+ MANAGEMENT REPORT

In 2018 Thailand's economy faced multiple external challenges including a slowdown in major economies, volatility in financial markets, rising interest rates, and trade tensions. Meanwhile the long-term megatrends of regionalization, urbanization and digitalization continued to reshape the country and the region.

Amid these challenges the government is endeavoring to lay the foundations of future competitiveness with long-term economic policies that include upgrading transport and energy infrastructure, fostering regional integration and connectivity, cultivating high value-add industries, and supporting Thailand's transition to a digital economy.

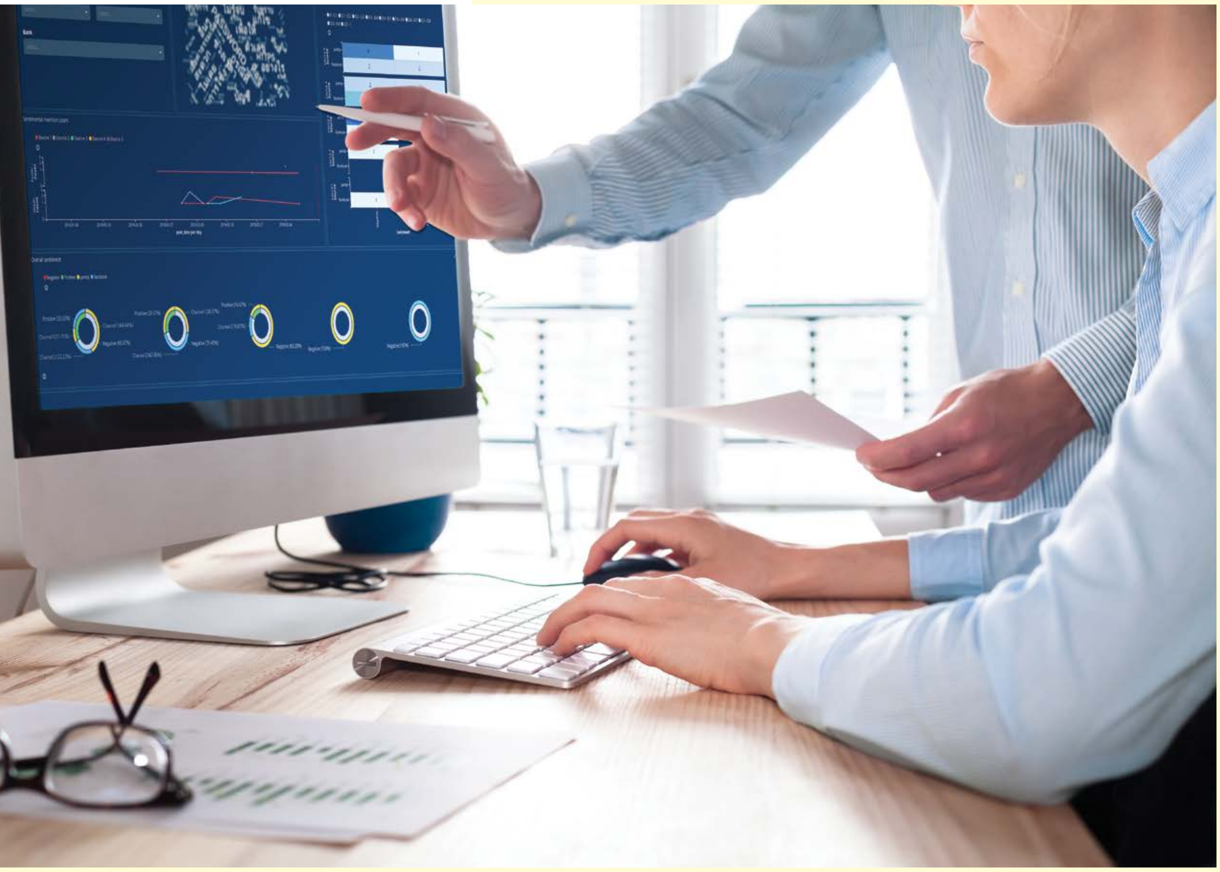
In parallel with these policies, the Bank of Thailand is working with the Thai Bankers' Association to accelerate the digitalization of the country's financial system under the National e-Payment Master Plan. This includes facilitating online payment systems, reducing fees for online payments, and developing programs such as National Digital ID and e-KYC (Know Your Customer).

During this period of major change, we are creating value for our customers and other stakeholders by supporting them to take advantage of the opportunities presented by regionalization, urbanization and digitalization.

Leveraging our extensive network, we are offering our customers expert local knowledge as well as specialist advice and business-matching opportunities based on our industry expertise. Meanwhile we are equipping our international operations with the know-how, support and resources necessary to ensure that our customers can enjoy the full benefits of regional development.

We are helping our customers and their supply chains to realize opportunities in infrastructure development, particularly in the Eastern Economic Corridor (EEC), and in industries that have the most to gain from urbanization. We are also working with our subsidiaries and business partners to offer a broader range of investment and insurance products to cater to the growing sophistication of customers in areas such as savings, investment, and protection solutions, as well as expanding our customer base and revenue.

In line with our strategic priority to create value for our customers, we continue to adopt innovative technologies to develop a new service approach and enhance service quality for both business and individual customers. We are using Customer Relationship Management (CRM) systems and contextual marketing to aggregate customer information across channels so we can offer customers products and services appropriate to his/her needs,



behavior, and recent interactions. Improving customer satisfaction at every touch point will also increase customer engagement. Meanwhile we worked with corporate and institutional clients to develop digital solutions to manage their ecosystems.

We are continuing to strengthen our innovation capabilities in many areas. We have established an Innovation Department, focusing on research and development, to help us benefit from the latest technological advancements such as Big Data and Artificial Intelligence (AI). We are also working with FinTech startups to develop new products and services suitable for the Thailand and Southeast Asia markets.

Given the uncertain economic environment as we move into 2019, we will continue to take a prudent approach towards financial management, maintaining liquidity and capital reserves at appropriate levels to support future business expansion and ensure the Bank's financial sustainability.

In 2018 Bangkok Bank reported a consolidated net profit attributable to owners of the Bank of Baht 35.3 billion, an increase of 7.0 percent from 2017. Operating income amounted to Baht 121.4 billion, an increase of 7.9 percent, driven by an increase of 7.1 percent in net interest income with a net interest margin of 2.4 percent, and an increase of 9.1 percent in non-interest income.

Loans grew by 4.0 percent, while deposits rose by 0.7 percent, with a loan-to-deposit ratio of 89.5 percent. The ratio of non-performing loans (NPL) to total loans reduced to 3.4 percent, while the ratio of loan loss reserves to NPL was 190.9 percent.