

# Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and Six Months Ended June 30, 2015

---

## Management Discussion and Analysis

### Overview of the Economy and Banking

#### *Thai Economy in the Second Quarter of 2015*

Thailand's economy in the second quarter of 2015 grew by 2.8 percent from the same period last year. The most recent major growth drivers were accelerated government spending and robust tourism growth, while falling export growth continued to drag on the economy, impacting income, confidence and spending by households and businesses. The situation was aggravated by a severe drought, declining farmer income and high levels of household debt, which further limited the growth of private consumption. Meanwhile, the unclear economic recovery and a delay in large-scale public infrastructure investment, has delayed private investment. These factors suggest that Thailand's economy grew by 2.9 percent in the first half of the year.

The moderate pace of economic growth, coupled with persistently low world commodity prices, was reflected in headline inflation of minus 1.1 percent in the second quarter, below the Bank of Thailand's target range of 1-4 percent for the second consecutive quarter. Meanwhile, core inflation stood at 1.0 percent, indicating that prices of non-energy goods had continued to increase. In the first half of the year, headline inflation was minus 0.8 percent while core inflation was 1.2 percent. The Thai baht averaged 33.27 THB/USD in the second quarter, depreciating from 32.45 and 32.65 THB/USD when compared with the second quarter of last year and the first quarter of this year, respectively.

The Monetary Policy Committee (MPC) has so far cut its policy interest rate twice in 2015, by 25 basis points in both March and April, with the current rate standing at 1.50 percent. This was in response to the slower than expected pace of economic, especially in consumption and investment. These factors, combined with negative inflation and expectations that inflation will remain low for some time, lay behind the MPC's decision to further ease monetary policy to bolster the economy.

Thailand's economic growth for 2015 is expected to be slightly lower than 3 percent. Key negative factors include: China's slower than expected economic growth; higher volatility in financial and currency markets as the Federal Reserve's imminent interest rate hike is expected to lead to increasing demand for US dollar assets; uncertain economic recoveries in the Eurozone and Japan; the prolonged sluggish state of world commodity prices, especially agricultural prices; the delay in the Thai government's investment spending; and continuing high levels of domestic household debt. Thailand's economy faces further threatening headwinds as Thailand remains in Tier 3 of the Trafficking in Persons or TIP report by the United States, and has been issued with a yellow card by the European Union for failure to combat illegal, unreported and unregulated (IUU) fishing. The supportive factors for the Thai economy remain the same as in the first half of the year, namely speedy disbursement of the government budget, lower oil prices and robust tourism growth. Growth may be further enhanced by the government's economic stimulus measures and an easing of the drought situation.

#### *Thai Banking Industry*

Despite an economic environment in the second quarter of 2015 unfavorable to the banking industry, the Thai commercial banking system's rates of growth in total loans and deposits were at similar levels to the previous quarter. Aggregating the balance sheets of commercial banks at the end of June 2015, deposits grew by more than loans, and net deposits and loans grew by 8.4 and 6.7 percent, respectively, compared with the same period last year. However, liquidity in the banking system tightened with a Loan-to-Deposit Ratio (LDR) of 96.3 percent up from 94.6 and 94.7 percent at the end of 2014 and the end of March 2015, respectively. Meanwhile loan quality, as measured by the ratio of non-performing loans (NPLs) to total loans, slightly deteriorated, with the NPL ratio rising to 2.49 percent from the previous quarter's 2.40 percent.

Looking forward to the third quarter of 2015, the Bank of Thailand's Senior Loan Officer Survey indicated that the demand for business credit will remain the same but household credit demand will trend down. Competition for deposits is expected to be mild, given the modest economic growth and delays in public infrastructure investment. Consequently, loan growth is unlikely to accelerate. One issue that may arise during the third quarter is the response of depositors to the decrease in coverage of insured deposits from Baht 50 million to Baht 25 million (per depositor per financial institution) in accordance with Royal Decree. Commercial banks' liquidity management is expected to focus on re-adjusting the deposit structure and appropriately managing costs. Banks also need to maintain a level of liquid assets (as measured by Liquidity Coverage Ratio or LCR) which is sufficient to cope with cash outflows during a potential crisis, in accordance with the requirements of Basel III which will come into effect in January 2016. At current lending levels the system's overall loan quality will slightly deteriorate; however, banks still maintain a relatively large capital base and a high level of provisioning reserves which should continue to support loan quality.

### Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2015	1/2015	2/2014	1/2015	2/2014	2015	2014	
Net profit *	<b>8,035</b>	9,407	9,029	(14.6)%	(11.0)%	<b>17,442</b>	17,994	(3.1)%
Earnings per share (Baht)	<b>4.21</b>	4.93	4.73	(14.6)%	(11.0)%	<b>9.14</b>	9.43	(3.1)%
Net interest margin	<b>1.97%</b>	2.18%	2.44%	(0.21)%	(0.47)%	<b>2.08%</b>	2.37%	(0.29)%
Net fees and service income to operating income ratio	<b>22.1%</b>	25.5%	21.8%	(3.4)%	0.3%	<b>23.8%</b>	22.3%	1.5%
Expense to operating income ratio	<b>47.2%</b>	41.4%	45.2%	5.8%	2.0%	<b>44.3%</b>	43.4%	0.9%
Return on average assets *	<b>1.13%</b>	1.37%	1.40%	(0.24)%	(0.27)%	<b>1.25%</b>	1.40%	(0.15)%
Return on average equity *	<b>9.43%</b>	11.61%	11.68%	(2.18)%	(2.25)%	<b>10.48%</b>	11.89%	(1.41)%

\* Attributable to the Bank

Million Baht

Item	June	March	December	Change (%)	
	2015	2015	2014	March 2015	December 2014
Loans **	<b>1,789,616</b>	1,774,253	1,782,233	0.9%	0.4%
Deposits	<b>2,128,102</b>	2,117,969	2,058,779	0.5%	3.4%
Loan to deposit ratio	<b>84.1%</b>	83.8%	86.6%	0.3%	(2.5)%
Non-performing loans (NPLs)	<b>55,126</b>	47,473	45,046	16.1%	22.4%
Ratio of NPLs to total loans	<b>2.5%</b>	2.2%	2.1%	0.3%	0.4%
Ratio of loan loss reserves to NPLs	<b>170.4%</b>	189.9%	204.1%	(19.5)%	(33.7)%
Total capital adequacy ratio	<b>17.62%</b>	17.36%	17.41%	0.26%	0.21%

\*\* Less deferred revenue

Bangkok Bank and its subsidiaries have reported a consolidated net profit of Baht 17.4 billion for the first half of 2015, a decrease of Baht 552 million or 3.1 percent from the same period last year. Net interest income fell by Baht 1.6 billion or 5.4 percent while non-interest income rose by Baht 4.2 billion or 23.3 percent. Operating expenses rose by Baht 1.6 billion or 7.8 percent.

The Bank's lending at the end of June 2015 amounted to Baht 1,789.6 billion, increasing slightly from the end of 2014 by Baht 7.4 billion or 0.4 percent.

In terms of loan quality, at the end of June 2015 non-performing loans (NPLs) were Baht 55.1 billion. The ratio of non-performing loans to total loans rose from 2.2 percent in the previous quarter to 2.5 percent in the second quarter of 2015, resulting from the slow economic recovery. In response, the Bank has continued its focus on effective risk management, maintaining appropriate loan quality by staying close to its customers and providing them with advice and assistance. At the same time, the Bank has set aside a high level of loan loss reserves to provide a cushion against economic uncertainty.

For the six months ending June 30, 2015, provisioning expenses were Baht 5.9 billion, representing a ratio of loan loss reserves to NPLs of 170.4 percent and a ratio of loan loss reserves to total loans of 5.2 percent.

The Bank also continued to ensure its liquidity was adequate to meet the needs of customers. At the end of June 2015, total deposits were Baht 2,128.1 billion, an increase of Baht 69.3 billion or 3.4 percent from the end of 2014. The loan-to-deposit ratio stood at 84.1 percent, a decrease from 86.6 percent at the end of 2014.

Net interest income for the first half of 2015 amounted to Baht 27.5 billion. The net interest margin was 2.08 percent, a decrease from 2.37 percent in the second half of 2014, due partly to a lowering of the Bank's interest rates in line with the reduction in the policy interest rate and an increase in the deposit cost and volume which exceeded loan yield and volume.

Non-interest income for the first half of 2015 amounted to Baht 22.1 billion, an increase of Baht 4.2 billion or 23.3 percent from the first half of 2014. This was mainly due to an increase in gains on investments of Baht 2.5 billion and growth in net fees and service income of Baht 1.3 billion or 12.7 percent. This was due mainly to an increase in fee income from underwriting, mutual funds and securities business.

Operating expenses were Baht 22.0 billion, an increase of Baht 1.6 billion or 7.8 percent from the first half of 2014, due mainly to increases in personnel expenses and investments to improve operational efficiency. The cost-to-income ratio rose to 44.3 percent from 43.4 percent in the first half of 2014.

In terms of capital reserves, after the inclusion of net profit for the six months ending June 30, 2015, the total capital adequacy ratio, common equity Tier 1 ratio and Tier 1 capital ratio of the Bank and its subsidiaries would be 18.49 percent, 16.35 percent and 16.36 percent, respectively.

Shareholders' equity as of June 30, 2015 amounted to Baht 349.8 billion, equivalent to 12.2 percent of total assets. The book value per share was Baht 183.27, an increase of Baht 13.80 from the end of 2014.

## Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2015	1/2015	2/2014	1/2015	2/2014	2015	2014	
Net interest income	<b>13,218</b>	14,235	14,962	(7.2)%	(11.7)%	<b>27,452</b>	29,028	(5.4)%
Non-interest income	<b>11,327</b>	10,813	9,283	4.8%	22.0%	<b>22,135</b>	17,954	23.3%
Operating expenses	<b>11,589</b>	10,376	10,961	11.7%	5.7%	<b>21,959</b>	20,373	7.8%
Impairment loss of loans and debt securities	<b>2,921</b>	2,980	2,331	(2.0)%	25.3%	<b>5,901</b>	4,434	33.1%
Operating profit before tax	<b>10,035</b>	11,692	10,953	(14.2)%	(8.4)%	<b>21,727</b>	22,175	(2.0)%
Income tax expenses	<b>1,942</b>	2,235	1,886	(13.1)%	3.0%	<b>4,177</b>	4,107	1.7%
Net profit	<b>8,093</b>	9,457	9,067	(14.4)%	(10.7)%	<b>17,550</b>	18,068	(2.9)%
Net profit *	<b>8,035</b>	9,407	9,029	(14.6)%	(11.0)%	<b>17,442</b>	17,994	(3.1)%
Total comprehensive income *	<b>24,583</b>	10,338	14,886	137.8%	65.1%	<b>34,921</b>	25,749	35.6%

\* Attributable to the Bank

Net profit in the second quarter of 2015 amounted to Baht 8.0 billion, a decrease of Baht 994 million or 11.0 percent from the same quarter last year, due predominantly to a decrease of Baht 1.7 billion in net interest income, mainly from an increase in the costs of deposits due to higher deposit volume. Operating expenses rose by Baht 628 million or 5.7 percent. Impairment loss on loans and debt securities rose by Baht 590 million or 25.3 percent, while gains on investment rose by Baht 1.8 billion from the selling of available-for-sale investments.

Compared with the first quarter of 2015, net profit decreased by Baht 1.4 billion or 14.6 percent due mainly to an increase of Baht 1.2 billion in operating expenses. Net interest income decreased by Baht 1.0 billion, due to the lowering of the policy interest rate. Net fees and service income declined by Baht 968 million or 15.1 percent. Gains on investments rose by Baht 1.1 billion or 87.0 percent from the selling of available-for-sale investments.

In the first half of 2015, net profit amounted to Baht 17.4 billion, a decrease of Baht 552 million or 3.1 percent from the same period last year. Significant items included net interest income, which decreased by Baht 1.6 billion or 5.4 percent due to an increase in interest expenses from higher deposit volume. Impairment loss on loans and debt securities rose by Baht 1.5 billion or 33.1 percent. Operating expenses rose by Baht 1.6 billion or 7.8 percent. Gains on investments rose by Baht 2.5 billion from the selling of available-for-sale investments, and net fees and service income rose by Baht 1.3 billion. Total comprehensive income rose by 35.6 percent to Baht 34.9 billion, due mainly to a surplus on revaluation of premises.

### Net Interest Income

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2015	1/2015	2/2014	1/2015	2/2014	2015	2014	
<b>Interest Income</b>								
Loans	<b>21,527</b>	21,811	21,310	(1.3)%	1.0%	<b>43,338</b>	42,508	2.0%
Interbank and money market items	<b>2,521</b>	3,045	2,337	(17.2)%	7.9%	<b>5,566</b>	4,742	17.4%
Investments	<b>1,761</b>	1,733	2,149	1.6%	(18.1)%	<b>3,494</b>	4,380	(20.2)%
<b>Total interest income</b>	<b>25,809</b>	26,589	25,796	(2.9)%	0.1%	<b>52,398</b>	51,630	1.5%
<b>Interest expenses</b>								
Deposits	<b>8,163</b>	7,998	6,689	2.1%	22.0%	<b>16,160</b>	14,212	13.7%
Interbank and money market items	<b>355</b>	451	399	(21.3)%	(11.0)%	<b>807</b>	888	(9.1)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	<b>2,352</b>	2,231	2,074	5.4%	13.4%	<b>4,583</b>	4,153	10.4%
Debt issued and borrowings	<b>1,721</b>	1,674	1,672	2.8%	3.0%	<b>3,396</b>	3,349	1.4%
<b>Total interest expenses</b>	<b>12,591</b>	12,354	10,834	1.9%	16.2%	<b>24,946</b>	22,602	10.4%
<b>Net interest income</b>	<b>13,218</b>	14,235	14,962	(7.2)%	(11.7)%	<b>27,452</b>	29,028	(5.4)%
Yield on earning assets	<b>3.85%</b>	4.08%	4.21%	(0.23)%	(0.36)%	<b>3.97%</b>	4.23%	(0.26)%
Cost of funds	<b>2.11%</b>	2.12%	1.99%	(0.01)%	0.12%	<b>2.12%</b>	2.08%	0.04%
Net interest margin	<b>1.97%</b>	2.18%	2.44%	(0.21)%	(0.47)%	<b>2.08%</b>	2.37%	(0.29)%

Net interest income in the second quarter of 2015 amounted to Baht 13.2 billion, a decrease of Baht 1.7 billion or 11.7 percent from the same quarter last year due to an increase of Baht 1.8 billion or 16.2 percent in interest expenses from higher deposit volume. The net interest margin stood at 1.97 percent, a decline from 2.44 percent in the same quarter last year, due to the increase in deposit cost and volume.

Compared with the first quarter of 2015, net interest income declined by Baht 1.0 billion or 7.2 percent. Interest income decreased by Baht 781 million or 2.9 percent with significant items including interest income from interbank and money market items, which fell by Baht 525 million or 17.2 percent due to the lowering of the policy interest rate in March and April this year by a combined 0.5 percent, and a decrease of Baht 284 million or 1.3 percent in interest income from loans. Interest expenses rose by Baht 237 million or 1.9 percent, mainly from an increase in deposit volume which required the Bank to raise its contribution to the Deposit Protection Agency and Financial Institutions Development Fund. The net interest margin decreased by 0.21 percent from the previous quarter, caused by a decline in yields on loans and interbank and money market items.

Net interest income for the first half of 2015 amounted to Baht 27.5 billion, a decrease of Baht 1.6 billion or 5.4 percent from a year earlier, mainly from an increase of Baht 2.3 billion or 10.4 percent in interest expense mainly from an increase in deposits volume. As a result, the Bank's contribution to the Deposit Protection Agency and Financial Institutions Development Fund increased. Interest income from loans rose by Baht 830 million or 2.0 percent to Baht 43.3 billion, due mainly to an increase in lending to SME and consumer loans, and loans made through the Bank's international network. Interest income from interbank and money market items rose by Baht 824 million due mainly to the increase in business volume.

Bangkok Bank Interest Rates	May 26, 15	May 12, 15	Mar 16, 15	Sep 22, 14	Mar 28, 14	Mar 13, 14	Feb 28, 14	Feb 24, 14	Jan 2, 14
<b>Loans (%)</b>									
MOR	7.375	7.500	7.500	7.500	7.375	7.250	7.375	7.375	7.375
MRR	7.875	8.125	8.125	8.125	8.000	8.000	8.000	8.000	7.750
MLR	6.500	6.625	6.625	6.750	6.750	6.750	6.875	6.875	6.875
<b>Deposits (%)</b>									
Savings	0.500-0.625	0.500-0.625	0.500-0.750	0.500-1.250	0.500	0.500	0.625	0.625	0.625
Fixed 3 months	1.000	1.000	1.000	1.125-1.250	1.125-1.250	1.125-1.375	1.250-1.625	1.500-1.750	1.500-1.750
Fixed 6 months	1.250	1.250	1.250	1.375	1.375	1.500	1.625-1.750	1.875-2.000	1.875-2.000
Fixed 12 months	1.500	1.500	1.500	1.750	1.750	1.750	2.000	2.250	2.250
		<b>Apr 29, 15</b>		<b>Mar 11, 15</b>		<b>Mar 12, 14</b>		<b>Nov 27, 13</b>	
<b>Bank of Thailand Policy Rates (%)</b>		1.500		1.750		2.000		2.250	

### Non-Interest Income

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2015	1/2015	2/2014	1/2015	2/2014	2015	2014	
Fees and service income	<b>7,306</b>	8,543	7,071	(14.5)%	3.3%	<b>15,850</b>	14,217	11.5%
<u>Less</u> Fees and service expenses	<b>1,880</b>	2,149	1,788	(12.5)%	5.1%	<b>4,030</b>	3,728	8.1%
<b>Net fees and service income</b>	<b>5,426</b>	6,394	5,283	(15.1)%	2.7%	<b>11,820</b>	10,489	12.7%
Gains on tradings and foreign exchange transactions	<b>1,882</b>	1,683	1,414	11.8%	33.1%	<b>3,565</b>	3,313	7.6%
Gains on investments	<b>2,261</b>	1,209	500	87.0%	352.2%	<b>3,470</b>	985	252.3%
Share of profit from investment for using equity method	<b>51</b>	61	48	(16.4)%	6.3%	<b>113</b>	100	13.0%
Gains on disposal of assets	<b>419</b>	544	546	(23.0)%	(23.3)%	<b>962</b>	917	4.9%
Dividend income	<b>1,162</b>	794	1,347	46.3%	(13.7)%	<b>1,956</b>	1,905	2.7%
Other operating income	<b>126</b>	128	145	1.6%	(13.1)%	<b>249</b>	245	1.6%
<b>Total other operating income</b>	<b>5,901</b>	4,419	4,000	33.5%	47.5%	<b>10,315</b>	7,465	38.2%
<b>Total non-interest income</b>	<b>11,328</b>	10,813	9,283	4.8%	22.0%	<b>22,135</b>	17,954	23.3%
Net fees and service income to operating income ratio	<b>22.1%</b>	25.5%	21.8%	(3.4)%	0.3%	<b>23.8%</b>	22.3%	1.5%

Non-interest income in the second quarter of 2015 amounted to Baht 11.3 billion, an increase of Baht 2.0 billion or 22.0 percent from the same quarter last year, due mainly to an increase of Baht 1.8 billion or 352.4 percent in gains on investments due to the selling of available-for-sale investments. Gains on trading and foreign exchange transactions rose by Baht 468 million or 33.1 percent. Net fees and service income rose by Baht 143 million, due mainly to an increase in fee income from credit cards and mutual funds. As a result, the ratio of net fees and service income to operating income rose from 21.8 percent to 22.1 percent. Dividend income declined by Baht 185 million.

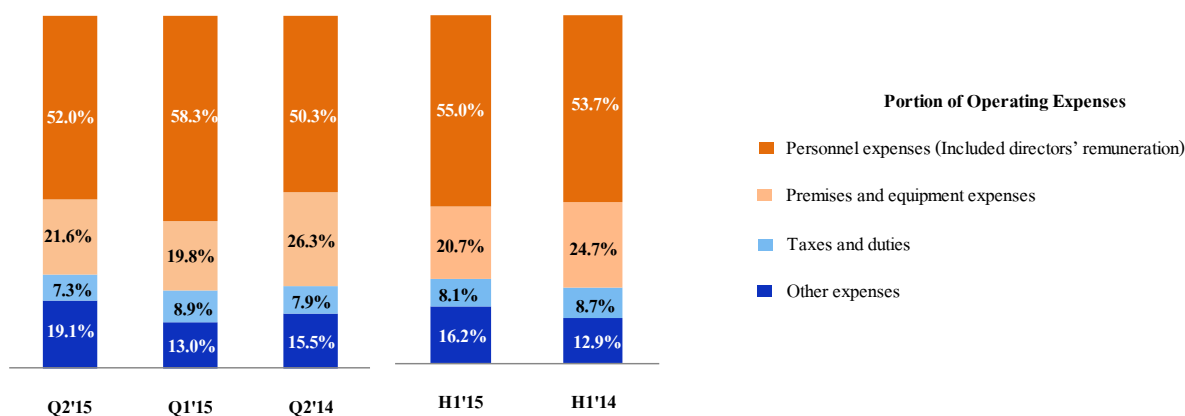
Compared with the first quarter of 2015, non-interest income rose by Baht 514 million or 4.8 percent, due mainly to an increase in gains on investments of Baht 1.1 billion from the selling of available-for-sale investments. Dividend income rose by Baht 368 million or 46.3 percent. Net fees and service income declined by Baht 968 million or 15.1 percent, due to the high record of fee income from underwriting in previous quarter, and the decrease in fee income from loans and securities business.

In the first half of 2015, non-interest income amounted to Baht 22.1 billion, an increase of Baht 4.2 billion or 23.3 percent from the same period last year. Gains on investments increased of Baht 2.5 billion. Net fees and service income rose by Baht 1.3 billion, due to an increase of Baht 1.6 billion in fee income. Significant items included increases in fee income from underwriting, mutual funds and securities business. Fees and service expenses rose by Baht 302 million or 8.1 percent; as a result, the ratio of net fees and service income to operating income rose from 22.3 percent to 23.8 percent.

### Operating Expenses

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2015	1/2015	2/2014	1/2015	2/2014	2015	2014	
Personnel expenses	5,987	6,017	5,469	(0.5)%	9.5%	12,003	10,889	10.2%
Directors' remuneration	42	33	43	27.3%	(2.3)%	75	63	21.0%
Premises and equipment expenses	2,504	2,050	2,884	22.1%	(13.2)%	4,554	5,026	(9.4)%
Taxes and duties	847	925	866	(8.4)%	(2.2)%	1,773	1,770	0.2%
Other expenses	2,209	1,351	1,699	63.5%	30.0%	3,554	2,625	35.4%
<b>Total operating expenses</b>	<b>11,589</b>	<b>10,376</b>	<b>10,961</b>	<b>11.7%</b>	<b>5.7%</b>	<b>21,959</b>	<b>20,373</b>	<b>7.8%</b>



Operating expenses in the second quarter of 2015 amounted to Baht 11.6 billion, an increase of Baht 628 million or 5.7 percent from the same quarter last year. Significant items included personnel expenses, which rose by Baht 518 million, due to annual salary adjustments and an increase in the number of employees. Other expenses rose by Baht 510 million, mainly from higher expenses to improve operational efficiency.

When compared with the first quarter of 2015, operating expenses rose by Baht 1.2 billion or 11.7 percent. Significant items included other expenses – which rose by Baht 858 million, mainly from higher expenses to improve operational efficiency – and premises and equipment expenses, which rose by Baht 454 million.

In the first half of 2015, operating expenses were Baht 22.0 billion, an increase of Baht 1.6 billion or 7.8 percent from the first half of 2014. Significant items included personnel expenses, which rose by Baht 1.1 billion or 10.2 percent due to annual salary adjustments, including a special adjustment for cost of living subsidization and an increase in the number of employees. Other expenses rose by Baht 929 billion or 35.4 percent mainly from higher expenses to improve operational efficiency.



### Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2015	1/2015	2/2014	1/2015	2/2014	2015	2014	
Bad debt and doubtful accounts and impairment loss	3,008	3,076	2,120	(2.2)%	41.9%	6,084	4,412	37.9%
Loss on debt restructuring (reversal)	(87)	(96)	211	9.4%	(141.2)%	(183)	22	(495.5)%
<b>Total</b>	<b>2,921</b>	<b>2,980</b>	<b>2,331</b>	<b>(2.0)%</b>	<b>25.3%</b>	<b>5,901</b>	<b>4,434</b>	<b>34.1%</b>

Impairment loss of loans and debt securities in the second quarter of 2015 was Baht 2.9 billion, compared to Baht 2.3 billion in the second quarter of 2014 and Baht 3.0 billion in the first quarter of 2015. In the first half of 2015, impairment loss of loans and debt securities was Baht 5.9 billion, compared to Baht 4.4 billion in the first half of 2014.

### Significant Items in the Financial Position

#### Assets

Million Baht

Item	June	March	December	Change (%)	
	2015	2015	2014	March 2015	December 2014
Net interbank and money market items	643,327	595,453	532,205	8.0%	20.9%
Net investments	365,765	398,848	382,054	(8.3)%	(4.3)%
Net investments in associates	1,233	1,217	1,156	1.3%	6.7%
Loans *	1,789,616	1,774,253	1,782,233	0.9%	0.4%
Net properties for sale	15,011	15,827	16,516	(5.2)%	(9.1)%
<b>Total assets</b>	<b>2,861,697</b>	<b>2,819,000</b>	<b>2,759,890</b>	<b>1.5%</b>	<b>3.7%</b>

\* Less deferred revenue

Total assets as of June 30, 2015 amounted to Baht 2,861.7 billion, an increase of Baht 42.7 billion from March 31, 2015. Significant items included net interbank and money market items, which amounted to Baht 643.3 billion, an increase of Baht 47.9 billion or 8.0 percent, mainly attributable to lending and repurchase agreement transactions. Total loans amounted to Baht 1,789.6 billion, an increase of Baht 15.4 billion or 0.9 percent. Net investments amounted to Baht 365.8 billion, a decrease of Baht 33.1 billion or 8.3 percent, mainly from available-for-sale investments.

Compared with the end of December 2014, total assets rose by Baht 101.8 billion. Significant items included net interbank and money market items, which increased by Baht 111.1 billion or 20.9 percent, mainly from lending, while net investments declined by Baht 16.3 billion or 4.3 percent, mainly from available-for-sale investments.

#### Loans

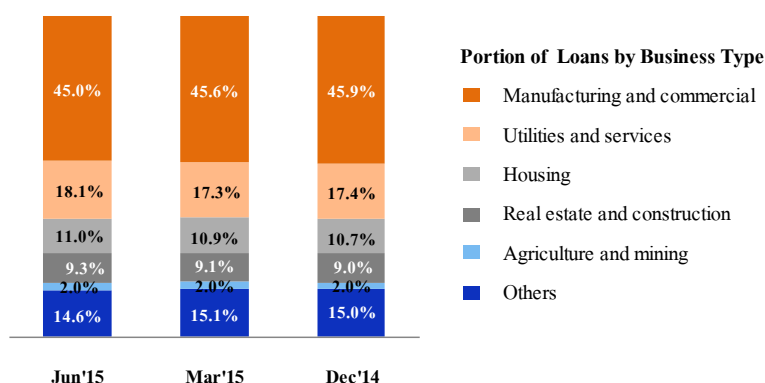
Total loans as of June 30, 2015 amounted to Baht 1,789.6 billion, an increase of Baht 15.4 billion or 0.9 percent from the end of March 2015 due to the growth in lending to SME and consumer loans, and loans made through the Bank's international network.

Compared with the end of December 2014, total loans rose by Baht 7.4 billion or 0.4 percent due to the growth in lending to SME, in home loans, and loans made through the Bank's international network.

Million Baht

Loans by Business Type *	June	March	December	Change (%)	
	2015	2015	2014	March 2015	December 2014
Manufacturing and commercial	804,958	809,261	818,419	(0.5) %	(1.6)%
Utilities and services	323,153	306,432	310,353	5.5%	4.1%
Housing	197,779	192,918	191,220	2.5%	3.4%
Real estate and construction	166,216	161,765	160,309	2.8%	3.7%
Agriculture and mining	36,144	34,978	35,746	3.3%	1.1%
Others	261,366	268,899	266,186	(2.8)%	(1.8)%
<b>Total loans</b>	<b>1,789,616</b>	<b>1,774,253</b>	<b>1,782,233</b>	<b>0.9%</b>	<b>0.4%</b>

\* Less deferred revenue



The highest portion of lending was to a range of industries in the manufacturing and commercial sectors, at 45.0 percent, followed by 18.1 percent to utilities and services, 11.0 percent to housing, and 9.3 percent to real estate and construction. The main increase in loans from the end of March 2015 and the end of December 2014 were to the utilities and services sectors.

### Classified Loans and Allowance for Doubtful Accounts

Million Baht

Item	Loans & Accrued Interest Receivables *			Allowance for Doubtful Accounts Classified to Bank of Thailand Criteria		
	June 2015	March 2015	December 2014	June 2015	March 2015	December 2014
Normal	1,697,402	1,675,125	1,704,086	12,888	12,682	12,687
Special mentioned	40,346	55,035	37,312	524	710	449
Substandard	12,441	10,474	5,803	3,494	2,780	1,631
Doubtful	13,034	14,729	17,156	5,959	4,951	4,860
Doubtful of loss	29,695	22,329	22,109	13,579	10,012	11,005
<b>Total</b>	<b>1,792,918</b>	<b>1,777,692</b>	<b>1,786,466</b>	<b>36,444</b>	<b>31,135</b>	<b>30,632</b>
<u>Plus</u> excess allowance for doubtful accounts				<b>55,153</b>	56,616	58,779
<b>Total allowance for doubtful accounts from loan classification</b>				<b>91,597</b>	87,751	89,411
<u>Plus</u> revaluation allowance for debt restructuring				<b>2,317</b>	2,402	2,514
<b>Total allowance for doubtful accounts</b>				<b>93,914</b>	90,153	91,925

\* Less deferred revenue

Million Baht

Item	June	March	December	Change (%)	
	2015	2015	2014	March 2015	December 2014
NPLs before allowance for doubtful accounts	55,126	47,473	45,046	16.1%	22.4%
Ratio of NPLs to total loans	2.5%	2.2%	2.1%	0.3%	0.4%
Net NPLs after allowance for doubtful accounts	22,111	20,367	18,260	8.6%	21.1%
Ratio of net NPLs to net total loans	1.0%	0.9%	0.9%	0.1%	0.1%
Ratio of loan loss reserves to minimum required provisioning	242.3%	268.8%	277.3%	(26.5)%	(35.0)%
Ratio of loan loss reserves to NPLs	170.4%	189.9%	204.1%	(19.5)%	(33.7)%

Non-performing loans (NPLs) as at the end of June 2015 amounted to Baht 55.1 billion. The ratio of NPLs to total loans was 2.5 percent.

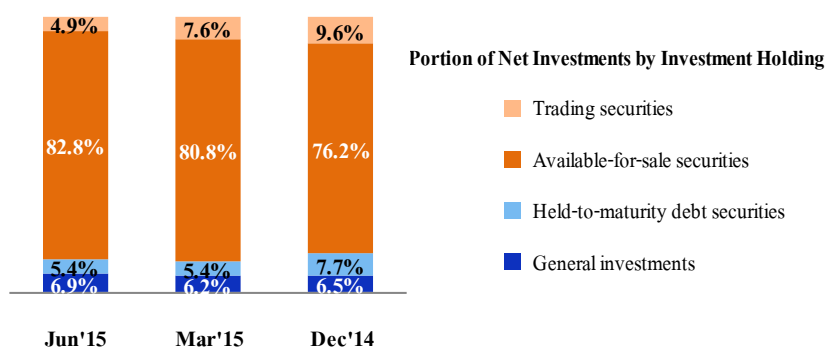
Total allowance for doubtful accounts at the end of June 2015 was Baht 93.9 billion, 242.3 percent above the minimum required by the Bank of Thailand (BOT) of Baht 38.8 billion. The ratio of loan loss reserves to NPLs was 170.4 percent.

### Net Investments

Net investment as of June 30, 2015 amounted to Baht 365.8 billion, a decrease of Baht 33.1 billion or 8.3 percent from the end of March 2015, and a decrease of Baht 16.3 billion or 4.3 percent from the end of December 2014, due to the selling of available-for-sale investments.

Million Baht

Investments by Investment Holding	June	March	December	Change (%)	
	2015	2015	2014	March 2015	December 2014
Trading securities	17,986	30,428	36,704	(40.9)%	(51.0)%
Available-for-sale securities	302,762	322,091	291,161	(6.0)%	4.0%
Held-to-maturity debt securities	19,793	21,651	29,380	(8.6)%	(32.6)%
General investments	25,224	24,678	24,809	2.2%	1.7%
<b>Total net investments</b>	<b>365,765</b>	<b>398,848</b>	<b>382,054</b>	<b>(8.3)%</b>	<b>(4.3)%</b>



Most of the net investments were in domestic government and state-enterprise securities. As of June 30, 2015, these amounted to Baht 219.3 billion, accounting for 60.0 percent of total investments. Foreign debt securities were Baht 38.8 billion, private enterprise debt securities Baht 10.5 billion, and net equity securities Baht 95.2 billion.

Million Baht

Investments by Maturity *	June 2015		March 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2015	December 2014
Up to one year	117,079	31.9%	140,211	35.0%	147,302	38.5%	(16.5)%	(20.5)%
Between one and five years	137,991	37.6%	143,837	36.0%	134,095	35.0%	(4.1)%	2.9%
Over five years	18,152	4.9%	24,383	6.1%	18,147	4.7%	(25.6)%	0.0%
No maturity	93,776	25.6%	91,634	22.9%	83,666	21.8%	2.3%	12.1%
<b>Total net investments *</b>	<b>366,998</b>	<b>100.0%</b>	<b>400,065</b>	<b>100.0%</b>	<b>383,210</b>	<b>100.0%</b>	<b>(8.3)%</b>	<b>(4.2)%</b>

\* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of June 30, 2015 were as follows: securities with less than one year to maturity, Baht 117.1 billion; securities with between one-to-five years to maturity, Baht 138.0 billion; securities with a maturity profile of more than five years, Baht 18.2 billion; and securities with no maturity, Baht 93.8 billion.

### Liabilities and Shareholders' Equity

Million Baht

Item	June	March	December	Change (%)	
	2015	2015	2014	March 2015	December 2014
Deposits	2,128,102	2,117,969	2,058,779	0.5%	3.4%
Net interbank and money market items	131,454	126,723	140,048	3.7%	(6.1)%
Debt issued and borrowings	144,022	139,216	140,845	3.5%	2.3%
<b>Total liabilities</b>	<b>2,511,688</b>	<b>2,485,041</b>	<b>2,436,247</b>	<b>1.1%</b>	<b>3.1%</b>
<b>Shareholders' equity *</b>	<b>349,823</b>	<b>333,829</b>	<b>323,491</b>	<b>4.8%</b>	<b>8.1%</b>

\* Attributable to the Bank

Total liabilities as of June 30, 2015 amounted to Baht 2,511.7 billion, an increase of Baht 26.6 billion or 1.1 percent from the end of March 2015. Total deposits increased by Baht 10.1 billion or 0.5 percent. Debt issued and borrowings amounted to Baht 144.0 billion, an increase of Baht 4.8 billion, due to an increase in the value of foreign currency notes caused by the Baht's depreciation, and net interbank and money market items amounted to Baht 131.5 billion, an increase of Baht 4.7 billion or 3.7 percent due mainly to borrowing-related transactions.

Compared with the end of December 2014, total liabilities rose by Baht 75.4 billion or 3.1 percent, due mainly to an increase of Baht 69.3 billion or 3.4 percent in total deposits, while net interbank and money market items decreased by Baht 8.6 billion or 6.1 percent.

## Deposits

Million Baht

Deposits Classified by Product Type	June 2015		March 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2015	December 2014
Current	84,831	4.0%	85,407	4.0%	84,231	4.1%	(0.7)%	0.7%
Savings	796,066	37.4%	776,782	36.7%	771,281	37.5%	2.5%	3.2%
Fixed *	1,247,205	58.6%	1,255,780	59.3%	1,203,267	58.4%	(0.7)%	3.7%
<b>Total</b>	<b>2,128,102</b>	<b>100.0%</b>	<b>2,117,969</b>	<b>100.0%</b>	<b>2,058,779</b>	<b>100.0%</b>	<b>0.5%</b>	<b>3.4%</b>
Loan to deposit ratio		84.1%		83.8%		86.6%	0.3%	(2.5)%

\* Including negotiable certificates of deposit

Total deposits as of June 30, 2015 amounted to Baht 2,128.1 billion, an increase of Baht 10.1 billion or 0.5 percent from the end of March 2015, mostly from savings, which increased by 2.5 percent.

Compared with the end of December 2014, total deposits rose by Baht 69.3 billion or 3.4 percent, mostly from fixed deposits, which increased by 3.7 percent.

## Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	June 2015		March 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2015	December 2014
Senior unsecured notes	114,872	76.3%	110,758	76.0%	112,155	76.1%	3.7%	2.4%
Unsecured subordinated notes	35,192	23.4%	34,648	23.8%	34,832	23.6%	1.6%	1.0%
Bills of exchange	128	0.1%	150	0.1%	273	0.2%	(14.7)%	(53.1)%
Others	259	0.2%	126	0.1%	96	0.1%	105.6%	169.8%
<b>Total (before less discount on borrowings)</b>	<b>150,451</b>	<b>100.0%</b>	<b>145,682</b>	<b>100.0%</b>	<b>147,356</b>	<b>100.0%</b>	<b>3.3%</b>	<b>2.1%</b>
<u>Less</u> discount on borrowings	<b>6,429</b>		6,466		6,511		(0.6)%	(1.3)%
<b>Total</b>	<b>144,022</b>		<b>139,216</b>		<b>140,845</b>		<b>3.5%</b>	<b>2.3%</b>

Total debt issued and borrowings as of June 30, 2015 amounted to Baht 144.0 billion, an increase of Baht 4.8 billion from the end of March 2015 and Baht 3.2 billion from the end of December 2014, due to an increase in the value of foreign currency notes of USD 3.9 billion caused by the Baht's depreciation.

## Shareholders' Equity

Shareholders' equity as of June 30, 2015 amounted to Baht 349.8 billion, an increase of Baht 26.3 billion or 8.1 percent from the end of 2014, due mainly to the net profit in the first half of 2015 of Baht 17.4 billion and an increase of Baht 12.0 billion in surplus on revaluation of premises. There was also a dividend payment of Baht 8.6 billion (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 10, 2015.

### Contingent Liabilities

Million Baht

Item	June 2015	March 2015	December 2014	Change (%)	
				March 2015	December 2014
Avals to bills	6,025	5,534	5,237	8.9%	15.0%
Guarantees of loans	10,720	9,509	9,479	12.7%	13.1%
Liability under unmaturred import bills	19,063	19,169	19,788	(0.6)%	(3.7)%
Letters of credit	31,925	27,673	31,927	15.4%	(0.0)%
Other commitments					
Underwriting commitments	-	129	-	(100.0)%	-
Amount of unused bank overdrafts	173,608	171,587	176,298	1.2%	(1.5)%
Other guarantees	208,047	215,183	226,608	(3.3)%	(8.2)%
Others	42,188	67,491	4,927	(37.5)%	756.3%
<b>Total</b>	<b>491,576</b>	<b>516,275</b>	<b>474,264</b>	<b>(4.8)%</b>	<b>3.7%</b>

Contingent liabilities as of June 30, 2015 amounted to Baht 491.6 billion, a decrease of Baht 24.7 billion from the end of March 2015. This was due mainly to decreases in others commitments, while letters of credit increased.

Compared with the end of December 2014, contingent liabilities rose by Baht 17.3 billion, predominantly from an increase in others commitments, while other guarantees declined.

### Sources and Utilization of Funds

Primary sources of funds at the end of June 2015 comprised Baht 2,128.1 billion or 74.4 percent in deposits, Baht 349.8 billion or 12.2 percent in shareholders' equity, Baht 144.0 billion or 5.0 percent in debt issued and borrowings, and Baht 131.5 billion or 4.6 percent in net interbank and money market liabilities.

The utilization of funds comprised Baht 1,789.6 billion or 62.5 percent in loans, Baht 643.3 billion or 22.5 percent in net interbank and money market assets, and Baht 367.0 billion or 12.8 percent in net investments (including net investments in associates).

### Capital Reserves and Capital Adequacy Ratio

#### Consolidated

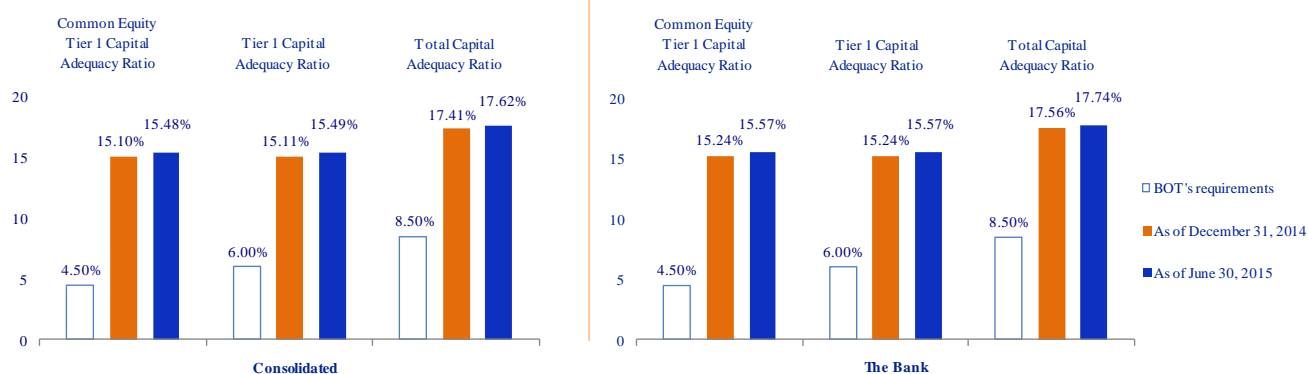
Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2015	March 2015	December 2014	June 2015	March 2015	December 2014
<b>Total capital</b>	<b>361,838</b>	348,920	350,097	<b>17.62%</b>	17.36%	17.41%
Tier 1 capital	318,016	305,612	303,810	15.49%	15.21%	15.11%
Common equity Tier 1 capital	317,891	305,524	303,683	15.48%	15.20%	15.10%

*The Bank*

Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2015	March 2015	December 2014	June 2015	March 2015	December 2014
<b>Total capital</b>	<b>352,931</b>	341,583	342,423	<b>17.74%</b>	17.52%	17.56%
Tier 1 capital	<b>309,750</b>	299,124	297,006	<b>15.57%</b>	15.34%	15.24%
Common equity Tier 1 capital	<b>309,750</b>	299,124	297,006	<b>15.57%</b>	15.34%	15.24%



As of June 30, 2015, legal capital funds were Baht 361.8 billion, common equity Tier 1 capital Baht 317.9 billion, and Tier 1 capital Baht 318.0 billion. The total capital adequacy ratio was 17.62 percent, while the common equity Tier 1 ratio was 15.48 percent and the Tier 1 capital ratio was 15.49 percent. With the inclusion of net profit for the six-month period ending June 30, 2015, the total capital adequacy ratio, the common equity Tier 1 ratio and the Tier 1 capital ratio would be 18.49 percent, 16.35 percent and 16.36 percent, respectively.

**Liquid Assets**

Item	June 2015	March 2015	December 2014
Liquid assets (Million Baht)	<b>1,011,295</b>	996,013	920,034
Liquid assets/total assets (%)	<b>35.3</b>	35.3	33.3
Liquid assets/deposits (%)	<b>47.5</b>	47.0	44.7

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of June 30, 2015, liquid assets totaled Baht 1,011.3 billion, an increase of Baht 15.3 billion or 1.5 percent from the end of March 2015. Significant changes included increases of Baht 47.9 billion in interbank and money market items, while available-for-sale securities decreased by Baht 19.3 billion.

Compared with the end of December 2014, liquid assets rose by Baht 91.3 billion or 9.9 percent. Significant items included an increase of Baht 111.1 billion in interbank and money market items, a decrease of Baht 18.7 billion in trading securities, and Baht 12.7 billion in cash.

## Credit Ratings

At the end of June 2015, credit-rating agencies maintained the Bank's credit ratings from the end of 2014. At the same time, Moody's Investors Service (Moody's) downgraded the Bank's senior unsecured debt rating to Baa1 from A3 due to a change in Moody's bank rating methodology. The change in assessment methods did not affect the other credit ratings of the Bank, which were classified as investment grade. The outlook for the Bank's credit ratings is as follows:

Credit Rating Agency *	30 June 2015	31 March 2015	31 December 2014
<b>Moody's Investors Service</b>			
Long term - Deposits	<b>Baa1</b>	Baa1	Baa1
Short term - Debt instruments / deposits	<b>P-2 / P-2</b>	P-2 / P-2	P-2 / P-2
Senior unsecured debt instruments	<b>Baa1</b>	A3	A3
Subordinated debt instruments	<b>Baa3</b>	Baa3	Baa3
Outlook	<b>Stable</b>	Stable	Stable
Financial strength (BCA / BFSR)	<b>baa2 / C-</b>	baa2 / C-	baa2 / C-
Financial strength outlook	<b>Stable</b>	Stable	Stable
<b>Standard &amp; Poor's</b>			
Long term - Debt instruments	<b>BBB+</b>	BBB+	BBB+
- Deposits	<b>BBB+</b>	BBB+	BBB+
Short term - Debt instruments / deposits	<b>A-2 / A-2</b>	A-2 / A-2	A-2 / A-2
Senior unsecured debt instruments	<b>BBB+</b>	BBB+	BBB+
Subordinated debt instruments	<b>BBB</b>	BBB	BBB
Financial strength (SACP)	<b>bbb</b>	bbb	bbb
Support	<b>+1</b>	+1	+1
Outlook	<b>Stable</b>	Stable	Stable
ASEAN Regional Ratings (Long term / Short term)	<b>axA+ / axA-1</b>	axA+ / axA-1	axA+ / axA-1
<b>Fitch Ratings</b>			
<b>International ratings</b>			
Long term - Debt instruments	<b>BBB+</b>	BBB+	BBB+
Short term - Debt instruments	<b>F2</b>	F2	F2
Senior unsecured debt instruments	<b>BBB+</b>	BBB+	BBB+
Subordinated debt instruments	<b>BBB</b>	BBB	BBB
Financial strength (Viability)	<b>bbb+</b>	bbb+	bbb+
Support	<b>2</b>	2	2
Outlook	<b>Stable</b>	Stable	Stable
<b>Domestic ratings</b>			
Long term - Debt instruments	<b>AA</b>	AA	AA
Short term - Debt instruments	<b>F1+</b>	F1+	F1+
Subordinated debt instruments	<b>AA-</b>	AA-	AA-
Outlook	<b>Stable</b>	Stable	Stable

\* Long-term credit ratings classified as investment grade by Moody's Investors Service, Standard & Poor's and Fitch Ratings are Baa3, BBB- and BBB-, or higher, respectively. Short-term credit ratings classified as investment grade by Moody's Investors Service, Standard & Poor's and Fitch Ratings are P-3, A-3 and F3, or higher, respectively.