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BANK of ASIA

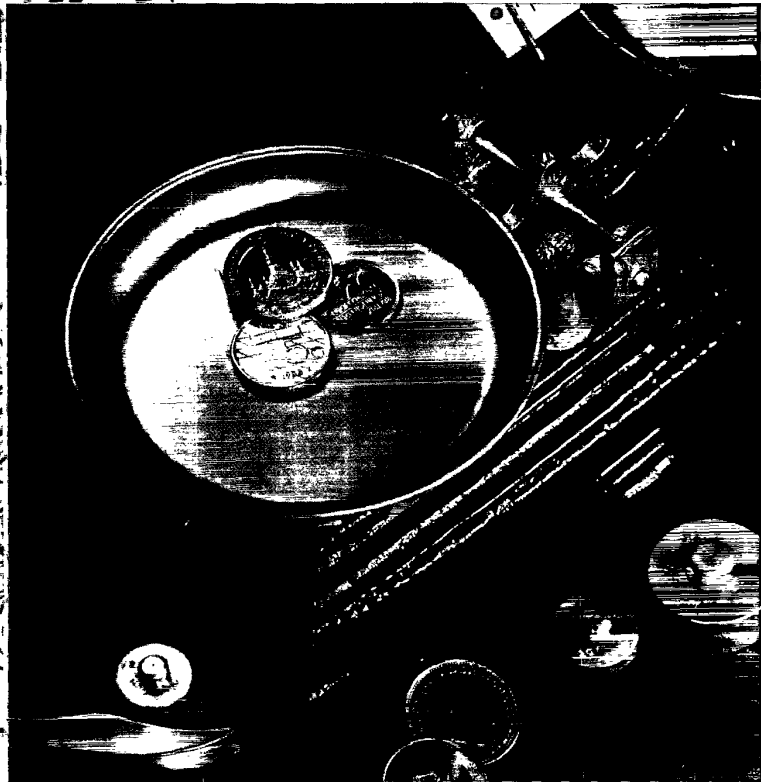
Member of **ABN-AMRO**





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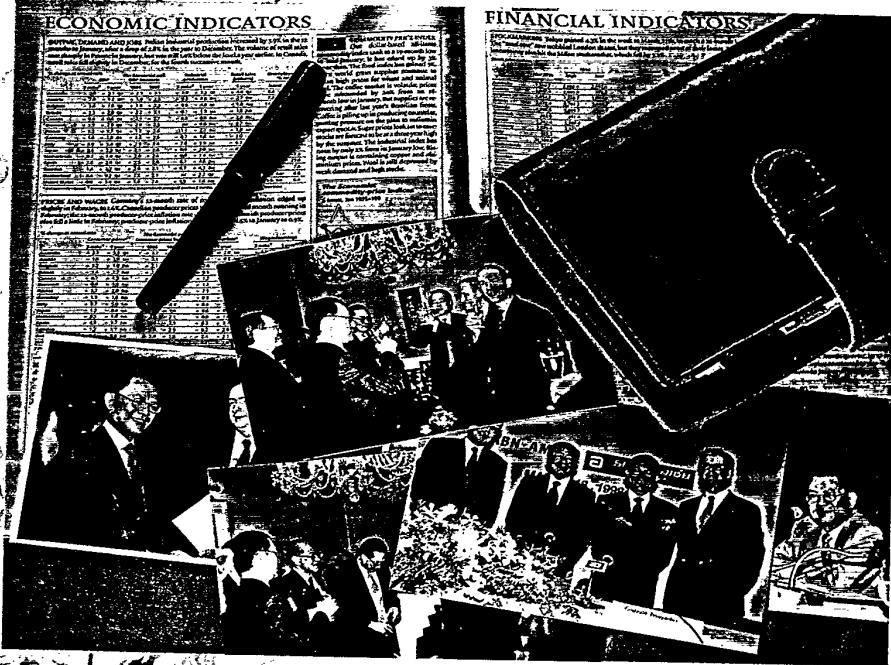


We cannot be immune to the consequences of a shrinking economy. But we believe our preparations have left us resilient for the worst possible weather.

Financial Highlights

	Million Baht			
	Consolidated		Bank of Asia	
	1998	1997	1998	1997
Income Statement				
Net interest income	330	4,056	242	3,849
Non-interest income	1,623	931	1,625	1,015
Profit before provision and income tax	(2,309)	1,352	(2,120)	1,780
Provision for possible loan losses	5,817	1,732	5,582	1,610
Net profit (loss)	(8,000)	(429)	(7,702)	42
Earnings (loss) per share (Baht)	(9.18)	(1.02)	(8.83)	0.10
Balance Sheet				
Total assets	149,497	158,245	148,936	156,503
Total loans	124,268	133,790	125,541	134,290
Allowance for possible loan losses	9,151	3,465	8,859	3,339
Total deposits	116,544	81,474	115,629	80,086
Total shareholders' equity	9,065	9,243	9,674	9,883
Ratios				
Return on average assets*	(5.20)		(5.04)	0.03
Return on average equity*	(87.40)		(78.76)	0.39
Net interest income to average assets*	0.21		0.16	2.72
Net profit to gross revenue	(409.66)	(8.61)	(412.58)	0.86
Dividend per share (Baht)	-	-	-	-
Book value per share (Baht)	10.40	21.85	11.10	23.36
Capital fund to risk assets - Total			9.42	8.38
Tier 1			8.29	7.34
No. of employees			2,202	2,319
No. of branches - Bangkok			66	62
Provinces			48	48
No. of ATMs			188	82

* Consolidated data was not available for 1996



Our partnership with ABN AMRO came about at a critical junction for the Bank, providing us with the resources to truly achieve our vision - and we are already reaping the benefits.

Message from the Chairman



Chavalit Thanachanan



Dear Shareholders,

As we entered 1998, the speed at which the economic crisis was spreading across the Asian continent convinced management at Bank of Asia that swift action was necessary not only to ensure the Bank remained strong in an extremely difficult operating environment, but also to take advantage of market disarray to gain ground on its competitors. Early in the year the Bank came to an agreement with the Dutch banking group ABN AMRO for it to subscribe to a major increase of Bank of Asia's capital, giving it a 75 percent shareholding in the Bank. The details of the capital increase took several months to negotiate and the transaction was completed in September of last year.

Subsequent further deterioration of the economic environment justified the decision to bring in a major foreign partner. By the middle of the year, the contagion of currency instability and capital flight had moved well beyond Asia. Demonstrating the truly global nature of this crisis, and the weakness of our best international institutions to contain it, at the beginning of 1999, Brazil was forced to devalue its currency, the Real.

Our partnership with ABN AMRO thus came about at a critical junction for the Bank, providing us with the resources to truly achieve our vision - and we are already reaping the benefits. Thus this important step benefits the Bank's shareholders and employees alike. It is also most beneficial to our customers, who will enjoy a fuller range of more efficient and professional services. The overall economic environment will continue to challenge us, but we expect to emerge from this crisis with a much stronger market presence and a greater reputation for quality banking.

The global reverberation of the turbulence which first hit Thailand in 1997 has made it much more difficult for the country to turn the corner toward economic recovery. Thailand has achieved some important progress on the macroeconomic front. Between January and December 1998, the Baht recovered half of the value lost against the US dollar following the July 1997 flotation. In the second half of the year our currency stabilised at a viable exchange rate that remained steady through early 1999. Thailand's trade and current accounts have been in surplus since late 1997, helping the central bank to rebuild foreign reserves to a now-healthy level. The resultant increase in liquidity in the banking sector has helped cut interest rates from the extreme highs seen at the beginning of 1998 to the very low levels required to reinvigorate our economy.

Despite these positive signs, however, much difficulty lies ahead. The economy continued to slow sharply in 1998, contracting about eight percent. Several noteworthy problems retard movement toward recovery. First is the need for substantial new capital to strengthen our banks and manufacturing houses. Capital investment from abroad has been less forthcoming than hoped, as there persists in the world's financial centers an extreme wariness of all developing country economies as long as volatility in currency markets remains high.

Secondly, the Thai banking industry's problem loans are at a level which almost precludes new lending, thus inhibiting the resumption of domestic investment and economic growth. Thirdly, even as Thailand achieves a trade surplus, our exports are still falling in value, due to market shrinkage, greater competition, and price deflation for many of our products. With a weaker Baht, Thailand is clearly more competitive than before. But demand is falling and so are prices.

Thus there is some trepidation about what 1999 will bring. We cannot assume that surrounding economic conditions will improve and carry us to full recovery. We must continue to work hard ourselves, reforming the operating environment for commerce and industry and rebuilding competitiveness.

The challenges facing the Thai government are complex. The authorities' efforts to help banks recapitalise, assembled in a policy package in August 1998 with support of the IMF, is praiseworthy. It has both carrots and sticks, and flexibility, to begin the process. Yet progress remains slow in making the August plan work. Moreover, even that cannot be successful without progress in restructuring non-performing loans in the banks, which remain at an untenably high level of more than 40 percent for the entire industry. Loan restructuring is proceeding with extreme sluggishness, and that in turn constrains banks from resuming lending.

Equally important is the need for the government to stimulate employment and demand in the real economy, to offset the pressures of falling exports and deflation. At the beginning of 1998 this need was addressed somewhat, with the IMF agreeing to allow the government to operate with a budget deficit. But the impact so far has been only slight, because the level of resources made available remains too small and deployment too slow. The government must be more effective in getting these funds into the economy, through employment-generating projects, and directly to the unemployed.

Even with success in such efforts, the rebuilding of the Thai economy will be a long and difficult task. Without selfishness and with a sense of national spirit on a part of our political and business leaders, this can be achieved, in a way less painful to the Thai people.

However we recover, the global nature of this crisis should not turn us against the advancing integration of the global economy. There are indeed pitfalls in this process. But globalization is not the enemy of developing countries. It is a process that has been progressing for hundreds of years, and Thailand has been a part of it for that long, benefiting accordingly.

However, the process needs to be better understood and, while we embrace it, we need to remain cautious over its power. This crisis demonstrates important weaknesses in our global financial system, especially regarding the information available and the understanding of the various forces at work in the system. Clearly greater transparency is required throughout the global economy, not only in developing countries which are net recipients of capital but also in advanced economies and financial centers which export capital.

Even then, as the pace of economic globalisation continues, we should never assume the system is failsafe. As a country, we must remain prepared for the unpredictable, maintaining a solid foundation to protect ourselves from unexpected storms.

Keeping a strong foundation and increased transparency have become the guiding principles of work for Bank of Asia, and in the past year we have been frequently reminded of their value. The decision to invite ABN AMRO to join us as a core shareholder reflected these principles. We wanted to ensure our survival even in the worst case that this crisis spreads farther and endures longer than had been anticipated. Provided clear and detailed information about our own health, ABN AMRO was confident enough to make a decision to join us, despite the dark clouds which remained over the global economy. For institutions and countries which want to remain competitive and leaders in their field, firm foundations and transparency are demonstrated virtues which evoke confidence in customers, investors, and lenders.

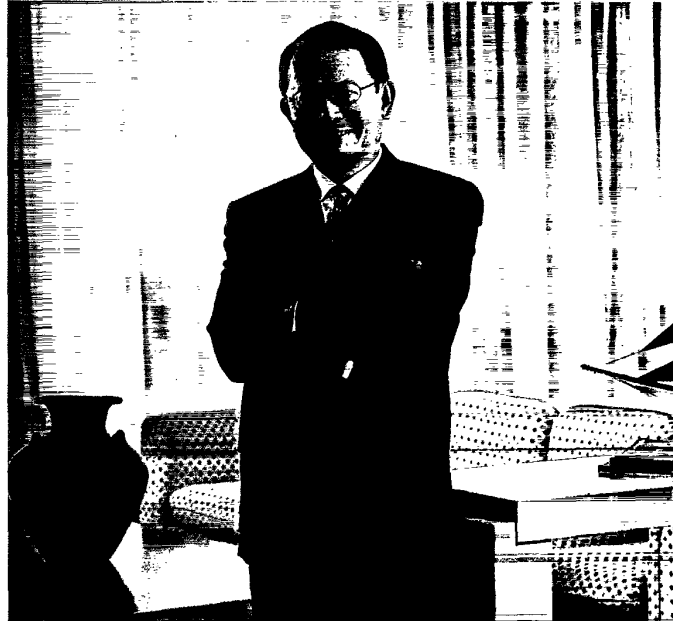
With this in mind, each participant in the Thai economy must not forget that, even in recovery, we are competing in the global economy with a host of other countries and industries for capital and market share. To truly and fully revive the Thai economy, we must enhance efficiency and productivity, face up to our own weaknesses honestly, and rebuild our foundations firmly and transparently. The pains of the recession have made undertaking reforms difficult. However, those businesses and countries which reform more quickly and thoroughly will be the ones to attract international approval and support, and succeed in their goals.

To all, I would like to express the gratitude of the entire Board of Directors for your support and encouragement.

Message from the President



Chulakorn Singhakowin



Dear Shareholders,

With the spread of the East Asian economic crisis to other countries and continents, 1998 proved to be an exceptionally difficult year for all in the Thai economy. Continued volatility in markets around the world dashed any hopes of a quick recovery, and underscored just how much work is needed to restore our economy's strength.

While shoring up our own foundations, we at Bank of Asia have kept an eye fixed on the long term, so as to leave ourselves in the most advantageous position possible in our market when recovery does come. As we informed you in March 1998, early in the year we formulated a plan for the expansion of Bank of Asia's capital base by way of a new share issue, all of the shares to be taken up by ABN AMRO Bank of the Netherlands. In the transaction, completed in September 1998, ABN AMRO acquired 1,423 million new shares in the Bank, representing 75 percent of total old and new shares, for an initial contribution of Baht 7,500 million.

The impact of this was immediate and positive. Bank of Asia was propelled to the forefront of the industry in market recognition and credibility. The retention of the Bank's identity, accompanied by ABN AMRO's firm, long-term commitment, ensures that Bank of Asia has the potential in a few years' time to become one of Thailand's leading financial institutions, in both size and quality. The added skills, services, and global network of 2,000 branches that our ABN AMRO partners have brought to Bank of Asia establish us as *The International Thai Bank*, the only bank in the Kingdom which offers customers truly global access.

As we expected and is clear from this annual report, the recession has been very damaging to our balance sheet. In 1998, on a consolidated basis, the Bank recorded a loss of Baht 8 billion, or Baht 9.18 per share, compared to a loss of Baht 429 million (Baht 1.02 per share) in 1997. The principal reason was the establishment of reserve due to severe asset deterioration. The Bank's level of non-performing loans remains below average for the Thai banking sector. Nevertheless, we continue to uphold a more rigorous provisioning policy than the central bank requires. In 1998 provisions for bad and doubtful debts were more than tripled from a year earlier, adding Baht 5,817 million, for a total at the end of the year of Baht 9,151 million. We believe this conservative stance will be to the Bank's benefit over the next several years as the economy recovers.

Despite the impact of the recession on our profit and loss statement, Bank of Asia made substantial progress in several areas during 1998 which underscores our intention to emerge a leader in Thai banking, and our commitment to being the best, most efficient and innovative Thai financial services center.

New product development continued unabated. The Bank introduced the Asia Visa credit card along with an innovative points and gifts program for card users. We formed a new provident fund management unit, in anticipation of the rapid growth in the future of asset management services. We also joined with Western Union, the foremost money-transfer specialist in the world, to provide instant funds transfer services in Thailand.

In addition, the tie-up with ABN AMRO has brought us an important new product line, on-line cash management services for industrial and commercial clients. Bank of Asia is now the only Thai bank offering these specialised, money-saving products, and the market immediately recognised this. We quickly signed up as customers for these cash management products the Thai operations of several prominent multinational companies.

Information technology development was another area of progress. In December 1998, Bank of Asia became the first Thai bank compliant for the 'Year 2000' problem. Our Y2K audit was undertaken on a project basis with a dedicated team, with additional support from ABN AMRO as well. Having completed this task allows us to proceed confidently through 1999 with our marketing and IT development strategies.

As the Y2K audit process was completed, we also neared finalization of the installation and testing of new treasury management systems and profitability measurement software. Both, we expect, will add to efficiency and marketing capabilities.

Following our retail re-engineering of 1996-97, we moved to put into place new, proven systems for product creation and management, marketing, and delivery systems that would at the same time add to productivity and efficiency. These efforts have already produced results: in 1998 Bank of Asia was a market leader in terms of both deposits and loans per employee, and total assets per employee as well. We also ranked among the top banks for lowest number of staff per branch and for the largest average deposits and loans per branch. We have held staff numbers steady for several years and, although we continue to open new full branches, our market penetration has grown mostly through the increase of non-branch outlets such as off-site ATMs, located in areas popular with consumers like convenience stores, fast food outlets and supermarkets.

Such efforts demonstrate our straightforward, strategic approach to the economic crisis, to both find the best way to protect shareholder value and to build Bank of Asia into a leading competitor in the Thai market. This approach garnered the Bank recognition in both the local and international media during the year. For the first time, Bank of Asia was named Bank of the Year for 1998 by the leading local finance and business publication Dok Bia.

The health of the Thai economy remains uncertain. There has been some stabilization overall. The extremes of interest rates and currency devaluation with which we started 1998 have now dissipated; interest rates have fallen very low, and the Baht has settled at a plausible level. Such signs suggest there will be a bottoming-out of the economy during 1999.

Yet recovery still lies distant. The economy continues to suffer extreme overcapacity and oversupply situations in many industries. The banking sector is faced by many constraints in recapitalising and managing high levels of non-performing loans. Although the country has made important progress in confronting its problems, the perception of the entire Southeast Asian region as high-risk persists, and as a result foreign capital investment inflows remain at a low level.

Bank of Asia cannot be immune to the consequences of a shrinking economy. But our improved efficiency and the market image our new ties to ABN AMRO give us allow the Bank to pursue the strategy we developed before the crisis, which is to capture a much greater market share by virtue of an image of quality, of giving the customer the best products and service for his money.

Our capital adequacy ratio now ranks us among the fittest Thai banks. This comfort has freed management time to pursue market share while other institutions wrestle with capital adequacy problems. In 1998 we demonstrated this with the growth of our deposit base by 44.4 percent, and our Baht loan book by 15.4 percent. We intend to continue this aggressive expansion of lending throughout 1999, without taking imprudent risks.

We are also expanding our physical presence in the market. After adding four full branches in 1998, we will open several more in 1999. More important is the expansion of our non-branch outlets. During 1998 we more than doubled the number of Bank of Asia ATMs, pioneering the installation of these machines at non-traditional sites like convenience stores and popular fast-food franchises. In 1999, we will continue the rapid expansion of our ATM presence, and we plan to open several non-traditional manned branches at popular supermarkets.

This crisis has reinforced important lessons for business, anywhere and at anytime: those better prepared for difficult times, and those more quick to take the tough decisions necessary to survive such times, will likely emerge much stronger. We believe our preparations have left us resilient for the worst possible weather. The long-term commitment to Bank of Asia of ABN AMRO has given us the full credibility to do much more than survive. As this crisis abates, we expect Bank of Asia to rank in the top echelon of its industry in Thailand.

We, the staff and management of the Bank, fully appreciate the continuing support of our shareholders, and I thank the shareholders, the Board of Directors, and the Bank's employees for continued hard work on behalf of our bank.



Bank of Asia was named Bank of the Year for 1998 due to its efforts to both find the best way to protect shareholder value under the economic crisis and to build the Bank into a leading competitor in the Thai market.

Review of Operations

Operating Conditions

Economic recession in Thailand in 1998 caused a deterioration of assets across the entire banking industry. With the recessionary conditions extending into 1999, improvement of loan portfolio quality will continue to be a challenge for all financial institutions. These conditions have lightened competition within the banking industry, as most institutions remain focused on rebuilding capital and resolving non-performing loan problems.

During the second half of 1998, business conditions improved somewhat as the Baht stabilised at a level about 31 percent below its pre-flotation rate, compared to the level at the end of 1997 which was equivalent to a devaluation of 46 percent. The end-1998 exchange rate steadied at Baht 36.7 to 1USD, from Baht 47.2 to 1USD at end-1997. This stabilization was coupled with a sharp fall in Baht interest rates, 500-600 basis points on average, in the final quarter of 1998, as well as the lowering of US dollar rates by the US Federal Reserve Bank. This is normally a precursor of economic stabilization and recovery.

The high level of non-performing loans and the establishment of a high level of provisions for bad debts had the greatest impact on Bank of Asia's operating performance during the year. The timely increase of capital through the 1,423 million new shares issued to the Bank's new core shareholder ABN AMRO ensured that Bank of Asia has a strong capital base. As the Bank works with customers to resolve non-performing loans over the next year, management expects to be able to grow and increase market presence while reducing the level of non-performing loans as the economy slowly recovers.

Earnings Performance

Bank of Asia

Due to the second year in a row of contraction in the Thai economy, the Bank incurred a loss in 1998 of Baht 7,702 million, compared to a slight profit of Baht 42 million in 1997. This was equivalent to a loss of Baht 8.83 per share based on the adjusted average number of shares issued, compared to a per-share profit of Baht 0.10 in 1997.

The item of greatest impact in the loss was provisioning for bad and doubtful debts. This increased from Baht 1,610 million in 1997 to Baht 5,582 million for last year.

The second most significant cause of the overall loss was a sharp fall in net interest income generated by lending operations. Interest expenses rose 39 percent, to Baht 16.7 billion, from Baht 12 billion in 1997. Interest and dividend income, however, grew only 7 percent to Baht 16.9 billion, compared to Baht 15.8 billion in 1997. Despite a 15.4 percent increase in Baht-denominated lending, overall net interest income fell mainly due to the rapidly rising level of non-performing loans as a consequence of the severe economic conditions.

Net Interest Income	Million Baht		
	1998	1997	% Change
Total interest and dividend income	16,938	15,834	6.97
Interest expenses	16,696	11,985	39.3
Net interest and dividend income	242	3,849	(93.7)
Net interest and dividend income to average assets	0.16%	2.72%	

As a result, net interest income for 1998 decreased 94 percent to Baht 242 million, compared to Baht 3,849 million in 1997. The ratio of net interest income to average assets similarly contracted to 0.16 percent from 2.72 percent the year earlier.

A 60.1 percent rise in non-interest income compensated somewhat for declining revenues elsewhere. Total non-interest income rose Baht 610 million over 1997 to Baht 1,625 million in 1998. The principle areas of gain were Baht 646 million from the Bank's foreign exchange business, 64 percent higher than the previous year's 394 million; and Baht 562 million from investments, mainly generated by the Bank's bond trading activities, compared to only Baht 95 million in 1997. Both of these areas of business were strong due to the volatility on foreign exchange markets and the sharp decline in interest rates during the year, allowing the Bank to realize capital gains on its bond portfolio.

The Bank was able to restrain operating expenses to an increase of only 9.3 percent during the year, Baht 2,179 million in 1998 against Baht 1,993 million in 1997. The largest operating expense item, personnel costs, fell 3 percent to Baht 907 million from Baht 935 million a year earlier. However, equipment and premises expenses rose 26.7 percent due to the completion of our retail banking platform in February 1998, the expansion of branch and ATM network and the continued branch redesign program. Fees and services expenses also rose 118.6 percent from Baht 121.3 million to Baht 265.1 million. Out of this Baht 265.1 million, Baht 56 million was paid to ABN AMRO Asia Pacific Pte. Ltd. in compensation for support services provided to Bank of Asia by ABN AMRO's Asia Pacific Regional Center.

Total non-interest expenses increased 29.3 percent due to the increase in statutory, semi-annual payments to the Bank of Thailand's Financial Institution Development Fund, through which the central bank supports weak institutions in the financial system. Prior to 1997, the FIDF required a twice-a-year contribution of 0.05 percent of each bank's total deposits. In the second half of 1997, this was expanded to include both deposits and borrowings, and the amount was increased to 0.15% of the total. In 1998, the amount rose again, to 0.2% of total deposits and borrowings at the end of both the first half and second half. For Bank of Asia, the FIDF contribution totaled Baht 483 million in 1998, an increase of Baht 292 million or 152.8 percent over 1997.

Non-interest Expenses	Million Baht		
	1998	1997	% Change
Operating expenses	2,179	1,993	9.3
Contribution to FIDF	483	191	152.9
Taxes and duties	542	462	17.2
Loss on diminution in value of securities	783	437	79.1
Total non-interest expenses	3,987	3,084	29.3

Other major non-interest expenses were loss on the diminution in the value of securities held by the Bank, which increased 79 percent, to Baht 783 million. This comprised principally a one-time Baht 607 million write down in the value of the Bank's shareholding in ASEC Finance and Securities.

Due to the overall loss of Baht 7,702 million, even after the increase of share capital by Baht 7,500 million from ABN AMRO, total shareholder equity fell during 1998 to Baht 9,674 million, from Baht 9,883 million at the end of 1997, a reduction of 2.1 percent.

Consolidated Earnings

On a consolidated basis, counting all subsidiaries in which the Bank holds more than 50 percent of paid-up capital, the Bank recorded a loss of Baht 8,000 million in 1998, compared to a loss of Baht 429 million in 1997. That is equal to a per-share loss of Baht 9.18 on the adjusted average number of shares. The net loss attributable to Bank of Asia from subsidiaries was Baht 298 million. The 99.99 percent-owned BOA Leasing, Thai Asia Mutual Fund and Asia Property reported losses of Baht 278.3 million, Baht 1.4 million and Baht 3.1 million respectively; the 99.93 percent-owned Asia Leasehold reported a loss of Baht 81.1 million, while the 75 percent-owned ASEC Finance and Securities reported an attributable loss of 210.1 million.

Sources of Funding

Consolidated deposits for the Bank and its subsidiaries in 1998 amounted to Baht 116.5 billion. For the Bank alone, total deposits rose 44.4 percent to Baht 115.6 billion from Baht 80.1 billion a year earlier. This resulted both from depositors' flight to quality in the Thai banking system and the effectiveness of the Bank's stepped-up marketing drive.

The increase in deposits helped the Bank to reduce its loan to deposit ratio, measuring Baht loans against Baht deposits, to 98.9 percent, down from the previous year's uncomfortably high 124.3 percent. The current ratio leaves the Bank well poised to increase its share of the loan market as the economy begins to slowly recover in 1999.

Foreign currency borrowings and Floating Rate Certificates of Deposit issued by the Bank offshore were also reduced significantly, matching a decrease in foreign currency assets. The ratio of offshore funding to total funding fell from 23.7 percent in 1997 to 6.0 percent in 1998.

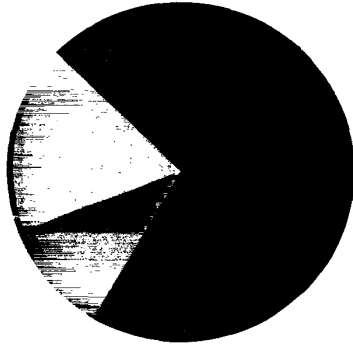
Lending Operations

Breakdown of Loans	Millions			
	1998		1997	
	In Baht	In USD	In Baht	In USD
Baht loans	114,013		98,803	
Foreign currency loans	11,528	314	35,487	745
BIBF	8,389	229	24,210	515
Trade finance	2,064	56	9,079	183
Others	1,075	29	2,198	47
Total loans	125,541		134,290	
Exchange rate (USD/Baht)	36.688		47.247	

On a consolidated basis, excluding inter-group lending, total loans at the end of 1998 amounted to Baht 124.3 billion. For Bank of Asia alone, total loans amounted to Baht 125.5 billion, a decline of 6.5 percent from Baht 134.3 billion in 1997.

The decline in lending was wholly due to a fall in foreign currency loans. Baht-based lending increased 15.4 percent during the year, from Baht 98.8 billion in 1997 to Baht 114 billion in 1998. However, foreign currency loans in US dollar terms declined 57.9 percent, from US\$745 million at the end of 1997 to US\$314 million at the end of 1998. Measuring the foreign currency loans at a constant value, overall lending by the Bank, in Baht and in foreign currencies, fell only about 4.1 percent in 1998.

Composition of Loans



	1998 % of Total Loans	1997 % of Total Loans
Trading	26.3	29.9
Manufacturing	26.1	25.3
Real estate	9.0	9.0
Private consumption	10.2	9.5
Services	14.0	12.3
Agriculture & forestry	4.6	4.7
Financial services	4.0	3.6
Construction	2.7	2.7
Utilities	2.9	2.8
Mining	0.2	0.2
Total	100.0	100.0

The fall in foreign currency lending resulted from the volatility in foreign exchange markets and the decline in interest rates domestically. Foreign currency loans now make up 9.2 percent of Bank of Asia's total loan book, compared to 26.4 percent in 1997. Loans booked in the Bank's offshore BIBF (Bangkok International Banking Facility) operation fell from 18.0 percent of total loans to 6.7 percent.

The composition of Bank of Asia's loan portfolio at the end of 1998 remained fairly constant with the year-earlier composition. Loans to commerce were 26.3 percent of the total, compared to 29.9 percent in 1997. Loans to manufacturing concerns were 26.1 percent compared to 25.3 percent a year earlier; loans to real estate-related businesses stood at 9.0 percent; loans for private consumption increased from 9.5 percent to 10.2 percent; and loans for service businesses increased from 12.3 percent to 14.0 percent. Building and construction loans also remained unchanged at 2.7 percent of the total loan portfolio.

On the Group's balance sheet, assets at the end of 1998 amounted to Baht 149.5 billion, a decline of 5.5 percent from Baht 158.2 billion in 1997. Bank of Asia's assets stood at Baht 148.9 billion, 4.8 percent below 1997 when assets stood at Baht 156.5 billion.

Loan Quality

The continued deterioration of the Thai economy in 1998 meant many Thai businesses faced great hardship during the year. As a result, there was a rapid increase in accrued interest receivable and non-performing loans in the Bank's loan portfolio. Accrued interest receivable increased to 3.9 percent of total loans, compared to 2.0 percent in 1997.

Non-performing loans at the end of 1998 for the Bank and its subsidiaries reached Baht 49.4 billion. Bank of Asia itself accounted for Baht 48.9 billion, or 38.9 percent of its total loans. Non-performing loans are those in which interest and/or principal payments have been past due for more than six months.

The Bank of Thailand is currently instituting more rigorous requirements, based on global best practice, for reserving against classified assets. At the end of 1998 the Bank and its subsidiaries had reserved a total of Baht 9,151 million for possible loan loss, which was more than double the central bank's requirement of 20 percent of classified assets. The group had reserved 45 percent. At the end of 1999, according to central bank requirements, the Bank must reserve 60 percent of classified assets and by 31 December 2000, fully 100 percent must be reserved.

Capital Adequacy

For the past two years capital requirements for Thai banks have become more stringent as the country moves to meet the standards set by the Bank for International Settlements and the goals established in the International Monetary Fund's program to help Thailand rehabilitate its financial sector.

With new capital of Baht 7,500 million from ABN AMRO Bank, Bank of Asia has surpassed the requirements on both Tier 1 and overall capital. As at 31 December 1998, total capital funds stood at Baht 11.7 billion, amounting to 9.42 percent of total risk-weighted assets, above the BIS standard of 8.5 percent. Tier 1 capital stood at 8.29 percent compared to the minimum requirement of 4.25 percent.

Capital Adequacy	Million Baht	
	1998	1997
Total capital funds	11,691	11,860
Tier 1	10,297	10,386
Tier 2	1,394	1,474
Total risk weighted assets	124,144	141,561
Capital fund to risk weighted assets	9.42%	8.38%
Tier 1	8.29%	7.34%
Tier 2	1.12%	1.04%

However, Bank of Asia's lending growth target for 1999, if achieved, would require additional capital. For this reason, at the beginning of 1999 preparations were made to obtain additional Tier 2 capital if and when necessary.

Productivity

In 1998 the Bank continued to boost productivity, evidence that our re-engineering work on the retail side of the Bank over the past three years has been effective and useful. Comparative statistics show that Bank of Asia staff continue to generate more business and more income per person and per branch.

In 1998, total Bank staff fell from 2,319 employees to 2,202, the decrease evenly split between the head office and branches. In 1995 when the re-engineering started, the Bank had 2,700 employees and 91 branches. At the end of 1998, the Bank had 114 branches with only 2,202 employees. Assets per employee increased from Baht 30.8 million at the end of 1994 to Baht 67.6 million at the end of 1998. At the same time, deposits per employee rose from Baht 19.9 million to Baht 52.5 million. Level of staff per branch also declined from 18 to 10.

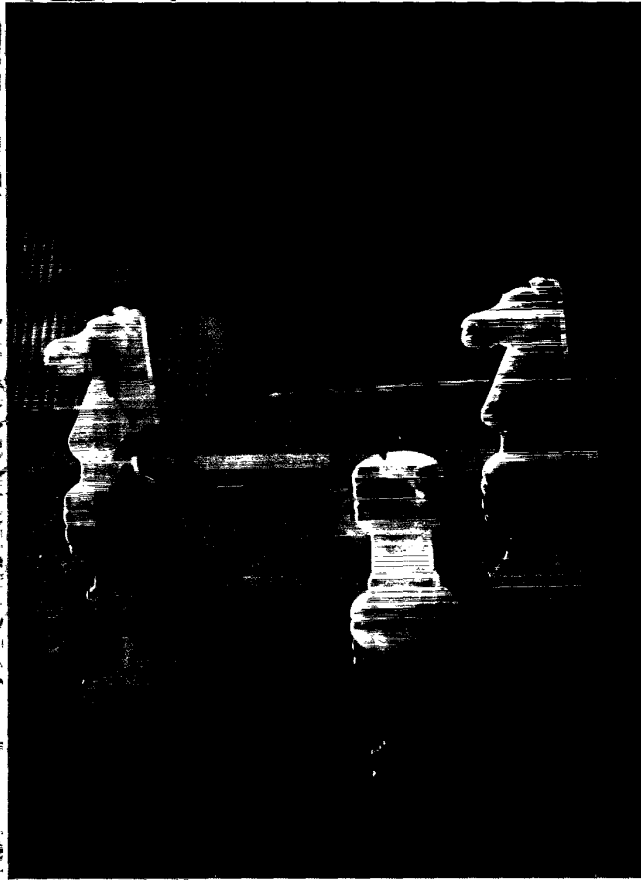
Productivity

Year	Total Employees	No. of Staff per Branch	Assets per Employee (Million Baht)	Deposits per Employee (Million Baht)
1994	2,700	18	30.81	19.85
1995	2,793	17	38.83	28.52
1996	2,570	15	49.19	33.85
1997	2,319	11	67.49	34.53
1998	2,202	10	67.64	52.51

Branches

In 1998 we added four branches, all in Bangkok, to bring the total nation-wide network to 114. More effort has been put into expanding the coverage of our automated teller machine (ATM) network, which more than doubled in size in 1998. The number of Bank of Asia ATMs rose to 188 from 82 in 1997. In Bangkok, the coverage increased from 58 ATMs to 131; in the provinces, the number rose from 24 to 57.

Increasingly Bank of Asia is focussing its efforts on building its network of non-traditional outlets, such as mini-branches and stand-alone ATMs. The aim is to expand our presence in the consumer banking market. The Bank has led the industry in installing ATM machines in non-traditional locations which provide more convenience to consumers. Today, Bank of Asia ATMs are found in Shell Select convenience stores at Shell petrol stations, and fast-food outlets like McDonalds. At the end of 1999, the Bank expects to have 233 ATMs. The Bank also plans to add another ten branches, most of them new mini-branches in locations convenient to consumers, including supermarkets with extended hours of operation, i.e. evenings and weekends. Some existing full branches will also be scaled down to focus on consumer banking services.



Despite the impact of the recession on our profit and loss statement,

we made substantial progress in several areas.

Business Development



Information Technology

Year 2000 Problem

In 1998 Bank of Asia accelerated efforts to resolve well ahead of time the potential difficulties known as the Year 2000, or Y2K problem. On 31 December Bank of Asia became the first Thai commercial bank to successfully conclude a full Y2K compliance audit. Employing a project approach, the Bank created a special team to survey, test and update all of the Bank's information technology systems, and educate the staff about the potential difficulties of the Y2K problem. This team was augmented by external expert consultants in reviewing and testing the systems, and in addition Y2K specialists from ABN AMRO Bank provided valuable assistance in the review. The total cost for the Y2K compliance project was Baht 37 million.



The review covered each set of software used in various banking products; hardware and underlying computing platforms used by the Bank, from mainframe to personal computers; networking server hardware and software; and peripheral computing devices such as printers, scanners, and encoders. Also reviewed and upgraded were equipment with

embedded chips that could potentially be affected, such as lifts, power, telecommunications, and security systems. We believe our information technology systems have fully satisfied the requirements for banks as the calendar advances toward 2000, and are unlikely to be disrupted by Y2K dating errors.

Similar audits are now nearing conclusion at the Bank's subsidiaries. The Bank also continues to monitor the Y2K compliance of other agencies and companies it cooperates with and depends upon, including associated companies in the Bank of Asia group, correspondent banks, the Bank of Thailand, and each of the major Thai utility services providing water, electricity, and telecommunications services to the Bank. Tests are scheduled during the first quarter of 1999 on Thailand's interbank transfer and clearing systems to ensure that they will function smoothly as the year 2000 approaches. Bank of Asia has prepared contingency plans for business continuity in the case of unexpected Y2K-related problems.

Treasury System

Completing the Y2K review at the beginning of 1999 gives the Bank the confidence to proceed with upgrading and implementing new product development and delivery systems, some of which were slowed due to the diversion of human resources to the Y2K compliance project. Priority for completion in 1999 is the upgrade and automation of front office and back office treasury operations. The Bank's new treasury system will interface on-line with central accounting processing to increase efficiency and reduce errors.

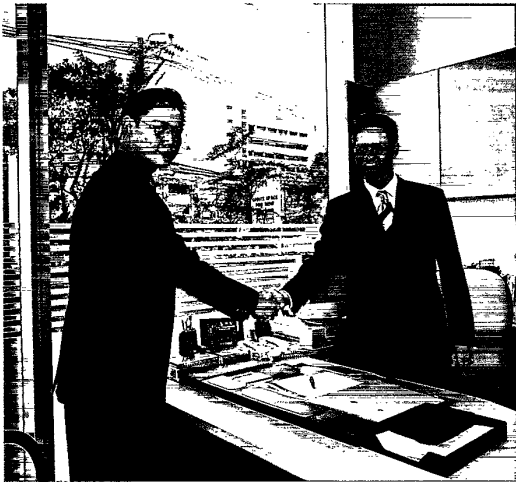
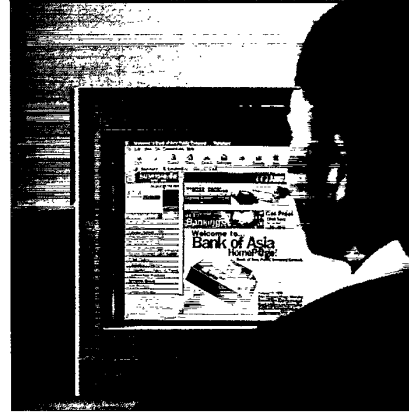


TSER

In 1999 the Bank will complete the installation of the TSER profit performance evaluation system, powerful and proven software which enables the Bank to quickly analyze profitability by product, by customer, and by specific Bank operating unit. TSER both increases the amount and quality of the information available and sharpens the ability to use information to make decisions on product pricing, demand and availability.

Website

In 1998 Bank of Asia established a web site at <www.boa.co.th> to give customers better access to services and information from the Bank. The web site details products and provides news on activities and upcoming services, as well as general developments in the banking industry. Internet users can also find updated interest rates, foreign exchange values, and economic statistics.



Information of particular interest to shareholders is also available on line. The 1997 Annual Report is published on the Bank of Asia web site, as will this report.

New Products and Services

Cash Management

In 1998, the Bank instituted a new package of comprehensive Cash Management services with technological support from ABN AMRO Bank. The Cash Management services can be divided into three main areas, namely Domestic Collection, Domestic Payment and Liquidity Management. This set of

products has been of immense help to corporate customers in improving their efficient use of funds. The full Cash Management package is designed with various options for the differing needs of small businesses to larger and more complex corporations.

The main features of the collection and payment services are high level of security as well as ease of usage, aimed at reducing customers' risks in handling cash and lowering customers' cashflow administrative costs. The services are available at the customers' fingertips through the installation of BankStation software, which enable online communication between the customers' offices and the Bank.



The ZBA, or Zero Balance, liquidity management system completes the circle, allowing customers to effectively manage cashflow. This cash management system enables customers to eliminate or reduce idle balances held in each company's accounts, effectively reduce overdraft charges, transaction and administrative costs. These in total ensure maximum earning potential through improved yields on the investment of surplus funds.

Bank of Asia is the first Thai bank to offer such a complete package of cash management services through its branch network. Within a short period since their introduction, the cash management products have gained popularity as well as wider recognition among customers and the public. The Bank will continue to improve and innovate to clearly establish itself in the cash management market.

Western Union Money Transfer

In 1998 Bank of Asia joined with Western Union to provide virtually instant money transfer services to and from Western Union's 50,000 agent locations in 165 countries. Western Union has been in the funds transfer business for 128 years, and is the recognized expert in this important field. The link with Western Union and with the ABN AMRO network, itself a link to 2000 banking branches around the globe, gives Bank of Asia comprehensive global coverage for instantaneous funds transfer services to serve Thai corporate clients and individual customers alike.

Provident Fund Management

In July 1998 Bank of Asia received a provident fund management license from the Ministry of Finance. Staff were recruited for a fund management unit under the funds and liabilities management group of the Bank, and in January 1999 the unit was fully up and running. Bank of Asia expects that this is a business area of long-term growth potential in Thailand, as more and more companies adopt pension funds.

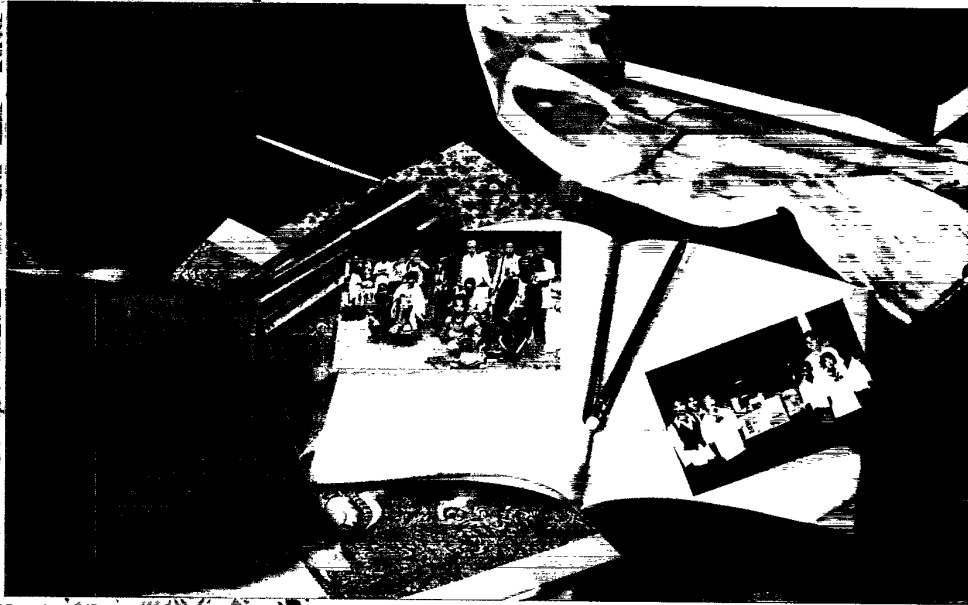
Consumer Banking

Bank of Asia's line of consumer banking products and services was expanded and enhanced in several areas in 1998. The Bank launched a new savings product, the Asia Secure account, as a savings account coupled with accident insurance. This product is targeted at young adults beginning to have long-term savings and security needs.

ASIA VISA is the Bank's newly-launched credit card in 1998. This filled an important gap in our consumer product line.

The Bank also launched a new, innovative incentive program, ASIARewards. ASIARewards allows customers to earn bonus points, which can be exchanged for gifts or credited against fees and other expenses on the Bank's ASIA VISA credit card. Points can be earned on the level of balance maintained in a Bank of Asia regular savings account, and from ASIA VISA credit card use.





*We believe we have important responsibilities beyond and outside
the realm of financial services.*

Social Contributions



Bank of Asia has a responsibility to support and sponsor social programs and activities which contribute to the betterment of life of our entire society.

Bank of Asia supports the Bangkok Clean Society program, in partnership with the Bangkok Metropolitan Administration and Grammy Entertainment. Under this program the Bank took part in campaigns to separate trash for the removal of dangerous items and to encourage recycling in various locations in the city during 1998.

As part of the Amazing Thailand promotion of the Kingdom around the world, during 1998 Bank of Asia took part in sponsoring Phuket Bike Week, a promotion to encourage bicycling for exercise and fun and to help reduce air pollution in Phuket, one of Thailand's favorite tourism destinations. Coupled with the Phuket Bike Week were Bank of Asia-supported activities to help restore sea turtle populations and encourage them to rebuild nesting colonies in Thailand by helping with the release of baby turtles into the ocean at Makam Bay, Phuket.



Also related to environmental awareness is Bank of Asia's ongoing support for education on protecting forests and wildlife. In 1998 Bank of Asia staff gathered and donated books on the environment for a library at Baan Thawangjai, in Nakorn Ratchasima province. The Bank also supports the regular program on Thai TV 7 "Thai Wildlife Conservation Night".



For three years Bank of Asia has been a principal sponsor of the Thai "Just Say No!" campaign to fight drug abuse. Together with Grammy Entertainment and Dusit Zoo, educational campaigns and programs were put on in various locations in Bangkok. The Bank together with St. Louis Hospital held a popular "Walk Rally Against Drugs" which successfully brought together many families in a daytime walk campaign. And separate anti-drug programs were held in cooperation with three schools: Suankularb School, Thanyaburi School and Satri Wat Mahaphutharam Girl School.

Every year the Bank joins together with several children's foundations to sponsor the Camp for Handicapped Children, ensuring that these children have access to education and recreation opportunities in a natural environment. In 1998, the camp was put on for the 13th year in a row, at the Aswinsairung Camp near Khao Yai National Park.



In order to promote interest in art among children, in 1998 the Bank donated 16 prizes of Bank of Asia Junior Savings Accounts for student painting and writing contests held in August to celebrate the Queen's birthday. Furthermore, the Bank provided scholarships to needy students at four schools outside of Bangkok.



Aside from these principal activities, Bank of Asia also participated in other educational programs and activities of other prominent Thai organizations, including His Majesty the Late King Rama II Phra Buddhalertla Naphalai Foundation (Under the Royal Patronage), the Red Cross Society and the Sathorn District office of Bangkok.

Board of Directors and Executive Committee

Board of Directors

Chairman

Chavalit Thanachanan

Directors

Bruno Schricke

Chulakorn Singhakowin

Herman Mulder

Jacob Cornelio Adriano de Jonge

Jan Joost Oyevaar

Lawan Tejapaibul

Nils Lorenzen

Praphan Phatraprasit

Sergio Agapito Lires Rial

Viroj Lowhaphandu

Secretary

Ekchai Chansue

Assistant Secretary

Rajanikorn Rajani

Auditor

Toemsakdi Krishnamra

Executive Committee

Chairman

Chavalit Thanachanan

Directors

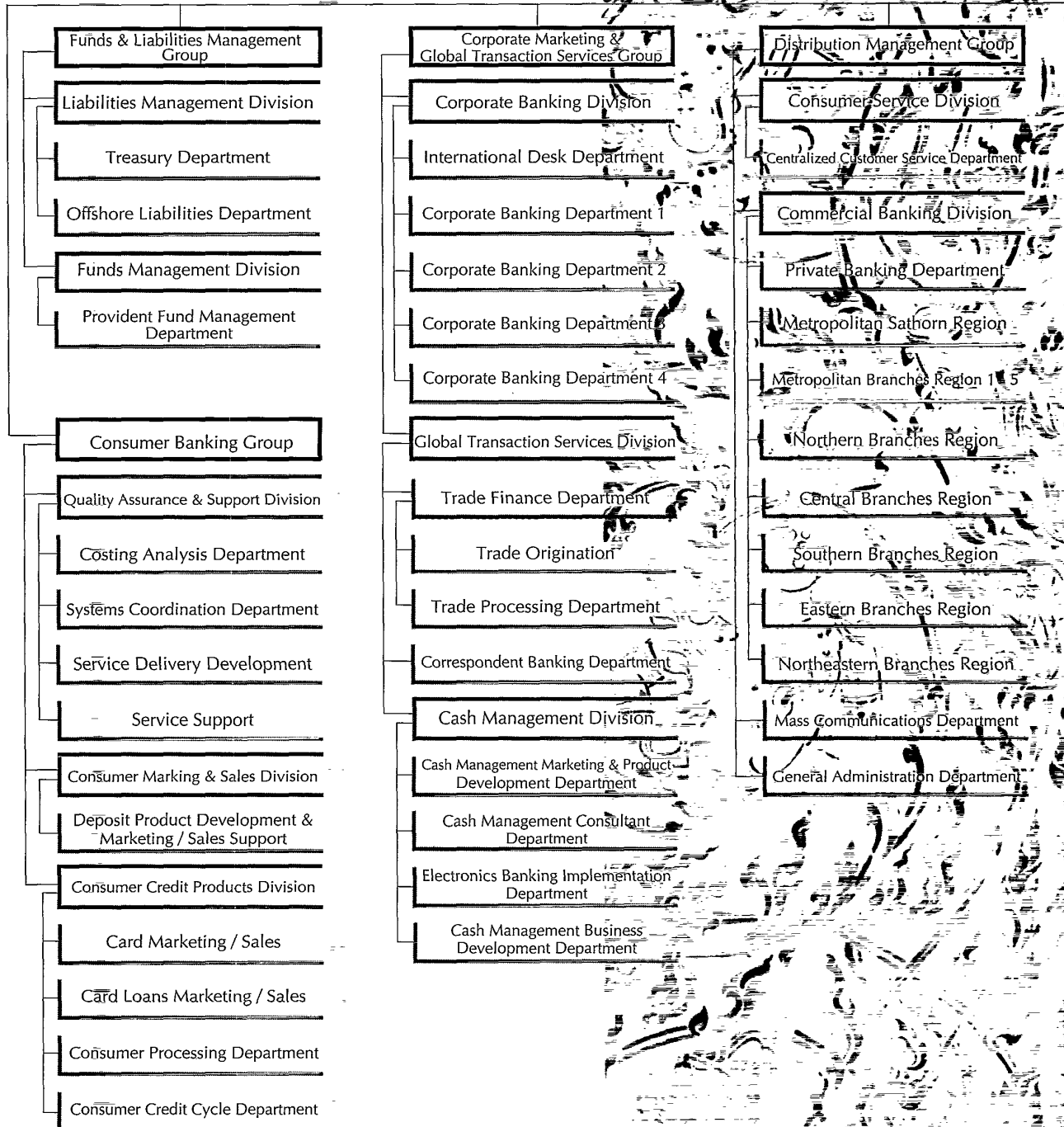
Abhai Asavanund

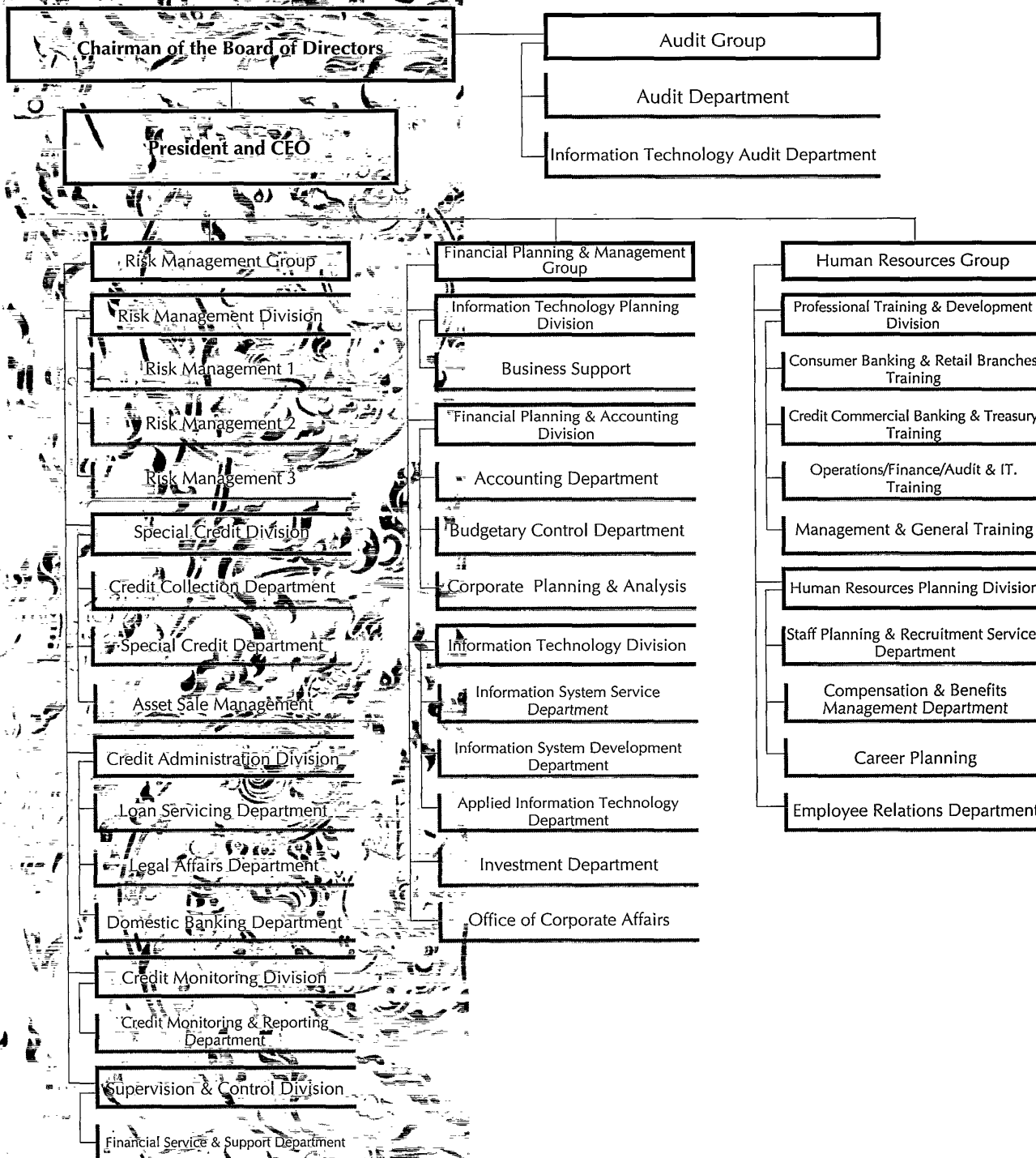
Chulakorn Singhakowin

James Stent

Sergio Agapito Lires Rial

Organization Chart







*Keeping a strong foundation
and increased transparency have become the guiding
principles of work for Bank of Asia.*

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.

He currently serves as the Vice Chairman of the Thai Bankers Association and was voted the Banker of the Year 1997 by "Dok Bia" magazine, a leading local finance and business publication.

Abhai Asavanund
Senior Executive Vice President
Risk Management Group



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.

James Stent
Senior Executive Vice President
Financial Planning and Management 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 and Senior Executive Vice President in 1998.

Bruno Schricke
Executive Vice President
Corporate Marketing and Global Transaction Services Group



Master of Business Administration from ESSEC, Paris, France

He started his banking career with Chase Manhattan Bank, Paris in 1979, and moved to ABN AMRO Bank in 1989 as a Deputy General Manager of its Paris Branch. In 1992 he was appointed Head of Corporate Banking of NSM ABN AMRO Bank, Paris and two years later he became the Branch Manager of ABN AMRO Montreal, Canada. He became Country Manager for Thailand in 1995 until being seconded to Bank of Asia in September 1998 as Executive Vice President.

Chitraporn Tangsuwan
Executive Vice President
Distribution Management 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 Bankers' 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, including product development, credit and marketing. He joined Bank of Asia in 1997 as Executive Vice President.

Phiphat Phornsuvan
Executive Vice President
Credit Administration Division



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 with a stint at 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.

Surachai Chitratsenee
Executive Vice President
Corporate Banking Division



Bachelor of Science in Economics, Central Missouri State University, and M.A. in Economics from State University of New York at Binghamton, U.S.A.

He started his banking career at the Bangkok branch of Chase Manhattan Bank in 1978 in the Corporate Banking Division. He then moved to Bank of America in 1987. In 1989 he joined A.G.C. (Thailand) Finance & Securities, a majority-owned subsidiary of Westpac Banking Group of Australia, as Deputy Managing Director. In 1992 he became President of Premier Finance and Securities. He joined Bank of Asia in December 1998 as Executive Vice President.

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
Funds and Liabilities Management 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.



We at Bank of Asia have kept an eye fixed on the long term, so as to leave ourselves in the most advantageous position in our market when recovery does come.



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58 NOTES TO FINANCIAL STATEMENT



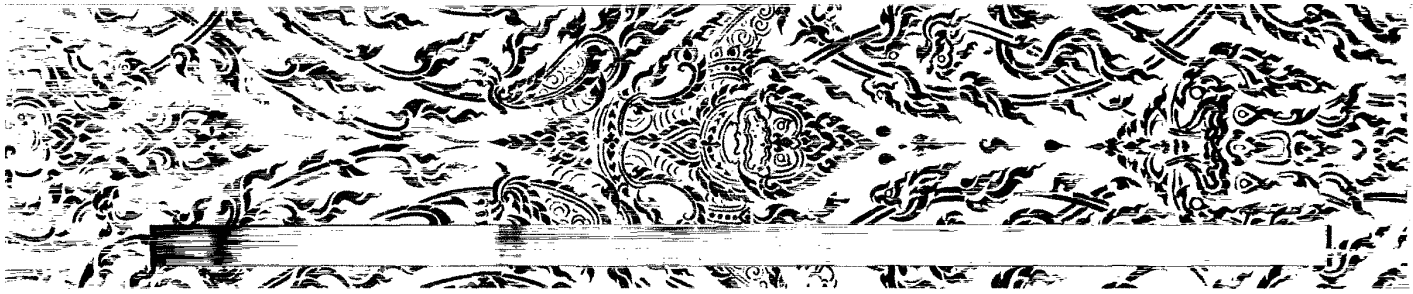
We have audited the accompanying consolidated balance sheets of the Bank of Asia Public Company Limited and subsidiaries (the "Bank and its subsidiaries") as of December 31, 1998 and 1997, and the related consolidated statements of profit and loss, changes in shareholders' equity and retained earnings for the years then ended, and the consolidated statement of cash flows for the year ended December 31, 1998; and the balance sheets-cost method of the Bank of Asia Public Company Limited (the "Bank") as of December 31, 1998 and 1997, and the related statements of profit and loss, changes in shareholders' equity, retained earnings and cash flows-cost method for the years then ended. These financial statements are the responsibility of the Bank and its subsidiaries' management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 3.7, to the financial statements, management has informed us that the Bank and a subsidiary, which is a financial institution (ASEC Finance and Securities Co., Ltd.), have established a minimum required allowance for doubtful accounts using the guidelines established by the Bank of Thailand (the "Guidelines") as issued on March 31, 1998 of Baht 20,261 million. Under these Guidelines, the commercial banking and the finance business system were allowed by the Bank of Thailand to accrue the allowance for doubtful accounts on a pro rata basis semi-annually from December 31, 1998 to December 31, 2000. The minimum allowance prorated effective for the accounting year ended December 31, 1998 is 20 percent of the total allowance. Under generally accepted accounting principles, an allowance for doubtful accounts should be fully recorded at the time it is estimated. The Guidelines also require the Bank and the subsidiary to use certain criteria to estimate the allowance for doubtful accounts, including qualitative review procedures. As of December 31, 1998, the Bank and the subsidiary had not completed the qualitative reviews and therefore, such information was not available by management to estimate the allowance for doubtful accounts. Had such qualitative reviews been completed, the amount of estimated allowance for doubtful accounts may have been different from the amounts currently estimated. At December 31, 1998, the Bank and the subsidiary had recorded an allowance of Baht 9,049 million which represented 45 percent of the total allowance for doubtful accounts estimated by management and which exceed the minimum requirement.

The consolidated financial statements for the year ended December 31, 1998 do not include disclosures of the effective interest rates on financial assets and liabilities, and the average yields on the average financial asset balances and the average cost of funds on financial liabilities as required by International.

Accounting Standard 32, Financial Instruments: Disclosure and Presentation due to the unavailability of such information. In our opinion, disclosure of such information is required by The Stock Exchange of Thailand.



In our opinion, except for the effect on the 1998 financial statements of estimating the allowance for doubtful accounts as discussed in the third paragraph and except for the omission from the 1998 consolidated financial statements of the disclosure described in the fourth paragraph, the aforementioned financial statements present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 1998 and 1997, and the results of its operations, changes in shareholders' equity for the years then ended and its cash flows for the year ended December 31, 1998; and the financial position of the Bank as of December 31, 1998 and 1997, and the results of its operations, changes in shareholders' equity and its cash flows for the years then ended in conformity with generally accepted accounting principles.

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

As discussed in Note 4 to the financial statements, the Bank and its subsidiaries changed its accounting method for recognizing interest income and discounts on loans. Under the new method, interest income is recognized on an accrual basis, with the exception of interest that is past due more than 6 months, which is recognized as income on a cash basis.

O. Krishnamra

Toemsakdi Krishnamra

Certified Public Accountant

DELOITTE TOUCHE TOHMATSU JAIYOS

BANGKOK

January 25, 1999

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Thailand. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Thailand.

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
ASSETS				
CASH	1,363,028,857	1,661,890,751	1,362,699,611	1,661,526,636
INTERBANK AND MONEY MARKET ITEMS (Note 5.2)				
Domestic items				
Interest bearing	1,573,069,694	1,355,978,975	1,470,661,396	1,435,582,092
Non-interest bearing	1,862,454,381	1,207,939,304	1,870,593,947	1,185,041,026
Foreign items				
Interest bearing	200,017,868	1,586,832,235	200,017,868	1,586,832,235
Non-interest bearing	308,203,304	316,743,422	308,203,304	316,743,422
Total interbank and money market Items	3,943,745,247	4,467,493,936	3,849,476,515	4,524,198,775
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Note 5.3)	1,668,000,000	-	1,650,000,000	-
INVESTMENT IN SECURITIES (Notes 3.4 and 5.4)				
Securities for trading	12,131,860,509	3,039,055,259	12,116,318,731	2,958,452,498
Securities for investment	4,537,470,779	6,489,282,681	5,093,319,159	7,240,124,979
Total investment in securities	16,669,331,288	9,528,337,940	17,209,637,890	10,198,577,477
Less Allowance for diminution in value of securities	(1,231,795,767)	(1,385,340,375)	(1,625,099,031)	(1,371,881,323)
Investment in securities-net	15,437,535,521	8,142,997,565	15,584,538,859	8,826,696,154
HIRE-PURCHASE RECEIVABLE-NET	189,522,687	490,527,970	-	-
LOANS AND ACCRUED INTEREST RECEIVABLE				
Loans (Notes 3.6 and 5.5)	124,268,140,840	133,789,586,701	125,540,581,359	134,289,904,005
Accrued interest receivable	4,896,310,052	2,742,521,240	4,845,429,708	2,696,178,025
Total loans and accrued interest receivable	129,164,450,892	136,532,107,941	130,386,011,067	136,986,082,030
Less Allowance for doubtful accounts (Notes 3.7 and 5.6)	(9,151,023,453)	(3,464,751,299)	(8,859,022,156)	(3,338,597,560)
Total loans and accrued interest receivable-net	120,013,427,439	133,067,356,642	121,526,988,911	133,647,484,470
INVENTORIES	231,150,488	264,613,302	-	-
PROPERTIES FORECLOSED (Note 3.12 and 5.8)	311,903,930	192,771,496	270,805,124	157,954,628
Less Allowance for diminution in value of property foreclosed	(54,018,019)	(26,924,491)	(45,800,000)	(21,000,000)
Total properties foreclosed-net	257,885,911	165,847,005	225,005,124	136,954,628



Chavalit Thanachanan
Chairman




Chulakorn Singhakowin
President & CEO

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
ASSETS (CONTINUED)				
CUSTOMERS' LIABILITY UNDER ACCEPTANCES	1,121,080,303	2,241,551,652	1,121,080,303	2,241,551,652
PREMISES AND EQUIPMENT-NET (Notes 3.10, 3.11 and 5.7)	3,395,418,282	3,566,283,937	2,038,672,503	1,986,998,772
DIFFERENCE OF EXCHANGE RATE FROM UNDUE FORWARD EXCHANGE CONTRACTS (Note 3.9)	297,714,809	1,972,751,983	297,714,809	1,972,751,983
OTHER ACCOUNTS RECEIVABLE	444,748,819	780,917,719	444,667,683	780,917,719
GOODWILL (Note 3.18)	37,542,197	322,516,981	-	-
OTHER ASSETS	1,095,711,663	1,099,869,352	835,539,386	723,540,769
TOTAL ASSETS	(Baht) 149,496,512,223	158,244,618,795	148,936,383,704	156,502,621,558

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS (Note 5.9)				
Deposits in Baht	116,251,444,579	80,862,820,260	115,336,190,137	79,474,729,253
Deposits in foreign currencies	292,516,152	611,048,777	292,516,152	611,048,777
Total deposits	116,543,960,731	81,473,869,037	115,628,706,289	80,085,778,030
INTERBANK AND MONEY MARKET ITEMS (Note 5.10)				
Domestic items				
Interest bearing	10,661,275,746	23,478,844,388	10,665,973,979	23,046,584,516
Non-interest bearing	1,074,770,969	126,894,357	1,074,770,969	126,894,357
Foreign items				
Interest bearing	7,039,444,658	32,371,514,063	7,039,444,658	32,180,254,063
Non-interest bearing	22,147,014	61,437,032	22,147,014	61,437,032
Total interbank and money Market items	18,797,638,387	56,038,689,840	18,802,336,620	55,415,169,968
LIABILITY PAYABLE ON DEMAND	233,000,078	135,118,328	233,000,078	135,118,328
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note 5.11)				
	-	4,225,000,000	-	4,225,000,000
BORROWINGS (Note 5.12)				
Short-term borrowings				
Long-term borrowings	1,132,608,600	1,211,433,600	1,132,608,600	1,211,433,600
Total borrowings	1,132,608,600	1,211,433,600	1,132,608,600	1,211,433,600
BANK'S LIABILITIES UNDER				
ACCEPTANCES	1,121,080,303	2,241,551,652	1,121,080,303	2,241,551,652
ACCRUED INTEREST PAYABLE	1,723,571,065	2,476,305,881	1,711,840,781	2,433,757,111
OTHER LIABILITIES	832,356,226	1,073,371,179	633,045,011	872,049,570
TOTAL LIABILITIES	140,384,215,390	148,875,339,517	139,262,617,682	146,619,858,259
MINORITY INTEREST	47,648,270	126,425,756	-	-

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)				
SHAREHOLDERS' EQUITY (Note 5.13)				
SHARE CAPITAL				
Authorized share capital				
1,918,852,965 ordinary shares of Baht 10.00 each	19,188,529,650		19,188,529,650	
493,234,485 ordinary shares of Baht 10.00 each		4,932,344,850		4,932,344,850
Issued and paid-up share capital				
1,853,479,083 ordinary shares of Baht 10.00 each, fully paid	18,534,790,830		18,534,790,830	
423,247,478 ordinary shares of Baht 10.00 each, fully paid		4,232,474,780		4,232,474,780
PREMIUM ON SHARE CAPITAL	3,672,887,930	3,672,887,930	3,672,887,930	3,672,887,930
DISCOUNT ON SHARE CAPITAL	(6,730,000,000)	-	(6,730,000,000)	-
UNREALIZED INCREMENT PER LAND APPRAISAL (Note 3.10)	337,870,670	337,870,670	337,870,670	337,870,670
UNREALIZED INCREMENT PER BUILDINGS APPRAISAL (Note 3.10)	50,174,178	52,133,236	50,174,178	52,133,236
RETAINED EARNINGS				
Appropriated				
Statutory reserve (Note 5.14)	367,591,201	365,509,103	367,591,201	365,509,103
Other reserve	72,000,000	72,000,000	72,000,000	72,000,000
Unappropriated (deficit)	(6,633,018,491)	1,369,864,704	(5,620,259,825)	2,084,387,390
TOTAL SHAREHOLDERS' EQUITY	9,672,296,318	10,102,740,423	10,685,054,984	10,817,263,109
Less Unrealized loss on securities for investment	(607,647,755)	(859,886,901)	(1,011,288,962)	(934,499,810)
TOTAL SHAREHOLDERS' EQUITY-NET	9,064,648,563	9,242,853,522	9,673,766,022	9,882,763,299
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (Baht)				
	149,496,512,223	158,244,618,795	148,936,383,704	156,502,621,558
OFF-BALANCE SHEET ITEMS				
-CONTINGENCIES (Note 5.16)				
AVALS TO BILLS AND GUARANTEES OF LOANS (Baht)				
	1,122,368,741	4,534,988,778	1,122,368,741	4,534,988,778
LIABILITY UNDER UNMATURED IMPORT BILLS (Baht)				
	1,104,869,831	4,086,578,628	1,104,869,831	4,086,578,628
LETTERS OF CREDIT (Baht)				
	716,395,853	1,328,456,904	716,395,853	1,328,456,904
OTHER CONTINGENCIES (Baht)				
	49,668,001,038	129,771,576,332	49,668,001,038	129,771,576,332

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
INTEREST AND DIVIDEND INCOME				
(Note 5.20)				
Loans	15,312,886,840	14,912,354,776	15,393,986,397	14,667,511,892
Interbank and money market items	980,587,386	261,395,239	961,025,581	568,675,827
Government securities and state enterprise securities	532,807,484	370,197,106	509,639,689	360,064,610
Hire purchase	371,251,337	484,040,150	-	-
Other securities	72,933,109	240,810,020	72,933,109	237,608,042
Total Interest and Dividend Income	17,270,466,156	16,268,797,291	16,937,584,776	15,833,860,371
INTEREST EXPENSES				
Deposits	13,439,286,069	7,959,857,796	13,244,283,569	7,760,242,113
Interbank and money market items	3,434,930,006	4,128,818,849	3,384,667,383	4,165,700,538
Short-term borrowings	7,106,790	65,214,517	7,106,790	23,245
Long-term borrowings	59,598,153	58,647,392	59,598,154	58,647,392
Total Interest Expenses	16,940,921,018	12,212,538,554	16,695,655,896	11,984,613,288
Net Interest and Dividend Income	329,545,138	4,056,258,737	241,928,880	3,849,247,083
LESS BAD DEBT AND DOUBTFUL ACCOUNTS				
	(5,817,280,930)	(1,731,864,289)	(5,581,939,680)	(1,610,000,000)
NET INTEREST AND DIVIDEND INCOME AFTER ALLOWANCE FOR BAD DEBT AND DOUBTFUL ACCOUNTS				
	(5,487,735,792)	2,324,394,448	(5,340,010,800)	2,239,247,083
NON-INTEREST INCOME				
Fees and services income				
Acceptances, aval and guarantees	176,017,609	138,915,575	166,392,878	138,883,799
Others	250,214,618	392,293,343	235,849,659	378,360,366
	426,232,227	531,208,918	402,242,537	517,244,165
Gain on foreign exchange	598,675,066	284,678,172	645,990,310	393,601,110
Gain on sale of investments (Note 5.24)	561,289,907	92,691,063	561,289,907	95,116,238
Rental income	4,654,000	6,157,500	-	-
Other income	32,454,345	16,187,566	15,289,399	8,841,561
Total Non-Interest Income	1,623,305,545	930,923,219	1,624,812,153	1,014,803,074

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF PROFIT AND LOSS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
NON-INTEREST EXPENSES				
Personnel expenses	963,848,917	997,311,797	907,422,908	935,368,058
Premises and equipment expenses	847,046,360	742,759,113	676,696,317	533,940,160
Taxes and duties	552,193,503	471,401,563	541,791,492	462,383,133
Fees and services expenses	284,261,965	132,048,848	265,107,302	121,271,984
Directors' remuneration	7,691,209	10,059,500	7,001,750	9,465,000
Loss on diminution in value of securities (Note 5.15)	446,962,081	474,535,178	783,168,379	437,381,514
Payments to the Financial Institutions Development Fund	530,043,516	194,969,584	482,886,359	190,956,532
License Cost (Note 5.25)	141,315,357	16,347,576	-	-
Other expenses	488,599,509	595,482,557	322,459,123	393,366,759
Total Non-Interest Expenses	4,261,962,417	3,634,915,716	3,986,533,630	3,084,133,140
INCOME (LOSS) BEFORE INCOME TAX	(8,126,392,664)	(379,598,049)	(7,701,732,277)	169,917,017
INCOME TAX EXPENSE	56,514	128,678,483	-	128,275,047
PROFIT (LOSS) BEFORE MINORITY INTERESTS	(8,126,449,178)	(508,276,532)	(7,701,732,277)	41,641,970
MINORITY INTERESTS IN SUBSIDIARIES' LOSS	126,480,921	78,852,540	-	-
NET PROFIT (LOSS)	(Baht) (7,999,968,257)	(429,423,992)	(7,701,732,277)	41,641,970
NET PROFIT (LOSS) PER SHARE	(Baht) (9.18)	(1.02)	(8.83)	0.10

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
ORDINARY SHARE CAPITAL				
Beginning balance	4,232,474,780	4,200,434,030	4,232,474,780	4,200,434,030
Additions	14,302,316,050	32,040,750	14,302,316,050	32,040,750
Ending balance	18,534,790,830	4,232,474,780	18,534,790,830	4,232,474,780
PREMIUM ON SHARE CAPITAL				
Beginning balance	3,672,887,930	3,672,887,930	3,672,887,930	3,672,887,930
Ending balance	3,672,887,930	3,672,887,930	3,672,887,930	3,672,887,930
DISCOUNT ON SHARE CAPITAL				
Beginning balance	-	-	-	-
Addition	(6,730,000,000)	-	(6,730,000,000)	-
Ending balance	(6,730,000,000)	-	(6,730,000,000)	-
UNREALIZED INCREMENT PER LAND APPRAISAL				
Beginning balance	337,870,670	337,870,670	337,870,670	337,870,670
Ending balance	337,870,670	337,870,670	337,870,670	337,870,670
UNREALIZED INCREMENT PER BUILDINGS APPRAISAL				
Beginning balance	52,133,236	54,093,380	52,133,236	54,093,380
Deductions - Depreciation of increment per buildings appraisal for the year	(1,959,058)	(1,959,058)	(1,959,058)	(1,959,058)
- Adjustment of the depreciation of increment per buildings appraisal for 1993	-	(1,086)	-	(1,086)
Ending balance	50,174,178	52,133,236	50,174,178	52,133,236
RETAINED EARNINGS				
Appropriation				
STATUTORY RESERVE				
Beginning balance	365,509,103	320,771,235	365,509,103	315,871,541
Additions	2,082,098	44,737,868	2,082,098	49,637,562
Ending balance	367,591,201	365,509,103	367,591,201	365,509,103
OTHER RESERVE				
Beginning balance	72,000,000	72,000,000	72,000,000	72,000,000
Ending balance	72,000,000	72,000,000	72,000,000	72,000,000

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Unappropriated				
Beginning balance	-- 1,369,864,704	2,392,823,231	2,084,387,390	2,636,279,955
Additions	-	-	-	41,641,970
Deductions	(8,002,883,195)	(1,022,958,527)	(7,704,647,215)	(593,534,535)
Ending balance	(6,633,018,491)	1,369,864,704	(5,620,259,825)	2,084,387,390
UNREALIZED LOSS ON SECURITIES FOR INVESTMENT				
Beginning balance	(859,886,902)	(50,018,298)	(934,499,810)	(27,399,567)
Additions	-	(809,868,603)	(76,789,152)	(907,100,243)
Deductions	252,239,147	-	-	-
Ending balance	(607,647,755)	(859,886,901)	(1,011,288,962)	(934,499,810)
TOTAL	(Baht) 9,064,648,563	9,242,853,522	9,673,766,022	9,882,763,299

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

BANK OF ASIA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
UNAPPROPRIATED RETAINED EARNINGS				
Beginning balance	1,369,864,704	2,392,823,231	2,084,387,390	2,636,279,955
Less Appropriation for last year				
Statutory reserve	(2,082,098)	(49,637,562)	(2,082,098)	(49,637,562)
Dividends paid	-	(507,896,973)	-	(507,896,973)
Directors' remuneration (Note 5.21)	(832,840)	(36,000,000)	(832,840)	(36,000,000)
Net profit (loss) for the year	(7,999,968,257)	(429,423,992)	(7,701,732,277)	41,641,970
Total unappropriated retained earnings (deficit)	(6,633,018,491)	1,369,864,704	(5,620,259,825)	2,084,387,390
APPROPRIATED RETAINED EARNINGS				
Statutory reserve	367,591,201	365,509,103	367,591,201	365,509,103
Other reserve	72,000,000	72,000,000	72,000,000	72,000,000
Total appropriated retained earnings	439,591,201	437,509,103	439,591,201	437,509,103
TOTAL RETAINED EARNINGS (DEFICIT)				
	(Baht)			
	(6,193,427,290)	1,807,373,807	(5,180,668,624)	2,521,896,493

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

BANK OF ASIA PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED	THE BANK'S FINANCIAL	
	FINANCIAL	STATEMENTS BY	
	STATEMENTS	THE COST METHOD	
	1998	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)	(7,999,968,257)	(7,701,732,277)	41,641,970
Items to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization expenses	536,829,710	142,158,724	185,399,977
Bad debt and doubtful accounts	5,817,280,930	5,581,939,680	1,589,000,000
Loss on diminution in value of securities	446,962,082	783,168,379	437,381,514
Loss on inventory valuation	50,057,580	-	-
Loss on appraisal of properties foreclosed	27,093,528	24,800,000	21,000,000
Future loss of assets on lease	40,762,701	-	-
Gain on sales of assets	(18,106,022)	(19,919,640)	(4,705,886)
Branch license cost written off	141,315,357	-	-
Loss (Gain) on foreign exchange	2,276,165,100	2,276,299,300	(1,937,217,470)
Accrued interest and dividend income increase	(2,361,597,904)	(2,334,873,759)	(1,172,064,375)
Interest income from repayment on transferred assets	(5,633,127)	-	-
Interest and dividend income from investment in long-term securities	(260,972,848)	(260,972,848)	(460,951,975)
Accrued interest expenses increase	(730,355,489)	(721,916,330)	749,055,728
Other accrued expenses decrease	(100,593,827)	(105,709,037)	(276,248,949)
Income (loss) from operations before changes in operating assets and liabilities	(2,140,760,486)	(2,336,757,808)	(827,709,466)
Operating assets (increase) decrease			
Negotiable Certificates of Deposit	-	-	(1,480,729,000)
Securities purchased under resale agreements	(1,668,000,000)	(1,650,000,000)	-
Investment in securities for trading	(7,187,383,348)	(7,411,680,042)	(227,075,896)
Hire-purchase	259,258,009	-	-
Deposits and loans including interbank and money market items	6,833,905,610	6,291,257,929	(25,880,522,052)
Inventory	(16,594,765)	-	-
Properties foreclosed	43,951,469	1,665,091	3,109,750
Other assets	1,633,306,601	1,671,117,487	(349,404,532)
Operating liabilities increase (decrease)			
Deposits and borrowing including interbank and money market items	(23,015,390)	(62,801,691)	26,289,228,191
Demand liabilities	97,922,059	97,922,059	29,029,032
Securities sold under repurchase agreements	(4,225,000,000)	(4,225,000,000)	3,665,000,000
Other liabilities	(166,303,151)	(136,798,220)	(90,691,548)
Minority interest	(126,480,921)	-	-
Directors' remuneration	(832,840)	(832,840)	(36,000,000)
Net cash provided (used) by operating activities	(6,686,027,153)	(7,761,908,035)	1,094,234,479

BANK OF ASIA PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31,

	CONSOLIDATED FINANCIAL STATEMENTS 1998	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
		1998	1997
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in securities for investment (increase) decrease	121,225,217	(189,863,488)	(399,588,105)
Interest and dividend income from investment in long-term securities	329,789,595	320,121,831	388,317,834
Cash paid for purchase of property, premises and equipment	(470,396,540)	(195,651,841)	(316,037,782)
Cash received from sales of property, premises and equipment	24,381,458	5,602,208	4,772,391
Net cash provided (used) by investing activities	4,999,730	(59,791,290)	(322,535,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issued and paid-up share capital increase (Note 5.1.2)	7,522,872,300	7,522,872,300	2,290,750
Cash paid to long-term loans	(1,140,706,771)	-	-
Dividends paid	-	-	(507,896,974)
Net cash provided (used) by financing activities	6,382,165,529	7,522,872,300	(505,606,224)
Net decrease in cash and cash equivalents	(298,861,894)	(298,827,025)	266,092,593
Cash and cash equivalents as at January 1,	1,661,890,751	1,661,526,636	1,395,434,043
Cash and cash equivalents as at December 31,	(Baht) 1,363,028,857	1,362,699,611	1,661,526,636

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


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

1.1 Economic turmoil and the operations of the Bank and its subsidiaries

Thailand and many Asia-Pacific countries are experiencing severe economic difficulties, including currency instability, business contraction, financial system instability and a sharp rise in loan defaults. This has and may continue to adversely affect the operations of banks operating in Thailand, including the Bank of Asia Public Company Limited and its subsidiaries. Specifically, it has led to many of the customers of the Bank and its subsidiaries becoming unable to meet their obligations when due. In 1998, the Bank and its subsidiaries have estimated that allowances for possible loan loss of Baht 20,261 million would adequately provide against the effects of the deteriorating economy and the resultant likely rise in loan payment defaults. In the face of possible further economic turmoil and deterioration, the adequacy of this estimate will be dependent on many factors external to the Bank and its subsidiaries which they cannot control or accurately forecast at this time. It is therefore not possible to forecast the effect which a continuation of adverse economic conditions might have on the earnings and balance sheet of the Bank and its subsidiaries. Should further increase in non-performing loans above the amount estimated occur, then additional allowances would be required, with resultant impact on the adequacy of the Bank and its subsidiaries' capital base.

1.2 New guidelines for establishing the allowance for doubtful accounts

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



1.3 Regulatory requirements

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

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

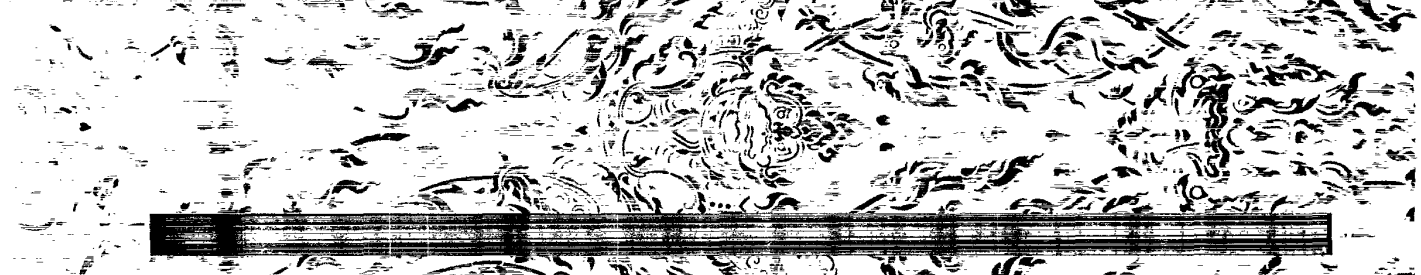
2.1 The consolidated financial statements of the Bank and its subsidiaries and the Bank of Asia Public Company Limited's (the "Bank") financial statements by the cost method for the years ended December 31, 1998 and 1997 are presented in accordance with the requirements of the Notifications of the Bank 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 BOT.

No consolidated statement of cash flows for the year ended December 31, 1997 is presented because the consolidated financial statements for the year ended December 31, 1997 were prepared for the first time.

Certain reclassifications have been made in the Bank and its subsidiaries' consolidated financial statements and the Bank's financial statements by the cost method for the year ended December 31, 1997 to conform to the presentation of the current year.

In 1998, the consolidated financial statements recorded adjustments to correct certain accounting entries which occurred in prior accounting periods. These adjustments resulted in a net Baht 85 million decrease in the consolidated retained earnings at December 31, 1997, and a Baht 6 million decrease in net income for the year ended December 31, 1997. Such adjustments are not considered to have a material effect on the consolidated financial statements taken as a whole.

The Bank's financial statements for its investment in subsidiaries and associated companies by the cost method are in accordance with the procedures, policies and notifications of the BOT relating to the financial statements of commercial banks.



2.2 The Bank and its subsidiaries' consolidated financial statements include the accounts of all branches of the Bank and 5 subsidiaries whose shares are more than 50 percent owned by the Bank after eliminating significant inter-company transactions and balances. The subsidiaries are Asia Property Co., Ltd., B.O.A. Leasing Co., Ltd., Asia Leasehold Co., Ltd., ASEC Finance and Securities Co., Ltd. and Thai Asia Mutual Fund Co.,Ltd. The consolidated financial statements exclude two wholly-owned subsidiaries (Asia Vanichkij Co., Ltd.) which is under liquidation and Thanapawat Co., Ltd. which has not yet commenced operations (see Note 5.20.3). Besides, the financial statements of these two wholly-owned subsidiaries are not material to the consolidated financial statements.

2.3 The Bank's financial statements by the cost method include the accounts of all branches of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The Bank and its subsidiaries recognizes interest on loans as income on an accrual basis, with the exception of income on import bills. Interest past due greater than 6 months from due date is recognized on a cash basis.

3.2 Hire purchase income is recognized by the "sum of the years 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 The Bank and its subsidiaries classifies its investments in securities as either securities for trading or securities for investment.

Securities for trading are carried at the lower of cost or market value on an aggregate portfolio basis. Net unrealized losses on securities for trading, if any are recognized as loss on diminution in value of securities in the statement of profit or loss. Gains or losses on the disposition of securities for trading are computed using the average cost method, with the exception of debt instruments which use the specific identification method. Such gains or losses recognized as non-interest income or expenses.

Securities for investment are carried at the lower of cost or market value, except for equity securities which are non-listed securities are stated at the lower of cost or book value, using the specific identification method. Net unrealized losses on securities for investment, if any are recorded as a separate component of shareholders' equity. Individual debt and equity securities are written down and recognized in the statement of profit and loss when, in the opinion of management, a decline in the market value below the cost of such securities is permanent.

Dividend income is recognized on a cash basis.



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

- 3.4.1 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 state enterprise bonds without guarantee, the calculation is also based on the aforementioned yield curve.
- 3.4.2 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.
- 3.4.3 For private sector's debt instruments which are listed securities and non-listed securities, the last closing prices of The Thai Bond Dealing Centre are used as market values. In the absence of such prices, market values are determined by applying the aforementioned risk adjusted yield curve, in accordance with the criteria established by the Bank of Thailand.
- 3.4.4 Investment units which are non-listed equity securities are stated at the lower of cost or net assets value.

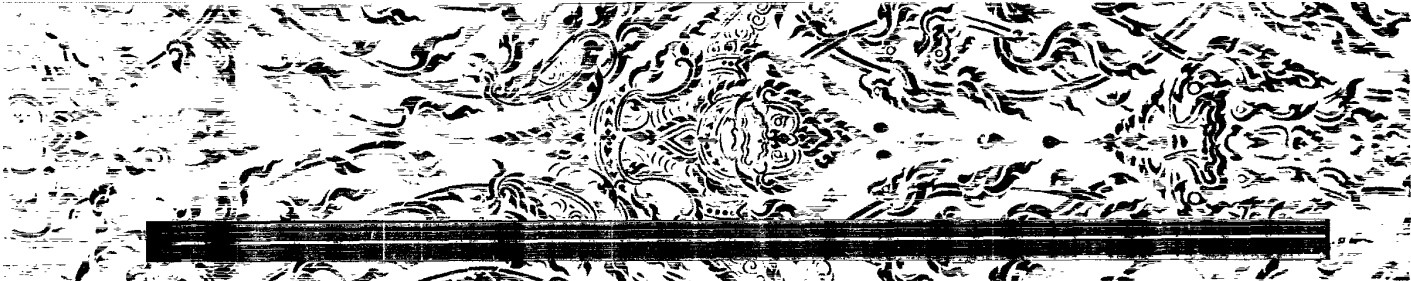
In considering securities valuation, market value of securities for trading are valued separately from securities for investment, and equity securities are valued separately from debt instruments.

- 3.5 The Bank and its subsidiaries recognizes interest expense on borrowings on an accrual basis.
- 3.6 Overdrafts are stated at the drawn amounts including interest. Loans are carried at the principal amount outstanding the principal amounts. Unearned discounts on notes receivable are recorded in other liabilities.
- 3.7 Allowance for doubtful accounts.

The BOT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the differing classifications of loans. The period that a loan is past due is the principal criteria utilized in classifying a loan, with the appraised value of collateral being considered in some circumstances. The guidelines for establishing the minimum level of allowance for doubtful accounts have periodically changed.

The Bank and the subsidiary which is a financial institution has established a minimum required allowance for doubtful accounts using the guidelines established by the BOT ("the Guidelines").

Under the Guidelines, the commercial banking and finance business system was allowed by the BOT to accrue the allowance for doubtful accounts on a pro rata basis semi-annually from December 31, 1998 to December 31, 2000. The minimum allowance prorated effective for the accounting year ended December 31, 1998 being 20 percent of the total allowance. The guidelines also require the Bank and the subsidiary which is a financial institution to use certain criteria to estimate the allowance for doubtful accounts including qualitative review procedures.



As of December 31, 1998, the Bank and the subsidiary which is a financial institution had not completed the qualitative reviews and therefore, such information was not available by management to estimate the allowance for doubtful accounts. Had such qualitative reviews been completed the amounts of estimated allowance for doubtful accounts may have been different from the amounts currently estimated. At December 31, 1998, the Bank and the subsidiary which is a financial institution had recorded an allowance of approximately Baht 9,049 million which represents 45% of the total allowance for doubtful accounts estimated by management.

For the year ended December 31, 1997, the allowance for doubtful accounts were provided for loans and receivables which were classified in accordance with the Bank of Thailand guideline. The allowance for doubtful accounts had been fully provided for bad and doubtful debts and calculated at the percentage required by the BOT, by providing cumulatively every year for substandard accounts. This was in accordance with the requirement of the Notifications of Bank of Thailand dated March 3, 1997 (regarding the provision for assets which may be irrecoverable).

Bad debts are written off as required by the Ministerial Regulation No.186 B.E. 2534 (1991) issued under the Revenue Code or by the instruction of the BOT for bad debts in the related accounting period. Bad debts are charged to the allowance for doubtful accounts.

Bad debts recovered are recorded as a credit to the allowance for doubtful accounts.

- 3.8 Foreign currency transactions assets and liabilities are translated into Baht at rates of exchange prevailing at the transaction dates. All balances of assets and liabilities in foreign currencies and forward exchange contracts at the end of the year are converted at the reference exchange rates established by the BOT at the end of the year, except for subordinated convertible debentures which are converted at the fixed rates as specified in the prospectus (see Note 5.12).

All foreign exchange gains or losses are recognized in the statement of profit and loss.

3.9 Forward Foreign Exchange Contract

The Bank serves primarily as intermediary agent in foreign exchange transactions to its customers. For asset and liability management purposes, the Bank manages foreign exchange risk by entering into foreign exchange swap transactions.

Differences of exchange rate from undue forward foreign exchange contracts are the differences between the spot rate of the forward exchange contract and the reference exchange rates of the BOT and record as revenue and expense for the year.

Differences between the forward rate and the spot rate in forward foreign exchange contracts are amortized into revenue and expense over the contract-period.

- 3.10 Land and buildings were professionally appraised in 1993 according to guidelines established by the BOT. The increment resulting from the appraisal, approved by the BOT 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.



3.11 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	Based on contractual term
Building improvement	Based on contractual term
Leasehold improvement	Based on contractual term
Furniture and fittings	10 years
Vehicles	5 years
Office equipment	5 - 10 years

3.12 Properties foreclosed consist of movable and immovable properties. Immovable properties are booked at lower of cost or market value. Movable properties are stated at book value. Gains or losses are recognized on such properties when sold.

3.13 Cash and cash equivalents are those amounts included in the balance sheet under the caption of cash, which consists of cash on hand and cash on collection.

3.14 Provident and pension funds

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

The Bank also has a compensation scheme for employees with at least 15 years' service. Payment to the employees will be made on the retirement date.

A subsidiary company which is a financial institution has a contributory provident fund which 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 (loss) per share is computed on the basis of average number of ordinary shares outstanding, weighted according to time of registration of increase in share capital.

The Bank has issued convertible debentures and subordinated convertible bonds which the debentureholders have the right to convert the debentures into ordinary shares. Because there is a net loss per share, fully diluted information is not required to be presented.

3.18 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. Goodwill is amortized over 10 years and recognized as non-interest expense. (see Note 5.15)



3.19 Preparation of financial statements in conformity with generally 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 .

4. THE CHANGE IN ACCOUNTING POLICIES

4.1 Prior to January 1, 1998, the Bank and the subsidiary which is a financial institution recognized interest income and discounts on loans on an accrual basis, except when interest was past due greater than six months and the collateral considered to be lower than obligations, and interest past due over 12 months that had collateral in excess of loan balance, interest was recognized on a cash basis.

On January 1, 1998, the Bank and the subsidiary which is a financial institution changed its accounting method for recognizing interest income and discounts on loans in accordance with the Notification of the BOT. Under the amended guidelines, the Bank and the subsidiary modified its accounting policies to recognize interest income on an accrual basis, with the exception of interest that is past due more than 6 months, which is recognized on a cash basis. Management does not believe that this change in accounting policy has had any significant effect on the Bank's and the subsidiary's operations.

4.2 New accounting standard

The International Accounting Standard IAS No. 32, Presentations and Disclosure of Financial Instruments are used as a reference for disclosure of the Bank and its subsidiaries' financial instruments, as recommended by The Stock Exchange of Thailand. As a result, the following disclosures have been included in these consolidated financial statements for the year ended December 31, 1998.

- Accounting policies
- Credit risk
- Interest rate risk
- Maturities of financial assets and liabilities
- Estimated market value of financial instruments.

5. ADDITIONAL INFORMATION

5.1 Supplemental disclosures of cash flow information

5.1.1 Cash paid for interest and income tax for the years ended are as follows:

**CONSOLIDATED
FINANCIAL STATEMENTS**

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

		1998	1998		1997
Interest	(Baht)	17,422,712,318	17,417,572,225	11,235,557,560	
Income tax	(Baht)	141,946,926	125,448,937	441,771,469	

5.1.2 Non-cash item

The consolidated financial statements for the year ended December 31, 1998 and the Bank's financial statements by the cost method, for the years ended December 31, 1998 and 1997 include a provision (recovery) for diminution in value of securities held for investment, of Baht (252,239,147), Baht 76,789,153 and Baht 934,449,810, respectively. These amounts are presented as a deduction from the shareholders' equity.

The conversion of convertible bonds (domestic) to ordinary shares during 1998 and 1997 amounted to Baht 72,316,050 and Baht 32,040,750, respectively. (Cash receipt in accordance with the condition of conversion amounted to Baht 22,872,300 and Baht 2,290,750, respectively is shown as a cash flow from financing activities in the Bank's statement of cash flows.) (see Note 5.13)

5.1.3 Realised and unrealised gain or loss on foreign exchange

For the 1998 cash flow statement, realised gain or loss on exchange is based on cash basis for the amount that the special business tax has been paid. Unrealised gain or loss on foreign exchange is based on the amount of liabilities in foreign currencies as recorded in various accounts and based on the amount of assets in foreign currencies on the proportion of outstanding balances as recorded in each category.

5.1.4 Acquisition of a subsidiary

The consolidated financial statements for the year ended December 31, 1998 included transactions of a new subsidiary. During 1998, the Bank acquired additional shares of Thai Asia Mutual Fund Co., Ltd. Acquisition of these additional shares resulted in the Bank owning 99.99 percent of the common shares outstanding; thereby, requiring the entity to be consolidated in the Bank and its subsidiaries' financial statements for financial reporting purposes.

The transfer of assets, liabilities and the payment of shares purchased are as follows:

Cash	4,012
Other assets	124,429,558
<u>Less Liabilities transferred</u>	<u>(6,761,594)</u>
Net assets	117,671,976
<u>Add Goodwill on consolidation</u>	<u>18,053,748</u>
Cash payment to acquire additional shares	135,725,724
<u>Less Cash transferred from the subsidiary</u>	<u>(4,012)</u>
Net cash paid	(Baht) 135,721,712

5.2 Interbank and money market items

Interbank and money market items are as follows at December 31:

CONSOLIDATED FINANCIAL STATEMENTS						
	1998			1997		
	At call (Baht)	Time (Baht)	Total (Baht)	At call (Baht)	Time (Baht)	Total (Baht)
5.2.1 Domestic items						
Bank of Thailand and Financial Institutions						
Development Fund	1,866,081,668	-	1,866,081,668	1,192,308,558	-	1,192,308,558
Commercial Banks	27,551,037	30,645,506	58,196,543	166,516,218	23,951,556	190,467,774
Other Banks	-	693,981	693,981	839,549	-	839,549
Finance and Securities Companies, Securities Companies and Credit Foncier Companies	52,710,758	1,143,726,304	1,196,437,062	673,649,079	430,238,379	1,103,887,458
Other Financial Institutions	122,949,917	191,164,904	314,114,821	76,414,940	-	76,414,940
Total Domestic items	2,069,293,380	1,366,230,695	3,435,524,075	2,109,728,344	454,189,935	2,563,918,279
5.2.2 Foreign items						
U.S. Dollars	134,927,581	200,017,868	334,945,449	167,501,070	351,463,320	518,964,390
YEN	44,887,846	-	44,887,846	86,275,702	-	86,275,702
DEUTSCHE MARK	26,147,677	-	26,147,677	30,095,200	-	30,095,200
Other currencies	102,240,200	-	102,240,200	103,753,516	1,164,486,849	1,268,240,365
Total foreign items	308,203,304	200,017,868	508,221,172	387,625,488	1,515,950,169	1,903,575,657
Total Domestic and Foreign items	2,377,496,684	1,566,248,563	3,943,745,247	2,497,353,832	1,970,140,104	4,467,493,936



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

	1998			1997		
	At call (Baht)	Time (Baht)	Total (Baht)	At call (Baht)	Time (Baht)	Total (Baht)
5.2.1 Domestic items						
Bank of Thailand and Financial Institutions						
Development Fund	1,859,024,083	-	1,859,024,083	1,183,391,118	-	1,183,391,118
Commercial Banks	11,281,966	1,000	11,282,966	181,090,054	-	181,090,054
Other Banks	-	693,981	693,981	839,548	-	839,548
Finance and Securities Companies, Securities Companies and Credit Foncier companies	52,710,758	1,103,428,734	1,156,139,492	673,649,079	505,238,379	1,178,887,458
Other Financial Institutions	122,949,917	191,164,904	314,114,821	76,414,940	-	76,414,940
Total Domestic items	2,045,966,724	1,295,288,619	3,341,255,343	2,115,384,739	505,238,379	2,620,623,118
5.2.2 Foreign items						
U.S. Dollars	134,927,581	200,017,868	334,945,449	167,501,070	351,463,320	518,964,390
YEN	44,887,846	-	4,887,846	86,275,702	-	86,275,702
DEUTSCHE MARK	26,147,677	-	26,147,677	30,095,200	-	30,095,200
Other currencies	102,240,200	-	102,240,200	103,753,516	1,164,486,849	1,268,240,365
Total foreign items	308,203,304	200,017,868	508,221,172	387,625,488	1,515,950,169	1,903,575,657
Total Domestic and Foreign items	2,354,170,028	1,495,306,487	3,849,476,515	2,503,010,227	2,021,188,548	4,524,198,775

The Bank had Baht 979 million and Baht 955 million of loans outstanding at December 31, 1998 and 1997 to financial institutions that had ceased operations by order of the Ministry of Finance in accordance with the Notification December 8, 1997. In 1998, the Bank had established allowances for doubtful accounts which covered the minimum amount in accordance with the Bank of Thailand guidelines (see Note 3.7) which is included in the allowance for doubtful accounts shown in loans and accrued interest receivable (see Note 5.6) and in 1997 the Bank had established allowances for doubtful accounts of Baht 125 million for such loans outstanding. The Bank had processed of exchanging the loans of Baht 454 million in 1998 and Baht 830 million in 1997 for 2 percent 5 year certificates of deposit with the Krung Thai Bank Public Company Limited.

5.3 Securities purchased under resale agreements

Securities purchased under resale agreements are as follows at December 31, 1998:

CONSOLIDATED FINANCIAL STATEMENTS			
	Repurchase Market of Bank Of Thailand (Baht)	Other Repurchase Market (Baht)	Total (Baht)
Government bonds and Bank of Thailand bonds	18,000,000	-	18,000,000
State enterprise securities	-	-	-
Other securities	1,650,000,000	-	1,650,000,000
Total	1,668,000,000	-	1,668,000,000

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD			
	Repurchase Market of Bank of Thailand (Baht)	Other Repurchase Market (Baht)	Total (Baht)
Government bonds and Bank of Thailand bonds	-	-	-
State enterprise securities	-	-	-
Other securities	1,650,000,000	-	1,650,000,000
Total	1,650,000,000	-	1,650,000,000

At December 31, 1997 the consolidated financial statements and the Bank's financial statements by the cost method did not have any securities purchased under resale agreements.

5.4 Investment in securities

Investment in securities are as follows at December 31 :

CONSOLIDATED FINANCIAL STATEMENTS				
1998				
1997				
	Cost/Book Value	Market Value	Cost/Book Value	Market Value
	(Baht)	(Baht)	(Baht)	(Baht)
5.4.1 Securities for trading				
Debt instruments				
Government and state				
enterprise securities	11,079,764,566	11,547,695,969	1,209,417,109	1,131,786,199
Private debt instruments	760,850,223	585,409,558	1,468,719,626	1,361,087,381
Other debt instruments	201,718,642	59,355,675	206,330,463	75,885,560
Total	12,042,333,431	12,192,461,202	2,884,467,198	2,568,759,140
Less Unrealized loss on securities	(318,060,748)	-	(315,708,058)	-
Debt instruments - net	11,724,272,683	12,192,461,202	2,568,759,140	2,568,759,140
Ordinary shares				
Listed securities	71,897,078	56,198,030	136,958,061	49,209,841
Other securities	17,630,000	6,163,977	17,630,000	6,887,864
Total	89,527,078	62,362,007	154,588,061	56,097,705
Less Unrealized loss on securities	(30,948,093)	-	(98,490,356)	-
Ordinary shares -net	58,578,985	62,362,007	56,097,705	56,097,700
Total securities for trading - net	11,782,851,668	12,254,823,209	2,624,856,845	2,624,856,845
5.4.2 Securities for investment				
Debt instruments				
Government and state				
enterprise securities	1,543,079,912	1,661,703,527	3,366,450,365	3,047,305,199
Private debt instruments	8,636,811	-	157,668,648	149,981,101
Other debt instruments	126,356,00	85,010,179	126,000,000	86,000,000
Total	1,678,072,723	1,746,713,706	3,650,119,013	3,283,286,300
Less Unrealized loss on securities	(49,982,632)	-	(367,800,876)	-
Debt instruments - net	1,628,090,091	1,746,713,706	3,282,318,137	3,283,286,300
Ordinary shares				
Listed securities	488,230,580	779,523,013	505,240,038	624,213,917
Foreign securities	10,259,400	11,338,774	13,009,425	17,122,226
Other securities	2,360,908,076	2,101,962,572	2,320,914,205	2,408,528,738
Total	2,859,398,056	2,892,824,359	2,839,163,668	3,049,864,881
Less Unrealized loss on securities	(832,804,294)	-	(603,341,085)	-
Ordinary shares net	2,026,593,762	2,892,824,359	2,235,822,583	3,049,864,881
Total securities for investment-net	3,654,683,853	4,639,538,065	5,518,140,720	6,333,151,181
Total investment in securities	15,437,535,521	16,894,361,274	8,142,997,565	8,958,008,026

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

	1998		1997	
	Cost/Book Value (Baht)	Market Value (Baht)	Cost/Book Value (Baht)	Market Value (Baht)
5.4.1. Securities for trading				
Debt instruments				
Government and state enterprise securities	11,079,764,566	11,547,695,969	1,209,417,109	1,131,786,199
Private debt instruments	760,850,223	585,409,558	1,468,719,626	1,361,087,381
Other debt instruments	201,718,642	59,355,675	206,330,463	75,885,560
Total	12,042,333,431	12,192,461,202	2,884,467,198	2,568,759,140
Less Unrealized loss on securities	(318,060,748)	-	(315,708,058)	-
Debt instruments - net	11,724,272,683	12,192,461,202	2,568,759,140	2,568,759,140
Ordinary shares				
Listed securities	56,355,300	36,873,230	56,355,300	25,423,980
Other securities	17,630,000	6,163,977	17,630,000	6,887,864
Total	73,985,300	43,037,207	73,985,300	32,311,844
Less Unrealized loss on securities	(30,948,093)	-	(41,673,456)	-
Ordinary shares -net	43,037,207	43,037,207	32,311,844	32,311,844
Total securities for trading - net	11,767,309,890	12,235,498,409	2,601,070,984	2,601,070,984
5.4.2. Securities for investment				
Debt instruments				
Government and state enterprise securities	1,474,633,252	1,589,912,457	3,246,917,133	2,940,747,351
Private debt instruments	-	-	149,031,837	149,981,101
Other debt instruments	126,356,000	85,010,179	126,000,000	86,000,000
Total	1,600,989,252	1,674,922,636	3,521,948,970	3,176,728,452
Less Unrealized loss on securities	(41,345,821)	-	(346,188,681)	-
Debt instruments - net	1,559,643,431	1,674,922,636	3,175,760,289	3,176,728,452
Ordinary shares				
Listed securities	456,153,388	751,416,895	504,955,038	624,213,917
Foreign securities	10,259,400	11,338,774	13,009,425	17,122,226
Other securities	3,025,917,119	1,823,329,286	3,200,211,546	2,408,528,738
Total	3,492,329,907	2,586,084,955	3,718,176,009	3,049,864,881
Less Unrealized loss on securities	(1,234,744,369)	-	(668,311,128)	-
Ordinary shares -net	2,257,585,538	2,586,084,955	3,049,864,881	3,049,864,881
Total securities for investment- net	3,817,228,969	4,261,007,591	6,225,625,170	6,226,593,333
Total investment in securities	15,584,538,859	16,496,506,000	8,826,696,154	8,827,664,317

As at December 31, 1998, the Bank has Baht 211 million of investment in debt instruments 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 93 million the Bank has made the allowance for diminution in value amounting to Baht 83 million and for the remaining Baht 10 million the Bank will participate in the distribution of assets of the financial institutions. As for other debt instruments of Baht 118 million the Bank has processed the exchange of the promissory notes of such financial institutions for 2 percent 5-year certificates of deposit of Krung Thai Bank Public Company Limited.

As at December 31, 1998 the Bank and a subsidiary company which is a financial institution had investments in companies having problems with respect to financial position and result of operations, as follows :

	CONSOLIDATED FINANCIAL STATEMENTS			(Baht : Million) THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD		
	Cost/ Book Value	Market Value	Unrealized Loss on securities	Cost/ Book Value	Market Value	Unrealized Loss on Securities
1) Financial institutions controlled by order of BOT to decrease or increase capital						
Ordinary shares	40.65	-	40.65	40.00	-	40.00
Subordinated debentures	8.64	-	8.64	-	-	-
Debt instruments	240.29	180.84	59.45	240.29	180.84	59.45
2) Companies which are under SET delisting criteria	-	-	-	-	-	-
3) Companies have certain problems as defined by SEC						
Debt instruments	553.85	131.66	422.19	553.85	131.66	422.19
4) Investment in unlisted companies but their financial position and operations are the same as companies which are under SET delisting criteria	4.90	-	4.90	4.90	-	4.90
	848.33	312.50	535.83	839.04	312.50	526.54

The Bank has classified the above investment in companies with problems in financial position and result of operations, some of which may fall into more than one category.

The Bank has inadequate information to disclose the financial position and operating results for investments in the company which the auditors' report identifies that the company is under going concern issue, except for the information of two subsidiary companies, Asia Leasehold Co., Ltd. and BOA Leasing Co., Ltd., which their auditors' reports identified that the companies are under going concern issue. The Bank has the total amount in book value of the two subsidiaries of approximately Baht 201 million which the Bank has already made a provision for the total amount of such investments recorded as a deduction from shareholders' equity.

The following table presents the percentage of beneficial ownership and amount of investments in companies in which the Bank holds more than 20% of the paid-up capital at December 31;

	1998		1997	
	% Ownership	Amount (Baht)	% Ownership	Amount (Baht)
Asia Property Co.,Ltd.	-	-	-	-
Asia Vanichkij Co.,Ltd.	99.99	4,999,300	99.99	4,999,300
Sathorn Vanichkij Co., Ltd.	-	-	-	-
BOA Leasing Co., Ltd.	-	-	-	-
Thanapawat Co.,Ltd.	99.99	999,930	-	-
Asia Leasehold Co.,Ltd.	-	-	-	-
ASEC Finance and Securities Co., Ltd.	-	-	-	-
BSP Leasing Co., Ltd.	30.00	23,400,000	30.00	23,400,000
AXA Insurance Public Co., Ltd.	30.50	121,117,516	30.50	121,117,516
Thai Asia Mutual Fund Co., Ltd.	99.99	-	23.39	23,387,100
		150,516,746		172,903,916

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

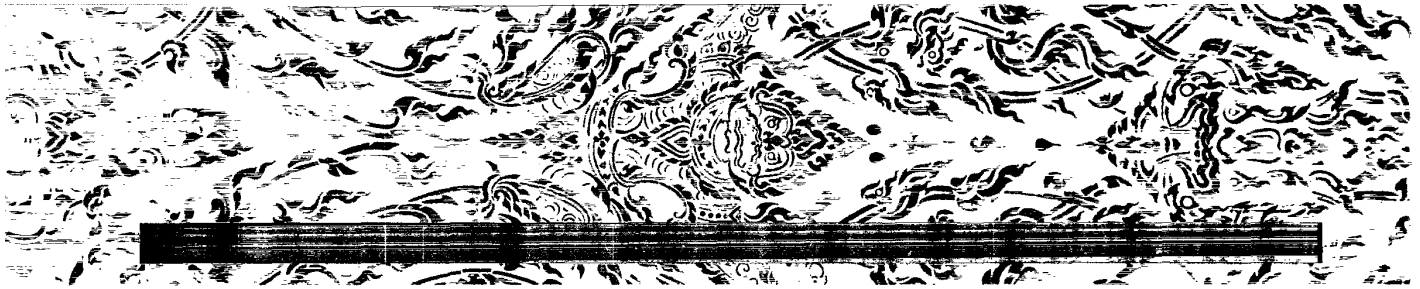
Manufacturing	63,330,067	63,965,837
Construction	371,776,305	419,942,955
Banking and Finance	2,153,870,296	2,051,698,623
Real Estate	142,947,040	142,947,040
Utilities	507,680	611,325
Services	61,977,000	137,682,033
Agriculture and forestry	4,000,000	4,000,000
	2,798,408,388	2,820,847,813
	2,948,925,134	2,993,751,729

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

	1998		1997	
	% Ownership	Amount (Baht)	% Ownership	Amount (Baht)
Asia Property Co.,Ltd.	99.99	109,354,000	99.99	109,354,000
Asia Vanichkij Co.,Ltd.	99.99	4,999,300	99.99	4,999,300
Sathorn Vanichkij Co., Ltd.	-	-	-	-
BOA Leasing Co., Ltd.	99.99	199,999,930	99.99	199,999,930
Thanapawat Co.,Ltd	99.99	999,930	-	-
Asia Leasehold Co.,Ltd.	99.93	999,300	99.93	999,300
ASEC Finance and Securities Co., Ltd.	75.00	265,497,813	55.00	673,487,637
BSP Leasing Co., Ltd.	30.00	23,400,000	30.00	23,400,000
Axa Insurance Public Co., Ltd.	30.50	121,117,516	30.50	121,117,516
Thai Asia Mutual Fund Co., Ltd.	99.99	135,725,724	23.39	23,387,100
		862,093,513		1,156,744,783

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:

Manufacturing	63,042,343	63,677,343
Construction	370,776,305	418,942,955
Banking and finance	2,087,806,326	1,970,095,863
Real estate	142,947,040	142,947,040
Utilities	507,680	611,325
Services	35,142,000	35,142,000
Agriculture and forestry	4,000,000	4,000,000
	2,704,221,694	2,635,416,526
	3,566,315,207	3,792,161,309



Debt restructuring plan of a subsidiary

The Bank owns 99.93% of the shares of Asia Leasehold Co., Ltd. ("ALC") and is currently developing a debt restructuring plan under the guideline announced by the Bank of Thailand. Under this plan, the ALC would transfer all of its assets to the Bank at fair market value as appraised by an independent appraiser, as a settlement for all of its debts. Subsequent to the transfer of assets and settlement of liabilities, the ALC would cease operations and would be liquidated. The Bank anticipates the restructuring will be completed in 1999.

- 5.4.3 The financial position as at December 31, 1998 and 1997 and the results of operations for the year ended December 31, 1998, and 1997 of Asia Property Co., Ltd., BOA Leasing Co., Ltd., ASEC Finance and Securities Co., Ltd. and Asia Leasehold Co., Ltd., which are based on audited financial statements and for Thai Asia Mutual Fund Co., Ltd., which is based on unaudited financial statements for the year ended December 31, 1998 and audited financial statements for the year ended December 31, 1997 are summarized as follows:

ASIA PROPERTY CO., LTD

CONDENSED BALANCE SHEETS

AS AT DECEMBER 31,

"AUDITED"

	1998	1997
ASSETS		
CURRENT ASSETS		
INVESTMENT IN AND LOANS TO SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES	27,776,100	31,141,223
PROPERTY, PREMISES AND EQUIPMENT - Net	5,338,436	5,840,181
OTHER ASSETS	453,659	50,318
TOTAL ASSETS	(Baht) 33,950,225	38,031,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
OTHER LIABILITIES	4,239,481	4,699,729
SHAREHOLDERS' EQUITY	111,000	21,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(Baht) 33,950,225	38,031,722

CONDENSED STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31,

"AUDITED"

	1998	1997
REVENUES		
RENTAL INCOME	94,000	6,841,500
OTHER INCOME	13,699,657	7,652,243
TOTAL REVENUES	13,793,657	14,493,743
SELLING AND ADMINISTRATIVE EXPENSES AND OTHERS		
NET PROFIT (LOSS) BEFORE TAX	16,284,256	13,148,956
	(2,490,599)	1,344,787
INCOME TAX		
NET PROFIT (LOSS) AFTER TAX	602,681	403,436
	(3,093,280)	941,351
NET PROFIT (LOSS) PER SHARE	(Baht) (7.73)	2.35

B.O.A. LEASING CO., LTD.**CONDENSED BALANCE SHEETS**

AS AT DECEMBER 31,

"AUDITED"

	1998	1997
ASSETS		
CURRENT ASSETS	283,729,308	276,796,813
FIXED ASSETS	1,017,453,756	1,247,833,967
OTHER ASSETS	83,270,015	458,511,315
TOTAL ASSETS	(Baht) 1,384,453,079	1,983,142,095
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	1,708,145,108	1,288,412,144
LONG TERM LIABILITIES	-	732,852,607
SHAREHOLDERS' EQUITY (DEFICIT)	(323,692,029)	(38,122,656)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(Baht) 1,384,453,079	1,983,142,095

CONDENSED STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31,

"AUDITED"

	1998	1997
RENTAL INCOME	589,356,885	580,800,608
OTHER INCOME	-	88,382,009
TOTAL REVENUES	589,356,885	669,182,617
OPERATING EXPENSES	623,890,662	676,668,470
INTEREST EXPENSES	243,802,992	242,651,892
TOTAL EXPENSES	867,693,654	919,320,362
NET LOSS	(Baht) (278,336,769)	(250,137,745)
NET LOSS PER SHARE	(Baht) (13.92)	(15.16)

ASIA LEASEHOLD CO., LTD.

CONDENSED BALANCE SHEETS

AS AT DECEMBER 31,

"AUDITED"

	1998	1997
ASSETS		
CURRENT ASSETS	209,527,033	265,018,606
INVESTMENT IN SECURITIES	385,524	403,924
PROPERTY, PREMISES AND EQUIPMENT-NET	347,604,401	351,501,382
OTHER ASSETS	1,594,173	1,207,656
TOTAL ASSETS	(Baht) 559,111,131	618,131,568
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	761,494,831	739,409,899
OTHER LIABILITIES	6,605,582	6,605,582
SHAREHOLDERS' EQUITY (DEFICIT)	(208,989,282)	(127,883,913)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	(Baht) 559,111,131	618,131,568

CONDENSED STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31,

"AUDITED"

	1998	1997
RENTAL INCOME	8,564,328	6,593,000
OTHER INCOME	412,049	8,314,223
TOTAL REVENUES	8,976,377	14,907,223
COST OF SALES	173,221	3,178,592
SELLING AND ADMINISTRATIVE EXPENSES	61,192,192	6,803,602
INTEREST EXPENSE	28,697,933	74,903,205
TOTAL EXPENSES	90,063,346	84,885,399
NET LOSS	(Baht) (81,086,969)	(69,978,176)
NET LOSS PER SHARE	(Baht) (8,108.70)	(6,997.82)

ASEC FINANCE AND SECURITIES CO., LTD.

CONDENSED BALANCE SHEETS

AS AT DECEMBER 31,

"AUDITED"

	1998	1997
ASSETS		
CASH AND DEPOSITS AT BANKS	32,744,285	41,654,451
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	18,000,000	-
INVESTMENT IN SECURITIES	128,916,103	171,597,121
LOAN AND ACCRUED INTEREST RECEIVABLES-NET	904,461,354	1,302,401,031
PROPERTY FORECLOSED	8,210,787	4,833,519
PROPERTY, PREMISES AND EQUIPMENT-NET	79,278,950	84,185,183
OTHER ASSETS	162,773,397	268,033,966
TOTAL ASSETS	(Baht) 1,334,384,876	1,872,705,271
LIABILITIES AND SHAREHOLDERS' EQUITY		
BORROWINGS	1,122,584,911	1,564,774,110
OTHER LIABILITIES	34,006,367	26,985,036
SHAREHOLDERS' EQUITY	177,793,598	280,946,125
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (Baht)	1,334,384,876	1,872,705,271

CONDENSED STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31,

"AUDITED"

	1998	1997
INTEREST AND DIVIDEND INCOME	199,982,829	258,549,181
EXPENSES ON BORROWINGS	215,563,693	227,449,544
NET INTEREST INCOME (LOSS)	(15,580,864)	31,099,637
PROVISION FOR POSSIBLE LOAN LOSSES	105,362,277	65,147,023
NET INTEREST INCOME (LOSS) AFTER PROVISION		
FOR POSSIBLE LOAN LOSSES	(120,943,141)	(34,047,386)
NON INTEREST INCOME	(7,868,652)	(40,137,553)
OPERATING EXPENSES	207,798,981	101,042,927
LOSS BEFORE INCOME TAX	(336,610,774)	(175,227,866)
INCOME TAX	-	-
NET LOSS	(Baht) (336,610,774)	(175,227,866)
NET LOSS PER SHARE	(Baht) (21.04)	(5.84)

THAI ASIA MUTUAL FUND CO., LTD.

CONDENSED BALANCE SHEETS

AS AT DECEMBER 31,

	1998 (UNAUDITED)	1997 (AUDITED)
ASSETS		
CASH AND DEPOSITS AT BANKS	35,421,464	1,848,013
INVESTMENT IN PROMISSORY NOTES	625,000	100,021,599
INTEREST, MANAGEMENT AND UNDERWRITING FEE RECEIVABLES	1,044,859	6,569,468
PROPERTY, PREMISE AND EQUIPMENT-NET	10,909,869	10,589,003
OTHER ASSETS	76,432,378	16,642,170
TOTAL ASSETS	(Baht) 124,433,570	135,670,253
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES	6,761,594	9,116,588
SHAREHOLDERS' EQUITY	117,671,976	126,553,665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(Baht) 124,433,570	135,670,253

CONDENSED STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31,

	1998 (UNAUDITED)	1997 (AUDITED)
REVENUES		
MANAGEMENT FEE	54,855,822	68,815,919
INTERST INCOME	-	13,541,899
OTHER INCOME	589,293	1,165,546
TOTAL REVENUES	55,445,115	83,523,364
OPERATING EXPENSES		
OPERATING EXPENSES	46,605,375	52,672,869
PROFIT BEFORE INCOME TAX	8,839,740	30,850,495
INCOME TAX	2,721,429	9,373,586
NET PROFIT	(Baht) 6,118,311	21,476,909
NET PROFIT PER SHARE	(Baht) 0.61	2.15

Had these investments in subsidiaries and associated companies been presented under the equity method of accounting, the effect on the Bank's financial statements-the cost method at December 31, 1998 and 1997 would had been as follows: (The 1997 figures presented for comparison are adjusted from the prior year presentation due to up to date information.)

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998 (Baht)	1997 (Baht)	1998 (Baht)	1997 (Baht)
(Decrease) in investment				
in other securities	(42,409,649)	(47,885,597)	(63,877,183)	(352,311,404)
(Decrease) in loans	-	-	(528,511,823)	(172,240,007)
(Decrease) in shareholders' equity	(42,409,649)	(47,885,597)	(632,956,791)	(558,330,774)
(Decrease) in retained earnings brought forward	(6,664,102)	(26,914,229)	(702,690,282)	(216,550,989)
(Decrease) in net loss	(1,478,332)	-	(218,184,323)	-
(Decrease) in net profit	-	(15,072,185)	-	(487,488,970)
(Decrease) in net loss per share	0.00	-	(0.25)	-
(Decrease) in net profit per share	-	(0.04)	-	(1.15)

For the years ended December 31, 1998 and 1997, had such investments been accounted for by the equity method, equity in undistributed net income (loss) of subsidiary and associated companies would have the following effect on the aforementioned consolidated financial statements and the financial statements of the Bank by the cost method, stated as percentage of net profit and loss of each set of financial statements.

**CONSOLIDATED
FINANCIAL STATEMENTS**

	1998		1997	
	% Ownership	% of net loss	% Ownership	% of net loss
Asia Vanichkij Co.,Ltd.	99.99	0.00	99.99	(0.41)
Thanapawat Co.,Ltd.	99.99	0.00	99.99	0.00
BSP Leasing Co.,Ltd.	30.00	(0.01)	30.00	(1.46)
Axa Insurance Public Co.,Ltd. (Formerly Vendome Insurance Public Co., Ltd.)	30.50	(0.08)	30.50	5.16
Thai Asia Mutual Fund Co., Ltd.	-	-	23.39	12.06
		(0.09)		15.35

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

	1998		1997	
	% Ownership	% of net loss	% Ownership	% of net profit
Asia Property Co., Ltd.	99.99	0.04	99.99	2.26
Asia Vanichkij Co., Ltd.	99.99	0.00	99.99	(0.41)
BOA Leasing Co., Ltd.	99.99	3.61	99.99	(600.69)
Thanapawat Co., Ltd.	99.99	-	-	-
Asia Leasehold Co., Ltd.	99.93	1.05	99.93	(168.05)
ASEC Finance and Securities Co., Ltd.	75.00	2.73	55.00	(231.44)
BSP Leasing Co., Ltd.	30.00	(0.01)	30.00	(1.46)
AXA Insurance Public Co., Ltd. (Formerly Vendome Insurance Public Co., Ltd.)	30.50	(0.08)	30.50	5.16
Thai Asia Mutual Fund Co., Ltd.	99.99	0.00	23.39	12.06
		7.34		(982.57)

For the year ended December 31, 1998, such equity in undistributed net income (loss) of subsidiaries and associated companies is computed from audited financial statements as of December 31, 1998 of 4 subsidiaries and unaudited financial statements as of December 31, 1998 for a subsidiary and unaudited financial statements for 11 months as of November 30, 1998 of 2 associated companies as the financial statements as of December 31, 1998 are not available.

For the year ended December 31, 1997, such equity in undistributed net income (loss) of subsidiaries and associated companies is computed from audited financial statements as of December 31, 1997 of 4 subsidiaries and unaudited financial statements as of December 31, 1997 of 3 associated companies.

5.5 Loans

Loans are as follows at December 31:

5.5.1 Classified by type of credit

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Overdrafts	21,336,030,282	22,672,797,192	21,353,196,629	22,691,130,978
Loans	58,159,172,430	65,679,479,960	57,955,613,265	66,233,888,253
Trade bills	42,887,692,695	44,235,292,119	44,360,636,478	44,144,792,270
Others	1,885,245,433	1,202,017,430	1,871,134,987	1,220,092,504
Total	(Baht) 124,268,140,840	133,789,586,701	125,540,581,359	134,289,904,005

5.5.2 Classified by the remaining period of the credit agreement

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Not over 1 year	83,219,911,024	83,620,612,779	85,012,035,567	84,176,863,210
Over 1 year	41,048,229,816	50,168,973,922	40,528,545,792	50,113,040,795
Total	(Baht) 124,268,140,840	133,789,586,701	125,540,581,359	134,289,904,005

5.5.3 Classified by the currencies and residence of debtors

**CONSOLIDATED
FINANCIAL STATEMENTS
1998**

	Domestic	Foreign	Total
Baht	112,740,849,517	-	112,740,849,517
US Dollars	11,040,268,292	-	11,040,268,292
Other currencies	487,023,031	-	487,023,031
Total	(Baht) 124,268,140,840	-	124,268,140,840

1997

	Domestic	Foreign	Total
Baht	98,303,121,180	-	98,303,121,180
US Dollars	34,267,655,029	-	34,267,655,029
Other currencies	1,218,810,492	-	1,218,810,492
Total	(Baht) 133,789,586,701	-	133,789,586,701

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

1998

	Domestic	Foreign	Total
Baht	114,013,290,036	-	114,013,290,036
US Dollars	11,040,268,292	-	11,040,268,292
Other currencies	487,023,031	-	487,023,031
Total	(Baht) 125,540,581,359	-	125,540,581,359

1997

	Domestic	Foreign	Total
Baht	98,803,438,484	-	98,803,438,484
US Dollars	34,267,655,029	-	34,267,655,029
Other currencies	1,218,810,492	-	1,218,810,492
Total	(Baht) 134,289,904,005	-	134,289,904,005

5.5.4 Classified by type of business

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
	Manufacturing and trading	66,279,164,951	74,647,063,371	65,798,890,712
Public utilities and services	21,402,442,333	20,616,893,130	21,186,877,229	20,296,602,967
Real estate and Construction	14,992,633,555	16,112,728,759	14,682,172,159	15,686,095,029
Housing loan	7,831,616,585	8,751,461,973	7,798,458,084	8,711,032,415
Agriculture and mining	6,180,634,497	6,698,850,697	6,145,856,067	6,673,062,980
Other	7,581,648,919	6,962,588,771	9,928,327,108	8,843,161,582
Total	(Baht) 124,268,140,840	133,789,586,701	125,540,581,359	134,289,904,005

5.6 Provision for possible loan losses

Provision for possible loan losses is as follows at December 31 :

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
	Beginning balance	3,464,751,299	1,844,323,529	3,338,597,560
Doubtful accounts				
- Loans	5,685,819,607	1,576,665,635	5,514,439,680	1,463,054,293
- Financial Institutions which have been closed down	67,500,000	125,945,707	67,500,000	125,945,707
	5,753,319,607	1,702,611,342	5,581,939,680	1,589,000,000
Bad debts recovered	964,945	1,832,954	964,945	1,832,954
Bad debts written off	(68,012,398)	(84,016,526)	(62,480,029)	(84,016,526)
Ending balance	(Baht) 9,151,023,453	3,464,751,299	8,859,022,156	3,338,597,560

A significant factor in the determination of the allowance for doubtful accounts is the value of collateral. Collateral pledged as support for loans typically consists of land, buildings, and buildings under construction. Value of such collateral is based on either independent or internally performed appraisals.

In 1998, collateral supporting either a portion of classified loans or certain significant loans were reappraised by either independent appraisers approved by the BOT or appraisers internal to the Bank and the subsidiary. For collateral valuation, according to the BOT guideline, collaterals that have been marked to market or appraised within six months, 90% of estimated market value is permitted, For collateral that are less frequently appraised or not currently marked to market, 50% deduction is permitted.

As at December 31, 1998, the following table includes intercompany loans which would have been eliminated for consolidation purposes. At December 31, 1998 approximately Baht 49,374 million of loans of the Bank and a subsidiary which is a financial institution are non-performing loans which are classified in accordance with the Notification of the Bank of Thailand are as follows:

(Baht : Million)

PROVISION FOR POSSIBLE LOAN LOSSES

	Outstanding Balance	% Set By Bank of Thailand	Provision	Minimum Provision
Normal	53,265	1	533	107
Special mention	8,491	2	170	34
Substandard	11,376	20	660	132
Doubtful	18,827	50	3,846	769
Doubtful of loss	41,112	100	15,052	3,010
Bad	-	-	-	-
Total	133,071		20,261	4,052

The Bank and a subsidiary company which is a financial institution had established provisions for possible loan losses amounting to Baht 8,859 million, and amounting to Baht 190 million, respectively, which amounts are greater than the minimum reserves that has been required by The Bank of Thailand. The Bank and the subsidiary company cannot allocate the amount of provision for possible loan losses to each specific loan or each loan category.

As at December 31, 1998, the Bank and a subsidiary company which is a financial institution had loans and accrued interest receivables to companies which have certain problems in financial position and result of operations and has made the allowance for doubtful accounts as follows:

	Number of Items	Outstanding Balance	Collaterals	(Baht : Million) Allowance for Doubtful Accounts
1) Financial institutions closed down or controlled by order of BOT to decrease and increase capital	7	1,042*	-	255
2) Companies which are under SET delisting criteria	5	1,114	706	175
3) Companies which have problem in repayment of debt	785	53,418	32,194	6,669

*Includes 4 items amounting to Baht 466 million that the Government will settle by Negotiable Certificate of Deposits (NCD.) issued by Krung Thai Bank Public Company Limited. These amounts can be deducted from the loan balances in accordance with the BOT notification dated June 30, 1998 for calculation of allowance for doubtful accounts.

The Bank and the subsidiary have inadequate information to disclose loans and accrued interest receivables from the companies which the auditor's reports identify that they are under going concern issue, and the unlisted companies which the financial position and results of operations are the same as the companies which are under The Stock Exchange of Thailand (SET) delisting criteria as of December 31, 1998.

5.7 Property, premises and equipment

Property, premises and equipment are summarized at December 31 as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Land				
- Cost	801,681,575	791,209,687	493,818,417	483,346,530
- Appraisal increase (1993)	337,870,670	337,870,670	337,870,670	337,870,670
Leasehold improvement	344,177	344,177	-	-
Building				
- Cost	865,443,117	819,191,187	916,436,378	868,694,448
- Appraisal increase (1993)	61,424,000	61,424,000	61,424,000	61,424,000
Equipment	675,293,338	761,231,262	663,632,550	759,667,740
Properties on lease	1,947,314,808	1,901,522,551	-	-
Building improvement	18,934,578	17,996,937	-	-
Furniture and fittings	22,507,859	20,544,955	-	-
Office equipment	42,355,741	35,352,735	-	-
Vehicles	21,806,399	15,596,446	-	-
Leasehold (net)	342,419,748	334,378,696	342,419,748	333,496,860
Total	5,137,396,010	5,096,663,303	2,815,601,763	2,844,500,248
<u>Less</u> Accumulated				
depreciation - cost	(1,584,712,294)	(1,376,601,317)	(765,679,439)	(848,210,712)
Accumulated				
depreciation - appraisal				
increase	(11,249,821)	(9,290,764)	(11,249,821)	(9,290,764)
Property, premises and equipment	3,541,433,895	3,710,771,222	2,038,672,503	1,986,998,772
<u>Less</u> Provision for future loss on properties for lease	(146,015,613)	(144,487,285)	-	-
Property, premises and equipment - net	(Baht) 3,395,418,282	3,566,283,937	2,038,672,503	1,986,998,772
Depreciation for the year	(Baht) 541,070,147	494,756,048	136,852,111	139,082,418
Provision for future loss of assets on lease for the year	(Baht) 40,762,701	127,784,862	-	-

5.8 Property foreclosed
Property foreclosed are as follows at December 31 :

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Beginning balance	192,771,496	115,761,057	157,954,628	111,631,301
Additions	194,556,748	102,736,085	114,979,688	49,041,402
Reduction	(75,424,314)	(25,725,646)	(2,129,192)	(2,718,075)
	311,903,930	192,771,496	270,805,124	157,954,628
<u>Less Allowance for</u> diminution in value	(54,018,019)	(26,924,491)	(45,800,000)	(21,000,000)
Ending balance	(Baht) 257,885,911	165,847,005	225,005,124	136,954,628

5.9 Deposits
Deposits are as follows as December 31 :

5.9.1 Classified by type of deposits

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Current deposits	933,168,127	1,073,228,858	817,585,635	917,015,394
Saving deposits	21,114,461,554	10,961,304,295	21,151,997,703	10,990,115,578
Time deposits				
- Not over				
6 months	76,350,903,716	59,246,470,844	75,783,729,559	58,543,788,488
- Over 6 months but not over				
1 year	14,006,824,140	5,152,365,577	13,787,479,156	4,791,857,153
- Over 1 year	4,138,603,194	5,040,499,463	4,087,914,236	4,843,001,417
Total	(Baht) 116,543,960,731	81,473,869,037	115,628,706,289	80,085,778,030

5.9.2 Classified by the remaining period of the deposit agreements

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Not over 1 year	112,163,530,343	80,033,603,630	111,248,275,901	78,645,512,623
Over 1 year	4,380,430,388	1,440,265,407	4,380,430,388	1,440,265,407
Total	(Baht) 116,543,960,731	81,473,869,037	115,628,706,289	80,085,778,030

5.9.3 Classified by the currencies and residence of depositors

	CONSOLIDATED FINANCIAL STATEMENTS					
	1998			1997		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Baht	116,251,444,579	-	116,251,444,579	80,862,820,260	-	80,862,820,260
US Dollars	287,822,356	-	287,822,356	556,171,183	-	556,171,183
Other currencies	4,693,796	-	4,693,796	54,877,594	-	54,877,594
Total	116,543,960,731	-	116,543,960,731	81,473,869,037	-	81,473,869,037

	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD					
	1998			1997		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Baht	115,336,190,137	-	115,336,190,137	79,474,729,253	-	79,474,729,253
US Dollars	287,822,356	-	287,822,356	556,171,183	-	556,171,183
Other currencies	4,693,796	-	4,693,796	54,877,594	-	54,877,594
Total	115,628,706,289	-	115,628,706,289	80,085,778,030	-	80,085,778,030

5.10 Interbank and money market items (liabilities)

Interbank and money market items (liabilities) are as follows at December 31:

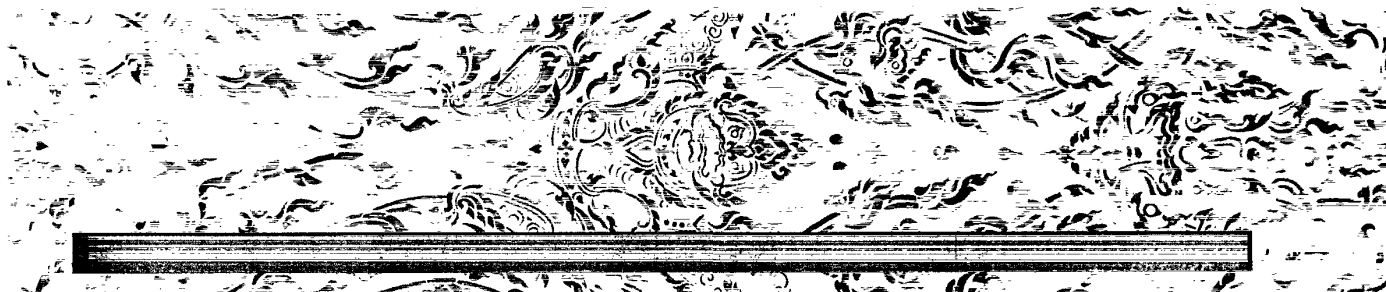
CONSOLIDATED FINANCIAL STATEMENTS			
1998			
	At call	Time	Total
	(Baht)	(Baht)	(Baht)
5.10.1 Domestic Items			
Bank of Thailand and Financial Institutions Development Fund	-	217,792,700	217,792,700
Commercial Banks	3,293,186	2,366,430,706	2,369,723,892
Other Banks	1,133,964,552	3,200,000,000	4,333,964,552
Finance & Securities Companies, Securities Companies and Credit Foncier Companies.	2,674,575,336	85,405,230	2,759,980,566
Other Financial Institutions	28,121,135	2,026,463,870	2,054,585,005
Total Domestic Items	3,839,954,209	7,896,092,506	11,736,046,715
5.10.2 Foreign Items			
U.S. Dollars	20,986,150	7,032,820,512	7,053,806,662
YEN	-	-	-
Deutsche Mark	-	-	-
Other Currencies	7,785,010	-	7,785,010
Total Foreign Items	28,771,160	7,032,820,512	7,061,591,672
Total Domestic and Foreign Items	3,868,725,369	14,928,913,018	18,797,638,387



	At call (Baht)	1997 Time (Baht)	Total (Baht)
5.10.1 Domestic Items			
Bank of Thailand and Financial			
Institutions Development Fund	11,156,176,200	-	11,156,176,200
Commercial Banks	76,640,154	3,396,173,880	3,472,814,034
Other Banks	2,104,791,920	2,250,000,000	4,354,791,920
Finance & Securities			
Companies, Securities			
Companies and Credit			
Foncier Companies.	772,482,832	1,410,065,816	2,182,548,648
Other Financial Institutions	760,528,130	1,678,879,813	2,439,407,943
Total Domestic Items	14,870,619,236	8,735,119,509	23,605,738,745
5.10.2 Foreign Items			
U.S. Dollars	8,862,985	32,375,198,156	32,384,061,141
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	57,752,939	32,375,198,156	32,432,951,095
Total Domestic and Foreign			
Items	14,928,372,175	41,110,317,665	56,038,689,840

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

	At call	1998 Time	Total
	(Baht)	(Baht)	(Baht)
5.10.1 Domestic Items			
Bank of Thailand and Financial Institutions Development Fund	-	217,792,699	217,792,699
Commercial Banks	3,293,186	2,366,376,000	2,369,669,186
Other Banks	1,133,964,552	3,200,000,000	4,333,964,552
Finance & Securities Companies, Securities Companies and Credit Foncier Companies.	2,689,205,951	90,527,555	2,779,733,506
Other Financial Institutions	28,121,135	2,011,463,870	2,039,585,005
Total Domestic Items	3,854,584,824	7,886,160,124	11,740,744,948
5.10.2 Foreign Items			
U.S. Dollars	20,986,150	7,032,820,512	7,053,806,662
YEN	-	-	-
Deutsche Mark	-	-	-
Other Currencies	7,785,010	-	7,785,010
Total Foreign Items	28,771,160	7,032,820,512	7,061,591,672
Total Domestic and Foreign Items	3,883,355,984	14,918,980,636	18,802,336,620



	At call (Baht)	1997 Time (Baht)	Total (Baht)
5.10.1 Domestic Items			
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 & Securities Companies, Securities Companies and Credit Foncier Companies.	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	14,898,604,344	8,274,874,529	23,173,478,873
5.10.2 Foreign Items			
U.S. 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	57,752,939	32,183,938,156	32,241,691,095
Total Domestic and Foreign Items	14,956,357,283	40,458,812,685	55,415,169,968

5.11 Securities sold under repurchase agreements

Securities sold under repurchase agreements at December 31, 1997 are as follows:

CONSOLIDATED FINANCIAL STATEMENTS AND THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD			
	Repurchase market of the Bank of Thailand (Baht)	Other repurchase marker (Baht)	Total (Baht)
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	4,225,000,000	-	4,225,000,000

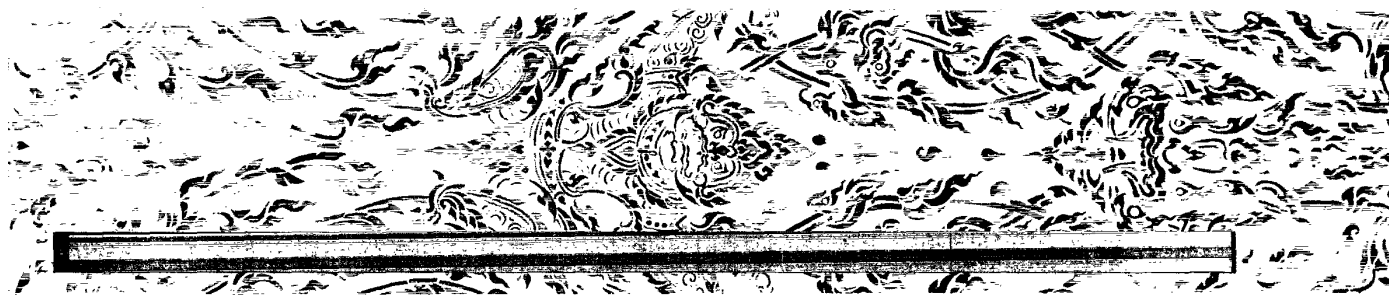
As at December 31, 1998 the consolidated and the Bank's financial statements by the cost method did not have any securities sold under repurchase agreements.

5.12 Borrowings

Borrowings are as follows at December 31:

5.12.1 Borrowings by types of securities and sources:

CONSOLIDATED FINANCIAL STATEMENTS			
1998			
	Domestic	Foreign	Total
Subordinated convertible debentures and convertible debentures	(Baht) 15,150,000	1,117,458,600	1,132,608,600
1997			
	Domestic	Foreign	Total
Subordinated convertible debentures and convertible debentures	(Baht) 81,250,000	1,130,183,600	1,211,433,600
THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD			
1998			
	Domestic	Foreign	Total
Subordinated convertible debentures and convertible debentures	(Baht) 15,150,000	1,117,458,600	1,132,608,600



		1997	
	Domestic	Foreign	Total
Subordinated convertible debentures and convertible debentures	(Baht)	81,250,000	1,130,183,600
			1,211,433,600

5.12:2 Borrowings by types of securities, currency, maturity and interest rate

CONSOLIDATED FINANCIAL STATEMENTS

1998

Types	Currency	Maturity	Interest rate	Amount
Subordinated convertible debentures	USD	Feb.9, 2004	3.75%	1,117,458,600
Convertible debentures	THB	Dec.30, 2003	8%	15,150,000
			Baht	1,132,608,600

1997

Types	Currency	Maturity	Interest rate	Amount
Subordinated convertible debentures	USD	Feb.9, 2004	3.75%	1,130,183,600
Convertible debentures	THB	Dec.30, 2003	8%	81,250,000
			Baht	1,211,433,600

THE BANK'S FINANCIAL STATEMENTS

BY THE COST METHOD

1998

Types	Currency	Maturity	Interest rate	Amount
Subordinated convertible debentures	USD	Feb. 9, 2004	3.75%	1,117,458,600
Convertible debentures	THB	Dec.30, 2003	8%	15,150,000
			Baht	1,132,608,600

1997

Types	Currency	Maturity	Interest rate	Amount
Subordinated convertible debentures	USD	Feb. 9, 2004	3.75%	1,130,183,600
Convertible debentures	THB	Dec. 30, 2003	8%	81,250,000
			Baht	1,211,433,600



Issuance of subordinated convertible debentures

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

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

From March 18, 1998 the conversion price was Baht 30.61 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 was 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 had issued 14,000 of these convertible debentures, of Baht 10,000.00 par value, to the Bank's management, at par, totalling Baht 140,000,000. As at December 31, 1998, the conversion rights had been exercised for 12,485 convertible debentures into 12,485,000 ordinary shares.

For the remaining convertible debentures, as at December 31, 1998, had these debentureholders exercised their conversion rights, the difference between market value and par value of the ordinary shares amounts to Baht 44,313,750 (market value being higher).

5.13 Share capital

Issued and paid-up share capital are as follows at December 31:

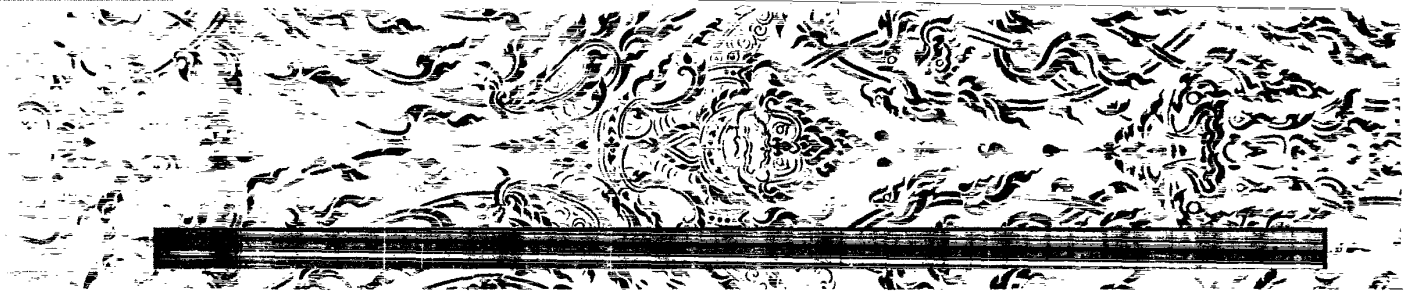
	1998	1997
Paid-up share capital from shareholders	18,281,564,850	4,051,564,850
Paid-up share capital from conversion of subordinated convertible debentures (domestic)	135,589,800	63,273,750
Paid-up share capital from conversion of subordinated convertible debentures (foreign)	117,636,180	117,636,180
Total	(Baht) 18,534,790,830	4,232,474,780

For the years ended December 31, 1998, and 1997 the debenture-holders exercised their rights to convert the convertible debentures into ordinary shares for 7,231,605 shares and 3,204,075 shares amounting to Baht 72,316,050 and Baht 32,040,750, respectively. (see Note 5.1.2)

On March 18, 1998, the Board of Directors' Special Meeting passed the resolution to enter into the Letter of Intent between the Bank and ABN AMRO BANK N.V. for the purposes of strengthening the businesses of the Bank under the prevailing circumstances and creating opportunities for the link-up of their networks in order to provide efficient services to customers. Under the letter of Intent, the Bank will offer new ordinary shares for sale to ABN AMRO BANK N.V. and its group companies as foreign financial institutions at approximately 75% of the total share capital of the Bank after any increases of the capital including ordinary shares reserved for the conversion of the subordinated convertible debentures (on a fully diluted basis). The new ordinary shares would be offered in two tranches as follows :

1. The First tranche: approximately 1,423,000,000 new ordinary shares which was offered in the year 1998 constituting, after any increases of the capital, approximately 75% of the total registered capital of the Bank including new ordinary shares reserved for the conversion of the subordinated convertible debentures. The price shall be approximately Baht 5.27 per share and the total price amounts to Baht 7,500,000,000.
2. The Second tranche: 10,000 new ordinary shares which will be offered in the year 2000 at the price to be determined on the basis of the adjusted consolidated net asset value of the Bank and other companies, more than 50% share capital of which are owned by the Bank, as at the end of the accounting period for the year 1999, subject to the minimum price of Baht 10 per share and in accordance with the calculation of the adjusted net asset value per share of the Bank.

Subject to such minimum, the aggregate subscription price for the shares in the second tranche shall be the adjusted net asset value per share of the Bank multiplied by the number of shares issued in the first tranche less Baht 7,500,000,000 and deemed interest on such sum. For this purpose, the adjusted net asset value per share shall be the total net asset value per share of the Bank and other companies, more than 50% share capital of which are owned by the Bank, as at



the end of the accounting period for the year 1999 adjusted in accordance with terms to be agreed less Baht 7,500,000,000 and deemed interest on such sum including any capital increases between the offers of the two tranches and then multiplied by a price to book ratio at that time of six commercial banks and subdivided by the total number of issued shares less the number of the ordinary shares issued in the first tranche (but excluded a part of the ordinary shares which was issued to ABN AMRO BANK N.V.).

It shall be regarded that the amount of money to be paid for the second tranche will be for the determination of the investment cost of ABN AMRO BANK N.V. That is, when the adjusted net asset value per share as at the end of the accounting period for the year 1999 is made and it appears that the adjusted net asset value per share of the Bank is lower than Baht 5.27 (Five Baht and Twenty Seven Satang) per share approximately, the Bank is obliged to issue only 10,000 new ordinary shares to ABN AMRO BANK N.V. and will call for payment of the shares in the amount of Baht 100,000 (based on the registered share par value). On the contrary, when the adjusted net asset value per share of the Bank is made as at the end of the accounting period for the year 1999 and it appears that the adjusted net asset value per share of the Bank is higher than Baht 5.27 (Baht Five and Twenty-Seven Satang) per share approximately, ABN AMRO BANK N.V. is obliged to make additional payment to the Bank subject, however, to the maximum of Baht 27.50 per share (Baht Twenty-Seven and Fifty Satang) for each of the shares subscribed in the year 1998 as mentioned above less Baht 7,500,000,000 and interest thereon. In this case, the Bank will be obliged to issue 10,000 new ordinary shares in consideration for the additional share price to be received by the Bank.

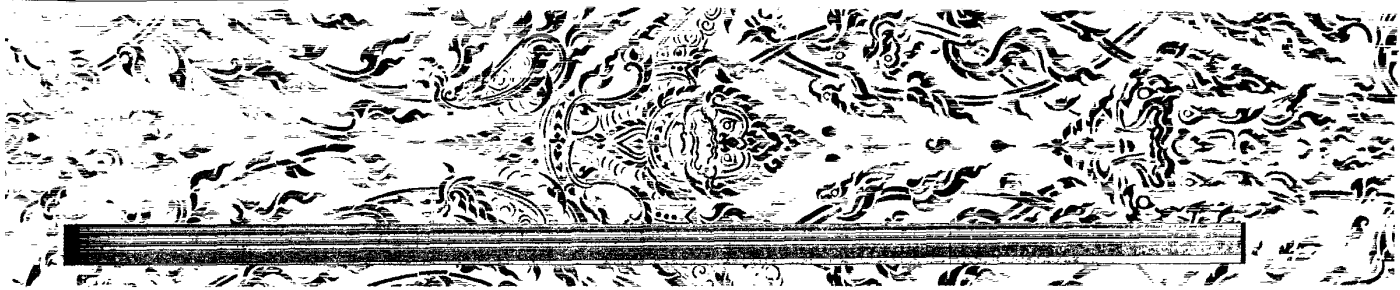
The offer of shares to ABN AMRO BANK N.V. shall be subject to the approval of the shareholders of the Bank at their general meeting for the offer of new shares at the price below par value.

The transactions contemplated for the issue of the first tranche shares was subject to various conditions including completion of the legal documentation, satisfaction with full due diligence examination, and approvals from the Bank's shareholders at their general meeting (in particular in relation to the offer of the first tranche shares at a price below par value) and approvals from ABN AMRO BANK N.V.'s supervisory board as well as regulatory authorities in both Thailand and the Netherlands.

However, on completion of the first tranche, ABN AMRO BANK N.V. shall commit unconditionally to subscribe for the second tranche shares following determination of subscription price in accordance with the Letter of Intent and make payment in consideration for delivery of legal beneficial ownership of the second tranche shares.

On June 26, 1998, ABN AMRO BANK N.V. entered into Subscription Agreement with the Bank. The aforesaid agreement stipulated various conditions which covered the period before and after payment of share capital.

At the extraordinary general meeting No. 1/1998 on 31 July 1998 the shareholders approved the increase of registered capital of the Bank by an amount of Baht 14,256,184,800 from



Baht 4,932,344,850 to Baht 19,188,529,650 by issuing 1,425,618,480 ordinary shares each having a par value of Baht 10.00 for sale to:

1. ABN AMRO BANK N.V. and its group companies as follows:
 - 1.1 The First Tranche shares in the amount to 1,423,000,000 ordinary shares at the price of Baht 5.27 per share totalling Baht 7,500,000,000. This First Tranche Shares was offered for sale in 1998; and
 - 1.2 The Second Tranche shares in the amount of 10,000 ordinary shares at the price of not less than Baht 10.00 per share which shall be offered for sale in the year 2000.
2. Executives of the Bank who are holders of long-term subordinated debentures in the amount of 2,608,480 shares according to the conversion ratio of 1 debenture to 548 ordinary shares at the price of Baht 10.00 share for the change of the conversion ratio of the Executive Long-term Subordinated Debenture of the Bank which were issued in 1992 and 4,760 debentures still remain at present.

The offering dates and any information relating to the offer for sale of the above-mentioned shares and the offering price of the Second Tranche Shares which shall be offered for sale to the institutional investors shall be determined and executed pursuant to the discretion and power of the Board of Directors as deemed appropriate.

On August 31, 1998, ABN AMRO BANK N.V. duly transferred money for the First Tranche amounting to Baht 7,500 million and the Bank registered the additional share capital with the Registrar of Partnerships and Companies on September 9, 1998. However, the Bank must proceed in accordance with the condition in such agreement.

Share capital of a subsidiary

On August 20, 1998, the Minister of Finance approved a subsidiary company which is a financial institution (ASEC Finance and Securities Co., Ltd.) to increase its capital by Baht 190,000,000 from Baht 300,000,000 to Baht 490,000,000, which capital increase should be executed within thirty days after the date of approval. The subscription for capital increase is to be received in cash, otherwise the capital could not be calculated as capital fund. The company registered such increase in share capital with the Registrar of Partnerships and Companies on August 26, 1998.

On August 21, 1998, the Extraordinary Meeting of shareholders of the mentioned subsidiary company passed a resolution to decrease the authorized share capital by Baht 330,000,000 from Baht 490,000,000 to Baht 160,000,000 to write off its accumulated deficit and making the company's capital fund greater than 75% of issued and paid-up share capital.

On November 4, 1998, the Ministry of Finance approved the subsidiary company to decrease Baht 330,000,000 of the authorized share capital and the company registered such decrease in share capital with the Registrar of Partnerships and Companies on December 18, 1998.

Capital Fund

The Bank's actual capital amounts and ratios for 1998 and 1997 are also presented below :

	1998	1997
Tier 1 capital		
Paid-up share capital and premium on share capital	15,477,678,760	7,905,362,710
Statutory reserve	367,591,201	365,509,103
Other reserve	72,000,000	72,000,000
Unappropriated retained earnings	2,081,472,452	2,042,745,420
Less Deficit for the year	(7,701,732,277)	-
	<u>10,297,010,136</u>	<u>10,385,617,233</u>
Tier 2 capital		
Unrealized increment per land appraisal (70%)	236,509,469	236,509,469
Unrealized increment per buildings appraisal (50%)	25,087,089	26,066,618
Subordinated convertible debentures	1,132,608,600	1,211,433,600
	<u>1,394,205,158</u>	<u>1,474,009,687</u>
Capital Fund (Baht)	<u>11,691,215,294</u>	<u>11,859,626,920</u>
Tier 1 capital ratio	8.29%	7.34%
Total capital ratio	9.42%	8.38%
Tier 1 capital ratio requirement	4.25%	6.00%
Minimum capital ratio requirement	8.50%	8.50%

5.14 Statutory reserve

Under the Public Companies Act, the Company 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. 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.

5.15 Loss on diminution in value of securities

Loss on diminution in value of securities for the year ended December 31, 1998 and 1997 is as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998	1997	1998	1997
Loss on diminution				
in value of securities	119,611,654	474,535,178	783,168,379	437,381,514
Write off of goodwill	327,350,427	-	-	-
	Baht			
	446,962,081	474,535,178	783,168,379	437,381,514

Part of loss on diminutions in value of securities for the Bank's financial statements by the cost method amounting to Baht 607 million is the diminution in value of investment in a subsidiary company which passed a resolution to decrease the authorized share capital from Baht 490 million to Baht 160 million (see Note 5.13). However, the consolidated financial statements had included goodwill relating to the Bank's investment in the subsidiary in the amount of Baht 327 million (see Note 3.18). As a result the Bank write off Baht 327 million goodwill, consistent with the treatment in the Bank's financial statements by the cost method.

5.16 Contingencies

At December 31, 1998 and 1997, in the ordinary course of business the Bank and its subsidiaries had the following contractual contingencies:

	Baht	1998 Foreign Currencies	Total
	(Baht)	(Baht)	(Baht)
Avals to bills	785,843,479	1,878,462	787,721,941
Guarantees of loans	233,425,200	101,221,600	334,646,800
Other guarantees	8,136,940,534	12,672,066	8,149,612,600
Letters of credit	44,659,322	671,736,531	716,395,853
Forward Exchange			
- Forward exchange bought	8,182,780,733	6,501,263,652	14,684,044,385
- Forward exchange sold	5,420,064,965	8,966,264,611	14,386,329,576
Undrawn overdraft amount	12,448,014,477	-	12,448,014,477
Other	-	1,104,869,831	1,104,869,831
Total	35,251,728,710	17,359,906,753	52,611,635,463

	Baht	1997 Foreign Currencies	Total
	(Baht)	(Baht)	(Baht)
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	21,316,822,390	118,404,778,252	139,721,600,642

On August 13, 1998, the Bank sent a letter to the Bank of Thailand to confirm the financial support including the liquidity and capital increase given to a subsidiary, which is a financial institution, for which the Bank of Thailand will have no obligation to this subsidiary regarding its financial status.

5.17 Securities used as collateral

Securities used as collateral are as follows at December 31:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998 (Baht)	1997 (Baht)	1998 (Baht)	1997 (Baht)
Government bonds - deposited as cover for securities sold under repurchase agreements	3,674,950,000	2,154,436,000	3,674,950,000	2,154,436,000
Government bonds - collateral for Government departments	356,000	2,136,000	356,000	2,136,000
Promissory note				
- Collateral for borrowings from Export-Import Bank of Thailand	3,516,485,600	2,118,882,600	3,516,485,600	2,118,882,600
- Collateral for borrowings from Financial Institutions Development Fund	-	12,470,084,052	-	12,470,084,052



5.18 Litigations

In the ordinary course of business, the Bank is a defendant in a number of litigations against the Bank. These include a case of wrongful acts brought against the Bank, claiming Baht 409 million, in which civil court has already decided for the Bank, and the case is pending before the appeal court. Management believes that the liability, if any, resulting from the litigations will not be material to the Bank's financial position or result of operations.

5.19 Restrictions on dividend payment

In accordance with Bank of Thailand announcement dated June 30, 1998 regarding bad or doubtful assets, the Bank and a subsidiary company which is a financial institution are not allowed to pay any dividends to the shareholders during any period in which the bad or irrecoverable assets have not been written off or an allowance for doubtful asset has not been fully recorded.

5.20 Related-party transactions

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, interest rates, terms and conditions are considered to be at arms length except loan to a subsidiary company which the Bank calculated interest by the Bank policy at lower interest rate than market rate for the year ended December 31, 1998 and 1997. The significant transactions are as follows:

5.20.1 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 of each company's paid up capital at December 31 are as follows:

		CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
		1998	1997	1998	1997
Loans					
Balance as at December 31,	(Baht)	2,161,457,804	1,941,366,756	4,575,624,151	3,961,906,967
Average balance at the end of the month	(Baht)	2,227,591,067	1,857,432,742	4,412,578,382	3,930,701,223
Commitments					
Balance as at December 31,	(Baht)	1,192,500	118,104,207	27,617,405	497,383,502
Average balance at the end of the month	(Baht)	21,798,079	39,000,415	345,574,123	109,309,995

Certain information related to the aforementioned loans and commitments as at December 31, 1998 are as follows:

	Total Amount (Baht)	Interest Rate (%)	Maturity Date	Collateral Value	
				Secured (Million Baht)	Unsecured (Million Baht)
Loans	4,575,624,151	0-19	Dec. 7, 1989 to Mar. 25, 2005	2,010	2,593
Commitments	27,617,405	-	Sep. 14, 1993 to Dec. 31, 2030		

Additionally, detailed financial figures for the year ended December 31, 1997 are not disclosed because the Bank has no readily available information.

5.20.2 In addition, the Bank has loans and commitments to the companies which are related to the directors and/or shareholders of the Bank as identified in the report of the BOT dated December 16, 1998 on the result of audit of the Bank as at April 30, 1998.

Certain information related to the aforementioned loans and commitments as at December 31, 1998, are as follows:

	Total Amount (Baht)	Interest Rate (%)	Maturity Date	Collateral Value	
				Secured (Million Baht)	Unsecured (Million Baht)
Loans	6,831,704,151	0-19	Dec. 7, 1989 to Mar. 25, 2005	2,339	4,520
Commitments	27,617,405	-	Sep. 14, 1993 to Dec. 31, 2030		

Additionally, detailed financial figures for the year ended December 31, 1997 are not disclosed because the Bank has no readily available information.

5.20.3 Significant transactions with the related companies whose shares are more than 20 percent owned by the Bank consisted mainly of the following at December 31, 1998:

CONSOLIDATED FINANCIAL STATEMENTS

INVESTMENT	TYPE OF BUSINESS	RELATIONSHIP	PAID-UP	HOLDING	INVESTMENT	DIVIDEND
			SHARE CAPITAL	%	(COST METHOD)	
			(Baht)		(Baht)	(Baht)
ASSOCIATED COMPANIES						
BSP Leasing Co., Ltd.	Leasing	shareholder	60,000,000	30.00	23,400,000	-
Axa Insurance Public Co.,Ltd. (Formerly Vendome Insurance Public Co., Ltd.)	Non-Life Assurance	shareholder	255,000,000	30.50	121,117,516	-
					AMOUNT	
					(Baht)	
LOANS						
ASSOCIATED COMPANIES						
BSP Leasing Co., Ltd.					23,103,327	
Axa Insurance Public Co., Ltd. (Formerly Vendome Insurance Public Co., Ltd.)					-	

THE BANK'S FINANCIAL STATEMENT BY THE COST METHOD

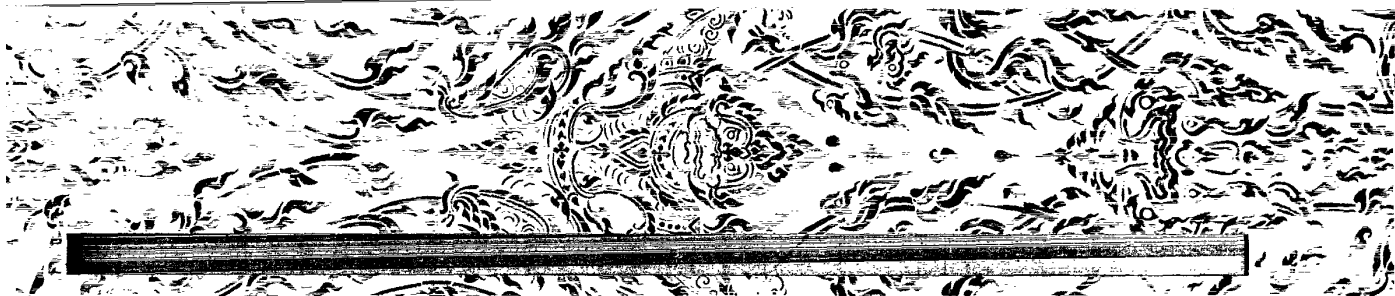
INVESTMENT	TYPE OF BUSINESS	RELATIONSHIP	PAID-UP	HOLDING	INVESTMENT	DIVIDEND
			SHARE CAPITAL	%	(COST METHOD)	
			(Baht)		(Baht)	(Baht)
SUBSIDIARY COMPANIES						
Asia Property Co., Ltd.	Asset Management	Shareholder	40,000,000	99.99	109,354,000	-
Asia Vanichkij Co., Ltd.	Service	Shareholder	5,000,000	99.99	4,999,300	-
BOA Leasing Co., Ltd.	Leasing	Shareholder	200,000,000	99.99	199,999,930	-
Thanapawat Co., Ltd.	Asset Management	Shareholder	1,000,000	99.99	999,930	-
Thai Asia Mutual Fund Co.,Ltd.	Fund	Shareholder	100,000,000	99.99	135,725,724	3,508,065
Asia Leasehold Co., Ltd.	Real Estate	Shareholder	1,000,000	99.93	999,300	-
ASEC Finance and Securities Co., Ltd.	Finance	Shareholder	160,000,000	75.00	265,497,813	-
ASSOCIATED COMPANIES						
BSP Leasing Co., Ltd.	Leasing	Shareholder	60,000,000	30.00	23,400,000	-
Axa Insurance Public Co., Ltd. (Formerly Vendome Insurance Public Co., Ltd.)	Non-Life Assurance	Shareholder	255,000,000	30.50	121,117,516	-



LOANS	AMOUNT (Baht)
SUBSIDIARY COMPANIES	
Asia Property Co., Ltd.	-
BOA Leasing Co., Ltd.	1,527,000,000
Thanapawat Co., Ltd.	-
Thai Asia Mutual Fund Co., Ltd.	-
Asia Leasehold Co., Ltd.	732,166,347
ASEC Finance and Securities Co., Ltd.	155,000,000
ASSOCIATED COMPANIES	
BSP Leasing Co., Ltd.	23,103,327
Axa Insurance Public Co., Ltd. (Formerly Vendome Insurance Public Co., Ltd.)	-

5.20.4 Significant transactions with the related companies whose shares are more than 10-20 percent owned by the Bank consisted mainly of the following at December 31, 1998.

CONSOLIDATED FINANCIAL STATEMENTS						
INVESTMENT	TYPE OF BUSINESS	RELATIONSHIP	PAID-UP SHARE CAPITAL	HOLDING %	INVESTMENT (COST METHOD)	DIVIDEND
			(Baht)		(Baht)	(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	600,000
Navuti Co., Ltd.	Agriculture	shareholder	40,000,000	10.00	4,000,000	-
Piyalai Holdings Co., Ltd.	Realestate	shareholder	600,000,000	10.00	60,000,000	-
T.L. Leasing Co., Ltd.	Hire-purchase	shareholder	60,000,000	10.00	6,000,000	-
J.A.T. Leasing Co., Ltd.	Hire-purchase	shareholder	90,000,000	10.00	9,000,000	-
Eastern Commercial Leasing Co., Ltd.	Hire-purchase	shareholder	120,000,000	10.00	12,000,000	-
					AMOUNT (Baht)	
LOANS						
Wing Fat Co., Ltd.					537,016,000	
Piyalai Holdings Co., Ltd.					574,445,000	



THE BANK'S FINANCIAL STATEMENT BY THE COST METHOD						
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	600,000
Navuti Co., Ltd.	Agriculture	shareholder	40,000,000	10.00	4,000,000	-
Piyalai Holdings Co., Ltd.	Real estate	shareholder	600,000,000	10.00	60,000,000	-
					AMOUNT	
					(Baht)	
LOANS						
Wing Fat Co., Ltd.					537,016,000	
Piyalai Holdings Co., Ltd.					574,445,000	

Significant business transactions with related companies for the year ended December 31, 1997 are not presented as comparison as the Bank has inadequate information in this respect.

5.20.5 Other significant items with related companies are as follows at December 31:

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	1998 (Baht)	1997 (Baht)	1998 (Baht)	1997 (Baht)
Interbank and money market (Assets)	58,427,720	-	213,427,720	75,000,000
Loans	23,103,327	259,339,588	2,282,269,673	2,196,034,146
Accrued interest receivable	-	-	27,419,783	5,265,753
Other assets	-	-	5,879,562	10,179,562
Deposit	80,599,254	57,562,287	132,847,130	109,245,390
Interbank and money market (Liabilities)	1,838,045,468	-	1,857,792,402	27,971,509
Accrued interest expenses	12,537,245	-	12,537,245	-
Other liabilities	56,000,000	-	56,000,000	-
Interest income	31,326,110	46,636,885	257,448,533	359,678,190
Others income	7,058,397	4,728,496	9,026,956	5,613,292
Interest expenses	22,212,565	7,701,351	26,036,463	11,739,421
Rental expenses	-	-	246,092,318	188,236,331
Insurance expenses	10,254,513	13,154,131	10,254,513	13,154,131
Service expenses	-	-	7,800,000	6,000,000
Other expenses	56,000,000	-	57,490,000	103,891
Dividend income	-	-	3,508,065	31,501,000
Gains on foreign exchange	-	-	47,315,245	107,644,938

- The above related company transactions included only transactions with subsidiaries, associated and major shareholding companies.

Regional management cost allocation charged by related company.

As at December 31, 1998, the Bank had accrued Baht 56 million for regional management cost allocation charged by ABN AMRO Asia Pacific Pte. Ltd. for 4 months from September to December, 1998. On January 15, 1999, the Bank remitted US\$ 1.5 million to ABN AMRO Asia Pacific Pte. Ltd. to settle the cost allocation previously accrued. Starting from January 1, 1999, the Bank will accrue for US\$ 385,000 per month for the cost allocation on a monthly basis. The Bank and ABN AMRO Asia Pacific Pte. Ltd. are in the process of formalizing an agreement relating to such services.

5.21 Other benefits for the directors and executives

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


		1998	1997
Directors' remuneration	(Baht)	832,840	36,000,000

For the years ended December 31, 1998 and 1997, the Bank's management has the right to convert the total amount of Baht 15,150,000 and Baht 81,250,000, subordinated convertible debentures respectively. (See Note 5.12)

5.22 Long-term lease

Long-term lease for the consolidated financial statement at December 31 are as follows:

CONSOLIDATED FINANCIAL STATEMENTS		
Type of Lease	Period	Remaining Rental Expenses 1998 (Baht)
Office buildings	1999-2003	70,803,465
Office buildings	2004-2008	52,596,344
Office buildings	2009-2013	32,531,718
Office buildings	2014-2018	28,803,183
Office buildings	2019-2023	14,005,405
Office buildings	2024-2028	693,236
Land	1999-2020	1,744,000



Type of Lease	Period	Remaining Rental Expenses 1997 (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

Long-term lease for the Bank's financial statements by the cost method for office buildings at December 31 are as follows:

THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD

Type of Lease	Period	Remaining Rental Expenses 1998 (Baht)
Office buildings	1999-2003	70,425,465
Office buildings	2004-2008	52,596,344
Office buildings	2009-2013	32,531,718
Office buildings	2014-2018	28,803,183
Office buildings	2019-2023	14,005,405
Office buildings	2024-2028	693,236

Type of Lease	Period	Remaining Rental Expenses 1997 (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

- 5.23 Financial position and results of operations classified by domestic and foreign businesses
(1) Financial position classified by type of business segment at December 31

CONSOLIDATED FINANCIAL STATEMENTS

	1998		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Total assets	142,302,895,287	7,193,616,936	149,496,512,223
Interbank and money			
market items (assets)	3,931,069,711	12,675,536	3,943,745,247
Loans	124,268,140,840	-	124,268,140,840
Investment	16,669,331,288	-	16,669,331,288
Deposits	16,543,960,731	-	116,543,960,731
Interbank and money			
market items (liabilities)	12,839,507,187	5,958,131,200	18,797,638,387
Borrowings	15,150,000	1,117,458,600	1,132,608,600
Total contingencies	52,611,635,463	-	52,611,635,463
	1997		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Total assets	156,567,942,059	1,676,676,736	158,244,618,795
Interbank and money			
market items (assets)	2,933,943,102	1,533,550,834	4,467,493,936
Loans	133,789,334,280	252,421	133,789,586,701
Investment	9,528,337,940	-	9,528,337,940
Deposits	81,473,869,037	-	81,473,869,037
Interbank and money			
market items (liabilities)	23,955,586,347	32,083,103,493	56,038,689,840
Borrowings	81,250,000	1,130,183,600	1,211,433,600
Total contingencies	139,721,600,642	-	139,721,600,642

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

	1998		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Total assets	141,742,766,768	7,193,616,936	148,936,383,704
Interbank and money			
market items (assets)	3,836,800,979	12,675,536	3,849,476,515
Loans	125,540,581,359	-	125,540,581,359
Investment	17,209,637,890	-	17,209,637,890
Deposits	115,628,706,289	-	115,628,709,289
Interbank and money			
market items (liabilities)	12,844,205,420	5,958,131,200	18,802,336,620
Borrowings	15,150,000	1,117,458,600	1,132,608,600
Total contingencies	52,611,635,463	-	52,611,635,463
	1997		
	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

	1998		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Interest and dividend income	17,218,820,393	51,645,763	17,270,466,156
Interest expenses	(15,840,796,550)	(1,100,124,468)	(16,940,921,018)
Net interest income	1,378,023,843	(1,048,478,705)	329,545,138
Non-interest income	1,613,710,853	9,594,692	1,623,305,545
Non-interest expenses	(10,008,291,145)	(70,952,202)	(10,079,243,347)
Loss before tax	(7,016,556,449)	(1,109,836,215)	(8,126,392,664)

CONSOLIDATED FINANCIAL STATEMENTS

	1997		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Interest and dividend income	16,132,299,392	136,497,899	16,268,797,291
Interest expenses	(10,060,603,968)	(2,151,934,586)	(12,212,538,554)
Net interest income	6,071,695,424	(2,015,436,687)	4,056,258,737
Non-interest income	930,923,219	-	930,923,219
Non-interest expenses	(5,309,183,574)	(57,596,431)	(5,366,780,005)
Profit (loss) before tax	1,693,435,069	(2,073,033,118)	(379,598,049)

THE BANK'S FINANCIAL STATEMENTS

BY THE COST METHOD

	1998		
	Domestic (Baht)	Foreign (Baht)	Total (Baht)
Interest and dividend income	16,885,939,013	51,645,763	16,937,584,776
Interest expenses	(15,595,531,428)	(1,100,124,468)	(16,695,655,896)
Net interest income	1,290,407,585	(1,048,478,705)	241,928,880
Non-interest income	1,615,217,461	9,594,692	1,624,812,153
Non-interest expenses	(9,497,521,108)	(70,952,202)	(9,568,473,310)
Loss before tax	(6,591,896,062)	(1,109,836,215)	(7,701,732,277)

	1997		
	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	2,242,950,135	(2,073,033,118)	169,917,017

5.24 Gain on sales of investment

Gain on sales of investment for the year 1998 amounting to Baht 561,289,907 included an amount of interest income on securities in trading portfolio which is not reclassified for more appropriate presentation due to inadequate information for reclassification.

5.25 Pre-operating expense

The net amount of deferred pre-operating expense of Baht 141,315,357 being license cost of a branch of a subsidiary was written-off in 1998 due to impairment of the license.

5.26 Classified assets in the consolidated financial statements and the Bank's financial statements by the cost method for the years ended December 31, 1998 and 1997 based on the Bank of Thailand's announcements are as follows:

(Baht : Million)

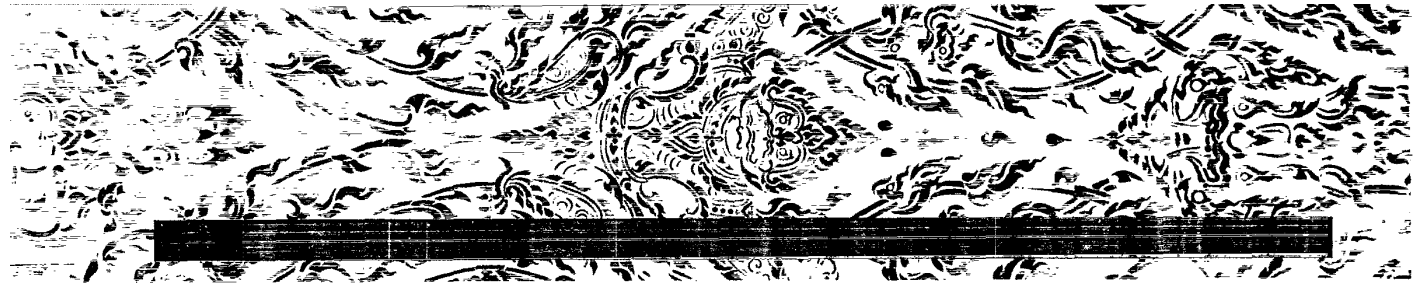
CONSOLIDATED FINANCIAL STATEMENTS
1998

	Investment	Loans	Properties Foreclosed	Other Assets	Total
Classified Assets					
Normal	-	52,818	-	447	53,265
Special mention	-	8,347	-	144	8,491
Substandard	-	10,834	-	542	11,376
Doubtful	-	17,601	-	1,226	18,827
Doubtful of loss	1,640	38,513	36	2,599	42,788
Total	1,640	128,113	36	4,958	134,747

(Baht : Million)

THE BANK'S FINANCIAL STATEMENTS
BY THE COST METHOD
1998

	Investment	Loans	Properties Foreclosed	Other Assets	Total
Classified Assets					
Normal	-	52,509	-	447	52,956
Special mention	-	8,294	-	144	8,438
Substandard	-	10,660	-	542	11,202
Doubtful	-	17,555	-	1,226	18,781
Doubtful of loss	1,625	38,008	36	2,593	42,262
Total	1,625	127,026	36	4,952	133,639



	(Baht : Million)	
	1997	
	CONSOLIDATED FINANCIAL STATEMENTS	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
Substandard investment	-	-
Doubtful investment	1,383	1,372
Substandard loans and receivables	15,461	15,127
Doubtful account loans and receivables	1,441	1,428
Bad debt - loans and receivables	8	8
Substandard - other assets	901	898
Doubtful - other assets	247	247
Bad debt - other assets	-	-
Total	(Baht) 19,441	19,080

5.27 Disclosure of financial instruments

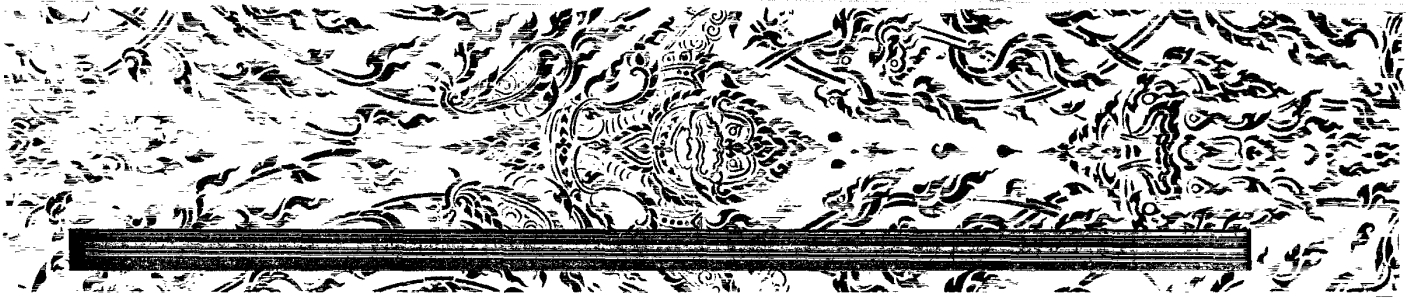
According to the letter received from The Stock Exchange of Thailand dated 21 October 1998, the Bank is required to use the International Accounting Standard (IAS) No.32, Presentations and Disclosure of Financial Instruments as a guideline for disclosure of the Bank's financial instruments both on-balance sheet and off-balance sheet.

For off-balance sheet financial instruments, the Bank is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates and foreign exchange rates. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees, and forward foreign exchange contracts. Those instruments involve, to varying degrees, elements of credit and foreign exchange risk in excess of the amount recognized in the consolidated financial statements. The contract or notional amounts of those instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The Bank does not speculate in or engage in the trading of any derivative financial instruments

Accounting Policies

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



Credit Risk

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

In the case of recognized financial assets, the carrying amount of the assets recorded in the consolidated balance sheet, net of a portion of provision for doubtful debts (see Note 3.7), represents the Bank and its subsidiaries' maximum exposure to credit risk.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and financial guarantees written is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. For forward foreign exchange contracts, the contract or notional amounts do not represent exposure to credit loss. The Bank controls the credit risk of its derivatives instruments through credit approvals, limits, and monitoring procedures set by its Assets and Liabilities Committee.

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

The following table shows the credit equivalent of off balance sheet financial instruments at December 31, 1998.

	(Baht : Million)	
	CONSOLIDATED	THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD
FOREIGN EXCHANGE CONTRACTS:		
Spot and Forward Contracts	496	496
FX Swaps	139	139
Total	635	635



Interest Rate Risk

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

The Bank enters into forward foreign exchange contracts as part of its risk management strategy primarily to manage the market risk arising from the Bank's underlying assets and liabilities and to offset risk created by its customers. The utilisation of forward foreign exchange contracts for these purpose is governed by Board's approved guidelines and parameters set by the Assets and Liabilities Committee.

The Bank and its subsidiaries have estimated that on a consolidated basis, more than 60 percent of the carrying value of interbank and money market items (Assets) at December 31, 1998 will be repriced within one year and have estimated that less than 45 percent of the consolidated carrying value of investment in securities at December 31, 1998 will be repriced within one year. The carrying value of the Bank's loan portfolio at December 31, 1998 was Baht 124,268 million of which approximately more than 90 percent of the balance was estimated to be repriced within one year.

On a consolidated basis, the management estimates that greater than 95 percent of the Baht 135,342 million carrying value of deposits, interbank and money market items (Liabilities) will be repriced within one year, and Baht 1,117 million of the Baht 1,133 million long term borrowings outstanding at December 31, 1998 will be repriced after five years.

Other financial instruments are considered to be non-interest rate sensitive.



Maturities of Financial Assets and Liabilities

The Bank and its subsidiaries has estimated on a consolidated basis that greater than 55 percent of the carrying value of its interbank receivables, money market items, loans and other receivables balances at December 31, 1998 have remaining contractual maturities of one year or less. Greater than 65 percent of the Baht 16,669 million investment in securities held by the Bank and its subsidiaries on consolidated basis at December 31, 1998 have been estimated to have remaining contractual maturities longer than one year.

The Bank and its subsidiaries has estimated that the majority of its consolidated interbank liabilities, money market items, deposits and short-term borrowings have remaining maturities of one year or less as of December 31, 1998.

At December 31, 1998, Baht 1,117 million of long-term debts were scheduled to mature on February 9, 2004 and Baht 15 million on December 30, 2003

Estimated Market Value of Financial Instruments

The market values have been estimated by the Bank and its subsidiaries using available market information and appropriate valuation methodologies.

The following is a summary of carrying amounts and estimated market value of financial instruments at December 31, 1998:

	CONSOLIDATED		THE BANK'S FINANCIAL STATEMENTS BY THE COST METHOD	
	Carrying Amount (Baht)	Market Value (Baht)	Carrying Amount (Baht)	Market Value (Baht)
Financial assets:				
Cash, interbank and money market items	5,306,774,104	5,306,774,104	5,212,176,126	5,212,176,126
Securities purchased under resale agreements	1,668,000,000	1,668,000,000	1,650,000,000	1,650,000,000
Securities for trading - net	11,782,851,668	12,254,823,209	11,767,309,890	12,235,498,409
Securities for investment - net	3,654,683,853	4,639,538,065	3,817,228,969	4,261,007,591
Hire purchase receivable - net	189,522,687	170,214,526	-	-
Loans receivable and Accrued interest receivable - net	120,013,427,439	108,713,931,230	121,526,988,911	110,335,988,911
Customers' liability under acceptances	1,121,080,303	1,121,080,303	1,121,080,303	1,121,080,303
Financial liabilities:				
Total deposits	116,543,960,731	116,075,015,385	115,628,706,289	115,163,819,659
Interbank and money market items	18,797,638,387	18,797,638,387	18,802,336,620	18,802,336,620
Liability payable on demand	233,000,078	233,000,078	233,000,078	233,000,078
Securities sold under repurchase agreements	-	-	-	-
Short - term borrowings	-	-	-	-
Long - term debt	1,132,608,600	802,368,487	1,132,608,600	802,368,487
Bank's liabilities under acceptance	1,121,080,303	1,121,080,303	1,121,080,303	1,121,080,303
Accrued interest payable	1,723,571,065	1,723,571,065	1,711,840,781	1,711,840,781

Off - Balance Sheet Financial Instruments

(Baht : million)

	CONSOLIDATED			Fair Value
	Notional < 1 year	Notional > 1 year	Notional Total	
Foreign Exchange Contracts				
Spot and Forward Contracts	2,479	-	2,479	2,658
FX Swaps	697	-	697	757
	3,176	-	3,176	3,415

(Baht : million)


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

	Notional	Notional	Notional	Fair Value
	< 1 year	> 1 year	Total	
Foreign Exchange Contracts				
Spot and Forward Contracts	2,479	-	2,479	2,658
FX Swaps	697	-	697	757
	3,176	-	3,176	3,415

The Bank has estimated the fair value of the above instruments to be the sum of the net gain or loss at December 31, 1998 and the notional value of the contract.

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

The following methods and assumptions were used by the Bank and its subsidiaries in estimating market value or fair value of financial instruments as disclosed herein:



Cash, interbank and money market items; The carrying amounts of cash and short-term instruments which its remaining maturities are less than 90 days or bear variable rates of interest are approximate their market value.

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

Securities for trading-net; Market value for trading account securities, which is also the amounts recognized in the consolidated balance sheet, is based on quoted market prices, where available. If quoted market prices are not available, market value is based on quoted market prices of comparable instruments after adjusted for risk involved.

Securities for investment-net; Market value for securities for investments is based on quoted market prices. The net assets values of unquoted market prices securities approximate its market value.

Hire purchase receivable-net; Market value is estimated by using discounted cashflow analysis and using interest rates currently being offered with average remaining years to maturity

Loans receivable; For variable-rate loans that reprice frequently and have no significant change in credit risk, market value is based on carrying values. Market value for fixed interest loan is estimated using discounted cash flow analysis and using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Accrued interest receivable; The carrying amount of accrued interest receivable approximates its market value.

Customers' liability under acceptances; The carrying amounts of customers' liability under acceptances approximates its market value.

Deposit liabilities; The market value disclosed for deposits which is payable on demand by the depositor, is equal to the carrying value of such deposits. The carrying amounts of variable-rate, fixed-term money-market accounts and certificates of deposit (CDs) approximate their market value at the reporting date. Market value for fixed-rate CDs is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregate expected monthly maturities on time deposits.



Interbank and money market items (Liabilities); The carrying amount of interbank and money market items which have remaining maturities of less than 90 days and/or bear variable rates of interest approximates their market value at the reporting date. Market value for fixed rate instruments with remaining maturities greater than 90 days is estimated using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

Securities sold under repurchase agreements; The carrying value of securities sold under repurchase agreements approximates its market value.

Short-term borrowings; The carrying amounts of short-term borrowings maturing within 90 days approximate their market values. Market value of other short-term borrowings is estimated using discounted cash flow analysis based on the Bank's average current borrowing rates for similar types of borrowing arrangements.

Long-term debt; The market value of long-term debt is estimated using discounted cash flow analysis based on the average current borrowing rates for similar types of borrowing arrangements.

Bank's liabilities under acceptances; The carrying amount of the Bank's liabilities under acceptances approximates its market value.

Accrued interest payable; The carrying amounts of accrued interest payable approximate its market value.

5.28 Resolving and implementation the Millennium Bug (Y2K) for Year 2000 (Unaudited-not covered by Report of the Auditors)

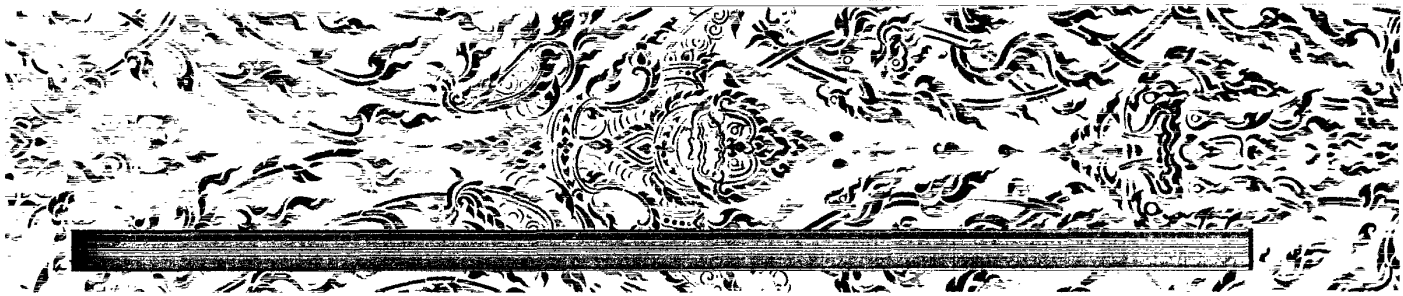
The Bank and its subsidiaries have improved the computer system to resolve the Millennium Bug (Y2K) problem since December 1997. As at December 31, 1998, the improvements have been finished. Total budget is approximately Baht 40 million. As at December 31, 1998, the Bank already recorded approximately Baht 13 million.

Although the Bank and its subsidiaries believe that they can solve and modify all systems before the coming Year 2000, the Bank and its subsidiaries still has a risk if at that time other companies whom the Bank and its subsidiaries do the business with, cannot solve this problem then this will have a material effect on the Bank's operations but the Bank and its subsidiaries cannot estimate the impact of Y2K problems at the present time.

**OTHER INFORMATION**

1. Bank of Asia's ten largest shareholders as at 31 December 1998

	No. of Shares Held	% of Total Shares
ABN AMRO Holdings (Thailand) Limited	1,423,000,000	76.77
Charoon and Family Ltd.	16,936,599	0.91
Phatra Group (1990) Co., Ltd.	15,074,579	0.81
Phatralanna Co., Ltd.	14,615,096	0.79
Vilaiphan Euarchukiati	14,467,921	0.78
Euarchukiati Family Co., Ltd.	14,374,670	0.78
Phatra Kriangkrai Co., Ltd.	12,944,543	0.70
Asia Holding Co., Ltd.	11,286,686	0.61
Tipco Hua Hin Hotel Co., Ltd.	10,839,950	0.59
Phatra Turakij Co., Ltd.	7,988,395	0.43
Total	1,541,528,439	83.17



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

ASEC Finance and Securities Co., Ltd.

Rajanakarn Bldg., 10th Fl., South Sathorn Rd.,
Khet Sathorn, Bangkok 10120
Tel. 676-5788
Fax. 676-5789

BOA Leasing Co., Ltd.

United Center Building, 29th Fl.,
323 Silom Rd., Khet Bangrak, Bangkok 10500
Tel. 266-7290 Ext. 299
Fax. 266-7300

Asia Dhanavadh Warehouse Co., Ltd.

2194/97 Charoen Krung Rd.,
Khet Bang Kao Laem, Bangkok 10120
Tel. 289-4610-1
Fax. 291-9860

BSP Leasing Co., Ltd.

Toyota Thonburi Bldg.
313/1 Ratchadaphisek-Tapra Rd.,
Khet Thonburi, Bangkok 10600
Tel. 477-0077-8
Fax. 476-9173

Asia Lease-Hold Co., Ltd.

191 South Sathorn Rd.,
Khet Sathorn, Bangkok 10120
Tel. 287-2211-3 Ext.1120
Fax. 287-2973-4

Navuti Co., Ltd.

Rajanakarn Bldg. 16th Fl., 183 South Sathorn Rd.,
Khet Sathorn, Bangkok 10120
Tel. 676-6081-4
Fax. 676-6080

Asia Property Co., Ltd.

191 South Sathorn Rd.,
Khet Sathorn, Bangkok 10120
Tel. 285-1505
Fax. 285-1501

Piyalai Holding Co., Ltd.

Wall Street Tower, 22nd Fl.(2202),
33/114 Surawongse Rd., Bangkok 10500
Tel. 233-1666 Ext. 2220-1
Fax. 233-3895

Asia Vanichkij Co., Ltd.

191 South Sathorn Rd.,
Khet Sathorn, Bangkok 10120
Tel. 287-2211-3 Ext. 3600-3
Fax. 287-3056

Thana Pawat Co., Ltd.

191 South Sathorn Rd., Khet Sathorn,
Bangkok 10120

AXA Insurance PCL

Lumpini Tower 23 rd Fl., Unit-C, 1168/67
Rama IV Rd., Khet Sathorn, Bangkok 10120
Tel. 285-6385
Fax. 285-6383

Thai Asia Mutual Fund Co., Ltd.

Rajanakarn Building, 183 South Sathorn Rd.,
Khet Sathorn, Bangkok 10120
Tel. 676-5678
Fax. 676-5677

Wing Fat Co., Ltd.

69 Moo 6, Leapklong Phasi Charoen Rd.,
Khet Nongkam, Bangkok 10160
Tel. 429-3403-5

3. Outstanding loans to and commitments with companies in which Bank of Asia, its directors, officers from the level of departmental chief upwards and/or companies/persons related to the Bank have 5% or more beneficial ownership.

Shareholders	Company Owned	No. of Shares Held	Paid-up Capital (Baht)
Bank of Asia PCL	ASEC Finance and Security Co., Ltd.	11,999,902	16,000,000
Bank of Asia PCL	Asia Property Co., Ltd.	399,994	400,000
Bank of Asia PCL	AXA Insurance PCL	777,783	2,550,000
Bank of Asia PCL	BSP Leasing Co., Ltd.	180,000	600,000
Bank of Asia PCL	C.P.L. Group PCL	1,636,500	24,000,000
Bank of Asia PCL	Phutaluang Co., Ltd.	100,000	2,000,000
Bank of Asia PCL	Piyalai Holding Co., Ltd.	600,000	6,000,000
Bank of Asia PCL	Siam DHV Co., Ltd.	14,000	200,000
Bank of Asia PCL	Wing Fat Co., Ltd.	100,000	700,000
Bank of Asia PCL		4,000	
Asia Holding Co., Ltd.	Asia Dhanavadh	6,000	30,000
Asia Lease-Hold Co., Ltd.	Warehouse Co., Ltd.	2,000	
Lawan Tejapaibul		1,818	

(Million Baht)

Outstanding as at 31 December 1998					
Loans	Commitment	Interest Rate	Collateral	Appraisal Value	Mortgage Value
155.00	-	Money Market	-	-	-
-	4.16	-	Pledge of deposits	4.20	4.20
-	4.48	-	Pledge of deposits	10.50	10.50
23.10	-	SPR + Margin, Money market	Assignment of accounts receivable, Personal guarantee	24.40	24.40
36.96	31.00	MOR, MLR, SIBOR + Margin	Mortgage of property, Pledge of machinery, Personal guarantee	21.05	25.00
276.91	-	MOR + Margin	Mortgage of property, Personal guarantee	323.00	200.00
574.44	-	MLR	Mortgage of property, Personal guarantee	566.09	440.00
7.43	-	MOR + Margin	-	-	-
537.01	-	MOR	Mortgage of property, Personal guarantee	396.50	932.00
-	0.12	-	Assignment of leasehold right	36.50	20.00

Outstanding loans to and commitments with companies in which Bank of Asia, its directors, officers from the level of departmental chief upwards and/or companies/persons related to the Bank have 5% or more beneficial ownership. (continued)

Shareholders	Company Owned	No. of Shares Held	Paid-up Capital (Baht)
Bank of Asia PCL		9,993	
James Stent		1	
Abhai Asavanund		1	
Chitraporn Tangsuwan	Asia Lease-Hold Co., Ltd.	1	10,000
Phiphat Phornsuvan		1	
Thira Kanitphun		1	
Bank of Asia PCL		19,999,993	
James Stent	BOA Leasing Co., Ltd.	1	20,000,000
Montipa Rusamemongkol		1	
Pakorn Tanapakorn		1	
Bank of Asia PCL	Thai Chipboard Co., Ltd.	40,000	500,000
C.E. Family Co., Ltd.		8,000	
Lawan Tejapaibul	C.E. Family Co., Ltd.	4,000	60,000
Praphan Phatraprasit	Mekkhla Ceramics Industry Co., Ltd.	2,500	10,000
Praphan Phatraprasit	Phatraprasit Warehouse Co., Ltd.	1,050	10,000

Total

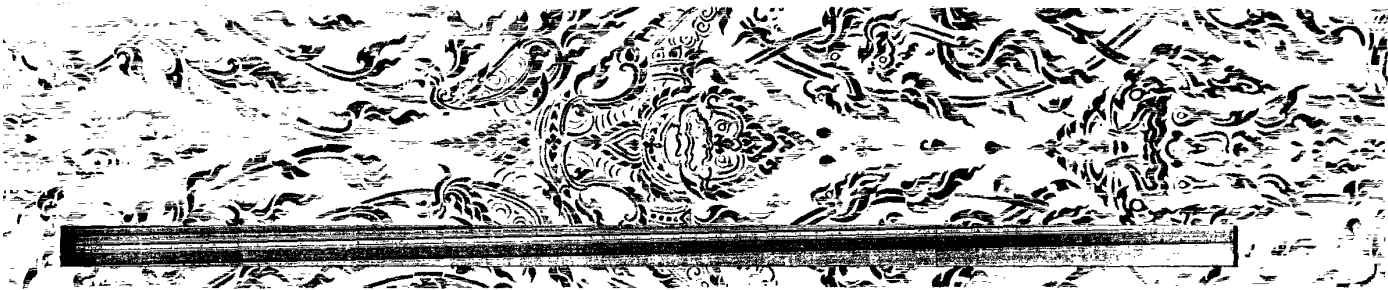


(Million Baht)

Outstanding as at 31 December 1998					
Loans	Commitment	Interest Rate	Collateral	Appraisal Value	Mortgage Value
732.17	0.38	SPR	Assignment of right to mortgage property	364.47	616.29
1,527.00	17.41	Money market	-	-	-
385.98	-	Fixed deposit + Margin, MLR, SIBOR + Margin	Pledge of deposits and machinery, Mortgage of property, Personal guarantee	279.40	692.00
31.59	-	MOR, MLR	Mortgage of property, Pledge of shares, Personal guarantee	158.90	173.20
119.71	-	MOR, MLR	Mortgage of property, Personal guarantee	710.00	615.00
-	0.02	-	Pledge of deposits	0.02	0.02
4,407.30	57.57				

4. Bank of Asia's outstanding loans to and commitments with officers from the level of departmental chief upwards

Names	(Baht)			
	Outstanding as at 31 December 1998	Average Monthly Balance during 1998	Outstanding as at 31 December 1997	Average Monthly Balance during 1997
1. Abhai Asavanund	0.00	58,928.31	174,242.08	79,662.89
2. Anupon Censarn	99,814.17	145,819.03	37,013.44	131,671.34
3. Benjana Asavametha	0.00	1,865.50	0.00	0.00
4. Chanjala Ngaosuvan	2,092.27	16,932.01	0.00	0.00
5. Chatri Siripanichkorn	85,717.62	33,350.03	137.26	40,330.49
6. Chitraporn Tangsuwan	0.00	1,678,778.80	5,363,916.49	5,247,689.00
7. Damri Limmahakhun	890.19	9,028.43	199,813.01	59,255.73
8. Dhirajai Yongkittikul	0.00	467.46	114,035.90	12,576.93
9. Duangjai Amatyakul	11,423,781.74	11,341,100.46	9,990,259.81	10,525,643.31
10. James Stent	0.00	0.00	0.00	1,043.51
11. Kriengsak Rerksopist	0.00	0.00	0.00	100,864.09
12. Maralee Kongsala	0.00	723.73	0.00	4,726.95
13. Montipa Rusamemongkol	51,717.65	130,814.68	83,050.27	40,118.99
14. Montira Utarapichart	0.00	1,350.62	0.00	5,948.09
15. Nongluk Chotirat	679,440.81	920,640.83	1,228,854.19	1,086,099.54
16. Nunthavadee Sangsumran	21,373.39	8,452.59	0.00	0.00
17. Pakorn Tanapakorn	198,652.76	185,851.68	198,298.55	185,313.45
18. Phiphat Phornsuan	0.00	1,082,834.19	0.00	913,490.97
19. Pilaiwan Mongkolrat	83,355.45	8,148.02	0.00	0.00
20. Pimonporn Poolnapol	1,390,986.15	946,990.78	1,203,835.11	1,157,901.12
21. Prasert Larppipitmongkol	64,955.39	128,788.26	0.00	0.00
22. Pravit Tangkaratt	5,359,323.27	5,231,076.88	4,871,697.18	4,235,720.57
23. Preeprame Tesprasit	0.00	4,704.46	0.00	11,632.50
24. Rajanikorn Rajani	0.00	6,808.01	0.00	20,506.85
25. Sirisin Phongtratik	0.00	11,886.03	0.00	781.61
26. Suthanai Prasertsan	662,172.24	137,367.90	148,223.63	165,770.94
27. Teeramanop Fuktongphan	0.00	0.00	0.00	2,085.77
28. Walaiporn Panyadhanya	674,436.42	623,337.94	1,638,585.70	895,110.71
29. Wanchai Lerttevasiri	204,974.42	204,391.37	205,553.01	178,141.70
30. Wanvimol Kanoktanaporn	114,592.20	144,343.16	0.00	0.00
31. Wisanu Hutangoon	1,938,277.47	2,045,360.05	3,541,166.58	2,634,908.70
32. Yingluk Ratanachai	0.00	0.00	33,668.03	2,805.67
	23,056,553.61	25,110,141.20	29,032,350.24	27,739,801.42



5. Shares owned by Directors

5.1 Number of shares in Bank of Asia Public Company Limited

	December 1998 (shares)	Increase (Decrease) from 1997 (shares)
Chavalit Thanachanan	-	-
Bruno Schricke	-	-
Chulakorn Singhakowin	-	(484,650)
Herman Mulder	-	-
Jacob Cornelio Adriano de Jonge	-	-
Jan Joost Oyevaar	-	-
Lawan Tejapaibul	1,457,361	-
Nils Lorenzen	-	-
Praphan Phatraprasit	1,696,723	-
Sergio Agapito Lires Rial	-	-
Viroj Lowhaphandu	-	(1,000)

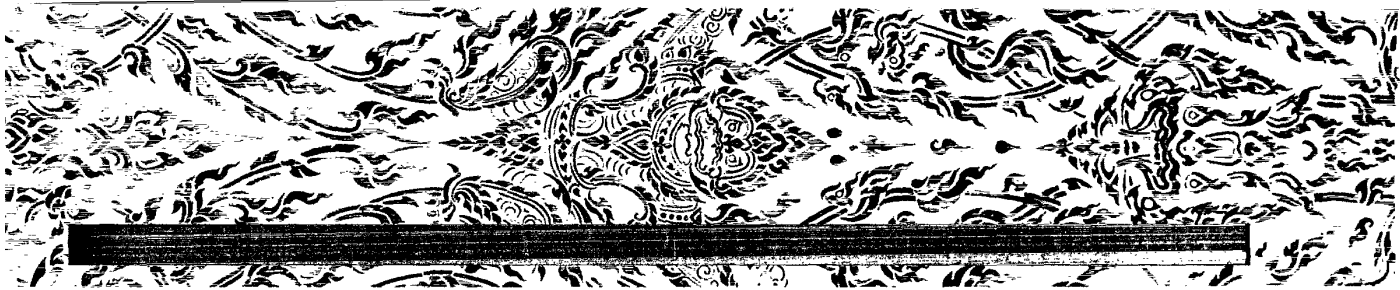
5.2 Number of shares in Bank of Asia Public Company Limited's subsidiaries and associated companies

	No. of Ordinary Shares December 1998	Increase (Decrease) from 1997
Chulakorn Singhakowin		
Asia Vanichkij	1	-

6. Shares in Bank of Asia and Bank of Asia's subsidiaries and associated companies held by senior management as at 31 December 1998

No. of Ordinary Shares* Increase (Decrease) from 1997		
Chulakorn Singhakowin		
Bank of Asia	-	(484,650)
Asia Vanichkij	1	-
Abhai Asavanund		
Bank of Asia	-	(368,505)
Asia Lease-Hold	1	-
Asia Property	1	-
James Stent		
Bank of Asia	-	(328,430)
Asia Lease-Hold	1	-
Asia Property	1	-
Asia Vanichkij	1	-
BOA Leasing	1	-
Bruno Schricke		
	-	-
Chitraporn Tangsuwan		
Bank of Asia	-	(224,400)
Asia Lease-Hold	1	-
David Hendrix		
	-	-
Phiphat Phornsuan		
Bank of Asia	-	(324,400)
Asia Lease-Hold	1	-
Asia Vanichkij	1	-
Phongsuree Bunnag		
	-	-
Surachai Chitratsenee		
	-	-
Vilawan Vanadurongvan		
Bank of Asia	83,300	(215,400)
Wisit Wongpaisan		
	-	-

**Under the policy of ABN AMRO, Bank of Asia's core shareholder, senior management are not permitted to hold shares, debentures or convertible debentures in the Bank. The Bank's senior management have disposed of or in the process of disposing of such holdings.*



7. Shares in Bank of Asia and Bank of Asia's subsidiaries and associated companies held by other management as at 31 December 1998

7.1 Shares in Bank of Asia

Name/Position	No. of Ordinary Shares	Increase (Decrease) from 1997
1. Aart Jongejans SVP, Risk Management Division 1998-Present SVP, Bank of Asia PCL 1996-1998 ABN AMRO Australia Ltd.	-	-
2. Benjana Asavametha SVP, Quality Assurance & Support Division 1997-Present SVP, Bank of Asia PCL 1990-1997 VP, System Development Department, Bank of Asia PCL	5,000	5,000
3. Chadaporn Pornpanich SVP, Consumer Marketing & Sales Division 1997-Present SVP, Bank of Asia PCL 1995-1997 GE Capital (Thailand) Co., Ltd.	50	50
4. Chanindh Homsilpakul SVP, Information Technology Planning Division 1997-Present SVP, Bank of Asia PCL 1994-1997 Coca Cola (Thailand) Co., Ltd.	-	-
5. Chaveephan Huntrakul SVP, Funds Management Division 1997-Present SVP, Bank of Asia PCL 1996-1997 Ayudhya CMG Life Assurance PCL	-	-
6. Chooporn Chantaravichai SVP, Cash Management Division 1998-Present SVP, Bank of Asia PCL 1998 ABN AMRO Bank, Bangkok Branch	-	-

Shares in Bank of Asia held by other management as at 31 December 1998 (continued)

Name/Position	No. of Ordinary Shares	Increase (Decrease) from 1997
7. Christopher Martin Power SVP, Audit Group 1998-Present SVP, Bank of Asia PCL 1994-1998 ABN AMRO Bank, Hong Kong Branch	-	-
8. Dhirajai Yongkittikul SVP, Liabilities Management Division 1997-Present SVP, Bank of Asia PCL 1994-1997 VP, Treasury Department, Bank of Asia PCL	-	-
9. Kriengsak Rerksopist SVP, Distribution Management Group 1995-Present SVP, Bank of Asia PCL 1971-1995 Thai Farmers Bank PCL	4,700	(103,000)
10. Najmudin Malik SVP, Transactional Banking Division 1998-Present SVP, Bank of Asia PCL 1996-1998 ABN AMRO Bank, Bangkok Branch	-	-
11. Passamon Pranutnorapal SVP, Professional Training and Development Division 1996-Present SVP, Bank of Asia PCL 1994-1996 Siam Syntech Construction (Thailand) Co., Ltd.	50	50
12. Roongroj Pilakasiri SVP, Human Resources Planning Division 1998-Present SVP, Bank of Asia PCL 1996-1998 Laem Thong Bank PCL	-	-

Shares in Bank of Asia held by other management as at 31 December 1998 (continued)

Name/Position	No. of Ordinary Shares	Increase (Decrease) from 1997
13. Sewsin Singprasong SVP, Consumer Service Division 1997-Present SVP, Bank of Asia PCL 1974-1997 Manager of Bangkok Metropolitan Branch Region 3 Bank of Asia PCL	221,800	167,950
14. 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	-	(17,900)
15. Suthep Dansiriviroj SVP, Special Credit Division 1998-Present SVP, Bank of Asia PCL 1996-1998 VP, Real Estate and Service Banking Department, Bank of Asia PCL	950	-
16. Wanchai Lerttevasiri SVP, Supervision and Control Division 1997-Present SVP, Bank of Asia PCL 1994-1997 VP, Financial Services and Support Department, Bank of Asia PCL	-	(42,700)
17. Wanvimol Kanoktanaporn SVP, Consumer Credit Products Division 1997-Present SVP, Bank of Asia PCL 1989-1997 Citibank N.A., Thailand	31,250	31,250
18. Rajanikorn Rajani VP, Office of the President 1989-Present VP, Bank of Asia PCL	304	(10,100)

7.2 Shares in Bank of Asia's subsidiaries

Name/Position	No. of Ordinary Shares	Increase (Decrease) from 1997
1. Wanchai Lerttevasiri		
SVP, Supervision and Control Division		
Asia Lease-hold	1	-
Asia Property	1	-
BOA Leasing	1	1

8. Director's remuneration in 1998

Chavalit Thanachanan	(Baht)	3,574,282.53
Praphan Phatraprasit		384,092.84
Chulakorn Singhakowin		327,141.27
Lawan Tejapaibul		323,134.43
Viroj Lowhaphandu		323,134.43
Total		4,931,785.50

9. Management's remuneration and other benefits in 1998

9.1 Monetary remuneration

Staff at the vice president level upwards (80 persons)	(Baht)	153,470,687
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Total of the 15 highest paid officials 69,077,942

9.2 Other benefits

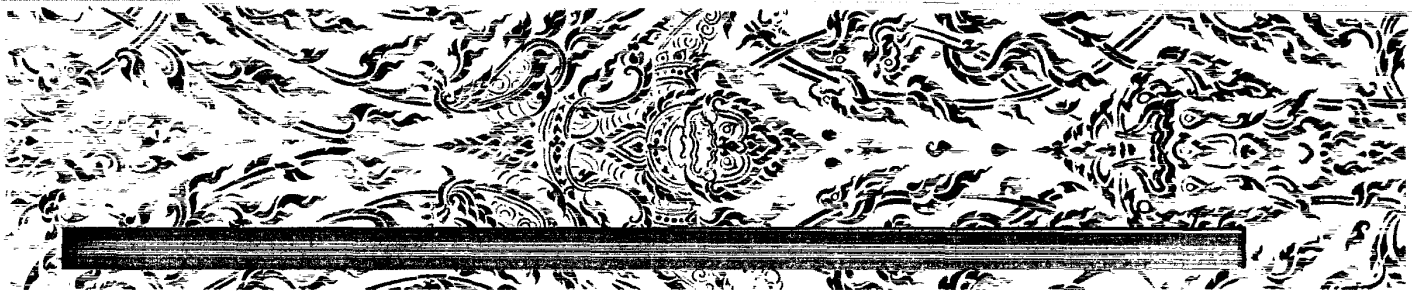
As part of remuneration, middle management receive the right to purchase subordinated convertible debentures of Baht 1,000 par value. As at 31 December 1998, 12 officers held subordinated convertible debentures of Bank of Asia totalling 1,515 units, with a conversion ratio of one debenture unit to 1,000 shares.

10. Structure of the Group's revenue

Type of Income	Served By	% of Shares Held By Bank of Asia	1998		1997	
			Baht	% of Total Revenue	Baht	% of Total Revenue
Interest and Dividend Income	Bank of Asia		16,937,584,775	89.64	15,833,860,371	92.06
	BOA Leasing	99.99	167,705,039	0.89	272,516,370	1.58
	Thai Asia Mutual Fund	99.99	1,827,638	0.01	0.00	0.00
	Asia Lease-Hold	99.93	(28,697,933)	(0.15)	(75,033,548)	(0.44)
	ASEC Finance and Securities	75.00	192,046,637	1.02	237,454,098	1.38
			17,270,466,156	91.41	16,268,797,291	94.58
Fees and Services Income	Bank of Asia		402,242,537	2.13	517,244,165	3.01
	Asia Property	99.99	(216,000)	(0.00)	0.00	0.00
	BOA Leasing	99.99	1,253,656	0.01	5,600,793	0.03
	Thai Asia Mutual Fund	99.99	9,052,598	0.05	0.00	0.00
	Asia Lease-Hold	99.93	(11,907)	(0.00)	0.00	0.00
	ASEC Finance and Securities	75.00	13,911,343	0.07	8,363,960	0.05
			426,232,227	2.26	531,208,918	3.09
Gain on Exchange	Bank of Asia		645,990,311	3.42	393,601,110	2.29
	BOA Leasing	99.99	(47,315,245)	(0.25)	(108,922,938)	(0.63)
			598,675,066	3.17	284,678,172	1.66
Gain on Sale of Securities	Bank of Asia		561,289,907	2.97	92,691,063	0.54
Rental Income	Asia Property	99.99	94,000	0.00	1,597,500	0.01
	Asia Lease-Hold	99.93	4,560,000	0.02	4,560,000	0.03
			4,654,000	0.02	6,157,500	0.04
Other Income	Bank of Asia		15,289,399	0.08	11,266,736	0.06
	Asia Property	99.99	1,181,308	0.01	338,388	0.00
	BOA Leasing	99.99	14,952,234	0.08	7,791,008	0.05
	Thai Asia Mutual Fund	99.99	344,355	0.00	0.00	0.00
	Asia Lease-Hold	99.93	412,049	0.00	6,455,400	0.04
	ASEC Finance and Securities	75.00	275,000	0.00	(9,663,966)	(0.06)
			32,454,345	0.17	16,187,566	0.09
			18,893,771,701	100.00	17,199,720,511	100.00

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

	Page
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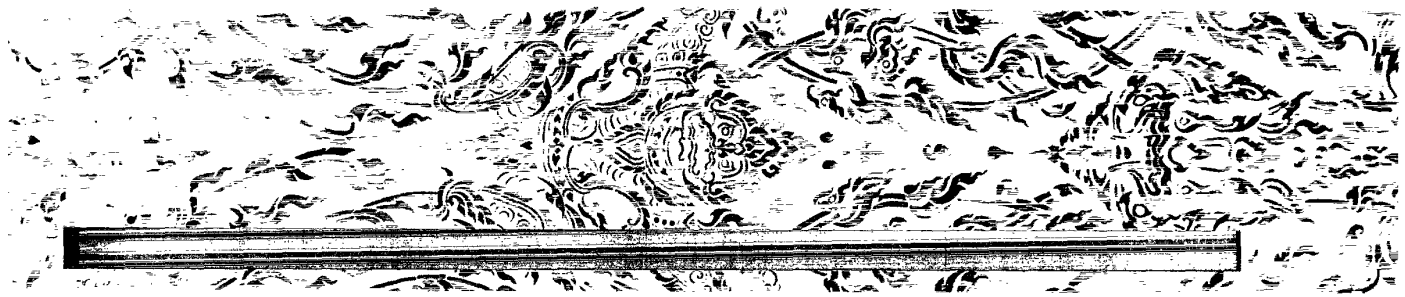
10. City Complex Branch

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19. Odeon Sub Branch**Sub Branch Manager : Watcharin Limothai**

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20. Onnuch Branch**Branch Manager : Uraiwat Sukichboriharn**

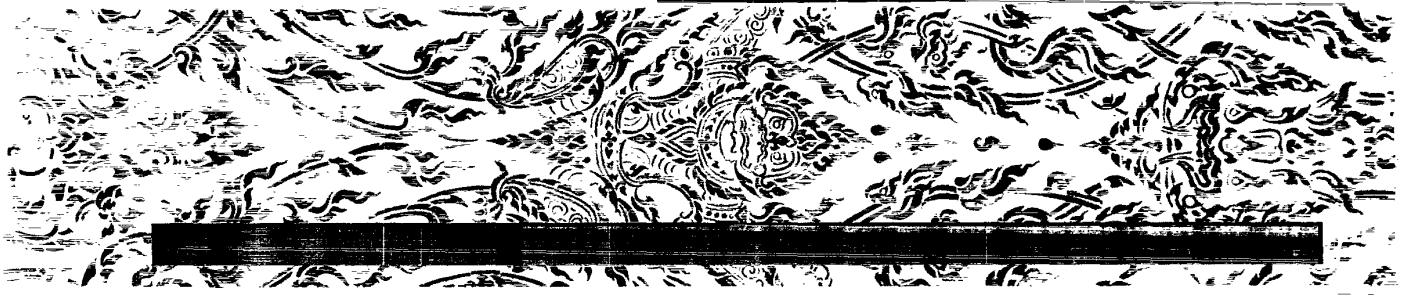
86/571-2 Mu 6, Sukhumvit 77 Road (Onnuch),
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21. Phaholyothin KM.26 Branch**Branch Manager : Thada Wattanakorn**

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23. Phahurad Branch

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33. Samrong Branch

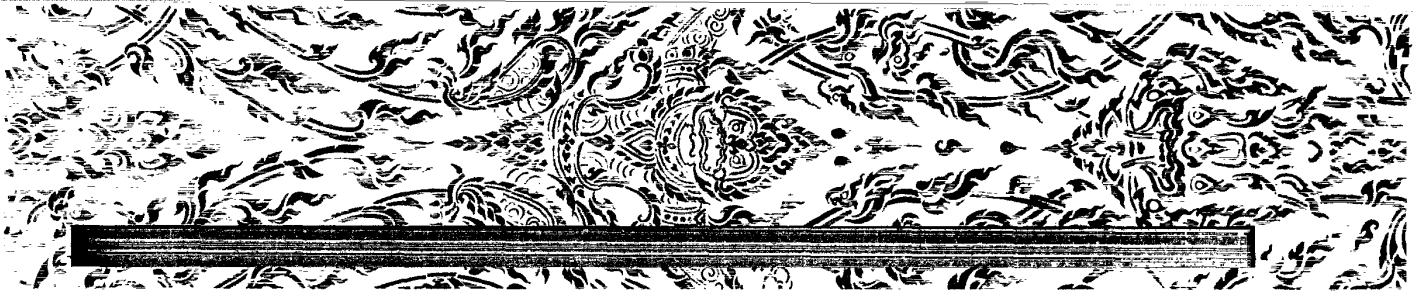
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44. Sri Yan Sub Branch**Sub Branch Manager : Sorrasarn Phooprappa**

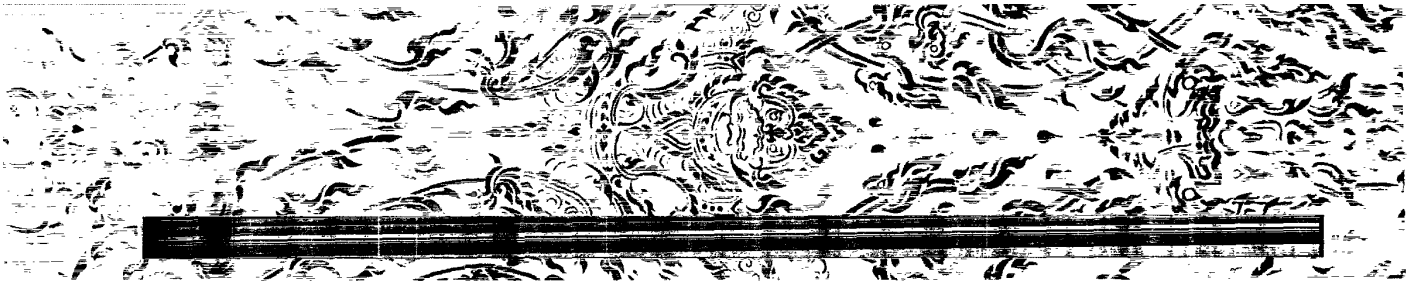
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45. St. Louis 3 Sub Branch**Sub Branch Manager : Vasana Pollagoht**

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54. Thanon Chaloem Khet 1 Sub Branch

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Fax. 281-2669

56. Thanon Khaolarm Sub Branch

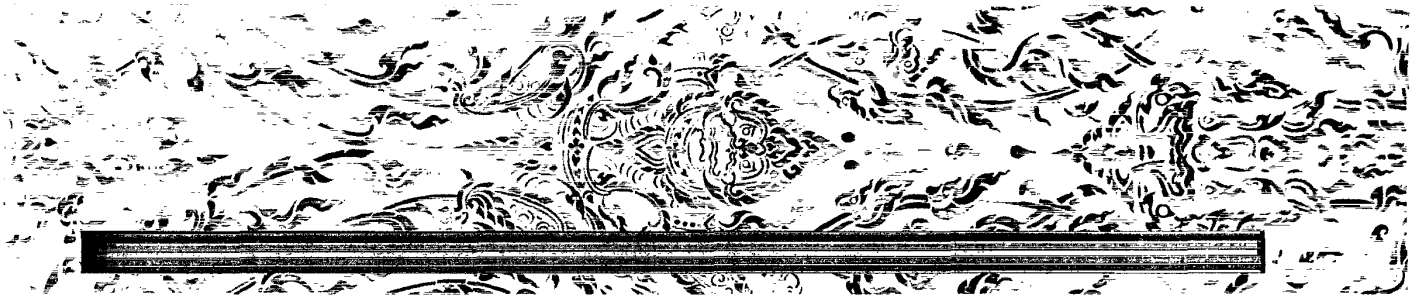
Sub Branch Manager : Sathakorn Pipatpong
2214, 2216 Khaolarm Road,
Khet Samphanthawong, Bangkok 10100
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Fax. 238-2543

57. Thanon Phraram 4 Branch

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62. Thanon Vorachak Sub Branch

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2. Nakhon Pathom Branch

Branch Manager : Werachai Aursak

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Fax. (035) 241-546

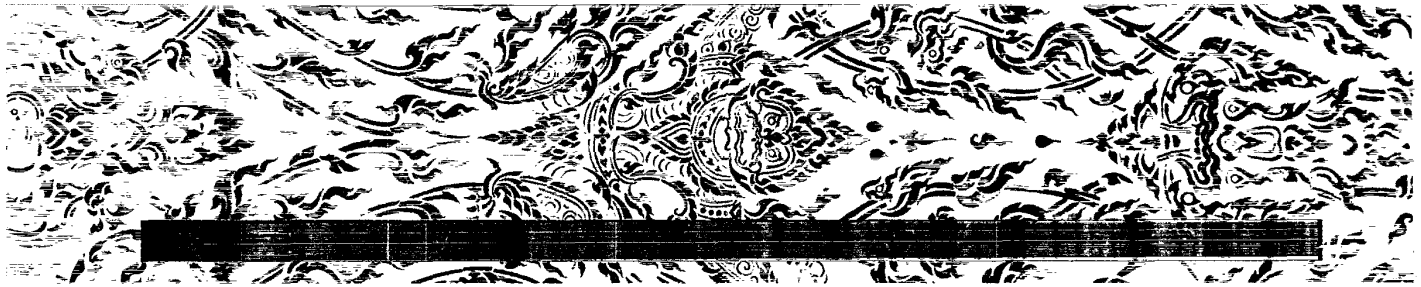
4. Sam Chuk Branch

Branch Manager : Amonrat Anusornatanawat

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3. Bang Lamung Branch

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4. Bang Pakong Branch

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6. Chachoengsao Branch

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8. Chon Buri Branch

Branch Manager : Pansak Ratanapasagorn
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Chon Buri 20000
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Fax. (038) 273-607

9. Pattaya Sub Branch

Sub Branch Manager : Pornpan Panpien
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Fax. (038) 429-400

10. Rayong Branch

Branch Manager : Prasit Camrenpanit
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Fax. (038) 614-734



11. Sattahip Branch

Branch Manager : Jirasak Roengsmutr
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Fax. (038) 437-273

12. Si Racha Branch

Branch Manager : Yowvanit Chaihirankarn
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2. Chiang Rai Branch

Branch Manager : Suvit Tositarat
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3. Lampang Branch

Branch Manager : Prakaiphan Limcharoen
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4. Long Branch

Branch Manager : Chadaporn Anusartsanagul (Act.)
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5. Nakhon Sawan Branch

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6. Pa Sang Branch

Branch Manager : Vilawan Horpataraputhi
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7. Phitsanulok Branch

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Fax. (055) 225-156

8. Thanon Highway-Chiang Mai Branch

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Chiang Mai 50000
Tel. (053) 304-701-4
Fax. (053) 304-705

NORTH EAST AREA

1. Bamnet Narong Branch

Branch Manager : Krirkrit Boonyarit
218 Sura-Narai Road, Amphoe Bamnet Narong,
Chaiyaphum 36160
Tel. (044) 859-157, 842-223
Fax. (044) 842-224

2. Khon Kaen Branch

Branch Manager : Paiboon Sroysawat
34,34/1-2 Namuang Road, Amphoe Muang,
Khon Kaen 40000
Tel. (043) 237-620-1, 241-703, 334-577
Fax. (043) 237-435



3. Nakhon Ratchasima Branch

Branch Manager : Songpon Thitisurawat

2-4 Choompol Road, Amphoe Muang,
Nakhon Ratchasima 30000

Tel. (044) 268-873-6

Fax. (044) 255-476

4. Nam Phong Branch

Branch Manager : Apicha Athivithavas

22 Friendship Highway, Amphoe Nam Phong,
Khon Kaen 40140

Tel. (043) 441-023-4, 373-554

Fax. (043) 441-022

5. Phimai Branch

Branch Manager : Wunniga Suthawong

197/2 Mu 2, Buchayan Road, Amphoe Phimai,
Nakhon Ratchasima 30000

Tel. (044) 471-666, 471-777, 471-999

Fax. (044) 471-700

6. Surin Branch

Branch Manager : Yada Chaikulwattana

79,81,83 Chitbamrung Road, Amphoe Muang,
Surin 32000

Tel. (044) 511-848, 530-648

Fax. (044) 511-081

7. Tan Sum Sub Branch

Sub Branch Manager : Yutthana Tungkasereeruk

147 Mu 11, Somdej Road, Amphoe Tan Sum,
Ubon Ratchathani 34330

Tel. (045) 396-123-4

Fax. (045) 396-055

8. Ubon Ratchathani Branch

Branch Manager : Yutthana Tungkasereeruk

177 Ubparat Road, Amphoe Muang,
Ubon Ratchathani 34000

Tel. (045) 243-830-1, 244-270-1, 244-718

Fax. (045) 243-832

9. Ubon-Samrong Sub Branch

Sub Branch Manager : Paisri Karin

93 Mu 8, Warin Chamrap-Kanthalak Road, Amphoe
Samrong, Ubon Ratchathani 34360

Tel. (045) 303-104-6

Fax. (045) 303-103

10. Udon Thani Branch

Branch Manager : Yai Boongthong

359 Phosri Road, Amphoe Muang,
Udon Thani 41000

Tel. (042) 221-333, 223-613, 343-425

Fax. (042) 244-062

11. Warin Chamrap Branch

Branch Manager : Paisri Karin

22 Sathollamark Road, Amphoe Warin Chamrap,
Ubon Ratchathani 34190

Tel. (045) 321-532-3, 323-509-10, 269-952

Fax. (045) 269-318

12. Waeng Yai Sub Branch

Sub Branch Manager : Paiboon Sroysawat

209 Mu 3, Sai Chonbod-Kudul Road, Amphoe
Waeng Yai, Khon Kaen 40330

Tel. (043) 496-124

Fax. (043) 496-126

SOUTHERN AREA

1. Hat Pa Tong Sub Branch

Sub Branch Manager : Patcharamat Kasayapanand

97/4 Thawiwong Road, Amphoe
Kathu, Phuket 83121

Tel. (076) 340-489, 340-142-3

Fax. (076) 341-169

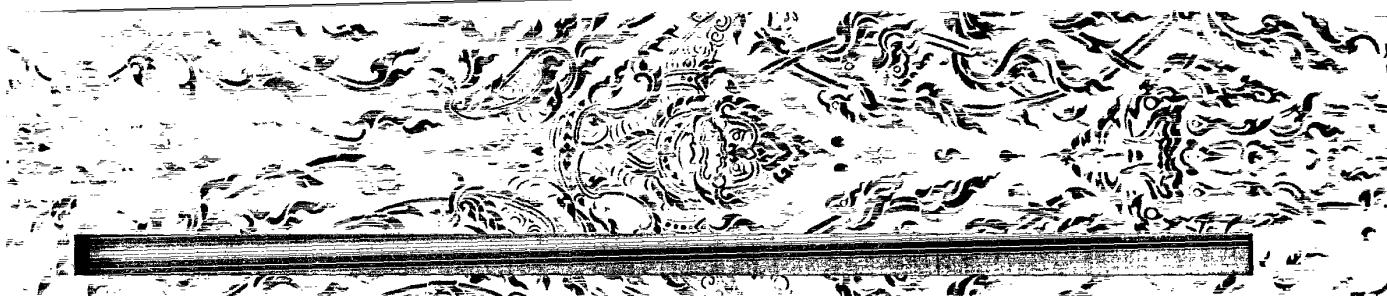
2. Hat Yai Branch

Branch Manager : Lucksana Foithong

162 Nipat-utit 1 Road, Amphoe Hat Yai,
Songkhla, 90110

Tel. (074) 243-032, 245-033, 243-810

Fax. (074) 235-606



3. Nakhon Si Thammarat Branch

Branch Manager : Manfa Aneejakul

1719-1721 Rajdamnern Road, Amphoe Muang,
Nakhon Si Thammarat 80000
Tel. (075) 356-860-1, 356-112
Fax. (075) 342-352

4. Pak Phanang Branch

Branch Manager : Somchai Pisutsan

415/1 Chainam Road, Amphoe Pak Phanang,
Nakhon Si Thammarat 80140
Tel. (075) 517-324, 517-064
Fax. (075) 517-248

5. Phuket Branch

Branch Manager : Sangwichien Jeamsawadpan

206 Phuket Road, Amphoe Muang, Phuket 83000
Tel. (076) 211-566, 214-901-2, 211-577
Fax. (076) 214-903

6. Ranot Branch

Branch Manager : Charan Chuchuen

115/13 Mu 6, Tang Laung Nakorn Si Thammarat-
Songkhla Road, Amphoe Ranot, Songkhla 90140
Tel. (074) 392-523-4, 391-089
Fax. (074) 392-526

7. Surat Thani Branch

Branch Manager : Wittaya Srichumpung

191/1-3 Chonkasem Road, Amphoe Muang,
Surat Thani 84000
Tel. (077) 286-293-5
Fax. (077) 286-298

8. Takua Pa Branch

Branch Manager : Lalina Chaitaveesub

94-96 Srimuang Road, Amphoe Takua Pa,
Phangnga 82110
Tel. (076) 421-044, 421-644
Fax. (076) 421-444

9. Thanon Ratakarn Sub Branch

Sub Branch Manager : Vimolluck Thaweeworakiat

129/1 Ratakarn Road, Amphoe Hat Yai,
Songkhla 90110
Tel. (074) 238-942, 238-949, 238-975
Fax. (074) 239-631

10. Yala Branch

Branch Manager : Anan Tansawai

8-12 Pipitpakdi Road, Amphoe Muang, Yala 95000
Tel. (073) 212-218, 212-414, 240-872
Fax. (073) 213-764

INTERNATIONAL BRANCH

Cayman Islands Branch

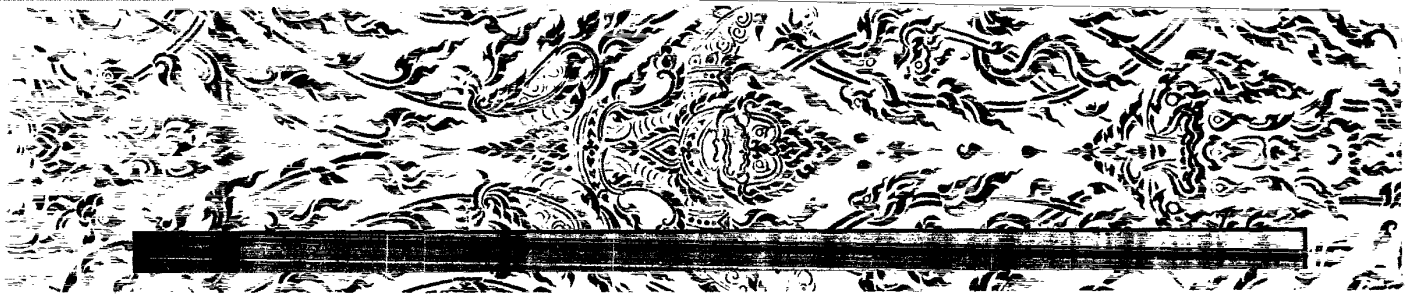
Branch Manager : Priyanet Manovachirasan

Branch address:

P.O. Box 501, George Town Grand Cayman British
West Indies.

Contact address:

191 South Sathorn Road, Khet Sathorn, Bangkok
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Tel. (662) 285-1426, 285-1351,
287-3059-60
Fax. (662) 285-1539

Consumer Banking Group

Tel. (662) 285-1549
Fax. (662) 285-1444

Treasury

Reuter BOAB
Tel. (662) 213-2601-3
Fax. (662) 285-1375

Correspondent Banking

Tel. (662) 285-1410, 285-1824
Fax. (662) 285-1445

Trade Finance

Tel. (662) 287-3053
Fax. (662) 285-1412

Mass Communications

Tel. (662) 287-1104
Fax. (662) 285-1372, 287-3078

Office of the President

Tel. (662) 213-2612
Fax. (662) 213-2611

Office of Corporate Affairs

Tel. (662) 285-1388, 287-3067
Fax. (662) 285-1741

Auditor

Toemsakdi Krishnamra
Certified Public Accountant ID # 1106
Deloitte Touche Tohmatsu Jaiyos & Co., Ltd.
183 South Sathorn Rd., Bangkok 10120
Tel. 676-5700
Fax. 676-5757-8

Legal Adviser

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Sathorn City Tower, 11th Floor
175 South Sathorn Rd.,
Sathorn, Bangkok 10120
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Fax. 679-6133-34

**Principal Paying and Conversion
Agent-Euro Convertible Bonds**

Citibank, N.A.
Citibank House
336 Strand, London WC2R 1 HB
Tel. (44) 1715001655
Fax. (44) 1715000483

Registrar

The Stock Exchange of Thailand
132 Sinthon Building 3, 22nd Floor
Wireless Road, Lumpini
Pratumwan, Bangkok 10330
Tel. 263-3851-77
Fax. 263-3380

History



This year, Bank of Asia celebrates its sixtieth year of providing banking services to the Thai community. Founded in 1939 by Thai statesman Dr. Pridi Bhanomyong as Bank of Asia for Industry and Commerce, the name was later shortened to Bank of Asia. The Bank was listed on the Stock Exchange of Thailand in 1978 and registered as a public limited company in 1992.

Bank of Asia's traditional core customers are Thailand's middle-market commercial and industrial firms. In recent years, the Bank has also made a mark in consumer banking. The Bank offers a comprehensive range of financial and banking services and products through a network of 114 branches and nearly 200 ATM machines throughout the country.

Bank of Asia's vision of the future was developed by the employees of the Bank themselves in 1994:

"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."

In 1998 Dutch financial services group ABN AMRO became the majority shareholder in Bank of Asia. ABN AMRO's more than 2,000 offices in 71 countries ensure that Bank of Asia can offer its customers access to the most efficient and widespread network of financial services on the globe. Together with Bank of Asia's own subsidiaries in general insurance, fund management, debt and equity underwriting, stockbroking and leasing, it establishes Bank of Asia as *The International Thai Bank*, a one-stop institution for all banking and finance needs.



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