World Bank, International Finance Corporation
- Managing Director, Siam Cement Trading Company Limited
- Managing Director, Siam Iron and Steel Company Limited

**PRESENT POSITIONS :**

- President, The Siam Cement Public Limited
- Director, The Industrial Finance Corporation of Thailand
- Director, Dole (Thailand) Company Limited
- Director, Navuti Company Limited

#### **11. DR. OLARN CHAIPRAVAT**

**POSITION :** **President and Chief Executive Officer**

**EDUCATION :**

- B.S. (magna cum laude), Economics, Wharton School, University of Pennsylvania, U.S.A.
- Ph. D. (Economics), Massachusetts Institute of Technology, U.S.A.

**PAST POSITION :**

- Director, Economic Research Department and Financial Institution Supervision & Examination Department, Bank of Thailand
- Chairman, The Thai Bankers' Association
- Chairman, ASEAN Bankers Association

**PRESENT POSITIONS :**

- Senator
- Vice Chairman, Suksapattana Foundation
- Director, National Economics and Social Development Board
- Chairman, Siam Panich Leasing Public Company Limited

#### **12. MR. PRAKIT PRADIPASEN**



**POSITION :** **Director and Senior Executive Vice President**

**EDUCATION :**

- B.S.B.A., Silliman University, Dumaguete, Philippines
- M.B.A., Wayne State University, Detroit, Michigan, U.S.A.
- National Defence College, Joint Public-Private Course, Thailand
- Program for Senior Executives, The Sloan School of Management, MIT, U.S.A.

**PAST POSITIONS :**

- 2<sup>nd</sup> Grade Budget Analyst, The Bureau of the Budget
- Vice President, Corporate Finance Department, Bangkok First Investment & Trust

**PRESENT POSITIONS :**

- Chairperson of The Executive Board of Directors and Vice Chairperson of The Board, Nai Lert Park Hotel Company Limited
- Chairman, Sub Sri Thai Warehouse Public Company Limited
- Chairman of the Board, Singburi Sugar Company Limited

**13. MRS. JADA WATTANASIRITHAM**

**POSITION :** **Director and Senior Executive Vice President**  
(Appointed from February 2, 1999)

**EDUCATION :**

- B.A. (Economics), Cambridge University, U.K.
- M.A. (Economics), Cambridge University, U.K.
- M.A. (Economic Development), Williams College, U.S.A.

**PRESENT POSITIONS :**

- Chairman, Siam Samaggi Leasing Company Limited.  
(formerly-Siam-JLC Leasing Company Limited)
- Chairman of the Executive Committee, SCB Advisory Service Company Limited
- First Vice Chairman, Cambodian Commercial Bank Limited
- Vice Chairperson, VinaSiam Bank Limited

**MR. NARONG CHANDANACHULAKA** Secretary to the Board of Directors

**Directors recently appointed by extraordinary shareholders' meeting, and appointed by the Borad of Directors to be Executive Directors, both effective from March 10, 1999**

**MR. BANTERNG TANTIVIT**

**MR. ASAWIN KONGSIRI**

**EXECUTIVE COMMITTEE**

**MR. PRACHITR YOSSUNDARA** Chairman of Executive Committee

(Resigned from February 2, 1999)  
**MR. CHUMPOL NA LAMLIENG** **Chairman of Executive Committee**  
(Appointed from February 2, 1999-Past Position: Executive Director)  
**M.R. DISNADDA DISKUL** **Executive Director**  
(Resigned from February 2, 1999)  
**DR. OLARN CHAIPRAVAT** **President and Chief Executive Officer**  
**MR. PRAKIT PRADIPASEN** **Director and Senior Executive Vice President**  
**MRS. JADA WATTANASIRITHAM** **Director and Senior Executive Vice President**  
(Appointed from February 2, 1999)  
**MR. BANTERNG TANTIVIT** **Executive Director** (Appointed from March 2, 1999)  
**MR. ASWIN KONGSIRI** **Executive Director** (Appointed from March 2, 1999)

**MR. NARONG CHANDANACHULAKA** Secretary to the Executive Committee

**AUDIT COMMITTEE** (Appointed from May 25, 1998)

**MR. VIROJ PHUTRAKUL** **Chairman of Audit Committee**  
**MR. SANSERN KRAICHITTI** **Audit Director**  
**MR. PIYA BHIROM BHAKDI** **Audit Director**

**DR. VIRACH APHIMETEETAMRONG** **Advisor**

EDUCATION : - B. Acc. (Accounting) (2<sup>nd</sup> Class Honours.), Chulalongkorn University, Thailand  
- M.B.A., Gothenburg, Sweden  
- M.A.S., University of Illinois, Urbana-Champaign, U.S.A.  
- Ph. D. (Finance), University of Illinois, Urbana-Champaign, U.S.A.

PRESENT POSITIONS : - Head, Department of Banking and Finance, Faculty of Commerce and  
Accountancy, Chulalongkorn University, Thailand

**MRS. PRAPAI CHARUCHINDA** Secretary to the Audit Committee

## **MANAGEMENT COMMITTEE**

### **1. DR. OLARN CHAIPRAVAT**

**POSITION :** **President and Chief Executive Officer**

**EDUCATION :** - B.S. (magna cum laude) Economics, Wharton School, University of Pennsylvania, U.S.A.  
- Ph. D. (Economics), Massachusetts Institute of Technology, U.S.A.

### **2. MR. PRAKIT PRADIPASEN**

**POSITION :** **Director and Senior Executive Vice President**

**EDUCATION :** - B.S.B.A., Silliman University, Dumaguete, Philippines  
- M.B.A., Wayne State University, Detroit, Michigan, U.S.A.  
- National Defence College, Joint Public-Private Course, Thailand  
- Program for Senior Executives, The Sloan School of Management, MIT, U.S.A.

### **3. MRS. JADA WATTANASIRITHAM**

**POSITION :** **Director and Senior Executive Vice President**

**EDUCATION :** - B.A. (Economics), Cambridge University, U.K.  
- M.A. (Economics), Cambridge University, U.K.  
- M.A. (Economic Development), Williams College, U.S.A.

### **4. MR. KRIANG KIATFUENGFOO**

**POSITION :** First Executive Vice President - Corporate Group 2

**EDUCATION :** - B. Sc. (Economics), University of Wisconsin, U.S.A.  
- M.B.A., Michigan State University, U.S.A.

### **5. MR. VICHIT AMONVIRATSKUL**

**POSITION :** First Executive Vice President - Technology Group

**EDUCATION :** - B.Comm. (Hons.) Statistics, Chulalongkorn University, Thailand  
- M.S. (Computer Science), The University of Iowa, U.S.A.

### **6. MR. WIRUTT RUTTANAPORN**

**POSITION :** First Executive Vice President - Business Development Group

**EDUCATION :** - B.B.A., Thammasat University, Thailand  
- M.B.A., Michigan State University, U.S.A.  
- National Defence College, Joint Public-Private Course, Thailand

### **7. MR. SATAPORN JINACHITRA**

**POSITION :** First Executive Vice President - International Banking Group

**EDUCATION :** - B. Sc. (Economics), University College London, U.K.  
- M. Sc. (Econometrics), London School of Economics, U.K.  
- National Defence College, Joint Public-Private Course, Thailand

### **8. MR. CHATCHAVAL BHANALAPH**

POSITION : First Executive Vice President - Money and Capital Markets Group

EDUCATION : - B.B.A. (Commerce), Chulalongkorn University, Thailand  
- M.S. (Business), Fort Hays Kansas State College, U.S.A.

**9. MR. CHARLIE WANNAWASU**

POSITION : Executive Vice President - Corporate Group 1

EDUCATION : B.S. (Economics), Meisei University, Japan

**10. MR. NA BHENGBHASANG KRISHNAMRA**

POSITION : Executive Vice President - Consumer Banking Group

EDUCATION : - B.S., University of Pennsylvania, U.S.A.  
- M.S., University of Pennsylvania, U.S.A.

**11. MR. PERMPOON KRAIRIKSH**

POSITION : Executive Vice President - Corporate Group 3

EDUCATION : B.A., Boston University, U.S.A.

**12. MR. VACHARA PALAKAWONG NA AYUDHAYA**

POSITION : Executive Vice President - Banking Development Group

EDUCATION : - LL.B., Thammasat University  
- B.S. (Political Science), Utah State University, U.S.A.

**13. MR. VISSUT SETHAPUT**

POSITION : Executive Vice President - Human Resource and Customer Relations Group

EDUCATION : - B. Eng. (Mining), McGill University, Canada  
- M. Eng. (Mineral Economics), McGill University, Canada

## **REPORT OF THE AUDIT COMMITTEE**

### **To the Shareholders**

An audit committee has been established by the resolution of the Board of Directors of the Bank on May 25, 1998. All of them are non-executive Directors and non-employees of the Bank.

The members of the Audit Committee during the period are:

- |                |               |                  |           |
|----------------|---------------|------------------|-----------|
| 1. Mr. Viroj   | Phutrakul     | Chairman         |           |
| 2. Mr. Sansern | Kraichitti    | Audit Director   |           |
| 3. Mr. Piya    | Bhirom Bhakdi | Audit Director   |           |
|                | Mrs. Prapai   | Charuchinda      | Secretary |
|                | Dr. Virach    | Aphimeteetamrong | Advisor   |

The duties and responsibilities of the Audit Committee, reporting to the Board of Directors are as follows:

1. To ensure that the Bank has appropriate and effective internal controls.
2. Nominate external auditors, coordinate and communicate with external auditors in relation to the correctness, completeness and reliability of related financial reports and other matters.
3. Oversee and recommend activities in regard to the Bank's compliance with existing laws and regulations and to avoid any conflict of interests.
4. Summarize the work of the Audit Committee, which has to be signed by the chairman of the Audit Committee and included in the annual report of the Bank for circularisation to the related parties.
5. Review progress of Management and related parties in implementing the recommendations made by various parties.
6. Follow-up and evaluate results of compliance with policies.
7. Evaluate computerized processes of the Bank.
8. Perform other tasks assigned by the Board of Directors.

Since its establishment, the Audit Committee met 8 times in 1998 to consider issues arising from accounting and financial reporting, the activities of internal and external auditors, as well as following up on accounting issues which are viewed differently between Management and the external auditors. In addition, the Committee assisted the Board in reviewing the effectiveness of the Bank's internal control in the areas of administration, operations, and financial reporting. The internal and external auditors, and the Management have been invited to attend Audit Committee's meeting from time to time at the discretion of the Committee.

The Committee has unlimited access to and communication with the Management, internal and external auditors.

Mr. Viroj Phutrakul  
Chairman of the Audit Committee  
February 25, 1999

## **MARKET CONDITIONS AND OPERATING PERFORMANCE**

### ***Market Conditions***

Banking operation was severely affected by the continuing economic downturn since year-end 1996 and from the strict monetary and fiscal policies imposed on commercial banks under the framework of the International Monetary Fund (IMF) financial program. Such measures were imposed to strengthen local financial institutions and to adopt international banking standards. The country's economic contraction together with tight liquidity, high cost of financing, and higher exchange rate risks, all added to the decline in business performance in Thailand. The deteriorating financial status of many corporations contributed to rising non-performing loans (NPL) at every commercial banks and financial institutions. The rapid decline in the quality of assets and corporate accounts forced every financial institutions to be very cautious on extending loans, and had to increase loan-loss provisions to deal with increasing risks.

Amidst the economic downturn, every bank had to face tougher regulatory requirements and had to increase capital to cover losses from rising non-performing loans. In early 1998, the government intervened, by ordering capital write-down and recapitalization by the Financial Institutions Development Fund (FIDF), the 4 commercial banks which failed to comply with the government stringent measures. On August 14, 1998, the government announced its Financial Institutions Restructuring Program aimed at resolving the financial crisis and strengthened the foundation of the Thai financial system. Another two commercial banks were forced to write-down capital, recapitalize, and merge with a state-owned bank and a government's finance and securities firm. Two very financially weak banks which the government intervened earlier were ordered to merge with the state-owned Krung Thai Bank Public Co., Ltd. Furthermore, the government also intervened in five other ailing finance companies, forcing them to join a state-owned finance and securities firm, and a commercial bank together with the 7 other finance companies intervened by the government earlier. As for the remaining banks and financial institutions, the government announced recapitalization support for tier 1 and tier 2 capital whereby the government will acquire preferred shares and subordinated debentures. The capital-to-risk assets ratio was adjusted and tier-2 capital portion was raised to 4.25%, or equal to tier-1 capital. The financial restructuring plan also allowed financial institutions to establish the Asset Management Corporation (AMC) to segregate bad debts from the bank's book.

The present structure of the commercial banking system has changed. Banks can be grouped in to state-owned banks, banks which foreigners hold majority interests or in the process of doing so, and the remaining large banks. Most of the changes this year forced banks to make significant adjustments and faced unprecedented difficulties in operating their business. Banks had to recapitalize to be able to increase loan-loss provisions, restructured debts, reduced NPL, and disclosed information in line with international standards or government new regulations.

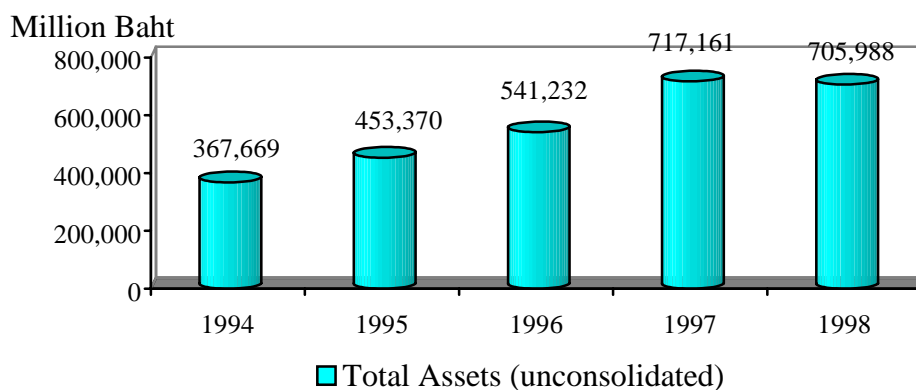
### ***Operating Performance***

Siam Commercial Bank was not immuned to the negative economic elements despite cautious management. The Bank incurred operating loss despite reasonable operating income before loan-loss provision, loss on securities investment, and contributions into the FIDF.

The Bank always recognized the importance of assets quality, and had given priority to troubled debts restructuring in order to minimize NPL which became more apparent as of late 1998. Furthermore, the Bank had to manage pending loan settlement cases awaiting court decisions, and maximize the value of collateral assets acquired or foreclosed in order to improve operating performance.

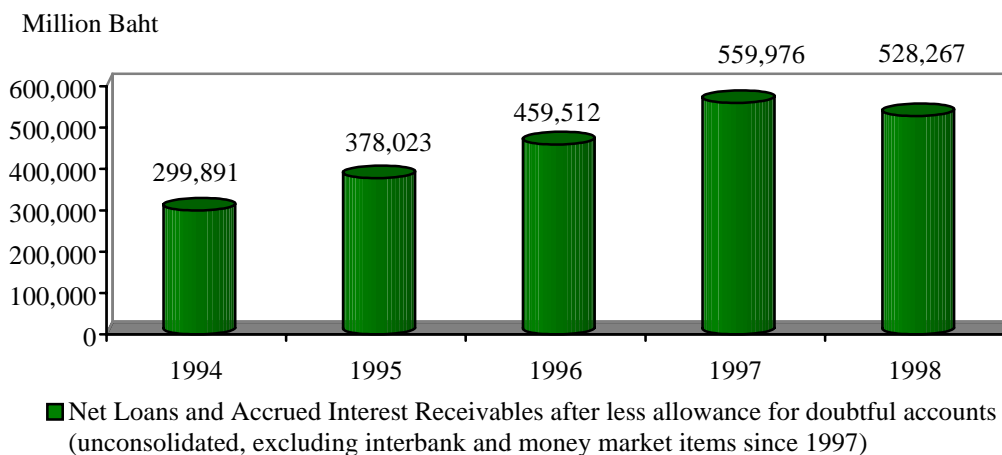
## Assets

As of December 31, 1998, total assets declined from the same period last year by Baht 11,173 million, or 1.6%, with total assets of Baht 705,988 million due to slower loan growth in line with the sluggish economy, higher loan-loss provisions, and the severely depressed securities value this year. The consolidated total assets amounted to Baht 716,412 million.



## Loans

In 1998, total loans (excluding interbank and money market items) declined by Baht 23,892 million, or 4.2% to Baht 544,268 million. The decline was partly due to the fall in USD exchange rate. Excluding the exchange rate effect, loan assets expanded slightly by 1.2% due to the steady loan repayments. In consideration for the government regulations on loans to priority sectors of the economy, the Bank consistently reviewed its loan strategic plans and objectives, and was cautious in its lending policy to unproductive business sectors. The Bank also revised the scope of lending authority at branches / head office, reduced foreign currency loans at its overseas branches and Bangkok international banking facilities due to low returns and higher cost. After allowance for doubtful accounts in the amount of Baht 31,423 million, the net loans and accrued interest receivables were Baht 528,267 million, a 5.7% decline over last year. Net loans and accrued interest receivables for the Bank and subsidiary companies consolidated were Baht 520,762 million.





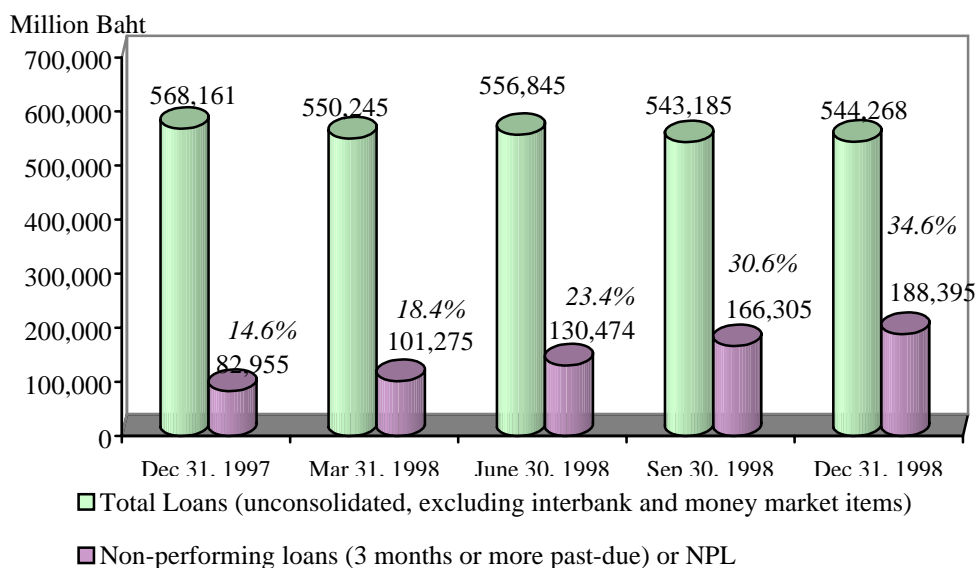
As for assets classifications and loan-loss provisioning, the Bank made the required adjustments to comply with the Bank of Thailand's regulation. The previous regulation dated December 29, 1997 required loan-loss reserve as follows: 1) 15% for substandard assets 2) 100% provisioning for classified assets without collateral and past due for over 12 months. The Bank's provisioning for classified assets as of December 31, 1997 and June 30, 1998 exceeded such requirement as shown below.

	Million Baht						
	BOT's		December 31, 1997		June 30, 1998		
	provisioning guideline (%)	Amount	Loan loss Guideline	Provisioning Actual	Amount	Loan loss Guideline	Provisioning Actual
Substandard Assets	15	64,894	9,734	12,094	124,063	18,610	19,651
Doubtful Assets / Loss	100	6,059	6,059	6,059	9,124	9,124	9,124
Total Classified Assets		70,953	15,793	18,153	133,188	27,734	28,775

On June 30, 1998, the Bank of Thailand announced new guidelines for classifying assets to be effective for the second half of 1998. The Bank of Thailand's new asset classification divided into 5 levels according to the debtor's credit status and the loan aging, which are: Pass-loans past-due less than one month; Special Mention--loans past-due 1-3 months; Substandard--loans past-due 3-6 months; Doubtful--loans past-due 6-12 months; Loss--loan past-due for more than 12 months. Banks must allocate allowance for all the 5 classifications for loans and accrued interest. Because of the substantial increase in allowance for loan loss, banks were allowed to build up such allowance in steps at least 20% per each six-month accounting period, starting from July - December 1998 until full completion on December 31, 2000. At the end of the third quarter 1998, the Bank's allowance stood at Baht 28,479 million, or 56.4% of total requirement. By December 31, 1998, the Bank's recorded an allowance of Baht 28,113 million, or 51.3% of total requirement. The Bank also had total valuation allowance for losses on debt restructuring in the amount of Baht 3,309 million. The minimum loss of Baht 165 million has been recorded in the income statement. The remaining required valuation allowance of Baht 3,144 million was shown as a deferred asset as allowed by the guideline. The total allowance for doubtful accounts were thus Baht 31,423 million.

	Million Baht						
	Allowance per BOT's Guideline (%)	Loan and accrued interest Amount	September 30, 1998		December 31, 1998		Minimum Allowance Required by BOT
			Allowance Fully Required by BOT Guideline	Minimum Allowance Required by BOT	Loan and accrued interest Amount	Allowance Fully Required by BOT Guideline	
Normal	1	311,743	3,117	624	280,445	2,804	561
Special Mentioned	2	39,020	780	156	37,867	757	152
Substandard	20	38,353	2,982	596	33,885	2,175	435
Doubtful	50	102,438	19,271	3,854	85,114	17,427	3,485
Loss	100	88,498	24,295	4,859	115,930	31,636	6,327
Total for all loan types		580,052	50,446	10,089	553,242	54,799	10,960
<b>Total substandard, doubtful and loss</b>		<b>229,289</b>			<b>234,929</b>		

The revised loan classification and calculation of reserve requirement at higher rate but after netting out collateral value resulted in figures for classified assets differed from its previous statistics and were no longer comparable. New non-performing loans (NPL) number were therefore changed to the non-accrual concept of loans past-due for 3 months or more. Based on this definition, the Bank's total outstanding NPL was Baht 190,034 million or 34.3% of total loans including loans to financial institutions as of December 31, 1998. Excluding financial institutions and money market items the NPL would be Baht 188,395 million, or 34.6%.



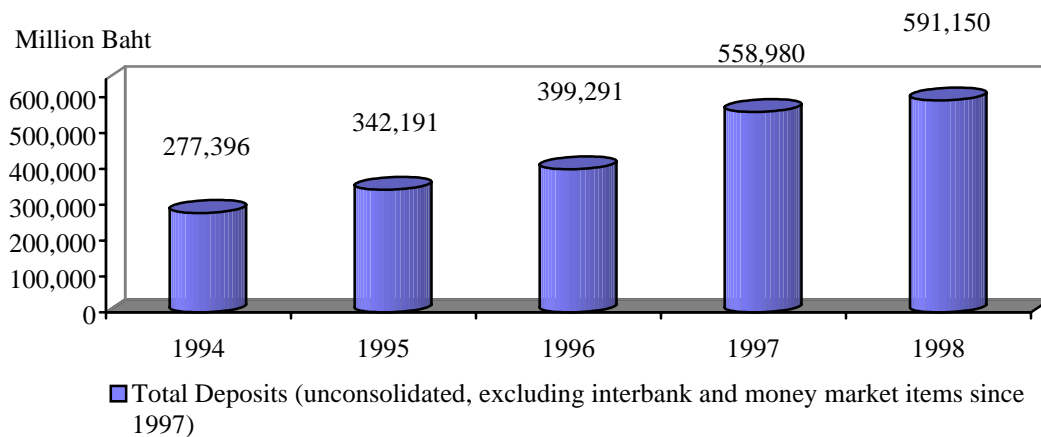
In 1998, the Bank had established management guidelines for NPL management and troubled debts restructuring were carried out when appropriate depending on the business recovery potentials of each case. Good cooperation from the clients, allowed the Bank to restructure debt of Baht 34,875 million in outstanding amount as of December 31, 1998. For loans which could not be restructured, the Bank would foreclose mortgage or sold collateral assets.

### Investment in Securities

The depressed economic situation increased volatility in the local equity market, and exposed the Bank's securities investments to losses. In 1998, the Bank had to recognize losses either as temporary loss in the equity adjustment or as permanent diminution in value of securities held for investment and recorded as expenses. As of June 30, 1998 the Bank recognized a loss of Baht 8,891 million from the permanent diminution in value of securities held for investments. However, the Bank had not realized profits following the recovery of market prices. For the year ending December 31, 1998 the Bank recorded unrealised loss on investment as expenses amounted to Baht 9,335 million. The Bank had investment of Baht 18,499 million in government and state enterprises securities in trading portfolio and Baht 11,615 million investment portfolio while the interest rate was falling. Net investment in all securities was Baht 50,519 million, an increase of Baht 12,519 million, or 32.9%.

### Deposits

As of December 31, 1998, the Bank's total deposits stood at Baht 591,150 million, an increase of Baht 32,170 million (5.8%) over last year. Domestic deposits increased 12.5%, while foreign deposits fell 47.1% in line with the uncertain international environment and the stronger Baht. Total deposits for the Bank and subsidiary companies reached Baht 606,844 million.



## Recapitalization

Since year-end 1997, following the devaluation of the Baht on July 2, 1997, the Bank had steadily increased its capital. The success of 127.03 million common shares rights offering to raise equity capital in November 1997, and private placement to The Sanwa Bank Limited and The Long-Term Credit Bank of Japan, Limited. in December 1997 through early 1998. In April 1998, the Bank sold additional shares through private placement with these two banks as part of financial restructuring arrangements of joint-venture finance companies. As of December 31, 1998, total paid-up share capital stood at Baht 5,888 million. After accounting for premium on share capital, unrealized increment per land and premises appraisal, retained earnings minus unrealized loss on securities for investment and currency retranslation, the shareholders' equity was Baht 38,069 million. Tier-1 plus tier-2 capital were at Baht 35,572 million and Baht 17,084 million respectively; for a total capital funds of Baht 52,656 million.

At the Bank's extraordinary shareholders' meeting on July 2, 1998, the shareholders authorized the Bank to increase capital from Baht 10,000 million to Baht 40,000 million to support long-term business expansion. A Special Purpose Vehicle (SPV) could also be established to issue in the amount not to exceed USD 1,000 million or its equivalent in other currencies in quasi-equity debt instruments.

However, after the shareholders' approval for the capital increase, both the local and international economic situation took a sharp dive. The Bank, therefore, delayed the sale of shares for the capital increase as the timing was not in the best interests of the Bank and the existing shareholders. The Bank had to revise its capital increase plan to ensure maximization of shareholders' benefits, and to fit in with the government's financial institutions capital assistance program announced on August 14, 1998 which was designed to assist commercial banks in raising capital. The announcement also raised tier-2 capital to 4.25% or equal proportion to tier-1 capital, allowing banks to make use of more tier-2 capital. Therefore, the Bank began to issue Baht 4,650 million worth of 7 years subordinate convertible bonds on October 8, 1998. The sale was a success, as another Baht 1,350 million worth of bonds was added. The Bank sold a total of Baht 6,000 million worth of subordinated convertible bonds. The Bank of Thailand allowed subordinated convertible bond to be counted as tier-2 capital, thereby, increasing the Bank's tier-2 capital from Baht 11,090 million, or 2.01% of risk assets as of September 30, 1998 to Baht 17,084 million, or 3.14% of risk assets.

The Bank's credit operation was in a position to utilize benefit from government measures announced on August 14, 1998 that provide tier-2 capital assistance to financial institutions which expanded lending activities, and debt restructuring. The Bank had extended loans to the various vital businesses, restructured non-performing loans, while maintaining loan quality. The Bank revised its initial capital increase plan to first seek benefits provided by the government's tier-2 capital assistance program in order to rapidly enhance the financial strength of the Bank. In December last year, the Bank received preliminary approval from the Financial Restructuring Advisory Committee (FRAC) with regard to the tier-2 capital assistance through acquisition of Baht 1,665 million in subordinated bonds issued by the Bank which was 20% of new loans extended by the Bank between August 14, 1998 to September 30, 1998. The Bank received tier-2 capital assistance on January 6, 1999 from the sale of subordinated bonds to the Ministry of Finance at 6% interest rate per annum. The Bank immediately used all the capital raised to purchase special government bonds issue from The Ministry of Finance. On December 8, 1998, the Bank proceeded with another tier-2 capital assistance application based on loss from debt restructuring which exceeded allocated reserves and new loans in October 1998 and again in December 1998. This tier-2 capital request is awaiting approval from the Financial Restructuring Advisory Committee (FRAC). The Bank will proceed with tier-2 capital additions to support new loans, and loss from debt restructuring in order to enhance the Bank's tier-2 capital base.

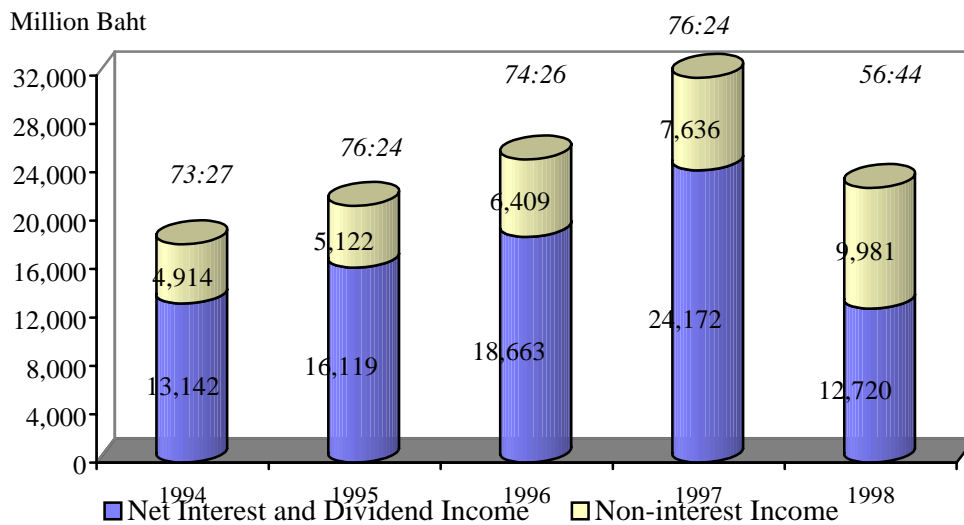
Apart from the above proceedings, the Bank started its major recapitalization program in December 1998 submitting its capital raising plan to the Ministry of Finance for approval and to obtain half the amount from the Ministry of Finance under government tier-1 capital support program. The Ministry of Finance conditions for tier-1 capital support required full allowance for all loan classifications as per the announcement on June 30, 1998. The Ministry of Finance will purchase the preferred shares up to half of the capital increase. The participating investors will have rights to buy the preferred shares bought by the government at cost of purchase plus interest (equal to government bond) within 3 years. The Bank recognized the benefits to the participating investors, and the sharing of the capital increase burden. This would help the Bank to obtain the desired capital easier with capital support from the government and potential gain for investors through the option to buy shares from government within three years and boost shareholders' confidence.

The Bank's planned capital increase of Baht 45,000 - 65,000 million through the issuance of preferred stocks of which half will be acquired by the government is expected to be successful and will allow the Bank to maintain adequate reserves to support adverse economic changes. The Bank estimated that tier-1 capital will be increased from 6.54% as of December 31, 1998 to 9.0-12.0% of risk assets. According to this capital increase plan, the Bank will have to allocate full allowance for loan losses covering every kind of classified asset. The Bank expects to attain operating profitability in the second half of 1999 if the capital increase plan and allowance for all loan classifications proceeded as planned.

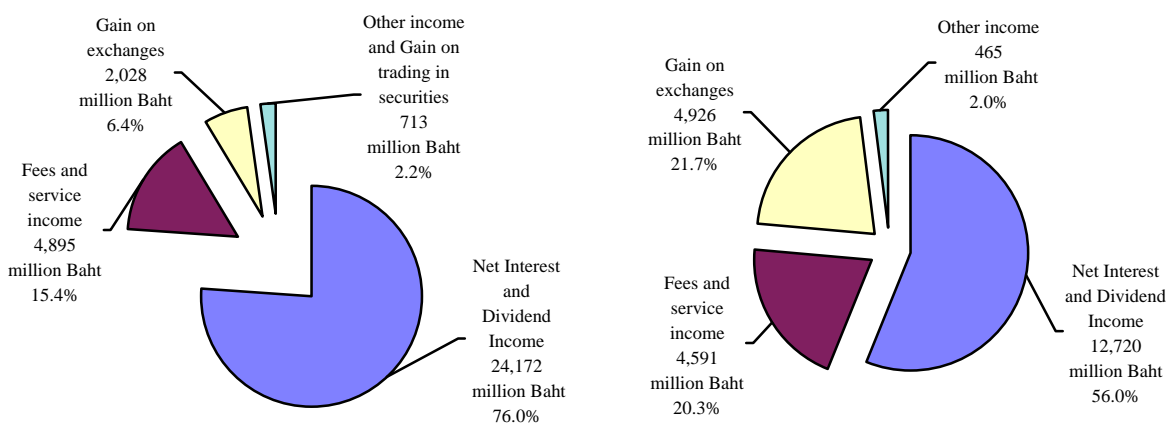
According to this plan, the Board of Directors proposed the allocation of 220 million new common shares to accommodate possible conversion of convertible bonds and / or subordinated convertible bonds and of 6,191.2 million new preferred shares as approved in the extraordinary shareholders' meeting on March 10, 1999. Following the capital increase, the Bank must proceed with various operations improvements already in process to maintain competitiveness, and its position as one of the country's leading Banks.

## Total Revenues and Expenses

In 1998, the overall operating performance of commercial banks was adversely affected by the economic crisis, and uncontrollable external factors. However, the Bank managed its revenues and expenses cautiously while maximizing the benefits from the expanding deposit base. However, rising NPL significantly reduced net interest and dividend income. Only the reduction of interest cost for deposits improved the trend of net interest income in the fourth quarter of last year, and perhaps into early 1999. Fees and service income and other non-interest income stood at Baht 9,981 million, a 30.7% increase over last year; of which Baht 2,897 million, with 142.8% increase from last year, came from gain in buying and selling of foreign exchanges.



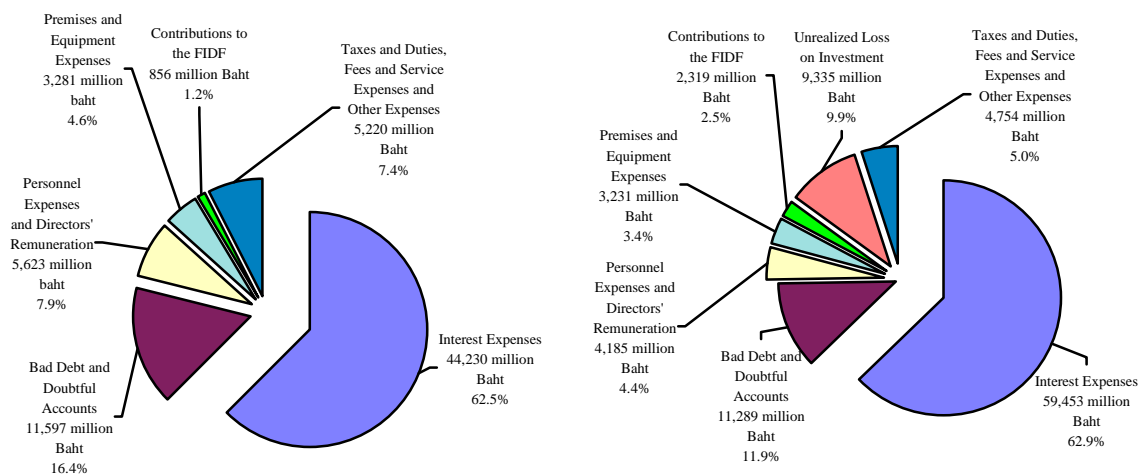
Proportion of Net Interest and Dividend Income : Non-interest Income (unconsolidated)



Total revenues structure of the Bank (1997)      Total revenues structure of the Bank (1998)  
(unconsolidated)

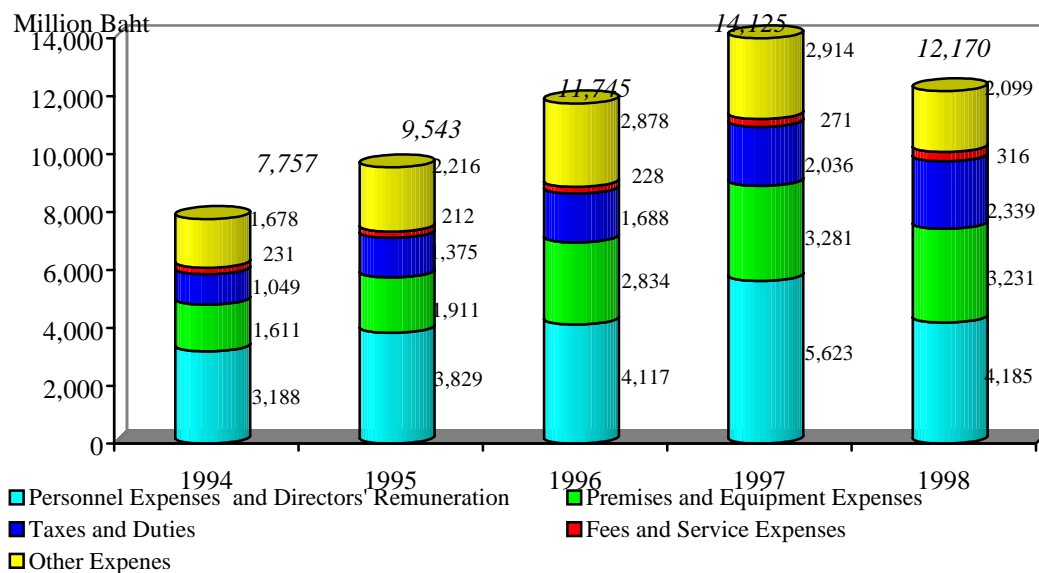
The Bank's non-interest expense for 1998 was Baht 23,823 million, a 59% increase over last year, despite reduction in operating expenses excluding contributions to the FIDF and unrealized loss on investment. Various cost-saving measures, and putting resources to the best uses, help in containing its expenses. The higher expenses incurred were from special expenses such as the recognition of Baht 9,335 million for unrealized loss on investment as opposed to last year's gain

on securities and Baht 2,319 million contributions to the FIDF, an increase of 171%. Excluding the two special expense items, the Bank's operating expenses excluding contributions to the FIDF and unrealized loss on investment in 1998 was only Baht 12,170 million, a 13.8% decline of Baht 1,954 million over last year. Most of the 25.6% personnel expenses reductions relative to last year were due to decreased cost of living allowances for all employees. The Bank's policy is to maximize the use of available human resource without new recruitment despite the increase in number of branches and increased business activities, including the development of employee self-training kits or programs to reduce training costs. The Bank also trimmed premises and equipment expenses by 1.5% compared with the 20% increase approximately in each previous year in line with the growth in volume of business in the year before. Other expense reduction relative to last year, included business promotion expenses (-50%), and various businesses expenses such as telephone, office supplier equipment, printing, and computer supplier equipment (-8.1%). Bad debt expense in 1998 was Baht 11,289 million.



Total expense structure of the Bank (1997)      Total expense structure of the Bank (1998)

(unconsolidated)

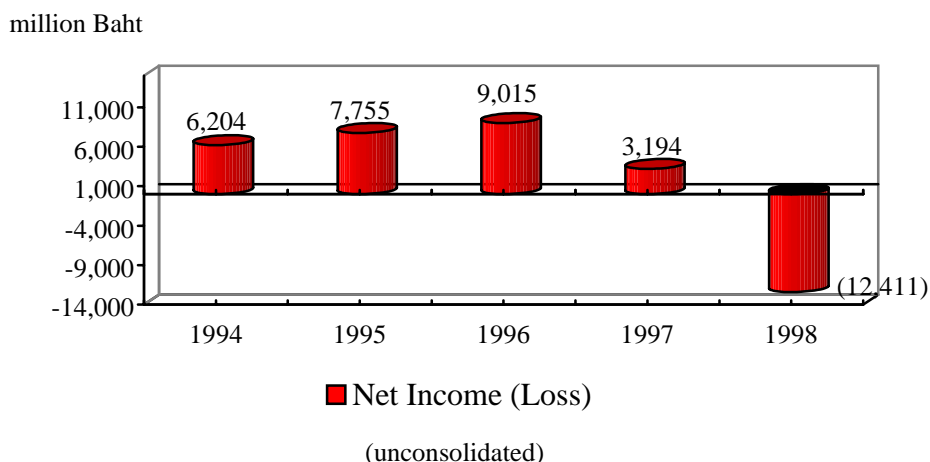


Non-interest Expenses, Excluding Contributions to the FIDF and Unrealized Loss on Investment (unconsolidated)

Total revenues and expenses of the Bank and consolidated subsidiary companies in 1998 were as follows: net interest and dividend income and non-interest income of the Bank and subsidiary companies were Baht 21,628 million. Operating expenses or non-interest expenses of the Bank and subsidiary companies were Baht 28,685 million. Provisions for bad debt and doubtful accounts of the Bank and subsidiary companies were Baht 12,611 million.

### Net Income (Loss)

The Bank had maintained operating profitability and positive growth in net income for a long time. In 1997, higher allowance for bad debt and doubtful accounts reduced net income by 64.6%. The Bank's operating environment in 1998 was the most challenging despite the 8% increase in gross revenue from interest income, dividend and non-interest income. However, the recognition of Baht 9,335 million for unrealized loss on investment, the Baht 2,319 million contributions to the FIDF, and Baht 11,289 million in bad debt reserves subjected the Bank to a net loss of Baht 12,411 million or -21.57 Baht per share, -31.11% return on equity, -1.74% return on total assets. Total net loss on consolidated basis amounted to Baht 19,559 million. The Bank is confident that operating profitability will be restored after the completion of its recapitalization plan and full reserve for bad debts had been made.



**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED**

**BALANCE SHEET**

AS AT DECEMBER 31,

MILLION BAHT

	1994	1995	1996	1997 *	1998 *
<b>ASSETS</b>					
CASH	-	-	-	7,480.0	<b>7,473.8</b>
CASH AND DEPOSITS AT BANKS	17,336.2	16,588.0	21,475.9	-	-
DUE FROM BANKS - INTEREST BEARING	1,113.7	3,438.0	2,943.7	-	-
INTERBANK AND MONEY MARKET ITEMS	-	-	-	48,432.2	<b>44,359.4</b>
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	290.0	-	-	33,600.0	<b>35,510.0</b>
NET INVESTMENT IN SECURITIES	22,897.9	27,952.4	30,845.7	37,999.5	<b>50,518.9</b>
NET LOANS AND ACCRUED INTEREST RECEIVABLES (AFTER ALLOWANCE FOR DOUBTFUL ACCOUNTS)	299,891.0	378,022.7	459,512.2	559,975.7	<b>528,267.1</b>
CUSTOMERS' LIABILITY UNDER ACCEPTANCES	725.4	692.1	2,766.5	2,763.7	<b>3,366.6</b>
PREMISES AND EQUIPMENT, NET	15,663.0	17,996.2	18,988.3	19,181.7	<b>18,325.9</b>
OTHER ASSETS	9,751.8	8,681.0	4,699.3	7,728.0	<b>18,166.2</b>
<b>TOTAL ASSETS</b>	<b>367,669.0</b>	<b>453,370.4</b>	<b>541,231.6</b>	<b>717,160.8</b>	<b>705,987.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
DEPOSITS	277,395.5	342,191.1	399,291.4	558,979.7	<b>591,149.8</b>
DUE TO BANKS - INTEREST BEARING	2,664.2	4,179.3	7,976.9	-	-
INTERBANK AND MONEY MARKET ITEMS	-	-	-	71,382.2	<b>36,931.2</b>
LIABILITY PAYABLE ON DEMAND	1,079.3	1,782.8	1,679.3	1,556.0	<b>2,719.8</b>
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	6,800.0	7,727.0	6,984.0	980.0	-
BORROWINGS	38,979.3	44,754.4	67,021.9	15,356.1	<b>16,906.3</b>
BANK'S LIABILITY UNDER ACCEPTANCES	725.4	692.1	2,766.5	2,763.7	<b>3,366.6</b>
OTHER LIABILITIES	9,806.0	16,768.0	14,818.8	24,427.9	<b>16,845.1</b>
<b>TOTAL LIABILITIES</b>	<b>337,449.7</b>	<b>418,094.7</b>	<b>500,538.8</b>	<b>675,445.6</b>	<b>667,918.8</b>
<b>SHAREHOLDERS' EQUITY</b>					
ISSUED AND PAID-UP SHARE CAPITAL	3,800.0	3,802.0	3,808.0	5,456.3	<b>5,887.6</b>
PREMIUM ON SHARE CAPITAL AND RESERVE	22,106.6	26,018.4	30,123.0	40,726.4	<b>43,104.6</b>
RETAINED EARNING UNAPPROPRIATED	4,312.7	5,455.3	7,011.7	2,741.8	<b>(9,868.7)</b>
UNREALIZED LOSS ON SECURITIES FOR INVESTMENT	-	-	(249.9)	(7,209.3)	<b>(1,054.4)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>30,219.3</b>	<b>35,275.7</b>	<b>40,692.8</b>	<b>41,715.2</b>	<b>38,069.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>367,669.0</b>	<b>453,370.4</b>	<b>541,231.6</b>	<b>717,160.8</b>	<b>705,987.9</b>
<b>OFF-BALANCE SHEET ITEMS-CONTINGENCIES</b>					
AVALS TO BILL AND GUARANTEES OF LOANS	14,943.6	24,352.2	24,534.3	47,517.9	<b>21,782.6</b>
LIABILITY UNDER UNMATURED IMPORT BILLS	6,974.7	9,812.2	10,198.6	19,745.4	<b>6,828.8</b>
LETTERS OF CREDIT	9,753.3	18,161.0	14,696.1	13,872.1	<b>5,977.3</b>

\* Financial statements of 1997 and 1998 are presented in accordance with the Commerce Ministerial Regulation No. 7 (B.E. 2539)



**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED**  
**FIVE YEARS COMPARATIVE FIANACIAL SUMMARY**  
FOR THE YEAR ENDED DECEMBER 31,

MILLION BAHT

	1994	1995	1996	1997 *	1998 *
INTEREST AND DIVIDEND INCOME	32,748.3	43,946.3	53,358.9	68,401.2	<b>72,173.2</b>
INTEREST EXPENSES	19,606.7	27,826.9	34,695.5	44,229.6	<b>59,452.9</b>
<b>NET INTEREST AND DIVIDEND INCOME</b>	<b>13,141.6</b>	<b>16,119.4</b>	<b>18,663.4</b>	<b>24,171.6</b>	<b>12,720.3</b>
BAD DEBT AND DOUBTFUL ACCOUNTS	1,426.9	944.3	1,123.8	11,596.6	<b>11,288.8</b>
<b>NET INTEREST AND DIVIDEND INCOME AFTER BAD DEBT AND DOUBTFUL ACCOUNTS</b>	<b>11,714.7</b>	<b>15,175.1</b>	<b>17,539.6</b>	<b>12,575.0</b>	<b>1,431.5</b>
NON-INTEREST INCOME					
GAIN ON EXCHANGE	741.6	983.9	1,228.5	2,028.4	<b>4,925.6</b>
FEES, SERVICE INCOME AND OTHER INCOME	4,172.8	4,138.1	5,180.1	5,608.0	<b>5,055.9</b>
<b>TOTAL NON-INTEREST INCOME</b>	<b>4,914.4</b>	<b>5,122.0</b>	<b>6,408.6</b>	<b>7,636.4</b>	<b>9,981.5</b>
NON-INTEREST EXPENSES					
PERSONNEL EXPENSE AND DIRECTORS' REMUNERATION	3,187.8	3,829.1	4,116.8	5,622.5	<b>4,185.1</b>
TAXES AND DUTIES	1,049.2	1,374.6	1,688.0	2,035.9	<b>2,338.7</b>
UNREALIZED LOSS ON INVESTMENT	-	-	-	-	<b>9,335.0</b>
OTHER EXPENSES	3,519.6	4,339.3	5,940.7	7,321.0	<b>7,964.7</b>
<b>TOTAL NON-INTEREST EXPENSES</b>	<b>7,756.6</b>	<b>9,543.0</b>	<b>11,745.5</b>	<b>14,979.4</b>	<b>23,823.5</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>8,872.5</b>	<b>10,754.1</b>	<b>12,202.7</b>	<b>5,232.0</b>	<b>(12,410.5)</b>
INCOME TAX EXPENSES	2,668.9	2,999.5	3,188.1	2,037.7	-
<b>NET INCOME (LOSS)</b>	<b>6,203.6</b>	<b>7,754.6</b>	<b>9,014.6</b>	<b>3,194.3</b>	<b>(12,410.5)</b>
DIVIDENDS PER SHARE (BAHT)	6.50	9.00	9.00	3.50	-

\* Financial statements of 1997 and 1998 are presented in accordance with the Commerce Ministerial Regulation No. 7 (B.E. 2539)

## SIGNIFICANT DEVELOPMENTS AND SOCIAL CONTRIBUTIONS

### *Organizational Development and Process Management*

Siam Commercial Bank's management policies and systems allow it to respond effectively to the changing economic environment. Various new work units have been established to support new businesses, such as the "*Corporate Department 8*" which can provide fully-integrated services to Japanese companies in Thailand and in Asia, especially with the Bank's business alliance - the Sanwa Bank Limited of Japan. Another important work unit is the "*Office of Consumer Finance for Special Purposes*" which provides services for loan payments and collections for individual clients from the companies acquired through the Financial Sector Restructuring Authority (FRA) auctions. An "*Assets Management Office*" was also established to serve as a center for troubled debt restructuring, and to manage or liquidate assets. The Bank also has special working groups - "*Debt Restructuring Teams (DRT)*" composed of 6 working groups classified according to the type of loan (real estate, industrial, large corporations, financial institutions, service industries, and infrastructure projects). Their duties are to oversee, restructure, and follow up on troubled debts, in order to reduce non-performing loans (NPL), classified loans, and to minimize provisions for loan loss. Furthermore, the Assets Management Office engages in the marketing, management, and liquidation of collateral assets as well as real estate properties for loan repayments. The Assets Management Office coordinates and provides general management support to the "SCB Resolution Corporation Co. Ltd. (SRC)" which the Bank set up to manage real estate projects financed by the Bank that are having liquidity problems but are still offering good income potential worthy of further development.

The latest organizational restructuring of the Bank in late 1998, to be implemented in the beginning of 1999, also included an independent internal control and audit structure to conduct management and financial audits. This will allow good corporate governance which is open for inspection at all times. The Bank has additionally revised the chain of command whereby the Internal Audit Department and Information Systems Audit Department now report directly to the President and Chief Executive Officer. Furthermore, the organizational structure of other work units has also been restructured to define management scopes more clearly. The *Business Relations Department* and the *Business Promotion Department*, previously attached to the Technology Group and Consumer Banking Group respectively, are now attached to the Human Resource and Customer Relations Group. The *Data Security Management Office* is now attached to the Technology Group, which now reports to the Director and Senior Executive Vice President instead of the President and Chief Executive Officer. Apart from this, the Bank has terminated and established new work units by dividing the Corporate Service Department into 2 parts - the bank directors' "*Board Secretariat Office*" and the Building Administration Section which is now attached to the Central Security Office and has been renamed as the "*Building and Security Management Office*". Another organizational restructuring, in accordance with the Bank's risk management effectiveness improvement plan, resulted in the splitting of the Credit Policy Office into 2 parts: 1) Loan information and support function known as the "*Credit Support Office*" which reports to the Director and Senior Executive Vice President and 2) Financial risk management function known as the "*Financial Risk Control Office*", an independent work unit reporting directly to the President and Chief Executive Officer.

Apart from the organizational restructuring which occurred in order to support vital operation policies in 1998, other areas were also looked at, such as: asset quality improvement, troubled debt restructuring to rapidly reduce NPL, problem loans, classified loans, effective loan and risk management, rapid sale of loan collateral, and conversion of loan payment (in the form of assets) into cash. The Bank has established a "*Property Corner*" to compile information on the distribution channels for the various real estate locations nationwide in order to facilitate sales transactions of those assets.

### ***Branch Network Development***

In the past, the Bank does not merely increase the number of branches, but it also strives to develop, improve, and standardize its service at every existing local and overseas branch through the Customer-based Business Process Management (CBPM) and the nationwide branch operation improvement project which was enabled in accordance to the ISO 9002 quality system. These project have strengthened the Bank's local and overseas branches' ability to provide full services to the all clients. In 1998, the Bank established another 26 branches (10 in Bangkok , 1 in the Metropolitan area, 15 in the provincial cities). As of December 31, 1998, the Bank had a total of 489 branches nationwide (382 full branches and 107 sub-branches) and 38 exchange booths. The two new booths in 1998 were the Choeng Thale (Phuket) Booth and the Phuket Fantasy Booth which were set up to serve the increasing number of foreign tourists during the Amazing Thailand Year campaign. In addition, the Bank also has 16 International Trade Service Centers. Currently, the International Trade Unit in Phuket and Had Yai branches can support the clients' international trade transactions similarly to an International Trade Service Center. In early 1999, the International Trade Unit in Had Yai branch will be upgraded into a full International Trade Service Center to become the Bank's 17<sup>th</sup> International Trade Service Center. In 1998, the Bank increased the scope of its international trade service in other branches by establishing Counter Services in various branches to do marketing and provide consulting services as well as trade services via the SCB Trade system. In 1998, the Bank set up 3 pilot branches to provide Counter Services, one each in Klong Rung, Lampang and Bang Pa-In branches. The Bank will continue to increase the number of Counter Services at branches with good potential to increase their international trade business activities in the future.

Development in the overseas Network during 1998 included the changes in two joint-ventured banks such as an equity increase (acquired stakes from the joint-ventured partner - Cambodian Central Bank) at the Cambodian Commercial Bank. Therefore, the Cambodian Commercial Bank is now a fully owned subsidiary of the Bank. As for the other joint-ventured bank - the Bank of Kathmandu (Nepal), the Bank sold its 24.5% equity shares to the new management and the original Nepalese investors in accordance to the initial management and joint-ventured agreements. Currently, the Bank has only 5.5% equity interest in the Bank of Kathmandu. The Bank earned a slight profit through that transaction, while the close business relationship remains unchanged with the Bank of Kathmandu. As of December 31, 1998, the Bank had 6 overseas branches, one agency, and one representative office, a wholly owned bank in the Kingdom of Cambodia (Cambodian Commercial Bank) and a joint-ventured bank in The Socialist Republic of Vietnam (VinaSiam Bank). Furthermore, the Bank's branch network development in 1998 was dependent on the business potential and economic situation. Despite the branch network expansion, investment size has been reduced according to the business climate in each region. Relocation of a branch to a more favorable business site has been necessary in some cases. Before deciding to establish a new branch, the Bank will consider its customer service capabilities and business environment throughly.

### ***ISO 9002 quality assurance standards***

After having received the ISO 9002 certificate award for Commercial Credit Services for the first time from *Rheinisch-Westfälischer TÜV e.V. (RWTÜV)* of Germany in 1997. On July 8, 1998, the Bank successfully applied the ISO 9002 quality assurance standards to its various service functions. Thirteen selected branches in Bangkok which are supervised by the Business Development Office 1, received the quality assurance certification for *Commercial and Personal Credit Services*.

The Bank's International Trade Department 1 and its 8 International Trade Service Centers also received the ISO 9002 quality assurance certification, from the same institution mentioned earlier, on September 29, 1998 for *Export Services* which include: L/C Advice, Export Bills for Collection, Export Bills under L/C, Inward Remittance and Packing Credit. Recently the Bank received the ISO 9002 certification for *Import Services* in February, 1999.

The Bank also received the ISO 9002 quality assurance certificate for its *Full Service Operations*, which included business functions (Credit Operation) and banking functions, that cover 4 counter operations - Express Counter (cash deposits, withdrawals and transfers), Customer Service Counter (bank check replacements), Customer Relationship Counter (new accounts) and Foreign Exchange Counter. For the 151 branches (in Bangkok and Metropolitan area), which received this certification in 1998, including 10 Banking Development Offices (Offices 1-7, 12, 13 and 18). In addition, 12 Business Development Offices (Offices 1-10, 19 and 26) also received a quality assurance certification for their Credit Operation activities. The Bank will expand the scope of these quality services to all its branches nationwide by 1999.

Furthermore, SGS Yarsley International Certification Services Limited awarded the ISO 9002 *Custodian Service* certificate to the Bank on September 5, 1998 - the first award of its kind in Thailand. The Bank was also voted as the Top Service Provider through a Sub Custody Survey conducted by the leading British Global Investor Magazine for two consecutive years - in 1997 and 1998. The ISO 9002 work standards will be applied to the bank's other work functions in the future.

### ***SCB Club - for the Bank and its clients***

In 1998, the economic crisis and rising NPL forced local financial institutions to reduce lending activities. This situation brought liquidity problems to the business sector, resulting in lower production, investment, and even business and employment termination. Since banks have vital roles in the economic recovery process, The Bank initiated the SCB Club Project (Smart Coupon Bonus Club) to promote cooperation in tackling the tight liquidity situation. The concept involves the extension of working capital loans by SCB to the Bank's clients (manufacturers of essential consumer goods). The working capital will keep the producers in business and maintain, if not increase, employment levels. Manufacturers who are clients of the Bank are encouraged to join the SCB Club where the working capital loan conditions require the producers to employ more workers and to pay some portion of the salary in the form of coupons (substitute for cash). Smart Card Technology has been adopted to replace the coupons with in "SCB Smart Card" (also an ATM card) which will be issued to the Bank's staff and employees of the Bank's corporate clients. The Smart Card can be used like cash for paying for goods and services from SCB Club members at prices lower than the

general retail prices. The objective is to boost the producers' confidence in the ability to distribute the goods manufactured in order to generate capital flow in the full economic cycle.

### ***New Service Developments***

The Bank always strives to develop new services for its clients and utilizes new technologies to improve efficiency. In 1998, the Bank introduced the "*Electronic Payment Transfer*" (EPT) for large organizations with savings accounts at the Bank's on-line branches. The EPT system allows payment for goods and services through the Tele-banking system, as well as real time payment verification, balance inquiries, fund transfers between accounts, and transaction update features. The EPT computer system is efficient, accurate, convenient and safe.

"*Continuation Deposit Account*" is a new long-term fixed account which the Bank has introduced to provide continuity to the existing 5 types of long-term fixed accounts including Educational Deposits, Housing Deposits, Happy Wedding Deposits, Wealth Builder Deposits and Happy Life Deposits which will reach maturity date. The Bank allows the clients of the 5 long term fixed accounts to transfer funds from the matured account to the new Continuation Deposit Account with 3, 6 and 12 months options, including a special bonus on top of the interest which the client is entitled to when the original account matures.

"*E-Commerce*" or electronic commerce is a new service of the Bank which facilitates trade transactions without requiring the buyer and seller to meet each other. This is a new channel in trade information management which utilizes the benefits of electronic media. This allows the Bank to better assist Thai exporters in promoting their goods in the global market, through the internet, on the Bank's homepage (<http://www.thaimarket.net>). Furthermore, Thai exporters can rapidly increase their sales volume, and expand their export markets. This service is available free of charge, initially to the Bank's clients (exporters), and now even to non-client, small and medium enterprises (SMEs). The Bank expects its current client base to increase from 150 to 600 in the future.

"*SCB Call Center*", Tel. 544-5000, has been providing services and establishing good customer relations for more than 3 years. Currently, web technology allows rapid links with other databases of the Bank via the intranet system, while the internet (<http://www.scb.co.th>) expands the communication channels available to the clients. Other new services (active marketing strategies) provided by the SCB Call Center include credit card information inquiries, and credit card revocation.

### ***Personnel Development***

Apart from strict credit policies used in 1998 to improve assets quality and management of NPL by troubled debt restructuring, managing the liquidation of collateral assets and real estate properties for loan repayment, the Bank also focused on human resource development to accommodate external and internal changes through various seminars and training programs (e.g. asset management, collateral evaluation, appraisal, advance financial risk management). Furthermore, the Bank also held seminars to inform clients about foreign currency situations, business trends, new developments such as the Euro currency which has

been in use among international banks since January 1, 1999. The client seminars has brought the Bank more business in trade and remittances.

In order to support the implementation of the ISO 9002 quality standards, the Bank held training programs to inform and prepare its employees for the ISO 9002 process, strict requirements, implementation, and internal audits. The ISO 9002 orientation program will be expanded to other service functions and branches nationwide.

The economic downturn made it necessary for the Bank to reduce various operating costs, although not at the expense of human resource development. Thus, the Bank has revised its human resource training methods to improve its employees' productivity, flexibility, and effectiveness, through internal training programs (job skills enhancements, job rotations, and enlargement of job duties) and the use of modern learning equipment and technology. The Bank will strive to improve human resource quality and effective human resource allocation to the various job functions in order to minimize unnecessary staff increases. In 1998, the Bank remuneration packages may be slightly lower than normal rates, but are still competitive to current market rates. However, the Bank's Management Committee offered to freeze their salary increase adjustments for 1997 and offered to reduce their cost of living allowances by 1 month in June 1998. In December, with cooperation of the Management Committee, Executive Officers and Managerial Staff also offered to have their cost of living allowances reduced by 2 months, including Non-managerial staff who also offered to have their cost of living allowances reduced by 1 month. The Bank appreciates the cooperation shown by its employees in supporting the Bank's efforts to tackle the current economic crisis and is aware of the importance in maintaining employees' morale and job satisfaction. Such cost reductions are temporary measures that will help both the Bank and its employees to overcome the current crisis and prepare for future challenges.

### ***Social Contributions***

His Majesty the King suggested that all Thais and every state or private organization adopt some self-sufficiency measures to resolve some of their economic problems. His Majesty believes that cooperative efforts towards self-sufficiency will lead to positive results in a short period of time and will expedite the country's economic recovery process.

For the past 9 decades, the Bank has always participated in and contributed to social concerns. In 1998, the Bank's social activities were aimed at implementing His Majesty's "self-sufficiency" guidelines to alleviate the economic burden on Thai society, and to expedite the economic recovery process by creating jobs and adequate income for the general public through cooperation with other organizations. Apart from the leading social contribution role, the Bank had adapted its business to assist the public, as evidenced by the special consumer, business and housing loans. The Bank also arranged "*Home Trade Fair*" promotions to facilitate private home ownership. "*The SCB Club*" is a cooperative program with 16 companies to facilitate adequate production of essential consumer goods, employment, income, and liquidity in the business; all of which are essential factors to improving the economy. "*The Self-employed Occupations Promotion Project*" and "*Rachayothin Market Project*" were aimed at assisting (without service fee) unemployed people to engage in independent businesses which can earn them reasonable income while alleviating the rising unemployment situation. "*The Help Thai Nation by Luang Ta Maha Boowa Yannasampanno Project*" was a reverend Buddhist monk fund-raising campaign aimed at generating concerns amongst all Thais to contribute towards the economic recovery effort.

The Bank's project raised more than Baht 8 million in donations. *"The Commemoration of His Majesty and King Rama V"* is a project to show appreciation to His Majesty King Rama V for granting SCB (the first Thai Bank) the Royal Coat of Arms of the Royal Family of Thailand to serve as SCB insignia. The Bank held an exhibition on the historical social activities / contributions of His Majesty King Rama V, which include an education scholarship art contest, and other beneficial activities. The 22<sup>nd</sup> event for *"His Majesty the King Bhumibol Adulyadej on the 5<sup>th</sup> of December Birthday Celebration"* brought the public / private sectors, and all Thais nationwide, together in a display of respect, loyalty, and unity towards the throne. The success of this event laid the foundation for the preparations of Commemorating the sixth-cycle (72<sup>nd</sup>) Birthday Celebration of His Majesty King Bhumibol Adulyadej on December 5, 1999.

*"The Forest Planting Project in Honor of His Majesty the King"* is a forest conservation project to promote environmental concern among the public. *"The National Savings Project"*, in conjunction with the Prachanivet School, was established to encourage the young generation to save and spend money wisely. *"The promotion of traditional Thai Cloths Project"* helped to install patriotism in the country. Educational reforms projects to support the economic recovery and long term economic developments and the promotion of local education project in order to minimize foreign currency outflow included *"The International Higher Education Fair"* and *"The Thai Higher Education Fair"*. *"The Educational Scholarship Project"* is also held annually to provide educational opportunities to Thai youths.

In addition, the Bank supported several documentary television programs such as: *The Blue Planet, Thai Intellect (Phum Pan Ya Thai), Kaew's Friends and Towards the 21<sup>st</sup> Century*. Donations activities included: *"The Commemoration the sixth-cycle (72<sup>nd</sup>) Birthday Anniversary Celebration of His Majesty the King Bhumibol Adulyadej Blood Donations"* and *"The SCB's Toy Bank Project"*

With regards to contributions towards the promotion of arts and culture, the Bank joined other organizations, fine arts institutions, and various arts groups in beneficial activities such as *"The Music Hall-Chalerm Krung Hall Project"* and *"The Merit-Making Arts Exhibitions"* of Chalermchai Kositpipat. The Bank, in conjunction with other leading organizations, held *"the Great Festival on Pra Mahajanaka"* at SCB Head Office's, which was about the application of diligence in our daily work routines.

The Bank also received business and social contribution awards throughout the year. The SCB was voted, by Money and Banking Magazine, as one of the top three leading companies listed in the Stock Exchange in 1998. Furthermore, apart from its various ISO 9002 certification achievements the Bank was also awarded with the 1997 Quality Recognition Award, for providing quality services in U.S. Dollar Funds Transfer, from the Chase Manhattan Bank.

Social contribution awards received by the Bank include: *Best Television Documentary, best tourism promotion (Blue Planet-underwater)* from the Tourist Authority of Thailand, and *Best Mass Communications for Youths Award* from the National Youth Promotion and Coordination Board.

The current economic crisis requires cooperation from all sides to resolve the economic and social problems. Unity and social concerns will help us overcome the current crisis and will help prepare us a better future. The Siam Commercial Bank PCL. is always committed

towards its social responsibilities, and would like to call upon everyone to engage in social contribution activities in honor of *Commemorating the sixth-cycle (72<sup>nd</sup>) Birthday of His Majesty King Bhumibol Adulyadej* on December 5, 1999.



## **YEAR 2000 (Y2K) COMPUTER SYSTEM PREPARATIONS**

Siam Commercial Bank recognizes the importance of preparing for the potential Y2K computer problems by establishing the “*Year 2000 Project*” since 1996. Furthermore, the Bank has been following various news and developments on the Y2K computer problems, while top management and all employees are aware of the potential computer crisis situation in the year 2000. The Bank is also preparing for the Y2K side effects on the Bank’s compliance system, the potential problems, and contingency measures. In August 1996, the Bank appointed a sub-committee to prepare for the potential computer problems of the year 2000 which is led by the First Executive Vice President of the Technology Group who serves as the chairman. The 175 people sub-committee, comprising of executive officers and staffs from various related work units, is divided into 4 work groups: technical, business, audit, and public relations. The Bank’s Y2K preparation plans comply with The United States General Accounting Office (GAO): Year 2000 Computing Crisis: An Assessment Guide. This plan includes all the 5 phases of the Y2K readiness process: Awareness, Assessment, Renovation, Validation, and Implementation.

### **Business impacts of Y2K problems**

The Bank has inspected and evaluated the Bank’s various internal and external potential problem areas: computer systems applications software, networks, databases, and facilities. The potential impacts on the Bank’s computer systems (hardware, operating systems of main frames, mid-ranges, PCs, networks and databases) have been inspected and upgraded to support Y2K. As for the applications software, only 23 of the 68 total systems were not Y2K ready. The Banks have proceeded with the appropriate upgrades of those 23 work systems to ensure on impacts on business operations and the Bank’s clients.

### **Solution Plan**

The Bank selected the most appropriate solution for each problem case which included permanent solutions, in-house program developed to expand the last 2 digits for the year from 2 to 4 digits, fixed windowing (one of the windowing technique) utilized worldwide for its convenient and software compatibility features, or the Y2K new upgrade versions of popular commercial software applications.

### **Year 2000 Project budget**

The Bank had allocated 170 million Baht for the Year 2000 Project for upgrading the computer hardware and software to support Y2K, including expenses related to advisors, and inspections / system tests. As of December 31, 1998, the Bank spent 107 million Baht, or 63% of the total budget allocated since 1996. Personnel expenses accounted for 58% of the total costs.

## **Current Y2K solution implementations**

In 1998, the Bank's Y2K preparations and solution implementations proceeded as planned. The 23 work systems susceptible to Y2K problems have been divided according to priority. The progress of the project progress as of December 31, 1998 are as follows: 1) 5 major work systems (Mission Critical Applications Software) which include deposits, credits, ATM system, GL system, and credit cards system. These 5 client support systems are very important to the Bank daily operations. Every major system has passed the final testing process and is ready to support Y2K. All the 5 work systems, especially the customer online during office hours has been utilized in real operating environment. The Y2K support work for the 5 work systems to be used in actual work operations as of January 1999 will include programs for accounting, interest calculations, and report preparations. 2) All the 13 work systems related to customer service applications software passed the Y2K upgrade process, and is undergoing testing. By the first quarter of 1999, all the systems will be put to actual use. The International Banking Information System (IBIS) and the Financial International Trade Automated Solution (FITAS) are now ready to support Y2K. 3) five other work systems involving internal supporting applications software have no impact on vital banking operations, and is being upgraded. Overall, the Bank has completed 85% of the total Y2K preparation work as of year end-1998.

Through the Bank's information posting, and the intranet system, employees can be updated rapidly about current Y2K developments so they can support the Bank in detecting potential problem areas relating to job functions, hardware and software which are vital to the success of the Y2K project.

## **Contingency plans**

The Bank has business continuity and contingency plans to deal with unexpected / urgent situations which may arise in order to provide basic services to the clients. Furthermore, the Bank also have plans to alleviate Y2K problems of other organizations which it does business with. This plan comply with The United States General Accounting Office (GAO): Year 2000 Computing Crisis: Business Continuity & Contingency Planning, and is adapted to fit with the Banks' overall plan. Four steps of the contingency plan include: initiation, business impact analysis, contingency planning and testing. The Bank has began working on the contingency plans as of mid-1997. In 1998, the Bank had compiled manpower requirement plans to support the contingency plans. The Bank also prepared work manuals for emergency situations, work activities, work load, and possible increase in cash transactions in late 1999. The contingency plans will be completed in the first quarter of 1999.

Beside preparations to deal with potential internal problems, the Bank is also aware of business counterparty's (clients, business partners, other financial institutions, other organizations worldwide) Y2K problems which can affect the Bank through business activities, computer data sharing. Lack of Y2K preparations by others could affect the Bank's management effectiveness in providing service and managing its risks (liquidity risk, credit risk, and counterparty risk). The Bank conducted the counterparty Y2K risk assessment by distributing a questionnaire to measure the Y2K readiness of its clients and business partners. The questionnaire will be collected, and scores statistically analyzed to determine that particular business risk, including solutions to potential external problems. Names list also will be prepared according to Y2K readiness, credit risk, and loan limit.

Furthermore, the Bank has established a Y2K evaluation team to visit major clients and business partners to assist them in preparing for the year 2000, as well as to convert a crisis into business opportunities.

Apart from that, the Bank is engaged in social contribution activities to alleviate the potential crisis in the year 2000 by cooperating with the Bankers Association to serve as an Y2K-ready information center for various computers systems / models including an internet web site to provide useful research data and information exchanges. In October 1998, the Bank held a seminar "*Cooperative Efforts to Tackle the Computer Crisis in the Year 2000*" - aimed at educating the clients, business partners, and the general public on the potential Y2K computer problems, and to provide a platform for information exchanges.

The Bank is confident that all Y2K preparation measures will be completed and ready for actual use as of the first quarter of 1999, especially the Mission Critical Applications Software which is currently Y2K ready. Clients related service will be fully functional and effective as of this year onwards. The Y2k preparation measures allowed the Bank to expedite the replacement of obsolete computer systems, boost productivity of the various work systems, and establish good relations with clients and business partners.

**Y2K Impact Applications (23 applications) Status as at December 31, 1998**

Type and Name of Applications	Renovation Methodologies			Progress of SCB's Year 2000 Project					Overall Completion
	Fixed Windowing	Expand to 4 digits	Upgrade Version	Awareness	Assessment	Renovation	Validation	Implementation	
<i>Mission Critical</i>									
1. Deposits	X			Done	Done	Done	90%	50%	90%
2. ATM/POS (Host)	X			Done	Done	Done	90%	50%	90%
3. Credits	X			Done	Done	Done	80%	50%	85%
4. GL	X			Done	Done	Done	Done	95%	99%
5. FBS (Credit Cards)			X	Done	Done	Done	Done	98%	98%
<i>Customer Services</i>									
6. Financial International Trade Automated Solution: FITAS			X	Done	Done	Done	Done	Done	Done
7. International Banking Information System: IBIS			X	Done	Done	Done	Done	Done	Done
8. Tele-Banking System	X			Done	Done	Done	10%	Q1 1999	55%
9. Domestic Transfer and Collection: DTC / Local Clearing Collection: LCC	X			Done	Done	Done	25%	Q1 1999	60%
10. Electronic Clearing System: ECS		X		Done	Done	Done	10%	Q1 1999	55%
11. Foreign Currency Deposits: FCD		X		Done	Done	Done	90%	50%	87%
12. Custodian: CTD		X		Done	Done	Done	30%	Q1 1999	60%
13. Guarantee: GRE	X			Done	Done	Done	10%	Q1 1999	55%
14. Open End Fund		X		Done	Done	Done	10%	Q1 1999	55%
15. Indochina Branch System: IBS		X		Done	Done	Done	50%	50%	75%
16. S.W.I.F.T			X	Done	Done	Done	10%	Q1 1999	55%
17. Automatic Transfer System: ATS	X			Done	Done	Done	50%	Q1 1999	65%
18. ATM/POS (BASE-24)			X	Done	Done	Done	30%	Q1 1999	60%
<i>Internal Supporting</i>									
19. Black List: BKL	X			Done	Done	During	During		
20. Credit Rating and Collection System: CLS	X			Done	Done	During	During		
21. DIS	X			Done	Done	During	During		
22. Data Warehouses: DWH	X			Done	Done	During	During		
23. Management Information System: MIS	X			Done	Done	During	During		

**Accumulated Investment & Expenses Year 2000 Project**

Unit: Baht

	Budget	Accumulated Investment & Expenses		
		AS of Q2/1998	AS of Q3/1998	AS of Q4/1998
1. Hardware	<b>58,957,275</b>	<b>22,696,956</b>	<b>28,409,285</b>	<b>34,039,444</b>
- Machine Time		22,520,637	28,150,796	33,780,955
- ECS Front-end Upgrade		176,319	176,319	176,319
- PC			82,170	82,170
2. Software	<b>14,101,560</b>	<b>3,891,401</b>	<b>3,952,909</b>	<b>4,471,789</b>
2.1 Application Software	2,700,000	2,700,000	2,700,000	2,700,000
- BASE-24 Upgrade		2,700,000	2,700,000	2,700,000
2.2 System Software	6,401,560	175,001	175,001	693,881
- OS/6000 Upgrade		109,001	109,001	109,001
- VMS Upgrade		66,000	66,000	66,000
- OS/390	6,226,560			518,880
2.3 Others	5,000,000	1,016,400	1,077,908	1,077,908
- Testing Tool		1,016,400	1,016,400	1,016,400
- SYBASE Upgrade			61,508	61,508
3. Human Resources	<b>71,708,800</b>	<b>38,108,800</b>	<b>50,408,800</b>	<b>62,708,800</b>
3.1 In-house	56,000,000	31,000,000	42,500,000	54,000,000
3.2 Outsourcers	15,708,800	7,108,800	7,908,800	8,708,800
- Application software renovation		2,400,000	3,200,000	4,000,000
- IBIS Installation		4,708,800	4,708,800	4,708,800
4. Consultants	<b>8,800,000</b>	<b>4,400,000</b>	<b>5,280,000</b>	<b>6,160,000</b>
- IBM (Macro to Command Changing for SAFE)		4,400,000	4,400,000	4,400,000
- IBM (LAN-DP Upgrade at Branches)			880,000	1,760,000
5. External Auditor	<b>550,000</b>			
6. Contingency	<b>16,000,000</b>			
<b>Grand Total</b>	<b>170,117,635</b>	<b>69,097,157</b>	<b>88,050,993</b>	<b>107,380,033</b>
	100%	40.61%	51.75%	63.12%

## **Overview of the Thai Economy in 1998 and Economic and Monetary Trends for 1999**

The Thai economy in 1998 contracted more than expected due to weak local demand while sluggish exports compounded the situation. Consumers' purchasing power fell as unemployment and inflation continued to rise. Private investment dropped drastically in line with the economic recession and the investors' confidence in the economy. Public consumption / investment in the first half of the year fell sharply due to strict fiscal policies imposed by the government after Thailand came under the International Monetary Fund (IMF) financial program, while export of goods and service in USD value also dropped as Thailand's trading partners were not immune to the economic / financial crisis which had become a regional problem. Liquidity was tight for Thai exporters, however, the tourism sector continued to generate satisfactory revenue. Imports (USD) of consumer goods fell in line with the low consumption and investment level. Amidst the negative economic impacts, the current had turned from negative into a surplus since September 1997. **Real GDP growth was in a negative 8.6%. The current account surplus reached 11.2% of GDP, while the inflation was around 8.1 %.**

The direction of the Thai economy in 1999 is still uncertain despite the general improved economic stability late last year as indicated by less volatile movement of the Baht, continuing high current account surplus, and improved average inflation rate. Since August 1998, the government was able to slowly ease the restrictive monetary and fiscal policies to place more emphasis on stimulating the real sector of the economy by expediting public spending, lower interest rates, and encourage rapid corporate troubled debt restructuring. Furthermore, the financial system and investment incentives had to be strengthened in order to regain the confidence of foreign investors.

The tight liquidity situation of financial institutions also eased up following the liquidity reinforcement measures, the establishment of longer term financing for the Financial Institutions Development Fund (FIDF), and the recapitalization plans of commercial banks which would help support their lending to business sectors. However, exports did not expand significantly due to the unfavorable world's economy which should remain sluggish. Therefore, the Thai economy will begin to improve in 1999 through increase local expenditure in both the public and private sectors. The economy should begin to show small positive growth as from second quarter of 1999 after the steady decline since the third quarter of 1997 to the lowest point in the last quarter of 1998 through the first quarter of 1999. **Depending on the effectiveness of the government's economic stimulation measures, real economic growth in 1999 is expected to be 1.0-2.0%. The current account surplus should reach 8.2% of GDP while inflation rate should be rather low at about 1.0%.**

### ***The Thai Economy in 1 998 and Economic Trends in 1 999***

#### **Expenditures – Private sector**

Private consumption in 1998 declined in line with the economic contraction, rising unemployment, and reduced business hours. Meanwhile the prices of general goods remained high, especially in the first half of 1998. Such factors influenced consumers to spend cautiously as overall purchasing power dropped drastically. The government budget deficit spending policy in the second half of last year was aimed at stimulating domestic demand and liquidity in late 1998 to revert the economic contraction relative to the first three quarters of 1998. In 1998, the overall private and public consumption at constant prices fell by 20.2% relative to the previous year. The consumption level is expected to improve by 4.0% in 1999 as the economy begins to climb up from its lowest point, while low inflation will boost confidence and purchasing power.

In the first half of 1998, the level of private investment was significantly affected by the high excess capacity in the productive sector, declining purchasing power, restrictive bank lending policies, and lack of confidence among Thai and foreign investors about the Thai economic outlook. Overall private investment at constant prices in 1998 fell by 35.0%. However, the prospects for private investment in 1999 are likely to improve following *the Government's August 14 measures* aimed at facilitating capital increases by banks, expedited troubled debt restructuring, and restored normal lending activities. The improved business climate will encourage production expansion of goods and services again. The expected increase in private investment will be directed towards the improvement in the production process of goods and services, and the replacement of depleted inventories. Private investment in 1999 is expected to improve from the 35.0% contraction to a smaller rate of decline, unless there is a significant change in foreign investment.

### **Expenditures – Public Sector**

In early 1998, the government strict fiscal policies in accordance to the Letter of Intent submitted to the IMF in early 1998 resulted in lower public spending in January–April 1998 relative to the same period the year before. Since May 1998, public consumption increased relative to the same period in 1997 as the IMF allowed the Thai government to relax the tight fiscal policies to stimulate the economy. However, lower 1998 fiscal year budget relative to that of 1997, and the higher inflation rate should result in lower public expenditure (at constant prices) by about 5.0% relative to 1997. The public expenditures disbursed in 1999 will increase by 12.6% (at constant prices) due to the higher 1999 fiscal budget of Baht 587 billion as opposed to Baht 512 billion in 1998 in line with the expansive fiscal policies to stimulate the economy.

Investments in the public sector suffered from the cut in 1998 fiscal budget (reduced from Baht 1.08 trillion to Baht 0.83 trillion) after the financial crisis. Since adjusting the level of investment according to priority was relatively easier than reducing regular expenditures, the level of public investment at constant prices fell by 31.8% in 1998, and will continue to decline in 1999 as higher public spending will mostly be for regular expenditure items. The investment budget for 1999 is also lower than last year (Baht 233 billion as opposed to Baht 286 billion). However, the government will seek another Baht 50 billion loan from the World Bank in 1999 for social investment programs which is not included in the fiscal budget. Overall public investment expenditures after including state enterprise investment projects at constant prices in 1999 is expected to increase by 12.0% relative to 1998.

### **International Trade**

The value of exports in 1998 declined by 6.7% due to the sluggish world's economy and the lower U.S. dollar price of Thai exports. On the other hand, import value fell by 33.5% in line with lower production and investments and the lack of liquidity resulted in a trade balance surplus of USD 12.6 billion, and a current account surplus of USD 13.4 billion, or 11.2% of GDP (higher than IMF target of 10.0% of GDP). In 1999, export value (USD) is expected to be stable, or increase slightly, while import value will increase by 9.0% (from a very low base last year) in line with increase local spending; resulting in a trade balance surplus of USD 9.2 billion, and current account surplus of 8.2% of GDP.

In 1998, net capital inflow was in a deficit USD 9.8 billion mostly from foreign loan repayments by the private sector of approximately USD 13 billion, and capital inflow (including transactions of the Bank of Thailand) of USD 3.2 billion to the public sector – mostly, IMF economic assistance loan. Despite the deficit in capital account, the balance of payment for 1998 still showed a surplus of approximately USD 3.9 billion.

International reserves as of December 1998 stood at USD 29.5 billion, or 8.6 months of import value.

### **Fiscal position**

The government total expenditures for the 1998 fiscal year (October 1997-September 1998) reached Baht 835.3 billion, a reduction of 6.0% over last year. Government revenues totaled Baht 727.4 billion, a 13.8% decrease from 1997. This resulted in a budget deficit of Baht 107.9 billion, and when combined with non-budgetary deficit of Baht 7.1 billion, total fiscal deficit was Baht 114.9 billion, or 2.3% of GDP which was lower than the 2.4% of GDP (or Baht 117 billion) target specified in the 5<sup>th</sup> Letter of Intent submitted to the IMF.

As for the 1999 fiscal year, the government had allocated Baht 825 billion budget expenditures and Baht 800 billion in revenues; a budget deficit aimed at stimulating the economy. Borrowings of approximately Baht 25 billion will compensate for the budget deficit. The government had also allocated Baht 120.7 billion for priority policy measures (promotion of tourism, service industry, and social assistance to alleviate the impacts of the economic crisis), and major issues (strengthen competitive position in the international market, social and human resource developments, management system restructuring of public sector).

### ***Monetary and Banking Conditions in 1 998 and Trends in 1 999***

#### **Liquidity**

The tight liquidity situation reached its peak in the first half of 1998, and began to ease up steadily in the second half of the year when interbank rates in the first half of the year averaged at 19.92% per annum relative to 11.64% for the same period in 1997. The end to the separation of the offshore and onshore markets on January 30, 1998 resulted in intermittent volatility of the Baht currency which forced the government to impose strict monetary policy by maintaining high short term interest rates via the bond repurchase market in order to stabilize the Baht in accordance to obligations to the IMF. However, the continuing current account surplus since September 1997, reflected the high liquidity in the system which came from lower imports, borrowing from international financial organizations in the first half of the year, recapitalization of financial institutions, and auctioning of assets owned by the 56 financial institutions during end of February to June 1998. Liquidity improved significantly in the second half of 1998 due to the following conducive factors:

- 1) Improved stability of the Baht which brought down short term interest rates in the bond repurchase market coupled with the authority focus on the 1-3 months interest rates.
- 2) Effort by the government to reduce active participation in the money market by the FIDF and replaced short-term funding by the issuance of Baht 500 billion worth of government bonds.
- 3) The expediting of Baht 100 billion in government expenditures in the last quarter of the year.
- 4) Foreign capital inflow in to the auction of the Financial Sector Restructuring Authority or FRA, of assets with original value of Baht 700 billion. However, the short term volatility of the Baht in response to the economic turmoil in Russia, Asia (Japan, Indonesia, and Malaysia) did not affect the government's policy to ease interest rates whereby bond repurchase rate and interbank rate fell from 14.00%-22.00 % and 15.00%-23.00% per annum in the first half of 1998 to 7.0%-14.00% and 6.00%-12.00% per annum respectively in the second half of 1998.

The liquidity situation should continue to improve in 1999 due to the following conducive factors:

- 1) Easing of short term interest rates in line with policy to stimulate the economy.
- 2) Easing of fiscal policies thereby allowing the government to incur a higher budget deficit



(3.0 % of GDP as opposed to 2.5% of GDP in the 5<sup>th</sup> LOI) in accordance to the 6<sup>th</sup> Letter of Intent (LOI) submitted to the IMF; resulting in an increase of Baht 50 billion in the system.

3) Liquidity boosting measures by the government, such as overseas issuance of USD 5 billion in bonds to support various projects; Baht 350 billion capital inflow from the Baht 500 billion local bond issues program to restructure FIDF debts, and correct the short term interest rates distortion following FIDF borrowings which push up short term interest rates.

4) Foreign capital through equity participation in corporation, financial institutions, FRA auctions, and foreign aids.

### **Deposit and lending rates**

In the first half of 1998, deposit and lending rates of commercial banks were rising due to stiff competition among financial institutions in attracting deposits, especially the 4 medium-sized banks which raised deposit rates to attract depositors for repayment of loans to the FIDF. Thus, other banks had to raise their deposit and lending rates. However, interest rates began to decline following the easing of monetary and fiscal policies by the government in August 1998. Liquidity in the banking system improved as deposits continued to increase following the government's announcement of the *Government's August 14 measures* which boosted the public's confidence in depositing their money with banks. The low lending activities prompted banks to lower deposit rates, which soon followed by falling lending rates. Deposit rates of major banks declined from 10.00%-13.25% per annum as of June 1998 to 6.50%-7.50% per annum as of year-end 1998. Lending rates dropped sharply in the last quarter of 1998. The general minimum lending rates of the major banks stood at 12.00%-14.00% per annum as of year-end 1998 as opposed to 15.25%-17.00% as of June 1998. Lending rates should continue to decline until early 1999, and remain relatively low throughout 1999.

High liquidity, foreign capital inflow in various forms, expected low inflation of 1.0% in 1999 will support the easing of monetary policies by the government. However, the financial crisis in other countries may affect investors' confidence, slow down capital inflow, and accelerate foreign loan repayments by the corporate sector. Furthermore, the Bank of Thailand may prevent short term interest rates and deposit rates from falling too low to attract savings from the public and foreign capital. In 1999, the 1-year fixed deposit rates and the Minimum Lending Rate (MLR) of the major banks are expected to average not more than 5.80% and 10.30% per annum respectively as opposed to 9.00% and 14.70% per annum in 1998.

### **Deposits and loans in the banking sector**

**Deposits in the banking sector** as of year-end 1998, grew by 9.7% over the year before due to improved liquidity in the last quarter and the transfer of deposits from the numerous closed finance companies to commercial banks.

Even though deposit rates in 1999 are expected to fall steadily, liquidity will be high due to the easing of fiscal policies and expected higher savings in the corporate and households sectors as the economy improves. In 1999, deposits in the banking sector should grow by about 9.0% over last year as the investment choices among various debt instruments are still limited.

**Total loans in the banking sector** in 1998 declined relative to last year due to the banks' strict lending policies, lower level of investments, and business contraction. Outstanding foreign loans (IBF out-in) in Baht terms declined by 19.5% over last year in line with foreign loan repayments, and the higher value of the Baht relative to the end of last year. Baht

denominated loans as of year-end 1998 grew only 2.0% over last year. The overall loans in the banking system fell by 8.3% over last year when continuing foreign loan repayments and exchange rate translation effects were included.

Despite lower interest rates, debt restructuring, bank loans will not expand much in 1999, due to substantial Non-Performing Loans (NPL) outstanding, cautious lending policy, and unfavorable economic / investment situation. Thus, Baht loans should at best grow by 8.0% over last year, while foreign loans (in Baht) will continue to decline. In 1999, the overall loan growth in the banking system is expected to grow by 5.3% relative to last year.

### **Deposits / loans in the finance and securities companies**

In 1998, deposits in finance and securities companies fell steadily, 69.2% in the first half of the year relative to the same period in the year before, and about 32.8% per annum in the second half of the year. The permanent closures of 56 finance companies on December 8, 1997, and the government's intervention in the 12 ailing finance companies in 1998, left only 24 finance companies still in operation.

Loans for financial business and securities business in the first half of 1998 fell by 63.3% and 89.1% respectively compared to the same period the year before, and should further decline by more than 13.0% for the second half. The remaining 24 finance companies still in operations faced considerable problems and had become less competitive.

In 1999, lending activities of finance companies should continue to be sluggish. Finance and securities firms must adapt in order to survive through mergers, increase foreign equity interests, strategic shift towards restricted banking, or niche market business.

Even though competition from finance and securities companies has weakened significantly, developments of new debt instruments for investments and corporate financing in the capital market in the near future will bring new challenges and new competition to the financial market.

## ORGANIZATION AND EXECUTIVE OFFICERS

### Board of Directors

#### Audit Committee

#### Executive Committee

#### *President and Chief Executive Officer*

*Dr. Olarn Chaipravat*

Internal Audit Department

Prapai Charuchinda

Information Systems Audit Department

Thongchai Pingkarawat

Financial Risk Control Office

-

#### **Director and Senior Executive Vice President**

**Prakit Pradipasen**

Credit Support Office

-

#### **Corporate Group 3**

**Permpoon Krairiksh**

Corporate Department 5

Chantima Chaturaphat

Corporate Department 6

Meechai Angsurat

Corporate Department 7

Thongchai Na Nakorn

#### **Business Development Group**

**Wirutt Ruttanaporn**

Business Development Department 1

Adul Chandanachulaka

Business Development Department 2

Chalit Satidthong

Business Development Department 3

Nibondh Namdhavaj

Litigation Department

Thanawat Natipodhi

Assets Management Office

Karoon Laoharatanun

#### **Human Resource and Customer Relations Group**

**Vissut Sethaput**

Board Secretariat Office

Narong Chandanachulaka

Human Resource Department

Cherdsiri Sukserm

Business Promotion Department

Anchalipan Amornvivat

Business Relations Department

Pisit Jirapinyo

#### **Banking Development Group**

**Vachara Palakawong Na Ayudhaya**

Banking Development Department 1

Payap Hansapandhu

Banking Development Department 2

Anek Chalermisan

Banking Development Department 3

Wirasak Chiraset

Banking Development Department 4

Saroch Indragajita

Clearing Department

Varin Chalanuchpong

Design and Construction Office

Prinya Buranasiri

Building and Security Office

Sunthorn Chalermpong

Branch Operations Support Office

Suraphong Summart

Chidlom Office

Yothin Pibulkasetkij

Rutchayothin Office

Preecha Praechinavong

4 Special Branches

**Technology Group**

**Vichit Amonviratskul**

Systems Engineering Department

Mana Varapukde

Technology and Process Engineering Department

Sinchai Chaisiripoomkere

Applied Technology Office

Dr. Amarit Laorakpong

Data Security Management Office

Thongchai Luengluesak

**Director and Senior Executive Vice President**

**Jada Wattanasiritham**

**Corporate Group 1**

**Charlie Wannawasu**

Corporate Department 1

Silpajai Kharuhatana

Corporate Department 2

Sutharntip Phisitbuntoon

Corporate Department 8

Masaharu Oshima

**Corporate Group 2**

**Kriang Kiatfuengfoo**

Corporate Department 3

Somrudee Amatayakul

Corporate Department 4

Paspun Suwanchinda

International Banking Facilities and Financial Institutions Department

Chiravuthi Bunyasiri

**International Banking Group**

**Sataporn Jinachitra**

International Banking Department

Panit Visutyothapibal

International Trade Department 1

Namthip Potisat

International Trade Department 2

Songsak Wairatpanij

Corporate Planning and Information Department

-

**Money and Capital Markets Group**

**Chatchaval Bhanalaph**

Treasury Department

Somchai Sanyalaksiri

Capital Market Department

Yokporn Tantisawetrat

Foreign Exchange and Remittance Department

Chainarong Sombatsiri

**Consumer Banking Group**

**Na Bhengbhasang Krishnamra**

Credit Operation Department

Chokedi Natkukananont

Consumer Finance Department 1  
Consumer Finance Department 2  
Office of Consumer Finance for Special Purpose

Somana Siksamat  
Meechai Kongsangchai  
Saowaros Siriwan

as at February 2, 1999

## **EXECUTIVE OFFICERS**

### **1. MRS. PRAPAI CHARUCHINDA**

POSITION : Senior Vice President, Internal Audit Department

EDUCATION : - B.B.A. (Commerce), Thammasat University, Thailand  
- B.B.A. (Accounting), Thammasat University, Thailand

### **2. MR. THONGCHAI PINGKARAWAT**

POSITION : Senior Vice President, Information Systems Audit Department

EDUCATION : - B.S. (Public Health), Mahidol University, Thailand  
- M.B.A., Roosevelt University, U.S.A.  
- M.S. (Computer Science), DePaul University, U.S.A.

### **3. MRS. CHANTIMA CHATURAPHAT**

POSITION : Senior Vice President, Corporate Department 5

EDUCATION : - B. Acc., Chulalongkorn University, Thailand  
- M.B.A. (General), Central State University, U.S.A.

### **4. MR. MEECHAI ANGSURAT**

POSITION : Senior Vice President, Corporate Department 6

EDUCATION : - B.S. (Agriculture), Kasetsart University, Thailand  
- LL.B., Thammasat University, Thailand  
- M.A.I. (Ag. Econ.), Utah State University, Utah, U.S.A.

### **5. MR. THONGCHAI NA NAKORN**

POSITION : Senior Vice President, Corporate Department 7

EDUCATION : Higher National Diploma in Business Studies, Manchester Polytechnic, U.K.

### **6. MR. ADUL CHANDANACHULAKA**

POSITION : Senior Vice President, Business Development Department 1

EDUCATION : B.B.A., Chulalongkorn University, Thailand

### **7. MR. CHALIT SATIDTHONG**

POSITION : Senior Vice President, Business Development Department 2

EDUCATION : - LL.B., Thammasat University, Thailand  
- Barrister-at-Law (Thai Bar), Thailand

### **8. MR. NIBONDH NAMDHAVAJ**

POSITION : Senior Vice President, Business Development Department 3

EDUCATION : - B.S., Kasetsart University, Thailand  
- M.B.A., Kasetsart University, Thailand

### **9. MR. THANAWAT NATIPODHI**

POSITION : Senior Vice President, Litigation Department

EDUCATION : - LL.B. (Hons.), Chulalongkorn University, Thailand

- Barrister-at-Law (Thai Bar), Thailand

- LL.M., Chulalongkorn University, Thailand

- M.B.A., Thammasat University, Thailand

**10. MR. NARONG CHANDANACHULAKA**

POSITION : Senior Vice President, Board Secretariat Office

EDUCATION : M.S.3, Amnuay Silpa School, Thailand

**11. MS. CHERDSIRI SUKSERM**

POSITION : Senior Vice President, Human Resource Department

EDUCATION : - B.B.A. (Accounting), Thammasat University, Thailand

- Diploma (Programming Technology), Control Data Institute, Australia

**12. MRS. ANCHALIPAN AMORNVIVAT**

POSITION : Senior Vice President, Business Promotion Department

EDUCATION : - B.A. (Political Science), Chulalongkorn University, Thailand

- M.P.A. (Public Administration), NIDA, Thailand

- M.M., Sasin, Thailand

**13. MR. PISIT JIRAPINYO**

POSITION : Senior Vice President, Business Relations Department

EDUCATION : - B. Eng., University of Electro-Communications, Tokyo, Japan

- M. Eng., University of Electro-Communications, Tokyo, Japan

**14. MR. PAYAP HANSAPANDHU**

POSITION : Senior Vice President, Banking Development Department 1

EDUCATION : B.S., Chulalongkorn University, Thailand

**15. MR. ANEK CHALERMSAN**

POSITION : Senior Vice President, Banking Development Department 2

EDUCATION : - B.B.A., Thammasat University, Thailand

- M.B.A., Kasetsart University, Thailand

**16. MR. WIRASAK CHIRASET**

POSITION : Senior Vice President, Banking Development Department 3

EDUCATION : - B.B.A., Chulalongkorn University, Thailand

- M.B.A. (Business Administration), Kasetsart University, Thailand

**17. MR. SAROCH INDRAGAJITA**

POSITION : Senior Vice President, Banking Development Department 4

EDUCATION : - B.S. (Statistics), Chulalongkorn University, Thailand  
- M.A. (Educational Administration), Kasetsart University, Thailand  
- Diploma in Computer Science, Chulalongkorn University, Thailand

**18. MR. VARIN CHALANUCHPONG**

POSITION : Senior Vice President, Clearing Department  
EDUCATION : B. Acc., Chulalongkorn University, Thailand

**19. MR. YOTHIN PIBULKASETKIJ**

POSITION : Senior Vice President, Chidlom Office  
EDUCATION : B.B.A., Chulalongkorn University, Thailand

**20. MR. PREECHA PRAECHINAVONG**

POSITION : Senior Vice President, Rutchayothin Office  
EDUCATION : - B. Comm., Chulalongkorn University, Thailand  
- M.B.A., Kasetsart University, Thailand

**21. MR. MANA VARAPUKDE**

POSITION : Senior Vice President, Systems Engineering Department  
EDUCATION : - B.S. (Applied Statistics), Chulalongkorn University, Thailand  
- M.B.A. (Business Administration), Thammasat University, Thailand

**22. MR. SINCHAI CHAISIRIPOOMKERE**

POSITION : Senior Vice President, Technology and Process Engineering Department  
EDUCATION : B.A. (Statistics), Thammasat University, Thailand

**23. MR. SILPAJAI KHARUHARATANA**

POSITION : Senior Vice President, Corporate Department 1  
EDUCATION : - B.B.A. (Business Administration), Bangkok University, Thailand  
- B.A. (Management), Curry College, Milton, Mass., U.S.A.  
- M.P.A. (Management and Budgeting), Suffolk University, Boston, Mass., U.S.A.

**24. MRS. SUTHARNTIP PHISITBUNTOON**

POSITION : Senior Vice President, Corporate Department 2  
EDUCATION : - B.A. (Economics), Chulalongkorn University, Thailand  
- M.A. (Economics), Thammasat University, Thailand

**25. MR. MASAHARU OSHIMA**

POSITION : Senior Vice President, Corporate Department 8  
EDUCATION : B.A. (Business Administration), Kobe University, Japan

**26. MS. SOMRUDEE AMATAYAKUL**

POSITION : Senior Vice President, Corporate Department 3  
EDUCATION : - B.S. (Business Administration), Kasetsart University, Thailand



- M.B.A., Marshall University, U.S.A.

**27. MRS. PASPUN SUWANCHINDA**

POSITION : Senior Vice President, Corporate Department 4

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- M.A. (Econs), Middle Tennessee State University, U.S.A.

**28. MR. CHIRAVUTHI BUNYASIRI**

POSITION : Senior Vice President, International Banking Facilities and  
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EDUCATION : - B.A. (Commerce), Chulalongkorn University, Thailand

- M.B.A., University of Dallas, U.S.A.

**29. MS. PANIT VISUTYOTHAIBAL**

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- M.P.A. (Public Administration), Syracuse University, U.S.A.

**30. MRS. NAMTHIP POTISAT**

POSITION : Senior Vice President, International Trade Department 1

EDUCATION : - B.A. (Accounting), Chulalongkorn University, Thailand

- M.B.A., New York University, U.S.A.

**31. MR. SONGSAK WAIRATPANIJ**

POSITION : Senior Vice President, International Trade Department 2

EDUCATION : - B. Acc., Chulalongkorn University, Thailand

- M.B.A., College of Notre Dame, U.S.A.

**32. MR. SOMCHAI SANYALAKSIRI**

POSITION : Senior Vice President, Treasury Department

EDUCATION : - B.S. (Economics), Kasetsart University, Thailand

- M.A. (Economics), The University of Kansas, U.S.A.

**33. MR. YOKPORN TANTISAWETRAT**

POSITION : Senior Vice President, Capital Market Department

EDUCATION : - B.A. (Economics), Chulalongkorn University, Thailand

- M.A. (Economics), Thammasat University, Thailand

**34. MR. CHAINARONG SOMBATSIRI**

POSITION : Senior Vice President, Foreign Exchange and Remittance Department

EDUCATION : - B.S. (Statistics), Chulalongkorn University, Thailand

- M.A. (Economics), University of Detroit, U.S.A.

**35. MR. CHOKEDI NATKUKANANONT**

POSITION : Senior Vice President, Credit Operation Department

EDUCATION : LL.B., Thammasat University, Thailand

**36. MRS. SOMANA SIKSAMAT**

POSITION : Senior Vice President, Consumer Finance Department 1

EDUCATION : - B.A. (Political Science), Thammasat University, Thailand

- M.A., Tarleton State University, U.S.A.

**37. MR. MEECHAI KONGSANGCHAI**

POSITION : Senior Vice President, Consumer Finance Department 2

EDUCATION : - B. Acc. (Accounting), Chulalongkorn University, Thailand

- Executive M.B.A., Chulalongkorn University, Thailand

**38. MS. SAOWAROS SIRIWAN**

POSITION : Senior Vice President, Office of Consumer Finance for Special Purpose

EDUCATION : - B.A. (Economics) (Hons.), Thammasat University, Thailand

- M.S. (Economics), Texas A&M University, U.S.A.

- M.B.A. (Business Administration), Thammasat University, Thailand

**MR. UBHASRI KRISHNAMRA**

POSITION : Senior Vice President, Banking Development Department 4

EDUCATION : - B. Sc., (Econ.), The Queen's University of Belfast, U.K.

- M. Sc., (Econ.), The Queen's University of Belfast, U.K.

**MR. NIMIT SAVETKAIROP**

POSITION : Senior Vice President, Business Development Office 1

EDUCATION : - B. Acc. (Accounting), Chulalongkorn University, Thailand

- M.B.A., Kasetsart University, Thailand

**MR. SOMPHOB CHAIPRAPAR**

POSITION : Senior Vice President, Banglambu Branch

EDUCATION : - B.B.A., (Economics), University of Manila, Manila, Philippines

- M.B.A., Texas Southern University, Houston, U.S.A.

**MR. MANUS KAPAYASRI**

POSITION : Senior Vice President, Surawong Branch

EDUCATION : - B.A. (Economics), Thammasat University, Thailand

- M.A. (Economics), Chulalongkorn University, Thailand

**MR. SOMPORN VIRANUVAT**

POSITION : Senior Vice President, Talat Noi Branch

EDUCATION : B. Acc. (Accounting), Chulalongkorn University, Thailand

**MR. CHULATIP NITIBHON**

POSITION : Senior Vice President, Area Manager North America and Europe and  
General Manager, New York Agency

EDUCATION : - B.A., (Business Administration), Whittier College, Whittier, California, U.S.A.

- M.B.A., (Finance), The University of Illinois, Urbana-Champaign, Illinois, U.S.A.

**The Bank's Executives on leave to perform managerial duties at various Affiliated companies or on assignment at the Bank of Thailand's request.**

**MR. AMORN ASVANUNT**

POSITION : Chairman of The Board of Executive Directors and Group Chief Executive Officer,  
Siam Sindhorn Company Limited

**MRS. MALEERATNA PLUMCHITCHOM**

POSITION : President, SCB Business Services Company Limited

**MR. CHARAMPORN JOTIKASTHIRA**

POSITION : President and Chief Executive, SCB Securities Company Limited

**MR. SOMCHAI MITPAIBUL**

POSITION : President, SCB Assets Company Limited

**MR. SARUNTHORN CHUTIMA**

POSITION : President, Siam Infotainment Company Limited

**MR. PHAITHOON KIJSAMREJ**

POSITION : First Senior Executive Vice President, Siam City Bank Public Company Limited

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

### **TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED**

We have audited the accompanying consolidated balance sheet of The Siam Commercial Bank Public Company Limited and its subsidiaries (the “Bank and its subsidiaries”) as of December 31, 1998, and the related consolidated statements of income, changes in shareholders’ equity and retained earnings for the year then ended, and the balance sheet-cost method of The Siam Commercial Bank Public Company Limited (the “Bank”) as of December 31, 1998 and 1997, and the related statements of income, changes in shareholders’ equity, retained earnings and cash flows–cost method for each of the years then ended. These financial statements are the responsibility of the Bank and its subsidiaries’ management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits. For the consolidated financial statements, we did not audit the financial statements of one subsidiary, whose statements reflect total assets and total revenues which constituted 0.1% and 0.7%, of the related consolidated totals for 1998. Those statements were audited by other auditors whose report has been furnished to us, and, our opinion, insofar as it relates to the amounts included for that subsidiary is based solely on the report of the other auditors.

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

The financial statements of 22 companies included in the consolidated financial statements, for 1998 have not been audited. Total assets and total revenues of these companies constituted 0.9% and 1.7%, respectively, of the related consolidated totals. In addition, the financial statements of 33 companies accounted for under the equity method have not been audited. Equity in undistributed net loss of these companies constituted 2.4% of consolidated net loss for 1998.

As described in Note 3.5 the Bank of Thailand (BOT) on March 31, 1998 issued new guidelines (the "Guidelines") for estimating and recording a minimum allowance for doubtful accounts. Those Guidelines specify certain allowance percentages to be applied to certain classifications of loans and also require the Bank to utilize BOT defined qualitative review procedures in estimating the total required allowance for doubtful accounts. As of December 31, 1998, the qualitative review under the procedure described in Note 3.5 is applied to 70.8% of the loan portfolio. The review of the remainder loans is in process. Had such qualitative review been completed, the amount of estimated allowance for doubtful accounts may have been different from the amounts currently estimated. The Bank has estimated the total allowance for doubtful accounts determined under the Guidelines, to be Baht 54,957 million and Baht 58,108 million in the consolidated and cost method financial statements respectively. The Guidelines permit the Bank to phase in the minimum required reserve through December 31, 2000 and, accordingly, the Bank has recorded an allowance for doubtful accounts, of Baht 34,864 million and Baht 31,423 million in the consolidated and cost method financial statements, respectively at December 31, 1998, which exceeds the minimum required. Under generally accepted accounting principles, the allowance for doubtful accounts should be fully recorded for the amount estimated of Baht 54,957 million and Baht 58,108 million in the consolidated and cost method financial statements respectively.

As described in Notes 1.2 and 4.6 to the financial statements, the Ministry of Finance on September 29, 1998, announced the guidelines, procedure and criteria for financial institution which applied for tier-one and tier-two capital from the government fund. Under this announcement, loss from debt restructuring is allowed to be phased in over five years from the date the loss was incurred. The Bank having complied with said guidelines, is thus eligible to tier-one and tier-two capital funding by the Government. The minimum loss from debt restructuring prorated effective for the accounting year ended December 31, 1998 is Baht 165 million out of Baht 3,309 total loss million in the consolidated and cost method financial statements. The remaining of Baht 3,144 million is recorded as deferred assets in the consolidated and cost method balance sheet. Under generally accepted accounting principles, loss from debt restructuring should be fully recorded at the time the loss is incurred.

The consolidated financial statements for the year ended December 31, 1998 do not include certain disclosures required by International Accounting Standard No. 32, Financial Instruments: Disclosure and Presentation due to the unavailability of such information. In our opinion, the disclosure of such information is suggested by the Stock Exchange of Thailand.

The consolidated statement of cash flows for the year ended December 31, 1998 was not prepared due to the unavailability of information. In our opinion, the disclosure of such information is required by the Stock Exchange of Thailand.

In our opinion, based on our audit and the reports of other auditors, except for the effect on the 1998 financial statements of such adjustments, if any, as might have been determined to be necessary had the financial statements been audited as discussed in the third paragraph, of estimating the allowance for doubtful accounts as discussed in the fourth paragraph and the deferral of losses on debt restructuring as discussed in the fifth paragraph, and except for the omission from the 1998 consolidated financial statements of the disclosure and of the statement of cash flows described in the sixth paragraph and seventh paragraph respectively, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 1998, and the results of its operations and the changes in shareholders' equity for the year then ended; and the financial position of the Bank as of December 31, 1998 and 1997, and the results of its operations, changes in shareholders' equity and the cash flows for each of the years then ended in conformity with generally accepted accounting principles and Note 3.

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

As discussed in Notes 4.20.1 and 4.20.2 during December 1998 to January 1999, the Bank and 2 subsidiaries which are financial institutions entered into the Memorandum of Understanding with the Bank of Thailand concerning capital increase to maintain the capital fund at not less than the ratio stipulated in the regulation. To raise capital under the Government's financial recapitalisation program, the financial institution has to comply with the guidelines, procedures and criteria announced by the Ministry of Finance on September 29, 1998.

As discussed in Note 4.16.5 to the financial statements, five companies which were consolidated for financial reporting purposes had aggregated total assets of Baht 9,447 million, accumulated shareholders' deficit of Baht 15,641 million as of December 31, 1998 and had recorded net losses totaling Baht 9,891 million for the year then ended. The financial statements of these subsidiaries raise significant issues as to ability of these entities to continue as going concerns due to insufficient cash flows to service debt obligations, and severe economic uncertainties in Thailand and many other Asia-Pacific countries which may require these subsidiaries to realize their assets and extinguish their liabilities other than in the normal course of business.

**BANGKOK**  
February 26, 1999

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

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

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**BALANCE SHEETS**  
**AS AT DECEMBER 31,**

ASSETS	CONSOLIDATED FINANCIAL STATEMENTS 1998	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
		1998	1997
CASH	7,656,997,244	7,473,758,377	7,479,958,387
INTERBANK AND MONEY MARKET ITEMS (Note 4.2)			
Domestic items			
Interest bearing	10,335,077,464	9,984,812,953	27,847,186,912
Non-interest bearing	16,121,262,607	16,121,262,607	5,739,233,235
Foreign items			
Interest bearing	17,743,314,483	17,743,314,483	7,983,911,984
Non-interest bearing	<u>510,011,447</u>	<u>510,011,448</u>	<u>6,861,826,112</u>
Total interbank and money market items	<u>44,709,666,001</u>	<u>44,359,401,491</u>	<u>48,432,158,243</u>
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Note 4.3)	36,038,000,000	35,510,000,000	33,600,000,000
INVESTMENT IN SECURITIES (Notes 3.3, 4.4 and 4.15)			
Securities for trading	21,184,114,543	20,560,077,004	1,928,390,075
Securities for investment	<u>41,287,480,103</u>	<u>37,196,046,092</u>	<u>43,280,428,287</u>
Total investment in securities	62,471,594,646	57,756,123,096	45,208,818,362
Less Allowance for diminution in value of securities	<u>(6,241,359,251)</u>	<u>(7,237,224,286)</u>	<u>(7,209,322,299)</u>
Net investment in securities	<u>56,230,235,395</u>	<u>50,518,898,810</u>	<u>37,999,496,063</u>
LOANS AND ACCRUED INTEREST RECEIVABLES			
Loans (Notes 3.4 and 4.5)	540,854,984,327	544,268,480,777	568,160,533,105
Accrued interest receivables	<u>14,771,382,535</u>	<u>15,421,370,542</u>	<u>9,968,593,548</u>
Total loans and accrued interest receivables	555,626,366,862	559,689,851,319	578,129,126,653
Less Allowance for doubtful accounts (Notes 3.5 and 4.6)	<u>(34,864,008,033)</u>	<u>(31,422,711,009)</u>	<u>(18,153,466,107)</u>
Net loans and accrued interest receivables	<u>520,762,358,829</u>	<u>528,267,140,310</u>	<u>559,975,660,546</u>
PROPERTIES FORECLOSED (Note 3.6)	3,785,559,854	3,739,336,984	2,619,837,796
CUSTOMERS' LIABILITY UNDER ACCEPTANCES	3,366,637,792	3,366,637,792	2,763,744,421
PREMISES AND EQUIPMENT, NET (Notes 3.7 and 4.7)	26,737,571,492	18,325,937,519	19,181,731,667
NET INTER-ACCOUNT BALANCE	4,337,488,608	4,337,488,608	1,561,554,384
OTHER ASSETS PENDING TRANSFER	3,991,668,391	3,978,768,352	1,498,998,806
DEFERRED LOSS			
FROM DEBT RESTRUCTURING	3,144,310,000	3,144,310,000	-
OTHER ASSETS	<u>5,651,325,756</u>	<u>2,966,268,425</u>	<u>2,047,605,799</u>
<b>TOTAL ASSETS</b>	<b>BAHT</b> <u><u>716,411,819,362</u></u>	<u><u>705,987,946,668</u></u>	<u><u>717,160,746,112</u></u>

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



**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**BALANCE SHEETS**  
**AS AT DECEMBER 31,**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
		<b>1998</b>	<b>1997</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
DEPOSITS (Note 4.8)			
Deposits in Baht	570,397,152,885	554,639,392,759	496,663,781,249
Deposits in foreign currencies	36,446,812,405	36,510,452,612	62,315,861,246
Total deposits	<u>606,843,965,290</u>	<u>591,149,845,371</u>	<u>558,979,642,495</u>
INTERBANK AND MONEY MARKET ITEMS (Note 4.9)			
Domestic items			
Interest bearing	14,947,816,930	11,347,903,895	15,554,442,299
Non-interest bearing	456,222,411	456,222,411	725,185,287
Foreign items			
Interest bearing	26,611,537,441	23,777,079,720	52,973,882,261
Non-interest bearing	1,350,002,188	1,350,002,188	2,128,681,965
Total interbank and money market items	<u>43,365,578,970</u>	<u>36,931,208,214</u>	<u>71,382,191,812</u>
LIABILITY PAYABLE ON DEMAND	2,719,754,960	2,719,754,960	1,555,986,395
SECURITIES SOLD UNDER REPURCHASE			
AGREEMENTS (Note 4.10)	226,000,000	-	980,000,000
BORROWINGS (Note 4.11)			
Short-term borrowings	2,200,204,059	-	2,645,439,824
Long-term borrowings	17,311,867,778	16,906,269,754	12,710,623,961
Total borrowings	<u>19,512,071,837</u>	<u>16,906,269,754</u>	<u>15,356,063,785</u>
BANK'S LIABILITY UNDER ACCEPTANCES	3,366,637,792	3,366,637,792	2,763,744,421
INTEREST PAYABLE ON DEPOSITS	9,324,677,301	9,128,941,362	9,586,318,210
OTHER LIABILITIES PENDING TRANSFER	2,956,706,700	2,933,890,661	9,718,535,949
OTHER LIABILITIES	5,510,750,372	4,782,306,526	5,123,067,306
GOODWILL	248,282,140	-	-
TOTAL LIABILITIES	<u>694,074,425,362</u>	<u>667,918,854,640</u>	<u>675,445,550,373</u>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**BALANCE SHEETS (CONTINUED)**  
**AS AT DECEMBER 31,**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
		<b>1998</b>	<b>1997</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
MINORITY INTEREST	993,467,544		
<b>SHAREHOLDERS' EQUITY</b>			
<b>SHARE CAPITAL (Note 4.12)</b>			
Authorized share capital			
4,000,000,000 ordinary shares of Baht 10.00 each	<u>40,000,000,000</u>	<u>40,000,000,000</u>	
1,000,000,000 ordinary shares of Baht 10.00 each			<u>10,000,000,000</u>
Issued and paid-up share capital			
588,760,073 ordinary shares of Baht 10.00 each, fully paid	5,887,600,730	5,887,600,730	
545,626,568 ordinary shares of Baht 10.00 each, fully paid			5,456,265,680
PREMIUM ON SHARE CAPITAL	15,776,701,679	15,776,701,679	13,555,643,496
UNREALIZED INCREMENT PER LAND APPRAISAL	2,397,957,250	2,397,957,250	2,397,957,250
UNREALIZED INCREMENT PER PREMISES APPRAISAL	1,153,916,151	1,153,916,151	1,196,821,155
<b>RETAINED EARNINGS</b>			
Appropriated			
Legal reserve (Note 4.13)	695,000,000	695,000,000	495,000,000
Others	23,081,000,000	23,081,000,000	23,081,000,000
Unappropriated	(26,844,588,504)	(9,868,706,366)	2,741,830,457
<b>LESS UNREALIZED LOSS ON SECURITIES FOR INVESTMENT</b>	(803,451,869)	(1,054,377,416)	(7,209,322,299)
CURRENCY RETRANSLATION	<u>(208,981)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>21,343,926,456</u>	<u>38,069,092,028</u>	<u>41,715,195,739</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>BAHT</b> <u>716,411,819,362</u>	<u>705,987,946,668</u>	<u>717,160,746,112</u>
<b>OFF-BALANCE SHEET ITEMS - CONTINGENCIES (Note 4.14)</b>			
<b>AVALS TO BILLS AND GUARANTEES OF LOANS</b>			
<b>LIABILITY UNDER UNMATURED IMPORT BILLS</b>	<b>BAHT</b> 20,450,754,190	21,782,550,701	47,517,890,570
<b>LETTERS OF CREDIT</b>	<b>BAHT</b> 6,828,766,855	6,828,766,855	19,745,410,798
<b>OTHER CONTINGENCIES</b>	<b>BAHT</b> 5,977,253,199	5,977,253,199	13,872,124,359
	<b>BAHT</b> 285,369,695,431	292,010,930,038	433,426,775,475

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

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
		<b>1998</b>	<b>1997</b>
<b>INTEREST AND DIVIDEND INCOME</b>			
Interest on loans	63,759,803,296	63,281,238,642	61,336,809,260
Interest on interbank and money market items	5,749,645,614	5,764,062,245	4,449,701,599
Interest on government and state enterprise securities	2,181,396,610	1,700,471,358	1,099,670,275
Interest and dividend on other securities	<u>1,601,826,109</u>	<u>1,427,399,521</u>	<u>1,515,008,955</u>
Total Interest and Dividend Income	<u>73,292,671,629</u>	<u>72,173,171,766</u>	<u>68,401,190,089</u>
<b>INTEREST EXPENSES</b>			
Interest on deposits	57,058,509,239	54,985,514,130	38,956,313,324
Interest on interbank and money market items	4,475,732,766	3,743,538,669	4,500,499,599
Interest on short-term borrowings	51,857,995	5,315,371	59,064,274
Interest on long-term borrowings	<u>923,473,781</u>	<u>718,486,094</u>	<u>713,698,861</u>
Total Interest Expenses	<u>62,509,573,781</u>	<u>59,452,854,264</u>	<u>44,229,576,058</u>
Net Interest and Dividend Income	10,783,097,848	12,720,317,502	24,171,614,031
<b>BAD DEBT AND DOUBTFUL ACCOUNTS</b>			
Net Interest and Dividend Income after Bad Debt and Doubtful Accounts	<u>(1,828,018,844)</u>	<u>1,431,468,300</u>	<u>12,575,058,463</u>
<b>NON-INTEREST INCOME</b>			
Fees and service income			
Acceptances, aval and guarantees	863,148,703	1,195,914,946	1,303,040,636
Others	3,619,000,220	3,395,284,821	3,591,515,873
Gain on exchanges	3,854,297,079	4,925,584,027	2,028,410,579
Gain on trading in securities	-	-	419,956,299
Other income	<u>2,508,049,512</u>	<u>464,755,036</u>	<u>293,489,208</u>
Total Non-Interest Income	<u>10,844,495,514</u>	<u>9,981,538,830</u>	<u>7,636,412,595</u>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF INCOME (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
		<b>1998</b>	<b>1997</b>
<b>NON-INTEREST EXPENSES</b>			
Personnel expenses	4,910,342,363	4,173,158,094	5,612,023,774
Premises and equipment expenses	3,894,475,530	3,230,953,903	3,280,936,415
Taxes and duties	2,460,780,739	2,338,750,514	2,035,940,676
Fees and service expenses	56,682,193	316,215,896	270,915,713
Directors' remuneration	20,695,427	11,870,625	10,530,275
Contributions to the Financial Institutions			
Development Fund	2,365,888,055	2,318,575,786	855,575,468
Loss on trading in securities	2,955,441,984	-	-
Unrealized loss on investment (Note 3.3.3)	8,417,536,477	9,334,978,050	-
Other expenses	3,602,773,975	2,099,041,085	2,913,577,324
<b>Total Non-Interest Expenses</b>	<u>28,684,616,743</u>	<u>23,823,543,953</u>	<u>14,979,499,645</u>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	(19,668,140,073)	(12,410,536,823)	5,231,971,413
<b>INCOME TAX EXPENSES</b>	<u>247,289,291</u>	<u>-</u>	<u>2,037,712,699</u>
<b>NET INCOME (LOSS) BEFORE MINORITY INTEREST</b>	(19,915,429,364)	(12,410,536,823)	3,194,258,714
<b>MINORITY INTEREST IN NET LOSS OF SUBSIDIARIES</b>	<u>(356,461,799)</u>	<u>-</u>	<u>-</u>
<b>NET INCOME (LOSS) BAHT</b>	<u>(19,558,967,565)</u>	<u>(12,410,536,823)</u>	<u>3,194,258,714</u>
<b>EARNINGS (LOSS) FOR THE YEAR</b>			
<b>PER SHARE BAHT</b>	(33.99)	(21.57)	8.37
<b>NUMBER OF SHARES FOR CALCULATING EARNINGS (LOSS) PER SHARE SHARES</b>			
	575,432,364	575,432,364	381,524,918

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

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>CONSOLIDATED</b>	<b>THE BANK'S</b>	
	<b>FINANCIAL</b>	<b>FINANCIAL STATEMENTS</b>	
	<b>STATEMENTS</b>	<b>BY THE COST METHOD</b>	
	<b>1998</b>	<b>1998</b>	<b>1997</b>
<b>ORDINARY SHARE CAPITAL</b>			
Beginning balance	5,456,265,680	5,456,265,680	3,808,032,140
Additions	431,335,050	431,335,050	1,648,233,540
Ending balance	<u>5,887,600,730</u>	<u>5,887,600,730</u>	<u>5,456,265,680</u>
<b>PREMIUM ON SHARE CAPITAL</b>			
Beginning balance	13,555,643,496	13,555,643,496	6,909,294,862
Additions	2,221,058,183	2,221,058,183	6,646,348,634
Ending balance	<u>15,776,701,679</u>	<u>15,776,701,679</u>	<u>13,555,643,496</u>
<b>UNREALIZED INCREMENT PER LAND APPRAISAL</b>			
Beginning balance	2,397,957,250	2,397,957,250	2,397,957,250
Ending balance	<u>2,397,957,250</u>	<u>2,397,957,250</u>	<u>2,397,957,250</u>
<b>UNREALIZED INCREMENT PER PREMISES APPRAISAL</b>			
Beginning balance	1,196,821,155	1,196,821,155	1,239,726,159
Deduction – Depreciation for the period	(42,905,004)	(42,905,004)	(42,905,004)
Ending balance	<u>1,153,916,151</u>	<u>1,153,916,151</u>	<u>1,196,821,155</u>
<b>RETAINED EARNINGS</b>			
<b>Appropriated</b>			
<b>Legal reserve</b>			
Beginning balance	495,000,000	495,000,000	495,000,000
Additions	200,000,000	200,000,000	-
Ending balance	<u>695,000,000</u>	<u>695,000,000</u>	<u>495,000,000</u>
<b>Others</b>			
Beginning balance	23,081,000,000	23,081,000,000	19,081,000,000
Additions	-	-	4,000,000,000
Ending balance	<u>23,081,000,000</u>	<u>23,081,000,000</u>	<u>23,081,000,000</u>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
		<b>1998</b>	<b>1997</b>
Unappropriated			
Beginning balance			
- as previously reported under the cost method	2,741,830,457	2,741,830,457	7,011,724,477
- Adjustment for the effect of recognition of equity in undistributed subsidiary and associated companies retroactively	(9,827,451,396)	-	-
Beginning balance after adjustment	(7,085,620,939)	2,741,830,457	7,011,724,477
Deductions	(200,000,000)	(200,000,000)	(7,464,152,734)
Additions - net income (loss)	(19,558,967,565)	(12,410,536,823)	3,194,258,714
Ending balance	(26,844,588,504)	(9,868,706,366)	2,741,830,457
NET UNREALIZED LOSS ON SECURITIES FOR INVESTMENT			
Ending balance	(803,451,869)	(1,054,377,416)	(7,209,322,299)
CURRENCY TRANSLATION ADJUSTMENT			
Ending balance	(208,981)	-	-
<b>TOTAL</b>	<b>BAHT</b>	<b>21,343,926,456</b>	<b>38,069,092,028</b>
		<b>41,715,195,739</b>	

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

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
		<b>1998</b>	<b>1997</b>
<b>UNAPPROPRIATED RETAINED EARNINGS</b>			
Retained earnings brought forward as previously reported under the cost method	2,741,830,457	2,741,830,457	7,011,724,477
Adjustment for the effect of recognition of equity in undistributed net loss of subsidiary and associated companies retroactively	<u>(9,827,451,396)</u>	<u>-</u>	<u>-</u>
Retained earnings brought forward	(7,085,620,939)	2,741,830,457	7,011,724,477
Deduction : Appropriation for the prior year			
Legal reserve	(200,000,000)	(200,000,000)	-
Other reserve	-	-	(4,000,000,000)
Dividends	-	-	(3,429,854,334)
Directors' bonus	-	-	(34,298,400)
Net profit (loss)	<u>(19,558,967,565)</u>	<u>(12,410,536,823)</u>	<u>3,194,258,714</u>
Total unappropriated retained earnings	<u>(26,844,588,504)</u>	<u>(9,868,706,366)</u>	<u>2,741,830,457</u>
<b>APPROPRIATED RETAINED EARNINGS</b>			
Legal reserve	695,000,000	695,000,000	495,000,000
Others	<u>23,081,000,000</u>	<u>23,081,000,000</u>	<u>23,081,000,000</u>
Total appropriated retained earnings	<u>23,776,000,000</u>	<u>23,776,000,000</u>	<u>23,576,000,000</u>
<b>TOTAL RETAINED EARNINGS</b>	<b>BAHT</b>	<u><u>(3,068,588,504)</u></u>	<u><u>13,907,293,634</u></u>
		<u><u>26,317,830,457</u></u>	

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

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
	<b>1998</b>	<b>1997</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	(12,410,536,823)	3,194,258,714
Items to reconcile net income (loss) to cash received (paid) from operating activities:		
Depreciation and amortization	1,736,381,826	1,660,432,988
Bad debts and doubtful accounts	11,288,849,202	11,596,555,568
Profit on sales of assets	(1,317,555)	(44,259,195)
Profit on exchange rate	(11,538,470,878)	(4,719,706,672)
Unrealized losses on securities for trading	-	5,788,889
Unrealized losses on securities for investment	9,334,978,051	630,662,857
Increase in accrued interest and dividend income	(5,765,287,671)	(3,795,069,870)
Increase (decrease) in accrued interest payable	(907,226,482)	4,383,606,894
Increase (decrease) in other accrued expenses	(153,878,344)	180,970,750
Income (loss) from operations before changes in operating assets and liabilities	(8,416,508,674)	13,093,240,923
Operating assets (increase) decrease		
Interbank and money market items	4,047,094,973	(21,254,878,293)
Securities purchased under resale agreement	(1,910,000,000)	(33,600,000,000)
Securities for trading	(18,631,686,929)	(791,402,943)
Loans and accrued interest receivable	25,872,448,030	(119,712,438,886)
Properties foreclosed	(1,119,499,188)	(1,948,660,141)
Other assets	2,557,966,939	3,913,330,649
Operating liabilities increase (decrease)		
Deposits	32,170,202,876	164,103,676,296
Interbank and money market items	(34,450,983,598)	767,706,038
Demand liabilities	1,163,768,564	(123,305,424)
Securities sold under repurchase agreements	(980,000,000)	(6,004,000,000)
Short-term borrowings	(2,645,439,824)	2,645,439,824
Other liabilities	(6,521,678,090)	5,044,643,824
Directors' bonus	-	(34,298,400)
Net cash provided (used) by operating activities	<u>(8,864,314,921)</u>	<u>6,099,053,467</u>



**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<b>THE BANK'S</b>	
	<b>FINANCIAL STATEMENTS</b>	
	<b>BY THE COST METHOD</b>	
	<b>1998</b>	<b>1997</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in securities for investment	2,932,251,014	(13,958,354,938)
Net purchase of property, premises and equipment	(922,175,127)	(1,852,461,349)
Net cash provided (used) by investing activities	<u>2,010,075,887</u>	<u>(15,810,816,287)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term borrowings	4,195,645,792	3,984,936,101
Increase in share capital	431,335,050	1,645,316,420
Increase in premium on share capital	2,221,058,182	6,575,170,754
Dividends paid	-	(3,429,854,334)
Net cash provided (used) by financing activities	<u>6,848,039,024</u>	<u>8,775,568,941</u>
Net decrease in cash and cash equivalents	(6,200,010)	(936,193,879)
Cash and cash equivalents as at January 1,	<u>7,479,958,387</u>	<u>8,416,152,266</u>
<b>Cash and cash equivalents as at December 31, BAHT</b>	<u><u>7,473,758,377</u></u>	<u><u>7,479,958,387</u></u>

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

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

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

1.1 Economic turmoil and operations of the Bank and its subsidiaries

Thailand and many Asia-Pacific countries are experiencing severe economic difficulties, including currency instability, business contraction, financial system instability and a sharp rise in loan defaults. This has and may continue to adversely effect the operations of banks operating in Thailand, including The Siam Commercial Bank Pubic Company Limited and its subsidiaries. Specifically, it has led to many of the customers of the Bank and its subsidiaries becoming unable to meet their obligations when due. As at December 31, 1998 the Bank and its subsidiaries have estimated that allowances for doubtful accounts of Baht 54,957.9 million in the consolidated financial statements and Baht 58,108.9 million in the Bank's financial statements by the cost method would adequately provide against the effects of the deteriorating economy and the resultant likely rise in loan payment defaults. In the face of possible further economic turmoil and deterioration, the adequacy of this estimate will be dependent on many factors external to the Bank and its subsidiaries which they cannot control or accurately forecast at this time. It is therefore not possible to forecast the effect which a continuation of adverse economic conditions might have on the earnings and balance sheet of the Bank and its subsidiaries. Should further increase in non-performing loans above the amount estimated occur, then additional allowances would be required, with resultant impact on the adequacy of the Bank and its subsidiaries' capital base.

## 1.2 New Guidelines for establishing the allowance for doubtful accounts

On March 31, 1998, the Bank of Thailand announced new guidelines regarding loan loss classification and allowance for doubtful accounts providing, interest recognition and collateral valuations, and other related measures. The new guidelines are to be implemented in phases commencing as from July 1, 1998, the allowance for doubtful accounts determined under the new guidelines is required to be established on a prorated basis semi-annually through December 31, 2000. The new guidelines require banks to categorize their loan portfolios into six categories subject to different levels of provisioning. The guidelines also establish new interest accrual and reversal policies and maximum collateral valuation limits for the purpose of calculating the allowance for doubtful accounts. The new guidelines require banks and finance companies to perform qualitative reviews of their loans and all commitments, including off-balance sheet exposures on a periodic basis, and to implement appropriate risk management systems and controls. From June to August 1998, the Bank of Thailand (the “BOT”) issued additional guidelines clarifying the above guidelines, namely the basis for debt restructuring and collateral appraisal of the financial institutions, bad and doubtful assets and reports to be submitted to the BOT. Recording the estimated minimum allowance for doubtful accounts determined pursuant to the new guidelines may be phased – in on a pro-rated basis semi-annually from December 31, 1998 through December 31, 2000, with 20% of the total required to be recorded at December 31, 1998. The Bank and subsidiaries are required to periodically report the progress of its compliance with these guidelines to the BOT.

After the completion of debt restructuring, the doubtful loss and doubtful classified of loans will be upgraded to substandard, and or substandard or special mentioned loans classification will remain the same. In addition, revenue will be recognized on a cash basis until 3 consecutive months or installments whichever is the longer, at which time the loan will be reclassified as normal.

In addition, on September 29, 1998 the Ministry of Finance announced the guideline, procedure and criteria relation to financial institution applying for tier-one and tier-two capital from the government fund. Under the announcement, loss from debt restructuring is allowed to be phased in over 5 years from the date the loss is incurred. The Bank and the subsidiaries which are financial institutions have to comply with the condition laid down by the Ministry of Finance.

### 1.3 Regulatory requirements

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

## 2. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD

2.1 The financial statements are presented in accordance with the form of balance sheet and statement of profit and loss for public limited companies as required by the Ministerial Regulation No.7 B.E. 2539 (1996), dated October 25, 1996, issued under the Public Companies Act B.E. 2535 (1992) and effective for accounting periods commencing on January 1, 1997, and are in accordance with the Procedures, Policies and Notifications of the Bank of Thailand relating to the financial statements of commercial banks.

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

2.2 The consolidated financial statements for the year ended December 31, 1998 included the accounts of all branches of the Banks, 11 subsidiaries whose shares are more than 50 % owned by the Bank and 20 companies which the bank has significant control over their management although whose shares are less than 50% owned by the bank. The subsidiaries are Singburi Sugar Co., Ltd., SCB Advisory Service Co., Ltd., Siam Pitiwat Co., Ltd., Siam Appraisal and Service Co., Ltd., SCB Securities Co., Ltd., SCB Research Co., Ltd., Siam Samaggi Leasing Co., Ltd., Book Club Finance and Securities Public Co., Ltd., Siam Sanwa Industry Credit Public Co., Ltd., SCB Resolution Corporation Co., Ltd., and Astrakhan Investment Ltd. (Hong Kong). The companies which the Bank has significant influence or control over their management are Siam Niti Law Office Co., Ltd., Mahisorn Co., Ltd., Samaggi Insurance PCL, Siam Commercial Development Co., Ltd., Suthakarn Co., Ltd, SCB Business Service Co., Ltd., Sub Sri Thai Warehouse PCL, Siam Information and Processing Co., Ltd., Siam Integrated Service Co., Ltd., SCB Technology Co., Ltd., Techno Holding Co., Ltd., Thai Manpower Development Co., Ltd., M & M Service Co., Ltd., Sorathon Co., Ltd. Prime Business Co., Ltd., Satayu Co., Ltd., SCB Training center Co., Ltd., Siam Sanwa International Co., Ltd., Supapirom Co., Ltd., Thai International Property Development Co., Ltd.

The consolidated financial statements do not include a subsidiary, namely The Cambodian Commercial Bank Ltd. (Cambodia) as its shares have been acquired towards the year-end resulting in an operating result immaterial to the consolidated financial statements.

The Bank's financial statements by the cost method for the year ended December 31, 1997 include the accounts of all branches of the Bank, but exclude 7 subsidiary companies whose shares are more than 50 percent owned by the Bank and carried at cost in the books. The Bank has a temporary control of one company and the other six companies are immaterial with regard to the Bank's financial position and results of operations.

- 2.3 The consolidated financial statements included the financial statements of 1 subsidiary and the companies which the Bank has significant control, which has been audited. Their total assets as at October 31, 1998 and total revenues for the year then ended constituted Baht 994.7 million and Baht 592.2 million or 0.1 % and 0.7 %, respectively, of the related consolidated totals.
- 2.4 The consolidated financial statements included the financial statements of 22 subsidiaries and the companies which the Bank has significant influence control, which have not been audited. Total assets as at December 31, 1998 and total revenues for the year then ended of those subsidiaries constituted Baht 6,358.6 million and Baht 1,418.6 million or 0.9 % and 1.7 %, respectively, of the related consolidated totals.
- 2.5 The consolidated financial statements included equity in undistributed net loss of 33 associated companies based on financial statements which have not been audited, constituted loss of Baht 462.1 million or 2.4%, of the net loss for the year ended December 31, 1998.
- 2.6 The consolidated financial statements for the year ended December 31, 1998 are prepared for the first year, no consolidated statement of cash flows is prepared, accordingly.

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

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

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

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

Assets and liabilities in foreign currencies are converted into Baht at the rates of exchange prevailing at the transaction dates. Balances of assets and liabilities in foreign currencies and forward exchange contracts at the end of the period are converted into Baht at the reference exchange rates of The Bank of Thailand at the end of the period.

Gains and losses from foreign exchange transactions and translation gains and losses are accounted for in the statement of income. Premium or discount which comprises the difference between the rate of the forward exchange contracts and the rate on the transaction date is recognized over the term of the contract.

In managing its foreign-exchange risk, it is the Bank's policy to square off its foreign-currency denominated assets and liabilities positions in order to effect a net balance of foreign exchange. The Bank therefore endeavors to match its foreign-currency denominated lending with same currency funding sources in order to minimize its exposure to foreign currency fluctuations.

### 3.3 Investment in securities

3.3.1 Investment in securities held for trading is stated at the lower of aggregate cost or aggregate market value.

3.3.2 Securities held for investment are stated as follows :

3.3.2.1 Marketable securities are stated at the lower of aggregate cost or aggregate market value.

3.3.2.2 Securities other than marketable securities are stated at the lower of cost or net assets value.

Investment in unit trust which are non-listed securities are stated at the lower of aggregate cost or aggregate net asset value, being the prices on the last business day of the period.

3.3.3 Market values of securities are calculated on the following bases:

3.3.3.1 For debt instruments of the government sector, the monthly auction value of The Bank of Thailand's bonds, government bonds and state enterprise bonds guaranteed by the government is used. If there is no such auction value, the Bank's yield curve for debt instruments of the government sector will be used as per the Bank of Thailand's guideline. In case of state enterprise bonds without government guarantee, an appropriate risk-premium will be adjusted.

3.3.3.2 For private sector's debt instruments and equity securities which are listed securities, market values are the closing prices at The Stock Exchange of Thailand on the last business day of the period.

3.3.3.3 For private sector's debt instruments which are non-listed securities, the last closing prices of The Thai Bond Dealing Centre are used as market values. In the absence of such prices, market values are determined by applying the aforementioned risk adjusted yield curve, in accordance with the criteria established by the Bank of Thailand.

- 3.3.3.4 For equity securities and debt instruments which are listed securities in a foreign stock exchange, market values are the closing prices at such foreign stock exchange on the last business day of the period.
  - 3.3.3.5 For debt instruments and securities which are non-listed securities in foreign countries, the value quoted by reliable international financial institutions will be used.
  - 3.3.3.6 For securities other than marketable securities, market values are the net book value of close fiscal period, in accordance with the criteria established by the Bank of Thailand.
- 3.3.4 Concerning a loss caused by the aggregate market value being lower than aggregate cost or market value being lower than cost, the loss is recorded as follows:
- 3.3.4.1 The loss from securities held for trading is recognized in the statement of income and, in case of market recovery, the Bank also recognizes gain from the market recovery in the statement of income.
  - 3.3.4.2 The loss from market securities held for investment is shown as a deduction from the shareholders' equity for a temporary decline in aggregate market value, and charged to the statement of income for a permanent decline in aggregate market value.
  - 3.3.4.3 The loss from non-marketable securities held for investment is shown as a deduction from the shareholders' equity for a temporary decline in market value, and charged to the statement of income for a permanent decline in market value.
- 3.3.5 Investment in associated companies is presented in the consolidated financial statements under the equity method.
- The cost method financial statements account for its investment in subsidiary and associated companies by the cost method, according to the Notification of the Bank of Thailand dated February 15, 1995.
- 3.3.6 Cost of securities sold during the period is calculated by the specific identification method.

### 3.4 Loans

Overdrafts are stated at the drawn amounts including interest. Certain overdrafts for which special notices have been given and other loans are stated at the principal amounts.

Unearned discounts on notes receivable are included in other liabilities.

### 3.5 Allowance for doubtful accounts

The Bank of Thailand has set guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the differing classifications of loans. The period that a loan is past due is the principal criteria utilized in classifying a loan, with the appraised value of collateral being considered in some circumstances. Continued economic turmoil in Thailand and the Asia Pacific region would cause further deterioration in payment history and value of collateral with the resulting increase in loans being classified as non-performing. The guidelines for establishing the minimum level of allowance for doubtful accounts have periodically changed from time to time. As of December 31, 1998, the Bank and subsidiaries, which are financial institutions, have used the guidelines established as of June 30, 1998 and applicable throughout December 31, 1998. Such guidelines allow the Bank to record allowance for doubtful accounts on a pro-rata basis semi-annually through December 31, 2000.

At December 31, 1998, the Bank utilized the BOT New Guidelines described in Note 1.2 in establishing its minimum required allowance for doubtful account. The required qualitative review as described herein is applied to 70.78% of loans. Had such qualitative review been completed, management may have estimated an allowance for doubtful accounts in amounts that is different than the amounts currently estimated.

A qualitative review has been performed on corporate loan and large commercial loans which are 53.25% of the portfolio. In addition, aging method has been used for bank loans portfolio which are consumer credit and small business loans totaling 17.53% of the portfolio as management considered that it is appropriate.

The total estimated amount of required allowance for doubtful accounts estimated pursuant to the new Guidelines described in the preceding paragraph and Note 1.2 was Baht 54,957 million and Baht 58,108 million in the consolidated and cost method financial statements. As permitted under the New Guidelines, the Bank is phasing in the recording of the full allowance and has recorded an allowance for doubtful accounts of Baht 34,864 million and of Baht 31,423 million in the consolidated and cost method financial statements at December 31, 1998. This amount is in excess of the minimum required to be recorded pursuant to the phase in provisions of the New Guidelines.



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

For the year ended December 31, 1997, the Bank used the guidelines established as of December 29, 1997.

An increase in an allowance for doubtful accounts is recorded as an expense for the period.

Bad debts written off and bad debts recovered are recorded as a decrease or an increase in the allowance for doubtful accounts.

### 3.6 Properties foreclosed

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

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

### 3.7 Premises and equipment

Premises and equipment are stated at cost. Land and premises were professionally appraised according to guidelines laid down by The Bank of Thailand. The increment resulting from the appraisal and approved by The Bank of Thailand was recorded in the accounts as unrealized increment per land appraisal and unrealized increment per premises appraisal and shown under shareholders' equity. Depreciation is recorded by reducing the unrealized increment per premises appraisal.

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

Premises		20	years
Equipment		3 - 5	years
Leasehold	lease period between	1 - 30	years

### 3.8 Pension plan and provident fund

The Bank has a pension plan upon retirement for its employees with long service rendered before January 1, 1979. Thereafter the Bank has a staff leaving gratuities plan for those who have completed at least 5 years of uninterrupted service (or 10 years of interrupted service), calculated on the basis of length of service and the amount of last pay received. The Bank makes a provision for this purpose as appropriate in each period.

In 1996, the Bank initiated a provident fund for its employees who started employment after January 1, 1995 and for employees who started employment before January 1, 1995 who have the right to indicate their willingness to join up to March 31, 1997. The contributions from employees are deducted from the monthly salaries, with the Bank matching the individuals' contributions. The fund is managed by an authorized fund manager and has been registered in accordance with the Provident Fund Act B.E. 2530 (1987).

3.9 Interest income and interest expense

The Bank recognizes interest and discounts on loans as income on an accrual basis, except for interest on loans which are outstanding over 6 months at the date of the balance sheet and interest from receivable under Trouble Debt Restructuring. Such interest is recognized when received.

Interest expense is recognized on an accrual basis.

3.10 Interest on investment

Interest on investment is recognized as income on an accrual basis.

3.11 Dividend income

The consolidated financial statements recognize dividend income from the associated companies on an accrual basis and recognize dividend income from other companies on a cash basis.

The Bank's financial statements recognize dividend income on a cash basis.

3.12 Contributions to the Financial Institutions Development Fund are recorded as an expense on a cash basis.

3.13 Income tax

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

3.14 Earnings per share

Earnings (loss) per share are computed on the basis of the number of outstanding ordinary shares at the balance sheet date. In the case of an increase in capital, the number of shares are weighted according to the time of registration of the issued and paid up capital.

The Bank has issued subordinated convertible bonds which the bondholders can convert to ordinary shares (see Notes 4.11 and 4.12). As at December 31, 1998, the operation result is a loss, therefore, no fully diluted earnings per share are presented. As at December 31, 1997, had all the bondholders exercised their conversion rights, the difference between fully diluted and primary earnings per share would not be significant.

### 3.15 Use of accounting estimates

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

## 4. ADDITIONAL INFORMATION

### 4.1 Supplemental disclosures of cash flow information

#### 4.1.1 Cash paid for interest and income tax is as follows:

	<b>Baht:'000</b>	
	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
	<b>1998</b>	<b>1997</b>
Interest	60,360,081	39,845,969
Income tax	396,481	3,411,114

#### 4.1.2 Non-cash items are as follows:

##### 4.1.2.1 Subordinated convertible bonds

	<b>Baht:'000</b>	
	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>	
	<b>1998</b>	<b>1997</b>
Conversion of subordinated convertible bonds into ordinary shares	-	2,917
Premium on share capital	-	71,178
Conversion price of Subordinated convertible Bonds	-	74,095

4.1.2.2 The Bank sets up allowance for diminution in value of securities for investments which is shown as deduction from the shareholders' equity for the year ended December 31, 1998 and 1997 of Baht 1,054.4 million and Baht 7,209.3 million respectively.

4.1.2.3 For the year ended December 31, 1998 and 1997, allowance for depreciation of premises appraisal in the amount of Baht 42.9 million, was set up and deducted from unrealized increment per premises appraisal.

## 4.2 Interbank and money market items (Assets)

### 4.2.1 Domestic items

	<b>Baht:'000</b>		
	<b>CONSOLIDATED</b>		
	<b>FINANCIAL STATEMENTS</b>		
	<b>1998</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
The Bank of Thailand and Financial Institutions			
Development Fund	16,133,620	-	16,133,620
Commercial banks	285,172	1,375,609	1,660,781
Other banks	-	2,511,592	2,511,592
Finance companies, Finance and securities companies, Securities companies and Credit Foncier companies	375,288	5,475,619	5,850,907
Other financial institutions	263,535	35,905	299,440
<b>Total domestic</b>	<u>17,057,615</u>	<u>9,398,725</u>	<u>26,456,340</u>

	<b>Baht:'000</b>					
	<b>THE BANK'S FINANCIAL STATEMENTS</b>					
	<b>BY THE COST METHOD</b>					
	<b>1998</b>			<b>1997</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>	<b>Demand</b>	<b>Time</b>	<b>Total</b>
Bank of Thailand and Financial Institutions						
Development Fund	16,090,929	-	16,090,929	5,541,817	707,810	6,249,627
Commercial banks	30,340	1,048,156	1,078,496	197,416	3,521,959	3,719,375
Other banks	-	2,511,592	2,511,592	48	2,509,561	2,509,609
Finance companies, Finance and securities companies, Securities companies and Credit Foncier companies	88,122	6,037,496	6,125,618	224,227	20,544,307	20,768,534
Other financial institutions	263,535	35,905	299,440	296,597	42,678	339,275
<b>Total domestic</b>	<u>16,472,926</u>	<u>9,633,149</u>	<u>26,106,075</u>	<u>6,260,105</u>	<u>27,326,315</u>	<u>33,586,420</u>

4.2.2 Foreign items

	Baht:'000		
	CONSOLIDATED FINANCIAL STATEMENTS		
	1998		
	Demand	Time	Total
USD	1,067,865	16,223,607	17,291,472
YEN	120,345	-	120,345
DM	69,881	43,848	113,729
Others	<u>722,347</u>	<u>5,433</u>	<u>727,780</u>
Total foreign	<u>1,980,438</u>	<u>16,272,888</u>	<u>18,253,326</u>
Total domestic and foreign	<u>19,038,053</u>	<u>25,671,613</u>	<u>44,709,666</u>

	Baht:'000					
	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD					
	1998			1997		
	Demand	Time	Total	Demand	Time	Total
USD	1,067,865	16,223,607	17,291,472	8,246,854	5,146,634	13,393,488
YEN	120,345	-	120,345	173,904	-	173,904
DM	69,881	43,848	113,729	661,827	-	661,827
Others	<u>722,347</u>	<u>5,433</u>	<u>727,780</u>	<u>543,439</u>	<u>73,080</u>	<u>616,519</u>
Total foreign	<u>1,980,438</u>	<u>16,272,888</u>	<u>18,253,326</u>	<u>9,626,024</u>	<u>5,219,714</u>	<u>14,845,738</u>
Total domestic and foreign	<u>18,453,364</u>	<u>25,906,037</u>	<u>44,359,401</u>	<u>15,886,129</u>	<u>32,546,029</u>	<u>48,432,158</u>

As at December 31, 1998 and 1997, the Bank's loans outstanding to the finance companies whose operations were closed by The Ministry of Finance on December 8, 1997 amounted to Baht 3,605.0 and 5,192.1 million, respectively. In 1998, the Bank has applied for an exchange of these loans into Krung Thai Bank PCL's certificates of deposits with annual interest of 2 percent, amounted to Baht 2,316.4 million and has provided allowance for doubtful debt amounted to Baht 1,088.9 million and Baht 173.1 million as at December 31, 1998 and 1997, respectively, for the loans which the Bank have not applied for the exchange .

As at December 31, 1998, subsidiaries which are financial institutions have loans outstanding to the finance companies whose operations were closed by the Ministry of Finance on December 8, 1997 amounted to Baht 320.6 million. Applications for an exchange into Krung Thai PCL's certificates of deposit has been made amounting to Baht 263.2 million and Baht 50.0 million has been provided for an allowance for doubtful debts.

Furthermore, the Bank has outstanding loans to the finance companies, which were taken over by the Bank of Thailand on May 18 and August 14, 1998 amounted to Baht 46.2 and 211.5 million, respectively. Such loans are covered by the Financial Institutions Development Fund.

4.3 Securities purchased under resale agreements

	Baht:'000		
	CONSOLIDATED FINANCIAL STATEMENTS 1998		
	Bank of Thailand repurchase market	Other repurchase market	Total
Government bonds and Bank of Thailand bonds	13,000	-	13,000
Financial Institutions Development Fund	36,025,000	-	36,025,000
<b>Total</b>	<u>36,038,000</u>	<u>-</u>	<u>36,038,000</u>

	Baht:'000					
	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD					
	Bank of Thailand repurchase market	1998 Other repurchase market	Total	Bank of Thailand repurchase market	1997 Other repurchase market	Total
Government bonds and Bank of Thailand bonds	13,000	-	13,000	-	-	-
Financial Institutions Development Fund	35,497,000	-	35,497,000	33,550,000	-	33,550,000
State enterprise securities	-	-	-	50,000	-	50,000
<b>Total</b>	<u>35,510,000</u>	<u>-</u>	<u>35,510,000</u>	<u>33,600,000</u>	<u>-</u>	<u>33,600,000</u>

4.4 Investment in securities

4.4.1 Securities for trading

	Baht:'000	
	CONSOLIDATED FINANCIAL STATEMENTS 1998	
	Cost/ Book value	Market Value
Debt instruments		
Government and state enterprise securities	18,592,153	19,548,133
Corporate debt instruments	<u>2,576,478</u>	<u>1,476,312</u>
Total	21,168,631	21,024,445
Less Allowance for diminution in value of securities	<u>(374,183)</u>	-
Net debt instruments	<u>20,794,448</u>	<u>21,024,445</u>
Equities		
Listed securities	12,516	9,469
Others	<u>2,968</u>	<u>2,968</u>
Total	15,484	12,437
Less Allowance for diminution in value of securities	<u>(4,424)</u>	-
Net equities	<u>11,060</u>	<u>12,437</u>
Net securities for trading	<u>20,805,508</u>	<u>21,036,882</u>

Baht:'000				
THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD				
	1998		1997	
	Cost/ Book value	Market value	Cost/ Book value	Market value
Debt instruments				
Government and state				
Enterprise securities	18,498,847	19,530,530	-	-
Corporate debt instruments	2,061,230	1,259,993	1,928,390	2,224,983
Total	<u>20,560,077</u>	<u>20,790,523</u>	<u>1,928,390</u>	<u>2,224,983</u>
Net securities for trading	<u>20,560,077</u>	<u>20,790,523</u>	<u>1,928,390</u>	<u>2,224,983</u>

#### 4.4.2 Securities for investment

Baht:'000		
CONSOLIDATED FINANCIAL STATEMENTS 1998		
	Cost/ Book value	Market Value
Debt instruments		
Government and state enterprise securities	14,493,149	16,281,510
Corporate debt instruments	2,805,638	2,743,439
Foreign debt instruments	6,169,451	5,344,184
Others	807,681	357,750
Total	<u>24,275,919</u>	<u>24,726,883</u>
<u>Less</u> Allowance for diminution in value of securities	(722,114)	-
Net debt instruments	<u>23,553,805</u>	<u>24,726,883</u>
Equities		
Listed securities	5,599,400	5,599,163
Foreign securities	822,573	766,768
Others	10,589,588	7,246,774
Total	<u>17,011,561</u>	<u>13,612,705</u>
<u>Less</u> Allowance for diminution in value of securities	(5,140,639)	-
Net equities	<u>11,870,922</u>	<u>13,612,705</u>
Net securities for investment	<u>35,424,727</u>	<u>38,339,588</u>
Net investment in securities	<u>56,230,235</u>	<u>59,376,470</u>

Baht:'000				
THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD				
	1998		1997	
	Cost/ Book value	Market value	Cost/ Book value	Market value
Debt instruments				
Government and state enterprise securities	11,615,503	13,427,840	16,837,995	15,153,430
Corporate debt instruments	3,217,173	3,394,356	2,075,550	1,973,433
Foreign debt instruments	6,169,451	5,344,184	10,306,657	9,039,191
Others	-	-	2,424,411	2,355,332
Total	<u>21,002,127</u>	<u>22,166,380</u>	<u>31,644,613</u>	<u>28,521,386</u>
<u>Less</u> Allowance for diminution in value of securities	<u>(486,259)</u>	<u>-</u>	<u>(3,123,227)</u>	<u>-</u>
Net debt instruments	<u>20,515,868</u>	<u>22,166,380</u>	<u>28,521,386</u>	<u>28,521,386</u>
Equities				
Listed securities	4,948,846	4,952,366	4,574,216	2,252,135
Foreign securities	803,905	979,218	762,400	741,416
Others	10,441,168	7,495,775	6,299,200	6,245,710
Total	<u>16,193,919</u>	<u>13,427,359</u>	<u>11,635,816</u>	<u>9,239,261</u>
<u>Less</u> Allowance for diminution in value of securities	<u>(6,750,966)</u>	<u>-</u>	<u>(4,086,096)</u>	<u>-</u>
Net equities	<u>9,442,953</u>	<u>13,427,359</u>	<u>7,549,720</u>	<u>9,239,261</u>
Net securities for investment	<u>29,958,821</u>	<u>35,593,739</u>	<u>36,071,106</u>	<u>37,760,647</u>
Net investment in securities	<u>50,518,898</u>	<u>56,384,262</u>	<u>37,999,496</u>	<u>39,985,630</u>

As at June 30, 1998, the Bank has provided allowance for diminution in value of securities held for investment amounted to Baht 8,890.6 million and charges to the statement of income as was considers as a permanent decline. As at December 31, 1998, the market prices recovered resulting in recoveries of Baht 2,675.3 million. Furthermore, As at December 31, 1998, the market price of securities other than the above mentioned is higher than its cost amounting to Baht 3,190.1 million. To comply with the generally accepted accounting principle no.17 "Accounting for Investments", the Bank does not recognize such gain from market recoveries and unrealised gain from market price higher than cost. However, had the Bank's financial statements by the cost method recognize such gain and unrealized gain according to the pure market value of the international accounting standard no.25 "Accounting for Investment", net profit and net equity will increase by Baht 2,675.3 million and Baht 5,865.4 million, respectively, and consolidated net profit and consolidated net equity will increase by Baht 1,495.8 million and Baht 3,146.2 million, respectively.



The Bank and its subsidiaries hold for investment a number of securities in which there were problems concerning the companies financial positions and operating results. The Bank has made a provision for diminution in value of securities equal to the amount by which the aggregate cost exceeds the aggregate market value.

	CONSOLIDATED			THE BANK'S		
	FINANCIAL STATEMENTS			FINANCIAL STATEMENTS		
	1998			1998		
	Cost	Market Value	Amount of Provision	Cost	Market value	Amount of Provision
<b>Baht : Million</b>						
<b>BY THE COST METHOD</b>						
Finance companies						
ordered closed						
Common shares	1.4	-	1.4	-	-	-
Bonds	80.8	7.8	50.0	30.8	7.8	-
Finance companies						
Controlled by and						
ordered by BOT						
to decrease and						
increase capital						
Common shares	4.2	1.3	2.9	1.3	1.3	-
Bonds	35.7	25.0	11.1	-	-	-
Listed companies						
identified for delisting						
Common shares	38.0	38.4	-	38.0	38.4	-
Bonds	752.4	213.7	33.7	718.7	213.7	-

Investments in companies of which the Bank holds 20% or more of the paid up capital in each company, are as follows:

	Baht:'000					
	CONSOLIDATED FINANCIAL STATEMENTS 1998		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD			
	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)	Amount
The Cambodian Commercial Bank Ltd.	100.00	401,903	100.00	401,903	40.00	201,374
SCB Resolution Corporation Co., Ltd.	-	-	100.00	4,978	-	-
Singburi Sugar Co., Ltd.	-	-	100.00	-	100.00	-
SCB Advisory Service Co., Ltd.	-	-	99.99	9,999	99.99	9,999
Siam Appraisal and Service Co., Ltd.	-	-	99.99	3,565	99.99	3,565
Astrakhan Investment Ltd.	-	-	99.99	1,543	-	-
Siam Pitiwat Co., Ltd.	-	-	99.99	-	99.99	-
SCB Securities Co., Ltd.	-	-	99.99	-	69.99	115,962
The Book Club Finance And Securities PCL	-	-	93.34	599,425	9.78	21,517
The Siam Sanwa Industrial Credit PCL	-	-	69.56	402,164	8.18	27,410
SCB Research Co., Ltd.	-	-	60.00	22,500	60.00	13,650
SiamSammaggi Leasing Co., Ltd.	-	-	51.00	16,728	51.00	51,000
Siam Sanwa Trilease Co., Ltd.	35.00	21,000	35.00	21,000	35.00	21,000
Business Venture Promotion Co., Ltd.	32.50	35,841	32.50	35,841	32.50	37,128
The Vina Siam Bank	25.00	92,362	25.00	92,362	25.00	177,150
SCB Training Centre Co., Ltd.	25.00	82,225	25.00	82,225	25.00	92,092
SCB Asset Management Co., Ltd.	25.00	25,000	25.00	25,000	25.00	25,000
Siam Sindhorn Co., Ltd.	24.99	147,291	24.99	147,291	24.99	302,413
Bank of Kathmandu Ltd.	-	-	-	-	30.00	25,691
		805,622		1,866,524		1,124,951

Investment in companies, of which the Bank holds less than 20% of the paid up capital in each company, classified by industries, is as follows:

	<b>Baht:'000</b>	
	<b>THE BANK'S FINANCIAL STATEMENTS</b>	
	<b>BY THE COST METHOD</b>	
	<b>1998</b>	<b>1997</b>
Manufacturing	1,305,824	1,279,999
Commercial	77,463	80,867
Banking and finance	6,333,095	3,357,469
Other	909,671	1,287,368
	<u>8,626,053</u>	<u>6,005,703</u>

The consolidated financial statements for the year ended December 31, 1998 do not present investment specified by business type due to insufficient information.

The Bank's financial statements by the cost method account the investment in subsidiary and associated companies by the cost method, according to the Notification of the Bank of Thailand dated February 15, 1995. Had such investments been presented by the equity method, the effect on the financial statements would be as follows:

	<b>Baht:'000</b>	
	<b>THE BANK'S FINANCIAL STATEMENTS</b>	
	<b>BY THE COST</b>	
	<b>1998</b>	
Increase (decrease) in investments in other securities		(4,445,614)
Increase (decrease) in unrealized loss on securities for Investment		2,089,196
Decrease in loans		16,884,203
Increase (decrease) in retained earnings brought forward		(9,818,462)
Decrease in net profit		9,270,077
Increase (decrease) in loss on investment in securities translations		152,082
Decrease in earnings per share	<b>Baht</b>	16.37

Following the change in reporting entities in the financial statements for the year ended December 31, 1998, no comparative figure is presented due to insufficient available information.

#### 4.5 Loans

##### 4.5.1 Classified by product

	<b>Baht : '000</b>		
	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998      1997</b>	
Overdrafts	98,024,587	98,067,346	106,855,339
Loans	381,495,539	382,996,570	382,914,892
Bills	43,372,949	57,666,100	67,922,247
Others	17,961,909	5,538,465	10,468,055
Total	<u>540,854,984</u>	<u>544,268,481</u>	<u>568,160,533</u>

##### 4.5.2 Classified by maturity

	<b>Baht : '000</b>		
	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998      1997</b>	
Up to 1 year*	253,762,118	247,841,220	338,779,734
Over 1 year	287,092,866	296,427,261	229,380,799
Total	<u>540,854,984</u>	<u>544,268,481</u>	<u>568,160,533</u>

\* Including agreements without contracts and past-due agreements

##### 4.5.3 Classified by currency and customer location

	<b>Baht : '000</b>		
	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht	468,896,713	29,708	468,926,421
USD	43,084,257	17,048,414	60,132,671
Others	4,370,479	7,425,413	11,795,892
Total	<u>516,351,449</u>	<u>24,503,535</u>	<u>540,854,984</u>

Baht : '000

THE BANK'S FINANCIAL STATEMENTS  
BY THE COST METHOD

	1998			1997		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	471,158,030	29,708	471,187,738	430,993,208	45,760	431,038,968
USD	44,270,337	17,044,854	61,315,191	87,222,109	31,015,400	118,237,509
Others	4,370,479	7,395,073	11,765,552	7,384,198	11,499,858	18,884,056
Total	<u>519,798,846</u>	<u>24,469,635</u>	<u>544,268,481</u>	<u>525,599,515</u>	<u>42,561,018</u>	<u>568,160,533</u>

4.5.4 Classified by business type

Baht : '000

	CONSOLIDATED	THE BANK'S	
	FINANCIAL	FINANCIAL STATEMENTS	
	STATEMENTS	BY THE COST METHOD	
	1998	1998	1997
Agriculture and mining	15,749,131	18,161,289	21,854,881
Manufacturing and commercial	246,803,249	255,649,208	271,005,035
Real estate and construction	98,843,721	98,690,334	79,489,591
Utilities and services	77,051,972	74,921,126	95,239,537
Housing loans	90,503,122	87,797,073	81,705,373
Others	11,903,789	9,049,451	18,866,116
Total	<u>540,854,984</u>	<u>544,268,481</u>	<u>568,160,533</u>

Due to inequilibrium in demand and supply of the real estate and construction industry, those who engage in such business are facing more difficulty in managing liquidity and in marketing which may affect their ability to repay the loans to the Bank. Nevertheless, real estate and construction loans are collateralized by land, building and construction in progress, appraised by related companies.

4.6 Allowance for doubtful accounts

	Baht : '000		
	CONSOLIDATED FINANCIAL STATEMENTS 1998	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998      1997	
Beginning balance	20,305,946	18,153,466	6,230,776
<u>Add</u> General doubtful accounts	11,692,407	10,373,009	11,423,456
Doubtful account of closed finance companies	915,840	915,840	173,100
Bad debt recovered	20,296	26,978	133,044
Valuation allowance from debt restructuring	3,144,310	3,144,310	-
Others	(428,627)	(428,627)	586,629
<u>Less</u> Bad debt written off	(786,164)	(762,265)	(393,539)
Ending balance	<u>34,864,008</u>	<u>31,422,711</u>	<u>18,153,466</u>

In determining the extent of its non-performing loans, the Bank used the criteria of non-payment of interest or principal for longer than three months from the date when interest or principal repayment was due. As of December 31, 1998, the Bank had non-accrual loans in the amount of Baht 190,034.2 million, or 34.3% of total loans including loans to financial institutions, based on each loan account.

The Bank classified its assets and made provision for loan loss according to the criteria specified concerning in the Bank of Thailand's Notification dated June 30, 1998 concerning the basis for classification of loans, allowances for each classification of loans and valuation of collateral.

As of December 31, 1998, the Bank had classified assets principal amount, accrued interest income and others asset relating to the non accrual loans, base on each customer amounted to Baht 234,929.6 million or 42.5% of total classified assets, which comprised the following.

Baht: Million

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

	<b>Loan and accrued Interest Amount</b>	<b>Allowance per BOT's Guideline %</b>	<b>Allowance Fully Required by BOT Guideline</b>	<b>Minimum Allowance Required by BOT</b>
Normal	280,444.9	1	2,804.5	560.9
Special Mentioned	37,867.1	2	757.3	151.5
Substandard	33,885.2	20	2,175.1	435.0
Doubtful	85,114.2	50	17,426.6	3,485.3
Loss	<u>115,930.2</u>	100	<u>31,635.6</u>	<u>6,327.1</u>
	<u>553,241.6</u>		<u>54,799.1</u>	<u>10,959.8</u>

The Bank recorded on allowance for doubtful accounts on a pro-rata basis semi-annually from December 31, 1998 to December 31, 2000. The minimum allowance prorated effective for the fiscal year ended December 31, 1998 being 20% of the total allowance. As at December 31, 1998, 20% of allowance for doubtful accounts required by BOT is Baht 10,959.8 million. However, the Bank has already recorded an allowance of Baht 28,112.9 million.

As at December 31, 1998, the Bank has loans receivable under Trouble Debt Restructuring Contracts in the amount of Baht 34,875.2 million. The Bank extended additional credit to certain borrowers in the amount of Baht 613.1 million and collected cash Baht 4,495.8 million. Total valuation allowance is Baht 3,309.8 million. The minimum loss of Baht 165.5 million has been recorded in the statement of income. The remaining required valuation allowance of Baht 3,144.3 million has been deferred and the loss shown as a deferred asset and it will be phased in according to the Notification of Ministry of Finance dated September 29, 1998 as for the principal, process and conditions for the financial institutions which apply for the "Capital Fund Assistance Programme". Interest income for the year ended December 31, 1998 arising from receivable under trouble debt restructuring is not significantly different from that before restructuring.

As at December 31, 1998, the subsidiaries which are financial institutions had non-accrual loans in the amount of Baht 11,374.1 million.

As at December 31, 1998, the subsidiaries which are financial institutions had Baht 11,374.1 classified assets, with details as follows :

	Loan and accrued Interest Amount	Allowance per BOT's Guideline %	Baht: Million Allowance	
			Fully Required by BOT Guideline	Minimum Allowance Required by BOT
Normal	8,391.1	1	81.3	16.3
Special Mention	1,256.0	2	25.2	5.1
Substandard	2,229.6	20	318.0	65.4
Doubtful	4,804.2	50	1,967.1	692.7
Loss	6,332.3	100	3,470.0	769.0
	<u>23,013.2</u>		<u>5,861.6</u>	<u>1,548.5</u>

The subsidiaries which are financial institutions has recorded on allowance of Baht 3,362.1 million.

The Bank extended loans to borrowers who subsequently developed problems in their financial positions and operating results, causing their loans to become classified assets. In these cases, the Bank has made appropriate provisions for loan losses as follows:

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD			
	1998				1998			
	No. of Companies	Loans Outstanding	Collateral	Amount of provision	No. of Companies	Loans Outstanding	Collateral	Amount of provision
Financial institutions ordered closed	19	3,925.6	-	1,138.9	14	3,605.0	-	1,088.9
Financial institutions controlled by and ordered by BOT to decrease and increase capital	6	257.7	-	-	4	52.7	-	-
Listed companies identified for delisting	39	6,351.2	2,935.3	3,261.4	20	5,619.6	2,910.6	2,605.2



#### 4.7 Premises and equipment

	<b>Baht : '000</b>		
	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998                      1997</b>	
Land			
Cost	6,397,102	3,726,230	3,550,844
Appraisal increase (in 1993)	2,397,957	2,397,957	2,397,957
Premises			
Cost	14,984,601	9,473,729	9,295,814
Appraisal increase (in 1993)	1,403,545	1,403,545	1,403,545
Equipment	10,942,658	9,249,933	8,856,841
Leasehold (net)	1,013,190	497,469	589,884
Others	<u>514,981</u>	<u>192,994</u>	<u>115,553</u>
Total	37,654,034	26,941,857	26,210,438
<u>Less Accumulated depreciation</u>			
- cost	(10,667,261)	(8,366,718)	(6,822,409)
- appraisal increase	<u>(249,202)</u>	<u>(249,202)</u>	<u>(206,297)</u>
Net premises and equipment	<u>26,737,571</u>	<u>18,325,937</u>	<u>19,181,732</u>
Depreciation and amortization for the period	<u>2,113,559</u>	<u>1,736,382</u>	<u>1,660,433</u>

The Bank has a commitment with regard to the construction of the new head office building amounting to Baht 16.7 million and Baht 17.0 million as at December 31, 1998 and 1997, respectively.

#### 4.8 Deposits

##### 4.8.1 Classified by product

	<b>Baht : '000</b>		
	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY HE COST METHOD 1998                      1997</b>	
Demand	10,764,768	10,937,870	10,629,375
Savings	109,874,459	109,912,982	99,632,906
Fixed			
Less than 6 months	361,114,333	348,989,536	296,851,389
6 months and up to 1 year	48,626,885	44,900,937	90,137,161
Over 1 year	50,252,138	50,197,138	55,133,823
Negotiable certificates of deposit	<u>26,211,382</u>	<u>26,211,382</u>	<u>6,594,988</u>
Total	<u>606,843,965</u>	<u>591,149,845</u>	<u>558,979,642</u>

4.8.2 Classified by maturity

**Baht : '000**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>		<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998</b>		<b>1997</b>
	Up to 1 year	558,473,657	542,834,537	534,782,870	
Over 1 year	48,370,308	48,315,308	24,196,772		
Total	<u>606,843,965</u>	<u>591,149,845</u>	<u>558,979,642</u>		

4.8.3 Classified by currency and customer location

**Baht : '000**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht	570,064,044	333,109	570,397,153
USD	3,091,183	28,179,387	31,270,570
Others	467,145	4,709,097	5,176,242
Total	<u>573,622,372</u>	<u>33,221,593</u>	<u>606,843,965</u>

**Baht : '000**

	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>					
	<b>1998</b>			<b>1997</b>		
	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>	<b>Domestic</b>	<b>Foreign</b>	<b>Total</b>
Baht	554,307,602	331,790	554,639,392	489,478,105	7,185,676	496,663,781
USD	3,091,182	28,243,028	31,334,210	6,077,184	48,945,893	55,023,077
Others	467,146	4,709,097	5,176,243	476,410	6,816,374	7,292,784
Total	<u>557,865,930</u>	<u>33,283,915</u>	<u>591,149,845</u>	<u>496,031,699</u>	<u>62,947,943</u>	<u>558,979,642</u>

4.9 Interbank and money market items (Liabilities)

4.9.1 Domestic items

**Baht : '000**

	<b>CONSOLIDATED</b>		
	<b>FINANCIAL STATEMENTS</b>		
	<b>1998</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>
Bank of Thailand and Financial Institutions Development Fund	-	2,032,688	2,032,688
Commercial banks	102,812	1,025,481	1,128,293
Other banks	410,561	3,432,152	3,842,713
Finance companies, Finance and securities companies, Securities companies and Credit Fancier companies	4,022,763	825,649	4,848,412
Other financial institutions	<u>270,090</u>	<u>3,281,843</u>	<u>3,551,933</u>
Total domestic	<u>4,806,226</u>	<u>10,597,813</u>	<u>15,404,039</u>

**Baht : '000**

	<b>THE BANK'S FINANCIAL STATEMENTS</b>					
	<b>BY THE COST METHOD</b>					
	<b>1998</b>			<b>1997</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>	<b>Demand</b>	<b>Time</b>	<b>Total</b>
Bank of Thailand and Financial Institutions Development Fund	-	2,032,688	2,032,688	-	1,915,670	1,915,670
Commercial banks	67,310	440,181	507,491	185,056	3,895,028	4,080,084
Other banks	410,561	427,673	838,234	44,934	3,146,621	3,191,555
Finance companies, Finance and securities companies, Securities companies and Credit Fancier companies	3,837,184	1,066,596	4,903,780	1,898,206	1,397,613	3,295,819
Other financial institutions	<u>270,090</u>	<u>3,251,843</u>	<u>3,521,933</u>	<u>274,949</u>	<u>3,521,551</u>	<u>3,796,500</u>
Total domestic	<u>4,585,145</u>	<u>7,218,981</u>	<u>11,804,126</u>	<u>2,403,145</u>	<u>13,876,483</u>	<u>16,279,628</u>

4.9.2 Foreign items

**Baht : '000**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
1998**

	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	976,302	23,931,941	24,908,243
YEN	1,494	1,967,194	1,968,688
DM	1,708	60,658	62,366
Others	112,663	909,579	1,022,242
Total foreign	<u>1,092,167</u>	<u>26,869,372</u>	<u>27,961,539</u>
Total domestic and foreign	<u>5,898,393</u>	<u>37,467,185</u>	<u>43,365,578</u>

**Baht : '000**

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

	<b>1998</b>			<b>1997</b>		
	<b>Demand</b>	<b>Time</b>	<b>Total</b>	<b>Demand</b>	<b>Time</b>	<b>Total</b>
USD	976,302	23,064,678	24,040,980	1,623,126	51,167,273	52,790,399
YEN	1,494	-	1,494	27,151	190,338	217,489
DM	1,708	60,658	62,366	2,666	91,679	94,345
Others	112,663	909,579	1,022,242	343,224	1,657,107	2,000,331
Total foreign	<u>1,092,167</u>	<u>24,034,915</u>	<u>25,127,082</u>	<u>1,996,167</u>	<u>53,106,397</u>	<u>55,102,564</u>
Total domestic and foreign	<u>5,677,312</u>	<u>31,253,896</u>	<u>36,931,208</u>	<u>4,399,312</u>	<u>66,982,880</u>	<u>71,382,192</u>

4.10 Securities sold under repurchase agreements

	Baht : '000		
	CONSOLIDATED FINANCIAL STATEMENTS		
	1998		
	Bank of Thailand repurchase market	Other repurchase markets	Total
State enterprise securities	226,000	-	226,000
Total	<u>226,000</u>	<u>-</u>	<u>226,000</u>

Baht : '000

	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD					
	1998			1997		
	Bank of Thailand repurchase market	Other repurchase markets	Total	Bank of Thailand repurchase market	Other repurchase markets	Total
Government bonds and Bank of Thailand bonds	-	-	-	180,000	-	180,000
Financial Institutions Development Fund	-	-	-	300,000	-	300,000
State enterprise securities	-	-	-	500,000	-	500,000
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,000</u>	<u>-</u>	<u>980,000</u>

4.11 Borrowings

	Baht : '000		
	CONSOLIDATED FINANCIAL STATEMENTS		
	1998		
	Domestic	Foreign	Total
Subordinated convertible bonds	6,000,000	3,809,888	9,809,888
Subordinated notes	-	7,088,916	7,088,916
Others	2,035,238	578,030	2,613,268
Total	<u>8,035,238</u>	<u>11,476,834</u>	<u>19,512,072</u>

THE BANK'S FINANCIAL STATEMENTS						
BY THE COST METHOD						
	1998			1997		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Subordinated						
convertible bonds	6,000,000	3,809,888	9,809,888	-	3,809,888	3,809,888
Subordinated notes	-	7,088,916	7,088,916	-	8,900,736	8,900,736
Others	7,466	-	7,466	-	2,645,440	2,645,440
Total	<u>6,007,466</u>	<u>10,898,804</u>	<u>16,906,270</u>	<u>-</u>	<u>15,356,064</u>	<u>15,356,064</u>

On November 29, 1993, the shareholders passed a resolution to issue up to US\$ 180.0 million subordinated convertible bonds in the foreign market, such bonds can be redeemed or converted into ordinary shares within 10 years. At the extraordinary meeting on November 28, 1997, the shareholders passed a resolution to reserve 22 million ordinary shares as accommodation for the convertible bonds. At the extraordinary meeting on July 2, 1998, the shareholders passed a resolution to cancel the resolution on November 28, 1997 and instead reserved 20 million ordinary shares for such accommodation.

In January, 1994 the Bank offered US\$ 160.0 million or approximately Baht 4,088.0 million of subordinated convertible bonds to foreign investors at an interest rate of 3.25 percent per annum and conversion price equal to Baht 254 at an exchange rate of US\$ 1 to Baht 25.55 on the condition that the Bank may convert or redeem the bonds before maturity. The conversion price was adjusted to Baht 223.51 effective December 9, 1997.

The first portion of the subordinated convertible bonds were converted on May 25, 1995. As at December 31, 1998, the value of subordinated convertible bonds which have not been converted amounted to Baht 3,809.9 million.

On December 29, 1994, the Bank issued subordinated notes for Yen 5,000.0 million, repayable in 10 years, with interest rate of 5.60% per annum, payable annually.

On March 15, 1996, the Bank issued subordinated notes for US\$ 150.0 million repayable in 10 years, with interest rate of 7.5% per annum, payable twice a year.

On October 16, 1998, the Bank issued subordinated convertible bonds for Baht 6,000 million to domestic investors, at an interest rate of the highest rate of the Bank's three months fixed deposit plus 1.25 percent per annum. Such bond can be redeemed or converted into ordinary shares within 7 years. The conversion price is Baht 30. The ordinary shares of 200 million shares are reserved as accommodation for the convertible bonds. As at December 31, 1998, no convertible bond is converted.

#### 4.12 Share capital

The Board of Directors passed a resolution to offer for sale 5,667,467 of the Bank's newly issued shares, at Baht 67 each, to the Long-Term Credit Bank of Japan on January 23, 1998, together with the right to receive one warrant for every four shares purchased. As a result, the Bank has 551,294,035 ordinary shares outstanding, or Baht 5,512.9 million of issued and paid-up share capital. The Bank registered this increase in share capital with the Department of Commercial Registration on February 2, 1998.

On March 30, 1998, the 175<sup>th</sup> ordinary shareholders meeting authorized the Bank to offer for sale in a private placement the 196,832,533 issued but unsold shares. On April 23, 1998 and April 27, 1998, the Board of Directors approved the sale of 36,707,705 shares, at Baht 60.26 per share, to Sanwa Bank and the sale of 758,333 shares, at Baht 80.00 per share, to The Long-Term Credit Bank of Japan. This brings the total ordinary shares outstanding to 588,760,073 shares, amounting to Baht 5,887.6 million in issued and paid-up capital, which the Bank registered with the Department of Commercial Registration on May 6, 1998.

Regarding the warrants which were issued with the new shares, as of December 31, 1998, the Bank is in the process of preparing the application to submit to Office of the Securities and Exchange Commission for approval.

In the extraordinary meeting No. 1/2541 on July 2, 1998, the shareholders approved the motion to reduce the Bank's registered share capital (i.e., to cancel those authorized but unissued registered shares in order to make the number of shares outstanding equal to the number of registered shares) from Baht 10,000.0 million to Baht 5,887.6 million and then to increase the registered shares from Baht 5,887.6 million to Baht 40,000.0 million by issuing 3,411,239,927 new common shares, each with Baht 10 par value, for a total value of Baht 34,112.4 million. This increase in share capital was registered with the Department of Commercial Registration on July 17, 1998.

In the above-mentioned Extraordinary Meeting, the shareholders further approved the motion to allocate the new shares as follows:

- That the Bank reserve 20 million shares to accommodate possible conversion of the subordinated convertible bonds that were issued and sold in foreign markets in accordance with the motion passed in the extraordinary shareholder meeting No. 3/2536 on November 29, 1993.

- That the Bank reserve 116 million shares to accommodate possible exercise of the warrants which were issued in accordance with the motion passed in the extraordinary shareholder meeting No. 1/2540 on November 28, 1997, and that the subscription price for these warrants be changed from Baht 118 to 110% of the market price of the Bank's common shares averaged over 30 business days prior to the date on which the Bank's Disclosure Form submitted to Office the Securities and Exchange Commission takes effect.
- That the Bank reserve 30 million shares to accommodate possible exercise of the staff warrants which were issued in accordance with the motion passed in the 175<sup>th</sup> ordinary shareholders meeting on March 30, 1998.
- That the Bank reserve 200 million shares to accommodate possible conversion of convertible bonds and/or subordinated convertible bonds to be issued by the Bank in the amount not to exceed US\$ 1,000.0 million.
- That 3,045,239,927 shares be offered for sale in a private placement to investors with attributes of, or classified as, one of the 17 categories specified in the Notification of Office of the Securities and Exchange Commission. The offer for sale may be single or multiple as appropriate, with the Board of Directors authorized to determine the number of shares, offering price, duration of the offer and payment, and the criteria, conditions, and any details pertaining to the new share offer as the Board deems appropriate.
- That the Bank establish a Special Purpose Vehicle (SPV) to issue Capital Securities in the amount not to exceed US\$ 1,000.0 million or its equivalent in other currencies in order to offer for sale to private placement investors, and/or to institutional investors with attributes of or classified as such in the Notification of Office of the Securities and Exchange Commission, and/or to the general public, denominated in foreign currencies and/or in Baht, in a single or multiple offer as deemed appropriate, with the Board of Directors or persons designated by the Board authorized to determine to particulars of relevant undertakings.



## Capital Funds

The Bank maintains its capital funds as a proportion of risk assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As at December 31, 1998 and 1997, the Bank's total capital funds can be categorized as follows:

	<b>Baht : '000</b>	
	<b>THE BANK'S FINANCIAL STATEMENTS</b>	
	<b>BY THE COST METHOD</b>	
	<b>1998</b>	<b>1997</b>
Tier 1 capital		
Issued and paid-up share capital	5,887,601	5,456,266
Premium on share capital	15,776,702	13,555,643
Legal reserve	695,000	495,000
Others	23,081,000	23,081,000
Net profit (loss) after appropriations	<u>(9,868,706)</u>	<u>3,228,043</u>
Total Tier 1 capital	<u>35,571,597</u>	<u>45,815,952</u>
Tier 2 capital		
Unrealized increment per assets appraisal	2,255,525	2,276,978
Subordinated convertible bonds	9,809,888	3,809,888
Subordinated notes	<u>5,018,715</u>	<u>5,018,715</u>
Total Tier 2 capital	<u>17,084,128</u>	<u>11,105,581</u>
Total Capital Funds	<u>52,655,725</u>	<u>56,921,533</u>

In the Board of Directors' meeting No.16/1998 on December 28, 1998, the Board of Directors approved to enter into "the Government's August 14<sup>th</sup>, 1998, Capital Assistance Programme" from the Ministry of Finance and approved to issue 6,000 million new preferred shares, with par value of Baht 10 each, totalling to Baht 60,000 million. 2,750 million preferred shares will be proposed to the Ministry of Finance. The remainder will be offered to investors. Under the tier 1 capital assistance programme, the Ministry of Finance will invest in additional preferred shares of the Bank in a portion of 1 : 1 of any additional preferred shares to the investors. In this regard, the investor will obtain the right to buy such preferred shares from the Ministry of Finance within 3 years at initial cost plus interest equivalent to government bond.

The Bank has to provide full provision for classified assets to obtain payment for preferred shares from the Ministry of Finance.

On December 30, 1998, the Minister of Finance approved the Bank's tier 2 capital assistance programme following the Bank's lending to some industrial sectors. In this respect, the Ministry of Finance will buy subordinated bonds amounting to Baht 1,665 million. As at December 31, 1998, the Ministry of Finance has not yet purchased the bonds. (See note 4.20)

### 4.13 Legal reserve

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

4.14 Contingencies

Baht : '000

CONSOLIDATED FINANCIAL STATEMENTS			
	Baht	1998 Foreign Currency	Total
Avals to bills	2,462,626	161,270	2,623,896
Guarantees of loans	2,873,916	14,952,942	17,826,858
Liability under unmatured import bills	750,174	6,078,593	6,828,767
Other guarantees	37,330,405	9,749,279	47,079,684
Letters of credit	562,875	5,414,378	5,977,253
Exchange rate Contracts			
Bought	-	72,014,677	72,014,677
Sold	-	89,948,014	89,948,014
Interest rate contracts			
Bought	-	9,523,257	9,523,257
Sold	500,000	9,670,681	10,170,681
Amount of unused bank overdraft	56,573,595	-	56,573,595
Other	-	59,788	59,788
<b>Total</b>	<u>101,053,591</u>	<u>217,572,879</u>	<u>318,626,470</u>

Baht : '000

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD						
	Baht	1998 Foreign Currency	Total	Baht	1997 Foreign Currency	Total
Avals to bills	3,758,067	161,270	3,919,337	21,606,479	2,080,488	23,686,967
Guarantees of loans	2,910,272	14,952,942	17,863,214	2,808,760	21,022,163	23,830,923
Liability under unmatured import bills	750,174	6,078,593	6,828,767	1,269,652	18,475,759	19,745,411
Other guarantees	37,404,314	9,749,278	47,153,592	48,156,246	20,900,469	69,056,715
Letters of credit	562,875	5,414,378	5,977,253	1,464,605	12,407,519	13,872,124
Exchange rate contracts						
Bought	-	72,014,677	72,014,677	-	140,591,568	140,591,568
Sold	-	95,768,710	95,768,710	-	160,392,823	160,392,823
Interest rate contracts						
Bought	-	9,523,257	9,523,257	-	236,200	236,200
Sold	500,000	9,670,681	10,170,681	-	8,321,204	8,321,204
Amount of unused bank overdraft	57,320,225	-	57,320,225	54,628,153	-	54,628,153
Other	-	59,788	59,788	-	200,113	200,113
<b>Total</b>	<u>103,205,927</u>	<u>223,393,574</u>	<u>326,599,501</u>	<u>129,933,895</u>	<u>384,628,306</u>	<u>514,562,201</u>

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As at December 31, 1998 and 1997, the Bank has contingencies of Baht 469.5 million and Baht 1,203.9 million, respectively in connection with finance companies whose operations were closed down permanently by the Ministry of Finance on December 8, 1997.

As at December 31, 1998, the Bank has contingencies to the finance companies which were controlled by the Bank of Thailand and ordered to decrease and increase capital on August 14, 1998 amounted to Baht 549.9 million.

#### 4.15 Securities used as collateral

As at December 31, 1998 and 1997 Government securities with Baht 2.9 million face value are deposited at the Court to guarantee the amount of payment that the Bank has to make on the Court's verdict, while appealing the Court's verdict or on requesting the postponement of a verdict's enforcement.

As at December 31, 1998, a subsidiary pledged its land and building of Baht 1,200 million against loan from other financial institutions and pledged debt instruments amounted to Baht 14 million at par value to a government agency.

#### 4.16 Related-party transactions

4.16.1 As of December 31, 1998, loans and commitments to certain officers from the levels of departmental managers upward, and the companies in which they or the Bank or the Bank's directors own at least 10% of each Company's paid-up capital are as follows:

	<b>Baht : '000</b>		
	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998      1997</b>	
<b>Companies with at least 10% ownership</b>			
<b>Loans</b>			
Balance as at December 31	20,794,407	38,040,709	18,653,072
Average balance at the end of the Month	18,704,496	30,303,622	14,466,943
<b>Commitments</b>			
Balance as at December 31	3,415,114	8,101,083	6,336,234
Average balance at the end of the Month	5,721,096	9,200,095	6,526,023
<b>Officers from departmental managers upward</b>			
<b>Loans</b>			
Balance as at December 31	25,408	25,408	51,931
Average balance at the end of the Month	23,234	23,234	56,364

4.16.2 Investments in subsidiary, associated, and related companies in which the Bank is a shareholder and-or management are directors as follows :

Company	Type of Business	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
		Paid-up Capital	Percentage of Ownership	Net Investment	Paid-up Capital	Percentage of Ownership	Net Investment
<b>Baht : '000</b>							
<b>1998</b>							
<b>1998</b>							
<b>Subsidiary Companies (Direct)</b>							
Singburi Sugar Co., Ltd.	Industry	-	-	-	300,000	100.00	-
SCB Resolution Corporation. Co., Ltd.	Real Estate	-	-	-	10,000	100.00	4,978
The Cambodian Commercial Bank Ltd.	Banking	* 10,000	100.00	461,773	* 10,000	100.00	401,903
SCB Securities Co.,Ltd.	Finance	-	-	-	330,000	99.99	-
SCB Advisory Service Co., Ltd.	Services	-	-	-	10,000	99.99	9,999
Siam Pitiwat Co., Ltd.	Services	-	-	-	4,000	99.99	-
Siam Appraisal and Service Co., Ltd.	Services	-	-	-	1,000	99.99	3,565
Astrakhan Investment Ltd. (HONGKONG)	Holding	-	-	-	** 100	99.99	1,543
The Book Club Finance And Securities PCL	Finance	-	-	-	1,080,000	93.34	599,425
The Siam Sanwa Industrial Credit PCL	Finance	-	-	-	932,450	69.56	402,164
SCB Research Co., Ltd.	Services	-	-	-	37,500	60.00	22,500
Siam Samaggi Leasing Co., Ltd.	Leasing	-	-	-	100,000	51.00	16,728
<b>Subsidiary Companies (Indirect)</b>							
S.B. Sugar Co., Ltd.	Industry	1,000	99.94	-	1,000	-	-
<b>Companies owned by bank less than 50% but bank has significant influence</b>							
Suthakarn Co., Ltd.	Commerce	-	-	-	25	10.00	-
Siam Sanwa International Co., Ltd.	Holding	-	-	-	5,000	-	-
Siam Commercial Development Co., Ltd.	Commerce	-	-	-	15,000	10.00	-
Siam Niti Law Office Co., Ltd.	Consultant	-	-	-	16,000	10.00	1,600
Siam Information and Processing Co., Ltd.	Services	-	-	-	5,000	-	-
* USD Currency							
** HKD Currency							

Company	Type of Business	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
		Paid-up Capital	1998 Percentage of Ownership	Net Investment	Paid-up Capital	1998 Percentage of Ownership	Net Investment
<b>Companies owned by bank less than 50% but bank has significant influence (Continued)</b>							
Satayu Co., Ltd.	Holding	-	-	-	100	-	-
Mahisorn Co., Ltd.	Real Estate	-	-	-	1,500,000	10.00	-
Thai International Property Development Co., Ltd.	Real Estate	-	-	-	1,000	-	-
Supapirom Co., Ltd.	Food Fair	-	-	-	37,187	-	-
SCB Business Service Co., Ltd.	Services	-	-	-	40,000	9.90	3,960
Sub Sri Thai Warehouse PCL	Warehousing	-	-	-	121,000	8.22	14,912
SCB Training Center Co., Ltd.	Services	-	-	-	460,000	25.00	82,225
Samaggi Insurance Pcl	Insurance	-	-	-	150,000	10.00	46,500
Thai Man power Development Co., Ltd.	Holding	-	-	-	1,000	-	-
Sorathon Co., Ltd.	Holding	-	-	-	100	-	-
Prime Business Co., Ltd.	Holding	-	-	-	50	-	-
Siam Integrated Service Co., Ltd.	Services	-	-	-	10,000	8.99	900
M & M Service Co., Ltd.	Holding	-	-	-	100	-	-
SCB Technology Co., Ltd.	Holding	-	-	-	30,000	-	-
Techno Holding Co., Ltd.	Holding	-	-	-	10,000	-	-
<b>Associated Companies (Direct)</b>							
Siam Sanwa Trilease Co., Ltd.	Leasing	60,000	35.00	20,134	60,000	35.00	21,000
Business Venture Promotion Co., Ltd.	Finance	120,000	32.50	38,374	120,000	32.50	35,841
SCB Asset Management Co., Ltd.	Mutual Fund	200,000	25.00	70,390	200,000	25.00	25,000
The Vina Siam Bank (Vietnam)	Banking	* 15,000	25.00	154,714	* 15,000	25.00	92,363
Siam Sindhorn Co., Ltd.	Real Estate	1,400,000	24.99	305,412	1,400,000	24.99	147,291

\* USD Currency

Company	Type of Business	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
		Paid-up Capital	1998 Percentage of Ownership	Net Investment	Paid-up Capital	1998 Percentage of Ownership	Net Investment
<b>Associated Companies (Indirect)</b>							
Siam Sindhorn Land Co., Ltd.	Real Estate	100,000	24.99	-	100,000	-	-
S.R. Complex Development Co., Ltd.	Real Estate	22,000	24.99	-	22,000	-	-
Siam Commercial casa Co., Ltd.	Real Estate	5,075	24.99	-	5,075	-	-
Siam Development Co., Ltd.	Real Estate	* 700	24.99	-	* 700	-	-
Siam Sindhorn (BVI) Co., Ltd.	Funding	0.025	24.99	-	0.025	-	-
Siam Sindhorn City Co., Ltd.	Real Estate	100	24.84	-	100	-	-
Siam Sindhorn Retail Co., Ltd.	Real Estate	100	24.84	-	100	-	-
Asset Management Co., Ltd.	Service	25	24.84	-	25	-	-
Sindhorn Management Co., Ltd.	Service	25	24.82	-	25	-	-
Phoenix Land Development Co., Ltd.	Real Estate	500,000	24.24	-	500,000	-	-
Siam Sindhorn Property Co., Ltd.	Real Estate	600,000	22.49	-	600,000	-	-
Siam Sindhorn Thanee Co., Ltd.	Real Estate	600,000	22.49	-	600,000	-	-
Siam Commercial Real Estate Co., Ltd.	Real Estate	200,000	22.49	-	200,000	-	-
Convent Real Estate Co., Ltd.	Real Estate	150,000	22.49	-	150,000	-	-
J.F. Wang Co., Ltd.	Commerce	2,500	49.96	-	2,500	-	-
Winn CO., Ltd.	Commerce	75,000	25.00	-	75,000	-	-
Saturn International Management	Consultant	* 40	36.50	2,699	* 40	-	-
Saturn Inc.	Finance	* 40,038	24.98	197,201	* 40,038	9.50	79,524
Nakonpetch Sugar Co., Ltd.	Industry	740,904	21.05	-	740,904	-	-

\* USD Currency

					Baht : '000		
CONSOLIDATED FINANCIAL STATEMENTS					THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
Company	Type of Business	Paid-up Capital	1998		Paid-up Capital	1998	
			Percentage of Ownership	Net Investment		Percentage of Ownership	Net Investment
<b>Related companies which bank and the companies with significant influence by the bank owned less than 50%</b>							
Siam Children Care Co.,Ltd.	Care For Children	5,000	30.00	181	5,000	-	-
Siam Health Care Co.,Ltd.	Hospital	10,000	30.00	2,211	10,000	-	-
Food Fair Ratcharyothin Co.,Ltd.	Food Center	2,200	50.00	1,100	2,200	-	-
Bangkok Chogin Consulting Co., Ltd.	Consultant	1,500	35.00	955	1,500	-	-
Nobleclear Holding (BVI) Ltd. (Germany)	Holding	* 6,000	46.90	-	* 6,000	-	-
Nobleclear Investment (UK) (English)	Holding	** 267	46.90	-	** 267	-	-
Nobleclear (GMBH) (Germany)	Real Estate	* 1,052	35.39	-	* 1,052	-	-
Seatran mining Co., Ltd.	Services	10,000	40.00	39	10,000	-	-
Thai International Rent A Car Co., Ltd.	Services	75,000	23.00	7,214	75,000	-	-
Thai Container Systems Co., Ltd.	Services	267,860	20.00	56,932	267,860	-	-
SCB China Consulting Co., Ltd.	Services	10,000	30.00	150	10,000	9.90	60
SCB Holding Co., Ltd.	Finance	30,000	40.00	6,711	30,000	9.90	1,370
SCB Biotech Co., Ltd.	Holding	112,750	35.00	39,570	112,750	-	-
Siam Panich Leasing Co., Ltd.	Leasing	1,347,095	39.98	139,655	1,347,095	9.89	74,621
Christiani & Nielsen (Thai) PCL	Construction	4,561,673	43.59	93,442	4,561,673	4.21	15,370
The Siam Administrative Management Co., Ltd.	Services	30,000	40.00	30,167	30,000	7.92	2,376
TSS Real Estate Co., Ltd.	Real Estate	503,150	40.00	201,260	503,150	-	-
Siam Commercial Life Assurance PCL	Insurance	300,000	36.34	94,095	300,000	5.68	16,709

\* DEUTSCHE MARK Currency

\*\* POUND Currency

Company	Type of Business	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
		1998			1998		
		Paid-up Capital	Percentage of Ownership	Net Investment	Paid-up Capital	Percentage of Ownership	Net Investment
<b>Related companies which bank and the companies with significant influence by the bank owned less than 50%</b>							
Alcan Nikkei Siam Co., Ltd.	Industry	141,176	30.00	323,610	141,176	10.00	23,271
Sonoco Asia Corporation (Thailand) Ltd.	Industry	185,000	25.00	33,649	185,000	10.00	13,361
Alcan Nikkei Thai Co., Ltd.	Industry	100,000	22.41	92,777	100,000	10.00	22,038
Asian Marine Services PCL	Services	170,000	21.47	114,066	170,000	7.92	5,923
Thai Hoya Lens Co., Ltd.	Industry	2,000	20.00	22,325	2,000	10.00	200
Thai Fuji Xerox Co., Ltd.	Commercial	40,000	20.00	197,466	40,000	10.00	4,000
<b>Related Companies (10% to 20% Ownership)</b>							
Anghong Sugar Terminal Ltd.	Warehousing	50,000	10.00	4,531	50,000	10.00	4,531
Siam Technology Service Co., Ltd.	Consultant	30,000	12.00	1,368	30,000	10.00	1,368
BNH Medical Centre Co., Ltd.	Hospital	744,477	11.94	4,177	744,477	11.94	4,177
Siam General Factoring PCL	Finance	230,488	10.69	12,480	230,488	10.41	12,480
Bangkok Intercontinental Hotel Co., Ltd.	Hotel & Shopping Center	174,000	10.35	52,200	174,000	10.00	52,200
Thai Industrial Gases PCL	Energy	1,036,800	10.14	88,128	1,036,800	10.00	88,128
Thai Public Port Co., Ltd.	Warehousing	1,250,000	10.03	-	1,250,000	10.00	-
Thai Baroda Industries Co., Ltd.	Vehicles & Parts	1,000,000	10.00	-	1,000,000	10.00	-
Siam Media and Communication Co., Ltd.	Communication	700,000	10.00	-	700,000	10.00	-
Thai U.S. Leather Co., Ltd.	Industry	193,750	10.00	-	193,750	10.00	-
Uni-Media Co., Ltd.	Consultant	185,000	10.00	10,342	185,000	10.00	10,342
Sino-Thai Resources Development PCL	Mining	130,000	10.00	3,120	130,000	10.00	3,120



Baht : '000

Company	Type of Business	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
		1998	1998	1998	1998	1998	1998
		Paid-up Capital	Percentage of Ownership	Net Investment	Paid-up Capital	Percentage of Ownership	Net Investment
<b>Related Companies (10% to 20% Ownership)</b>							
Navuti Co., Ltd.	Agriculture	40,000	10.00	-	40,000	10.00	-
Fortis Co., Ltd.	Commerce	40,000	10.00	4,000	40,000	10.00	4,000
Dhanamit Factoring Co., Ltd.	Finance	20,000	10.00	1,796	20,000	10.00	1,796
Thai Ohbayasi Corporation Co., Ltd.	Construction	10,000	10.00	1,000	10,000	10.00	1,000
Siam Cosmos Service Co., Ltd.	Consultant	6,000	10.00	600	6,000	10.00	600
Siam Cement Myanmar Trading Ltd.	Industry	* 1,320	10.00	559	* 1,320	10.00	559
American Appraisal (Thailand) Ltd.	Services	1,000	10.00	100	1,000	10.00	100

\* KYAT Currency

4.16.3 Loans between the Bank and subsidiary, associated, and related companies, which were made on the same pricing policy as for regular loan customers.

Baht : '000

Subsidiary Companies	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
	1998	1998
Singburi Sugar Co., Ltd.	-	1,944,009
SCB Resolution Corporation Co., Ltd.	-	1,048,419
The Book Club Finance & Securities PCL	-	510,000
Siam Samaggi Leasing Co., Ltd.	-	466,695
SCB Securities Co., Ltd.	-	21,424
Siam Pitiwat Co., Ltd.	-	6,865
The Siam Sanwa Industrial Credit PCL	-	2,290
Siam Appraisal and Service Co., Ltd.	-	1,298

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	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998</b>
<b>Baht : '000</b>		
<b>Companies owned by bank less than 50% but bank has significant influence</b>		
Siam Commercial Development Co., Ltd.	-	10,832,830
Prime Business Co., Ltd.	-	5,238,468
Mahisorn Co., Ltd.	-	3,066,183
Thai Man Power Development Co., Ltd.	-	2,603,282
Suthakarn Co., Ltd.	-	2,412,474
Thai International Property Development Co., Ltd.	-	152,704
SCB Training Centre Co., Ltd.	-	51,782
Siam Sanwa International Co., Ltd.	-	49,041
Siam Health Care Co., Ltd.	-	9,800
SCB Business Service Co., Ltd.	-	9,722
Sub Sri Thai Warehouse Pcl	-	5,000
Siam Niti Law Office Co., Ltd.	-	3,853
<b>Associated Companies (Direct)</b>		
Siam Sindhorn Co., Ltd.	6,504,195	6,504,195
The Siam Sanwa Trilease Co., Ltd.	20,000	20,000
<b>Associated Companies (Indirect)</b>		
Siam Sindhorn Thanee Co., Ltd.	970,128	970,128
Phoenix Land Development Co., Ltd.	715,606	715,606
Siam Sindhorn Property Co., Ltd.	532,013	532,013
Siam Sindhorn Land Co., Ltd.	310,425	310,425
Nakonpetch Sugar Co., Ltd.	46,998	46,998
Siam Commercial Real Estate Co., Ltd.	17,284	17,284
Siam Commercial Casa Co., Ltd.	1,075	1,075
S.R. Complex Development Co., Ltd.	15	15
<b>Related companies which bank and the companies with significant influence by the bank owned less than 50%</b>		
Siam Panich Leasing PCL	5,485,417	5,485,417
Nobleclear Holding (BVI) Ltd.	1,468,640	1,468,640
Saltwood MSA Co., Ltd.	472,377	472,377
Asian Marine Services PCL	466,021	466,021
TSS Real Estate Co., Ltd.	375,000	375,000
Intertech Contracting A/S Co., Ltd.	115,528	115,528
Christiani & Nielsen (Thai) PCL	87,958	87,958
Thai International Rent A Car Co., Ltd.	61,291	61,291
Sonoco Asian Corporation (Thailand) Ltd.	37,613	37,613
Amex Power (Asia) Co., Ltd.	19,454	19,454
Intertech Thai Co., Ltd.	16,771	16,771
Bangkok Chogin Consulting Co., Ltd.	15,000	15,000
The Siam Administrative Management Co., Ltd.	9,928	9,928
Thai Fuji Xerox Co., Ltd.	171	171
Thai Container Systems Co., Ltd.	169	169

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998</b>
<b>Baht : '000</b>		
<b>Related Companies (10% to 20% Ownership)</b>		
Siam Media And Communication Co., Ltd.	1,447,483	1,447,483
Thai Public Port Co., Ltd.	1,068,222	1,068,222
Thai Baroda Industries Co., Ltd.	801,698	801,698
Bangkok Intercontinental Hotel Co., Ltd.	580,542	580,542
BNH Medical Centre Co., Ltd.	541,656	541,656
Thai U.S. Leather Co., Ltd.	365,967	365,967
B.B. Group Co., Ltd.	201,115	201,115
Sino-Thai Resources Development PCL	185,986	185,986
Saim General Factoring PCL	183,400	183,400
Thai Industrial Gases PCL	81,930	81,930
Angthong Sugar Terminal Co., Ltd.	70,256	70,256
Piyadol Co., Ltd.	21,942	21,942
Dhanamit Factoring Co., Ltd.	5,500	5,500
B.B. Group Trading Co., Ltd.	3,849	3,849
B.B. Holding Co., Ltd.	1,709	1,709
<b>Bank and Related Companies at least 10% Ownership</b>		
Pomona Trading Co., Ltd.	53,344	53,344
Praswara Co., Ltd.	4,000	4,000
Agro-Con Co., Ltd.	1,594	1,594

4.16.4 Accounts between subsidiary companies, associated companies and major shareholders as at and for the year December 31, 1998.

	<b>FOR THE YEAR</b>	
	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>
<b>Baht : '000</b>		
Loans	17,124,949	45,027,753
Interbank and money market item (Assets)	-	533,714
Deposits	940,620	1,353,801
Interbank and money market item (Liabilities)	5,486,698	6,106,523
Interest and dividend income	1,980,374	5,657,836
Non-Interest income	77,838	500,000
Interest expenses	338,949	365,657
Non-interest expenses	571,093	1,086,973
Contingencies	2,447,102	12,873,449

During 1998, the Bank purchased land and building from the companies which the Bank has significant influence amounted to Baht 69.1 million.

4.16.5 The consolidated financial statements for the year ended December 31, 1998 included the financial statements of five subsidiary companies which had aggregated total assets of Baht 9,447 million, accumulated shareholders' deficit of Baht 15,641 million and had recorded net losses totalling Baht 9,891 million for the year then ended. The financial statements of these subsidiaries raise significant issues as to the ability of these entities to continue as going concerns due to insufficient cash flows to service debt obligations, and severe economic uncertainties in Thailand and many other Asia-Pacific countries which may require these subsidiaries to realize their assets and extinguish their liabilities other than in the normal course of business.

#### 4.17 Long-term lease

Type of Lease	Period	Baht : '000		
		CONSOLIDATED FINANCIAL STATEMENTS 1998	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
			1998	1997
Land and/or Premises	Jan 1, 1999-Dec 31, 2001	257,800	205,662	178,499
	Jan 1, 2002-Dec 31, 2004	166,896	166,896	157,309
	Jan 1, 2005-Dec 31, 2007	165,012	165,012	155,415
	Jan 1, 2008-Dec 31, 2010	159,031	159,031	146,724
	Jan 1, 2011-Dec 31, 2027	597,260	597,260	562,563
Equipment	Jan 1, 1999-Dec 31, 2001	403,388	381,033	781,851

#### 4.18 Restriction On Dividend Payment

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

#### 4.19 Plan for Improving and Developing the Computer Systems to be in Compliance with the Year 2000 (Unaudited – not Covered by Report of Independent Certified Public Accountants).

The Bank has been improving and developing computer systems since September 1996 so that they will be in compliance with the Year 2000. The Bank has established the "Year 2000 Project" and the "Year 2000 Readiness Team" which are presided over by the First Executive Vice President. During the past two years, the Bank has evaluated this problems and its impact both internally and externally and also developed a plan to solve the problem. The Bank has followed the general standard guidelines set forth by The United States General Accounting Office : GAO. As of December 31, 1998, the Bank's Year 2000 Project is approximately 85% complete, and it is anticipated that all areas of the "Year 2000 Project" will be accomplished within the first quarter of 1999. As for budget for the Year 2000 Compliance, the Bank has allocated 170 million Baht, of which the Bank has already used 107 million Baht or 63% of the total budget as at December 31, 1998.

Although the problems with computer systems may have been solved within the first quarter of 1999, the Bank still has to consider the impacts which might occur due to other organizations around the world which, for some reason, may not be Year 2000 compliant and yet continue to do business with the Bank. The Bank has, therefore, estimated some of the risks that might affect the Bank and have already made plans to avoid them. At any rate, the Bank expect that these external factors will not have a materially impact on the Bank's overall performance.

With regard to the readiness of the subsidiaries for the Year 2000, all of the subsidiaries have evaluated and studied the impacts which might affect their performance and have also made plans to overcome them. However, the majority of the subsidiaries should not be affected by this problem since their daily operations do not extensively rely on computer systems. In addition, most of their computers and computer programs are already Year 2000 compliant. As for the Book Club Financial & Securities PCL, it has already started to develop and improve its system in the form of Buddhist Era instead of Christian Era so that it can avoid the Year 2000 problems. Furthermore, the company is contacting its suppliers to conform whether they will be Year 2000 compliant and expects this process to be complete within the first quarter of 1999.

As for the Siam Sanwa Industrial Credit PCL, it has completed the testing of its program which has been developed internally and has also tested the programs which have been purchased from elsewhere to ensure they are in Year 2000 compliance. In addition, the company is currently in the process of finding an external auditor and formulating an emergency plan should a problem arise, which should be organized in the first quarter of 1999. The Bank expects that there will be no materially impacts from the subsidiaries on the overall performance of the Bank.

#### 4.20 Events occurring after the financial statements date

4.20.1 On January 6, 1999, the Bank issued subordinated notes for Baht 1,665 million, repayable within 10 years, with interest rate of 6% per annum to the Ministry of Finance to increase its tier 2 capital under the government's August 14, 1998 Capital Assistance Program. Following the Board of Directors' resolution on December 28, 1998 to participate in the government's August 14, 1998 Capital Assistance Program the Bank on January 29, 1999 entered into a Memorandum of Understanding with the Bank of Thailand.

4.20.2 On January 2 and 15, 1999, subsidiaries of the Bank which are The Book Club Finance and Securities Pcl. and The Siam Sanwa Industrial Public Co., Ltd., respectively entered into the memorandum of understanding with the Bank of Thailand relating to the procedures for maintaining the capital funds not less than the ratio stipulated in the by regulation.

In this respect, The Book Club Finance and Securities PCL. shall increase its capital for not less than Baht 775 million through the issuance of preferred shares in the amount of Baht 360 million. The capital increase shall be accomplished within 60 days from the above-mentioned date of signing. The Company shall also issue subordinated debentures in the amount of Baht 460 million to be completed within May, 1999. The Memorandum of Understanding indicates that in the event that the Company is unable to successfully increase its capital as stated and the officials consider that it is necessary to intervene the Company's operations, the Company's Board of Directors shall willingly be cooperative with the officials with regards to the detailed procedures for the smooth process and to limit the damage to the financial institution system as a whole.

On January 16, 1999, the Siam Sanwa Industrial Credit PCL. issued the subordinated convertible debentures with no collateral of Baht 400 million at par value of Baht 1,000 each and a maturity of 6 years or maturity date on January 16, 2005 to be offered to the institutional investors or other special investors specified by the Notification of the Securities and Exchange Commission. The conversion ratio is 1 debenture to 100 ordinary shares at Baht 10 per ordinary share and the conversion period is every three months through maturity. Sicco finance company, a subsidiary, is appointed as an underwriter of such subordinated convertible debentures.

The Company has already collected subscriptions from issuing of subordinated convertible debentures from the Bank of Baht 201.8 million.

On February 16, 1999, the Bank of Thailand has approved the Company to include the share subscriptions received from issuing such subordinated convertible debentures as the second tier funds since January 18, 1999 and thereafter.

- 4.20.3 According to the Public Companies Act, the company which increase its capital has to cancel the unissued registered share capital to the amount of paid up capital prior to the capital increment. At the Board of Directors' meeting No. 2/1999 on February 5, 1999, the Board of Directors approved the motion to cancel the registered share capital from Baht 40,000 million to the paid up amount of Baht 5,887.6 million and then to increase the issue share capital from Baht 5,887.6 million to Baht 70,000 million by issuing 220 million new common shares, with Baht 10 par value each, for a total value of Baht 2,200 million and issuing 6,191.2 million new preferred shares, with Baht 10 par value each, for a total value of Baht 61,912.4 million. This resulted in a total registered capital of 7,000 million shares comprising 808,760,073 common shares and 6,191,239,927 preferred shares with a total amount of Baht 70,000 million.

Such meeting also approved to issue bonds and/or convertible bonds and/or any other bonds with the amount not exceeding USD 2,000 million or equivalent to investors. The Bank calls the extraordinary shareholders' meeting to approve these matters on March 10, 1999.

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

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

The Bank may have a loss on the change of the foreign exchange system, calculated by the conversion of foreign currency assets, liabilities and commitment in foreign currency account as at June 30, 1997 into Baht at the reference rates quoted by the Bank as at July 31, 1997, but the amount is not material.

#### 4.22 The financial position and the results from operations by domestic and foreign operations

##### 4.22.1 The financial position classified by business type

	<b>Baht : '000</b>		
	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>		
	<b>1998</b>		
	<b>Domestic Operations</b>	<b>Foreign operations</b>	<b>Total</b>
Total assets	647,207,203	69,204,616	716,411,819
Interbank and money market items	42,328,637	2,381,029	44,709,666
Loans	528,695,152	12,159,832	540,854,984
Investment	53,259,159	2,971,076	56,230,235
Deposits	574,981,550	31,862,415	606,843,965
Interbank and money market items	19,779,302	23,586,277	43,365,579
Borrowings	8,613,268	10,898,804	19,512,072
Contingencies	267,461,946	51,164,524	318,626,470

	<b>Baht : '000</b>					
	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>					
	<b>1998</b>			<b>1997</b>		
	<b>Domestic operations</b>	<b>Foreign operations</b>	<b>Total</b>	<b>Domestic Operations</b>	<b>Foreign operations</b>	<b>Total</b>
Total assets	636,924,318	69,063,628	705,987,946	582,248,946	134,911,800	717,160,746
Interbank and money market items	41,978,372	2,381,029	44,359,401	42,631,125	5,801,033	48,432,158
Loans	532,209,955	12,058,526	544,268,481	536,637,207	31,523,326	568,160,533
Investment	47,694,086	2,824,813	50,518,899	32,041,612	5,957,884	37,999,496
Deposits	559,287,430	31,862,415	591,149,845	496,543,580	62,436,065	558,979,645
Interbank and money market items	13,344,931	23,586,277	36,931,208	19,916,785	51,465,407	71,382,192
Borrowings	6,007,466	10,898,804	16,906,270	-	15,356,064	15,356,064
Contingencies	275,434,977	51,164,524	326,599,501	451,671,513	62,890,688	514,562,201

4.22.2 The results of operations classified by business type

**Baht : '000**

	<b>CONSOLIDATED FINANCIAL STATEMENTS 1998</b>			
	<b>Domestic operations</b>	<b>Foreign operations</b>	<b>Elimination</b>	<b>Total operations</b>
Interest and dividend income	75,149,009	6,544,909	(8,401,246)	73,292,672
Interest expenses	65,031,761	5,847,168	(8,369,355)	62,509,574
Net interest income	10,117,248	697,741	(31,891)	10,783,098
Non-interest income	11,410,960	390,050	(956,515)	10,844,495
Non-interest expenses	41,237,616	1,086,404	(1,028,286)	41,295,734
Income before income tax	<u>(19,709,408)</u>	<u>1,387</u>	<u>39,880</u>	<u>(19,668,141)</u>

**Baht : '000**

	<b>THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD</b>							
	<b>1998</b>				<b>1997</b>			
	<b>Domestic operations</b>	<b>Foreign operations</b>	<b>Elimination</b>	<b>Total operations</b>	<b>Domestic operations</b>	<b>Foreign operations</b>	<b>Elimination</b>	<b>Total operations</b>
Interest and dividend income	70,319,170	6,538,197	(4,684,195)	72,173,172	65,458,338	9,133,865	(6,191,013)	68,401,190
Interest expenses	58,289,881	5,847,168	(4,684,195)	59,452,854	42,250,004	8,170,585	(6,191,013)	44,229,576
Net interest income	12,029,289	691,029	-	12,720,318	23,208,334	963,280	-	24,171,614
Non-interest income	9,593,654	387,885	-	9,981,539	7,242,751	393,661	-	7,636,412
Non-interest expenses	34,032,832	1,079,561	-	35,112,393	25,655,296	920,759	-	26,576,055
Income before income tax	<u>(12,409,889)</u>	<u>(647)</u>	<u>-</u>	<u>(12,410,536)</u>	<u>4,795,789</u>	<u>436,182</u>	<u>-</u>	<u>5,231,971</u>

4.23 Adjustment for the effect of recognition of equity in undistributed net loss of subsidiary and associated companies.

For the year ended December 31, 1998 the consolidated financial statements were adjusted retroactively for the effect of recognition of undistributed net loss in subsidiary and associated companies in retained earnings brought forward of Baht 9,827 million.



#### 4.24 Disclosure of financial instruments

##### 4.24.1 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. The Bank has 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 consolidated balance sheet, net of any applicable provision for loss, represents the Bank's maximum exposure to credit risk.

The Bank has credit risk in case counter parties do not adhere to the terms of the financial contract. Such exposure represent the contract value.

Credit risk also arises from the possibility that the counterparty to a derivative financial instrument will not adhere to the terms of the contract with the Bank when settlement becomes due.

##### 4.24.2 Interest Rate Risk

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Bank in the current reporting period, and in, future year. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities.

The Bank uses various derivative transactions to manage its own asset and liability positions in order to manage interest rate exposure. The Bank enters into interest rate swaps and other contracts as part of its interest rate risk management strategy primarily to alter the interest rate sensitivity of its loans, investment securities and deposit liabilities.

For the Bank's financial statements by cost method for the year ended December 31, 1998, more than 81.6% of loans and inter bank and money market (Asset) is repriced within 1 year, and more than 2.4% of investments is repriced within 1 year. In addition, more than 86.5% of deposit and inter bank and money market will be repriced within 1 year.

#### 4.24.3 Interest earning and interest bearing financial instruments

Baht : Million

Financial instruments	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD 1998		
	Average	Interest	Average Rate %
Inter bank and money market item (Asset)	52,954	3,258	6.15
Securities Purchased under resale agreements	19,289	2,506	12.99
Investment in securities	49,329	3,128	6.34
Loans	550,563	63,281	11.49
Deposits	559,303	54,986	9.83
Inter bank and money market item (Liabilities)	54,172	3,631	6.70
Liability payable on demand	2,495	-	-
Securities sold under repurchase agreements	595	113	18.99
Borrowings	12,985	724	5.58

#### 4.24.4 Fair value of financial instruments

Normally, fair value of financial instrument is their quoted market price. However, for the majority of financial instruments, quoted market prices are not available. Fair values are based on estimate using present value or other valuation techniques. These techniques are significantly affected by the assumptions including discount rate and estimated cash flow. Hence, estimated fair value from difference techniques may be significantly differed from each other.

Summary of book value and fair value of financial instruments as at December 31, 1998 are as follows:

Financial Assets	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	Book Value	Fair Value
Cash	7,473.7	7,473.7
Inter bank and money market item (Asset)	44,359.4	44,359.4
Securities purchased under resale agreements	35,510.0	35,510.0
Investment in securities	50,518.9	56,384.3
Loans	512,845.8	486,325.0*
Accrued interest receivables	15,421.4	15,421.4
Customers' liability under acceptances	3,366.6	3,366.6

\* Based on amount after full allowance.

Financial Liabilities	Baht : Million	
	Book Value	Fair Value
Deposits	591,149.8	592,571.1
Inter bank and money market item (Liabilities)	36,931.2	36,931.2
Liability payable on demand	2,719.7	2,719.7
Securities sold under repurchase agreements	-	-
Short-term borrowings	-	-
Long-term borrowings	16,906.3	14,673.3
Interest payable on deposits	9,128.9	9,128.9
Bank's Liabilities under acceptances	3,366.6	3,366.6

Off-Balance sheet items

	Baht : Million			
	THE BANK FINANCIAL STATEMENTS BY THE COST METHOD			Fair Value
	Notional amount		Total	
	Less than 1 year	More than 1 year		
Currency swap contract	(733.6)	(3,933.2)	(4,666.8)	(714.7)
Interest swap contract	-	(647.5)	(647.5)	257.9

The following methods and assumptions were used by the Bank in estimating market values of financial instruments as disclosed herein:

Cash, interbank and money market items. The carrying amounts approximate fair value.

Securities purchased under resale agreements. The carrying value of securities purchased under resale agreements estimates fair value.

Investment in securities net. Fair value for securities, are based on quoted market prices. (see note 3.3)

Loans receivable. For variable-rate loans that repriced frequently and have no significant change in credit risk, market values are based on carrying values. Other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality or underlying collateral values, where applicable.

Accrued interest receivable. The carrying amount of accrued interest receivable approximates fair value.

Customers' liability under acceptances. The carrying amounts of customers' liability under acceptances approximates fair value.

Deposit liabilities. The fair values disclosed for deposits which are payable demand by the depositor, is equal to the carrying value of such deposits. Market values for fixed-deposit are estimates using a discounted cash flow calculation that applies interest rates currently being offered on similar deposit.

Interbank and money market items. The carrying amount of interbank and money market items approximates their fair value at the reporting date.

Liability payable on demand. The carrying amount of liabilities payable on demand approximates fair value.

Securities sold under repurchase agreements. The carrying value of securities sold under repurchase agreements approximates fair value.

Short-term borrowings. The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Long-term debt. The fair values of the Bank's long-term debt are estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Interest payable. The carrying amounts of interest payable approximate their fair values.

Bank's liabilities under acceptances. The carrying amounts of Bank's liabilities under acceptances approximates fair value.

Off-balance-sheet instruments. Fair values for off-balance-sheet lending commitments are based on Fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties credit standings.

(Dr. Olarn Chaipravat)  
President and Chief Executive Officer

## OTHER INFORMATION

### The Major Shareholders as at February 22, 1999

No.	Shareholders	Number of Shares	Percentage of Shares
1	The Crown Property Bureau	148,820,385	25.28
2	The Sanwa Bank, Limited	77,170,345	13.11
3	SCB Base Stock Opened Fund	18,483,900	3.14
4	The Ministry of Finance	15,214,380	2.58
5	Chase Nominees Limited 1	12,634,574	2.15
6	Thailand Securities Depository Company Limited for Depositors	10,232,470	1.74
7	State Street Bank and Trust Company Boston	9,838,867	1.67
8	The Long-Term Credit Bank of Japan, Limited	9,599,583	1.63
9	Thailand Securities Depository Company Limited for Depositors (Thai Securities - Holder Account)	9,367,705	1.59
10	Deutsche Borse Clearing AG	7,669,381	1.30
11	Other	269,728,483	45.81
Registered Capital		588,760,073	100.00
Thai Shareholders		407,065,296	69.14
Foreign Shareholders		181,694,777	30.86

## Remuneration for The Board of Directors, Committee and Executive Officers from the Bank during the accounting 1998.

### 1. Financial Remuneration

(1) The Board of Directors, Executive Committee and Audit Committee Totaled 12 persons received remuneration from the Bank as director (meeting allowance and gratuity) totaled Baht 10,715,000.00 are as following:-

1 DR. CHIRAYU ISARANGKUN NA AYUTHAYA	Chairman	1,187,200.00	Baht
2 MR. PRACHITR YOSSUNDARA	Director and Chairman of Executive Committee (Resigned from Chairman of Executive Committee Effective February 2, 1999)	849,800.00	Baht
3 M.L. THAWISAN LADAWAN	Director	814,800.00	Baht
4 MR. ANAND PANYARACHUN	Director	814,800.00	Baht
5 MR. VIROJ PHUTRAKUL	Director and Chairman of Audit Committee	954,800.00	Baht
6 MR. SANSERN KRAICHITTI	Director and Audit Director	954,800.00	Baht
7 M.L. USNI PRAMOJ	Director	814,800.00	Baht
8 MR. PIYA BHIROM BHAKDI	Director and Audit Director	954,800.00	Baht
9 M.R. DISNADDA DISKUL	Director and Executive Director (Resigned from Director and Executive Director Effective February 2, 1999)	974,800.00	Baht
10 MR. CHUMPOL NA LAMLIENG	Director and Executive Director (Appointed in position Chairman of Executive Committee Effective February 2, 1999)	764,800.00	Baht
11 DR. OLARN CHAIPRAVAT	President and Chief Executive Officer	814,800.00	Baht
12 MR. PRAKIT PRADIPASEN	Director and Senior Executive Vice President	814,800.00	Baht
		10,715,000.00	Baht

(2) The Executive Officers totaled 57 persons include Chairman of Executive Committee but no include Executive Officers on leave to perform managerial duties at various Affiliated companies or on assignment at the Bank of Thailand's request received remuneration from the Bank as salaries, special monthly allowance and bonus totaled

138,648,365.39 Baht

(3) The first 15 highest Executive Officers' remuneration totaled

70,816,490.00 Baht

### 2. Other Remuneration -None-

**Directors Whose term expires in 1999**

1. MR. PRACHITR YOSSUNDARA
2. M.L. THAWISAN LADAWAN
3. DR. CHIRAYU ISARANGKUN NA AYUTHAYA
4. MR. CHUMPOL NA LAMLIENG

## **Factors Affecting Investment Decisions**

### **Legal Disputes**

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



## Other Investments as at December 31, 1998

Investments in companies in which the Bank holds at 10% and over of the paid up capital in each company are as follows :-

No.	Company	Location	Type of Business	Type of Shares	Paid-up Capital	Amount of Shares	Percentage of Ownership	Amount (Baht)
1.	The Siam Industrial Credit PCL.	Bangkok	Finance	Ordinary	93,245,039	64,865,127	69.56%	764,784,734.78
2.	The Book Club Fin.&Sec. PCL.	Bangkok	Finance	Ordinary	108,000,000	36,808,768	34.08%	368,087,670.00
				Preferred	108,000,000	64,000,000	59.26%	640,000,000.00
3.	The Cambodian Commercial Bank Ltd.	Cambodia	Banking	Ordinary	100,000	100,000	100.00%	502,376,884.80
4.	Siam Sindhorn Co.,Ltd.	Bangkok	Real Estate	Ordinary	140,000,000	34,986,000	24.99%	482,341,320.00
5.	S.C.B. Securities Co.,Ltd.	Bangkok	Finance	Ordinary	33,000,000	23,099,986	99.99%	437,396,270.00
6.	Mahisorn Co.,Ltd.	Bangkok	Real Estate	Ordinary	15,000,000	1,500,000	10.00%	150,000,000.00
7.	Thai Public Port Co.,Ltd.	Bangkok	Warehouse	Ordinary	12,500,000	1,250,000	10.00%	125,000,000.00
8.	SCB Training Centre Co.,Ltd.	Bangkok	Hotel	Ordinary	4,600,000	1,150,000	25.00%	115,000,000.00
9.	Thai Industrial Gases PCL.	Samutprakan	Energy	Ordinary	51,840,000	5,184,000	10.00%	114,120,000.00
10.	Thai Baroda Industries Co.,Ltd.	Rayong	Vehicles & Parts	Ordinary	10,000,000	1,000,000	10.00%	101,654,794.52
11.	The VinaSiam Bank Ltd.	Vietnam	Banking	Ordinary	150,000	37,500	25.00%	92,362,500.00
12.	Siam General Factoring PCL.	Bangkok	Finance	Ordinary	23,048,824	2,400,000	10.41%	90,650,000.00
13.	Siam Media and Communication Co.,Ltd.	Bangkok	Communication	Ordinary	7,000,000	700,000	10.00%	70,000,000.00
14.	BNH Medical Centre Co.,Ltd.	Bangkok	Hospital	Ordinary	59,250,000	5,928,000	10.00%	59,250,000.00
				Preferred	15,197,738	2,962,500	19.49%	29,625,000.00
15.	Samaggi Insurance PCL.	Bangkok	Insurance	Ordinary	15,000,000	1,500,000	10.00%	56,250,000.00
16.	Bangkok Int'l Hotel Co.,Ltd.	Bangkok	Hotels&Shopping Center	Ordinary	17,400,000	1,740,000	10.00%	52,200,000.00
17.	Siam Samaggi Leasing Co., Ltd. (Siam JLC Leasing Co.,Ltd.)	Bangkok	Leasing	Ordinary	10,000,000	5,099,992	51.00%	50,999,920.00
18.	Business Venture Promotion Co.,Ltd.	Bangkok	Finance	Ordinary	12,000,000	3,900,000	32.50%	39,000,000.00
19.	SCB Asset Management Co.,Ltd.	Bangkok	Mutual Fund	Ordinary	20,000,000	5,000,000	25.00%	25,000,000.00
20.	Alcan Nikkei Siam Co.,Ltd.	Bangkok	Industry	Ordinary	1,411,760	141,176	10.00%	23,271,451.84
21.	SCB Research Company Limited	Bangkok	Research	Ordinary	5,000,000	3,000,000	60.00%	22,500,000.00
22.	Alcan Nikkei Thai Co.,Ltd.	Bangkok	Industry	Ordinary	100,000	10,000	10.00%	22,037,970.91
23.	Siam Sanwa Trilease Co.,Ltd.	Bangkok	Leasing	Ordinary	600,000	210,000	35.00%	21,000,000.00
24.	Thai U.S.Leather Co.,Ltd.	Samutsakhon	Leather	Ordinary	25,000,000	2,500,000	10.00%	19,375,000.00
25.	Sonoco Asia Corporation (Thailand) Ltd.	Pathumthani	Industry	Ordinary	300,000	30,000	10.00%	18,500,000.00
26.	Uni-Media Co.,Ltd.	Bangkok	Consultant	Ordinary	18,500,000	1,850,000	10.00%	18,500,000.00
27.	SCB Resolution Corporation Ltd.	Bangkok	Services	Ordinary	2,000,000	2,000,000	100.00%	10,000,000.00
28.	SCB Advisory Service Co.,Ltd.	Bangkok	Services	Ordinary	100,000	99,993	99.99%	9,999,300.00
29.	Angthong Sugar Terminal Co.,Ltd.	Bangkok	Warehouse	Ordinary	500,000	50,000	10.00%	5,000,000.00
30.	Fortis Co.,Ltd.	Samutprakan	Commerce	Ordinary	400,000	40,000	10.00%	4,000,000.00
31.	Navuti Co.,Ltd.	Bangkok	Agribusiness	Ordinary	400,000	40,000	10.00%	4,000,000.00
32.	Thai Fuji Xerox Co.,Ltd.	Bangkok	Electrical Products	Ordinary	4,000	400	10.00%	4,000,000.00
33.	Siam Pitiwat Co.,Ltd.	Bangkok	Services	Ordinary	400,000	399,972	99.99%	3,999,720.00
34.	Siam Appraisal and Service Co.,Ltd.	Bangkok	Services	Ordinary	100,000	99,999	99.99%	3,564,730.50
35.	Sino-Thai Resources Development PCL.	Bangkok	Mining	Ordinary	13,000,000	1,300,000	10.00%	3,120,000.00
36.	Siam Technology Service Co.,Ltd.	Bangkok	Consultant	Ordinary	3,000,000	300,000	10.00%	3,000,000.00
37.	Dhanamitr Factoring Co.,Ltd.	Bangkok	Finance	Ordinary	2,000,000	200,000	10.00%	2,000,000.00
38.	Siam Niti Law Office Co.,Ltd.	Bangkok	Consultant	Ordinary	160,000	16,000	10.00%	1,600,000.00
39.	Astrakhan Investment Limited.	Hong Kong	Holding	Ordinary	100,000	99,990	99.99%	1,542,645.72
40.	Siam Commercial Development Co.,Ltd.	Bangkok	Commerce	Ordinary	250,000	25,000	10.00%	1,500,000.00
41.	Thai Ohbayashi Corporation Ltd.	Bangkok	Construction	Ordinary	20,000	2,000	10.00%	1,000,000.00
42.	Siam Cosmos Service Co.,Ltd.	Bangkok	Consultant	Ordinary	60,000	6,000	10.00%	600,000.00
43.	Siam Cement Myanmar Trading Ltd.	Myanmar	Industry	Ordinary	220	22	10.00%	559,281.05
44.	Singburi Sugar Co.,Ltd.	Bangkok	Industry	Ordinary	300,000	300,000	100.00%	350,000.00
45.	Thai Hoya Lens Co.,Ltd.	Bangkok	Industry	Ordinary	40,000	4,000	10.00%	200,000.00
46.	American Appraisal (Thailand) Ltd.	Bangkok	Services	Ordinary	10,000	1,000	10.00%	100,000.00
47.	Suthakarn Co.,Ltd.	Bangkok	Commerce	Ordinary	1,000	100	10.00%	2,500.00
								4,571,421,694.12

## REGIONAL OFFICES AS AT DECEMBER 31, 1998

### Banking Development Offices

Banking Development Office 1	Tel: 629-0634-5
Banking Development Office 2	Tel: 289-0268, 289-2166
Banking Development Office 3	Tel: 641-4322-6
Banking Development Office 4	Tel: 876-1396, 477-2381
Banking Development Office 5	Tel: 519-5189, 519-4843
Banking Development Office 6	Tel: 591-7906-8
Banking Development Office 7	Tel: 951-0305-6
Banking Development Office 8	Tel: (053) 818-486, 282-900
Banking Development Office 9	Tel: (056) 227-764, 228-546
Banking Development Office 10	Tel: (043) 241-490, 236-454
Banking Development Office 11	Tel: (044) 261-347, 255-335
Banking Development Office 12	Tel: (034) 713-355, 711-090
Banking Development Office 13	Tel: (038) 515-131, 515-127-30
Banking Development Office 14	Tel: (038) 232-140, 232-147
Banking Development Office 15	Tel: (077) 214-239-40
Banking Development Office 16	Tel: (074) 342-496-8
Banking Development Office 17	Tel: (045) 720-980-2
Banking Development Office 18	Tel: (034) 213-533-6

### Business Development Offices

Business Development Office 1	Tel: 629-0631-3
Business Development Office 2	Tel: 255-1918, 251-1923
Business Development Office 3	Tel: 291-8380, 289-0268
Business Development Office 4	Tel: 278-2635, 270-1397
Business Development Office 5	Tel: 314-0090, 319-1234
Business Development Office 6	Tel: 438-1315-7
Business Development Office 7	Tel: 876-2613, 477-1351
Business Development Office 8	Tel: 943-5070, 943-5071-2
Business Development Office 9	Tel: 951-0304, 591-2177
Business Development Office 10	Tel: 533-0307-9
Business Development Office 11	Tel: (036) 244-780, 244-014
Business Development Office 12	Tel: (053) 818-485, 818-089-91
Business Development Office 13	Tel: (054) 318-836-7
Business Development Office 14	Tel: (055) 242-003, 242-613-4
Business Development Office 15	Tel: (056) 312-176

Business Development Office 16	Tel: (043) 333-996-8
Business Development Office 17	Tel: (044) 262-851, 255-336
Business Development Office 18	Tel: (045) 269-425, 323-549-50
Business Development Office 19	Tel: (034) 257-408, 251-084
Business Development Office 20	Tel: (034) 219-138, 219-138-41
Business Development Office 21	Tel: (077) 214-234-5
Business Development Office 22	Tel: (074) 342-490-3
Business Development Office 23	Tel: (038) 814-486-8
Business Development Office 24	Tel: (038) 671-771-4
Business Development Office 25	Tel: (042) 243-332, 223-959
Business Development Office 26	Tel: 754-9898, 754-9946
Business Development Office 27	Tel: (075) 223-422-6

### **Nationwide Branches**

Bangkok	145 Branches
Northern Metropolitan Area	50 Branches
Southern Metropolitan Area	40 Branches
Eastern Metropolitan Area	28 Branches
North Region	67 Branches
North Eastern Region	79 Branches
Western Region	31 Branches
Southern Region	49 Branches
Total	<hr/> 489 Branches <hr/> <hr/>

**INTERNATIONAL TRADE SERVICE CENTERS AS AT DECEMBER 31, 1998**

International Trade Service Center, <b>Chidlom</b>	Tel : 256-1450, 256-1467-72, 256-1144-7
International Trade Service Center, <b>Lat Phrao Soi 10</b>	Tel : 513-9384, 511-3402, 938-4190-2
International Trade Service Center, <b>Bangjak</b>	Tel : 333-0492-4, 332-9063
International Trade Service Center, <b>Bang Lampu</b>	Tel : 281-4702, 281-7616-9 Ext. 55-58
International Trade Service Center, <b>Talat Noi</b>	Tel : 639-6834-5, 639-0809-10
International Trade Service Center, <b>Bangkapi</b>	Tel : 258-9679, 259-2598, 662-6108
International Trade Service Center, <b>Rajawongse</b>	Tel : 222-9479, 225-8256, 222-6642
International Trade Service Center, <b>Surawongse</b>	Tel : 237-8589, 233-7380, 233-7115-9
International Trade Service Center, <b>Khlong Luang</b>	Tel : 516-3311, 516-8017, 516-5454-5
International Trade Service Center, <b>Thanon Taksin</b>	Tel : 438-1315-7, 437-4359
International Trade Service Center, <b>Bangkadi</b>	Tel : 963-7153-6
International Trade Service Center, <b>Muang Mai Bangphli</b>	Tel : 315-3004, 315-3009, 315-2223-6
International Trade Service Center, <b>Bangkhlo</b>	Tel : 689-7501-2
International Trade Service Center, <b>Omyai</b>	Tel : 420-1117-9, 420-0083-4
International Trade Service Center, <b>Laem Chabang</b>	Tel : (038) 331-219-20, 331-282-4
International Trade Service Center, <b>Chiang Mai</b>	Tel : (053) 818-483, 282-098
International Trade Service Center, <b>Had Yai</b>	Tel : (074) 244-574

## EXCHANGE BOOTHS AS AT DECEMBER 31, 1998

### Bangkok Booths

Soi Chai Yot	9.00 a.m.-7.00 p.m.	Tel: 255-2999
Thanon Ratchadaphisek	10.00 a.m.-8.00 p.m.	Tel: 247-1886
Sala Daeng	Business Day 10.30 a.m.-8.30 p.m. Weekend 11.00 a.m.-9.00 p.m.	Tel: 267-0050, 234-8125
Wat Phra Kaeo	8.30 a.m.-4.30 p.m.	Tel: 225-2770-1
Thanon Khao San	9.00 a.m.-7.00 p.m.	Tel: 280-1452, 280-1811
Phloenchit	10.00 a.m.-8.00 p.m.	Tel: 255-2998
Siam Center	10.00 a.m.-8.00 p.m.	Tel: 255-3928
Surawong	8.30 a.m.-6.30 p.m.	Tel: 235-7877 Ext. 44
Silom	10.00 a.m.-8.00 p.m.	Tel: 235-9595, 267-0197
Wat Trai Mit	8.30 a.m.-5.00 p.m.	Tel: 225-9307
Ngamdu Phli	10.00 a.m.-8.00 p.m.	Tel: 213-1331, 213-1246
Royal Orchid	7.00 a.m.-8.00 p.m.	Tel: 235-6240, 237-0969
Robinson Sukhumwit	10.00 a.m.-8.00 p.m.	Tel: 254-4332

### Up-Country Booths

Patong (Phuket)	10.00 a.m.-9.00 p.m.	Tel: (076) 340-523, 342-592
Patong Branch	10.00 a.m.-9.00 p.m.	Tel: (076) 341-588, 341-590
Patong (Phuket 2)	10.00 a.m.-6.30 p.m.	Tel: (076) 340-466-8
Phattaya	Business Day 12.00 a.m.-11.00 p.m. Weekend 11.00 a.m.-11.00 p.m.	Tel: (038) 429-985, 340-523
Tha Phae	Mon-Thu 10.00 a.m.-8.00 p.m. Fri-Sun 9.00 a.m.-9.00 p.m.	Tel: (053) 273-171, 274-732
Talat Anusarn	Mon-Thu 11.00 a.m.-9.00 p.m. Fri-Sun 9.00 a.m.-9.00 p.m.	Tel: (053) 273-732, 282-283
Black Cat	9.30 a.m.-6.00 p.m.	Tel: (077) 422-488, 422-507
Chaweng (Ko Samui)	9.15 a.m.-6.00 p.m.	Tel: (077) 422-445, 422-489
Ko Samui	8.30 a.m.-5.30 p.m.	Tel: (077) 420-190
Talad Bophut	9.00 a.m.-6.00 p.m.	Tel: (077) 425-009
Farmingo	9.30 a.m.-6.00 p.m.	Tel: (077) 424-387, 424-507
Ko Phan-Gan	8.30 a.m.-5.30 p.m.	Tel: (077) 377-004-5, 377-111
Phuket	8.30 a.m.-8.00 p.m.	Tel: (076) 212-255 Ext 53
Kata Plaza	9.00 a.m.-9.00 p.m.	Tel: (076) 330-473, 381-473
Karon	9.00 a.m.-9.00 p.m.	Tel: (076) 396-475, 381-474
Phraratchawang Bang Pa-In	8.30 a.m.-3.30 p.m.	Tel: (035) 261-547
Wat Phra Sirattanamahathat	7.00 a.m.-12.00 a.m.	Tel: (055) 243-293
Krabi	8.30 a.m.-4.30 p.m.	Tel: (075) 620-623, 611-787
Chiang Rai	10.00 a.m.-10.00 p.m.	Tel: (053) 711-579, 715-281
Sam Liam Thong Kham	9.00 a.m.-5.00 p.m.	Tel: (053) 784-190-1
Pratu Thaphae	8.30 a.m.-6.30 p.m.	Tel: (053) 281-201

Sukhothai History Park	8.30 a.m.-5.00 p.m.	Tel: (055) 697-089, 613-245
Chaweng 2	12.00 a.m.-9.00 p.m.	Tel: (077) 230-493-4
Choeng Thale (Phuket)	Business Day 3.30 p.m.-5.30 p.m. Weekend 9.00 a.m.-5.30 p.m.	Tel: (076) 324-501-2
Phuket Fantasy	5.00 p.m.-9.30 p.m.	Tel: (076) 212-760, 212-794

**OVERSEAS BRANCHES/OFFICES, AFFILIATED BANK AND JOINT-VENTURED BANK  
AS AT DECEMBER 31, 1998**

*Overseas Branches/ Offices*

**New York Agency**

Senior Vice President, Area Manager North America and Europe and  
General Manager, New York Agency : Mr. Chulatip Nitibhon

One Exchange Plaza, 8<sup>th</sup> Floor

New York, N.Y. 10006 U.S.A.

Tel : 001-1 (212) 344-4101

Telefax : 001-1 (212) 747-0106

Telex : 233444 SCBNY UR

E-Mail : [scbny@ibm.net](mailto:scbny@ibm.net)

**Los Angeles Branch**

Vice President and General Manager : Ms. Kluaymai Devahasdin na Ayudhya

601 South Figueroa Street, Suite 3575

Los Angeles, C.A. 90017-5739 U.S.A.

Tel : 001-1 (213) 614-1805

Telefax : 001-1 (213) 622-0049

Telex : GN 3736367 SIAM LSA

E-Mail : [scb\\_la@msn.com](mailto:scb_la@msn.com)

**London Branch**

Vice President and General Manager : Ms. Ongorn Lerlop

Kings House, 2<sup>nd</sup> Floor

36/37 King Street, London EC2V 8BB England

Tel : 001-44 (171) 606-7596-9

Telefax : 001-44 (171) 606-3746

Telex : 892860 SCBLDN G

E-Mail : [scb-london@dial.pipex.com](mailto:scb-london@dial.pipex.com)

### **Hong Kong Branch**

Vice President, China and Hong Kong Area Manager and  
General Manager, Hong Kong Branch : Mr. Santi Santikulanont  
703-706 Edinburgh Tower, The Landmark  
15 Queen's Road, Central Hong Kong  
Tel : 001 (852) 2524-4085  
Telefax : 001 (852) 2845-0293  
Telex : 66150 SIAMB HK  
E-Mail : [siambk01@netvigator.com](mailto:siambk01@netvigator.com)

### **Singapore Branch**

Vice President and General Manager : Mr. Tak Bunnag  
16 Collyer Quay, # 25-01 Hitachi Tower  
Singapore 049318  
Tel : 001 (65) 536-4338  
Telefax : 001 (65) 536-4728  
Telex : RS 24419 SIAM SP  
E-Mail : [siam8800@singnet.com.sg](mailto:siam8800@singnet.com.sg)

### **Vientiane Branch**

Vice President and General Manager : Mr. Prasong Ruamchaiyaphum  
117 Lanexang-Samsenthai Road  
Ban Sisaket, Muang Chanthaburi  
Vientiane, Lao People Democratic Republic P. O. Box 4809  
Tel : 007-856 (21) 213-500-1  
Telefax : 007-856 (21) 213-502  
Telex : (0804) 4364 SCBVTE LS  
E-Mail : [scb-vte@pan-laos.net.la](mailto:scb-vte@pan-laos.net.la)



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Telex : 001 86914 SIAM IN

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*Affiliated Bank*

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Branch Manager : Mr. Suriyah Termlertmanuswong

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**Cambodian Commercial Bank – Sihanouk Ville Branch**

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*Joint-Ventured Bank*

**VinaSiam Bank**

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## **Other Parties**

### **Share Registrar:**

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62 The Stock Exchange of Thailand Building  
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### **Trustee:**

(ECD)

Citicorp Trustee Company Limited  
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### **Auditor:**

Mr. Toemsakdi Krishnamra  
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