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BANK OF ASIA PUBLIC COMPANY LIMITED

Annual Report

1996

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*To become the best
Thai financial service center
with a record of innovation,
a reputation for professionalism
and a practice founded upon
the philosophy of doing
right for our customers.*

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Financial Highlights

Unit : Million Baht

	1996	1995	%Change
Earnings			
Profit before tax	2,520	2,053	23
Net profit	1,800	1,464	23
Earnings per share (Baht)	4.51	4.20	7
Relevant data			
Assets	126,421	108,465	17
Loans	108,656	87,999	23
Domestic deposits	69,836	55,136	27
Total deposits	87,003	79,660	9
Shareholders' equity	11,262	7,687	47
Ratios			
Return on average assets	1.53%	1.53%	
Return on average equity	19.00%	20.96%	
Accrued interest to total loans	1.45%	1.43%	
Net interest margin	3.33%	3.24%	
Reserves to doubtful and uncollectible debts	127%	133%	



Chavalit Thanachanan
Chairman

Message from the Chairman

Dear Shareholders,

It is with much pleasure that I recently accepted an invitation to join Bank of Asia, one of the oldest and most dynamic of the Thai commercial banks. For the past several years I have been impressed by the successful turnaround of the Bank and its progressive approach to the ongoing liberalization of Thailand's financial services industry.

After joining the board, I have come to appreciate even more the dedication of the Bank's staff, and the long-term vision of the management. I am especially encouraged by the way Bank of Asia has prepared itself to outperform its competitors in an environment of slower economic growth and increasingly competitive markets.

The Thai economy and banking industry have entered a very challenging period. For the next several years, our economy will expand at a much lower rate than the 9 percent average annual increase experienced over 1987-1995. In 1996, GDP growth fell to 6.7 percent, and in 1997 this will likely fall further to just 6 percent or so.

Generally speaking, a growth rate of 6-7 percent per year would be fundamentally healthier at Thailand's current stage of economic development. However, the suddenness of this deceleration has caused a significant amount of turbulence and stress, especially in our capital and foreign exchange markets.

The long period of rapid growth involved an unsustainably high level of reliance upon foreign-sourced capital, and heavy imports of capital and consumer goods, without a sufficient level of exports to offset them. Together these have left the country with a sizable current account deficit, about 8.0 percent of GDP at the end of 1996, and high levels of foreign debt. As the Thai economy slows down quickly, this leaves us more vulnerable to sharp changes in the global economy, which we cannot control.

Overcoming these problems will take some time, and will not be easy. The country must boost its level of savings, in order to meet the need for capital investment while reducing our dependence on capricious foreign capital. Public and private-sector foreign debt must be carefully monitored, and a healthy balance between exports and imports restored.

Rather than look to government protection and subsidy, our domestic manufacturers must increase production efficiencies to overcome declining competitiveness. And the government must curb its own excessive and unproductive spending, in order to avoid a dangerous budget deficit.

Exercising such discipline will undoubtedly be painful for many areas of the economy. It is made more difficult by the region-wide slowdown in trade and investment that began last year. Also weighing on the economy is a situation of extreme oversupply in the Thai real estate industry, due to over-investment.

The commercial banking sector has hardly been immune to these problems. Non-performing loans have been rising, especially in relation to the problems of the real estate market. This is exacerbated by the effects of the sharp fall of the Stock Exchange of Thailand, and the turbulence in Thai money markets.

Economically speaking, the causes for such problems are partially cyclical, a natural downturn after a near-decade of fast growth. But there are also important structural roots to the Kingdom's economic slowdown.

By structural I refer to the idea that Thai economic growth has been founded on methods of development and concepts of success which may have been adequate for the recent past, but are no longer sufficient for future development, in any healthy and sustainable manner.

Thailand's recent growth has been too haphazard, too uneven, and too exploitative. The success of rapid industrial and commercial expansion has come at untenable costs to our society, culture, and environment. This has left Thai society infected with a great deal of inequality and frustration.

In addition, our past approaches to development are insufficient to meet the forces of oncoming "globalization" in trade and industry. Heightened global competition places a premium on competitiveness and efficiency, on our ability to improve and adapt the way we do things, rather than simply defend what we have done in the past.

Finding new solutions will not be easy. Generally speaking, we need to expend much greater effort in the areas of generating efficiency, openness, fairness, and applying the rule of law, in order to foster a stronger economy and society within the global environment.

We need to invest in education, encourage saving, and attend to the social problems which have resulted from rapid growth. We should no longer assume that rapid economic growth will solve everything.

I accepted the invitation to become chairman of Bank of Asia because, after having observed the Bank over several years, I came to the conclusion that the management recognizes the rapid changes occurring in this industry and this country, and is responding to these changes thoughtfully and progressively.

That the Bank's management has anticipated and prepared for the current economic downturn demonstrates this. Going into 1997, we maintain a strong capital base, a healthy loan portfolio, and performance efficiencies competitive with the best of the large Thai banks. In early 1996,

Bank of Asia undertook a needed capital increase, via a public offering of new shares, well in advance of the volatility in capital and currency markets that now make any institution's capital-raising exercise extremely difficult.

Certainly we continue to have a number of weaknesses and vulnerabilities. For one, its small size leaves Bank of Asia less able to benefit from the economies of scale which can accrue to larger banks in the era of liberalization and globalization of financial services.

Our branch system continues to underperform in terms of generating deposits and new consumer business. And the Bank has yet to make a permanent mark, a name for itself, in consumer banking services.

Yet I am confident that all of these problems are being addressed in a well-designed strategy to re-engineer the way the Bank carries out its business. In 1996 Bank of Asia launched its all-encompassing Retail Transformation Program, designed to generate productivity, efficiency, innovation, and above all, service. The goal is to establish the Bank's name in the forefront of consumer banking, to build market share without sacrificing profitability.

Another important change, which I am to oversee, is the formation of an independent audit committee which reports directly to the Bank's chairman. This type of body is common in developed countries, though not in Thailand. Bank of Asia is taking the lead in doing this in order to demonstrate our commitment to transparency and to healthy, sustainable growth.

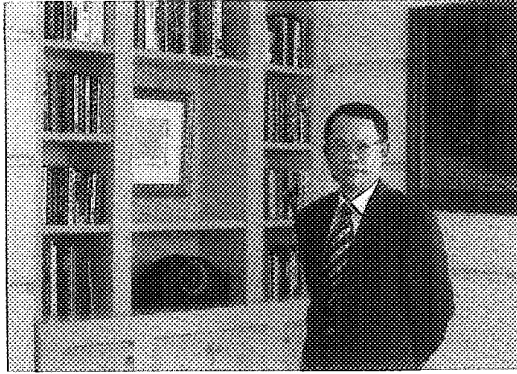
All of these concepts have been embraced in the Bank's long-term vision, developed by the staff themselves to remind us all precisely what we are aiming for:

"To become the best Thai Financial Service Center with a record of innovation, a reputation for professionalism and a practice founded upon the philosophy of doing right for our customers."

As I noted above, the current economic slowdown creates difficulties for any bank which has not prepared for it. For those that are prepared, like Bank of Asia, there are great gains to be made against the competition. Such gains require dedication and a lot of hard work. I have found that the Bank has the vision, and the management, people and strategy to achieve that vision.

During 1997 I will have a much greater opportunity to observe how this strategy is being put into action, and to determine how I might contribute. I believe Bank of Asia will be able to demonstrate my belief that the Thai and Asian economies, small or large, remain strong and competitive in the global markets.

I am also confident that the Thai government will adopt firm and sober policies to address the country's economic problems. With the right policies, Thailand should be able to sustain a healthy level of economic growth and development as we close on the next century. This bodes well for Bank of Asia, its staff, customers, and shareholders. To all, I would like to express the gratitude of the entire Board of Directors for your support and encouragement.



Chulakorn Singhakowin
President and Chief Executive Officer

Message from the President

Dear Shareholders,

In 1996, the downturn of the Thai economy generated numerous worries over the health of the Kingdom's financial system, especially its banks. As a result of our work over the recent several years, Bank of Asia was well-prepared for this change and, we believe, is now strongly positioned to take advantage of the turbulence and slower growth in the market which we expect over the next two years.

During the year, the Bank's assets and earnings grew steadily without significant deterioration of our funding position or loan portfolio quality. Net profit grew 23 percent, to Baht 1.8 billion, over 1995. Despite the dilution effect from an increase of capital, the Bank still achieved a 7.4 percent rise in earnings-per-share, to Baht 4.51.

Based on this performance, the board has proposed payment of a dividend of Baht 1.2 per share for the second half of 1996. Combined with Baht 1.2 paid for the first six months, the total dividend for 1996 would be Baht 2.4 per share.

Shareholders' total equity during 1996 rose 46.5 percent, to Baht 11.3 billion, and total assets grew 16.6 percent last year, to Baht 126.4 billion. Due to the dilution effects of the new share issue, return on equity fell slightly, to 19.0 percent, from 20.96 percent. Return on assets remained stable from 1995, at 1.53 percent. Improved assets-liabilities management brought about an increase in our net interest margin, to 3.33 percentage points, compared to 3.24 points in 1995.

This rate of growth and performance was not achieved at any sacrifice to Bank stability, or capacity to continue growing. The capital increase, done through a public offering of new shares, was undertaken well before the year-end turmoil in stock and currency markets made it difficult, and much more expensive, to do so. As a result, at the end of the year our capital adequacy ratio stood at 10.15 percent, compared to 8.72 percent at the end of 1995.

Loan quality also remained strong. Substandard and doubtful debts stood at only 7.02 percent of total loans, slightly more than 6.93 percent a year earlier. Accrued interest was 1.45 percent of total loans, compared to 1.43 percent a year earlier. Our loan portfolio is well diversified and our exposure to the much-publicized Thai real estate oversupply problem is relatively low.

The Bank's reserves increased 22 percent at the end of 1996, to Baht 1.8 billion, equivalent to 126.7 percent of doubtful and uncollectible loans, and 1.69 percent of total loans.

Five years of preparation have left the Bank stronger and more financially stable than ever in the past. We have a good customer base in our focus market, the small and medium Thai commercial and industrial businesses. We can offer a full range of banking services, to wholesale as well as retail customers.

Thus we feel we are not only well-prepared to ride out the storm of a sharp slowdown in Thai economic growth, but that the Bank can grasp this opportunity to gain ground on our competitors.

But we have not been preparing ourselves simply and solely for opportunistic activity in such a market. Two important trends of the 1990s, the ongoing liberalization of the Thai banking industry, and the irreversible globalization of financial services, have made a sweeping reassessment of the way we do business imperative. To make gains in growth, in market share, and in profitability over the long-term, Bank of Asia must change.

For the past three years, we have been working hard to reformulate our strategy for competing in the future. Based on our understanding of where the market will be, and where Bank of Asia should best position itself, we have constructed a clear, precise vision for Bank of Asia.

Our vision involves this: in this environment of globalized competition, affecting industry, commerce and services in even the most remote outposts, we need to em-

ploy the most crisp management approaches and modern technology to establish an efficient banking operation, one that can compete with small and large alike.

We must deliver the most complete range of products, with the flexibility and creativeness to tailor them to specific customer's needs, in a way that is more efficient and satisfying than that of any other bank. We want Bank of Asia to achieve a reputation for being the top-quality financial services center, known among banking customers for professionalism, service and fairness.

This vision, I believe, is practicable, attainable, and sustainable. We have no illusions that we will become one of the largest banks. We are invoking quality, productivity, and innovation, with the target of becoming one of the most competitive and profitable banks.

In 1996, we began to implement our strategy for attaining this vision. This comprises two components.

Firstly, we aim to prove to our traditional core customers, the small-to-medium sized Thai businesses, that there are now and will continue to be clear advantages to banking with us, rather than seeking out other financial institutions. We want to demonstrate that the smaller companies can obtain better products and service from Bank of Asia: that through us, product innovation, attentive service, and the benefits of globalization can work for them.

The second part of the strategy is to establish our name as the quality bank for retail customers. Our broad-based Retail Transformation Program involves the overhaul of our retail banking systems, a redesign of not just back-office hardware or branch interior design, but of our approach, and our thinking about the needs of retail banking customers. Retail is retail: it means doing a greater volume of services, including innovative but still easily-delivered products, all at a lower per-unit cost.

Retail means selling: we have to ensure that customers know they can obtain the services they need at our Bank, and that taking advantage of our products is quick and easy.

The Retail Transformation Program was launched in 1995, and in November 1996 the test installation of a new retail banking platform was completed in two Bangkok pilot branches. This comprises computer hardware and software tailored to help the seamless marketing and delivery of consumer banking services in the branches.

The new IT is only the first component of this program, a tool on which the other components will rest. These are:

- the re-engineering of our product delivery and management process, centralizing deposit, credit and accounting operations in the head office, so that branches can focus on product selling and delivery;
- a physical redesign of branches to make them more conducive to selling;
- and establishing a real consumer marketing capability. This means, having the ability to use detailed customer and consumer information generated by our new IT systems to adapt and customize our marketing approach, our products, and our service delivery. Only with such a capability will the Bank be able to respond in the quickest and most effective way to changing market trends.

It will take roughly two years to implement the Retail Transformation Program throughout the whole branch system. While this is going on, we are also putting substantial efforts into retraining and re-orientation. During 1996 we conducted seminars around the country to discuss with staff our vision, and the strategy for achieving it. This is being followed up by a series of training programs covering the changes being implemented in the Bank.

The goal of this training is that, at every level of the Bank, the management and staff must comprehend the way in which banking markets are changing world-wide, and how this affects their role. They must understand the concepts of selling, and of customer service. And they must understand the power our new systems offer to help target the marketing and delivery of services and products. Ultimately, in these functions, it is people which make the difference.

Over the long term, it is in building a reputation for top service that Bank of Asia will achieve a name as the preferred bank. This is our vision. It is concrete, attainable, and practical. Through growth, enhanced productivity, and improved performance ratios, we believe it will bring benefits to customers, staff, and shareholders alike.

Even as we began to implement this long-term strategy in 1996, the Bank has already been able to realize some of the benefits, especially in areas of operating efficiency. There had been concern, for instance, that undertaking a transformation of our retail banking operations would add significantly to operating costs.

But in fact, during 1996 the Bank limited growth of operating expenses to only 11.5 percent. In the few months that the pilot branches have been using the new retail banking platform, we have already observed a greater production of business, from fewer staff.

These, and our overall results from 1996, are encouraging signs for our operations in 1997 and 1998, when the new IT systems should be completely installed across the branch network, and the other components of our transformation well underway. We anticipate significantly more savings in the area of operating expenses, and more business generated per member of staff.

Thus we believe that our caution and steady preparation of the past few years will yield profits, even in the general atmosphere of a downturn in the Thai banking industry. Over the next two years, the full implementation of our strategy to transform the Bank into a modern, efficient consumer, retail and commercial finance center will allow Bank of Asia to make and sustain gains in market share and performance against its competitors.

I must thank the Bank's staff, shareholders, and customers for continuing to support and encourage efforts to make Bank of Asia a leader in the Thai banking industry.

Review of Operations

During 1996 the Thai banking industry experienced a deterioration of asset quality and earnings growth as the economy slowed and the effects of oversupply in the real estate industry, and falling equity prices on the securities market, began to sink in.

In this environment, Bank of Asia was able to perform significantly better than the average, registering strong profit growth while maintaining a relatively healthy loan portfolio. In these difficult times, the Bank successfully focused its efforts on liability management and cost control in operations. This resulted in better spreads and higher net profits.

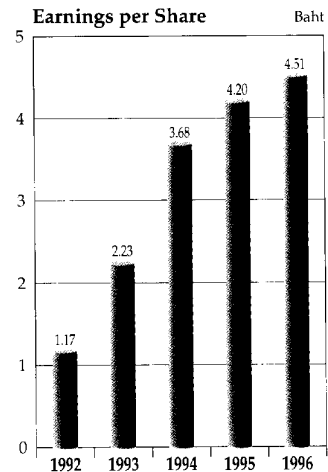
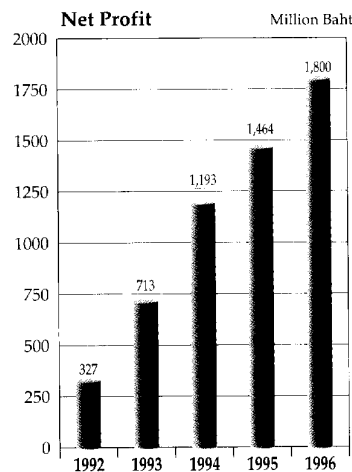
A public offering of new shares raising Baht 2.75 billion in June, and the issue of a US\$185 million FRCD in July, with a subsequent US\$ 50 million fungible issue in October, were both completed despite the difficult markets. This has left the Bank well-prepared to proceed with implementation of its long term strategy at a time when many financial institutions will be preoccupied coping with the problems of the economic downturn.

Performance

Attaining its target, the Bank achieved a 22.8 percent increase in pretax profit in 1996, to Baht 2.52 billion, from Baht 2.05 billion in 1995. After taxes, net profit rose 23.0 percent, to Baht 1.8 billion. Allowing for the dilution effect of the new shares issued during the year, after-tax earnings-per-share grew at 7.4 percent, to Baht 4.51, compared to Baht 4.20 in 1995.

Total bank assets at the end of 1996 stood at Baht 126.4 billion, an increase of 16.6 percent over the previous year. Return on assets remained at the same level as in 1995, at 1.53 percent.

Shareholders' equity rose during the year to Baht 11.3 billion, 46.5 percent higher than at the end of 1995. Return on equity fell slightly, to 19.0 percent, down from 21.0 percent, due to the dilution effects of the capital increase.



Sources of Income

The primary source of the improvement in earnings was more effective management of assets and liabilities, leading to a widening of margins. On a 23.5 percent increase in total loans, amounting to Baht 108.7 billion at the end of 1996, net interest income rose 26.0 percent, to Baht 3.9 billion, compared to Baht 3.1 billion a year earlier.

Of this, gross income from loans and deposits rose 20.0 percent, to Baht 11.8 billion, while income from securities held by the Bank increased 8.3 percent. Altogether, total interest and dividend income climbed 19.2 percent to Baht 12.6 billion, compared to Baht 10.6 billion in 1995.

Against this, total interest expenses were higher by only 16.4 percent, Baht 8.7 billion compared with Baht 7.5 billion in 1995.

Consequently, net interest income compared to average assets, or net interest margin, widened substantially, rising to 3.33 percentage points, from 3.24 points in 1995.

Non-interest income remained virtually flat in 1996, falling 1.0 percent to Baht 1.14 billion, from Baht 1.15 billion a year earlier. Income from fees and services increased 21.4 percent, to Baht 547 million. This was in line with the bank's overall growth, but still unsatisfactory in the view of management. Greater efforts to build this part of our business are underway.

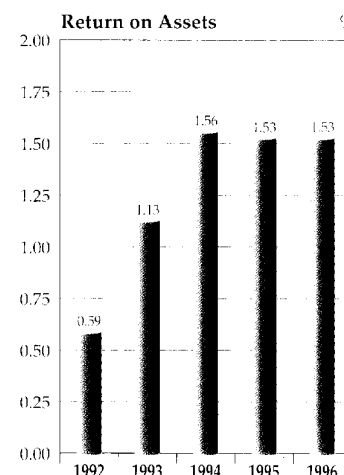
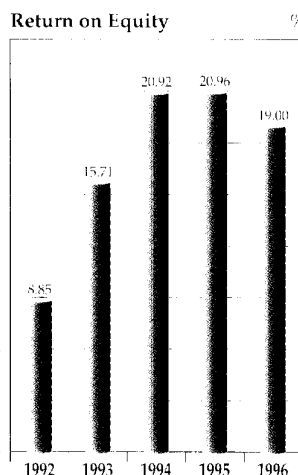
Gains on exchange, arising principally from customers' transactions, added Baht 237 million to non-interest income, an increase of 22.9 percent.

The principle reason for the slight downturn in total non-interest income was a 30.0 percent decline, from Baht 507 million in 1995 to Baht 355 million in 1996, in gains from securities and debt instrument trading and property disposals. The depressed state of the domestic securities market was a major factor in this decline.

Of the Baht 355 million, Baht 172 million was attributable to the sale of a non-strategic asset, the Bank's stake in Hong Kong and London-based brokerage, Asia Equity. Beyond that, earnings from the sale of securities were lower as a consequence of the depressed local equity market.

Net Interest Income	Million Baht		
	1996	1995	%Change
Gross interest and dividend income	12,634	10,597	19.2
Interest expenses	8,724	7,494	16.4
Net interest income	3,910	3,103	26.0
Net interest margin	3.33%	3.24%	

Non - interest Income	Million Baht		
	1996	1995	%Change
Fees and services	547	450	21.4
Gain on exchange	237	193	22.9
Other income	355	507	-30.0
Gain on sales of securities	251	344	-27.0
Gain on sales of debt instruments	87	27	222.2
Others	17	136	-88.0
Total	1,139	1,150	-1.0



The stability in net profit was also a result of tighter controls on operating expenses. Non-interest expenses rose only 12.4 percent in 1996, with personnel, the largest component, being held to an increase of only 9.6 percent, to Baht 912 million. The ratio of operating expenses to gross income fell to 33.4 percent, down from 35.6 percent a year earlier, giving Bank of Asia the third lowest operating expenses ratio of all Thai commercial banks, excluding Bangkok Bank of Commerce.

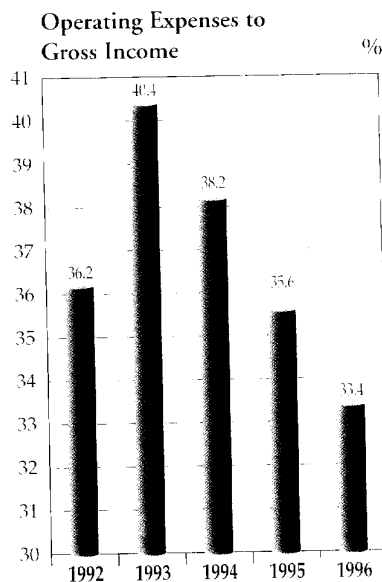
As the Bank began to implement its Retail Transformation project in 1996, some observers had been concerned that operating expenses for the period of implementation would balloon. However, in actual experience, the benefits have been immediate and very encouraging.

Based on these improvements, the Bank believes that greater gains in operating efficiency will be achieved during 1997 and 1998, when the full impact of the Retail Transformation is felt.

Lending Operations

Total loans increased 23.5 percent in 1996, to Baht 108.7 billion. Of this amount, the proportion of Baht-denominated loans was 78.3 percent, compared to 77.1 percent a year earlier. Foreign currency loans, at Baht 23.5 billion, rose 16.7 percent during the year, and stood at 21.7 percent of total loans.

The main extender of foreign-currency loans was Bank of Asia's BIBF (Bangkok International Banking Facility) foreign currency loan operation, which held 15.6 percent of total loans. BIBF lending grew 11.7 percent during the year, reflecting a slowing demand and greater caution among Thai borrowers regarding offshore financing.



Breakdown of Loans	Million Baht			
	1996	% of Total Loans	1995	% of Total Loans
Baht loans	85,127	78.3	67,831	77.1
Foreign currency loans	23,529	21.7	20,168	22.9
BIBF	16,963	15.6	15,191	17.3
Trade finance	5,788	5.3	4,292	4.9
Others	778	0.8	685	0.7
Total loans	108,656	100	87,999	100

Our trade finance division was responsible for most of the rest of foreign currency lending, 5.3 percent of the total loans, or Baht 5.8 billion. Although our trade finance business increased 34.9 percent from 1995, management hopes to continue expanding this business at a continuously high rate.

Sources of Funding

Early in 1996 the Bank anticipated the coming deterioration of economic conditions, and made important strategic adjustments to the makeup of its liabilities. Greater emphasis was placed on domestic deposits, and offshore borrowings were reduced with the balance sourced through money market operations. As a result, at the end of the year a much stronger funding base had been established.

A policy to increase domestic deposits resulted in a 26.7 percent rise in this funding component. At year-end domestic Baht deposits stood at Baht 69.8 billion, or 80.3 percent of the total deposit base, compared to 69.2 percent at the end of 1995.

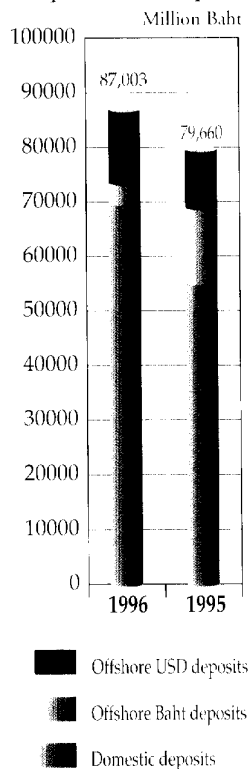
Offshore deposits fell to 19.7 percent of total deposits, down from 30.8 percent in 1995. Offshore Baht deposits were allowed to decrease by 73.3 percent, most of the decline coming from deposits of short-term maturity. The remaining Baht 3.7 billion of offshore Baht deposits are negotiable certificates of deposit of long maturity. At the end of 1996, 82 percent of these NCDs were of one-year tenor.

Foreign-currency deposits increased by 26.2 percent, to the equivalent of Baht 13.5 billion. The main component of this was the US\$ 185 million FRCD placement in July with another US\$ 50 million fungible issue added on the same term. This issue was markedly successful: originally designed to raise US\$150 million, the total sum rose in reaction to the strong interest and support from international banks. Underlining the market perception of Bank of Asia's improving quality, in all 32 banks participated in the issue, from across Asia, Australia, Europe and North America.

Despite the success of this reweighting of our deposit base, overall deposits grew by only 9.2 percent to Baht 87.0 billion at year-end. Management recognizes that Bank of Asia has a lower-than-average level of deposits per branch, compared with the industry (though we are higher on a deposit-per-employee basis). It is toward these shortcomings in particular that our Retail Transformation strategy, launched in 1996, is targeted.

Bank borrowings increased during 1996 by 39.8 percent, to Baht 17.4 billion, from Baht 12.5 billion a year earlier. This comprised a 70.1 percent rise in domestic Baht borrowings, to Baht 2.5 billion, and a 35.8 percent increase in offshore foreign-currency (US dollar) borrowings, to Baht 14.9 billion.

Composition of Deposits



Loan to Deposit Ratio

At the end of 1996, the Bank's gross loan to deposit ratio was 121 percent. This can be explained by the Bank's high level of foreign-currency loans, 21.7 percent of total loans, and the sources of funding for these loans.

Foreign currency (mainly US dollar) assets totalled Baht 23.5 billion at the end of 1996, an increase of 16.7 percent over 1995. Against this, the Bank holds US dollar liabilities of Baht 28.4 billion, 31.0 percent above 1995.

However, only 47.5 percent of our US dollar liabilities is in the form of deposits, the rest being borrowings. The lower level of foreign deposits results in the overall high loan to deposit ratio. If this foreign currency aspect is excluded, the Bank's local currency loan to deposit ratio stands at 111 percent. Admittedly, this is still a higher level than is desirable. As noted above, although our Baht deposits have increased rapidly, management continues to make efforts to improve the overall loan to deposit ratio. It is toward this end that our Retail Transformation Program is directed.

Asset Quality

While the Bank's total credits have grown quickly during a period of general deterioration of economic conditions, the quality of our asset portfolio has witnessed only a modest decline.

Classified Loans	Million Baht			
	1996	% of Total Loans	1995	% of Total Loans
Sub-standard	6,187	5.69	4,963	5.64
Doubtful	1,446	1.33	1,131	1.29
Uncollectible	0	0.00	0	0.00
Total classified loans	7,633	7.02	6,094	6.93
Reserves for possible loan losses	1,832		1,501	
% Reserve to doubtful and uncollectible debts	127		133	

Accrued interest was 1.45 percent of total loans at the end of 1996, compared to 1.43 percent a year earlier.

Non-performing loans stood at 7.6 percent of total loans, compared to 7.0 percent at the end of 1995. Under Bank of Thailand regulations, non-performing loans are those in arrears for six months if without collateral backing, and 12 months if fully collateralized.

Bank of Asia's non-performing loans compared favorably to the average of the Thai banking industry. At end-June 1996 (the latest for which industry-wide

figures were available), the Bank's non-performing loans were 6.90 percent of total loans, against an average 7.73 percent for all Thai banks (excluding Bangkok Bank of Commerce) and compared to 6.98 percent for the six largest banks.

Bank of Asia's classified loans, under Bank of Thailand standards, also rose only slightly in 1996. At year-end classified loans comprised 7.02 percent of total loans, compared to 6.93 percent in 1995.

Reserves for possible loan losses were set at Baht 1.83 billion in 1996, equivalent to 1.69 percent of total loans. The Bank provisioned Baht 460 million for possible loan losses in 1996, 27.8 percent higher than previous year.

The slowdown of the Thai economy has raised a general concern over the quality of bank assets, especially those connected to the oversupplied real estate industry. The Bank has all along been prudent about exposure to real estate sector. Real estate loans comprise 10.8 percent, of the total loan book, worth Baht 11.7 billion, and Bank of Asia considers its loans to this sector of better quality than the overall banking industry.

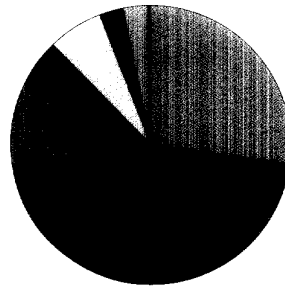
In addition, in response to the deterioration of economic conditions in 1996, the Bank chose to reduce its exposure in the domestic bills of exchange market. Early withdrawal allowed the Bank to avoid the rise in risk associated with these instruments. This change in our assets makeup helps to explain much of the difference between the 23.5 percent growth in lending and the slower 16.6 percent rise in total Bank assets.

Capital Adequacy

In an important preparation to the downturn of the Thai economy, the Bank strengthened its capital base through the public offering of 50 million new shares, in June 1996. These were priced at Baht 55 each, and were fully subscribed, adding Baht 2.75 billion to our capital base.

The result was that, at the end of 1996, the Bank's capital adequacy ratio, under the standards of the Bank for International Settlements, stood at 10.15 percent, compared with 8.72 percent a year earlier. Tier-one capital for the year end 1996 was 8.81 percent.

Composition of Loans



Commerce	27.25%
Industry	22.26%
Real Estate	10.77%
Private Consumption	11.93%
Services	10.48%
Agriculture and Forestry	5.28%
Banking & Finance	6.44%
Building & Construction	2.65%
Utilities	2.68%
Mining	0.26%

BIBF

Caution on the part of the Bank and its customers resulted in a slowdown of growth in the Bank's out-in offshore currency lending program through its BIBF unit. BIBF lending grew only 11.7 percent, to total the equivalent of Baht 17.0 billion, compared to Baht 15.2 billion in 1995. All of these loans are denominated in US dollars.

Earnings attributable to BIBF operations increased 29.9% in 1996, compared with 27.8 percent increase a year earlier.

BIBF lending has also been the source of much concern for the Thai banking industry's health. Bank of Asia considers its BIBF loans to be relatively prudent and low-risk. Less than 4 percent of the Bank's BIBF loan portfolio is to the real estate sector.

Additionally, as noted above, the Bank's foreign currency lending is adequately compensated by its long-term foreign currency liabilities, both deposits and borrowings.

<i>BIBF Financial Highlights</i>			
	Million Baht		
	1996	1995	% Change
Net profit	292	225	29.9
Loans	16,963	15,191	17.7
Assets	17,330	15,404	12.5
BIBF loans to total loans	15.6 %	17.3 %	

Subsidiary and Affiliated Companies

In order to expand its product line and to become a complete financial services center, Bank of Asia has made strategic investments in several other companies.

Thai-Asia Mutual Fund Company Limited

The Bank is the largest shareholder, with 25 percent, of this joint venture together with six Thai financial institutions and Barclays Global Investors Hong Kong Limited. Marketing of the mutual funds is done in close cooperation with the Bank, which offers these products through its branch system. The return on equity from Thai-Asia has been consistently high since it was launched in 1992.

Vendome Assurance Public Company Limited

Bank of Asia holds 27.6 percent of this general insurance company, in a joint venture with UAP, France's largest insurer and Swedish Motors Corporation. This added another important facet to the Bank's product offerings; we refer our commercial and consumer customers to Vendome for their insurance needs. Since our investment in this company, we and our partners have been able to rehabilitate its operations and return it to profitability.

BOA Leasing Company Limited

Bank of Asia set up this company in 1995 in order to provide leasing services to our commercial customers. Profitable since its launch, BOA leasing had Baht 2 billion in total assets at the end of 1996.

ASEC Finance and Securities Company Limited

Formerly named Eastern Commercial Trust, Bank of Asia acquired 55 percent of this fully licensed finance and securities company in 1995. The name was changed to ASEC Finance and Securities in late 1996. ASEC has capabilities in broking, stock and debt underwriting, and advisory service.

Asia Equity Holding Limited

Bank of Asia held 30 percent of Asia Equity as a non-strategic investment in partnership with Finance One PCL and First Asia Securities PCL. The Bank's stake was sold in 1996 and a gain on the sale of Baht 171 million was recorded.

Vision & Strategy

Re-defining Bank of Asia

For the past three years Bank of Asia's management has been studying how the Bank can be transformed into an institution that, despite its size, would be a formidable competitor in the Thai banking market. The Bank has grown rapidly for several years, but much of this growth has been attributable to the rapid expansion of the Thai economy.

In anticipation that such economic growth could not last forever and that a slowdown was inevitable, the Bank's management had been searching for ways to sustain growth and earnings, year in and year out, whatever the economy's direction. We wanted to be able to steadily expand our assets and increase market share, and to do so without sacrificing stability or profitability.

The process of developing solutions to these challenges has required us to analyze deeply the strong and weak points of the Bank, establish just what our current market presence is, and understand the long-term trends in the financial services industry, both locally and globally.

In 1995 we initiated a series of meetings designed to orient our top staff to these problems and have them generate a long-term vision. During several weekend retreats, some 55 of our staff, from vice president level upwards, discussed short and long-term trends in the banking industry, the position of our Bank in relation to them, and what the Bank should strive to achieve in the future.

The outcome of these meetings was a challenging vision for the Bank, which defines just what and where we want to be five years from now. This was then presented to the entire Bank staff at a day-long orientation held in Bangkok in February 1996.

The first step of this process of defining the vision was to understand just what our bank is today. Traditionally Bank of Asia has defined itself by its core market of small-to-medium sized industrial and commercial customers.

For the past five years, the Bank has striven to further exploit this niche, by offering these customers the special attention, the innovative products and the quality of services that other banks provide only to the largest of customers. Our research suggests that our customers recognize our efforts, and that Bank of Asia has achieved a name for itself in serving this market.

“To become the best Thai Financial Service Center with a record of innovation, a reputation for professionalism, and a practice founded upon the philosophy of doing right for our customers.”



More recently, the Bank has begun a campaign to make a similar mark in consumer banking, the most rapidly growing segment in the industry. Here we stand at a disadvantage to the largest banks, with their extensive branch networks. However, making gains in this market is key to boosting the Bank's market share of deposits, the most important source of funding.

We believe that by showing retail customers that we can deliver a full and competitive line of products more efficiently than other banks, we will be able to expand market share in consumer banking services not based on lower pricing of products, but on quality of service.

These concepts are the core of the Bank's future self-identity, of how we see ourselves and how we want the public to recognize us. To cement our long-term position in the market, we must offer consumer and commercial banking customers a full range of financial services and innovative products, delivered seamlessly at any and all of our branches.

If we are to maintain profitability and stability, and at the same time build our share of the market, we must use quality and service to convince customers to bank at Bank of Asia.

The vision statement which grew out of these strategy sessions was drafted by our 55 members of middle and upper management and presented to the entire staff in February 1996, to serve as our guide for the future:

"To become the best Thai Financial Service Center with a record of innovation, a reputation for professionalism, and a practice founded upon the philosophy of doing right for our customers."

Strategy

In pursuit of this vision, we have set three performance-related strategic targets:

- Widening of interest spread, to achieve consistently the level of the top performing Thai banks.
- Reduction of production costs, through more efficient work processes.
- Increasing average income per customer, through seamless marketing of a greater range of products.

As the Thai economy slows down, however, attaining these goals, and increasing market share, is not easy. In order to achieve these objectives the Bank cannot continue to do things the way it has in the past. Our strategy must incorporate new approaches to the way we serve our market and manage our operations.

Retail Transformation

The most important feature of the Bank's strategy is our Retail Transformation Program. This was launched in January 1996 and should be fully implemented by 1998.

This program is designed to transform our branches into a highly productive and efficient network for retail banking product sales and service. Back office tasks, such as loan and deposit processing and accounting, are being moved out of the branches and centralized in the Bank's headquarters, to allow branch staff to dedicate themselves to the offering and delivery of our products to customers and to realize economies of scale in a centralized processing environment.

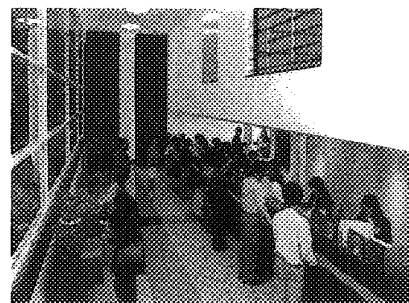
The net effect of this will be to improve branch productivity, without an increase in operating costs, and without a decline in asset quality that could damage growth over the long run. We have two very specific and important aims : to attract a greater volume of low-cost deposits to the branches; and at the same time generate a larger amount of high-margin consumer lending business.

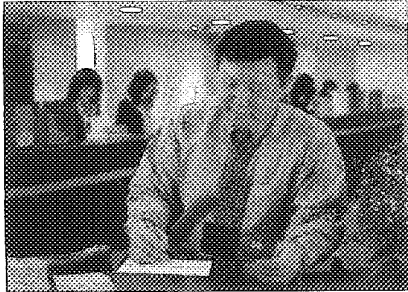
The Retail Transformation consists of four components, all of which must be completed in order to realize our vision:

1. Installation of a new, retail banking IT systems platform.
2. Re-engineering and rationalizing front and back-office work processes and service delivery.
3. Redesign of the appearance, functionality, and image of our branches, in order to enhance marketing and efficient product delivery, as well as customer's experience.
4. Establishment of a genuine retail marketing and service capability through product development, customer segmentation, training, and inculcation of a sales culture.

Under the first component, we have been replacing the old software and hardware in our retail operations with an entirely new retail banking platform. We have chosen a very powerful, market-proven IT package called Systematics from the Alltel Corporation of the US. Design and adaptation of this system for Bank of Asia began in 1995. The Bank has invested US\$ 24 million in this system.

Run on an IBM mainframe computer, the new software will be used to conduct and manage nearly all of our customer delivery activities, the deposits and loans systems, general ledger activities, and a customer information database.





The most far-reaching change that will stem from this new IT is the re-engineering of our retail operations, which is the second component of the Retail Transformation. We will change from a distributed system to a centralized architecture: deposit, credit and accounting operations, and most back office functions, will be handled at the head office with instant, up-to-date information being distributed throughout the branches. Credit quality and administration will be more tightly administered from the head office.

This will allow the branch staff to commit all their energies to selling and service follow-through. They need not spend half of their time attending to back-office jobs. Enhanced by the new IT systems, service and product delivery will be expedited, and will be available to any and all customers at any branch, at any time. Centralization of customer information, and then making it available throughout the branch system, will enable any branch to meet the needs of our customers.

The new IT and the redesigned management systems also enhance our ability to create and market new products and monitor customer demand and satisfaction.

Installation and testing of the new retail banking platform began in November 1996 in two pilot branches in Bangkok, and many of its benefits were immediately apparent. As a result, we are proceeding with the full installation of the new IT throughout the branch system, which should be completed by the end of 1997.

The third point, branch redesign, is crucial for building Bank of Asia's image as a customer-friendly retail bank, and for maximizing the selling capabilities of branch operations. Specialists from the Walker Group of New York, supported by local designers, have during 1995-96 undertaken a conceptual redesign of branch appearance, layout and image. Applying this to prototype branches in Bangkok was being completed in early 1997.

None of this will have much impact, however, if we do not achieve the fourth component of the Retail Transformation; acquiring a true retail marketing and sales capability. This means building a retail sales culture, and backing it with accurate market data, and efficient, agile management.

The new Alltel/Systematics software includes a powerful, detailed customer information system which will give us a much greater understanding of what products are wanted by which customers, where and when. Used correctly, it will allow us to develop and refine products and product delivery, and maximize the marketing efforts of our branches.

During 1997-98 we will implement the new design and IT throughout the branch system, and gradually apply our new organization structure to the branches as they come on line under the redesign program.

Overall, through our Retail Transformation process we will build a new retail bank, and create an institution with a full and modern consumer marketing capability.

This is not an easy task. It will take some time and will require extensive retraining of personnel, development of new management abilities, and inculcation of a new understanding of what it means to provide top-notch retail services.

Yet, we are very encouraged by the results of our pilot branches. Against the expectations of some analysts outside the Bank that the new systems would raise our costs, we experienced savings, in operations and staff.

The pilot branches became more productive, and staff hours decreased. We believe, too, that our customers already notice the difference in the quality of service from branch staff dedicated to providing that service, and not weighted down by having to perform back-office management and bookkeeping duties at the same time.

Commercial Business

As we implement our Retail Transformation, we are also making changes to the management of our traditional strength, our commercial and wholesale customers.

These customers are growing quickly with the Asian region's economies, and they require increasingly sophisticated services and products which have traditionally been available only to the largest of bank customers. This is the market that international banking services still do not respond to, and yet many of these customers are the corporate giants of tomorrow.

Through innovation and quick uptake of opportunities generated by liberalization in the Thai financial services industry, Bank of Asia has already demonstrated its ability to provide superior service to this sector of the market. For instance, Bank of Asia was quickest to provide BIBF offshore loan products for this market sector, when the larger Thai banks offered BIBF advantages only to the largest of customers.





We believe our re-engineering of branch management and our new retail banking platform will also enhance our ability to serve these customers.

The new IT likewise will help us to refine old products and offer more useful products to these customers.

At the same time, new operating software packages for treasury and foreign trade operations have been chosen and will be installed in 1997. These will add to our ability to serve the commercial and wholesale customer sectors as they demand more sophisticated banking services.

We are striving to convince our consumers, whether on the consumer/retail or commercial wholesale side, that even with a smaller branch network, Bank of Asia offers them a fuller range of quality products, more easily accessed, than the large Thai banks.

We will do this by ensuring that our products offer the customer precisely what he or she needs; conducting effective target marketing, active selling and smooth delivery of retail products; and quickly innovating new products when a need arises. We need to give customers a reason for crossing the street to bank with us.

If we can do this, and at the same time manage our business with greater efficiency and productivity, we believe it will translate into steady growth in assets and market share, better margins, and higher returns for the Bank's shareholders.

Branches

The successful testing of the two new IT pilot branches has encouraged us to open a number of new branches around the country in 1997, and to undertake a more rapid expansion of our ATM services.

By the end of 1997 all branches will be converted to the new IT system. Physical redesign of all the branches will be carried out over a three year period.

Over time, Bank of Asia will continue to add branches in strategic locations, but with disintermediation and globalized competition, expanding a branch network is not the key to building a loyal retail customer base; the key is performance, service and productivity.



Manpower and Training

The Bank of Asia vision, as noted above, emphasizes quality of service and productivity, both of which rely more on the approach and abilities of our staff than on introducing new IT. Thus, from the outset of our vision program, we have placed particular emphasis on people in our transformation.

Our vision was not dictated from the top; it came from the bank's middle-management, with feedback from staff at both higher and lower levels. The enactment of our vision will be the same. We want our staff to understand very clearly why we are carrying out these changes, and how everyone involved will benefit.

During 1996, most of our training activity has focused on explaining the particulars of our vision, and our strategy for achieving it, to the rank and file staff. Many have been brought to Bangkok for workshops to give them a better understanding of what we are doing. This will continue throughout 1997.

As the goals of the Retail Transformation include high productivity and efficiency, we are aiming to closely control the total number of staff we have at the Bank, even as we grow. In 1996 the fruits of this approach could be seen already. Even as productivity rose, and the Bank grew strongly, we were able to reduce through natural attrition the number of staff by about 8 percent, to 2,570 at year end from 2,790.

Social Contributions

Every year we consider it extremely important for the Bank of Asia and its staff to make contributions to or participate in social programs. This is part of being a good corporate citizen. Most important to us are programs which aid the most underprivileged members of our society, especially education programs; activities that help to strengthen our Thai culture; and projects which will improve our country's environment.

One of our ongoing programs, which we have supported for 3 years, has been the Foundation for Handicapped Children. We provide financial and other support for some 200 children to attend a special camp dedicated to providing them with educational and recreational activities they have little other access to.

We have also supplied scholarships and support activities for schoolchildren at various levels. For rural schools, where facilities and funds are limited, the Bank has been participating in a project to donate computers and computer support equipment.

For university level students, we support rural study camps arranged by the universities which provide the students exposure to rural life and problems.

In Bangkok, as a part of our support for the Sathorn District National Children's Day activities, we offered a number of scholarships for disadvantaged students to continue their education. At the same time, we helped sponsor and took part in the day of activities for children organized by the local district office.

In the area of environmental quality, for the third year in a row the Bank has conducted tree-planting activities in a denuded forest area in Nakorn Ratchasima province. Combining education with environmental conservation, we have sponsored a camp at the reforestation site for young people to learn the importance of forests and watersheds in protecting our natural environment.

At the same time, to help cut the amount of trash in one of the country's most popular national parks, Khao Yai, the Bank supplied waste bags and containers for use by visitors. Mounting trash at the park had resulted in injuries to wildlife, and unhealthy eyesores for visitors.

Closer to home, in 1996 Bank of Asia provided financial support to a Bangkok city initiative to begin reducing the amount of pollution and dust in the air, especially that produced by construction sites. The size of the program was small, but in a short time there was visible improvement in the air in the pilot area covered, Sathorn Road. From this example the program has been expanded to other areas of Bangkok.

To demonstrate its support for the democratic process, in 1996 Bank of Asia joined with the Bangkok metropolitan government and Grammy Entertainment Co. to promote participation and voting in the general election which took place in November. The Bank sponsored posters and concerts around Bangkok calling on people to exercise their voting rights.

Last year the Bank also participated in two programs to help protect and conserve one of Thailand's national symbols, the elephant. We donated funds to the Asian Elephants Foundation of Thailand, which conducts a number of activities relating to the health and conservation of both domestic and wild elephants. Last year, Bank of Asia's support went toward providing medicines required by elephants.

In addition, we sponsored with Grammy Entertainment Co., the "Unchain the Elephants" project: funds were supplied to the Dusit Zoo in Bangkok to enlarge and improve the area of care for the elephants kept there.

In 1997 Bank of Asia will participate in two important new community-related projects being launched: the "Bangkok Clean Society" and "Just Say No to Drugs" programs. We remain firmly committed to supporting projects such as these which will help to sustain a healthy environment and culture for the future of our Kingdom and its people.

Board of Directors

(As from 1 April 1997)

Chairman

Mr. Chavalit Thanachanan

Directors

Mr. Anant Asavabhokhin

Mr. Chulakorn Singhakowin

Ms. Lawan Tejapaibul

Ms. Nongluck Phatraprasit

Mr. Penwan Thongdeetae

Mr. Pichai Vasnasong

Mr. Praphan Phatraprasit

Mr. Prasong Phatraprasit

Mr. Somchit Sertthin

Mr. Somsak Naviroj

Mr. Thatree Boondicharern

Mr. Thidej Maithai

Gen. Thienchai Sirisamphan

Ms. Vilaiphan Euarchukiati

Mr. Viroj Lowhaphandu

Secretary

Mr. Ekchai Chansue

Assistant Secretary

M.R. Rajanikorn Rajani

Auditor

Mr. Toemsakdi Krishnamara



Management Team



Chulakorn Singbakowin
***President and Chief
Executive Officer***

Bachelor in Economics, London School of Economics, University of London, United Kingdom, and M.B.A., Wharton School of Finance, University of Pennsylvania, U.S.A.

He spent 11 years with Bangkok Bank where his last position was Vice President, International Banking Division 3. He joined Bank of Asia in 1985 as Senior Vice President, and became Executive Vice President overseeing the Marketing Group in 1989; then Senior Executive Vice President and Director in 1991. He was appointed President and Chief Executive Officer of the Bank in 1992.



Abbai Asavanund
***Senior Executive Vice
President: Consumer Bank-
ing Business and Operations***

Bachelor in Economics, Thammasat University, Thailand, and Master in Economics, Eastern Michigan University, U.S.A.

He worked with Bangkok Bank for 15 years at its International Department as well as overseas branches. His last position with Bangkok Bank was Acting General Manager of the Jakarta Branch. He joined Bank of Asia in 1986 as Senior Vice President, and became Executive Vice President in 1989. He was appointed Senior Executive Vice President in 1993.



Chitraporn Tangsuwan
Executive Vice President:
Credit and Marketing Group

Bachelor and Master in Economics, California State University, U.S.A. Participated in Advanced Management Program for Overseas Bankers at the Central Bank of Philadelphia, Pennsylvania, U.S.A., and attended Banker's Seminars at Citibank in Manila and Hong Kong.

She joined Bank of Asia in 1977 as Head of International Banking Section, and then became Assistant Manager of the Credit Department. She was appointed Manager of the Risk Supervision Department in 1984, Manager of Corporate Banking Department in 1987; then Senior Vice President in 1989. She was appointed Executive Vice President in 1997.



David Hendrix
Executive Vice President:
Consumer Banking Group

Bachelor of Arts, University of Utah, Salt Lake City, Utah, and M.A. and M.A.L.D., Fletcher School of Law and Diplomacy, Tufts University, Boston, Massachusetts, U.S.A.

He worked with Crocker National Bank in Hong Kong for 6 years where he was responsible for all commercial banking activities for Hong Kong, Macau and China; then with Citibank in Hong Kong, Thailand and Taiwan for 19 years. He has extensive experience in consumer banking; in product development as well as credit and marketing. He joined Bank of Asia in 1997 as Executive Vice President.



James Stent
Executive Vice President:
Planning and Control Group

Bachelor of Arts in History, University of California, Berkeley, and Master in Public Affairs from Woodrow Wilson School of Public and International Affairs, Princeton University, U.S.A.

He worked for Citibank in Manila and Hong Kong from 1973 to 1977, and with Crocker National Bank in Hong Kong and Bangkok from 1978 to 1982. He then became Managing Director of Rama Tower Co., Ltd. after which he joined Bank of Asia in 1984 as Senior Vice President. He was appointed Executive Vice President in 1989.



Phiphat Phornsuan
Executive Vice President:
Retail Branches Banking Group

B.A. (Statistics), Chulalongkorn University, Thailand, and M.B.A. from Texas A & I University, U.S.A.

He joined Bank of Asia's Credit Department as a credit analyst in 1974, then moved successively into the positions of Assistant Head of Central Credit Division, Branch Manager, and Regional Branch Manager. He was appointed Senior Vice President in 1989, and Executive Vice President in 1997.



Phongsuree Bunnag
Executive Vice President:
Human Resources Group

Bachelor of Arts, Northeast Missouri State University, U.S.A., and Master of Management, Graduate Institute of Business Administration (GIBA) of Chulalongkorn University, Thailand.

He began his banking career, after spending a number of years with the international IC manufacturing company, with Chase Manhattan Bank in Bangkok between 1978-1988, and Citibank between 1988-1989. He then left the banking industry to work for Colgate Palmolive (Thailand) and Thai Oil Company, where he was in charge of all facets of human resources management. He re-joined Citibank as Vice President and Country Human Resources Director in 1993 before joining Bank of Asia as Executive Vice President in 1997.



Sak Euarchukiati
Executive Vice President:
Audit Group

Bachelor in Business Administration, Colorado State University, U.S.A.

He started his banking career in 1973 with Continental Illinois (Thailand) before joining Bank of Asia in 1975. At Bank of Asia, he started in the Credit Department, then moved successively into the positions of Head of the Foreign Division, Assistant Manager of the Treasury Department. He became Senior Vice President in 1984 and was appointed Executive Vice President in 1989.



Vilawan Vanadurongvan
Executive Vice President:
Information Technology
Division

Bachelor in Commerce and Accountancy, Chulalongkorn University, Thailand, and Master in Computer Program, Institute of Computer Technology, Detroit, Michigan U.S.A.

She worked with Thai Farmers Bank between 1975-1990, and moved to Siam Motors Group before joining Bank of Asia in 1994 as Senior Vice President overseeing Information and technology Division. She was appointed Executive Vice President in 1997.

Apart from fulfilling her responsibilities at the Bank, she also contributes her time to society. She is the consultant of the Computer Association of Thailand under the Royal Patronage of His Majesty the King, the Committee Member of Information Technology Project under her Royal Highness Princess Maha Chakri Sirindhorn, the Chairperson of S.W.I.F.T. (Thailand) Association, the consultant of Thai Federation of Information Technology, and the consultant of Information Systems Audit and Control Association, Bangkok Chapter.



Wisit Wongpaisan
Executive Vice President:
Treasury and Institutional
Banking Group

Bachelor in Engineering from Thames Polytechnic, United Kingdom, and M.B.A. from the University of East Asia, Macau.

He started his banking career with Bangkok Bank in 1978 as a loan officer and foreign exchange dealer. In 1982, he joined Wells Fargo Bank International in New York as a foreign exchange dealer for one year before being seconded to Wells Fargo Bank in Hong Kong as Manager of Foreign Exchange and Funding. In 1986, he returned to Thailand to join Chase Manhattan Bank as Treasury Marketing Manager; and moved to Banque Indosuez, Bangkok Branch as an Assistant General Manager and Treasurer in 1988. He joined Bank of Asia as Senior Vice President in 1993 and was appointed Executive Vice President in 1997.



Benjana Asavametha
Senior Vice President:
System Development
Department

Bachelor in Accountancy (Honors), Thammasat University, Thailand, and M.B.A., Eastern New Mexico University, U.S.A.

She was with Bangkok Bank for 17 years before joining Bank of Asia in 1990 as Vice President in charge of Systems Development Department. She has extensive knowledge in cost accounting, cost analysis and system development. She was appointed Senior Vice President in 1997.



Dhirajai Yongkittikul
Senior Vice President:
Financial Management
Division

Bachelor in Economics, Thammasat University, Thailand.

He worked with Chase Manhattan Bank, Bangkok Branch between 1973-1989 in the Trade, Management's Internal Control and Treasury departments. He then became an Assistant Managing Director of the Burapachep Group after which he joined Bank of Asia in 1994 as Vice President in charge of Treasury. He was appointed Senior Vice President in 1997.



Kriengsak Rerksopist
Senior Vice President:
Operations Division

Bachelor in Accounting, Thammasat University, Thailand.

He was with Thai Farmers Bank for 23 years before joining Bank of Asia in 1995 as Senior Vice President. He has extensive experience in both international and domestic banking operations. His last position with Thai Farmers Bank was Vice President of Domestic Banking Department.



Passamon Pranutnorapal
Senior Vice President:
Human Resources Development
Department

Bachelor in Social Sciences from Srinakharintaraviroj (Pratumwan) University, and Master in Human Resources from the National Institute of Development Administration (NIDA), Thailand.

She worked with the Labour Protection and Labour Welfare Department for 13 years after which she moved to the private sector to join Bata Shoe (Thailand) Co.,Ltd., CP Seven - Eleven Co., Ltd. and Siam Syntech Construction (Thailand) Co.,Ltd. She has extensive knowledge in personnel training and development. She joined Bank of Asia as Senior Vice President in September 1996.



**Ponvadee
Thammanichabanond**
*Senior Vice President:
Commercial Banking
Division 2*

Bachelor in Accountancy and Commerce, Chulalongkorn University, Thailand, and Master in Accountancy, University of California at Los Angeles, U.S.A.

She joined Bank of Asia in 1970 and was consecutively appointed Branch Manager of various branches. She has extensive experience in credit, marketing and branch administration. She was appointed Senior Vice President in charge of Private Banking in 1989, Commercial Banking Administration in 1989, and then Commercial Banking Division in 1991.



Sewsitn Singbrasong
*Senior Vice President:
Consumer Marketing
Division*

Bachelor in Accountancy, Chiangmai University and Mini M.B.A. from Thammasat University, Thailand.

She joined Bank of Asia after her graduation in 1975 and held various responsibilities in credit, marketing and branch administration. She was appointed Branch Manager of various branches and became Vice President and Regional Manager before being appointed Senior Vice President in 1997.



Sirisin Phongtratik
*Senior Vice President:
Financial Planning and
Accounting Division*

Bachelor in Accountancy, Chulalongkorn University and Master of Management, Graduate Institute of Business Administration (SASIN), Thailand.

She worked for Thai Farmers Bank, London Branch between 1979-1987, and returned to Thailand to work with Chase Manhattan Bank and then American International Assurance Co., Ltd for altogether 6 years. Her responsibilities included accounting, treasury operations and various office support in banking. In 1993, she joined Hongkong and Shanghai Banking Corporation as a Financial Controller. She joined Bank of Asia in 1994 as Vice President in charge of Corporate Planning and Budgetary Control before being appointed Senior Vice President in 1997.



Wanchai Lerttevasiri
*Senior Vice President:
Supervision and Control
Division*

Bachelor in Business Administration, and attended 2 years banking course at the Thai Institute of Banking and Finance Association, Thai Bankers Association.

He worked with Chase Manhattan Bank, Bangkok Branch for 22 years during which he attended various management programs and training courses at Chase Manhattan Bank's Training Centers in Hong Kong and Singapore. He has extensive experience in BIBF operations, loan servicing, treasury and foreign exchange operations as well as settlement of debt instrument trading. In 1994, he joined Bank of Asia as Vice President of Financial Services and Support Department and was appointed Senior Vice President in 1997.

Report of the Auditors

We report to the shareholders of Bank of Asia Public Company Limited that we have examined the balance sheet as at December 31, 1996 and 1995, and the related statements of profit and loss, changes in shareholders' equity, and cash flows for each year then ended respectively of Bank of Asia Public Company Limited. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position as at December 31, 1996 and 1995 and the results of operations, the changes in shareholders' equity and the cash flows for each year then ended respectively of Bank of Asia Public Company Limited, in conformity with generally accepted accounting principles applied on a consistent basis.

BANGKOK
February 7, 1997

Toemsakdi Krishnamra
Toemsakdi Krishnamra
Certified Public Accountant
JAIYOS & CO

Balance Sheet

BANK OF ASIA PUBLIC COMPANY LIMITED

As at December 31,

	1996 (Baht)	1995 (Baht)
ASSETS		
CASH AND DEPOSITS AT BANKS		
Cash and deposits at banks in Thailand	3,233,028,828	1,878,158,169
Deposits at banks outside Thailand	735,668,721	808,369,686
Total cash and deposits at banks	<u>3,968,697,549</u>	<u>2,686,527,855</u>
DUE FROM BANKS - interest bearing	270,356,465	201,291,083
INVESTMENT IN SECURITIES (Note 2.3)		
Government securities and securities guaranteed by the Government (Note 3.4)	3,187,654,240	3,870,450,000
Listed securities (Note 3.2) (Market value: Baht 1,077,337,185 for 1996 Baht 1,378,368,161 for 1995)	815,612,504	783,046,913
Other securities (Note 3.3)	5,541,247,164	9,701,685,172
Total investment in securities	<u>9,544,513,908</u>	<u>14,355,182,085</u>
LOANS (Note 2.4)	108,656,034,135	87,998,934,821
ACCRUED INTEREST RECEIVABLE	1,573,315,076	1,256,921,844
Total loans and accrued interest receivable	<u>110,229,349,211</u>	<u>89,255,856,665</u>
LESS ALLOWANCE FOR POSSIBLE LOAN LOSSES (Notes 2.5 and 3.5)	<u>(1,831,781,132)</u>	<u>(1,500,966,700)</u>
Net loans and accrued interest receivable	<u>108,397,568,079</u>	<u>87,754,889,965</u>
PROPERTIES FORECLOSED (Note 2.6)	111,631,301	133,475,138
CUSTOMERS' LIABILITIES UNDER ACCEPTANCES	1,116,252,189	661,793,531
PROPERTY, PREMISES AND EQUIPMENT (Notes 2.7 and 3.6)	1,814,654,028	1,853,397,045
OTHER ASSETS	1,197,300,725	818,499,245
TOTAL ASSETS	<u>126,420,974,244</u>	<u>108,465,055,947</u>
CUSTOMERS' LIABILITIES UNDER UNMATURED BILLS ISSUED UNDER LETTERS OF CREDIT	3,085,787,252	3,121,349,764
TOTAL	<u>129,506,761,496</u>	<u>111,586,405,711</u>



Mr. Chavalit Thanachanan
Chairman



Mr. Chulakon Singhakowin
President

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

Balance Sheet

BANK OF ASIA PUBLIC COMPANY LIMITED

As at December 31,

	1996 (Baht)	1995 (Baht)
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS		
Domestic deposits		
Interest-bearing	68,469,719,224	54,082,897,968
Non interest-bearing	1,366,188,766	1,052,913,430
Foreign deposits		
Interest-bearing	17,166,947,382	24,524,502,331
Non interest-bearing	2,559	2,516
Total deposits	87,002,857,931	79,660,316,245
DUE TO BANKS - interest bearing	4,790,015,024	2,845,656,986
DEMAND LIABILITIES	106,089,295	244,492,140
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	560,000,000	1,409,000,000
BORROWINGS		
Short-term borrowings		
Domestic	2,511,890,700	1,477,088,700
Foreign	12,450,796,153	9,007,414,593
Long-term borrowings (Note 3.7)	2,456,160,000	1,973,201,880
Total borrowings	17,418,846,853	12,457,705,173
PROVIDENT AND PENSION FUNDS (Note 3.14)	184,133,258	152,802,550
BANK'S LIABILITIES UNDER ACCEPTANCES	1,116,252,189	661,793,531
CONVERTIBLE DEBENTURES (Note 3.15)	111,000,000	140,000,000
SUBORDINATED CONVERTIBLE DEBENTURES (Note 3.16)	1,130,183,600	1,130,183,600
OTHER LIABILITIES	2,739,558,155	2,075,661,983
TOTAL LIABILITIES	115,158,936,305	100,777,612,208

Balance Sheet

BANK OF ASIA PUBLIC COMPANY LIMITED

As at December 31,

	1996 (Baht)	1995 (Baht)
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3.8)		
Authorized share capital		
493,234,485 ordinary shares of Baht 10.00 each	<u>4,932,344,850</u>	
495,131,139 ordinary shares of Baht 10.00 each		<u>4,951,311,390</u>
Issued and paid-up share capital		
420,043,403 ordinary shares of		
Baht 10.00 each, fully paid	4,200,434,030	
366,920,103 ordinary shares of		
Baht 10.00 each, fully paid		3,669,201,030
PREMIUM ON SHARE CAPITAL	3,672,887,930	1,422,887,930
UNREALIZED INCREMENT PER LAND APPRAISAL		
(Note 2.7)	337,870,670	337,870,670
UNREALIZED INCREMENT PER BUILDINGS APPRAISAL		
(Note 2.7)	54,093,380	56,051,351
RETAINED EARNINGS		
Appropriated		
Statutory reserve (Note 3.9)	315,871,541	240,349,440
Other reserve	72,000,000	72,000,000
Unappropriated	2,636,279,956	1,889,083,318
TOTAL SHAREHOLDERS' EQUITY	11,289,437,507	7,687,443,739
LESS Unrealized loss on marketable securities		
held as investment (Note 2.3)	<u>(27,399,568)</u>	
NET SHAREHOLDERS' EQUITY	11,262,037,939	7,687,443,739
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	126,420,974,244	108,465,055,947
BANK'S LIABILITIES UNDER UNMATURED BILLS		
ISSUED UNDER LETTERS OF CREDIT	3,085,787,252	3,121,349,764
TOTAL	129,506,761,496	111,586,405,711
SIGNIFICANT COMMITMENTS (Note 3.12)		
AVALS TO BILLS AND GUARANTEES OF		
LOANS	5,011,256,162	4,011,692,711
LETTERS OF CREDIT	2,407,779,414	2,993,336,043

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

Statement of Profit and Loss

BANK OF ASIA PUBLIC COMPANY LIMITED

For the Year Ended December 31,

	1996 (Baht)	1995 (Baht)
INTEREST AND DIVIDEND INCOME		
Loans and deposits	11,834,372,649	9,859,179,443
Government securities and securities guaranteed by the Government	297,008,207	319,376,986
Other securities	502,494,071	418,543,473
Total Interest and Dividend Income	<u>12,633,874,927</u>	<u>10,597,099,902</u>
INTEREST EXPENSES		
Deposits	7,269,658,437	5,838,644,862
Short-term borrowings	1,260,452,740	1,430,733,684
Long-term borrowings	144,828,840	171,095,077
Convertible debentures (Note 3.15)	49,316,453	53,781,602
Total Interest Expenses	<u>8,724,256,470</u>	<u>7,494,255,225</u>
Net Interest Income	<u>3,909,618,457</u>	<u>3,102,844,677</u>
PROVISION FOR POSSIBLE LOAN LOSSES		
Net Interest Income after Provision for Possible Loan Losses	<u>3,449,618,457</u>	<u>2,742,844,677</u>
NON-INTEREST INCOME		
Fees and service	546,981,931	450,396,622
Gain on exchange	236,738,423	192,669,151
Other income (Note 3.13)	355,132,467	506,608,082
Total Non-Interest Income	<u>1,138,852,821</u>	<u>1,149,673,855</u>
NON-INTEREST EXPENSES		
Personnel expenses	911,537,372	831,825,402
Premises expenses	144,927,055	131,929,040
Equipment expenses	262,272,343	232,504,012
Taxes and duties	382,851,458	327,857,439
Fees and service	117,539,730	102,043,591
Other expenses	249,290,458	213,777,714
Total Non-Interest Expenses	<u>2,068,418,416</u>	<u>1,839,937,198</u>
INCOME BEFORE INCOME TAX	<u>2,520,052,862</u>	<u>2,052,581,334</u>
INCOME TAX EXPENSE	<u>720,229,956</u>	<u>588,908,988</u>
NET PROFIT	<u>1,799,822,906</u>	<u>1,463,672,346</u>
NET PROFIT PER SHARE	4.51	4.20

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

Statement of Changes in Shareholders' Equity

BANK OF ASIA PUBLIC COMPANY LIMITED

For the Year Ended December 31,

	1996 (Baht)	1995 (Baht)
ORDINARY SHARE CAPITAL		
Beginning balance	3,669,201,030	3,283,312,910
Additions	<u>531,233,000</u>	<u>385,888,120</u>
Ending balance	<u>4,200,434,030</u>	<u>3,669,201,030</u>
PREMIUM ON SHARE CAPITAL		
Beginning balance	1,422,887,930	790,644,300
Additions	<u>2,250,000,000</u>	<u>632,243,630</u>
Ending balance	<u>3,672,887,930</u>	<u>1,422,887,930</u>
UNREALIZED INCREMENT PER LAND APPRAISAL		
Beginning balance	337,870,670	352,870,670
Deductions	<u>-</u>	<u>(15,000,000)</u>
Ending balance	<u>337,870,670</u>	<u>337,870,670</u>
UNREALIZED INCREMENT PER BUILDINGS APPRAISAL		
Beginning balance	56,051,351	62,505,000
Deductions - adjustment for depreciations of unrealized increment per buildings appraisal, which were recognized as expenses in previous years	-	(3,476,377)
- depreciation of unrealized increment per buildings appraisal in this year	<u>(1,957,971)</u>	<u>(1,994,260)</u>
- depreciation of unrealized increment per buildings appraisal for the buildings sold in this year	-	(983,012)
Ending balance	<u>54,093,380</u>	<u>56,051,351</u>
STATUTORY RESERVE		
Beginning balance	240,349,440	140,395,788
Additions	<u>75,522,101</u>	<u>99,953,652</u>
Ending balance	<u>315,871,541</u>	<u>240,349,440</u>
OTHER RESERVE		
Beginning balance	<u>72,000,000</u>	<u>72,000,000</u>
Ending balance	<u>72,000,000</u>	<u>72,000,000</u>

Statement of Changes in Shareholders' Equity

BANK OF ASIA PUBLIC COMPANY LIMITED

For the Year Ended December 31,

	1996 (Baht)	1995 (Baht)
UNAPPROPRIATED RETAINED EARNINGS		
Beginning balance - as reported	1,889,083,318	1,704,469,163
Deductions - adjustment for accounting change for investment to the cost method	-	(128,035,517)
Additions - adjustment for depreciations of unrealized increment per buildings appraisal, which were recognized as expenses in previous years	-	3,476,377
Beginning balance - after adjustment	1,889,083,318	1,579,910,023
Additions:		
Net profit	1,799,822,906	1,463,672,346
Deductions:		
Appropriation for last year:		
Statutory reserve	(75,522,101)	(99,953,652)
Dividends paid	(948,104,167)	(1,029,545,399)
Directors' remuneration	(29,000,000)	(25,000,000)
Ending balance	2,636,279,956	1,889,083,318
TOTAL SHAREHOLDERS' EQUITY	11,289,437,507	7,687,443,739
LESS Unrealized loss on marketable securities held as investment	(27,399,568)	-
NET SHAREHOLDERS' EQUITY	11,262,037,939	7,687,443,739

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

Statement of Cash Flows

BANK OF ASIA PUBLIC COMPANY LIMITED

For the Year Ended December 31,

	1996 (Baht)	1995 (Baht)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	1,799,822,906	1,463,672,346
Items to reconcile net income to net cash flows from operating activities:		
Provision for possible loan losses	460,000,000	360,000,000
Depreciation and amortization expenses	162,684,006	181,666,970
(Gain) loss on sales of assets	(347,259,484)	(480,025,417)
(Gain) loss on exchange	(11,050,159)	(16,093,197)
Accrued interest and dividend income (increase) decrease	(299,978,024)	(282,723,066)
Accrued income-others (increase) decrease	199,802	256,362
Accrued interest expenses increase (decrease)	265,983,935	563,459,613
Other accrued expenses increase (decrease)	199,220,321	62,778,640
Donation of properties foreclosed	312,393	-
Income from operations before changes in operating assets and liabilities	2,229,935,696	1,852,992,251
Operating assets (increase) decrease		
Negotiable certificates of deposit	531,198,033	51,538,677
Due from banks-interest bearing	(69,065,381)	(197,953,205)
Short-term investment in securities	618,662,973	(979,403,605)
Loans	(20,786,284,881)	(17,190,999,240)
Properties foreclosed	27,822,731	75,939,556
Other assets	(416,025,994)	(381,749,261)
Operating liabilities increase (decrease)		
Deposits	7,342,541,684	26,057,535,953
Due to banks-interest bearing	1,944,358,038	(4,518,395,909)
Demand liabilities	(138,402,845)	(30,117,744)
Securities sold under repurchase agreements	(849,000,000)	114,000,000
Borrowings	4,961,141,680	1,610,868,414
Provident and pension funds	31,330,708	41,923,093
Other liabilities	198,691,925	64,635,982
Directors' remuneration	(29,000,000)	(25,000,000)
Net cash provided (used) by operating activities	(4,402,095,633)	6,545,814,962

Statement of Cash Flows *(Continued)*

BANK OF ASIA PUBLIC COMPANY LIMITED

For the Years Ended December 31,

	1996 (Baht)	1995 (Baht)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of long-term investment in securities	-	(7,077,199,606)
Cash received from sales of long-term investment in securities	4,502,170,147	1,364,461,612
Cash paid for purchase of property, premises and equipment	(94,274,077)	(358,957,997)
Cash received from sales of property, premises and equipment	3,438,457	58,612,402
Net cash provided (used) by investing activities	<u>4,411,334,527</u>	<u>(6,013,083,589)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debentures increase (decrease)	(29,000,000)	42,000,000
Subordinated convertible debentures increase (decrease)	-	(355,002,050)
Issued and paid-up share capital increase	531,233,000	385,888,120
Premium on share capital increase	2,250,000,000	632,243,630
Dividends paid	(948,104,167)	(1,029,545,399)
Net cash provided (used) by financing activities	<u>1,804,128,833</u>	<u>(324,415,699)</u>
Net increase (decrease) in cash and cash equivalents	1,813,367,727	208,315,674
Cash and cash equivalents as at January 1,	<u>2,155,329,822</u>	<u>1,947,014,148</u>
Cash and cash equivalents as at December 31,	<u><u>3,968,697,549</u></u>	<u><u>2,155,329,822</u></u>

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

Notes to the Financial Statements

BANK OF ASIA PUBLIC COMPANY LIMITED

For the Years Ended December 31, 1996 and 1995

I. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

- 1.1 The financial statements have been prepared in accordance with the requirements of the Notification of the Bank of Thailand dated November 18, 1986 regarding the form of balance sheet and profit and loss statement for commercial banks as amended by the Notification No.2 dated February 15, 1995.
- 1.2 The financial statements include the accounts of all branches of the Bank.
- 1.3 The financial statements for the years ended December 31, 1996 and 1995 exclude the financial statements of subsidiary companies whose shares are more than 50 percent owned by the Bank, and their activities are dissimilar in nature from the activities of the Bank and they are not deemed to have material effect on the financial position or results of operations of the Bank.

The financial position and the results of operations of such companies are shown as additional information in note 3.3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

- 2.1 Assets or 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 year are converted into Baht at the average exchange rates determined by the Exchange Equalization Fund at the end of the year.

All foreign exchange gains or losses are taken up in the profit and loss statement.

Differences between the forward rate and the spot rate in forward exchange contracts are amortized as revenue and expense for the period.

- 2.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and all types of deposits with banks but exclude certificates of deposits, in compliance with the Notification of the Bank of Thailand dated February 15, 1995.

- 2.3 Investments in securities

- 2.3.1 For the year ended December 31, 1996, investments in Government securities and securities guaranteed by the Government are stated at the lower of aggregate cost or aggregate market value, in order to comply with the Notification of the Bank of Thailand dated October 3, 1995, regarding the accounting for investments in debt instruments, effective as from the first half year of 1996. Where the aggregate market value is lower than aggregate cost, in the case of debt instruments held for trading, the resultant loss is to be recognized in the profit and loss statement, and in the case of debt instruments held for investment, such a loss is to be shown as a deduction from the shareholders' equity.

Subsequently, the Bank of Thailand in their letter dated March 28, 1996 granted a special waiver to the recognition of a loss in the investment portion when aggregate market value temporarily declines, until the end of the first half of 1996.

For the year ended December 31, 1995, Government securities and securities guaranteed by the government are stated at cost.

The market values of Government securities and securities guaranteed by the Government held for investment are calculated by the risk free yield curve, determined by the interest rates in the monthly auctions for government enterprise bonds.

2.3.2 Listed securities are stated at the lower of cost or market value (being the closing price at The Stock Exchange of Thailand at the close of the last business day of the period).

2.3.3 Other securities are stated at cost, except in the case where a permanent decline in value is deemed to have occurred.

Investments in subsidiaries and associated companies are accounted for by the cost method, in compliance with the Notification of the Bank of Thailand dated February 15, 1995.

Other securities - debt instruments are accounted for by the same method as investment in Government securities and securities guaranteed by the Government (See note 2.3.1).

The Bank determines market values of other securities-debt instruments by using last closing price of the Bond Dealers' Club. In the absence of such prices, market values are determined by applying such yield curve adjusted by appropriate risk premium in accordance with the criteria established by the Bank of Thailand.

However, the aforementioned change has no material effect on the financial statements for the year ended December 31, 1996.

2.4 Overdrafts are stated at the drawn amounts including interest, other loans are stated at the principal amounts.

Unearned discounts on notes receivable are included in other liabilities.

2.5 The provision for possible loan losses is based on the requirement of the Bank of Thailand and the analysis of outstanding loans according to the Bank's experience in assessing the risks involved, and the value of collateral for such loans.

Bad debts recovered are recorded as an increase in the allowance for possible loan losses.

Bad debts are written off when all legal recourse has been exhausted and the debtor has no further assets. Bad debts written off are charged to the allowance for possible loan losses account.

2.6 Properties foreclosed consist of movable and immovable properties. Immovable properties are stated at the mortgage value or market value as appropriate in each case, or at the liquidation value set by the Legal Execution Department, plus tax and other expenses. Movable properties are stated at book value. Gains or losses on disposal of such properties are recognized on a cash basis.

2.7 Land and buildings were professionally appraised in 1993 according to guidelines laid down by the Bank of Thailand. The increment resulting from the appraisal, approved by the Bank of Thailand was recorded in the accounts as unrealized increment per land and buildings appraisal and shown as part of shareholders' equity. Depreciation of the increment per buildings appraisal was expensed for each period based on the remaining useful lives of the buildings in accordance with the guidelines, method and conditions set down by the Bank of Thailand's letter of BOT 1236/2535 for appraisal increment of assets dated June 30, 1992.

For the half year ended June 30, 1995, the accounting procedure for recording depreciation of buildings appraisal was changed. Depreciation is presently recorded by reducing the unrealized increment per buildings appraisal instead of being charged to expenses. Depreciation previously recorded as an expense in prior years is added back to the retained earnings brought forward and deducted from unrealized increment per buildings appraisal. Such procedure is in compliance with the Notification of the Bank of Thailand dated December 16, 1994 regarding the adjustment of the accounting procedure for recording depreciation of premises (see note 3.6).

Land is stated at cost. Premises and equipment are stated at cost less depreciation. Leasehold property is stated at cost less amortization. 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	5 years
Leasehold property	3-30 years

2.8 The Bank recognizes interest on loans as income on an accrual basis, except for income on import bills, interest which is outstanding over 6 months on loans for which the collateral is considered to be lower than the obligations, and interest which is outstanding over 1 year on loans for which the collateral is considered to cover the obligations. Such interest is recognized when received.

Interest expense is recognized on an accrual basis.

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

Gains or losses on sales, or changes in market value of investments, are computed by the weighted average method and included in other income or expenses, as the case may be.

2.10 Contributions to the Financial Institution Development Fund are recorded as expenses for the year.

2.11 Income tax payable is recorded as an expense for the year.

2.12 Net profit per share is computed on the basis of average number of ordinary shares outstanding, weighted according to time and amount paid.

The Bank has issued convertible debentures and subordinated convertible debentures which the debentureholders have the right to convert the debentures into ordinary shares (see notes 3.15 and 3.16).

As at December 31, 1996 and 1995, had all debentureholders exercised their conversion rights, the difference between fully diluted and primary earnings per share would not be material.

3. ADDITIONAL INFORMATION

3.1 Supplemental disclosures of cash flow information

Cash paid for interest and income tax is as follows:

		1996	1995
Interest	Baht	8,458,272,536	6,930,795,613
Income tax	Baht	580,804,338	549,819,393

3.2 Listed securities

1996

	Securities for trading		Securities for investment		Total	
	Cost	Market	Cost	Market	Cost	Market
Ordinary shares and investment units	56,355,300	47,622,400	572,955,038	870,859,185	629,310,338	918,481,585
Debt instruments						
Debentures and convertible debentures	165,641,401	154,457,600	-	-	165,641,401	154,457,600
Warrants	-	-	20,660,765	4,398,000	20,660,765	4,398,000
Baht	<u>221,996,701</u>	<u>202,080,000</u>	<u>593,615,803</u>	<u>875,257,185</u>	<u>815,612,504</u>	<u>1,077,337,185</u>

1995

	Securities for trading		Securities for investment		Total	
	Cost	Market	Cost	Market	Cost	Market
Ordinary shares and investment units	55,383,000	44,093,740	523,211,215	1,132,605,045	578,594,215	1,176,698,785
Debt instruments						
Debentures and convertible debentures	164,465,738	168,456,876	-	-	164,465,738	168,456,876
Warrants	-	-	39,986,960	33,212,500	39,986,960	33,212,500
Baht	<u>219,848,738</u>	<u>212,550,616</u>	<u>563,198,175</u>	<u>1,165,817,545</u>	<u>783,046,913</u>	<u>1,378,368,161</u>

3.3 Investments in other securities

The percentage of beneficial ownership and amount of investments in companies in which the Bank holds more than 20% of the paid-up capital in each company are as follows:

	1996		1995	
	% Ownership	Amount (Baht)	% Ownership	Amount (Baht)
Asia Property Co.,Ltd.	99.99	109,354,000	99.99	109,354,000
Asia Vanichkij Co.,Ltd.	99.99	4,999,300	99.99	4,999,300
Sathorn Vanichkij Co.,Ltd.	99.99	999,930	99.99	999,930
BOA Leasing Co., Ltd.	99.99	59,999,930	99.99	59,999,930
Asia Leasehold Co.,Ltd.	99.93	999,300	99.93	999,300
ASEC Finance and Securities Co., Ltd.	55.00	673,487,637	55.00	673,499,883
Asia Equity Holdings Ltd.	-	-	30.00	207,529,862
BSP Leasing Co., Ltd.	30.00	23,400,000	30.00	23,400,000
Vendome Assurance PCL.	27.56	78,830,224	27.56	78,833,800
Thai Asia Mutual Fund Co., Ltd.	25.00	25,000,000	25.00	25,000,000
		<u>977,070,321</u>		<u>1,184,616,005</u>

Investments in companies in which the Bank holds less than 20% of the paid-up capital in each company, classified according to industry groups, are as follows:

	1996	1995
Manufacturing	24,000,000	258,982,789
Construction	72,801,743	110,116,829
Banking and finance	4,019,352,400	7,455,405,020
Real estate	372,436,734	435,192,480
Utilities	7,116,000	25,223,338
Services	65,469,966	209,413,147
Agriculture and forestry	3,000,000	22,735,564
	<u>4,564,176,843</u>	<u>8,517,069,167</u>
Baht	<u><u>5,541,247,164</u></u>	<u><u>9,701,685,172</u></u>

The financial position as at December 31, 1996 and 1995, and the results of operations of 6 subsidiaries for the years/periods ended December 31, 1996 (unaudited) and 1995 (audited), are summarized as follows:

Balance Sheet

ASIA PROPERTY CO., LTD.

As at December 31,

	1996	1995
	(Unaudited)	
ASSETS		
CURRENT ASSETS	10,603,147	9,647,470
INVESTMENT IN AND LOANS TO SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES	1,000,000	1,000,000
PROPERTY, PREMISES AND EQUIPMENT (Net)	57,597,835	63,494,959
OTHER ASSETS	13,175,430	10,483,111
TOTAL ASSETS	82,376,412	84,625,540
	BAHT	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	1,089,987	1,345,035
OTHER LIABILITIES	38,801,000	38,781,000
SHAREHOLDERS' EQUITY	42,485,425	44,499,505
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	82,376,412	84,625,540
	BAHT	

Statement of Profit and Loss

ASIA PROPERTY CO., LTD.

For the Year Ended December 31,

	1996	1995
	(Unaudited)	
REVENUES		
RENTAL INCOME	10,026,000	10,739,000
OTHER INCOME	17,532,938	2,847,448
TOTAL REVENUES	27,558,938	13,586,448
SELLING AND ADMINISTRATIVE EXPENSES AND OTHERS	24,721,908	11,293,154
INCOME TAX	851,109	672,688
TOTAL EXPENSES	25,573,017	11,965,842
NET PROFIT	1,985,921	1,620,606
	BAHT	
NET PROFIT PER SHARE	4.96	4.05
	BAHT	

Balance Sheet

ASIA VANICHKIJ CO., LTD.

As at December 31,

	1996	1995
	(Unaudited)	
ASSETS		
CURRENT ASSETS	13,773,949	11,763,633
INVESTMENT IN SECURITIES	1,000,000	1,000,000
PROPERTY, PREMISES AND EQUIPMENT	320,764	425,200
OTHER ASSETS	1,890,114	33,408
TOTAL ASSETS	16,984,827	13,222,241
	BAHT	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	1,731,654	2,189,764
SHAREHOLDERS' EQUITY	15,253,173	11,032,477
TOTAL LIABILITIES AND SHAREHOLDERS'	16,984,827	13,222,241
EQUITY	BAHT	

Statement of Profit and Loss

ASIA VANICHKIJ CO., LTD.

For the Year Ended December 31,

	1996	1995
	(Unaudited)	
INTEREST INCOME	594,719	-
COMMISSION INCOME	13,456,134	16,382,801
OTHER INCOME	41,150	404,577
TOTAL REVENUES	14,092,003	16,787,378
SELLING AND ADMINISTRATIVE EXPENSES AND		
OTHERS	9,871,307	11,822,038
NET PROFIT	4,220,696	4,965,340
	BAHT	
NET PROFIT PER SHARE	BAHT	
	84.41	99.31

Balance Sheet

SATHORN VANICHKIJ CO., LTD.

As at December 31,

	1996 (Unaudited)	1995
ASSETS		
CURRENT ASSETS	924,967	952,915
PROPERTY, PREMISES AND EQUIPMENT (NET)	-	3,356
OTHER ASSETS	63,709	-
TOTAL ASSETS	988,676	956,271
	BAHT	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	60,000	26,308
SHAREHOLDERS' EQUITY	928,676	929,963
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	988,676	956,271
	BAHT	

Statement of Profit and Loss

SATHORN VANICHKIJ CO., LTD.

For the Year Ended December 31,

	1996 (Unaudited)	1995
INTEREST INCOME	59,427	45,329
TOTAL REVENUES	59,427	45,329
SELLING AND ADMINISTRATIVE EXPENSES AND OTHERS		
INCOME TAX	-	3,099
TOTAL EXPENSES	60,714	232,954
NET LOSS	(1,287)	(187,625)
	BAHT	
NET LOSS PER SHARE	(0.01)	(2.08)
	BAHT	

Balance Sheet

BOA LEASING CO., LTD.

As at December 31,

		1996	1995
		(Unaudited)	
ASSETS			
CURRENT ASSETS		211,610,961	104,344,922
FIXED ASSETS		1,228,127,366	465,027,541
OTHER ASSETS		505,021,083	124,690,373
TOTAL ASSETS	BAHT	<u><u>1,944,759,410</u></u>	<u><u>694,062,836</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES		1,246,432,710	369,485,246
LONG-TERM LIABILITIES		603,331,400	259,681,200
SHAREHOLDERS' EQUITY		94,995,300	64,896,390
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	BAHT	<u><u>1,944,759,410</u></u>	<u><u>694,062,836</u></u>

Statement of Profit and Loss

BOA LEASING CO., LTD.

		For the year ended December 31, 1996 (Unaudited)	For the period from January 3, 1995 to December 31, 1995
RENTAL INCOME		335,563,638	75,619,080
OTHER INCOME		76,769,004	13,248,906
TOTAL INCOME		<u>412,332,642</u>	<u>88,867,986</u>
OPERATING EXPENSES		220,810,587	58,279,721
ADMINISTRATIVE EXPENSES		138,164,292	21,255,132
INCOME TAX		22,958,852	4,436,743
TOTAL EXPENSES		<u>381,933,731</u>	<u>83,971,596</u>
NET PROFIT	BAHT	<u><u>30,398,911</u></u>	<u><u>4,896,390</u></u>
NET PROFIT PER SHARE	BAHT	5.07	0.82

Balance Sheet

ASIA LEASEHOLD CO., LTD.

As at December 31,

	1996	1995
	(Unaudited)	
ASSETS		
CURRENT ASSETS	285,956,385	301,299,906
INVESTMENT IN SECURITIES	1,453,194	1,453,194
PROPERTY, PREMISES AND EQUIPMENT (NET)	355,402,733	359,304,080
OTHER ASSETS	-	30,000
TOTAL ASSETS	642,812,312	662,087,180
	BAHT	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	677,184,480	654,670,825
OTHER LIABILITIES	5,605,582	4,738,000
SHAREHOLDERS' EQUITY	(39,977,750)	2,678,355
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	642,812,312	662,087,180
	BAHT	

Statement of Profit and Loss

ASIA LEASEHOLD CO., LTD.

For the Year Ended December 31,

	1996	1995
	(Unaudited)	
REVENUES FROM PROPERTY SOLD	13,182,415	91,868,152
OTHER INCOME	43,892,240	5,060,400
TOTAL REVENUES	57,074,655	96,928,552
SELLING AND ADMINISTRATIVE EXPENSE AND OTHERS	99,730,759	74,014,708
INCOME TAX	-	6,859,153
TOTAL EXPENSE	99,730,759	80,873,861
NET PROFIT (LOSS)	(42,656,104)	16,054,691
	BAHT	
NET PROFIT (LOSS) PER SHARE	(4,265.61)	1,605.47
	BAHT	

Balance Sheet

ASEC FINANCE AND SECURITIES CO., LTD.

As at December 31,

	1996	1995
	(Unaudited)	
ASSETS		
CASH AND DEPOSIT AT BANKS	46,330,032	522,582,275
LOANS TO FINANCIAL INSTITUTIONS	167,673,425	183,334,932
INVESTMENT IN SECURITIES	283,324,024	205,392,348
ACCOUNTS WITH SECURITIES COMPANIES	(125,970)	101,507
LOAN RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	1,646,761,257	1,475,438,141
PROPERTY FORECLOSED	2,000,346	587,876
PROPERTY, PREMISES AND EQUIPMENT	81,802,883	52,472,536
OTHER ASSETS	276,594,528	124,951,995
TOTAL ASSETS	2,504,360,525	2,564,861,610
	BAHT	
LIABILITIES AND SHAREHOLDERS' EQUITY		
BORROWINGS	1,976,084,214	1,986,954,405
ACCOUNTS WITH SECURITIES COMPANIES	(163,047)	-
OTHER LIABILITIES	37,648,671	37,085,394
SHAREHOLDERS' EQUITY	490,790,687	540,821,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,504,360,525	2,564,861,610
	BAHT	
SIGNIFICANT COMMITMENTS		
AVAL TO BILLS	-	2,135,661
	BAHT	

Statement of Profit and Loss

ASEC FINANCE AND SECURITIES CO., LTD.

For the Year Ended December 31,

		1996	1995
		(Unaudited)	
INTEREST AND DIVIDEND INCOME		262,353,515	283,271,084
EXPENSES ON BORROWINGS		216,574,266	221,783,148
NET INTEREST INCOME		45,779,249	61,487,936
PROVISION FOR POSSIBLE LOAN LOSSES		4,068,064	2,000,000
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES		41,711,185	59,487,936
NON - INTEREST INCOME		13,494,824	1,477,090
OPERATING EXPENSES		82,187,396	52,966,238
INCOME BEFORE INCOME TAX		(26,981,387)	7,998,788
INCOME TAX		-	1,920,082
NET PROFIT (LOSS)	BAHT	(26,981,387)	6,078,706
NET PROFIT (LOSS) PER SHARE	BAHT	(0.90)	0.33

Had such investments been presented by the equity method, the effect on the financial statements would be as follows:

		1996	1995
Increase in investment in other securities	Baht	186,910,866	57,682,630
Increase in shareholders' equity	Baht	186,910,866	57,682,630
Increase in retained earnings brought forward	Baht	55,558,985	128,035,517
Increase (decrease) in net profit	Baht	131,351,881	(70,352,887)
Increase (decrease) in earnings per share	Baht	0.33	(0.20)

For the years ended December 31, 1996 and 1995, had such investments been accounted for by the equity method, equity in undistributed net income of subsidiary and associated companies would have the following effect on the aforementioned financial statements, stated as percentage of the Bank's net income.

	1996		1995	
	Ownership %	% of Net profit	Ownership %	% of Net profit
Asia Property Co., Ltd.	99.99	(0.74)	99.99	(1.97)
Asia Vanichkij Co.,Ltd.	99.99	0.24	99.99	0.36
Sathorn Vanichkij Co.,Ltd.	99.99	0.00	99.99	0.01
BOA Leasing Co., Ltd.	99.99	1.69	99.99	0.41
Asia Leasehold Co.,Ltd.	99.93	(1.44)	99.93	(1.38)
ASEC Finance and Securities Co., Ltd.	55.00	(2.91)	55.00	(0.49)
Asia Equity Holdings Ltd.	-	(4.83)	30.00	(2.12)
BSP Leasing Co.,Ltd.	30.00	0.10	30.00	0.06
Vendome Assurance PCL.	27.56	0.28	27.56	0.38
Thai Asia Mutual Fund Co., Ltd.	25.00	0.42	25.00	(0.07)
		<u>(7.19)</u>		<u>(4.81)</u>

Such equity in undistributed net income of subsidiary and associated companies is computed from financial statements which have not been reviewed or audited.

On October 4, 1996, the Bank sold all shares in Asia Equity Holdings Ltd. and thus, the above equity in that company was only for the period from January 1, 1996 to October 3, 1996.

3.4 Securities used as collateral

Government securities having face value of Baht 2,164,000 and Baht 312,164,000 are deposited as cover for loans from, and the Bank's promissory notes in favour of, the Bank of Thailand and for other commitments with Government Departments and state enterprises as at December 31, 1996 and 1995.

3.5 Allowance for possible loan losses

Allowance for possible loan losses is as follows:

	1996	1995
Beginning balance	1,500,966,700	1,352,468,891
<u>Add</u> Provision for possible loan losses	460,000,000	360,000,000
Bad debts recovered	13,572,325	2,708,590
<u>Less</u> Bad debts written off	(142,757,893)	(214,210,781)
Ending balance	Baht 1,831,781,132	<u>1,500,966,700</u>

As at December 31, 1996 and 1995 the allowance for possible loan losses in respect of assets classified as doubtful has been made in accordance with the requirements of the Bank of Thailand.

3.6 Property, premises and equipment

Property, premises and equipment are summarized as follows:

	1996	1995
Land	452,094,709	447,113,116
Land - appraisal increase	337,870,670	337,870,670
Premises	814,615,583	781,065,217
Buildings - appraisal increase	61,424,000	61,424,000
Equipment	900,026,591	876,754,704
Leasehold (net)	225,426,856	231,205,325
Total	2,791,458,409	2,735,433,032
<u>Less</u> Accumulated depreciation	(976,804,381)	(882,035,987)
	Baht 1,814,654,028	<u>1,853,397,045</u>
Depreciation for the year	Baht 130,934,142	143,883,556

For the half year ended June 30, 1995, the accounting method for depreciation of the buildings appraisal increase has been changed from recording it as an expense to deducting it from the unrealized increment per buildings appraisal (see note 2.7).

3.7 Long-term borrowings

As at December 31, 1996 and 1995, long-term borrowings represent syndicated loans from foreign banks amounting to US\$ 96 million and US\$ 79 million, respectively.

Period	Term (years)	Interest rate	1996	1995
20/5/93 - 16/5/96	3	LIBOR+0.875% - 6 Months	-	729,785,000
19/4/94 - 19/4/97	3	SIBOR+0.60% - 6 Months	255,850,000	251,650,000
30/12/94 - 30/12/97	3	SIBOR+0.55% - 6 Months	511,700,000	503,300,000
26/7/95 - 26/7/98	3	LIBOR+0.42% - 6 Months	511,700,000	488,466,880
29/8/96 - 29/8/98	3	SIBOR+0.60% - 6 Months	255,850,000	-
6/ 9/96 - 8/ 9/97	1	SIBOR+0.625% - 6 Months	191,887,500	-
30/ 9/96 - 30/ 9/01	5	SIBOR+0.55% - 6 Months	383,775,000	-
29/11/96 - 1/12/97	1	SIBOR+0.70% - 6 Months	140,717,500	-
6/12/96 - 8/12/97	1	SIBOR+0.55% - 6 Months	76,755,000	-
9/12/96 - 9/12/98	2	SIBOR+0.55% - 6 Months	127,925,000	-
		Baht	<u>2,456,160,000</u>	<u>1,973,201,880</u>

Lenders may request the Bank to repay certain of the loans on the first and second anniversary of the agreement dates.

3.8 Share capital

On April 25, 1995, the shareholders passed a resolution to cancel the resolution of March 31, 1994 to increase and issue authorized share capital of Baht 500,000,000 and passed a resolution to increase the authorized share capital by Baht 861,311,390 from Baht 4,090,000,000 to Baht 4,951,311,390. The increased capital represented 86,131,139 ordinary shares of Baht 10.00 each, divided into three parts. 35,053,139 ordinary shares were allotted to the existing shareholders at Baht 20.00 per share at the ratio of 10 old shares to 1 new share. A further 1,078,000 shares will be allotted to accommodate the ordinary shares of convertible debentures held by the Bank's management. The remaining 50,000,000 new shares will be allotted by a domestic and/or international public issue, and the Board of Directors was given the authority to set out the details and conditions related to the issuance of the capital increase. The Bank registered such resolutions with the Department of Commercial Registration on May 9, 1995 and May 11, 1995, respectively.

On October 31, 1995, the Board of Directors passed a resolution to appoint a finance and securities company as an underwriter for the domestic and/or international public issue of 50,000,000 shares as noted above. Such increased share capital has been issued and registered with the Department of Commercial Registration on June 3, 1996.

On March 19, 1996, the Board of Directors passed a resolution to decrease the authorized share capital from Baht 4,951,311,390 to Baht 4,932,344,850 by cancelling 1,896,654 authorized shares capital which were reserved for the conversion of debentures of the international investors but were not exercised. The shareholders passed a resolution to decrease such authorized share capital on April 25, 1996.

Issued and paid-up share capital are as follows:

	1996	1995
Paid-up share capital from shareholders	4,051,564,850	3,551,564,850
Paid-up share capital from conversion of convertible debentures	31,233,000	-
Paid-up share capital from conversion of subordinated debentures	117,636,180	117,636,180
Total	Baht 4,200,434,030	3,669,201,030

3.9 Statutory reserve

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

3.10 Long-term lease

Type of Lease	Period	Remaining rental expenses Baht
1996		
Office buildings	1997 - 2001	76,675,237
Office buildings	2002 - 2006	36,767,290
Office buildings	2007 - 2011	31,906,104
Office buildings	2012 - 2016	28,063,455
Office buildings	2017 - 2021	24,699,494
Office buildings	2022 - 2026	1,799,266
1995		
Office buildings	1996-2000	60,260,749
Office buildings	2001-2005	35,704,286
Office buildings	2006-2010	33,740,393
Office buildings	2011-2015	26,336,225
Office buildings	2016-2020	26,951,757
Office buildings	2021-2025	5,044,352

3.11 Related-party transactions

Loans to and commitments with certain officers from the levels of departmental chief upwards and the companies in which they and/or the Bank directors and/or the Bank have 10% or more beneficial ownership are as follows:

		1996	1995
Loans			
Balance as at December 31,	Baht	3,508,057,778	2,706,427,078
Average balance at the end of the month	Baht	3,632,406,158	2,277,567,499
Commitments			
Balance as at December 31,	Baht	338,151,652	199,064,088
Average balance at the end of the month	Baht	388,906,145	40,501,831

3.12 Commitments and contingent liabilities

Contingent liabilities under letters of credit, avals, guarantees and other commitments, including the significant items which have been disclosed as footnote to the balance sheet, are as follows:

	1996	1995
Letters of credit	2,407,779,414	2,993,336,043
Avals to bills	4,011,531,612	3,238,046,187
Guarantees of loans	999,724,550	773,646,524
Other guarantees	6,874,568,533	5,199,738,616
Forward exchange bought	93,639,692,527	21,356,292,464
Forward exchange sold	93,751,030,322	21,311,224,891
Baht	<u>201,684,326,958</u>	<u>54,872,284,725</u>

3.13 Other income

Other income of the Bank includes the gain on sale of investments amounting to Baht 337.6 million and Baht 370.3 million for the years ended December 31, 1996 and 1995, respectively.

3.14 Provident and pension funds

The Bank has a gratuities scheme for employees with at least 5 years continuous service, the benefit being based on monthly salary including interest. Payment to the employees will be made every 5 years.

The Bank also has a compensation scheme for employees with at least 15 years continuous service.

3.15 Issuance of convertible debentures

On November 27, 1992, the shareholders passed a resolution to issue 14,000 convertible debentures with no collateral at Baht 10,000.00 par value each for allotment to the Bank's management at Baht 10,000.00 each with an interest rate of 8% per annum and 10 years maturity. The conversion rate is 1 convertible debenture to 1,000 ordinary shares with the following conversion terms:

- 25% of convertible debentures held by each debentureholder in 1995
- 25% of convertible debentures held by each debentureholder in 1996
- 50% of convertible debentures held by each debentureholder in 1997

Debentureholders who do not exercise their conversion rights as stated above can exercise their rights in the following years within the maturity period. The debentureholders have the right to receive any payments from the Bank before ordinary shareholders and preferred shareholders (if any) but after the repayment of debts to the outsiders.

The Bank has no intention to list these debentures on The Stock Exchange of Thailand.

As at December 31, 1995 the Bank has issued 14,000 of these convertible debentures, of Baht 10,000.00 par value, to the Bank's management, at par, totalling Baht 140,000,000. The conversion rights have been exercised for 2,900 convertible debentures into 2,900,000 ordinary shares in the half year ended June 30, 1996.

For the remaining convertible debentures, as at December 31, 1996 and 1995, had these debentureholders exercised their conversion rights, the difference between market value and par value of the ordinary shares amounts to Baht 334,731,600 and Baht 672,000,000 respectively.

3.16 Issuance of subordinated convertible debentures

On October 15, 1993, the shareholders passed a resolution to issue subordinated convertible debentures amounting to US\$ 75,000,000 or approximately Baht 1,890,000,000, with 10-year maturity, for allotment to foreign investors and authorized the Board of Directors to set out the details, regulations and conditions related to the issuance of the debentures.

In January, 1994, the Bank offered the subordinated convertible debentures to foreign investors at the exchange rate of US\$ 1 to Baht 25.45 or approximately Baht 1,908,750,000 at an interest rate at 3.75 percent per annum with conversion price equal to Baht 66.90 at the exchange rate of US\$ 1 to Baht 25.45 on the condition that the Bank can convert or redeem the debentures before maturity.

From July 1, 1995, the conversion price is Baht 63.07 per share, calculated in compliance with the conditions in the prospectus.

The debentureholders have the right to convert the debentures into ordinary shares from March 9, 1994 onwards.

Report of the Auditors

We report to the shareholders of Bank of Asia Public Company Limited that we have examined the balance sheet as at December 31, 1996 and 1995, and the related statements of profit and loss, changes in shareholders' equity, and cash flows for each year then ended respectively of Bank of Asia Public Company Limited, in accordance with generally accepted auditing standards. We have given our opinion on the audit for the years 1996 and 1995 in our report dated February 7, 1997 that these financial statements present fairly the financial position as at December 31, 1996 and 1995, and the results of operations, the changes in shareholders' equity, and the cash flows for each year then ended respectively of Bank of Asia Public Company Limited, in conformity with generally accepted accounting principles applied on a consistent basis.

The annexed balance sheet and statement of profit and loss are prepared from the aforementioned audited financial statements for publication in the newspapers.

298 Silom Road, Bangkok 10500
February 7, 1997

T. Krishnamra

Toemsakdi Krishnamra

Certified Public Accountant

Jaiyos & Co

Balance Sheet

BANK OF ASIA PUBLIC COMPANY LIMITED

As at December 31,

	1996 (Baht)	1995 (Baht)
ASSETS		
Cash and deposits at banks	3,968,697,549	2,686,527,855
Due from banks - interest bearing	270,356,465	201,291,083
Investment in securities		
Government securities and securities guaranteed by the Government (Obligated: Baht 2,164,000 and Baht 312,164,000 for 1996 and 1995 respectively)	3,187,654,240	3,870,450,000
Other securities	6,356,859,668	10,484,732,085
Total investment in securities	<u>9,544,513,908</u>	<u>14,355,182,085</u>
Loans and accrued interest receivable (Net of provision for possible loan losses)	108,397,568,079	87,754,889,965
Properties foreclosed	111,631,301	133,475,138
Customers' liabilities under acceptances	1,116,252,189	661,793,531
Property, premises and equipment	1,814,654,028	1,853,397,045
Other assets	1,197,300,725	818,499,245
TOTAL ASSETS	<u>126,420,974,244</u>	<u>108,465,055,947</u>
Customers' liabilities under unmatured bills issued under letters of credit	3,085,787,252	3,121,349,764
TOTAL	<u>129,506,761,496</u>	<u>111,586,405,711</u>

Balance Sheet

BANK OF ASIA PUBLIC COMPANY LIMITED

As at December 31,

	1996 (Baht)	1995 (Baht)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	87,002,857,931	79,660,316,245
Due to banks - interest bearing	4,790,015,024	2,845,656,986
Demand liabilities	106,089,295	244,492,140
Securities sold under repurchase agreements	560,000,000	1,409,000,000
Borrowings	17,418,846,853	12,457,705,173
Provident and pension funds	184,133,258	152,802,550
Bank's liabilities under acceptances	1,116,252,189	661,793,531
Convertible debentures	111,000,000	140,000,000
Subordinated convertible debentures	1,130,183,600	1,130,183,600
Other liabilities	2,739,558,155	2,075,661,983
TOTAL LIABILITIES	115,158,936,305	100,777,612,208
SHAREHOLDERS' EQUITY		
Issued and paid-up share capital	4,200,434,030	3,669,201,030
Premium on share capital and reserves	4,452,723,521	2,129,159,391
Unappropriated retained earnings	2,636,279,956	1,889,083,318
Total shareholders' equity	11,289,437,507	7,687,443,739
Less Unrealized loss on marketable securities held as investment	(27,399,568)	-
Net shareholders' equity	11,262,037,939	7,687,443,739
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	126,420,974,244	108,465,055,947
Bank's liabilities under unmatured bills issued under letters of credit	3,085,787,252	3,121,349,764
TOTAL	129,506,761,496	111,586,405,711
SIGNIFICANT COMMITMENTS		
	1996	1995
Avals to bills and guarantees of loans	5,011,256,162	4,011,692,711
Letters of credit	2,407,779,414	2,993,336,043

Statement of Profit and Loss

BANK OF ASIA PUBLIC COMPANY LIMITED

For the Year Ended December 31,

	1996 (Baht)	1995 (Baht)
Interest and dividend income	12,633,874,927	10,597,099,902
Interest expenses	<u>(8,724,256,470)</u>	<u>(7,494,255,225)</u>
Net Interest Income	3,909,618,457	3,102,844,677
Provision for possible loan losses	<u>(460,000,000)</u>	<u>(360,000,000)</u>
Net interest income after provision for possible loan losses	3,449,618,457	2,742,844,677
Non-interest income	1,138,852,821	1,149,673,855
Non-interest expenses	<u>(2,068,418,416)</u>	<u>(1,839,937,198)</u>
Income before income tax	2,520,052,862	2,052,581,334
Income tax expense	<u>(720,229,956)</u>	<u>(588,908,988)</u>
NET PROFIT	<u>1,799,822,906</u>	<u>1,463,672,346</u>
NET PROFIT PER SHARE	4.51	4.20

OTHER INFORMATION

1. Directors of Bank of Asia Public Company Limited (31 December 1996)

Chairman	Mr. Sivavong Changkasiri
Vice Chairmen	Ms. Nongluck Phatraprasit Mr. Yos Euarchukiati Mr. Anant Asavabhokhin
Directors	Mr. Chulakorn Singhakowin Ms. Lawan Tejapaibul Mr. Pichai Varnasong Mr. Praphan Phatraprasit M.R. Pridiyathorn Devakula Mr. Sak Euarchukiati Mr. Somchit Serththin Mr. Thatree Boondichareern Gen. Thienchai Sirisamphan Ms. Vilaiphan Euarchukiati Mr. Viroj Lowhaphandu

Benefits received by directors in 1996 :	Amount (Baht)
Salaries and directors' fees	6,680,000.00
Directors' remunerations	<u>29,000,000.00</u>
	<u><u>35,680,000.00</u></u>

2. Other investment at the end of the year 1996

Investment in companies in which the Bank holds more than 10% of the paid-up capital in each company are as follows:

Company	Location	Type of Business	Type of Shares	Number of Shares Issued	Number of Shares Held	Percentage of Ownership	Amount (Baht)
1. Asia Property Co.,Ltd.	Bangkok	Real Estate	Ordinary	400,000	399,994	99.99%	109,354,000.00
2. Asia Vanichkij Co., Ltd.	Bangkok	Financial Advisory	Ordinary	50,000	49,993	99.99%	4,999,300.00
3. Sathorn Vanichkij Co., Ltd.	Bangkok	Investment	Ordinary Preferred	90,000 10,000	89,993 10,000	89.99% 10.00%	899,930.00 100,000.00
4. BOA Leasing Co., Ltd.	Bangkok	Leasing	Ordinary	6,000,000	5,999,993	99.99%	59,999,930.00
5. Asia Lease-Hold Co., Ltd.	Bangkok	Real Estate	Ordinary	10,000	9,993	99.93%	999,300.00
6. ASEC Finance and Securities Co., Ltd.	Bangkok	Finance and Security	Ordinary	30,000,000	16,499,700	55.00%	673,487,637.00
7. BSP Leasing Co.,Ltd.	Bangkok	Hire Purchase and Leasing	Ordinary	600,000	180,000	30.00%	23,400,000.00
8. Thai Asia Mutual Fund Co., Ltd.	Bangkok	Mutual Fund	Ordinary	10,000,000	2,500,000	25.00%	25,000,000.00
9. Vendome Assurance Public Company Limited	Bangkok	General Insurance	Ordinary	2,000,000	551,188	27.56%	78,830,224.25
10. Wing Fat Trading Co., Ltd.	Bangkok	Manufacturing -Leather Goods	Ordinary	700,000	100,000	14.29%	10,000,000.00
11. Asia Dhanavadh Warehouse Co., Ltd.	Bangkok	Warehouse Renting	Ordinary	30,000	4,000	13.33%	4,232,000.00
12. Piyalai Holding Co., Ltd.	Bangkok	Real Estate	Ordinary	6,000,000	600,000	10.00%	60,000,000.00
13. BOA Receivables Co., Ltd.	Bangkok	Security Investment	Preferred Ordinary	1,000 9,000	1,000	10.00%	100,000.00
14. Navuti Co., Ltd.	Bangkok	Agribusiness	Ordinary	300,000	30,000	10.00%	3,000,000.00
Total							1,054,402,321.25

3. Shares Owned by Directors at the end of the year 1996

3.1 Number of shares in Bank of Asia Public Company Limited

			1996	1995
			(Shares)	(Shares)
Chairman	Mr. Sivavong	Changkasiri	114,667	114,667
Vice Chairmen	Ms. Nongluck	Phatraprasit	2,131,699	2,131,699
	Mr. Yos	Euarchukiati	1,617,105	1,617,105
	Mr. Anant	Asavabhokhin	3,685,713	3,685,713
Directors	Mr. Chulakorn	Singhakowin	253,759	11,434
	Ms. Lawan	Tejapaibul	1,418,252	1,418,252
	Mr. Pichai	Vasnasong	-	-
	Mr. Praphan	Phatraprasit	1,696,723	1,696,723
	M.R. Pridiyathorn	Devakula	-	14,105
	Mr. Sak	Euarchukiati	1,637,122	1,475,572
	Mr. Somchit	Sertthin	16,124	16,124
	Mr. Thatree	Boondicharern	-	9,403
	Gen. Thienchai	Sirisamphan	51,491	31,088
	Ms. Vilaiphan	Euarchukiati	1,502,821	1,502,821
Mr. Viroj	Lowhaphandu	1,000	-	

3.2 Number of shares in Bank of Asia Public Company Limited's subsidiary and affiliated companies

None

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Institutional Banking/ Correspondent Banking

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Fax: (662) 285 1445

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Fax: (662) 285 1412

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Treasury

Reuter: BOAB
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