



**Bangkok Bank Public Company Limited**  
**Management Discussion and Analysis**  
for the Quarter and Six Months Ended June 30, 2018

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## Management Discussion and Analysis

### Overview of the Economy and Banking Industry

#### *Thai Economy in the Second Quarter of 2018*

The Thai economy in the second quarter of 2018 continued to improve. Export performance remained strong, with 12.3 percent year-on-year expansion. Tourism also continued to perform well despite the end of the high season, as tourist arrivals rose by 9.1 percent from the same period last year. Private consumption grew consistently in tandem with an improvement in private investment, particularly in export-oriented industries. Public investment totaled Baht 91.0 billion, increasing year-on-year by 7.7 percent.

Headline inflation in the second quarter of 2018 stood at 1.31 percent, up from 0.10 percent in the same period last year and 0.64 percent last quarter primarily as a result of buoyant oil prices. Consequently, headline inflation, for the first time in 4 quarters, reached the Bank of Thailand's target of 1-4 percent. At the same time, core inflation rose from 0.47 percent in the same period last year and 0.61 percent last quarter to 0.76 percent, reflecting a gradual recovery in domestic consumption. The average exchange rate was 31.92 THB/USD, weakening from 31.54 THB/USD in the previous quarter but remained stronger than 34.30 THB/USD in the same period last year.

The Monetary Policy Committee (MPC) decided to keep the policy interest rate unchanged at 1.50 percent as it viewed that the current accommodative policy stance is still needed to strengthen the continuation of growth in domestic demand and support the rise of headline inflation towards the target in a sustainable manner.

The 2018 economic growth is expected to be 4.5 percent on account of still-higher exports and tourism revenue, stronger private consumption, and an expansion in private investment that mainly resulted from spillovers from export-related activities. In addition, the development of the Eastern Economic Corridor (EEC) areas continues to progress, though actual implementation of various projects will likely start from 2019 onward. Nevertheless, downside risks to exports likely stem from international trade disputes, particularly between the US and China. On the domestic front, elevated household debt remains a constraint to purchasing power. In the meantime, domestic political situation also warrants monitoring as the government is preparing for an election, which is expected to take place early of 2019.

#### *Thai Banking Industry*

Although the commercial banking system in Thailand is facing challenges from an uncertain economic environment, its lending and deposits in the second quarter of 2018 continued to expand at a similar rate. The loan to deposit ratio (LDR) has risen from the previous year. As the loan quality began to stabilize, the ratio of gross non-performing loan (NPL) to total loans was 2.9 percent, nearly the same level as at the end of 2017.

The Bank of Thailand's Senior Loan Officer Survey indicated that in the second quarter of 2018, credit demand improved from the previous quarter, due to demand for loans from large corporates and SMEs, especially in businesses related to exports and government construction contracts. Demand for loans from the household sector increased in all categories, particularly other consumer loans and auto-leasing. Financial institutions expect demand for business and household credit to increase later in the year. Investment demand for public infrastructure projects is also likely to increase.

Competition for deposits is expected to be mild, considering the loan to deposit ratio and the Liquidity Coverage Ratio (LCR) which reflects the excess liquidity in the commercial banking system. With the combination of the recent high level of provisioning in preparation for the adoption of IFRS 9, which will be effective in 2020, the Thai commercial banking system will be more stable and able to support loan expansion in the next phase.

### Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2018	1/2018	2/2017	1/2018	2/2017	2018	2017	
Net profit *	<b>9,194</b>	9,005	8,047	2.1%	14.3%	<b>18,199</b>	16,352	11.3%
Earnings per share (Baht)	<b>4.82</b>	4.72	4.22	2.1%	14.3%	<b>9.53</b>	8.57	11.3%
Net interest margin	<b>2.33%</b>	2.34%	2.31%	(0.01)%	0.02%	<b>2.34%</b>	2.33%	0.01%
Net fees and service income to operating income ratio	<b>21.3%</b>	24.1%	22.7%	(2.8)%	(1.4)%	<b>22.7%</b>	23.7%	(1.0)%
Expense to operating income ratio	<b>42.8%</b>	39.9%	45.8%	2.9%	(3.0)%	<b>41.4%</b>	43.3%	(1.9)%
Return on average assets *	<b>1.16%</b>	1.17%	1.07%	(0.01)%	0.09%	<b>1.17%</b>	1.10%	0.07%
Return on average equity *	<b>9.16%</b>	9.05%	8.38%	0.11%	0.78%	<b>9.12%</b>	8.61%	0.51%

\* Attributable to owners of the Bank

Million Baht

Item	June 2018	March 2018	December 2017	Change (%)	
				March 2018	December 2017
Loans **	<b>2,065,487</b>	1,978,511	2,003,989	4.4%	3.1%
Deposits	<b>2,349,857</b>	2,334,078	2,310,743	0.7%	1.7%
Loan to deposit ratio	<b>87.9%</b>	84.8%	86.7%	3.1%	1.2%
Non-performing loan (NPL)	<b>83,478</b>	92,165	87,419	(9.4)%	(4.5)%
Ratio of NPL to total loans	<b>3.5%</b>	3.8%	3.9%	(0.3)%	(0.4)%
Ratio of loan loss reserves to NPL	<b>176.3%</b>	159.3%	160.2%	17.0%	16.1%
Total capital adequacy ratio	<b>17.22%</b>	17.97%	18.17%	(0.75)%	(0.95)%

\*\* Less deferred revenue

In the second quarter of 2018, Bangkok Bank and its subsidiaries have reported a net profit attributable to owners of the Bank of Baht 9.2 billion, an increase of 14.3 percent from the second quarter of last year. Net interest income amounted to Baht 17.6 billion, an increase of 6.1 percent, and a net interest margin of 2.33 percent. Non-interest income was Baht 13.7 billion, an increase of 19.1 percent, due predominantly to an increase in gains on trading and foreign exchange transactions, gains on investments, and net fees and service income mainly attributed to a rise in fee income from bancassurance and mutual funds. The Bank's operating expenses were Baht 13.4 billion, an increase of 4.1 percent, while the ratio of expenses to operating income was 42.8 percent.

At the end of June 2018, the Bank's loans amounted to Baht 2,065.5 billion, an increase of 3.1 percent from the end of 2017, due to loans to large corporates and loans made through the Bank's international network. The ratio of non-performing loan (NPL) was 3.5 percent. In line with the prudent approach of setting aside adequate provisioning expenses, the Bank's total allowances for doubtful accounts amounted to Baht 147.2 billion, which will provide a cushion against any uncertainty or new regulations.

In terms of capital, with the inclusion of net profit for the six months ending June 30, 2018, the total capital adequacy ratio, the Common Equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio of the Bank and its subsidiaries would be 18.00 percent, 16.48 percent and 16.48 percent, respectively. These capital adequacy ratios are above the Bank of Thailand's minimum capital requirements. Shareholders' equity attributable to owners of the Bank as of June 30, 2018, amounted to Baht 399.9 billion. The book value per share was Baht 209.47.

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

Item	Million Baht							
	Quarter		Change (%)		H1		Change	
	2/2018	1/2018	2/2017	1/2018	2/2017	2018	2017	(%)
Net interest income	<b>17,573</b>	17,123	16,568	2.6%	6.1%	<b>34,696</b>	32,845	5.6%
Non-interest income	<b>13,667</b>	14,414	11,472	(5.2)%	19.1%	<b>28,081</b>	22,408	25.3%
Operating expenses	<b>13,376</b>	12,594	12,846	6.2%	4.1%	<b>25,970</b>	23,925	8.5%
Impairment loss of loans and debt securities	<b>6,533</b>	7,322	5,688	(10.8)%	14.9%	<b>13,854</b>	11,494	20.5%
Operating profit before tax	<b>11,331</b>	11,621	9,506	(2.5)%	19.2%	<b>22,953</b>	19,834	15.7%
Income tax expenses	<b>2,041</b>	2,522	1,388	(19.1)%	47.0%	<b>4,563</b>	3,339	36.7%
Net profit	<b>9,290</b>	9,099	8,118	2.1%	14.4%	<b>18,390</b>	16,495	11.5%
Net profit *	<b>9,194</b>	9,005	8,047	2.1%	14.3%	<b>18,199</b>	16,352	11.3%
Total comprehensive income *	<b>2,738</b>	3,738	6,967	(26.8)%	(60.7)%	<b>6,476</b>	13,862	(53.3)%

\* Attributable to owners of the Bank

In terms of operating results for the second quarter of 2018, compared with the first quarter of 2018, Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9.2 billion, an increase of Baht 189 million or 2.1 percent. Net interest income rose by Baht 450 million or 2.6 percent, mainly driven by an increase in interest income from loans and interbank and money market items. Non-interest income fell by Baht 747 million or 5.2 percent due predominantly to lower gains on investments and net fees and service income, partly due to lower fee income from transaction services caused by the exemption of transaction fees via digital channels, combined with declines in fee income from loan-related services and securities business, whereas dividend income and gains on tradings and foreign exchange transactions increased. Operating expenses rose by Baht 782 million from higher premises and equipment expenses. Impairment loss of loans and debt securities declined by Baht 789 million or 10.8 percent.

Compared with the second quarter of 2017, net profit attributable to owners of the Bank rose by Baht 1.1 billion or 14.3 percent due to an increase of Baht 1.0 billion or 6.1 percent in net interest income. The increase in net interest income was mainly due to an increase in interest income from loans and interbank and money market items. This was coupled with a decline in interest expenses on debt issued and borrowings from the early redemption of subordinated debentures No. 1/2012 in December 2017 and the maturity of foreign-currency-denominated senior unsecured debentures in March 2018. Non-interest income rose by Baht 2.2 billion or 19.1 percent, due largely to higher gains on tradings and foreign exchange transactions, gains on investments, dividend income, and net fees and service income, mainly from bancassurance and mutual funds, and securities business. Impairment loss of loans and debt securities rose by Baht 845 million and operating expenses rose by Baht 530 million or 4.1 percent from higher other expenses and personnel expenses.

In the first half of 2018, net profit attributable to owners of the Bank amounted to Baht 18.2 billion, an increase of Baht 1.8 billion or 11.3 percent from the first half of 2017. Net interest income rose by Baht 1.9 billion or 5.6 percent from the first half of 2017, due mainly to higher interest income from loans, combined with lower interest expenses on debt issued and borrowings from the early redemption of subordinated debentures No. 1/2012 in December 2017 and the maturity of foreign-currency-denominated senior unsecured debentures in March 2018. Non-interest income rose by Baht 5.7 billion or 25.3 percent, mainly driven by higher gains on investments and net fees and service income from bancassurance and mutual fund, and securities business. Operating expenses rose by Baht 2.0 billion or 8.5 percent from higher other expenses and personnel expenses and impairment loss on loans and debt securities rose by Baht 2.4 billion or 20.5 percent.

### *Net Interest Income*

Item	Million Baht							
	Quarter			Change (%)		H1		Change
	2/2018	1/2018	2/2017	1/2018	2/2017	2018	2017	(%)
<b>Interest Income</b>								
Loans	<b>23,012</b>	22,366	22,166	2.9%	3.8%	<b>45,378</b>	43,994	3.1%
Interbank and money market items	<b>2,306</b>	2,057	2,045	12.1%	12.8%	<b>4,363</b>	3,772	15.7%
Investments	<b>2,150</b>	2,160	2,003	(0.5)%	7.3%	<b>4,310</b>	4,097	5.2%
<b>Total interest income</b>	<b>27,468</b>	26,583	26,214	3.3%	4.8%	<b>54,051</b>	51,863	4.2%
<b>Interest expenses</b>								
Deposits	<b>5,442</b>	5,288	5,326	2.9%	2.2%	<b>10,730</b>	10,428	2.9%
Interbank and money market items	<b>676</b>	405	242	66.9%	179.3%	<b>1,080</b>	499	116.4%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	<b>2,498</b>	2,440	2,415	2.4%	3.4%	<b>4,939</b>	4,746	4.1%
Debt issued and borrowings	<b>1,279</b>	1,327	1,663	(3.6)%	(23.1)%	<b>2,606</b>	3,345	(22.1)%
<b>Total interest expenses</b>	<b>9,895</b>	9,460	9,646	4.6%	2.6%	<b>19,355</b>	19,018	1.8%
<b>Net interest income</b>	<b>17,573</b>	17,123	16,568	2.6%	6.1%	<b>34,696</b>	32,845	5.6%
Yield on earning assets	<b>3.64%</b>	3.64%	3.66%	-	(0.02)%	<b>3.65%</b>	3.68%	(0.03)%
Cost of funds	<b>1.50%</b>	1.48%	1.54%	0.02%	(0.04)%	<b>1.49%</b>	1.54%	(0.05)%
Net interest margin	<b>2.33%</b>	2.34%	2.31%	(0.01)%	0.02%	<b>2.34%</b>	2.33%	0.01%

Net interest income in the second quarter of 2018 amounted to Baht 17.6 billion, an increase of Baht 450 million or 2.6 percent from the first quarter of 2018, from an increase of Baht 885 million or 3.3 percent in interest income largely due to an increase of Baht 646 million or 2.9 percent in interest income from loans, in line with an increase in loan volume. Interest income from interbank and money market items rose by Baht 249 million or 12.1 percent from higher yield and transaction volume. Interest expenses rose by Baht 435 million or 4.6 percent, mainly attributed to an increase of Baht 271 million or 66.9 percent in interest expenses from interbank and money market items due to higher costs, and an increase of Baht 154 million or 2.9 percent in interest expenses from deposits partly due to an increase in deposit volume. The net interest margin fell from the previous quarter, by 0.01 percent to 2.33 percent.

Compared with the second quarter of 2017, net interest income rose by Baht 1.0 billion or 6.1 percent, due to an increase of Baht 1.3 billion or 4.8 percent in interest income. Significant items included an increase of Baht 846 million or 3.8 percent in interest income from loans due to an expansion in lending volume, coupled with an increase of Baht 261 million or 12.8 percent in interest income from interbank and money market items following a rise in transaction volume. Interest expenses rose by Baht 249 million or 2.6 percent mainly from an increase of Baht 434 million or 179.3 percent in interest expenses from interbank and money market items due to higher costs. Interest expenses on deposits rose by Baht 116 million or 2.2 percent due to an increase in deposit volume; as a result, contributions to the Deposit Protection Agency and Financial Institutions Development Fund rose. Interest expenses on debt issued and borrowings declined by Baht 384 million or 23.1 percent from the early redemption of Subordinated Debentures No. 1/2012 in December 2017 and the maturity of foreign-currency-denominated senior unsecured debentures totaling USD 400 million in March 2018. The net interest margin rose by 0.02 percent from the same quarter last year due mainly to a lower cost of deposits following an expansion of low-cost deposits in savings and current accounts.

In the first half of 2018, net interest income amounted to Baht 34.7 billion, an increase of Baht 1.9 billion or 5.6 percent from the first half of 2017, due predominantly to an increase of Baht 2.2 billion or 4.2 percent in interest income which contributed by an increase of Baht 1.4 billion or 3.1 percent in interest income from loans in line with the expansion of loan volume. Interest expenses rose by Baht 337 million or 1.8 percent. Significant items included an increase of Baht 581 million or 116.4 percent in interest expenses from interbank and money market items due to the increases in costs and transaction volume, coupled with an increase of Baht 302 million or 2.9 percent in interest expenses on deposits due to an increase in deposit volume; consequently, contributions to the Deposit Protection Agency and Financial Institutions Development Fund rose. Interest expenses on debt issued and borrowings declined by Baht 739 million or 22.1 percent largely due to the redemption of aforementioned debentures, and the net interest margin rose by 0.01 percent from the same period last year due to a lower cost of deposits following an expansion of low-cost deposits in savings and current accounts.

Bangkok Bank Interest Rate	May 16, 2017	Apr 25, 2016
<b>Loans (%)</b>		
MOR	7.125	7.375
MRR	7.125	7.625
MLR	6.250	6.250
<b>Deposits (%)</b>		
Savings	0.500-0.625	0.500-0.625
3-month Fixed	1.000	1.000
6-month Fixed	1.250	1.250
12-month Fixed	1.500	1.500
		<b>Apr 29, 2015</b>
<b>Bank of Thailand Policy Rate (%)</b>	1.500	

### Non-Interest Income

Item	Quarter		Change (%)		H1		Change (%)	
	2/2018	1/2018	2/2017	1/2018	2018	2017		
Fees and service income	8,994	10,013	8,501	(10.2)%	5.8%	19,007	17,531	8.4%
<u>Less</u> Fees and service expenses	2,339	2,411	2,129	(3.0)%	9.9%	4,750	4,440	7.0%
<b>Net fees and service income</b>	<b>6,655</b>	7,602	6,372	(12.5)%	4.4%	<b>14,257</b>	13,091	8.9%
Gains on tradings and foreign exchange transactions	2,187	1,654	1,399	32.2%	56.3%	3,841	3,029	26.8%
Gains on investments	2,309	3,527	1,633	(34.5)%	41.4%	5,836	2,962	97.0%
Share of profit from investment for using equity method	45	35	54	28.6%	(16.7)%	80	136	(41.2)%
Gains on disposal of assets	339	349	585	(2.9)%	(42.1)%	688	789	(12.8)%
Dividend income	1,857	592	1,316	213.7%	41.1%	2,449	2,185	12.1%
Other operating income	275	655	113	(58.0)%	143.4%	930	216	330.6%
<b>Total other operating income</b>	<b>7,012</b>	6,812	5,100	2.9%	37.5%	<b>13,824</b>	9,317	48.4%
<b>Total non-interest income</b>	<b>13,667</b>	14,414	11,472	(5.2)%	19.1%	<b>28,081</b>	22,408	25.3%
Net fees and service income to operating income ratio	21.3%	24.1%	22.7%	(2.8)%	(1.4)%	22.7%	23.7%	(1.0)%

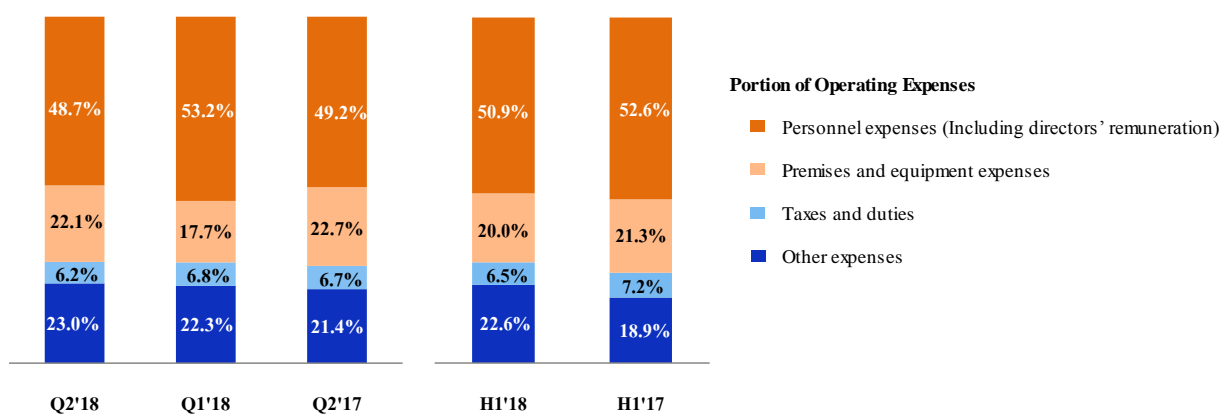
Non-interest income in the second quarter of 2018 amounted to Baht 13.7 billion, a decrease of Baht 747 million or 5.2 percent from the first quarter of 2018, due mainly to a decrease of Baht 1.2 billion in gains on investment and a decrease of Baht 947 million in net fees and service income, due to lower fee income from transaction services cause by the exemption of transaction fees via digital channels, combined with declines in fee income from loan-related services and securities business. Dividend income rose by Baht 1.3 billion and gains on tradings and foreign exchange transactions rose by Baht 533 million. Consequently, the ratio of net fees and service income to operating income stood at 21.3 percent, 2.8 percent lower than the previous quarter.

Compared with the second quarter of 2017, non-interest income rose by Baht 2.2 billion or 19.1 percent due mainly to the increases of Baht 788 million in gains on tradings and foreign exchange transactions, Baht 676 million in gains on investments, Baht 541 million in dividend income and Baht 283 million in net fees and service income, mainly driven by bancassurance and mutual funds, and securities business.

In the first half of 2018, non-interest income amounted to Baht 28.1 billion, an increase of Baht 5.7 billion or 25.3 percent from the first half of 2017, due to an increase in gains on investments of Baht 2.9 billion. Net fees and service income rose by Baht 1.2 billion, due predominantly to the increase in fee income from bancassurance and mutual funds, securities business and loan-related services. Gains on tradings and foreign exchange transactions rose by Baht 812 million, while other operating income rose by Baht 714 million, due mainly to the recognition of profit sharing from the management of impaired assets by Thai Asset Management Corporation (TAMC).

### Operating Expenses

Item	Million Baht							
	Quarter			Change (%)		H1		Change (%)
	2/2018	1/2018	2/2017	1/2018	2/2017	2018	2017	
Personnel expenses	6,463	6,670	6,273	(3.1)%	3.0%	13,133	12,492	5.1%
Directors' remuneration	46	35	46	31.4%	-	81	80	1.3%
Premises and equipment expenses	2,960	2,223	2,916	33.2%	1.5%	5,183	5,107	1.5%
Taxes and duties	833	862	863	(3.4)%	(3.5)%	1,694	1,727	(1.9)%
Other expenses	3,074	2,804	2,748	9.6%	11.9%	5,879	4,519	30.1%
<b>Total operating expenses</b>	<b>13,376</b>	<b>12,594</b>	<b>12,846</b>	<b>6.2%</b>	<b>4.1%</b>	<b>25,970</b>	<b>23,925</b>	<b>8.5%</b>
Expense to operating income ratio	42.8%	39.9%	45.8%	2.9%	(3.0)%	41.4%	43.3%	(1.9)%



Operating expenses in the second quarter of 2018 amounted to Baht 13.4 billion, an increase of Baht 782 million or 6.2 percent from the first quarter of 2018 due largely to an increase of Baht 737 million in premises and equipment expenses, partly due to expenses related to system development and improvements in operational efficiency. Personnel expenses declined by Baht 207 million.

Compared with the second quarter of 2017, operating expenses increased by Baht 530 million or 4.1 percent. Other expenses increased by Baht 326 million partly from marketing expenses. Personnel expenses increased by Baht 190 million.

In the first half of 2018, operating expenses amounted to Baht 26.0 billion, an increase of Baht 2.0 billion or 8.5 percent from the first half of 2017, due predominantly to an increase of Baht 1.4 billion in other expenses and an increase of Baht 641 million in personnel expenses.



### Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2018	1/2018	2/2017	1/2018	2/2017	2018	2017	
Bad debt and doubtful accounts	2,846	7,369	5,779	(61.4)%	(50.8)%	10,214	11,637	(12.2)%
Loss on debt restructuring (reversal)	3,687	(47)	(91)	7,944.7%	4,151.6%	3,640	(143)	2,645.5%
<b>Total</b>	<b>6,533</b>	<b>7,322</b>	<b>5,688</b>	<b>(10.8)%</b>	<b>14.9%</b>	<b>13,854</b>	<b>11,494</b>	<b>20.5%</b>

Impairment loss of loans and debt securities in the second quarter of 2018 was Baht 6.5 billion, compared to Baht 7.3 billion in the first quarter of 2018 and Baht 5.7 billion in the second quarter of 2017. In the first half of 2018, impairment loss of loans and debt securities amounted to Baht 13.9 billion, compared to Baht 11.5 billion in the first half of the previous year.

### Significant Items in the Financial Position

#### Assets

Million Baht

Item	June 2018	March 2018	December 2017	Change (%)	
				March 2018	December 2017
Net interbank and money market items	494,489	634,237	437,738	(22.0)%	13.0%
Net investments	587,788	523,259	591,720	12.3%	(0.7)%
Net investments in associates	1,409	1,495	1,460	(5.8)%	(3.5)%
Loans *	2,065,487	1,978,511	2,003,989	4.4%	3.1%
Net properties for sale	10,357	10,546	11,415	(1.8)%	(9.3)%
<b>Total assets</b>	<b>3,175,340</b>	<b>3,173,916</b>	<b>3,076,310</b>	<b>0.0%</b>	<b>3.2%</b>

\* Less deferred revenue

Total assets as of June 30, 2018, amounted to Baht 3,175.3 billion, an increase of Baht 1.4 billion from the end of March 2018. Significant items included loans of Baht 2,065.5 billion, an increase of Baht 87.0 billion or 4.4 percent, and net investments of Baht 587.8 billion, an increase of Baht 64.5 billion or 12.3 percent due to an increase in the investment in available-for-sale securities; while net interbank and money market items of Baht 494.5 billion, decreased by Baht 139.7 billion or 22.0 percent, mainly attributed to a decrease in lending.

Compared with the end of December 2017, total assets rose by Baht 99.0 billion. Significant items included an increase of Baht 61.5 billion or 3.1 percent in loans, and an increase of Baht 56.8 billion or 13.0 percent in net interbank and money market items due to an increase in lending.

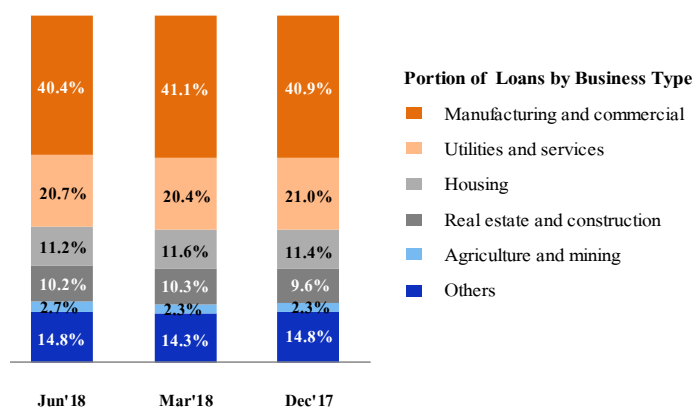
#### Loans

Loans as of June 30, 2018, amounted to Baht 2,065.5 billion, an increase of Baht 87.0 billion or 4.4 percent from the end of March 2018 due to large corporate, medium-sized business and consumer loans, as well as loans made through the Bank's international network. Compared with the end of December 2017, loans rose by Baht 61.5 billion or 3.1 percent from an increase in loans to large corporate and loans made through the Bank's international network.

Million Baht

Loans by Business Type *	June 2018	March 2018	December 2017	Change (%)	
				March 2018	December 2017
Manufacturing and commercial	833,563	813,319	819,338	2.5%	1.7%
Utilities and services	427,909	404,036	421,595	5.9%	1.5%
Housing	231,346	229,441	228,146	0.8%	1.4%
Real estate and construction	211,382	203,566	191,176	3.8%	10.6%
Agriculture and mining	55,199	46,242	46,658	19.4%	18.3%
Others	306,088	281,907	297,076	8.6%	3.0%
<b>Total</b>	<b>2,065,487</b>	<b>1,978,511</b>	<b>2,003,989</b>	<b>4.4%</b>	<b>3.1%</b>

\* Less deferred revenue



The highest portion of lending was to the manufacturing and commercial sector, at 40.4 percent, followed by 20.7 percent to utilities and services sector, 11.2 percent to housing sector, and 10.2 percent to real estate and construction sector. The main increase in loans from the end of March 2018 was mainly to “others” sector, utilities sector and manufacturing and commercial sector, while the increase from the end of December 2017 was mainly to real estate and construction sector, and manufacturing and commercial sector.

### 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 2018	March 2018	December 2017	June 2018	March 2018	December 2017
Normal	1,954,459	1,853,402	1,875,782	15,952	14,550	14,983
Special mentioned	32,710	37,711	45,815	490	452	591
Substandard	14,259	12,077	11,760	7,261	6,737	5,275
Doubtful	16,801	15,080	19,012	7,751	8,505	10,387
Doubtful of loss	52,437	65,092	56,681	29,017	41,044	36,471
<b>Total</b>	<b>2,070,666</b>	<b>1,983,362</b>	<b>2,009,050</b>	<b>60,471</b>	<b>71,288</b>	<b>67,707</b>
<u>Add</u> Excess allowance for doubtful accounts				<b>80,755</b>	73,268	70,004
<b>Total allowance for doubtful accounts from loan classification</b>				<b>141,226</b>	144,556	137,711
<u>Add</u> Revaluation allowance for debt restructuring				<b>5,938</b>	2,251	2,310
<b>Total allowance for doubtful accounts</b>				<b>147,164</b>	146,807	140,021

\* Less deferred revenue

Million Baht

Item	June 2018	March 2018	December 2017	Change (%)	
				March 2018	December 2017
NPL before allowance for doubtful accounts	<b>83,478</b>	92,165	87,419	(9.4)%	(4.5)%
Ratio of NPL to total loans	<b>3.5%</b>	3.8%	3.9%	(0.3)%	(0.4)%
NPL after allowance for doubtful accounts (net NPL)	<b>28,206</b>	27,166	26,576	3.8%	6.1%
Ratio of net NPL to net total loans	<b>1.2%</b>	1.2%	1.2%	-	-
Ratio of loan loss reserves to minimum required provisioning	<b>221.6%</b>	199.6%	200.0%	22.0%	21.6%
Ratio of loan loss reserves to NPL	<b>176.3%</b>	159.3%	160.2%	17.0%	16.1%

Non-performing loan (NPL) at the end of June 2018 amounted to Baht 83.5 billion, a decrease of Baht 3.9 billion or 4.5 percent from the end of December 2017. The ratio of NPL to total loans stood at 3.5 percent.

Total allowance for doubtful accounts at the end of June 2018 was Baht 147.2 billion or 221.6 percent of the minimum amount of Baht 66.4 billion required by the Bank of Thailand (BOT). The ratio of loan loss reserves to NPL at the end of June 2018 was 176.3 percent.

#### *Net Investments*

Net investments as of June 30, 2018 amounted to Baht 587.8 billion, an increase of Baht 64.5 billion or 12.3 percent from the end of March 2018, due mainly to available-for-sale securities. Net investments declined by Baht 3.9 billion from the end of December 2017 due to a decrease in available-for-sale securities whilst increases in trading securities and held-to-maturity debt securities.

Million Baht

Investments by Investment Holding	June 2018	March 2018	December 2017	Change (%)	
				March 2018	December 2017
Trading securities	<b>20,817</b>	17,880	15,113	16.4%	37.7%
Available-for-sale securities	<b>521,204</b>	463,842	533,651	12.4%	(2.3)%
Held-to-maturity debt securities	<b>15,326</b>	10,752	11,233	42.5%	36.4%
General investments	<b>30,441</b>	30,785	31,723	(1.1)%	(4.0)%
<b>Total net investments</b>	<b>587,788</b>	523,259	591,720	12.3%	(0.7)%

Most of the net investments were in government and state-enterprise securities. As of June 30, 2018, these amounted to Baht 317.1 billion, accounting for 53.9 percent of total investments. The remaining net investments were foreign debt securities of Baht 97.1 billion, private enterprise debt securities of Baht 56.9 billion, and net equity securities of Baht 108.1 billion.

Million Baht

Investments by Maturity *	June 2018		March 2018		December 2017		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2018	December 2017
Up to one year	107,579	18.3%	81,259	15.5%	71,982	12.1%	32.4%	49.5%
Between one and five years	354,140	60.1%	307,531	58.6%	375,910	63.4%	15.2%	(5.8)%
Over five years	21,524	3.6%	23,531	4.5%	24,597	4.2%	(8.5)%	(12.5)%
No maturity	105,954	18.0%	112,433	21.4%	120,691	20.3%	(5.8)%	(12.2)%
<b>Total net investments</b>	<b>589,197</b>	<b>100.0%</b>	<b>524,754</b>	<b>100.0%</b>	<b>593,180</b>	<b>100.0%</b>	<b>12.3%</b>	<b>(0.7)%</b>

\* Including net investments in associates

The remaining maturity of net investments (including net investments in associates) as of June 30, 2018 were categorized into securities with less than one year to maturity of Baht 107.6 billion, securities with one-to-five years to maturity of Baht 354.1 billion, securities with remaining maturity of more than five years of Baht 21.5 billion, and securities with no maturity of Baht 106.0 billion.

### *Liabilities and Shareholders' Equity*

Million Baht

Item	June 2018	March 2018	December 2017	Change (%)	
				March 2018	December 2017
Deposits	2,349,857	2,334,078	2,310,743	0.7%	1.7%
Interbank and money market items	204,367	213,009	133,584	(4.1)%	53.0%
Debt issued and borrowings	95,766	89,777	107,190	6.7%	(10.7)%
<b>Total liabilities</b>	<b>2,775,166</b>	<b>2,768,225</b>	<b>2,674,303</b>	<b>0.3%</b>	<b>3.8%</b>
<b>Shareholders' equity *</b>	<b>399,850</b>	<b>405,462</b>	<b>401,724</b>	<b>(1.4)%</b>	<b>(0.5)%</b>

\* Attributable to owners of the Bank

Total liabilities as of June 30, 2018 amounted to Baht 2,775.2 billion, an increase of Baht 6.9 billion or 0.3 percent from the end of March 2018, due largely to an increase of Baht 15.8 billion or 0.7 percent in deposits and an increase of Baht 6.0 billion or 6.7 percent in debt issued and borrowings. Interbank and money market items fell by Baht 8.6 billion or 4.1 percent from borrowings under repurchase agreement.

Compared with the end of December 2017, total liabilities rose by Baht 100.9 billion or 3.8 percent, mostly from an increase of Baht 70.8 billion or 53.0 percent in interbank and money market items due mainly to higher borrowings under repurchase agreements and borrowing transactions. Deposits rose by Baht 39.1 billion or 1.7 percent whereas debt issued and borrowings fell by Baht 11.4 billion or 10.7 percent.

## Deposits

Million Baht

Deposits Classified by Product Type	June 2018		March 2018		December 2017		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2018	December 2017
Current	102,856	4.4%	110,531	4.7%	106,184	4.6%	(6.9)%	(3.1)%
Savings	1,111,254	47.3%	1,089,645	46.7%	1,065,928	46.1%	2.0%	4.3%
Fixed *	1,135,747	48.3%	1,133,902	48.6%	1,138,631	49.3%	0.2%	(0.3)%
<b>Total</b>	<b>2,349,857</b>	<b>100.0%</b>	<b>2,334,078</b>	<b>100.0%</b>	<b>2,310,743</b>	<b>100.0%</b>	<b>0.7%</b>	<b>1.7%</b>
Loan to deposit ratio		<b>87.9%</b>		<b>84.8%</b>		<b>86.7%</b>	<b>3.1%</b>	<b>1.2%</b>

\* Including negotiable certificates of deposit

Total deposits as of June 30, 2018 amounted to Baht 2,349.9 billion, an increase of Baht 15.8 billion or 0.7 percent from the end of March 2018. Savings deposits rose by 2.0 percent due to an ongoing increase in the proportion of low-cost deposits.

Compared with the end of December 2017, total deposits rose by Baht 39.1 billion or 1.7 percent due to an increase of 4.3 percent in savings deposits.

## Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	June 2018		March 2018		December 2017		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2018	December 2017
Senior unsecured notes	86,231	84.9%	81,219	84.9%	98,003	86.6%	6.2%	(12.0)%
Unsecured subordinated notes	14,916	14.7%	14,049	14.7%	14,692	13.0%	6.2%	1.5%
Bills of exchange	25	0.1%	26	0.1%	26	0.1%	(3.8)%	(3.8)%
Others	391	0.3%	334	0.3%	384	0.3%	17.1%	1.8%
<b>Total (before less discount on borrowings)</b>	<b>101,563</b>	<b>100.0%</b>	<b>95,628</b>	<b>100.0%</b>	<b>113,105</b>	<b>100.0%</b>	<b>6.2%</b>	<b>(10.2)%</b>
<u>Less</u> Discount on borrowings	<b>5,797</b>		<b>5,851</b>		<b>5,915</b>		<b>(0.9)%</b>	<b>(2.0)%</b>
<b>Total</b>	<b>95,766</b>		<b>89,777</b>		<b>107,190</b>		<b>6.7%</b>	<b>(10.7)%</b>

Total debt issued and borrowings as of June 30, 2018 amounted to Baht 95.8 billion, an increase of Baht 6.0 billion from the end of March 2018 due to an increase in the value of foreign-currency-denominated debentures as a result of the Baht's depreciation. Compared with the end of December 2017, total debt issued and borrowings fell by Baht 11.4 billion mainly due to the maturity of USD 400 million senior unsecured debentures on March 28, 2018.

## Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of June 30, 2018 amounted to Baht 399.9 billion, a decrease of Baht 1.9 billion or 0.5 percent from the end of 2017, mainly attributed to the net profit attributable to owners of the Bank for the first half of 2018 of Baht 18.2 billion net of dividend payment of Baht 8.4 billion (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 12, 2018, while revaluation gains on available-for-sale investments decreased by Baht 11.6 billion.

### *Contingent Liabilities*

Million Baht

Item	June 2018	March 2018	December 2017	Change (%)	
				March 2018	December 2017
Avals to bills	7,620	8,169	8,187	(6.7)%	(6.9)%
Guarantees of loans	26,325	19,650	20,445	34.0%	28.8%
Liability under unmatured import bills	17,681	15,307	16,394	15.5%	7.9%
Letters of credit	35,857	34,226	31,803	4.8%	12.7%
Other commitments					
Underwriting commitments	249	1,199	1,098	(79.2)%	(77.3)%
Amount of unused bank overdrafts	173,813	173,600	174,083	0.1%	(0.2)%
Other guarantees	260,047	261,731	259,314	(0.6)%	0.3%
Others	101,232	113,920	88,622	(11.1)%	14.2%
<b>Total</b>	<b>622,824</b>	<b>627,802</b>	<b>599,946</b>	<b>(0.8)%</b>	<b>3.8%</b>

Contingent liabilities as of June 30, 2018 amounted to Baht 622.8 billion, a decrease of Baht 5.0 billion or 0.8 percent from the end of March 2018, due to a decrease in others (under other commitments), while guarantees of loans increased.

Compared with the end of December 2017, contingent liabilities rose by Baht 22.9 billion, due predominantly to increases in others (under other commitments) and guarantees of loans.

### *Sources and Utilization of Funds*

The primary sources of funds as of June 30, 2018 were Baht 2,349.9 billion or 74.0 percent in deposits, Baht 399.9 billion or 12.6 percent in shareholders' equity attributable to owners of the Bank, Baht 204.4 billion or 6.4 percent in interbank and money market liabilities, and Baht 95.8 billion or 3.0 percent in debt issued and borrowings.

The utilization of funds comprised Baht 2,065.5 billion or 65.0 percent in loans, Baht 494.5 billion or 15.6 percent in net interbank and money market assets, and Baht 589.2 billion or 18.6 percent in net investments (including net investments in associates).

### *Capital Reserves and Capital Adequacy Ratio*

#### *Consolidated*

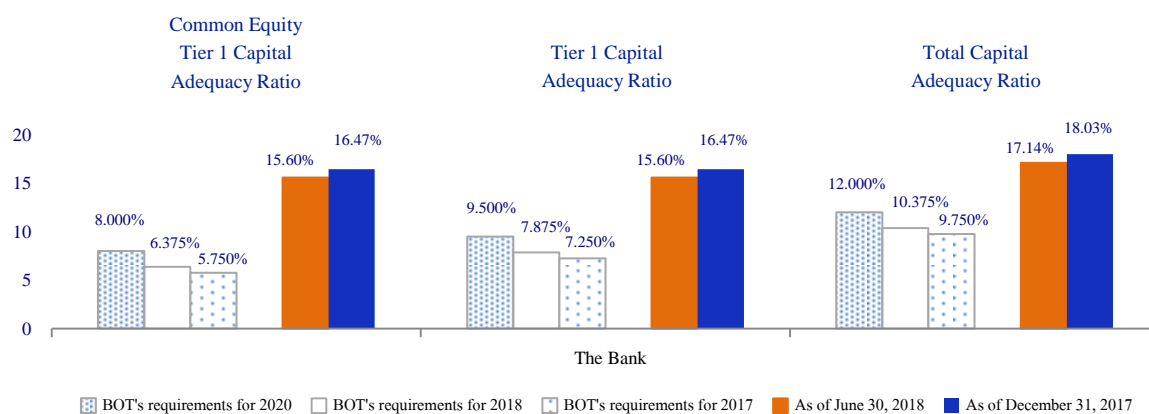
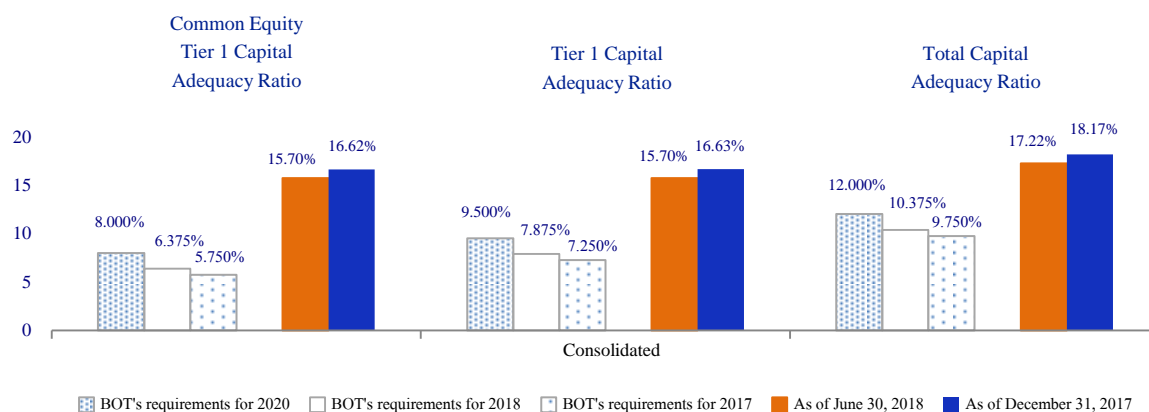
Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2018	March 2018	December 2017	June 2018	March 2018	December 2017
<b>Total capital</b>	<b>412,875</b>	412,920	419,580	<b>17.22%</b>	17.97%	18.17%
Tier 1 capital	376,407	377,563	383,942	<b>15.70%</b>	16.43%	16.63%
Common Equity Tier 1 capital	<b>376,348</b>	377,512	383,841	<b>15.70%</b>	16.43%	16.62%

*The Bank*

Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2018	March 2018	December 2017	June 2018	March 2018	December 2017
<b>Total capital</b>	<b>397,219</b>	398,084	404,226	<b>17.14%</b>	17.86%	18.03%
Tier 1 capital	<b>361,544</b>	363,436	369,261	<b>15.60%</b>	16.30%	16.47%
Common Equity Tier 1 capital	<b>361,544</b>	363,436	369,261	<b>15.60%</b>	16.30%	16.47%



Under the principles of Basel III, the Bank of Thailand (BOT) requires commercial banks registered in Thailand and members of their financial groups to maintain minimum levels of capital adequacy as measured by three ratios, including the Common Equity Tier 1 ratio at no less than 4.50 percent, the Tier 1 ratio at no less than 6.00 percent, and the total capital ratio at no less than 8.50 percent – measured as a percentage of total risk-weighted assets. It also requires a capital conservation buffer in addition to minimum capital adequacy ratios, phasing in an additional capital ratio of more than 0.625 percent p.a. starting January 1, 2016 until completion of the increment to more than 2.50 percent from January 1, 2019 onwards. To satisfy the minimum levels and capital buffer requirements of the BOT, in 2018 the Bank was required to maintain the Common Equity Tier 1 ratio at more than 6.375 percent, the Tier 1 ratio at more than 7.875 percent, and the total capital ratio at more than 10.375 percent – measured as percentages of total risk-weighted assets. The BOT also announced guidelines for identifying and regulating Domestic Systemically Important Banks (D-SIBs). Bangkok Bank, which is classified as a D-SIB, is required by the BOT to hold additional capital for Higher Loss Absorbency (HLA) by gradually increasing its additional capital ratio by an increment of 0.50 percent p.a. from January 1, 2019 until completion of the increment to 1.00 percent from January 1, 2020 onwards.

As of June 30, 2018, the regulatory capital position was Baht 412.9 billion, Common Equity Tier 1 capital was Baht 376.3 billion, and Tier 1 capital was Baht 376.4 billion. The total capital adequacy ratio was 17.22 percent, the Common Equity Tier 1 capital adequacy ratio was 15.70 percent, and the Tier 1 capital adequacy ratio was 15.70 percent. With the inclusion of net profit for the six months ending June 30, 2018, the total capital adequacy ratio, the Common Equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.00 percent, 16.48 percent and 16.48 percent, respectively.

### *Liquid Assets*

Item	June 2018	March 2018	December 2017
Liquid assets (Million Baht)	1,092,475	1,173,948	1,051,982
Liquid assets/Total assets (%)	34.4	37.0	34.2
Liquid assets/Deposits (%)	46.5	50.3	45.5

Liquid assets consisted of cash, net interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of June 30, 2018, liquid assets totaled Baht 1,092.5 billion, a decrease of Baht 81.5 billion or 6.9 percent from the end of March 2018, due mainly to a decrease of Baht 139.7 billion in net interbank and money market items, whereas available-for-sale securities rose by Baht 57.4 billion.

Compared with the end of December 2017, liquid assets rose by Baht 40.5 billion or 3.8 percent. Significant items included an increase of Baht 56.8 billion in interbank and money market items and an increase of Baht 5.7 billion in trading securities, while available-for-sale securities declined by Baht 12.4 billion and cash declined by Baht 9.5 billion.

### **Credit Ratings**

At the end of June 2018, credit-rating agencies maintained the Bank's credit ratings from the end of March 2018 and the end of 2017. Details of the Bank's credit ratings are as follows:

Credit Rating Agency *	June 30, 2018	March 31, 2018	December 31, 2017
<b>Moody's Investors Service</b>			
Long-term Deposit	<b>Baa1</b>	Baa1	Baa1
Short-term Deposit	<b>P-2</b>	P-2	P-2
Senior Unsecured Debt Instrument	<b>Baa1</b>	Baa1	Baa1
Subordinated Debt Instrument	<b>Baa3</b>	Baa3	Baa3
Financial Strength (BCA)	<b>baa2</b>	baa2	baa2
Outlook	<b>Stable</b>	Stable	Stable
<b>Standard &amp; Poor's</b>			
Long-term Counterparty Credit Rating	<b>BBB+</b>	BBB+	BBB+
Short-term Counterparty Credit Rating	<b>A-2</b>	A-2	A-2
Senior Unsecured Debt Instrument	<b>BBB+</b>	BBB+	BBB+
Subordinated Debt Instrument	<b>BBB</b>	BBB	BBB
Financial Strength (SACP)	<b>bbb</b>	bbb	bbb
Outlook	<b>Stable</b>	Stable	Stable



Credit Rating Agency *	June 30, 2018	March 31, 2018	December 31, 2017
<b>Fitch Ratings</b>			
<b>International Rating</b>			
Long-term Issuer Default Rating	<b>BBB+</b>	BBB+	BBB+
Short-term Issuer Default Rating	<b>F2</b>	F2	F2
Senior Unsecured Debt Instrument	<b>BBB+</b>	BBB+	BBB+
Subordinated Debt Instrument	<b>BBB</b>	BBB	BBB
Financial Strength (VR)	<b>bbb+</b>	bbb+	bbb+
Outlook	<b>Stable</b>	Stable	Stable
<b>National Rating</b>			
Long-term	<b>AA+(tha)</b>	AA+(tha)	AA+(tha)
Short-term	<b>F1+(tha)</b>	F1+(tha)	F1+(tha)
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.