



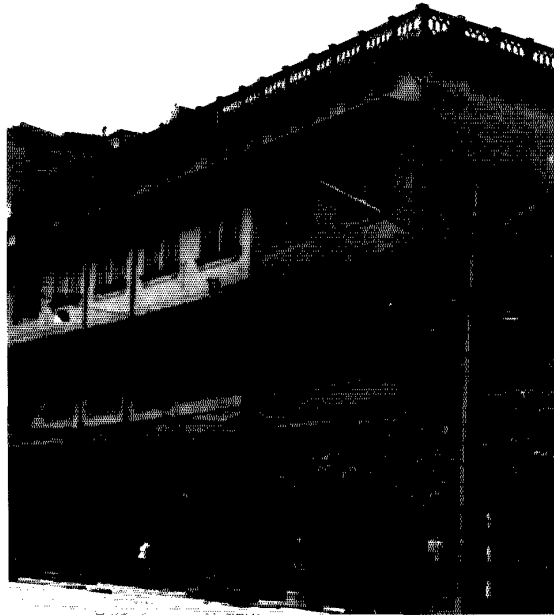
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ANNUAL REPORT 1997

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THE FIRST BANK OF ASIA HEAD OFFICE
LOCATED ON 184 LUMPOON-CHAI,
NEW ROAD, BANGKOK.
(1939 - 1957)



Bank of Asia Public Company Limited

Established in 1939, Bank of Asia has built a reputation as a leading provider of a comprehensive range of financial services and products, through the close integration of commercial banking operations with its affiliates in general insurance, fund management, debt and equity underwriting, stockbroking and leasing. With its headquarter located in central Bangkok, the Bank has 110 branches spread throughout Thailand.

HISTORY

The Bank's long-standing strength is in serving Thailand's middle-market commercial and industrial firms. Since 1995, an added emphasis has been to build a strong market position in retail banking, through the development of a comprehensive line of consumer banking products, combined with modern, efficient and customer-friendly delivery of these products.

The Bank's vision is:

"To be 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**"

TABLE OF CONTENTS

3	FINANCIAL HIGHLIGHTS
4	MESSAGE FROM THE CHAIRMAN
7	MESSAGE FROM THE PRESIDENT
11	REVIEW OF OPERATIONS
19	KEY SUBSIDIARY AND AFFILIATED COMPANIES
21	BUSINESS DEVELOPMENT
25	SOCIAL CONTRIBUTIONS
27	BOARD OF DIRECTORS
27	BOARD OF EXECUTIVE DIRECTORS
28	SENIOR MANAGEMENT
34	ORGANIZATION CHART
36	REPORT OF THE AUDITORS
86	OTHER INFORMATION

FINANCIAL HIGHLIGHTS

	Million Baht		
	Consolidated	Bank of Asia	
	1997	1997	*1996
Earnings			
Net interest income	4,097	3,849	3,910
Non-interest income	1,059	1,015	1,139
Profit before provision and income tax	1,301	1,780	2,980
Provision for possible loan losses	1,675	1,610	460
Net profit (loss)	(424)	42	1,800
Earnings (loss) per share (Baht)	(1)	0.10	4.51
Relevant data			
Total assets	158,256	156,503	126,421
Total loans	133,983	134,290	106,776
Allowance for possible loan losses	3,465	3,339	1,832
Total deposits	81,410	80,086	69,885
Total shareholders' equity	9,135	9,883	11,262
Ratios			
Return on average assets		0.03%	1.53%
Return on average equity		0.39%	19.00%
Net interest income to average assets		2.72%	3.33%
Net profit to gross revenue		0.86%	35.65%
Dividend per share (Baht)		-	2.40
Book value per share (Baht)		23.35	26.81
Capital fund to risk assets - Total		8.37%	10.15%
- Tier 1		7.33%	8.81%
No. of employees		2,319	2,570
No. of branches - Bangkok		62	57
- Provinces		48	45

*Adjusted to conform with 1997 accounting rules



MESSAGE FROM
THE CHAIRMAN

CHAVALIT THANACHANAN

Dear Shareholders,

Last year we warned that 1997 would be a difficult year for the Thai economy and Thai banking. We noted that Bank of Asia had made preparations for tougher market conditions, with expectations of being able to take advantage of an economic slowdown to gain ground on our competitors.

A year later, it must be admitted that we were overly optimistic. While we had presumed the ability to insulate ourselves from a significant domestic economic downturn, no one foresaw the regional spillover that would turn this into a financial crisis of global proportions, exacerbating Thailand's own problems.

Because turmoil similarly rooted in excessive private sector borrowing and speculative investment erupted across East and Southeast Asia, the measures laid out by the International Monetary Fund for Thailand to quickly arrest financial and monetary deterioration had only limited effect. The prescription of high interest rates, for instance, failed to contain the depreciation of the Baht, which fell more than 50 percent at one point, well beyond the expected maximum of 30 to 35 percent.

The suddenness and sharpness of the Thai economic slowdown has had a devastating impact on nearly all sectors of the Thai economy. Those firms with foreign currency borrowings were immediately affected, most obviously. But in addition, seemingly sound businesses without foreign currency exposure and with internationally competitive products have suffered, due to the extremely tight monetary conditions and high interest rates required to stabilize the Baht.

In the financial sector, no institution has escaped this turmoil. The closure or takeover by the central bank of a number of banks and finance companies testifies to the severity of business conditions. Such tough action was necessary, and we applaud the authorities for making difficult decisions. Bank of Asia has been fortunate that most of our supporters, both domestic depositors and foreign lenders, have continued to give us their confidence.

The initial stage of this economic downturn appears to have passed. During February 1998 there were signs that the Baht was stabilizing and, tentatively, that the outflow of capital was being reversed. But it will take much time and difficult work before the country can be brought out of recession. The effects of the initial devaluation are

only now beginning to manifest themselves in the real economy. Although the government, under the guidance of the IMF, is taking the necessary measures to strengthen the financial sector and reform the business environment, we have not yet been successful in generating the confidence needed to revive direct foreign investment.

Industrial activity is still slowing and consumer spending falling as well. Yet interest rates are being maintained at a relatively high level to protect the currency from the continued reverberations of the regional crisis. Because of this, we expect conditions in the economy to worsen in the short term, with negative economic growth possibly lasting through the end of 1988.

As with all other Thai banks, Bank of Asia's management believes the continuing deterioration of the difficult economic environment compels us to strengthen our balance sheet.

The increase in share capital finalized by the Bank's board of directors in March 1998 is crucial to maintaining Bank of Asia's position as an important competitor in the Thai banking industry. This move will not only bring our capital base back to a high standard, but also help us continue to grow and build market share. It is necessary in order to achieve our vision as a bank recognized for a full range of quality services, for both retail consumers and commercial customers. We believe it will advance our ranking among Thai banks, in name and in market share.

This past year has been one of painful lessons for all Thais. The financial crisis revealed serious faults and miscalculations in our behavior and thinking. The principal lesson is an old one: the need to keep one's own house in order whatever others are doing.

This applies to each individual, to each company, and to each country. In a global economy where private sector investment generates most of the growth, it is unreasonable and unrealistic to assume that the government or multilateral institutions such as the IMF will rescue us from our own poor behavior and mismanagement. As this crisis has made clear, none have sufficient resources to do so.

Keeping one's own house in order is not simply desirable for survival; it is a responsibility. Through no fault of their own, this crisis has meant that there are huge numbers of factory laborers, farmers, and other workers, and their families, who must suffer a period of higher inflation, lower wages and unemployment.

It also means that all of us, in the private sector and the government, must have clear vision, to comprehend the environment we live in and anticipate trends and changes. We should not, because of pride or overconfidence, close our eyes and ears to any sources of useful information or advice. And we need the vision to make the right adjustments to public policy at the right time, even if those adjustments create pain in the economy and society.

There are signs in the current Thai government that these lessons are taking root. The authorities' willingness to work closely with the IMF suggests a greater maturity in public leadership. Even now, however, there is still resistance within both the government and the private sector to the difficult reforms required to rebuild our economy. This belies a lack of understanding as to what has happened to us, and a lack of vision for the future.

I believe that Thailand has the muscle and mettle to survive this crisis. Our private sector has many strengths that made it a tough competitor in global markets in the past. It would be a shame if we did not heed the lessons of this crisis. The risk is that, once capital flows back into the country and economic growth is recovered, that we will relax our guard.

It is only when the regional economy begins to recover that the real work begins: improving public health and education services; restructuring civil administration; and reforming our legal system. Only continuing efforts such as this will truly sustain our competitiveness as a country.

It is the same for the private sector. The companies which will continue to succeed are those that invest in efficiency and quality, increasing not simply in production but in productivity; and those that do not recklessly jump at opportunities but work hard to analyze and understand what they venture into.

We must all understand, and accept, that the globalization of capital and markets is, for better or worse, unstoppable. And to meet the demands and rigors of this global economy, we must continue to build, to open up, to create efficiency and transparency, whatever our competitors are doing. It is only through such unhalting hard work that we will be able to withstand future crises.



MESSAGE FROM
THE PRESIDENT AND
CHIEF EXECUTIVE OFFICER

A handwritten signature in black ink, appearing to read 'Chulakorn Singhakowin'. The signature is fluid and cursive, written in a professional style.

CHULAKORN SINGHAKOWIN

Dear Shareholders,

The year 1997 was a year of exceptional difficulty, as we coped with the challenges of carrying on the business of banking in the midst of an unprecedented economic crisis. Yet it was also a time when we saw many of our long term development initiatives achieve fruition, setting the stage for a new phase in the Bank's strategic development.

Thus we are able to look back on the year with considerable pride. We survived, when many did not. And we survived with our reputation enhanced: our clear strategic focus and the conservative and systematic management style which has become deeply rooted in the Bank over the past few years, resulted in the quality of our loan book holding up against the economic turbulence better than most of the industry. Our emphasis on efficiency and cost control left us in the position of being able to continue our long-term development initiatives without interruption.

The system phase of the Bank's Retail Transformation Program, described in last year's report, was completed on schedule and within budget. The technical infrastructure is now in place to

build the consumer and retail services side of the Bank's business. Already the early results of this program have exceeded our expectations. When it was launch in January 1996, we had 91 branches and 2,800 employees. In January of 1998, when the last of our branches was converted to the new Systematics retail banking software, we had 110 branches and 2,300 employees smoothly handling a much greater volume of business. Overtime payment to branch staff was reduced 80 percent. For this success, I want to offer the sincerest thanks to all of our employees who worked mightily to make it happen.

But the economic contraction took its toll on our bottom line. Bank of Asia's profit before tax and provisions for possible loan losses in 1997 totaled Baht 1.78 billion, down 40.3 percent from 1996. From that, Baht 1.61 billion was set aside for possible loan losses, compared to Baht 460 million in the previous year. Net profit for the year was 41.6 million, with earnings per share Baht 0.10. On a consolidated basis, the Group reported a loss of Baht 423.51 million, or Baht 1.00 per share.

In 1996, we enunciated a vision for the Bank:

"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."

Although the economic problems in Thailand and the region have affected the Bank's growth and profitability, our development strategies for achieving this vision have not slowed at all. On the contrary, the crisis has underscored the need to continue pursuing these goals which we have set for ourselves.

In January 1998, the Bank achieved an important milestone in its Retail Transformation Program, the installation throughout the entire branch system of a new information technology system for retail banking. This retail banking platform comprises computer hardware and software tailored to enable us to market and deliver consumer banking services more efficiently and more profitably.

The new technology also enhances our ability to introduce and fine-tune new products, and quickly and accurately measure their performance. In 1997 several new products were launched, for both retail and commercial customers, based on these new systems.

The Bank also made much progress in the development of systems to better serve the commercial banking sector. We upgraded international payments and trade services divisions with the powerful IMEX software system. We also began the automation of front and back office treasury operations. The first phase of this should be completed by April 1998, and overall completion should come by September 1998.

Our efforts to increase efficiency and productivity showed positive results last year. While we added eight branches, for a total of 110, we did so with a decrease of total staff size, from 2,570 at end-1996 to 2,319 at the end of 1997. Staff and branch productivity is higher, which I believe is evidence of the hard work the staff has put in to build the Bank's presence in the Thai market. We perceive an increased recognition among banking customers of the Bank of Asia as a sound and quality institution despite its smaller size.

The turbulence in the economy has underlined to us the need to maintain a strong capital base, and make gains in profitability not simply out of rapid expansion, but from efficiency and productivity. It also emphasizes the need for efficient and modern controls. To remain confident that the Bank can sustain its development program, and emerge from this crisis stronger, we have acted to deepen our capital base by proposing a major increase of equity capital, and to offer the new shares to a strategic foreign partner. On 18 March this year, we signed a Letter of Intent with ABN AMRO Bank of the Netherlands under which ABN AMRO would acquire a 75 percent shareholding in our Bank upon the satisfactory conclusion of the due-diligence process.

According to the terms of the Letter of Intent, Bank of Asia will issue 1,423 million new shares, representing 75 percent of the enlarged issue of share capital by the Bank, probably in May. Due to the difficulty of establishing a fair value for the shares in a time of extraordinary economic turbulence, ABN AMRO has agreed to make an initial payment for the shares, in the form of a capital injection, of Baht 7,500 million at that time.

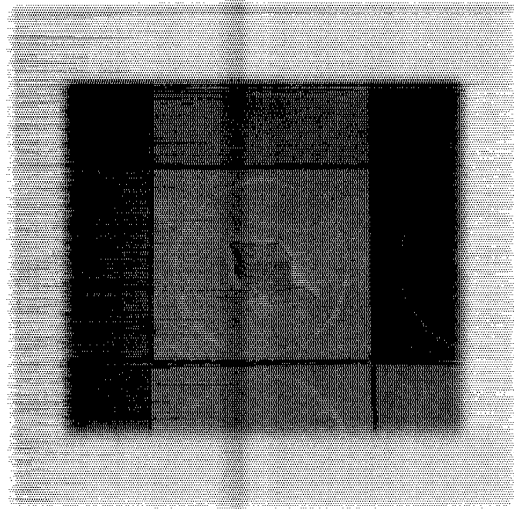
To determine the final price of the transaction, in the year 2000, ABN AMRO will then purchase a second tranche of 10,000 new shares. The price of the shares in this second tranche will be

determined from a pre-established formula based on the adjusted net asset value at the end of 1999 multiplied by the average price-book value ratio of six listed Thai banks. In essence, this second stage of the transaction will comprise the unpaid balance on the original capital injection, establishing the final price of the shares issued in the two tranches.

While complicated, both institutions agreed that this is a creative solution to the challenge of finding a way to fairly acknowledge Bank of Asia's strengths and the value of its ongoing business in a time when the surrounding economic environment in the region remains very unsettled. At the same time, this timely capital increase and creation of a strategic alliance with ABN AMRO will permit us to keep growing and to strengthen the name of Bank of Asia in the local and international markets.

As the Thai banking market opens up for increased foreign participation, I believe the Bank of Asia, with the hard work of the staff and management, can continue to outpace the market in efficiency and profitability, and from this increase its overall presence in the market. Over the medium to long term, as the Thai economy recovers, this should result in superior returns for our shareholders.

I would like to express my sincere gratitude to the shareholders and directors for their continuing support in these difficult times, and extend my thanks to both our customers and our staff, for their loyalty and dedication.



REVIEW OF OPERATIONS

During 1995-96, Bank of Asia undertook to strengthen our balance sheet against the sharp downturn in the economy which we anticipated. The severity and regional nature of the crisis which erupted last year, however, meant that the Bank's recent levels of profitability and growth could not be sustained in 1997. The tight monetary conditions imposed by the central bank in attempt to stabilize the Thai economy caused funding costs to increase sharply.

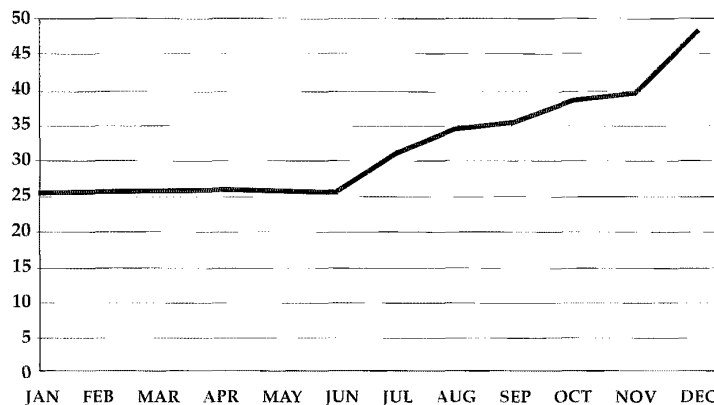
At the same time, the effect that the slowing economy and the 46 percent devaluation of the Baht against the US dollar during the year has had on Thai business and consumers in general has made it difficult for the Bank to pass on these higher costs to our customers. We believe that the acute recessionary conditions in the economy will continue through 1998.

Our earlier preparations made it possible for the Bank to withstand the initial impact of the economic crisis. However, if business conditions remain difficult throughout the year as we anticipate, it will necessarily affect many banking customers, and as a result non-performing loans

will continue to increase throughout the Thai banking system during 1998. Consequently, to maintain the safest and most credible position, it has been necessary for the Bank to increase substantially its reserves for doubtful debts.

Furthermore, to ensure that our balance sheet remains resilient, that the Bank meets international standards of capital adequacy, and to be able to continue developing our market position during this crisis, the board has found it in the Bank's best interest to propose an expansion of our capital base through a new issue of 1,423 million shares. We have been in discussions since late 1997 with foreign financial institutions interested in joining with Bank of Asia as a strategic equity partner, and in March a Letter of Intent was signed with ABN AMRO Bank of the Netherlands on the purchase these shares, giving it a 75 percent shareholding in the Bank. A final agreement with ABN AMRO is expected to be completed in May 1998. This measure should result in a much stronger capital base, and enhance the Bank's image and capabilities in the market, both domestically and abroad.

Baht Movement Against the US Dollar (1997)



EARNINGS PERFORMANCE

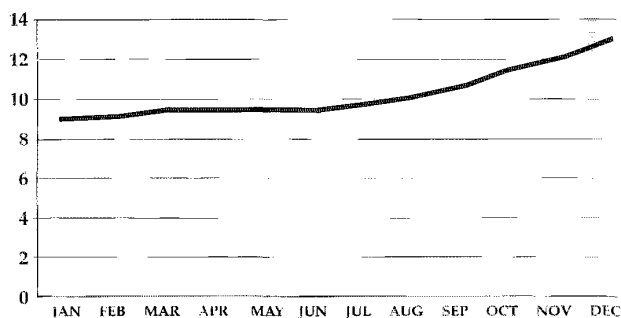
Bank of Asia

Profit before provisions and income tax fell 40.3 percent to Baht 1.78 billion in 1997, from Baht 2.98 billion in 1996. The most important cause of this decline was the steep rise in domestic interest rates as the central bank, under guidelines set by the International Monetary Fund, attempted to stabilize the currency and halt capital outflow. This trend began early in the year, but interest rates quickly surged much higher following the 2 July flotation of the Thai Baht. The average rise in the inter-bank lending rate of over 400 basis points over the previous year led to a sharp increase in the Bank's cost of funds. Total interest expenses increased 37.4 percent, to Baht 11.98 billion from Baht 8.72 billion.

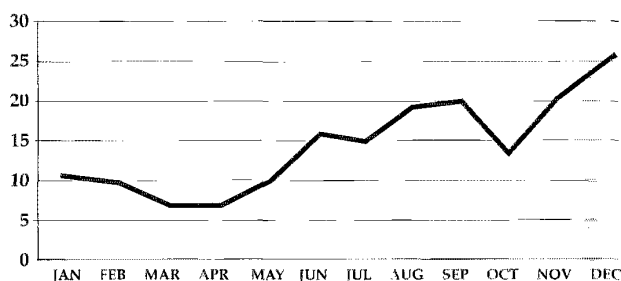
income compared to average assets fell to 2.7 percent from 3.3 percent earlier. Similarly, overall economic conditions caused a decline of 10.9 percent in non-interest income.

Because of the deep erosion of economic confidence and the continued instability in currency markets, the Bank has had to increase by a substantial amount its loan loss reserves. Baht 1.61 billion was allocated as provision for possible loan losses at the end of 1997, compared to Baht 460 million in 1996. As a result, the Bank is reporting a net profit after tax of Baht 41.64 million, compared to Baht 1.80 billion the previous year. Earnings per share was Baht 0.10, down from Baht 4.51 in 1996.

Baht Deposit Rate (%)
1997



Interbank Rate (%)
1997



Against that, income from interest and dividends rose 25.3 percent. As Thailand's overall economic growth stagnated, loan demand dropped off sharply as well, preventing the Bank from being able to pass all of the higher cost of funds on to customers. As a result, net interest income fell 1.5 percent to Baht 3.85 billion, compared to Baht 3.91 billion a year earlier. The ratio of net interest

	Net Interest Income		
	1997	1996	% Change
Gross interest and dividend income	15,834	12,634	25.3
Interest expenses	11,985	8,724	37.4
Net interest income	3,849	3,910	-1.5
Net interest income to average assets	2.7%	3.3%	

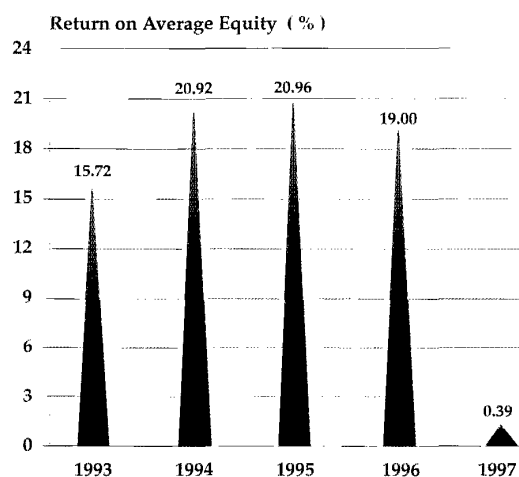
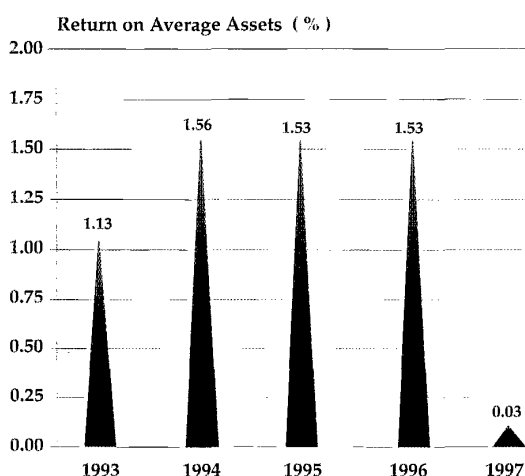
At the end of 1997 total assets reached Baht 156.50 billion, 23.8 percent over 1996, when assets stood at Baht 126.42 billion. Lending grew by 25.8 percent to Baht 134.29 billion, up from Baht 106.78 billion. The high level of nominal asset and loan growth represents a 18.7 percent increase in Baht-based lending, and a 50.8 percent increase in the Baht value of foreign currency loans made by the Bank. But owing to the US dollar's 84.7 percent appreciation against the Baht during the year, the Baht valuation of these loans exaggerates the actual trend in both lending and asset growth. In US dollar terms, in fact, the Bank's foreign currency loans declined by 19.0 percent over the year, to US\$ 745 million from US\$ 920 million at the end of 1996. If the impact of devaluation is separated out, then the real increase in assets and loans over the year was 10.7 percent and 10.4 percent respectively.

The Baht's devaluation and the deterioration of business conditions within Thailand was apparent in the rise of accrued interest receivable and of non-performing loans. Non-performing loans at the end of 1997 stood at Baht 16.56 billion, 12.3 percent of total loans, compared to 7.6 percent the year before. Accrued interest receivable rose 71.4 percent to Baht 2.70 billion, up from Baht 1.57 billion. In response, the Bank's allowance for possible loan losses was increased by 82.3 percent, to Baht 3.34 billion from Baht 1.83 billion in 1996.

Non-Performing Loans 31 December 1997	
	Million Baht
	Amount
Sub-standard	15,127
Doubtful	1,428
Uncollectible	8
Total non-performing loans	16,563
As % of total loans	12.3

The slow economy and depressed capital markets also forced the Bank to revalue downward securities held for long-term investment. This was the main factor behind the reduction in shareholders' equity by 12.3 percent to Baht 9.88 billion, from Baht 11.26 billion at end-1996.

The overall impact of the need to increase reserves, the higher costs of funding, and the flotation's effect on the valuation of assets, was a sharp decrease in the Bank's return on average assets. This declined to 0.03 percent in 1997, compared to 1.53 percent in 1996. Return on average equity fell to 0.39 percent, from 19 percent a year earlier.



Consolidated Earnings

On a consolidated basis, counting all subsidiaries in which the Bank holds more than 50 percent of paid-up capital, total assets at the end of 1997 reached Baht 158.26 billion. Of this, Bank of Asia accounted for Baht 156.50 billion, or 98.9 percent.

Due to slower turnover, the higher cost of funds, and the need to provide for possible losses on loans, the Bank's three operating subsidiaries BOA Leasing, ASEC Finance and Securities, and Asia Leasehold together generated an attributable loss in 1997. BOA Leasing was particularly affected by losses on foreign exchange due to the Baht devaluation.

As a result, on a consolidated basis Bank of Asia registered a loss overall of Baht 423.51 million, or Baht 1.00 per share. Because this is the first year that the Bank has reported consolidated data, there are no figures available from the previous year for comparison.

SOURCES OF INCOME

Consolidated gross interest and dividend income in 1997 amounted to Baht 16.31 billion. For the Bank alone, gross interest and dividend income totaled Baht 15.83 billion, an increase of 25.3 percent from 1996. Of that figure, gross income from loans and deposits comprised 96.2 percent,

or Baht 15.24 billion; the balance of Baht 597.67 million was income from Bank-held securities.

Profit on foreign currency lending through the Bank's offshore BIBF unit was Baht 1.16 billion, compared to Baht 292 million in 1996. The large change is primarily due to the revaluation of assets as a result of the Baht's sharp depreciation. With the floating rate exchange regime in place after 2 July 1997, in the future the Bank expects that BIBF-based lending will decline in proportion to domestic lending.

BIBF Financial Highlights (Million Baht)

	1997	1996	% Change
Net profit	1,155	292	295.5
Loans (in Baht equivalent)	24,210	16,963	42.7
Loans (in million USD)	515	663	-22.3
Assets	24,943	17,330	43.9
BIBF loans to total loans	18.0%	15.9%	

Consolidated non-interest income in 1997 was Baht 1.06 billion. Of that, Bank of Asia accounted for Baht 1.02 billion, a 10.9 percent decrease from Baht 1.14 billion 1996, the result of generally slower economic activity. The Bank's income from fees and services fell 5.4 percent to Baht 517.24 million; other income, mainly sales of equities and properties held by the Bank, fell 70.7 percent to 103.96 million. This was offset in part by a 66.3 percent increase in exchange gains, to Baht 394 million.

Non Interest Income (Million Baht)

	1997	1996	% Change
Fees and services	517	547	-5.4
Gain on exchange	394	237	66.3
Other income	104	355	-70.7
Gain on sales of equities	2	251	-99.2
Gain on sales of debt instruments	93	87	6.9
Others	9	17	-47.1
Total	1,015	1,139	-10.9

OPERATING COSTS

Due to our ongoing program to install a new, comprehensive system of retail banking software and hardware throughout the Bank, as well as the physical redesign of our branches, operating expenses rose 55.5 percent in 1997, to Baht 2.62 billion. Consolidated expenses for the whole Group totaled Baht 3.38 billion.

The biggest segment of the Bank's non-interest expenses was for personnel, Baht 935.37 million, 3.4 percent higher than 1996. Equipment expenses rose 36.6 percent to Baht 358.32 million as the installation process for our retail banking platform peaked, to reach completion in January 1998. The opening of eight new branches and the launch of our branch redesign program led to an increase in expenses for premises of 21.2 percent, to Baht 175.62 million.

Expenses for taxes and duties also increased 20.8 percent, to Baht 462.38 million. This rise is attributable to the Bank's higher gross income. Other expenses rose 134.4 percent, to Baht 584.32 million, from Baht 249.29 million a year earlier. Three factors contributed to this increase. First was the rise during the second half of 1997 in the mandatory contribution to the central bank's Financial Institutions Development Fund, from 0.1 percent of deposits to 0.15 percent of deposits and borrowings. This added an extra Baht 135.36 million to other expenses. Secondly, our advertising budget, an important facet of the Bank's retail transformation program, increased by Baht 34.37 million. And third was losses incurred relating to the default on foreign exchange obligations by a customer.

SOURCES OF FUNDING

The crisis conditions in the financial and monetary system made funding a severe challenge especially for small and medium-sized institutions during the year. Because of the insolvency of numerous finance companies and several banks, and the instability of the Baht, the financial system experienced both the flight of capital into foreign currencies, and the flight of depositors to the largest banks. The sudden and frequent turns of sentiment regarding the economy, and the greater hardship experienced by both commercial and retail customers, also increased the volatility of deposits.

Consolidated deposits for the Bank and its subsidiaries in 1997 amounted to Baht 81.41 billion. For the Bank alone, despite the tough domestic banking environment, total deposits increased by Baht 10.20 billion, or 14.6 percent, over the previous year, to a total of Baht 80.09 billion at year-end.

However, due to general nervousness abroad over the state of the Thai economy and the steady fall in the value of the Baht in the second half, the Bank suffered a sharp decline in foreign-sourced Baht deposits, from Baht 3.7 billion at the end of 1996 to Baht 1.3 billion at the end of 1997.

Foreign currency funding, mainly floating rate certificates of deposit issued offshore, was also reduced. As one of the Bank's FRCD issues matured during the year and was not replaced with a new issue, the total value of FRCD funding fell to US\$302 million, from US\$443 million a year earlier. Denominated in Baht on the Bank's balance sheet, FRCD liabilities show an increase in nominal value of 25.9 percent, to Baht 14.27 billion from Baht 11.33 billion, due to the decline in the Baht against the dollar.

The main source of funds to compensate for the changes in the Bank's deposit base was the domestic interbank market. The Bank also obtained Baht 3.67 billion more than the previous year through notes sold on repurchase agreements, another short-term measure taken to counter the tight monetary conditions. Total funds sourced under repurchase facilities amounted to Baht 4.23 billion, compared to Baht 560 million a year earlier.

Breakdown of Loans	1997		* 1996	
	In Baht	In USD	In Baht	In USD
Baht loans	98,803		83,247	
Foreign currency loans	35,487	745	23,529	920
BIBF	24,210	515	16,963	663
Trade finance	9,079	183	5,788	226
Others	2,198	47	778	31
Total loans	134,290		106,776	
Exchange rate (USD/Baht)	47.247		25.585	

* Adjusted to conform with 1997 accounting rules

LENDING OPERATIONS

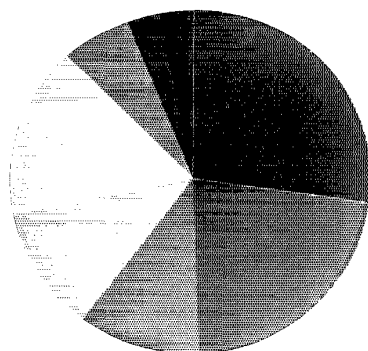
On a consolidated basis, loans from the Group at the end of 1997 totaled Baht 133.98 billion. For Bank of Asia alone, total loans amounted to Baht 134.29 billion, a 25.8 percent increase from Baht 106.78 billion in 1996. As noted earlier, Baht-denominated loans rose 18.7 percent to Baht 98.80 billion, while foreign currency lending valued in Baht terms rose 50.8 percent due to the Baht's depreciation against the US dollar. In US dollar terms, foreign-currency lending declined by 19.0 percent.

The change in currency value also distorted the trend in the structure of the Bank's loan portfolio. Baht loans comprised 73.6 percent of total loans in 1997, compared to 78.0 percent in 1996, while foreign currency loans valued in Baht were 26.4 percent of the total, up from 22.0 percent a year earlier.

Of Baht 35.49 billion in total foreign currency lending at the end of 1997, BIBF-based loans comprised 68.2 percent, or Baht 24.21 billion, compared to 72.09 percent a year earlier. Trade financing totaled Baht 9.08 billion, or 24.7 percent of the total, roughly the same share as in 1996. Other foreign currency loans increased to Baht 2.20 billion from Baht 778 million a year earlier.

Among the Bank's lending customers, trading and commercial enterprises remain the largest group, with 29.9 percent of all loans, compared to 27.7 percent in 1996. Loans to manufacturing businesses comprised 25.3 percent of the total, up from 22.7 percent a year earlier.

Composition of Loans
31 December 1997



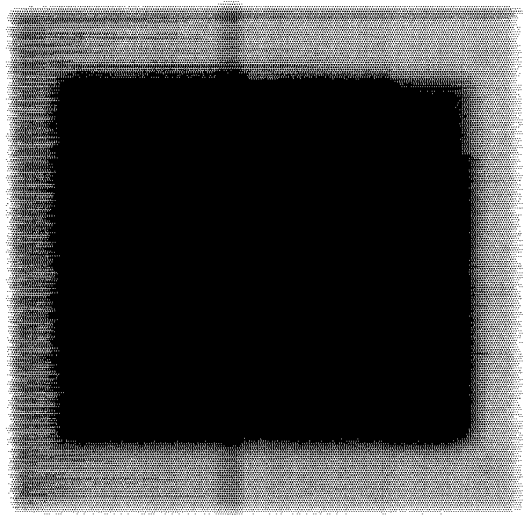
	Million Baht	% of Total Loans
Trading	40,160	29.9%
Manufacturing	33,920	25.3%
Real Estate	12,100	9.0%
Private Consumption	12,739	9.5%
Services	16,575	12.3%
Agriculture & Forestry	6,270	4.7%
Financial Services	4,815	3.6%
Construction	3,586	2.7%
Utilities	3,722	2.8%
Mining	403	0.2%
Total	134,290	100.0%

Lending to real estate, although increasing 3.4 percent in real terms due to continuing long-term lending commitments to ongoing projects, fell as a portion of total lending to 9.0 percent, compared to 11.0 percent in 1996. For the same reason, loans to building and construction industry increased 24.8 percent, but the total of Baht 3.59 billion for this sector was only 2.7 percent of all loans made by the bank, the same as in 1996.

Reflecting the slowdown in consumer spending, lending for private consumption, including home loans, fell 1.8 percent, to stand at 9.5 percent of all loans.

LOAN TO DEPOSIT RATIO

Owing to the changes in the valuation of foreign currency assets, the Bank's overall loan-to-deposit ratio deteriorated to 135.1 percent, compared to 123.3 percent at end-1996. Counting only Baht-denominated loans and deposits, the ratio stood at 117.4 percent, compared to 111.3 percent a year earlier.



KEY SUBSIDIARY AND AFFILIATED COMPANIES

Bank of Asia has long-term equity investments in three categories:

Strategic investments

These are investments in companies delivering financial services which are outside of the license of commercial banks. As the Bank's goal is to be a leading provider of comprehensive financial services, we invest in separate companies with the requisite licenses and capabilities. Recognizing that often the skills required to manage those products may be different from the skills of commercial bankers, the Bank sometimes chooses to invest together with partners who have the needed expertise.

Investments for capital gains

These are usually investments in companies which are expected to be listed on the Stock Exchange of Thailand (SET). They are normally customers of the Bank which the Bank knows well and which have good prospects, and the Bank is afforded an opportunity to purchase shares at a favorable price prior to the IPO. The Bank then normally sells them over a period of time after listing.

Compulsory and social service investments

These are investments in corporations which are either required by government policy, or are made with a view to public service. They neither assist in the Bank developing a full range of financial services, nor are they expected to yield significant profits. They do, however, either conform to government policy or assist the Bank in discharging its social obligations.

Four main strategic investments of the Bank are :

ASEC Finance and Securities Company Limited

This is a fully licensed finance and securities company. The Bank acquired 55 percent of the shares of the company in 1995, and presently undertakes responsibility for the management of the company.

BOA Leasing Company Limited

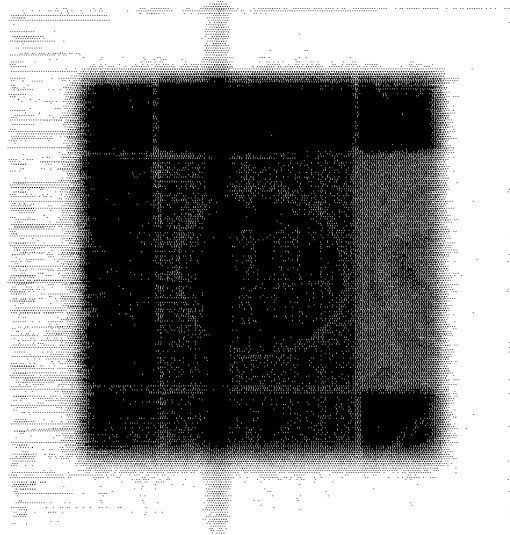
Bank of Asia set up this company in 1995 in order to provide leasing services to our commercial customers. This added another important facet to the Bank's product offerings.

Thai-Asia Mutual Fund Company Limited

Established in 1992 when the first seven new mutual fund licenses were issued, it is a joint venture between six Thai financial institutions and Barclays Global Investors Hong Kong Limited. With 23.4 percent, Bank of Asia is the largest shareholder. There is close marketing synergy with the Bank's branch network.

Vendome Assurance Public Company Limited

Bank of Asia holds 30.5 percent of this general insurance company, while the remainder is held by AXA-UAP, the largest insurance company in France, and Swedish Motors PCL, the local Volvo manufacturer and agent. Operations are entirely controlled by AXA-UAP, but there is very close marketing synergy with the Bank. The Bank's commercial and consumer customers are referred to Vendome for their insurance needs.



BUSINESS DEVELOPMENT



After a deliberate slowdown in order to concentrate on the Bank's management and technology systems development, in 1997 Bank of Asia began again to open new branches. Eight new branches were opened during the year, to bring the total to 110. Four of the new branches are located in Bangkok, and the others in Ubon Ratchathani, Khonkaen and Chiangmai. In 1998, we expect to add another six, mainly in Bangkok.

Bank of Asia's physical branch redesign, creating in the branches a light and comfortable environment with an emphasis on ease of customer service and marketing, was successfully test-launched at the end of 1996. During 1997, the redesign was extended to ten branches in total. In 1998, another 13 branches will be made over in the new style.

The installation of our new retail banking platform was completed throughout the entire system of branches in January 1998. This new system comprises a powerful set of hardware and software which enables the Bank to more easily and smoothly design and deliver new products which better meet the needs of our customers.

With the completed installation of the retail banking platform, the Bank's efforts over the next year will focus on developing branch staff skills in selling and service. In middle and upper management the Bank will be learning how to fully tap the powerful functions in product delivery and data collection that this new system provides us, to understand customer needs and develop products which more precisely fit those needs.



RETAIL SERVICES

With the retail banking IT systems in place, in 1997 we were able to introduce several new products for retail depositors :

* **Special Savings** : A savings account that offers a high rate of interest for depositors who maintain an average balance of Baht 5 million.

* **Taveesub Savings** : this is a high-interest-rate, tax-free savings vehicle introduced for savers who maintain balances between Baht 10,000 - 150,000.

* **Taveesin Savings** : A tax-free fixed deposit for savers who make regular monthly deposits over a period of 24 consecutive months.

* **Asia Junior Savings** : an introductory account for youth to encourage them to develop healthy savings habits.

* **Asia Convenience Account** : this service provides customers flexibility and the ability to maximize interest on savings, through the automatic shifting of funds between savings, fixed deposits and current/checking accounts when necessary.

* **Recovery Thai Baht** : a special high-interest fixed-term account established for those converting foreign currency into Baht at the Bank.

* **Asia Phone** : our automatic telephone banking service.

* **Electronic Lobby** : This is our automated banking center, allowing customers with simple service needs to avoid bank queues and fulfill their needs outside of normal banking hours. The Bank of Asia Electronic Lobby offers the standard cash deposit and withdrawal functions of 'ATM' machines; automated passbook updating; and automatic currency exchange.

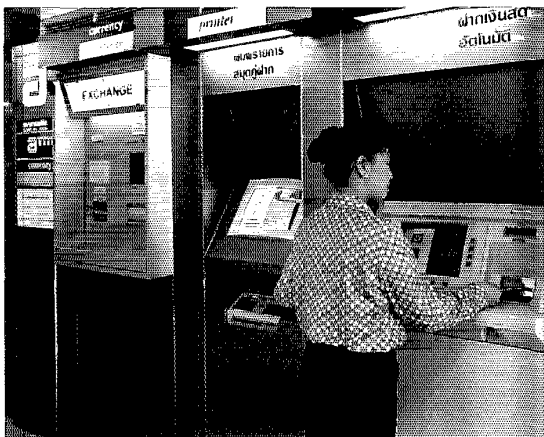
Our Electronic Lobby can be seen in the Amarin Plaza shopping center on Ploenchit Road, and in the Silom Complex on Silom Road in central Bangkok.



COMMERCIAL BANKING SERVICES

The Bank's new information technology and management systems have allowed the introduction and improvement of new services and products for our commercial customers as well. Last year we implemented the automated IMEX international payments and trade services system. This allows us to centralize processing of these services. It links all aspects of arranging and processing letters of credit and other trade and payments-related services together, reducing the amount of paperwork and running-around previously required. The result is faster and more accurate service. For the Bank, the benefit is a lower cost of operations and yet greater precision in delivering such services, and also better collection of information on customer behavior and needs.

Following the installation of the retail banking platform, we have proceeded with the upgrade and automation of front office and back office treasury operations. This new treasury system



raises efficiency, reduces errors, and is on-line interfaced with central accounting processing of the Bank. Phase 1, the test-run period, will be completed in April 1998, and we expect full operations to begin by September 1998.

Thirdly, we have been installing a TSER profit performance evaluation system. This powerful and proven software gives us the ability to quickly analyze profitability by individual customer and product; and by Bank branch and division.



It increases and sharpens the amount of information we have to work with in making strategic decisions on product pricing, demand and availability. Testing of the new TSER system

began in March 1998. As the first Thai bank to employ this powerful information technology, Bank of Asia, we believe, will benefit from a more competitive position in the market, with greater flexibility and ability based on better information.

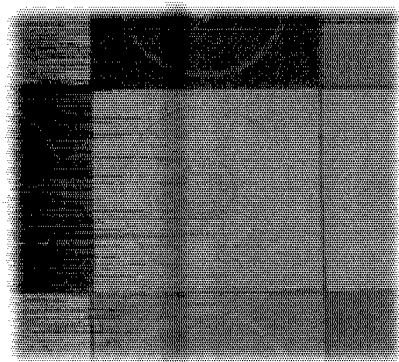
In addition, noteworthy new products offered to commercial customers include :

* **Payroll Plus** : We have integrated other bank services with our corporate payroll operation, allowing corporate customers access to our insurance and other products for their staff.

* **"Sin Chue Ue Achip"** : This special small business loan is available for working professionals like doctors and architects who require capital to build small, independent practices.

* **Media Clearing** : This is our versatile cash management service for corporate customers.

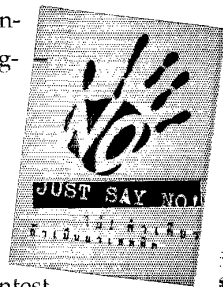




SOCIAL CONTRIBUTIONS

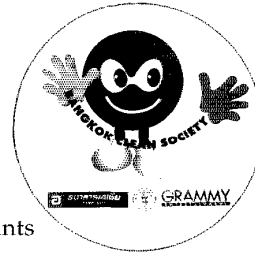
The Bank believes it has important responsibilities beyond and outside the realm of financial services. As the economy's downturn has increased hardships throughout Thai society, we especially feel the need to continue supporting valuable social programs.

During the last year we provided assistance to the publicity and education campaign of the government's program against drug abuse. Aside from helping with public information materials, two specific activities within this program that the Bank has sponsored are the "Just Say No" Drug-line (698-1001), a telephone hotline that provides 24 hour advice and support to those needing information or help regarding drug abuse; and the Modern Trendy Design Contest, a fashion design and promotion contest built around the theme of the campaign against drug abuse.



Continuing a program that began two years ago, Bank of Asia is proud to take part in the ongoing "Bangkok Clean Society" campaign to make our capital city environment cleaner, healthier and more pleasant. In recent years, air pollution has caused a noticeable rise in health problems among the people of the Thai capital. Thus, in partnership with the Bangkok Metropolitan Administration and Grammy Entertainment PCL, we have sponsored "Beautify Bangkok Air",

educating and promoting behavior that will help reduce the high amount of dust and other pollutants



in the air. The success this program has achieved in the Sathorn Road area where it was first launched has encouraged the Bangkok Metropolitan Administration to expand it around the capital.

"Bangkok Clean Society" has also moved to address problems of trash and waste. With the same partners, Bank of Asia has begun a program of awareness and practice in separating waste materials in order to increase and improve recycling practices. This has included sponsoring competitions between schools to collect recyclable materials such as aluminum cans



and to separate trash into bins for specific materials. Bank of Asia sponsored a seminar for experts and the public on handling and control of especially dangerous waste materials. And we are conducting awareness activities in Bangkok on the need for trash separation programs in each community.

Yet another project under "Bangkok Clean Society" has been our support for planting more trees in Bangkok neighborhoods as well as on major thoroughfares.

The Bank's long-standing support for rural conservation and education continued throughout 1997. We expanded our sponsorship of a camp in Nakorn Ratchasima province where students are taught about the natural environment and rural society. In the same area is the Bank's reforestation project, begun two years ago. Using this as an example, students at the camp learn the value that forest and watershed protection has for our entire society.



In 1997 Bank of Asia added to the camp's resources a Library for Nature Conservation, a permanent collection of books and other materials to be used in studies on the natural environment.

In Lampang province, the Bank joined with the Royal Forestry Department to sponsor the Protect the Environment Camp for Thai youth, which also involved the popular television series on nature "Lok Suay Duay Mue Rao".

One major key to the country's continued development is improving general education, and so in this area Bank of Asia has expanded its support of special programs. One is the "Hello Kids" project to help Bangkok schoolchildren gain a basic understanding of English. The Bank offered various books and other equipments for this program.

We also sponsored the acquisition of supplies for the Books for Thailand Foundation. This is a US-based operation which acquires a range of books, such as science and medical textbooks, for donation to Thailand to be used by higher level students.

For the fourth year in a row the Bank has given strong support to a group of 18 organizations which help disadvantaged children, including the Foundation for Handicapped Children. Each year we particularly assist with their Camp for Handicapped Youth in Chonburi province. In Nonthaburi province the bank supported the construction of a new dedicated facility for the rehabilitation of the handicapped, under the auspices of the Home for Mentally Handicapped Children - Baan Rajawadee.

In addition to these, in 1997 the Bank gave support to Mahidol University's various long-term medical programs by assisting with the holding of a charity variety show to raise funds.

Aside from these principal activities, Bank of Asia also participated in the social development programs of other prominent Thai organizations, including the Office of the Prime Minister, the Department of Public Welfare, the Thai Red Cross Society, Mahachulalongkorn Rajvittayalai University, the Chaipattana Foundation, H.M. The Late King Rama II Phra Buddhalertla Naphalai Foundation (Under Royal Patronage), and the Sathorn District office of Bangkok.

BOARD OF DIRECTORS*(31 December 1997)***Chairman**

Mr. Chavalit Thanachanan

Vice Chairman

Ms. Nongluck Phatraprasit

Directors

Mr. Anant Asavabhokhin
Mr. Chulakorn Singhakowin
Ms. Lawan Tejapaibul
Mr. Mahidol Chantrangkurn
Mr. Penwan Thongdeetae
Mr. Pichai Vasnasong
Mr. Praphan Phatraprasit
Mr. Prasong Phatraprasit
Mr. Somchit Sertthin
Mr. Somsak Naviroj
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 Krishnamra

**BOARD OF
EXECUTIVE DIRECTORS***(31 December 1997)***Chairman**

Mr. Chavalit Thanachanan

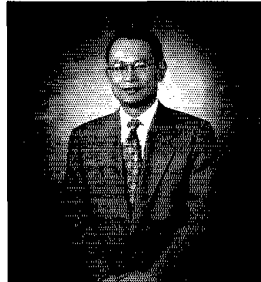
Executive Directors

Mr. Anant Asavabhokhin
Mr. Chulakorn Singhakowin
Ms. Nongluck Phatraprasit
Mr. Penwan Thongdeetae

SENIOR MANAGEMENT



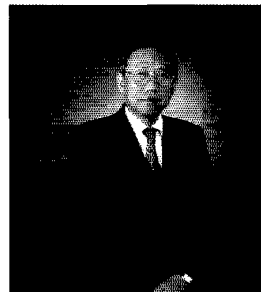
Chulakorn Singhakowin
President and Chief Executive Officer



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.

Abhai Asavanund
Senior Executive Vice President:
Consumer Banking 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.

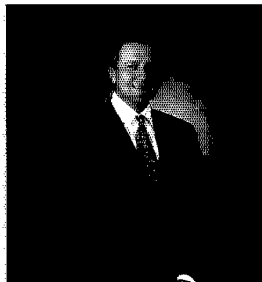
Chitraporn Tangsuwan
Executive Vice President:
Credit and Marketing Group



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.

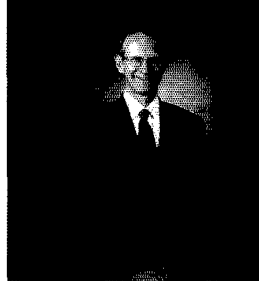
David Hendrix
Executive Vice President:
Consumer Banking Group



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.

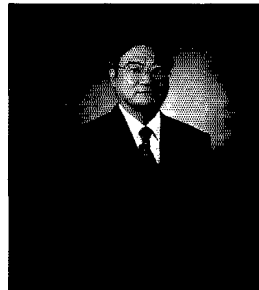
James Stent
Executive Vice President:
Planning and Control Group



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.

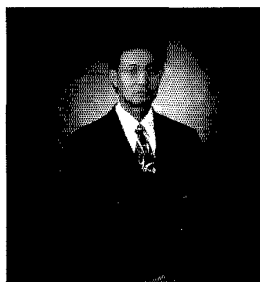
Phiphat Phornsuvan
Executive Vice President:
Retail Branches Banking Group



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.

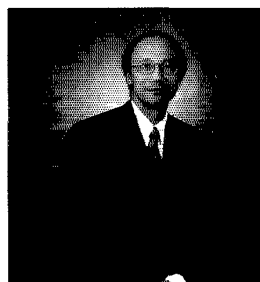
Phongsuree Bunnag
Executive Vice President:
Human Resources Group



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

After spending a number of years with an international electronics manufacturing company, he moved into banking in 1978, first with Chase Manhattan Bank in Bangkok during 1978-1988, and then at Citibank in 1988-1989. He then joined Colgate Palmolive (Thailand), and following that Thai Oil Company, where he was in charge of human resources management. He re-joined Citibank as Vice President and Country Human Resources Director in 1993 before moving to 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, and 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

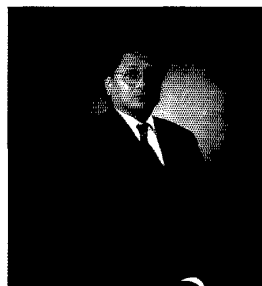


Bachelor in Commerce and Accountancy, Chulalongkorn University, Thailand, and Master in Computer Program, Institute of Computer Technology, Detroit, Michigan, U.S.A.

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 the Information and Technology Division. She was appointed Executive Vice President in 1997.

She is also consultant to the Computer Association of Thailand under the Royal Patronage of His Majesty the King; committee member of the Information Technology Project under her Royal Highness Princess Maha Chakri Sirindhorn; Chairperson of S.W.I.F.T. (Thailand) Association; consultant to the Thai Federation of Information Technology; and consultant to the Information Systems Audit and Control Association, Bangkok Chapter.

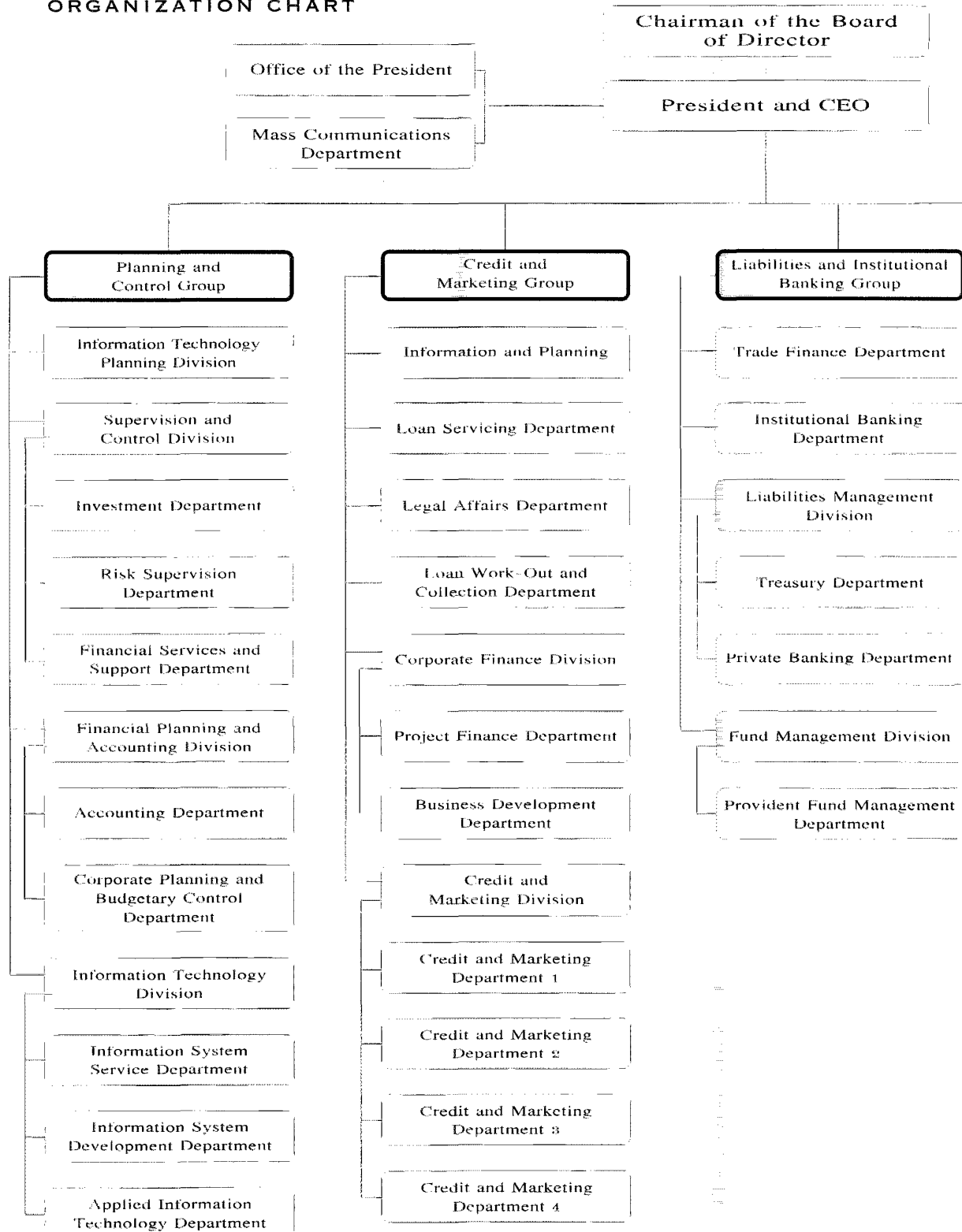
Wisit Wongpaisan
Executive Vice President:
Liabilities and Institutional
Banking Group

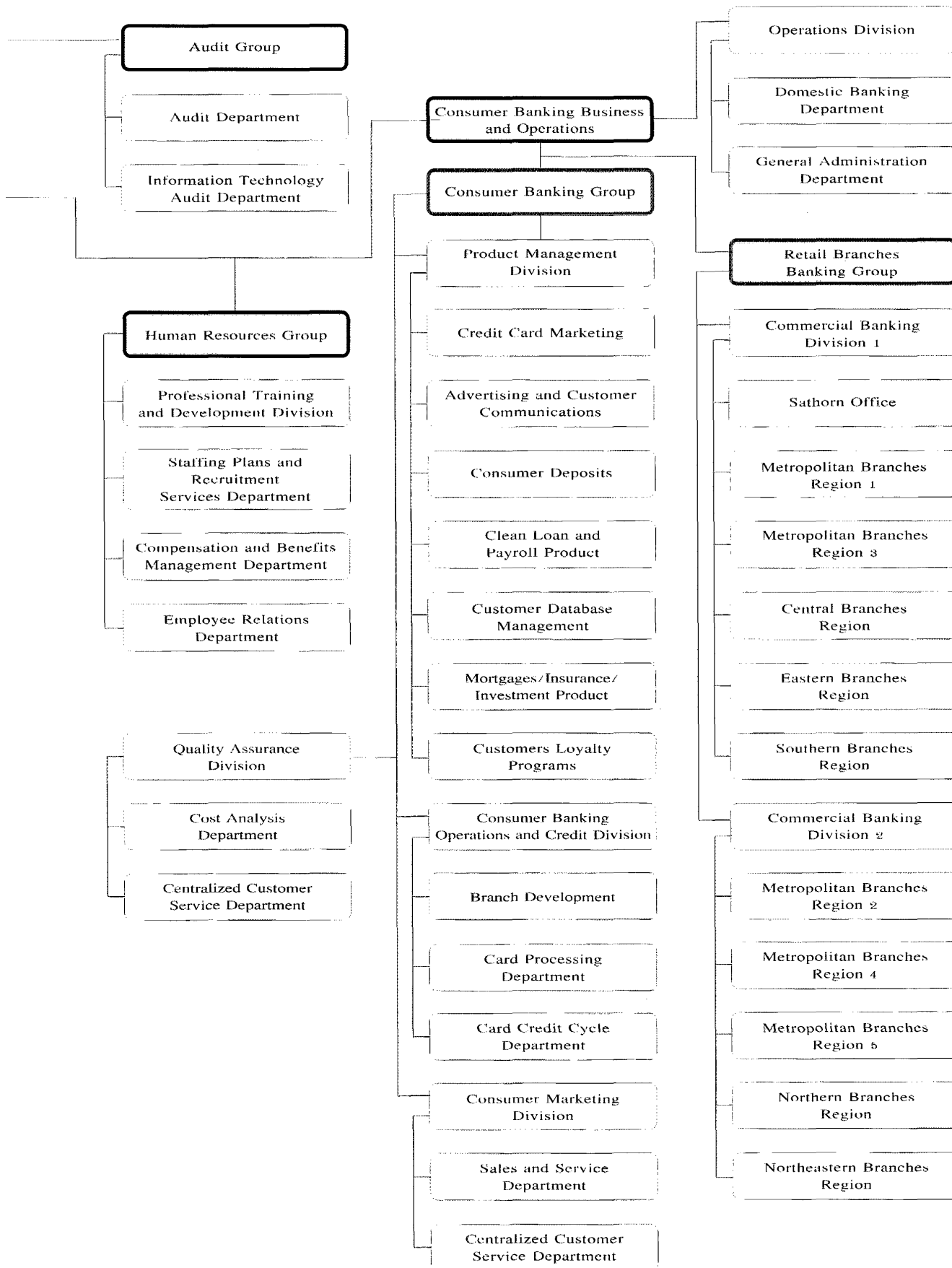


Bachelor in Engineering from Thames Polytechnic, United Kingdom, and M.B.A. from the University of East Asia, Macau.

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.

ORGANIZATION CHART





REPORT OF THE AUDITORS

We report to the shareholders of Bank of Asia Public Company Limited that we have examined the consolidated balance sheet as at December 31, 1997, and the related consolidated statement of profit and loss, changes in shareholders' equity, and retained earnings for the year then ended of Bank of Asia Public Company Limited and subsidiaries and have examined the balance sheet as at December 31, 1997, and the related statements of profit and loss, changes in shareholders' equity, retained earnings and cash flows for the year then ended of Bank of Asia Public Company Limited by the cost method. 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.


As the year ended December 31, 1997 was the first year in which the consolidated financial statements were prepared, no consolidated statement of cash flows is available.

In our opinion, the aforementioned consolidated financial statements and the financial statements by the cost method present fairly the financial position as at December 31, 1997, and the results of operations, the changes in shareholders' equity and the cash flows, for the year then ended of Bank of Asia Public Company Limited and subsidiaries and of Bank of Asia Public Company Limited in conformity with generally accepted accounting principles and as described in Notes 2 and 3 the financial statements, applied on a basis consistent with that of the preceding year.

Without qualifying our opinion, we draw attention to Note 1 to the financial statements. The country's unstable economy has to a certain extent affected, and may continue to affect, the operations, the maintenance of status of assets and liabilities of the commercial banking system.

As disclosed in Note 2.2 to the financial statements, the financial statements for the year ended December 31, 1996 are not presented for comparison due to changes in presentation of the financial statements in accordance with the Ministerial Regulation No 7.B.E. 2539 (1996) resulting in the classifications of certain items of assets, liabilities, revenues, expenses and notes to the financial statements for the year ended December 31, 1996 being inconsistent with those for year ended December 31, 1997.

BANGKOK
February 6, 1998




Toemsakdi Krishnamra
Certified Public Accountant
DELOITTE TOUCHE TOHMATSU JAIYOS

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
BALANCE SHEET
AS AT DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
ASSETS		
CASH	1,662,810,656	1,661,526,636
INTERBANK AND MONEY MARKET ITEMS (Note 4.2)		
Domestic items		
Interest bearing	1,435,582,092	1,435,582,092
Non-interest bearing	1,185,041,026	1,185,041,026
Foreign items		
Interest bearing	1,586,832,235	1,586,832,235
Non-interest bearing	316,743,422	316,743,422
Total interbank and money market items	<u>4,524,198,775</u>	<u>4,524,198,775</u>
CURRENT ASSETS	388,260,997	-
INVESTMENT IN SECURITIES (Notes 3.7 and 4.3)		
Securities for trading	3,039,055,259	2,958,452,498
Securities for investment	6,488,083,541	7,240,124,979
Total investment in securities	9,527,138,800	10,198,577,477
Less Allowance for diminution in value of securities	<u>(1,494,406,438)</u>	<u>(1,371,881,323)</u>
Investment in securities - net	<u>8,032,732,362</u>	<u>8,826,696,154</u>
HIRE PURCHASE RECEIVABLE	242,346,319	-
LOANS AND ACCRUED INTEREST RECEIVABLE		
Loans (Notes 3.5 and 4.4)	133,983,047,499	134,289,904,005
Accrued interest receivable	2,739,013,097	2,696,178,025
Total loans and accrued interest receivable	136,722,060,596	136,986,082,030
Less Allowance for doubtful accounts (Notes 3.6 and 4.5)	<u>(3,464,595,907)</u>	<u>(3,338,597,560)</u>
Total loans and accrued interest receivable - net	<u>133,257,464,689</u>	<u>133,647,484,470</u>
PROPERTIES FORECLOSED (Note 3.12)	186,847,005	157,954,628
Less Allowance for diminution in value of property foreclosed	<u>(21,000,000)</u>	<u>(21,000,000)</u>
Total properties foreclosed-net	<u>165,847,005</u>	<u>136,954,628</u>


 Mr. Penwan Thongdeetae
 Director




 Mr. Chulakorn Singhakowin
 Director and President

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
BALANCE SHEET
AS AT DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
ASSETS (CONTINUED)		
CUSTOMERS' LIABILITY UNDER ACCEPTANCES	2,241,551,652	2,241,551,652
PREMISES AND EQUIPMENT, NET (Notes 3.9 and 4.6)	3,676,359,485	1,986,998,772
DIFFERENCE OF EXCHANGE RATE FROM UNDUE FORWARD EXCHANGE CONTRACTS (Note 3.8)	1,972,751,983	1,972,751,983
OTHER ACCOUNTS RECEIVABLE	780,917,719	780,917,719
GOODWILL (Note 3.20)	322,528,362	-
OTHER ASSETS	<u>988,601,847</u>	<u>723,540,769</u>
TOTAL ASSETS	BAHT <u><u>158,256,371,851</u></u>	<u><u>156,502,621,558</u></u>

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
BALANCE SHEET
AS AT DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS (Note 4.7)		
Deposits in Baht	80,798,869,071	79,474,729,253
Deposits in foreign currencies	611,048,777	611,048,777
Total deposits	81,409,917,848	80,085,778,030
INTERBANK AND MONEY MARKET ITEMS (Note 4.8)		
Domestic items		
Interest bearing	23,046,584,516	23,046,584,516
Non-interest bearing	126,894,357	126,894,357
Foreign items		
Interest bearing	32,180,254,063	32,180,254,063
Non-interest bearing	61,437,032	61,437,032
Total interbank and money market items	55,415,169,968	55,415,169,968
CURRENT LIABILITIES	222,362,014	-
LIABILITY PAYABLE ON DEMAND	135,118,328	135,118,328
SECURITIES SOLD UNDER		
REPURCHASE AGREEMENTS (Note 4.9)	4,225,000,000	4,225,000,000
BORROWINGS (Note 4.10)		
Short-term borrowings	689,492,647	-
Long-term borrowings	1,211,433,600	1,211,433,600
Total borrowings	1,900,926,247	1,211,433,600
BANK'S LIABILITIES UNDER ACCEPTANCES	2,241,551,652	2,241,551,652
ACCRUED INTEREST	2,453,148,847	2,433,757,111
OTHER LIABILITIES	883,353,173	872,049,570
TOTAL LIABILITIES	148,886,548,077	146,619,858,259
MINORITY INTEREST	234,744,889	-

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
BALANCE SHEET
AS AT DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
LIABILITIES AND SHAREHOLDERS' EQUITY		
(CONTINUED)		
SHAREHOLDERS' EQUITY (Note 4.11)		
SHARE CAPITAL		
Authorized share capital		
493,234,485 ordinary shares of Baht 10.00 each	4,932,344,850	4,932,344,850
Issued and paid-up share capital		
423,247,478 ordinary shares of Baht 10.00 each, fully paid	4,232,474,780	4,232,474,780
PREMIUM ON SHARE CAPITAL	3,588,291,329	3,672,887,930
UNREALIZED INCREMENT PER LAND APPRAISAL (Note 3.9)	337,870,670	337,870,670
UNREALIZED INCREMENT PER BUILDINGS APPRAISAL (Note 3.9)	52,133,236	52,133,236
RETAINED EARNINGS		
Appropriated		
Statutory reserve	372,150,083	365,509,103
Other reserve	73,430,000	72,000,000
Unappropriated	1,446,994,329	2,084,387,390
TOTAL SHAREHOLDERS' EQUITY	10,103,344,427	10,817,263,109
Less unrealized loss on securities for investment	(970,066,640)	(934,499,810)
Difference between cost and book value of investment in subsidiaries (Note 3.19)	1,801,098	-
TOTAL SHAREHOLDERS' EQUITY - NET	9,135,078,885	9,882,763,299
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		
	BAHT 158,256,371,851	156,502,621,558
OFF-BALANCE SHEET ITEMS - CONTINGENCIES (Note 4.13)		
AVALS TO BILLS AND GUARANTEES OF LOANS BAHT	4,534,988,778	4,534,988,778
LIABILITY UNDER UNMATURED IMPORT BILLS BAHT	4,086,578,628	4,086,578,628
LETTERS OF CREDIT BAHT	1,328,456,904	1,328,456,904
OTHER CONTINGENCIES BAHT	129,771,576,332	129,771,576,332

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
INTEREST AND DIVIDEND INCOME (Note 4.18)		
Loans	14,556,301,602	14,667,511,892
Interbank and money market items	567,347,394	568,675,827
Government securities and state enterprise securities	373,392,834	360,064,610
Hire Purchase receivables	577,163,008	-
Other securities	237,608,042	237,608,042
Total Interest and Dividend Income	<u>16,311,812,880</u>	<u>15,833,860,371</u>
INTEREST EXPENSES		
Deposits	7,758,843,411	7,760,242,113
Interbank and money market items	4,099,180,833	4,100,509,266
Short-term borrowings	298,531,375	65,214,517
Long-term borrowings	58,647,392	58,647,392
Total Interest Expenses	<u>12,215,203,011</u>	<u>11,984,613,288</u>
Net Interest and Dividend Income	4,096,609,869	3,849,247,083
BAD DEBT AND DOUBTFUL ACCOUNTS	1,675,147,023	1,610,000,000
NET INTEREST AND DIVIDEND INCOME AFTER ALLOWANCE FOR BAD DEBT AND DOUBTFUL ACCOUNTS	<u>2,421,462,846</u>	<u>2,239,247,083</u>
NON-INTEREST INCOME (Note 4.18)		
Fees and Services income		
Acceptances, avals and guarantees	138,883,799	138,883,799
Others	426,879,582	378,360,366
	<u>565,763,381</u>	<u>517,244,165</u>
Gain on exchange	393,601,110	393,601,110
Gain on sale of securities	92,691,063	92,691,063
Other income	6,593,000	11,266,736
Total Non-interest Income	<u>1,058,648,554</u>	<u>1,014,803,074</u>

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
PROFIT AND LOSS STATEMENT (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
NON-INTEREST EXPENSES		
Selling and administrative expenses	698,638,240	-
Personnel expenses	973,277,702	935,368,058
Premises and equipment expenses	399,146,174	533,940,160
Taxes and duties	469,200,480	462,383,133
Fees and services expenses	115,271,984	121,271,984
Directors' remuneration	10,059,500	9,465,000
Loss on diminution in value of securities	437,381,514	437,381,514
Payments for Financial Institutions		
Development Fund	190,956,532	190,956,532
Other expenses	559,865,014	393,366,759
Total Non-Interest Expenses	<u>3,853,797,140</u>	<u>3,084,133,140</u>
INCOME (LOSS) BEFORE INCOME TAX	(373,685,740)	169,917,017
INCOME TAX EXPENSES	128,678,483	128,275,047
TOTAL NET PROFIT (LOSS)	(502,364,223)	41,641,970
NET LOSS OF MINORITY INTEREST	78,852,539	-
NET PROFIT (LOSS)	(423,511,684)	41,641,970
NET PROFIT (LOSS) FOR THE YEAR PER SHARE		
	BAHT	
	(1.00)	0.10

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
ORDINARY SHARE CAPITAL		
Beginning balance	4,200,434,030	4,200,434,030
Additions	<u>32,040,750</u>	<u>32,040,750</u>
Ending balance	4,232,474,780	4,232,474,780
PREMIUM ON SHARE CAPITAL		
Beginning balance	<u>3,588,291,329</u>	<u>3,672,887,930</u>
Ending balance	3,588,291,329	3,672,887,930
UNREALIZED INCREMENT PER LAND APPRAISAL		
Beginning balance	<u>337,870,670</u>	<u>337,870,670</u>
Ending balance	<u>337,870,670</u>	<u>337,870,670</u>
UNREALIZED INCREMENT PER BUILDINGS APPRAISAL		
Beginning balance	54,093,380	54,093,380
Deductions - depreciation of unrealized increment		
per buildings appraisal for the year	(1,959,058)	(1,959,058)
- adjustment for depreciations		
of unrealized increment per buildings appraisal	<u>(1,086)</u>	<u>(1,086)</u>
Ending balance	<u>52,133,236</u>	<u>52,133,236</u>
RETAINED EARNINGS		
Appropriation		
STATUTORY RESERVE		
Beginning balance	320,771,235	315,871,541
Additions	<u>51,378,848</u>	<u>49,637,562</u>
Ending balance	<u>372,150,083</u>	<u>365,509,103</u>
OTHER RESERVE		
Beginning balance	<u>73,430,000</u>	<u>72,000,000</u>
Ending balance	<u>73,430,000</u>	<u>72,000,000</u>

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Unappropriated		
Beginning balance	2,481,783,835	2,636,279,955
Additions	(1,034,789,506)	41,641,970
Deductions	-	(593,534,535)
Ending balance	<u>1,446,994,329</u>	<u>2,084,387,390</u>
UNREALIZED LOSS ON SECURITIES FOR INVESTMENT		
Beginning balance	(934,499,809)	(27,399,567)
Additions	<u>(35,566,831)</u>	<u>(907,100,243)</u>
Ending balance	<u>(970,066,640)</u>	<u>(934,499,810)</u>
DIFFERENCE BETWEEN COST AND BOOK VALUE IN SUBSIDIARIES		
Beginning balance	<u>1,801,098</u>	-
Ending balance	<u>1,801,098</u>	-
TOTAL	BAHT <u>9,135,078,885</u>	<u>9,882,763,299</u>

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1997

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
UNAPPROPRIATED RETAINED EARNINGS		
Beginning balance	2,481,783,835	2,636,279,955
<u>Less</u> Appropriation for last year		
Statutory reserve	(51,378,848)	(49,637,562)
Dividends paid	(523,898,974)	(507,896,973)
Directors' remuneration	(36,000,000)	(36,000,000) ²
Net loss for the year	<u>(423,511,684)</u>	<u>41,641,970</u>
Total unappropriated retained earnings	<u>1,446,994,329</u>	<u>2,084,387,390</u>
APPROPRIATED RETAINED EARNINGS		
Statutory reserve	372,150,083	365,509,103
Other reserve	<u>73,430,000</u>	<u>72,000,000</u>
Total appropriated retained earnings	<u>445,580,083</u>	<u>437,509,103</u>
TOTAL RETAINED EARNINGS	BAHT <u>1,892,574,412</u>	<u>2,521,896,493</u>

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

BANK OF ASIA PUBLIC COMPANY LIMITED
THE BANK'S STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES

Net profit	41,641,970
Items to reconcile net income to net cash flows from operating activities:	
Depreciation and amortization expenses	185,399,977
Bad debt and doubtful accounts	1,610,000,000
Loss on diminution in value of securities	437,381,514
Gain on sales of assets	(99,822,124)
Gain on exchange	(1,937,217,470)
Accrued interest and dividend income decrease	(1,244,698,516)
Accrued interest expenses increase	749,055,728
Other accrued expenses decrease	(276,248,949)
Income from operations before changes in operating assets and liabilities	(534,507,870)
Operating assets (increase) decrease	
Negotiable certificates of deposit	(1,480,729,000)
Investment in securities for trading	(1,881,149,934)
Deposits and loans including interbank and money market items	(25,831,480,650)
Properties foreclosed	(45,931,652)
Other assets	(349,404,532)
Operating liabilities increase (decrease)	
Deposits and borrowing including interbank and money market items	26,289,228,191
Demand liabilities	29,029,033
Securities sold under repurchase agreements	3,665,000,000
Other liabilities	(90,691,548)
Directors' remuneration	(36,000,000)
Net cash provided (used) by operating activities	(266,637,962)

BANK OF ASIA PUBLIC COMPANY LIMITED
THE BANK'S STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1997

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in securities for investment decrease	1,349,602,170
Cash paid for purchase of property, premises and equipment	(316,037,782)
Cash received from sales of property, premises and equipment	<u>4,772,391</u>
Net cash provided (used) by investing activities	<u>1,038,336,779</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Issued and paid-up share capital increase	2,290,750
Dividends paid	(507,896,974)
Net cash provided (used) by financing activities	<u>(505,606,224)</u>

Net increase in cash and cash equivalents	266,092,593
Cash and cash equivalents as at January 1,	<u>1,395,434,043</u>
Cash and cash equivalents as at December 31,	BAHT <u>1,661,526,636</u>

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

1. ECONOMIC TURMOIL IN THE ASIAN AND PACIFIC REGION

- 1.1 Many Asia-Pacific countries, including Thailand are experiencing severe economic difficulties relating to currency devaluations, volatile stock markets, and slowdown in growth. The country's unstable economy has to a certain extent affected, and may continue to affect the operations, the maintenance of status of assets and liabilities of the commercial banking system.
- 1.2 Allowance for doubtful accounts (Note 3.6) is determined in accordance with the Bank's past bad debt experience, loan portfolio trends, specific loan review, estimated value of collateral, current economic and business conditions and other relevant factors. However, if future economic and business conditions differ substantially from the assumptions used by the Bank in making such assessment, the Bank may need to make additional allowance as appropriate.

1.3 Regulatory requirements

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

Quantitative measures established by the Bank of Thailand to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total and Tier 1 capital (as defined by the regulations) to risk-weighted assets (as defined by the regulations). The Bank believes that as at December 31, 1997, the Bank satisfies all capital adequacy requirements to which it is subject.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1 The financial statements for the year ended December 31, 1997 are presented in accordance with the requirements of the Notification of the Bank of Thailand dated January 23, 1997 regarding the form of the balance sheet and profit and loss statement for commercial banks and for finance companies, finance and securities companies and credit foncier companies and are in accordance with the procedures, policies and notifications of the Bank of Thailand.

2.2 The financial statements for the year ended December 31, 1996 are not presented for comparison because the information for classification is not consistent with the financial statements for the year ended December 31, 1997, summarized as follows:

2.2.1 Balance sheet

- Interbank and money market items (assets)
- Investments in securities
- Loans and accrued interest receivable
- Interbank and money market items (liabilities)

2.2.2 Statement of profit and loss

Interest and dividend income

- Loans
- Interbank and money market items

Interest expense

- Deposit
- Interbank and money market items

Non-interest expenses

- Directors remuneration

The financial statements for the year ended December 31, 1996, classified such items differently from the financial statements for the year ended December 31, 1997, in addition the components of each classification also differ.

2.2.3 Notes to the financial statements

Information for disclosures in the notes to the financial statements for the year ended December 31, 1997 differs from those in the financial statements for the year ended December 31 1996, summarized as follows:

- Details of balance sheet items, ie. interbank and money market items, for both assets and liabilities, and investment in securities, have been changed to conform to the new classifications and there are additional information.
- Details of loans and accrued interest receivables have been classified by product , maturity, currency and customer's residence and business type.
- Details of deposits have been classified by product, maturity, currency and customer's residence.
- The financial position and the results of operation for domestic and foreign operations disclose more information of assets used in operation, liabilities and types of income and in addition certain significant expenses are disclosed.

2.3 The consolidated financial statements include the accounts of all branches of the Bank and 4 wholly-owned subsidiaries (audited) after eliminating significant inter-company transactions and balances.

2.4 The Bank's financial statements by the cost method include the accounts of all branches of the Bank but exclude the financial statements of subsidiary companies whose shares are more than 50 percent owned by the Bank and carried at cost in the books, the financial position and the results of operations of which are shown in Note 4.3.3 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The Bank recognizes interest on loans as income on an accrual basis, except for income on import bills, and 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.

3.2 Hire purchase income is recognized by the "sum of the digits" method which recognizes income in relation to the principal outstanding at the end of any given month over the period of installment.

3.3 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.

3.4 Interest expense is recognized on an accrual basis. For a subsidiary company, it recognizes expenses on borrowings on an accrual basis.

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

Unearned discounts on notes receivable are included in other liabilities.

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

Bad debts are written off after 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.

For the year ended December 31, 1997, the Bank has made the provision for doubtful accounts for loans and receivables which were classified as substandard by the Bank of Thailand as at June 30, 1997, at 15% by the end of 1998, by providing not less than 50% of the amount that has to be provided within the last half-year of 1997, and not less than 75% within the first half of 1998.

For loan and receivable which were classified after June 30, 1997, the provision for the doubtful accounts has been made in full for loans and receivable which were classified as bad and doubtful and at 15% for substandard loans. These provisions are in accordance with the requirement of Notification of the Bank of Thailand dated November 12, 1997 (regarding the guideline and policy in improvement of standard of supervision of financial institutions).

3.7 Investment in securities

3.7.1 Investments in securities are stated at the lower of aggregate cost or aggregate market value, except as stated in Note 3.7.2. Market values of securities are calculated on the following bases:

3.7.1.1 For government securities and securities guaranteed by the Government, market values are calculated by using the Bank of Thailand formula, based on the risk free yield curve of a financial institution. For government bonds and state enterprise bonds without guarantee, the calculation is based on the aforementioned yield curve adjusted by an appropriate risk premium.

3.7.1.2 For equity securities which are listed securities, market value is the closing price at The Stock Exchange of Thailand on the last business day of the year.

3.7.1.3 For private sector's debt instruments which are listed securities and non-listed securities, market values are determined by applying the aforementioned risk adjusted yield curve, in accordance with the criteria established by the Bank of Thailand.

3.7.1.4 For equity securities and debt instruments which are listed securities in foreign stock exchange, market values are the closing prices at such foreign stock exchange on the last business day of the year.

3.7.2 Equity securities which are non-listed securities are stated at the lower of cost or book value, except for a certain equity securities which is stated at cost as the Bank policy is to hold it for investment.

3.7.2.1 Investment units which are non-listed securities are stated at the lower of aggregate cost or net assets value, being the prices according to the report of the Association of Securities Companies on the last business day of the year.

3.7.2.2 For private sector's debt instruments of a subsidiary company which are non-listed securities, the last closing prices of the Bond Dealers' Club are used as market values. In the absence of such prices, market values are determined by applying the aforementioned risk adjusted yield curve, in accordance with the criteria established by the Bank of Thailand, separately determined for each security.

In considering securities valuation, market value of securities for trading are valued separately from securities for investment, and equity securities are valued separately from debt instruments.

3.7.3 For a loss incurred where the securities are stated at the value lower than cost, in the case of securities held for trading, such loss is to be recognized in the profit and loss statement, and in the case of securities held for investment, it is to be shown as a deduction from the shareholders' equity for a temporary decline in value, and charged to the profit and loss statement for a permanent decline.

3.7.4 Cost of securities sold during the year is computed by the moving weighted average method.

3.7.5 For a subsidiary company the cost of securities sold during the year is calculated by the first-in, first-out method.

3.8 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 reference exchange rates of the Bank of Thailand.

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 contract.

It is the Bank's policy for risk management of foreign currencies assets and liabilities that there is no foreign exchange exposure maintained by the Bank. The foreign currencies position of the Bank will thus be squared. The foreign exchange business will be mainly to service the clients' requirements by which the Bank will act as intermediary agent. In case of funding, the Bank will eliminate the foreign exchange risk by swap transactions. The Bank also stipulated that there will be no speculation on foreign exchange fluctuation.

Differences of exchange rate from undue forward exchange contracts are the differences between the spot rates in the forward exchange contracts and the year-end rates.

3.9 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 is deducted from the unrealized increment per buildings appraisal.

3.10 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	5 - 20 years
Equipment	5 years
Leasehold property	2 - 31 years
Building improvement	10 years
Leasehold improvement	20 years
Furniture and fittings	10 years
Vehicles	5 years
Office equipment	5 - 10 years

3.11 Pre-operating expenses - Branch, of a subsidiary which is a financial institution are amortized by the straight-line method over 10 years.

3.12 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.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash on collection.

For a subsidiary, cash and cash equivalents are cash on hand and all types of deposits with banks but excluding certificates of deposits, in order to comply with the Notification of The Bank of Thailand dated February 15, 1995.

3.14 Provident and pension funds

The Bank has a gratuities scheme for employees with at least 5 year 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.

A subsidiary company had set up a contributory provident fund which would be paid to the employees who leaves after 5-10 years of service. The said provident fund was managed by the company and not funded. Subsequently, on January 14, 1997, the provident fund has been registered in accordance with the provident Fund Act B.E. 2530 (1987).

3.15 Contributions to the Financial Institutions Development Fund are recorded as expenses for the year.

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

3.17 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 bonds which the debentureholders have the right to convert the debentures into ordinary shares (see Note 4.11).

3.18 Use of accounting estimates

Preparation of financial statements in conformity with general accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Actual results may differ from those estimates .

3.19 The difference from book value and cost of investment in subsidiaries presented in the shareholders' equity in the Bank's consolidated financial statements is caused by a lower cost than the book value of investment in a subsidiary on purchase and is amortized over 10 years.

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

4. ADDITIONAL INFORMATION

4.1 Supplemental disclosures of cash flow information.

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

Interest	Baht	11,235,557,560
Income tax	Baht	441,771,469

4.1.2 Non-cash item

For the year ended December 31, 1997, in the consolidated financial statements and the bank's financial statements by the cost method, provision was made for diminution in value of securities held for investment, of Baht 970,066,640 and Baht 934,499,810 respectively, shown as a deduction from the shareholders' equity.

4.2 Interbank and money market items

4.2.1 Domestic items

	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
	At Call	Time	Total	At Call	Time	Total
Bank of Thailand and Financial Institutions						
Development Fund	1,183,391,118	-	1,183,391,118	1,183,391,118	-	1,183,391,118
Commercial Banks	181,090,054	-	181,090,054	181,090,054	-	181,090,054
Other Banks	839,548	-	839,548	839,548	-	839,548
Finance company, Finance and Securities company, Securities company and Credit Foncier company	673,649,079	505,238,379	1,178,887,458	673,649,079	505,238,379	1,178,887,458
Other financial Institutions	76,414,940	-	76,414,940	76,414,940	-	76,414,940
Total Domestic items	Baht					
		<u>2,115,384,739</u>	<u>505,238,379</u>	<u>2,620,623,118</u>	<u>505,238,379</u>	<u>2,620,623,118</u>

4.2.2 Foreign items

	CONSOLIDATED FINANCIAL STATEMENTS			THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD			
	At Call	Time	Total	At Call	Time	Total	
US Dollars	167,501,070	351,463,320	518,964,390	167,501,070	351,463,320	518,964,390	
YEN	86,275,702	-	86,275,702	86,275,702	-	86,275,702	
DEUTSCHE MARK	30,095,200	-	30,095,200	30,095,200	-	30,095,200	
Other currencies	103,753,516	1,164,486,849	1,268,240,365	103,753,516	1,164,486,849	1,268,240,365	
Total foreign items	<u>387,625,488</u>	<u>1,515,950,169</u>	<u>1,903,575,657</u>	<u>387,625,488</u>	<u>1,515,950,169</u>	<u>1,903,575,657</u>	
Total domestic and foreign items	Baht	<u>2,503,010,227</u>	<u>2,021,188,548</u>	<u>4,524,198,775</u>	<u>2,503,010,227</u>	<u>2,021,188,548</u>	<u>4,524,198,775</u>

For the year ended December 31, 1997, the Bank has Baht 955.5 million of loans to financial institutions which have had their operations closed down by the Ministry of Finance per the Notifications dated December 8, 1997. For part of the loan of Baht 125 million the Bank has made an allowance for doubtful accounts for the total amount, and for the loans of Baht 830.5 million the Bank is in the process of exchanging promissory notes of such financial institutions for the 2% 5 year certificates of deposit of Krung Thai Bank Public Company Limited.

4.3 Investment in securities

Investment in securities are as follows:

4.3.1 Securities for trading

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
	Cost/Book value	Market value	Cost/Book value	Market value	
Debt instruments					
Government and state					
enterprise securities	1,209,417,109	1,131,786,199	1,209,417,109	1,131,786,199	
Private debt instruments	1,468,719,626	1,361,087,381	1,468,719,626	1,361,087,381	
Other debt instruments	206,330,463	75,885,560	206,330,463	75,885,560	
Total	<u>2,884,467,198</u>	<u>2,568,759,140</u>	<u>2,884,467,198</u>	<u>2,568,759,140</u>	
Less Unrealized loss on securities	<u>(315,708,058)</u>	<u>-</u>	<u>(315,708,058)</u>	<u>-</u>	
Debt instruments - net	<u>2,568,759,140</u>	<u>2,568,759,140</u>	<u>2,568,759,140</u>	<u>2,568,759,140</u>	
Ordinary shares					
Listed securities	136,958,061	49,209,841	56,355,300	25,423,980	
Other securities	17,630,000	6,887,864	17,630,000	6,887,864	
Total	<u>154,588,061</u>	<u>56,097,705</u>	<u>73,985,300</u>	<u>32,311,844</u>	
Less Unrealized loss on securities	<u>(98,490,356)</u>	<u>-</u>	<u>(41,673,456)</u>	<u>-</u>	
Ordinary shares - net	<u>56,097,705</u>	<u>56,097,705</u>	<u>32,311,844</u>	<u>32,311,844</u>	
Total securities for trading - net					
	Baht	<u>2,624,856,845</u>	<u>2,624,856,845</u>	<u>2,601,070,984</u>	<u>2,601,070,984</u>

4.3.2 Securities for investment

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	Cost/Book value	Market value	Cost/Book value	Market value
<i>Debt instruments</i>				
<i>Government and state</i>				
enterprise securities	3,366,450,365	3,047,305,199	3,246,917,133	2,940,747,351
Private debt instruments	157,668,648	149,981,101	149,031,837	149,981,101
Other debt instruments	126,000,000	86,000,000	126,000,000	86,000,000
Total	3,650,119,013	3,283,286,300	3,521,948,970	3,176,728,452
<u>Less Unrealized loss on securities</u>	<u>(367,800,876)</u>	<u>-</u>	<u>(346,188,681)</u>	<u>-</u>
Debt instruments - net	<u>3,282,318,137</u>	<u>3,283,286,300</u>	<u>3,175,760,289</u>	<u>3,176,728,452</u>
<i>Ordinary shares</i>				
Listed securities	504,955,038	624,213,917	504,955,038	624,213,917
Foreign securities	13,009,425	17,122,226	13,009,425	17,122,226
Other securities	2,320,000,065	2,408,528,738	3,200,211,546	2,408,528,738
Total	2,837,964,528	3,049,864,881	3,718,176,009	3,049,864,881
<u>Less Unrealized loss on securities</u>	<u>(712,407,148)</u>	<u>-</u>	<u>(668,311,128)</u>	<u>-</u>
Ordinary shares - net	<u>2,125,557,380</u>	<u>3,049,864,881</u>	<u>3,049,864,881</u>	<u>3,049,864,881</u>
Total securities for investment - net				
Baht	<u>5,407,875,517</u>	<u>6,333,151,181</u>	<u>6,225,625,170</u>	<u>6,226,593,333</u>
Total investment in securities				
Baht	<u>8,032,732,362</u>	<u>8,958,008,026</u>	<u>8,826,696,154</u>	<u>8,827,664,317</u>

For the year ended December 31, 1997 the Bank has Baht 210.7 million of investment in debt investments due from financial institutions which have been closed down by the Ministry of Finance per the Notification dated December 8, 1997. For debt instruments of Baht 86.8 million the Bank has made the allowance for diminution in value for the total amount and for debt instruments of Baht 120.9 million the Bank is in process of exchanging the promissory notes of such financial institution for the 2% 5 year certificates of deposit of Krung Thai Bank Public Company Limited and for the remaining of Baht 10 million the Bank will participate in the distribution of assets of the financial institutions as it cannot be changed to the certificate of deposit of Krung Thai Bank Public Company limited.

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:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	% Ownership	Amount (Baht)	% Ownership	Amount (Baht)
Asia Property Co.,Ltd.	-	-	99.99	109,354,000
Asia Vanichkij Co.,Ltd.	99.99	4,999,300	99.99	4,999,300
BOA Leasing Co., Ltd.	-	-	99.99	199,999,930
Asia Leasehold Co.,Ltd.	-	-	99.93	999,300
ASEC Finance and Securities Co., Ltd.	-	-	55.00	673,487,637
BSP Leasing Co., Ltd.	30.00	23,400,000	30.00	23,400,000
Vendome Assurance Public Co.,Ltd.	30.50	121,117,516	30.50	121,117,516
Thai Asia Mutual Fund Co., Ltd.	23.39	23,387,100	23.39	23,387,100
		<u>172,903,916</u>		<u>1,156,744,783</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:

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Manufacturing	34,000,000	34,000,000
Construction	145,055,823	138,555,823
Banking and finance	3,257,883,736	3,111,045,106
Real estate	392,340,912	392,340,912
Utilities	155,779,876	152,944,876
Services	67,582,694	64,615,014
Agriculture and forestry	<u>4,000,000</u>	<u>4,000,000</u>
	<u>4,056,643,041</u>	<u>3,897,501,731</u>
Baht	<u>4,229,546,957</u>	<u>5,054,246,514</u>

4.3.3 The financial position as at December 31, 1997, and the results of operations of 4 subsidiary companies for the year ended December 31, 1997 (audited), are summarized as follows:

ASIA PROPERTY Co.,LTD.
BALANCE SHEET
AS AT DECEMBER 31, 1997

ASSETS	
CURRENT ASSETS	31,141,223
INVESTMENT IN AND LOANS TO SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES	400,430
PROPERTY, PREMISES AND EQUIPMENT - NET	5,840,181
OTHER ASSETS	<u>50,318</u>
TOTAL ASSETS	BAHT <u>37,432,152</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	4,699,729
OTHER LIABILITIES	21,000
SHAREHOLDERS' EQUITY	<u>32,711,423</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	BAHT <u>37,432,152</u>

ASIA PROPERTY CO.,LTD.
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1997

REVENUES		
RENTAL INCOME		6,841,500
OTHER INCOME		<u>7,652,243</u>
TOTAL REVENUES		<u>14,493,743</u>
SELLING AND ADMINISTRATIVE EXPENSES AND OTHERS		<u>13,552,392</u>
NET PROFIT	BAHT	<u>941,351</u>
NET PROFIT FOR THE YEAR PER SHARE	BAHT	2.35

BOA LEASING Co.,LTD.
BALANCE SHEET
AS AT DECEMBER 31, 1997

ASSETS	
CURRENT ASSETS	692,671,711
FIXED ASSETS	1,271,892,825
OTHER ASSETS	<u>18,577,559</u>
TOTAL ASSETS	BAHT <u>1,983,142,095</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	1,288,412,144
LONG-TERM LIABILITIES	732,852,607
SHAREHOLDERS' EQUITY	<u>(38,122,656)</u>
TOTAL LIABILITIES AND SHAREHOLDERS'	
EQUITY	BAHT <u>1,983,142,095</u>

BOA LEASING CO.,LTD.
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1997

RENTAL INCOME		580,800,608
OTHER INCOME		<u>88,382,009</u>
TOTAL REVENUES		<u>669,182,617</u>
OPERATING EXPENSES		676,668,470
INTEREST EXPENSES		<u>242,651,892</u>
TOTAL EXPENSES		<u>919,320,362</u>
NET LOSS	BAHT	<u>(250,137,745)</u>
NET LOSS FOR THE YEAR PER SHARE	BAHT	(12.51)

ASIA LEASEHOLD CO.,LTD.
BALANCE SHEET
AS AT DECEMBER 31, 1997

ASSETS	
CURRENT ASSETS	265,585,986
INVESTMENT IN SECURITIES	403,924
PROPERTY, PREMISES AND EQUIPMENT - NET	351,501,382
OTHER ASSETS	<u>1,207,656</u>
TOTAL ASSETS	BAHT <u>618,698,948</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	739,409,899
OTHER LIABILITIES	6,605,582
SHAREHOLDERS' EQUITY	<u>(127,316,533)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	BAHT <u>618,698,948</u>

ASIA LEASEHOLD CO.,LTD.
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1997

REVENUES FROM PROPERTY SOLD		6,593,000
OTHER INCOME		<u>8,314,223</u>
TOTAL REVENUES		<u>14,907,223</u>
SELLING AND ADMINISTRATIVE EXPENSES AND OTHERS		9,414,814
INTEREST EXPENSES		<u>74,903,205</u>
TOTAL EXPENSES		<u>84,318,019</u>
NET LOSS	BAHT	<u>(69,410,796)</u>
NET LOSS FOR THE YEAR PER SHARE	BAHT	(6,941.08)

ASEC FINANCE AND SECURITIES Co.,LTD.
BALANCE SHEET
AS AT DECEMBER 31, 1997

ASSETS	
CASH AND DEPOSITS AT BANKS	41,654,451
INVESTMENT IN SECURITIES	171,597,121
LOAN AND ACCRUED INTEREST RECEIVABLE - NET	1,302,556,423
PROPERTY FORECLOSED	4,833,519
PROPERTY, PREMISES AND EQUIPMENT	84,185,183
OTHER ASSETS	<u>268,033,966</u>
TOTAL ASSETS	BAHT <u>1,872,860,663</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	
BORROWINGS	1,564,774,110
OTHER LIABILITIES	26,985,036
SHAREHOLDERS' EQUITY	<u>281,101,517</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	BAHT <u>1,872,860,663</u>

ASEC FINANCE AND SECURITIES Co.,LTD.
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1997

INTEREST AND DIVIDEND INCOME		258,549,181
EXPENSES ON BORROWINGS		227,449,544
NET INTEREST INCOME		31,099,637
PROVISION FOR POSSIBLE LOAN LOSSES		<u>65,147,023</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES		(34,047,386)
NON - INTEREST INCOME		(40,137,553)
OPERATING EXPENSES		<u>101,042,927</u>
INCOME BEFORE INCOME TAX		<u>(175,227,866)</u>
NET LOSS	BAHT	<u>(175,227,866)</u>
NET LOSS FOR THE YEAR PER SHARE	BAHT	(5.84)

4.4 Loan

4.4.1 Classified by type the credit.

		CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Overdrafts		22,690,192,987	22,691,130,978
Loans		67,272,196,861	66,233,888,253
Trade bill		42,800,565,147	44,144,792,270
Others		<u>1,220,092,504</u>	<u>1,220,092,504</u>
Total	Baht	<u>133,983,047,499</u>	<u>134,289,904,005</u>

4.4.2 Classified by the remaining period of the credit agreement.

		CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Not over 1 year		82,830,209,114	84,176,863,210
Over 1 year		<u>51,152,838,385</u>	<u>50,113,040,795</u>
Total	Baht	<u>133,983,047,499</u>	<u>134,289,904,005</u>

4.4.3 Classified by the currencies and residence of debtors.

CONSOLIDATED FINANCIAL STATEMENTS				
		Domestic	Foreign	Total
Baht		98,496,581,978	-	98,496,581,978
US Dollars		34,267,655,029	-	34,267,655,029
Other currencies		<u>1,218,810,492</u>	-	<u>1,218,810,492</u>
Total	Baht	<u>133,983,047,499</u>	-	<u>133,983,047,499</u>

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD				
		Domestic	Foreign	Total
Baht		98,803,438,484	-	98,803,438,484
US Dollars		34,267,655,029	-	34,267,655,029
Other currencies		<u>1,218,810,492</u>	-	<u>1,218,810,492</u>
Total	Baht	<u>134,289,904,005</u>	-	<u>134,289,904,005</u>

4.4.4 Classified by type of business

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Agriculture and mining	6,673,062,980	6,673,062,980
Manufacturing and trading	74,079,949,032	74,079,949,032
Real estate and construction	14,971,867,905	15,686,095,029
Public utilities and services	20,296,602,967	20,296,602,967
Housing loan	8,711,032,415	8,711,032,415
Other	9,250,532,200	8,843,161,582
Total	Baht <u>133,983,047,499</u>	<u>134,289,904,005</u>

4.5 Provision for possible loan losses

Provision for possible loan losses is as follows:

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Beginning balance	1,856,904,835	1,831,781,132
Doubtful accounts		
- Loans	1,563,928,937	1,463,054,293
- Interbank and money market	<u>125,945,707</u>	<u>125,945,707</u>
	<u>1,689,874,644</u>	<u>1,589,000,000</u>
Bad debts recovered	1,832,954	1,832,954
Bad debts written off	<u>(84,016,526)</u>	<u>(84,016,526)</u>
Ending balance	Baht <u>3,464,595,907</u>	<u>3,338,597,560</u>

The major factor that has been taken into consideration in determining the allowance for doubtful accounts is the value of collateral. As the real estate and building business is currently facing marketing and liquidity problems, the value of collateral for the loans which consists of land, buildings, and buildings under construction appraised by the independent appraiser/the appraiser of the Bank is dependent upon the ability of the debtors to continue to make payments as liabilities become due until the completion of the project.

As at December 31, 1997, the Bank and a subsidiary company has non-performing loans at Baht 16,886 million. This comprises of loans which are classified in accordance with the requirement of the Notification of the Bank of Thailand.

4.6 Property, premises and equipment

Property, premises and equipment are summarized as follows:

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Land		
- Cost	791,209,687	483,346,530
- Appraisal increase (1993)	337,870,670	337,870,670
Leasehold improvement	344,177	-
Building		
- Cost	972,219,466	868,694,448
- Appraisal increase (1993)	61,424,000	61,424,000
Equipment	761,231,262	759,667,740
Properties on lease	1,901,522,551	-
Building improvement	17,996,937	-
Furniture and fittings	20,544,955	-
Vehicles	35,352,735	-
Office equipment	15,596,446	-
Leasehold (net)	334,378,696	<u>333,496,860</u>
Total	5,249,691,582	2,844,500,248
Less Accumulated		
depreciation - cost	(1,419,554,049)	(848,210,712)
Accumulated		
depreciation - appraisal increase	<u>(9,290,764)</u>	<u>(9,290,764)</u>
Property, premises and equipment	3,820,846,769	1,986,998,772
Less Provision for future		
loss of properties for lease	<u>(144,487,284)</u>	-
Property, premises and equipment - Net	Baht <u>3,676,359,485</u>	<u>1,986,998,772</u>
Depreciation for the year	Baht <u>494,756,048</u>	<u>139,082,418</u>

4.7 Deposits

4.7.1 Classified by type of deposits

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Current deposits	2,306,977,241	917,015,394
Saving deposits	10,948,245,105	10,990,115,578
Time deposits		
- Not over 6 months	58,519,836,932	58,543,788,488
- Over 6 months but not over 1 year	4,791,857,153	4,791,857,153
- Over 1 year	<u>4,843,001,417</u>	<u>4,843,001,417</u>
Total	Baht <u>81,409,917,848</u>	<u>80,085,778,030</u>

4.7.2 Classified by the remaining period of the deposit agreements

	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Not over 1 year	79,969,652,441	78,645,512,623
Over 1 year	<u>1,440,265,407</u>	<u>1,440,265,407</u>
Total	Baht <u>81,409,917,848</u>	<u>80,085,778,030</u>

4.7.3 Classified by the currencies and residence of depositors

	CONSOLIDATED FINANCIAL STATEMENTS		
	Domestic	Foreign	Total
Baht	80,798,869,071	-	80,798,869,071
US Dollars	556,171,183	-	556,171,183
Other currencies	<u>54,877,594</u>	-	<u>54,877,594</u>
Total	Baht <u>81,409,917,848</u>	-	<u>81,409,917,848</u>

	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
	Domestic	Foreign	Total
Baht	79,474,729,253	-	79,474,729,253
US Dollars	556,171,183	-	556,171,183
Other currencies	<u>54,877,594</u>	-	<u>54,877,594</u>
Total	Baht <u>80,085,778,030</u>	-	<u>80,085,778,030</u>

4.8 Interbank and money market items

4.8.1 Domestic items

	CONSOLIDATED FINANCIAL STATEMENTS		
	At call	Time	Total
Bank of Thailand and Financial Institutions			
Development Fund	11,156,176,200	-	11,156,176,200
Commercial banks	76,653,754	2,950,928,900	3,027,582,654
Other banks	2,104,791,919	2,250,000,000	4,354,791,919
Finance company, Finance and Securities company, Securities company and Credit Foncier company	800,454,341	1,410,065,816	2,210,520,157
Other financial institutions	<u>760,528,130</u>	<u>1,663,879,813</u>	<u>2,424,407,943</u>
Total domestic items	Baht <u>14,898,604,344</u>	<u>8,274,874,529</u>	<u>23,173,478,873</u>

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD

	At call	Time	Total
Bank of Thailand and Financial Institutions			
Development Fund	11,156,176,200	-	11,156,176,200
Commercial banks	76,653,754	2,950,928,900	3,027,582,654
Other banks	2,104,791,919	2,250,000,000	4,354,791,919
Finance company, Finance and Securities company, Securities company and Credit Foncier company	800,454,341	1,410,065,816	2,210,520,157
Other financial institutions	760,528,130	1,663,879,813	2,424,407,943
Total domestic items	Baht <u>14,898,604,344</u>	<u>8,274,874,529</u>	<u>23,173,478,873</u>

4.8.2 Foreign items

CONSOLIDATED FINANCIAL STATEMENTS

	At call	Time	Total
US Dollars	8,862,985	32,183,938,156	32,192,801,141
YEN	44,036,735	-	44,036,735
DEUTSCHE MARK	3,446,709	-	3,446,709
Other currencies	1,406,510		1,406,510
Total foreign items	<u>57,752,939</u>	<u>32,183,938,156</u>	<u>32,241,691,095</u>
Total domestic and foreign items	Baht <u>14,956,357,283</u>	<u>40,458,812,685</u>	<u>55,415,169,968</u>

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD

	At call	Time	Total
US Dollars	8,862,985	32,183,938,156	32,192,801,141
YEN	44,036,735	-	44,036,735
DEUTSCHE MARK	3,446,709	-	3,446,709
Other currencies	1,406,510		1,406,510
Total foreign items	<u>57,752,939</u>	<u>32,183,938,156</u>	<u>32,241,691,095</u>
Total domestic and foreign items	Baht <u>14,956,357,283</u>	<u>40,458,812,685</u>	<u>55,415,169,968</u>

As at December 31, 1997, the Bank has borrowings from the Financial Institutions Development Fund of Baht 9,776 million, the Bank has placed its debtors' debt instruments of Baht 12,470 million as collateral (see Note 4.14).

4.9 Securities sold under repurchase agreements

	Repurchase market of Bank of Thailand	Other Repurchase Market	Total
Government bonds and			
Bank of Thailand bonds	2,154,000,000	-	2,154,000,000
State enterprise securities	978,000,000	-	978,000,000
Other securities	1,093,000,000	-	1,093,000,000
Total	Baht <u>4,225,000,000</u>	<u>-</u>	<u>4,225,000,000</u>

4.10 Borrowings

4.10.1 Borrowings by types of securities and sources:

	Domestic	Foreign	Total
Subordinated			
convertible debentures	81,250,000	1,130,183,600	1,211,433,600
Total	Baht <u>81,250,000</u>	<u>1,130,183,600</u>	<u>1,211,433,600</u>

4.10.2 Borrowings by types of securities, currency, maturity and interest rate

Types	Currency	Maturity	Interest rate	Amount Baht
Subordinated				
convertible bonds	USD	9 / 2 / 2004	3.75%	1,130,183,600
Convertible debentures	BAHT	30/12/2003	8%	81,250,000
				<u>1,211,433,600</u>

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 of 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 debenture holders have the right to convert the debentures into ordinary shares from March 9, 1994 onwards.

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 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, totaling Baht 140,000,000. As at December 31, 1997, the conversion rights have been exercised for 5,875 convertible debentures into 5,875,000 ordinary shares.

For the remaining convertible debentures, as at December 31, 1997, had these debentureholders exercised their conversion rights, the difference between market value and par value of the ordinary shares amounts to Baht 17,501,250.

4.11 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 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 March 19, 1996, 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 and 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 share 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:

Paid-up share capital from shareholders		4,051,564,850
Paid-up share capital from conversion of convertible debentures		63,273,750
Paid-up share capital from conversion of subordinated debentures		<u>117,636,180</u>
Total	Baht	<u>4,232,474,780</u>

Capital Fund

Capital Fund consists of the following :

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

Tier 1 capital		
Paid-up share capital and premium on share capital		7,905,362,710
Statutory reserve		365,509,103
Other reserve		72,000,000
Unappropriated retained earnings		<u>2,042,745,420</u>
		<u>10,385,617,233</u>
Tier 2 capital		
Unrealized increment per land appraisal		236,509,469
Unrealized increment per buildings appraisal		26,066,618
Subordinated debentures		<u>1,211,433,600</u>
		<u>1,474,009,687</u>
Total	Baht	<u>11,859,626,920</u>

4.12 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 and under the provision of the Civil and Commercial Code of Thailand, subsidiary companies are required to set aside as a legal reserve at least 5% of its net income each time a dividend is declared until the reserve reaches 10% of authorized capital. The reserve is not available for dividend distribution.

4.13 Contingencies

	CONSOLIDATED FINANCIAL STATEMENTS		
	Baht	Foreign Currencies	Total
Avals to bills	1,635,246,040	255,770,840	1,891,016,880
Guarantees of loans	851,309,823	1,792,662,075	2,643,971,898
Other guarantees	7,407,821,926	735,422,157	8,143,244,083
Letters of credit	203,172,237	1,125,284,667	1,328,456,904
Forward Exchange			
- Forward exchange bought	-	56,238,844,636	56,238,844,636
- Forward exchange sold	-	54,170,215,249	54,170,215,249
Undrawn overdraft			
amount	11,219,272,364	-	11,219,272,364
Other	-	4,086,578,628	4,086,578,628
Total	Baht <u>21,316,822,390</u>	<u>118,404,778,252</u>	<u>139,721,600,642</u>

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

	Baht	Foreign Currencies	Total
Avals to bills	1,635,246,040	255,770,840	1,891,016,880
Guarantees of loans	851,309,823	1,792,662,075	2,643,971,898
Other guarantees	7,407,821,926	735,422,157	8,143,244,083
Letters of credit	203,172,237	1,125,284,667	1,328,456,904
Forward Exchange			
-Forward exchange bought	-	56,238,844,636	56,238,844,636
-Forward exchange sold	-	54,170,215,249	54,170,215,249
Undrawn overdraft amount	11,219,272,364	-	11,219,272,364
Other	-	4,086,578,628	4,086,578,628
Total	Baht <u>21,316,822,390</u>	<u>118,404,778,252</u>	<u>139,721,600,642</u>

4.14 Securities used as collateral

Securities used as collateral are as follows:

Government bonds - deposited as cover for securities sold under repurchase agreements	Baht	2,154,436,000
Government bonds - collateral for Government departments	Baht	2,136,000
Promissory notes issued by debtors - collateral for borrowings from Financial Institutions Development Fund	Baht	12,470,084,052
(Note 4.8.2)		

4.15 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 :

		CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Loans			
Balance as at December 31,1997	Baht	1,941,366,756	3,961,906,967
Average balance at the end of the month	Baht	1,857,432,742	3,930,701,223
Commitments			
Balance as at December 31,1997	Baht	118,104,207	497,383,502
Average balance at the end of the month	Baht	39,000,415	109,309,995

The Bank has business transactions with related companies. These transactions are with companies that have joint directors and/or shareholders with the Bank. The financial statements reflect the effects of these transactions in the normal business practice, and the price, terms and conditions are considered to be at arms length. The significant transactions are as follows:

Significant transactions in the consolidated financial statements with the related companies whose shares are more than 20 percent owned by the Bank consisted mainly of the following:

INVESTMENT

	TYPE OF BUSINESS	RELATIONSHIP	PAID-UP SHARE CAPITAL BAHT	HOLDING %	INVESTMENT (COST METHOD) BAHT	DIVIDEND BAHT
ASSOCIATED COMPANIES						
BSP Leasing Co., Ltd.	LEASING	shareholder	60,000,000	30.00	23,400,000	-
Vendome Assurance Public Co., Ltd.	NON-LIFE ASSURANCE	shareholder	255,000,000	30.50	121,117,516	-
Thai Asia Mutual Fund Co., Ltd.	FUND	shareholder	100,000,000	23.39	23,387,100	-

LOANS

	AMOUNT BAHT
ASSOCIATED COMPANIES	
BSP Leasing Co., Ltd.	242,372,819
Vendome Assurance Public Co., Ltd.	16,966,768

Significant transactions in the Bank's financial statements by the cost method, with the related companies whose shares are more than 20 percent owned by the Bank consisted mainly of the following:

INVESTMENT

	TYPE OF BUSINESS	RELATIONSHIP	PAID-UP SHARE CAPITAL BAHT	HOLDING %	INVESTMENT (COST METHOD) BAHT	DIVIDEND BAHT
SUBSIDIARY COMPANIES						
Asia Property Co., Ltd.	ASSET MANAGEMENT	shareholder	40,000,000	99.99	109,354,000	-
Asia Vanichkij Co., Ltd.	SERVICE	shareholder	5,000,000	99.99	4,999,300	6,999,020
BOA Leasing Co., Ltd.	LEASING	shareholder	200,000,000	99.99	199,999,930	16,001,981
Asia Leasehold Co., Ltd.	REAL ESTATE	shareholder	1,000,000	99.93	999,300	-
ASEC Finance and Securities Co., Ltd.	FINANCE	shareholder	300,000,000	55.00	673,487,637	-
ASSOCIATED COMPANIES						
BSP Leasing Co., Ltd.	LEASING	shareholder	60,000,000	30.00	23,400,000	-
Vendome Assurance Public Co., Ltd.	NON-LIFE ASSURANCE	shareholder	255,000,000	30.50	121,117,516	-
Thai Asia Mutual Fund Co., Ltd.	FUND	shareholder	100,000,000	23.39	23,387,100	-

LOANS

	AMOUNT BAHT
SUBSIDIARY COMPANIES	
Asia Property Co., Ltd.	-
BOA Leasing Co., Ltd.	1,204,298,762
Asia Leasehold Co., Ltd.	732,395,796
ASEC Finance and Securities Co., Ltd.	75,000,000
ASSOCIATED COMPANIES	
BSP Leasing Co., Ltd.	242,372,819
Vendome Assurance Public Co., Ltd.	16,966,768

Significant transactions in the consolidated financial statements with the related companies whose shares are more than 10-20 percent owned by the Bank consisted mainly of the following :

INVESTMENT

	TYPE OF BUSINESS	RELATIONSHIP	PAID-UP SHARE CAPITAL BAHT	HOLDING %	INVESTMENT (COST METHOD) BAHT	DIVIDEND BAHT
Wing Fat Co., Ltd.	Leather	shareholder	70,000,000	14.29	10,000,000	-
Asia Dhanavadh Warehouse Co.,Ltd.	Warehouse	shareholder	30,000,000	13.33	4,232,000	800,000
Navuti Co., Ltd	Agriculture	shareholder	60,000,000	10.00	4,000,000	-
Piyalai Holdings Co., Ltd.	Real estate	shareholder	600,000,000	10.00	60,000,000	-

LOANS

	AMOUNT BAHT
Wing Fat Co., Ltd.	536,516,000
Piyalai Holdings Co., Ltd.	574,445,000

Significant transactions in the Bank's financial statements by the cost method, with the related companies whose shares are more than 10-20 percent owned by the Bank consisted mainly of the following:

INVESTMENT

	TYPE OF BUSINESS	RELATIONSHIP	PAID-UP SHARE CAPITAL BAHT	HOLDING %	INVESTMENT (COST METHOD) BAHT	DIVIDEND BAHT
Wing Fat Co., Ltd.	Leather	shareholder	70,000,000	14.29	10,000,000	-
Asia Dhanavadh Warehouse Co.,Ltd.	Warehouse	shareholder	30,000,000	13.33	4,232,000	800,000
Navuti Co., Ltd	Agriculture	shareholder	60,000,000	10.00	4,000,000	-
Piyalai Holdings Co., Ltd.	Real estate	shareholder	600,000,000	10.00	60,000,000	-

LOANS

	AMOUNT BAHT
Wing Fat Co., Ltd.	536,516,000
Piyalai Holdings Co., Ltd.	574,445,000

Other significant items with related companies are as follows :

	Baht
Interbank and money market (Assets)	75,000,000
Loans	2,196,034,146
Interbank and money market (Liabilities)	27,971,509
Deposit	109,245,390
Interest income	359,678,190
Interest expenses	11,739,421
Rental expenses	188,236,331
Insurance expenses	13,154,131
Service expenses	6,000,000

4.16 Other benefits for the directors and executives

The Board of Directors and Management received benefits in addition to their regular emolument as follows:

Directors' remuneration	Baht	36,000,000
(from the 1996 operations)		

The Bank's management has the right to convert 8,125 subordinated convertible debentures.
(see Note 4.10.2)

4.17 Long-term lease

CONSOLIDATED FINANCIAL STATEMENTS

Type of Lease	Period	Remaining Rental expenses Baht
Office buildings	1998-2002	58,142,499
Office buildings	2003-2007	38,791,234
Office buildings	2008-2012	29,825,592
Office buildings	2013-2017	28,408,538
Office buildings	2018-2022	19,415,070
Office buildings	2023-2027	1,089,372
Vehicles	1998-2000	4,468,960
Land	1998-1999	1,159,200
Land	1998-2020	1,792,000
Service agreement	1998-2000	8,900,253

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD

Type of Lease	Period	Remaining Rental expenses Baht
Office buildings	1998-2002	50,806,684
Office buildings	2003-2007	38,791,234
Office buildings	2008-2012	29,825,592
Office buildings	2013-2017	28,408,538
Office buildings	2018-2022	19,415,070
Office buildings	2023-2027	1,089,372

4.18 Financial position and results of operations classified by domestic and foreign businesses

(1) Financial position classified by type of business segment

CONSOLIDATED FINANCIAL STATEMENTS			
	Domestic Baht	Foreign Baht	Total Baht
Total assets	156,579,695,115	1,676,676,736	158,256,371,851
Interbank and money			
market items (assets)	2,990,647,941	1,533,550,834	4,524,198,775
Loans	133,982,795,078	252,421	133,983,047,499
Investment	9,527,138,800	-	9,527,138,800
Deposits	81,409,917,847	-	81,409,917,847
Interbank and money			
market items (liabilities)	23,332,066,475	32,083,103,493	55,415,169,968
Borrowings	770,742,647	1,130,183,600	1,900,926,247
Total contingencies	139,721,600,642	-	139,721,600,642

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD

	Domestic Baht	Foreign Baht	Total Baht
Total assets	154,825,944,822	1,676,676,736	156,502,621,558
Interbank and money			
market items (assets)	2,990,647,941	1,533,550,834	4,524,198,775
Loans	134,289,651,584	252,421	134,289,904,005
Investment	10,198,577,477	-	10,198,577,477
Deposits	80,085,778,030	-	80,085,778,030
Interbank and money			
market items (liabilities)	23,332,066,475	32,083,103,493	55,415,169,968
Borrowings	81,250,000	1,130,183,600	1,211,433,600
Total contingencies	139,721,600,642	-	139,721,600,642

(2) Results of operations classified by type of business segments

CONSOLIDATED FINANCIAL STATEMENTS

	Domestic Baht	Foreign Baht	Total Baht
Interest and dividend			
income	16,175,314,981	136,497,899	16,311,812,880
Interest expenses	(10,063,268,425)	(2,151,934,586)	(12,215,203,011)
Net interest income	6,112,046,556	(2,015,436,687)	4,096,609,869
Non-interest income	1,058,648,554	-	1,058,648,554
Non-interest expenses	(5,471,347,732)	(57,596,431)	(5,528,944,163)
Profit(loss) before tax	Baht <u>1,699,347,378</u>	<u>(2,073,033,118)</u>	<u>(373,685,740)</u>

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD

	Domestic Baht	Foreign Baht	Total Baht
Interest and dividend			
income	15,697,362,472	136,497,899	15,833,860,371
Interest expenses	(9,832,678,702)	(2,151,934,586)	(11,984,613,288)
Net interest income	5,864,683,770	(2,015,436,687)	3,849,247,083
Non-interest income	1,014,803,074	-	1,014,803,074
Non-interest expenses	(4,636,536,709)	(57,596,431)	(4,694,133,140)
Profit(loss) before tax	Baht <u>2,242,950,135</u>	<u>(2,073,033,118)</u>	<u>169,917,017</u>

4.19 Fair value of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of the Bank's underlying financial assets and liabilities can be determined by calculating the present value of the expected cash flows associated with the financial assets and liabilities.

Financial Assets

The Bank's financial assets, other than investments in debt securities, consist of cash (1.19%), interbank and money market items (3.24%) and loans (95.57%).

The Bank uses different methodologies for determining the fair value. The methodology used is dependent upon the characteristics of the financial instrument and the financial market in which it operates. Financial instruments that have standard terms and conditions and are traded on an active and liquid market, such as investments in securities, have their fair value determined by the quoted market price (see Note 4.3).

In other circumstances, the fair value is ordinarily derived from quoted market rates such as interest rates and foreign exchange rates, which are then subsequently incorporated into generally accepted pricing models, based on discounted cash flow theory, to determine the fair value. The Bank considers that carrying amount for the remaining classifications (that is, cash, interbank and money market items and loans) to approximate the fair value as the financial instruments are either predominantly subject to regular interest rate repricing such as MLR and MOR or if fixed, are of a short term nature.

Financial Liabilities

The Bank's major financial liability classifications are deposits 58.58% (consolidated 58.68%) interbank and money market items 40.53% (consolidated 39.95%) and borrowings 0.89% (consolidated 1.37%). The Bank considers that the carrying amount for deposits and interbank and money market items will approximate the fair value for the same reasons described above under Financial Assets (see Notes 4.7.1 and 4.7.2).

The Bank's borrowings as described in Note 4.10 are for a fixed term at a fixed rate. Accordingly, the fair value would be expected to diverge from the face value to reflect the movement in interest rates. The exception is the FRN which has been issued at a floating rate.

Forward foreign exchange

The forward foreign exchange contracts bought and sold are mainly not more than 180 days.
The principal currency is US Dollar (Note 4.13).

4.20 Classified assets based on the Bank of Thailand's announcements are as follows:

	1997 Baht('000)
Substandard investment	-
Doubtful investment	1,374,212
Substandard loans and receivables	15,126,748
Doubtful account loans and receivables	1,428,037
Bad debt - loans and receivables	8,241
Substandard - other assets	897,613
Doubtful - other assets	246,646
Bad debt - other assets	<u>213</u>
Total	<u><u>19,081,710</u></u>

OTHER INFORMATION

1. List of 10 largest shareholders as at the latest closing date of the share register (March 10, 1997)

	No. of Shares Held
Phatraprasit Holding Co., Ltd.	20,798,890
Charoon and Family Ltd.	16,936,599
Dhana Siam Finance and Securities PCL.	16,386,300
Phatra Group (1990) Co., Ltd.	15,074,579
Phatralanna Co., Ltd.	14,615,096
Euarchukiati Family Co., Ltd.	14,374,670
Phatra Kriangkrai Co., Ltd.	12,944,543
May Land Co., Ltd.	12,324,950
One Holding PCL.	11,658,880
Asia Holding Co., Ltd.	11,286,686
Total	<u>146,401,193</u>

2. Companies in which Bank of Asia holds more than 10% of the paid-up capital

Company	Type of Business	Type of Shares	Number of Share Issued	Number of Share Held	Percentage of Ownership	Amount Interested (Baht)
Asia Property Co., Ltd. 191 South Sathorn Rd., Khet Sathorn, Bangkok 10120 Tel. 285-1505 Fax. 285-1501	Real Estate	Ordinary	400,000	399,994	99.99%	109,354,000.00
Asia Vanichkij Co., Ltd. 191 South Sathorn Rd., Khet Sathorn, Bangkok 10120 Tel. 287-2211-3 Ext. 3600-3 Fax. 287-3056	Financial Advisory	Ordinary	50,000	49,993	99.99%	4,999,300.00
BOA Leasing Co., Ltd. United Center Building, 29th Fl., 323 Silom Rd., Bangrak, Bangkok 10500 Tel. 266-7290 Ext.299 Fax. 266-7300	Leasing	Ordinary	20,000,000	19,999,993	99.99%	199,999,930.00
Asia Lease-Hold Co., Ltd. 191 South Sathorn Rd., Khet Sathorn, Bangkok 10120 Tel. 287-2211-3 Ext.1120	Real Estate	Ordinary	10,000	9,993	99.93%	999,300.00
ASEC Finance and Securities Co., Ltd. 10th Fl., Rajanakarn Bldg., South Sathorn Rd., Bangkok 10120 Tel. 676-5788 Fax. 676-5789	Finance and Securities	Ordinary	30,000,000	16,499,700	55.00%	673,487,637.00

Companies in which Bank of Asia holds more than 10% of the paid-up capital (continued)

Company	Type of Business	Type of Shares	Number of Share Issued	Number of Share Held	Percentage of Ownership	Amount Interested (Baht)
BSP Leasing Co.,Ltd. Toyota Thonburi Bldg. 313/1 Ratchadaphisek-Tapra Rd., Bukkalo, Thonburi, Bangkok 10600 Tel. 477-0077-8 Fax. 476-9173	Hire Purchase and Leasing	Ordinary	600,000	180,000	30.00%	23,400,000.00
Thai Asia Mutual Fund Co., Ltd. Rajanakarn Building, 183 South Sathorn Rd., Khet Sathorn, Bangkok 10120 Tel. 676-5678 Fax. 676-5677	Mutual Fund	Ordinary	10,000,000	2,338,710	23.39%	23,387,100.00
Vendome Assurance PCL. 23 rd FL, Unit-C Lumpini Tower, 1168/67 Rama IV Rd., Sathorn, Bangkok 10120 Tel. 285-6385 Fax. 285-6383	Non-life Insurance	Ordinary	2,550,000	777,783	30.50%	121,117,516.25
Wing Fat Co., Ltd. 69 Moo 6, Leapklong Phasi Charoen Rd., Kwang Nongkam, Khet Nongkam, Bangkok 10160 Tel.429-3403-5	Manufacturers -Leather Goods	Ordinary	700,000	100,000	14.29%	10,000,000.00
Asia Dhanavadh Warehouse Co., Ltd. 2194 /97 New Road, Phra-ya Krai Temple, Khet Bang Kao Laem, Bangkok 10120 Tel. 289-4610-1 Fax. 291-9860	Warehouse-Renting	Ordinary	30,000	4,000	13.33%	4,232,000.00
Piyalai Holding Co., Ltd. 33/114 (2202) 22nd Fl., Wall Street Tower, Surawongse Rd., Bangkok 10500 Tel. 233-1666 Fxt.2220-1 Fax. 233-3895	Real Estate	Ordinary	6,000,000	600,000	10.00%	60,000,000.00
Navuti Co., Ltd. 16th Fl. Rajanakarn Bldg., 183 South Sathorn Rd. Khet Sathorn, Bangkok 10120 Tel. 676-6081-4 Fax. 676-6080	Agri-business	Ordinary	600,000	60,000	10.00%	4,000,000.00
					Total	1,234,976,783.25

3. Shares owned by directors

3.1 Number of shares in Bank of Asia Public Company Limited

	Dec. 1997	Dec. 1996
Mr. Chavalit Thanachanan	-	-
Ms. Nongluck Phatraprasit	2,135,978	2,131,699
Mr. Anant Asavabhokhin	3,685,713	3,685,713
Mr. Chulakorn Singhakowin	484,650	253,759
Ms. Lawan Tejapaibul	1,457,361	1,418,252
Mr. Mahidol Chantrangkurn	-	-
Mr. Penwan Thongdeetae	-	-
Mr. Pichai Vasnasong	-	-
Mr. Praphan Phatraprasit	1,696,723	1,696,723
Mr. Prasong Phatraprasit	1,646,592	1,646,592
Mr. Somchit Sertthin	16,124	16,124
Mr. Somsak Naviroj	1,827,749	1,827,749
Mr. Thidej Maithai	800,000	800,000
Gen. Thienchai Sirisamphan	51,491	51,491
Ms. Vilaiphan Euarchukiati	14,467,921	1,502,821
Mr. Viroj Lowhaphandu	1,000	1,000

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

None

4. Director's remuneration in 1997

Mr. Chavalit Thanachanan	Baht	3,300,000.00
Ms. Nongluck Phatraprasit		3,699,352.22
Mr. Anant Asavabhokhin		3,699,352.22
Mr. Chulakorn Singhakowin		3,237,813.76
Ms. Lawan Tejapaibul		1,363,384.62
Mr. Mahidol Chantrangkurn		150,000.00
Mr. Penwan Thongdeetae		820,000.00
Mr. Pichai Vasnasong		1,363,384.62
Mr. Praphan Phatraprasit		3,367,813.76
Mr. Prasong Phatraprasit		225,000.00
Mr. Somchit Sertthin		3,367,813.76
Mr. Somsak Naviroj		300,000.00
Mr. Thidej Maithai		225,000.00
Gen. Thienchai Sirisamphan		1,363,384.62
Ms. Vilaiphan Euarchukiati		3,167,813.76
Mr. Viroj Lowhaphandu		1,363,384.62
	Total	31,013,497.96

5. Number of shares in Bank of Asia and Bank of Asia's subsidiary and associated companies held by senior management as at 31 December 1997

	No. of Ordinary Shares	Increase (Decrease) from 1996
Mr. Chulakorn Singhakowin		
Bank of Asia	484,650	230,890
Asia Vanichkij	1	-
Mr. Abhai Asavanund		
Bank of Asia	368,505	175,232
Asia Lease-Hold	1	-
Asia Property	1	-
Ms. Chitraporn Tangsuwan		
Bank of Asia	224,400	116,199
Asia Lease-Hold	1	-
Mr. David Hendrix	-	-
Mr. James Stent		
Bank of Asia	328,430	165,350
Asia Lease-Hold	1	-
Asia Property	1	-
Asia Vanichkij	1	-
BOA Leasing	1	-
Mr. Phiphat Phornsuan		
Bank of Asia	324,400	107,700
Asia Lease-Hold	1	-
Asia Vanichkij	1	-
Mr. Phongsuree Bunnag	-	-
Mr. Sak Euarchukiati		
Bank of Asia	2,121,772	484,650
ASEC Finance and Securities	74,250	-
Ms. Vilawan Vanadurongvan		
Bank of Asia	298,700	190,500
Mr. Wisit Wongpaisan	-	-

6. List of other management and number of shares held in Bank of Asia and Bank of Asia's subsidiary and associated companies as at 31 December 1997

6.1 Number of shares in Bank of Asia

Name/ Experience	Education	No. of ordinary shares	Increase (Decrease) from 1996
1. Ms. Arpavadee Meekun-iam SVP, Credit and Marketing Division 1997-Present SVP, Bank of Asia PCL 1974-1997 Siam Commercial Bank PCL	M.B.A., St. Louis University, U.S.A.	1,000	1,000
2. Ms. Chadaporn Pornpanich SVP, Product Management Division 1997-Present SVP, Bank of Asia PCL 1995-1997 GE Capital (Thailand) Co., Ltd.	Master of Management, Graduate Institute of Business Administration (SASIN), Thailand	-	-
3. Mr. Chanindh Homsilpakul SVP, Information Technology Planning 1997-Present SVP, Bank of Asia PCL 1994-1997 Coca Cola (Thailand) Co., Ltd.	M.B.A. (Finance), State University of New York at Albany, U.S.A.	-	-
4. Ms. Chaveephan Huntrakul SVP, Fund Management Division 1997-Present SVP, Bank of Asia PCL 1996-1997 Ayudhya CMG Life Assurance PCL	Bachelor of Arts, 2nd Class Honors, Chulalongkorn University, Thailand	-	-
5. Mr. Dhirajai Yongkittikul SVP, Liabilities Management Division 1997-Present SVP, Bank of Asia PCL 1994-1997 VP, Treasury Department Bank of Asia PCL	Bachelor in Economics, Thammasat University, Thailand	-	(50)
6. Mr. Kriengsak Rerksopist SVP, Operations Division 1995-Present SVP, Bank of Asia PCL 1971-1995 Thai Farmers Bank PCL	Bachelor in Accounting, Thammasat University, Thailand	107,700	107,700
7. Ms. Passamon Pranutnorapal SVP, Professional Training and Development Division 1996-Present SVP, Bank of Asia PCL 1994-1996 Siam Syntech Construction (Thailand) Co., Ltd.	Master in Human Resources, the National Institute of Development Administration (NIDA), Thailand	-	-

6.1 Number of shares in Bank of Asia (continued)

Name/ Experience	Education	No. of ordinary shares	Increase (Decrease) from 1996
<p>8. Ms. Sewsin Singprasong SVP, Consumer Marketing Division 1997-Present SVP, Bank of Asia PCL 1974-1997 Manager of Bangkok Metropolitan Branch Region 3 Bank of Asia PCL</p>	<p>M.B.A., Thammasat University, Thailand</p>	53,850	53,850
<p>9. Ms. Sirisin Phongtratik SVP, Financial Planning and Accounting Division 1997-Present SVP, Bank of Asia PCL 1994-1997 VP, Corporate Planning and Budgetary Control Department, Bank of Asia PCL</p>	<p>Master of Management, Graduate Institute of Business Administration (SASIN), Thailand</p>	17,900	3,850
<p>10. Mr. Wanchai Lerttevasiri SVP, Supervision and Control Division 1997-Present SVP, Bank of Asia PCL 1994-1997 VP, Financial Services and Support Department</p>	<p>Bachelor in Business Administration and 2 years banking course at the Thai Institute of Banking and Finance Association, Thai Bankers Association</p>	42,700	(1,510)
<p>11. Mr. Wanvimal Kanoktanaporn SVP, Consumer Banking Operation and Credit Division 1997-Present SVP, Bank of Asia PCL 1989-1997 Citibank N.A., Thailand</p>	<p>Master of Management, Graduate Institute of Business Administration (SASIN), Thailand</p>	-	-
<p>12. Ms. Duangjai Amatyakul VP, Mass Communications Department 1990-Present VP, Bank of Asia PCL</p>	<p>Bachelor in Public Accounting (B.S.) Benjamin Franklin University, U.S.A.</p>	-	(50,000)
<p>13. Mr. Rajanikom Rajani VP, Office of the President 1989-Present VP, Bank of Asia PCL</p>	<p>Master in Economics, Middle Tennessee State University, U.S.A.</p>	10,404	2,540

6.2 Number of shares in Bank of Asia's subsidiary and associated companies

Name/ Experience	No. of ordinary shares	Increase (Decrease) from 1996
1. Mr. Wanchai Lerttevasiri		
SVP, Supervision and Control Division		
Asia Lease-Hold	1	-
Asia Property	1	-

7. Management's remuneration and other benefits in 1997

7.1 Monetary Remuneration

Staff at the vice president level upwards (71 persons)	Baht	154,651,946.04
Total of the 15 highest paid officials		71,871,157.50

7.2 Other Benefits

As part of remuneration, senior and middle management receive the right to purchase subordinated convertible debentures issued by the Bank. As at 15 January 1998, 34 officials at the vice president level upwards held subordinated convertible debentures of Bank of Asia totalling 5,085 units, with a conversion ratio of one debenture unit to 1,000 shares.

8. Directory of information required to be disclosed by the Securities and Exchange Commission.

	Page
1. General Information	
1.1 Company	1,40,94
1.2 Juristic person in which the Company holds share equal 10% or more	86-87
1.3 Other references	94
2. Message from the Chairman	4-6
3. Audit Committee's Report	Not available
4. Financial Highlights	
4.1 Financial statements	3
4.2 Financial ratio	3
5. Business Overview	
5.1 Revenue structure	1,14,41,59
5.2 The changes during the year	21-23
6. Industry and Competition	Not available

	Page
7. Shareholders & the Management Team	
7.1 List of major shareholders	86
7.2 List of the management team	29-33,89-92
7.3 Remuneration of the management	74-75,92
8. Related-party Transactions	
8.1 Transactions between the related parties	None
8.2 Transactions between the Company, subsidiaries and associated companies in case where the related parties hold shares in that subsidiaries or associated companies by more than 5% of shares sold by such companies	None
8.3 Reasons and importance for the connected party transaction	None
8.4 Opinion of the independent directors or specialists for the connected party transaction	None
8.5 Opinion of the independent directors concerning the Company's practice pursuant to the Company's prospectus	Not available
9. Risk Factors	48
10. Other Factors which may Affect the Investment Decision	
10.1 Litigation	None
10.2 Commitment for the future issuance of shares	8,11
11. Debentures Information	74-75
12. Explanation and Analysis from the Management Team	
12.1 Appropriateness of the capital structure, liquidity, quality of assets, profitability, the operational efficiency	12-17
12.2 Reason for changes in the material transaction or ratio	12-13
12.3 The Extraordinary items which have material effects on the financial position and operating result of the company	None
12.4 Reason for material changes in the operation as compared to the previous year or forecasted figure	None
12.5 Material events subsequent to the balance sheet date of the latest financial statements and the effects which it may have on the financial position and operating result	8,11
12.6 The effect from changing the structure of shareholding of subsidiaries	None
12.7 Guarantee to others, contingent liabilities, project investment commitment or any other commitment	77-78
13. Financial Statements	36-85

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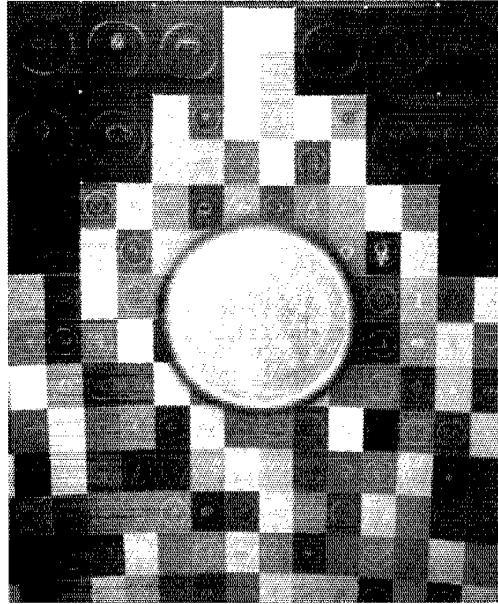
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THE MURAL PAINTING

As part of the Bank's redesign of the appearance of its branches, we are introducing to each branch the mural painting which appears on this report's cover.

Composed exclusively for Bank of Asia by prominent Thai artist *Sa-ngiam Paethaisong*, the mural represents the relationship of trust and mutual dedication the Bank strives to achieve with our customers. Combining influences of abstract Western art and Eastern/Thai spiritual painting, artist Sa-ngiam has surrounded a bright golden circle in the middle, representing Bank of Asia, with a pyramid of squares, representing our customers and the surrounding society at large.

Set within each square is an icon, a symbol of the livelihoods and interests of the full range of our customers: livestock representing farmers, a satellite representing modern technology, books for students, and a ship for transport and commerce, for example.

Continuing in squares throughout the mural, these symbols remind us of our duties to serve society as a whole, for the benefit of all. As the Bank, its customers and society work in harmony, all will rise up and reap the benefits of prosperity together. As a representation of our service, our dedication and our unity with Thai society, we are giving the mural a prominent place of display in each of the Bank's branches as they are refurbished.

The mural was painted using acrylics on canvas, while the large gold circle at the center is made with gold fibers, finished with a glossy varnish.



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