

Ref. No. 314/1999

30 August 1999

To President
The Stock Exchange of Thailand

Subject: Resolution of the Board of Directors' Meeting

According to an on going issue, involving financial status and operation of Phatra Thanakit Public Company Limited and Thai Farmers Bank Public Company Limited as its major shareholder, since the issue had some potential impact on both Thai Farmers Bank Public Company Limited and the whole financial system, Thai Farmers Bank Public Company Limited had called the Board of Directors meeting No. 10/2542 on August 29, 1999 to discuss about this particular matter with a summary as follows:

1. The meeting considered that in the past, Thai Farmers Bank Public Company Limited had financially supported Phatra Thanakit Public Company Limited to help lessen and guard against possible negative impact that could be imposed on both the company and the economy. These supports were extended to assist the company's business and operations, and in particular, to help accelerate the progress of debt restructuring. Thai Farmers Bank Public Company Limited and Phatra Thanakit Public Company Limited have regularly consulted the Bank of Thailand to find remedies to the problems in the same manner as what the Bank of Thailand had implemented on other similar ailing financial institutions.

2. However, according to the current issue that Thai Farmers Bank Public Company Limited should fully support Phatra Thanakit, the Thai Farmers Bank Public Company Limited's Board of Directors believes that such action could result in further damage to the bank. With this regard, the Board of Directors has agreed unanimously that Thai Farmers Bank Public Company Limited is no longer in the position to financially support Phatra Thanakit Public Company Limited in any form due to the following reasons:

2.1 According to Section 85 in the Public Company Act (1992), directors cannot conduct any actions that may lead to neglects of the company's benefits;

2.2 Thai Farmers Bank Public Company Limited is in the process of raising capital domestically and internationally to strengthen its capital base. This will enable Thai Farmers Bank Public Company Limited make a 100% provision as required by the Bank of Thailand, establish an asset management company (AMC), which will help solve the problems of non-performing loans at a faster pace, and provide a capital base to extend new loans that will help accelerate the economic recovery. Therefore, if Thai Farmers Bank Public Company Limited lends additional financial support to Phatra Thanakit Public Company Limited, such action may negatively impact investors' confidence, possibly leading to unsuccessful capital raising;

2.3 In any case, Phatra Thanakit Public Company Limited's depositors will not be affected since they are fully guaranteed by the Financial Institution Development Fund (FIDF).

3. In the course of consultation with the Bank of Thailand regarding the management issue on the operation of Phatra Thanakit Public Company Limited, Thai Farmers Bank Public Company Limited's purchase of shares of Merrill Lynch-Phatra Securities and Thai Farmers Assets Management (TFAM) shares from Phatra Thanakit Public Company Limited in July 1998 was mentioned. The issue was raised on what should be an appropriate method to deal with the shares of these two companies. The Board resolved unanimously that if it would facilitate the Bank of Thailand's decision making on how to deal appropriately with Phatra Thanakit Public Company Limited on an equitable basis with what the Bank of Thailand had done with other financial institutions, Thai Farmers Bank Public Company Limited will cooperate with the Bank of Thailand in finding mutually acceptable treatment of the shares of these two companies subject to compliance with relevant laws.

Please be informed accordingly. Enclosed is the press release.

Yours sincerely,

Press Release

According to an on going issue, involving financial status and operation of Phatra Thanakit Public Company Limited and Thai Farmers Bank Public Company Limited as its major shareholder, since the issue had some potential impact on both Thai Farmers Bank Public Company Limited and the whole financial system, Thai Farmers Bank Public Company Limited had called the Board of Directors meeting to discuss about this particular matter.

Thai Farmers Bank Public Company Limited would like to inform that in the past, Thai Farmers Bank Public Company Limited had financially supported Phatra Thanakit Public Company Limited to help lessen and guard against possible negative impact that could be imposed on both the company and the economy. These supports were extended to assist the company's business and operations, and in particular, to help accelerate the progress of debt restructuring. Thai Farmers Bank Public Company Limited and Phatra Thanakit Public Company Limited have regularly consulted the Bank of Thailand to find remedies to the problems in the same manner as what the Bank of Thailand had implemented on other similar ailing financial institutions.

However, according to the current issue that Thai Farmers Bank Public Company Limited should fully support Phatra Thanakit, the Thai Farmers Bank Public Company Limited's Board of Directors believes that such action could result in further damage to the bank. With this regard, the Board of Directors has agreed unanimously that Thai Farmers Bank Public Company Limited is no longer in the position to financially support Phatra Thanakit Public Company Limited in any form due to the following reasons:

1. According to Section 85 in the Public Company Act (1992), directors cannot conduct any actions that may lead to neglects of the company's benefits;
2. Thai Farmers Bank Public Company Limited is in the process of raising capital domestically and internationally to strengthen its capital base. This will enable Thai Farmers Bank Public Company Limited make a 100% provision as required by the Bank of Thailand, establish an asset management company (AMC), which will help solve the problems of non-performing loans at a faster pace, and provide a capital base to extend new loans that will help accelerate the economic recovery. Therefore, if Thai Farmers Bank Public Company Limited lends additional financial support to Phatra Thanakit Public Company Limited, such action may negatively impact investors' confidence, possibly leading to unsuccessful capital raising;
3. In any case, Phatra Thanakit Public Company Limited's depositors will not be affected since they are fully guaranteed by the Financial Institution Development Fund (FIDF).

Furthermore, in the course consultation with the Bank of Thailand regarding the management issue on the operation of Phatra Thanakit Public Company Limited, Thai Farmers Bank Public Company Limited's purchase of shares of Merrill Lynch-Phatra Securities and Thai Farmers Assets Management (TFAM) shares from Phatra Thanakit Public Company Limited in July 1998 was mentioned. The issue was raised on what should be an appropriate method to deal with the shares of these two companies. The Thai Farmers Bank Public Company Limited's Board of Directors resolved unanimously that if it would facilitate the Bank of Thailand's decision

making on how to deal appropriately with Phatra Thanakit Public Company Limited on an equitable basis with what the Bank of Thailand had done with other financial institutions, Thai Farmers Bank Public Company Limited will cooperate with the Bank of Thailand in finding mutually acceptable treatment of the shares of these two companies subject to compliance with relevant laws.

Please be informed accordingly.

Thai Farmers Bank Public Company Limited
August 30, 1999