

# Bangkok Bank Public Company Limited

Management Discussion and Analysis  
for the Quarter Ended March 31, 2015

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## Management Discussion and Analysis

### Overview of the Economy and Banking Industry

#### *Thai Economy in the first quarter of 2015*

Thailand's economy in the first quarter of 2015 is likely to have grown more slowly than expected following a slowdown in private sector consumption, investment and exports. Consumption declined mainly due to a continued fall in prices of agricultural goods, while high level household debt put a brake on spending. Private sector investment slowed as businesses continued to wait for signs of economic recovery and tangible progress on the government's investment projects. Meanwhile, government investment disappointed as budget disbursements failed to meet their target, due partly to delays in the procurement process. Exports contracted by 4.7 percent from the same period last year. Exports to China and ASEAN fell by 14.4 and 2.4 percent, respectively, while exports to the US and Indochina and Myanmar continued to grow. Falling world oil prices were a key factor in the declining export value of oil-related products. Positive factors in the first quarter were the improvement in tourism income, with inbound tourist numbers rising by 23.5 percent from the same period last year.

Headline inflation fell by 0.5 percent in the first quarter, due mainly to lower energy prices compared to the same period last year, together with a decline in demand associated with slower economic growth. Core inflation stood at 1.5 percent, reflecting higher prices of non-energy goods. The Thai baht averaged 32.64 THB/USD in the first quarter, appreciating slightly from 32.67 and 32.71 THB/USD recorded in the first and fourth quarters of 2014, respectively.

The Monetary Policy Committee (MPC) has cut its policy interest rate twice in 2015, by 25 basis points in each of March and April, reducing the annual rate to 1.50 percent. This was in response to the recent slowness in the economic recovery, and disappointing consumption and investment growth which will dampen the next phase of economic expansion. Combined with negative inflation – and expectations that the rate will remain low for some time – the MPC made the decision to ease monetary policy further to bolster the economy.

Thailand's economic growth for 2015 is expected to reach 3-4 percent with key supporting factors being the acceleration of the government's budget disbursements and investment in infrastructure projects during the remainder of the year, which will in turn stimulate private investment in the second half. Declining oil prices will help support the recovery of private consumption, as will improving tourism revenue.

However, there are many risks to domestic growth and stability. These include continued uncertainty in Euro-area economies (especially the possibility that Greece might leave the EU), unrest between Russia and Ukraine, a slowing Chinese economy, and the chance that the US economy might weaken. Other risks are fluctuations in exchange rates from the differing monetary policies adopted by developed countries, continued sluggishness of global agricultural prices, longer than expected delays in the Thai government's disbursement of its investment budget, and continuing high levels of domestic household debt.

#### *Thai Banking Industry*

The Thai commercial banking system's total loans and deposits rose in the first quarter of 2015 due partly to the merger between the Bank of Tokyo-Mitsubishi's Bangkok branch and the Bank of Ayudhya. Aggregating the balance sheets of commercial banks at the end of March 2015, deposits grew by more than loans, with net deposits and loans grew by 8.4 and 6.5 percent, respectively, from the same period last year. However, banking system liquidity as measured by Loan-to-Deposit Ratio (LDR) was nearly the same as at the end of 2014 at 94.7 percent, but was higher than the 92.8 percent recorded at the end of March 2014. Meanwhile, loan quality, as measured by the ratio of non-performing loans (NPLs) to total loans, slightly deteriorated, with the NPL ratio rising to 2.40 percent from the previous quarter's 2.31 percent.

The Bank of Thailand's Senior Loan Officer Survey indicated that the demand for both business and household credit will pick up slightly. Competition for deposits is expected to be mild given the system has sufficient liquidity. One issue that may arise during the third quarter is how depositors will respond to the decrease in the 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-organizing 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) sufficient to cope with cash outflows during a potential crisis in accordance with the requirements of Basel III which are expected to come into effect from January 2016. At current lending levels the system's overall loan quality is relatively stable. Banks are still maintaining a relatively large capital base and a high level of provisioning reserves should support loan quality and continued future growth.

### Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)	
	1/2015	4/2014	1/2014	4/2014	1/2014
Net profit *	<b>9,407</b>	8,763	8,965	7.3%	4.9%
Earnings per share (Baht)	<b>4.93</b>	4.59	4.70	7.3%	4.9%
Net interest margin	<b>2.18%</b>	2.32%	2.31%	(0.14)%	(0.13)%
Net fees and service income to operating income ratio	<b>25.5%</b>	24.1%	22.9%	1.4%	2.6%
Expense to operating income ratio	<b>41.4%</b>	50.6%	41.4%	(9.2)%	0.0%
Return on average assets *	<b>1.37%</b>	1.30%	1.40%	0.07%	(0.03)%
Return on average equity *	<b>11.61%</b>	10.83%	12.06%	0.78%	(0.45)%

\* Attributable to the Bank

Million Baht

Item	March	December	March	Change (%)	
	2015	2014	2014	December 2014	March 2014
Loans **	<b>1,774,253</b>	1,782,233	1,745,919	(0.4)%	1.6%
Deposits	<b>2,117,969</b>	2,058,779	1,932,921	2.9%	9.6%
Loan to deposit ratio	<b>83.8%</b>	86.6%	90.3%	(2.8)%	(6.6)%
Non-performing loans (NPLs)	<b>47,473</b>	45,046	45,003	5.4%	5.5%
Ratio of NPLs to total loans	<b>2.2%</b>	2.1%	2.2%	0.1%	0.0%
Ratio of loan loss reserves to NPLs	<b>189.9%</b>	204.1%	210.1%	(14.2)%	(20.2)%
Total capital adequacy ratio	<b>17.36%</b>	17.41%	16.60%	(0.05)%	0.76%

\*\* Less deferred revenue

Bangkok Bank and its subsidiaries have reported a consolidated net profit of Baht 9.4 billion for the first quarter of 2015, an increase of Baht 442 million or 4.9 percent from the first quarter of 2014. Net interest income rose by Baht 168 million or 1.2 percent while non-interest income grew by Baht 2.1 billion or 24.7 percent. Operating expenses rose by Baht 964 million or 10.2 percent.

At the end of March 2015, total lending was Baht 1,774.3 billion, a decrease of Baht 8.0 billion or 0.4 percent from the end of December 2014.

In terms of loan quality, at the end of March 2015 non-performing loans (NPLs) were Baht 47.5 billion, an increase of Baht 2.4 billion from the end of December 2014, while the ratio of non-performing loans to total loans was 2.2 percent, slightly increase from 2.1 percent, as some customers continued to be affected by the continued economic slowdown. The Bank had provisioning expenses of Baht 3.0 billion in the first quarter of 2015, representing a ratio of loan loss reserves to NPLs and a ratio of loan loss reserves to total loans of 189.9 percent and 5.1 percent, respectively.

Total deposits were Baht 2,118.0 billion, an increase of Baht 59.2 billion or 2.9 percent from the end of 2014. The loan-to-deposit ratio stood at 83.8 percent, a decrease from 86.6 percent.

Net interest income for the first quarter of 2015 amounted to Baht 14.2 billion. The net interest margin was 2.18 percent, a decrease from 2.32 percent in the fourth quarter of 2014, due partially to an increase in the deposit cost and volume which exceeded loan yield and volume, while yield from investments and yield from interbank and money market items declined.

Non-interest income amounted to Baht 10.8 billion, an increase of Baht 2.1 billion or 24.7 percent from the first quarter of 2014. This was mainly attributable to an increase in net fees and service income of Baht 1.2 billion or 22.8 percent, due to an increase in fee income from underwriting, securities business and lending.

Operating expenses were Baht 10.4 billion, an increase of Baht 964 million or 10.2 percent from the first quarter of 2014, due predominantly to increases in personnel and other expenses. The cost to income ratio was unchanged at 41.4 percent.

In terms of capital reserves, after the inclusion of net profit for the six months ending December 31, 2014 and of net profit for the first quarter of 2015 – along with a deduction of dividends to be paid in May 2015 – the total capital adequacy ratio, common equity Tier 1 ratio and Tier 1 capital ratio of the Bank and its subsidiaries would be 18.32 percent, 16.16 percent and 16.16 percent, respectively.

Shareholders' equity as of March 31, 2015 amounted to Baht 333.8 billion, equivalent to 11.8 percent of total assets. The book value per share was Baht 174.89, an increase of Baht 5.42 from the end of 2014.

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

Million Baht

Item	Quarter		Change (%)		
	1/2015	4/2014	1/2014	4/2014	1/2014
Net interest income	<b>14,235</b>	14,859	14,067	(4.2)%	1.2%
Non-interest income	<b>10,813</b>	8,973	8,671	20.5%	24.7%
Operating expenses	<b>10,376</b>	12,057	9,412	(13.9)%	10.2%
Impairment loss of loans and debt securities	<b>2,980</b>	939	2,103	217.4%	41.7%
Operating profit before tax	<b>11,692</b>	10,836	11,222	7.9%	4.2%
Income tax expenses	<b>2,235</b>	2,028	2,222	10.2%	0.6%
Net profit	<b>9,457</b>	8,808	9,000	7.4%	5.1%
Net profit *	<b>9,407</b>	8,763	8,965	7.3%	4.9%
Total comprehensive income *	<b>10,338</b>	4,657	10,863	122.0%	(4.8)%

\* Attributable to the Bank

In the first quarter of 2015 the net profit of the Bank and its subsidiaries amounted to Baht 9.4 billion, an increase of Baht 442 million or 4.9 percent from the same period last year, due predominantly to an increase of Baht 1.2 billion or 22.8 percent in net fees and service income due mainly to fee income from underwriting, securities business and lending. Gains on investments rose by Baht 724 million or 149.3 percent from the selling of available-for-sale equities and debt securities. Operating expenses rose by Baht 964 million or 10.2 percent from annual salary adjustments including special adjustment for subsidization and an increase in the number of employees. Impairment loss on loans and debt securities rose by Baht 877 million or 41.7 percent to cope with potential risks of economic uncertainty.

When compared with the fourth quarter of 2014, the net profit of the Bank and its subsidiaries increased by Baht 644 million or 7.3 percent due mainly to gains on tradings and foreign exchange transactions, which rose by Baht 647 million. Net fees and service income rose by Baht 642 million or 11.2 percent, due mainly to the increase in fee income from underwriting, bancassurance and mutual funds. Gains on investments rose by Baht 603 million or 99.5 percent from the selling of available-for-sale equities and debt securities. Operating expenses decreased by Baht 1.7 billion due mainly to lower marketing expenses and premises and buildings expenses. Impairment loss of loans and debt securities rose by Baht 2.0 billion and net interest income decreased by Baht 624 million or 4.2 percent.

## Net Interest Income

Million Baht

Item	Quarter			Change (%)	
	1/2015	4/2014	1/2014	4/2014	1/2014
<b>Interest Income</b>					
Loans	21,811	21,674	21,198	0.6%	2.9%
Interbank and money market items	3,045	2,802	2,405	8.7%	26.6%
Investments	1,733	1,823	2,231	(4.9)%	(22.3)%
<b>Total interest income</b>	<b>26,589</b>	<b>26,299</b>	<b>25,834</b>	<b>1.1%</b>	<b>2.9%</b>
<b>Interest expenses</b>					
Deposits	7,998	7,297	7,522	9.6%	6.3%
Interbank and money market items	451	395	490	14.2%	(8.0)%
Contributions to the Deposit Protection Agency	2,231	2,058	2,079	8.4%	7.3%
Debt issued and borrowings	1,674	1,690	1,676	(0.9)%	(0.1)%
<b>Total interest expenses</b>	<b>12,354</b>	<b>11,440</b>	<b>11,767</b>	<b>8.0%</b>	<b>5.0%</b>
<b>Net interest income</b>	<b>14,235</b>	<b>14,859</b>	<b>14,067</b>	<b>(4.2)%</b>	<b>1.1%</b>
Net interest margin	2.18%	2.32%	2.31%	(0.14)%	(0.13)%

In the first quarter of 2015, the net interest income of the Bank and its subsidiaries amounted to Baht 14.2 billion, an increase of Baht 168 million or 1.2 percent from the first quarter of 2014. Interest income rose by Baht 755 million or 2.9 percent, with significant items including interest income from interbank and money market items, which increased by Baht 640 million or 26.6 percent, in line with the increase in lending volume of interbank and money market; and interest income from loans, which rose by Baht 613 million, in line with the increase in lending volume for the SME and Consumer sectors. Interest expenses rose by Baht 587 million or 5.0 percent due to the increase in fixed-deposit volume. The net interest margin stood at 2.18 percent, a decline from 2.31 percent in the same period last year predominantly due to the higher fixed deposits volume.

When compared with the fourth quarter of 2014, the net interest income of the Bank and its subsidiaries declined by Baht 624 million or 4.2 percent. Interest expenses rose by Baht 914 million or 8.0 percent, due mainly to an increase in fixed deposits volume. Interest income rose by Baht 290 million or 1.1 percent with significant items including interest income from interbank and money market items, which rose by Baht 243 million or 8.7 percent resulting from the increase in lending volume; and interest income from loans, which rose by Baht 137 million or 0.6 percent. The net interest margin decreased by 0.14 percent from the previous quarter due partially to an increase in the deposit cost and volume which exceeded the loan yield and volume, and the yield from investments and yield from interbank and money market items also declined as well.



Bangkok Bank Interest Rates	Mar 16 '15	Sep 22 '14	Mar 28 '14	Mar 13 '14	Feb 28 '14	Feb 24 '14	Jan 2 '14	Dec 2 '13
<b>Loans (%)</b>								
MOR	7.500	7.500	7.375	7.250	7.375	7.375	7.375	7.375
MRR	8.125	8.125	8.000	8.000	8.000	8.000	7.750	7.750
MLR	6.625	6.750	6.750	6.750	6.875	6.875	6.875	6.875
<b>Deposits (%)</b>								
Savings	0.500-0.750	0.500-1.250	0.500	0.500	0.625	0.625	0.625	0.625
Fixed 3 months	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	1.625-1.750
Fixed 6 months	1.250	1.375	1.375	1.500	1.625-1.750	1.875-2.000	1.875-2.000	1.875-2.000
Fixed 12 months	1.500	1.750	1.750	1.750	2.000	2.250	2.250	2.250
			<b>Mar 11 '15</b>		<b>Mar 12 '14</b>		<b>Nov 27 '13</b>	
<b>Bank of Thailand Policy Rates (%)</b>			1.75		2.00		2.25	

### Non-Interest Income

Million Baht

Item	Quarter			Change (%)	
	1/2015	4/2014	1/2014	4/2014	1/2014
Fees and service income	<b>8,543</b>	7,660	7,145	11.5%	19.6%
<u>Less</u> fees and service expenses	<b>2,149</b>	1,908	1,939	12.6%	10.8%
<b>Net fees and service income</b>	<b>6,394</b>	5,752	5,206	11.2%	22.8%
Gains on tradings and foreign exchange transactions	<b>1,683</b>	1,036	1,899	62.5%	(11.4)%
Gains on investments	<b>1,209</b>	606	485	99.5%	149.3%
Share of profit from investment for using equity method	<b>61</b>	35	52	74.3%	17.3%
Gains on disposal of assets	<b>544</b>	470	371	15.7%	46.6%
Dividend income	<b>794</b>	890	558	(10.8)%	42.3%
Other operating income	<b>128</b>	184	100	(30.4)%	28.0%
<b>Total other operating income</b>	<b>4,419</b>	3,221	3,465	37.2%	27.5%
<b>Total non-interest income</b>	<b>10,813</b>	8,973	8,671	20.5%	24.7%
Net fees and service income to operating income ratio	<b>25.5%</b>	24.1%	22.9%	1.4%	2.6%

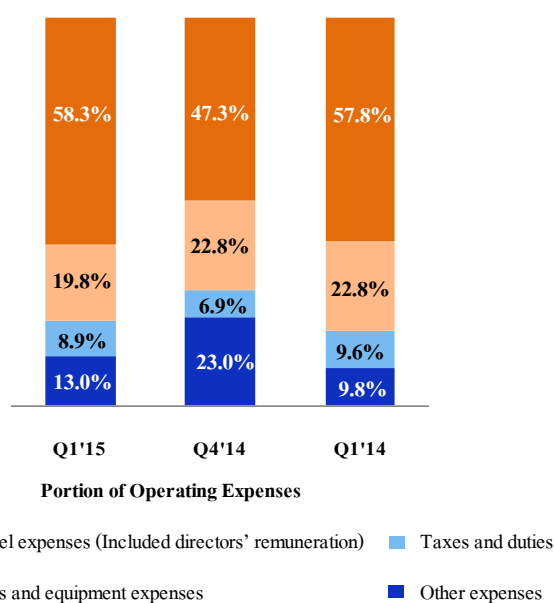
In the first quarter of 2015, the non-interest income of the Bank and its subsidiaries amounted to Baht 10.8 billion, an increase of Baht 2.1 billion or 24.7 percent from the first quarter of 2014. Net fees and service income rose by Baht 1.2 billion or 22.8 percent, due mainly to an increase in fee income from underwriting, securities business, lending and mutual funds; as a result, the ratio of net fees and service income to operating income was 25.5 percent. Gains on investments rose by Baht 724 million or 149.3 percent from the sale of available-for-sale equities and debt securities. Dividend income rose by Baht 236 million or 42.3 percent while gains on tradings and foreign exchange transactions declined by Baht 216 million or 11.4 percent.

When compared with the fourth quarter of 2014, the non-interest income of the Bank and its subsidiaries in the first quarter of 2015 rose by Baht 1.8 billion or 20.5 percent due mainly to an increase in gains on tradings and foreign exchange transactions of Baht 647 million, from the increase in gains on derivative transactions. Net fees and service income rose by Baht 642 million or 11.2 percent, due to the increase in fee income from underwriting, bancassurance and mutual funds. Gains on investment rose by Baht 603 million, due to the selling of available-for-sale equities and debt securities.

## Operating Expenses

Million Baht

Item	Quarter			Change (%)	
	1/2015	4/2014	1/2014	4/2014	1/2014
Personnel expenses	6,017	5,660	5,421	6.3%	11.0%
Directors' remuneration	33	42	20	(21.4)%	65.0%
Premises and equipment expenses	2,050	2,746	2,142	(25.3)%	(4.3)%
Taxes and duties	925	831	904	11.3%	2.3%
Other expenses	1,351	2,778	925	(51.4)%	46.1%
<b>Total operating expenses</b>	<b>10,376</b>	<b>12,057</b>	<b>9,412</b>	<b>(13.9)%</b>	<b>10.2%</b>



In the first quarter of 2015, operating expenses of the Bank and its subsidiaries amounted to Baht 10.4 billion, an increase of Baht 964 million or 10.2 percent when compared with the first quarter of 2014. Significant items included personnel expenses which rose by Baht 596 million due to annual salary adjustments including special adjustment for subsidization and an increase in the number of employees, and other expenses rose by Baht 426 million.

When compared with the fourth quarter of 2014, operating expenses decreased by Baht 1.7 billion or 13.9 percent. Significant items included premises and equipment expenses, which decreased by Baht 696 million due mainly to the decrease in repairs and maintenance and other expenses, which decreased by Baht 1.4 billion, partially due to high marketing expenses posted in previous quarter.

## Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)	
	1/2015	4/2014	1/2014	4/2014	1/2014
Bad debt and doubtful accounts and impairment loss	3,076	1,259	2,292	144.3%	34.2%
Loss on debt restructuring (reversal)	(96)	(320)	(189)	70.0%	49.2%
<b>Total</b>	<b>2,980</b>	<b>939</b>	<b>2,103</b>	<b>217.4%</b>	<b>41.7%</b>

Impairment loss of loans and debt securities of the Bank and its subsidiaries amounted to Baht 3.0 billion, compared to Baht 2.1 billion in the first quarter of 2014 and Baht 939 million in the fourth quarter of 2014.



## Significant Items in the Financial Position

### Assets

Million Baht

Item	March	December	March	Change (%)	
	2015	2014	2014	December 2014	March 2014
Net interbank and money market items	595,453	532,205	448,196	11.9%	32.9%
Net investments	398,848	382,054	367,166	4.4%	8.6%
Net investments in associates	1,217	1,156	963	5.3%	26.4%
Loans *	1,774,253	1,782,233	1,745,919	(0.4)%	1.6%
Net properties for sale	15,827	16,516	18,065	(4.2)%	(12.4)%
<b>Total assets</b>	<b>2,819,000</b>	<b>2,759,890</b>	<b>2,598,862</b>	<b>2.1%</b>	<b>8.5%</b>

\* Less deferred revenue

Total assets of the Bank and its subsidiaries as of March 31, 2015 amounted to Baht 2,819.0 billion, an increase of Baht 59.1 billion or 2.1 percent from December 31, 2014. Significant items included net interbank and money market items, which amounted to Baht 595.5 billion, an increase of Baht 63.2 billion or 11.9 percent, mainly attributable to lending. Net investments amounted to Baht 398.8 billion, an increase of Baht 16.8 billion or 4.4 percent, mainly from available-for-sale equities and debt securities. Total loans amounted to Baht 1,774.3 billion, a decrease of Baht 8.0 billion.

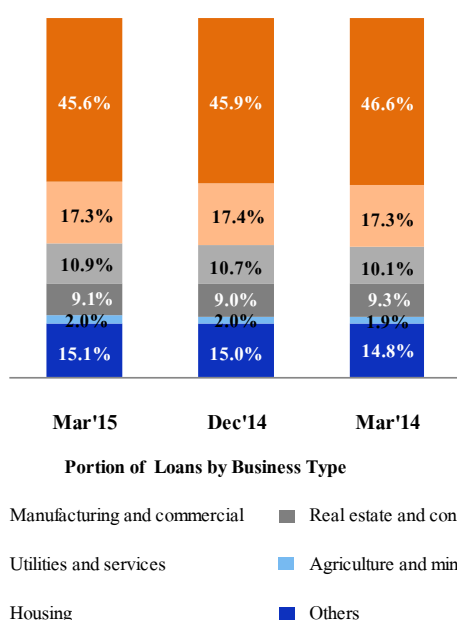
### Loans

As of March 31, 2015, total loans of the Bank and its subsidiaries amounted to Baht 1,774.3 billion, a decrease of Baht 8.0 billion which was a slight decrease from the end of December 2014 due to lower lending to businesses, while consumer loan increased.

Million Baht

Loans by Business Type *	March	December	March	Change (%)	
	2015	2014	2014	December 2014	March 2014
Manufacturing and commercial	809,261	818,419	813,742	(1.1)%	(0.6)%
Utilities and services	306,432	310,353	301,355	(1.3)%	1.7%
Housing	192,918	191,220	175,876	0.9%	9.7%
Real estate and construction	161,765	160,309	162,883	0.9%	(0.7)%
Agriculture and mining	34,978	35,746	34,183	(2.1)%	2.3%
Others	268,899	266,186	257,880	1.0%	4.3%
<b>Total loans by business type</b>	<b>1,774,253</b>	<b>1,782,233</b>	<b>1,745,919</b>	<b>(0.4)%</b>	<b>1.6%</b>

\* Less deferred revenue



The highest portion of loans extended by the Bank and its subsidiaries was to a range of industries in the manufacturing and commercial sectors, at 45.6 percent, followed by 17.3 percent to utilities and services, 10.9 percent to housing, and 9.1 percent to real estate and construction. The main decrease in loans from the end of December 2014 was to the manufacturing and commercial 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		
	March 2015	December 2014	March 2014	March 2015	December 2014	March 2014
Normal	1,675,125	1,704,086	1,662,239	12,682	12,687	12,146
Special mentioned	55,035	37,312	42,196	710	449	523
Substandard	10,474	5,803	7,110	2,780	1,631	894
Doubtful	14,729	17,156	7,294	4,951	4,860	2,500
Doubtful of loss	22,329	22,109	30,613	10,012	11,005	15,818
<b>Total</b>	<b>1,777,692</b>	<b>1,786,466</b>	<b>1,749,452</b>	<b>31,135</b>	<b>30,632</b>	<b>31,881</b>
<u>Plus</u> excess allowance for doubtful accounts				<b>56,616</b>	58,779	60,031
<b>Total allowance for doubtful accounts from loan classification</b>				<b>87,751</b>	89,411	91,912
<u>Plus</u> revaluation allowance for debt restructuring				<b>2,402</b>	2,514	2,659
<b>Total allowance for doubtful accounts</b>				<b>90,153</b>	91,925	94,571

\* Less deferred revenue

Million Baht

Item	March	December	March	Change (%)	
	2015	2014	2014	December 2014	March 2014
NPLs before allowance for doubtful accounts	47,473	45,046	45,003	5.4%	5.5%
Ratio of NPLs to total loans	2.2%	2.1%	2.2%	0.1%	0.0%
Net NPLs after allowance for doubtful accounts	20,367	18,260	14,144	11.5%	44.0%
Ratio of net NPLs to net total loans	0.9%	0.9%	0.7%	0.0%	0.2%
Ratio of loan loss reserves to minimum required provisioning	268.8%	277.3%	273.8%	(8.5)%	(5.0)%
Ratio of loan loss reserves to NPLs	189.9%	204.1%	210.1%	(14.2)%	(20.2)%

Non-performing loans (NPLs) of the Bank and its subsidiaries as at the end of March 2015 amounted to Baht 47.5 billion. The ratio of NPLs to total loans was 2.2 percent.

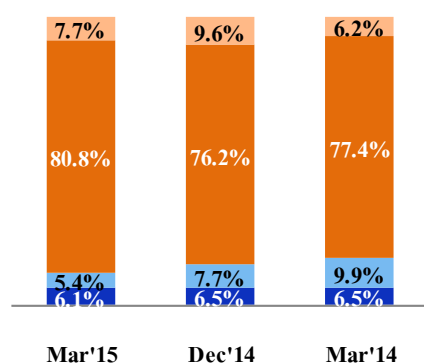
The Bank and its subsidiaries reported a total allowance for doubtful accounts at the end of March 2015 of Baht 90.2 billion. The total allowance for doubtful accounts was 268.8 percent above the minimum required by the Bank of Thailand (BOT) of Baht 33.5 billion. The ratio of loan loss reserves to NPLs at the end of March 2015 was 189.9 percent.

#### Net Investments

As of March 31, 2015 net investments of the Bank and its subsidiaries amounted to Baht 398.8 billion, an increase of Baht 16.8 billion or 4.4 percent from the end of December 2014 and an increase of Baht 31.7 billion or 8.6 percent from the end of March 2014.

Million Baht

Investments by Investment Holding	March	December	March	Change (%)	
	2015	2014	2014	December 2014	March 2014
Trading securities	30,428	36,704	22,805	(17.1)%	33.4%
Available-for-sale securities	322,091	291,161	284,281	10.6%	13.3%
Held-to-maturity debt securities	21,651	29,380	36,293	(26.3)%	(40.3)%
General investments	24,678	24,809	23,787	(0.5)%	3.7%
<b>Total net investments</b>	<b>398,848</b>	<b>382,054</b>	<b>367,166</b>	<b>4.4%</b>	<b>8.6%</b>



Most of the net investments of the Bank and its subsidiaries were in domestic government and state-enterprise securities, which, as of March 31, 2015, amounted to Baht 261.2 billion, accounting for 65.5 percent of total investments. Foreign debt securities amounted to Baht 32.6 billion, private enterprise debt securities amounted to Baht 10.3 billion, and net equity securities amounted to Baht 93.3 billion.

Portion of Net Investments by Investment Holding



Million Baht

Investments by Maturity *	March 2015		December 2014		March 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2014	March 2014
Up to one year	140,211	35.0%	147,302	38.5%	75,762	20.6%	(4.8)%	85.1%
Between one and five years	143,837	36.0%	134,095	35.0%	194,441	52.8%	7.3%	(26.0)%
Over five years	24,383	6.1%	18,147	4.7%	20,543	5.6%	34.4%	18.7%
No maturity	91,634	22.9%	83,666	21.8%	77,383	21.0%	9.5%	18.4%
<b>Total net investments *</b>	<b>400,065</b>	<b>100.0%</b>	<b>383,210</b>	<b>100.0%</b>	<b>368,129</b>	<b>100.0%</b>	<b>4.4%</b>	<b>8.7%</b>

\* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of March 31, 2015 were as follows: securities with up to one year to maturity amounted to Baht 140.2 billion; securities with between one-to-five years to maturity totaled Baht 143.8 billion; securities with a maturity profile of more than five years totaled Baht 24.4 billion; and securities with no maturity totaled Baht 91.6 billion.

### Liabilities and Shareholders' Equity

Million Baht

Item	March	December	March	Change (%)	
	2015	2014	2014	December 2014	March 2014
Deposits	2,117,969	2,058,779	1,932,921	2.9%	9.6%
Net interbank and money market items	126,723	140,048	133,968	(9.5)%	(5.4)%
Debt issued and borrowings	139,216	140,845	138,601	(1.2)%	0.4%
<b>Total liabilities</b>	<b>2,485,041</b>	<b>2,436,247</b>	<b>2,291,262</b>	<b>2.0%</b>	<b>8.4%</b>
<b>Shareholders' equity *</b>	<b>333,829</b>	<b>323,491</b>	<b>306,799</b>	<b>3.2%</b>	<b>8.8%</b>

\* Attributable to the Bank

Total liabilities as of March 31, 2015 amounted to Baht 2,485.0 billion, an increase of Baht 48.8 billion or 2.0 percent from the end of December 2014. Total deposits increased by Baht 59.2 billion or 2.9 percent from the increase in fixed deposit volume, while net interbank and money market items decreased by Baht 13.3 billion or 9.5 percent from repurchase agreement transactions.

### Deposits

Million Baht

Deposits Classified by Product Type	March 2015		December 2014		March 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2014	March 2014
Current	85,407	4.0%	84,231	4.1%	85,319	4.4%	1.4%	0.1%
Savings	776,782	36.7%	771,281	37.5%	735,612	38.1%	0.7%	5.6%
Fixed *	1,255,780	59.3%	1,203,267	58.4%	1,111,990	57.5%	4.4%	12.9%
<b>Total</b>	<b>2,117,969</b>	<b>100.0%</b>	<b>2,058,779</b>	<b>100.0%</b>	<b>1,932,921</b>	<b>100.0%</b>	<b>2.9%</b>	<b>9.6%</b>
Loan to deposit ratio		<b>83.8%</b>		<b>86.6%</b>		<b>90.3%</b>	<b>(2.8)%</b>	<b>(6.6)%</b>

\* Included negotiable certificates of deposit

Total deposits of the Bank and its subsidiaries as of March 31, 2015 amounted to Baht 2,118.0 billion, an increase of Baht 59.2 billion or 2.9 percent from the end of December, 2014, mostly from fixed deposits, which increased by 4.4 percent.

### Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	March 2015		December 2014		March 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2014	March 2014
Senior unsecured notes	110,758	76.0%	112,155	76.1%	110,106	75.8%	(1.2)%	0.6%
Unsecured subordinated notes	34,648	23.8%	34,832	23.6%	34,593	23.8%	(0.5)%	0.2%
Bills of exchange	150	0.1%	273	0.2%	414	0.3%	(45.1)%	(63.8)%
Others	126	0.1%	96	0.1%	115	0.1%	31.3%	9.6%
<b>Total (before less discount on borrowings)</b>	<b>145,682</b>	<b>100.0%</b>	<b>147,356</b>	<b>100.0%</b>	<b>145,228</b>	<b>100.0%</b>	<b>(1.1)%</b>	<b>0.3%</b>
<u>Less</u> discount on borrowings	<b>6,466</b>		6,511		6,627		(0.7)%	(2.4)%
<b>Total</b>	<b>139,216</b>		<b>140,845</b>		<b>138,601</b>		<b>(1.2)%</b>	<b>0.4%</b>

Total debt issued and borrowings of the Bank and its subsidiaries as of March 31, 2015 amounted to Baht 139.2 billion, a decrease of Baht 1.6 billion from the end of December 2014 due to the decrease in the value of foreign currency notes of USD 3.9 billion caused by the Baht's appreciation.

### Shareholders' Equity

Shareholders' equity as of March 31, 2015 amounted to Baht 333.8 billion, an increase of Baht 10.3 billion or 3.2 percent from the end of 2014, due mainly to the net profit in the first quarter of 2015 of Baht 9.4 billion. There was also an increase of Baht 2.6 billion in unrealized gains on available-for-sale investments.

### Contingent Liabilities

Million Baht

Item	March	December	March	Change (%)	
	2015	2014	2014	December 2014	March 2014
Avals to bills	5,534	5,237	6,419	5.7%	(13.8)%
Guarantees of loans	9,509	9,479	10,438	0.3%	(8.9)%
Liability under unmatured import bills	19,169	19,788	18,164	(3.1)%	5.5%
Letters of credit	27,673	31,927	37,383	(13.3)%	(26.0)%
Other commitments					
Underwriting commitments	129	-	-	100.0%	100.0%
Amount of unused bank overdrafts	171,587	176,298	175,458	(2.7)%	(2.2)%
Other guarantees	215,183	226,608	242,623	(5.0)%	(11.3)%
Others	67,491	4,927	26,025	1,269.8%	159.3%
<b>Total</b>	<b>516,275</b>	<b>474,264</b>	<b>516,510</b>	<b>8.9%</b>	<b>(0.0)%</b>

As of March 31, 2015, contingent liabilities of the Bank and its subsidiaries amounted to Baht 516.3 billion, an increase of Baht 42.0 billion from the end of December 2014. This was due mainly to an increase in others commitments.

### Sources and Utilization of Funds

Primary sources of funds for the Bank and its subsidiaries at the end of March 2015 comprised Baht 2,118.0 billion or 75.1 percent in deposits, Baht 333.8 billion or 11.8 percent in shareholders' equity, Baht 139.2 billion or 4.9 percent in debt issued and borrowings, and Baht 126.7 billion or 4.5 percent in net interbank and money market liabilities.

The utilization of Bank and subsidiaries' funds comprised Baht 1,774.3 billion or 62.9 percent in loans, Baht 595.5 billion or 21.1 percent in net interbank and money market assets, and Baht 400.1 billion or 14.2 percent in net investments (including net investments in associates).

### Capital Reserves and Capital Adequacy Ratio

#### Consolidated

Million Baht

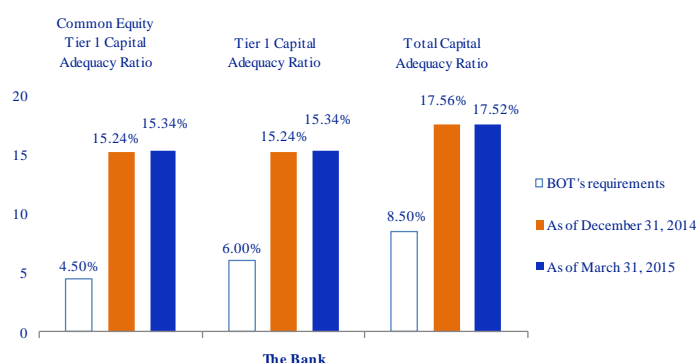
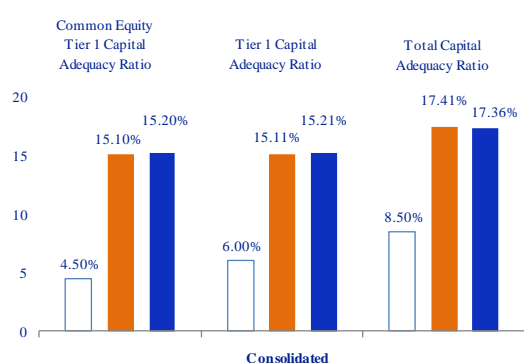
Item	Capital			Capital Adequacy Ratio		
	March 2015	December 2014	March 2014	March 2015	December 2014	March 2014
<b>Total Capital</b>	<b>348,920</b>	350,097	324,407	<b>17.36%</b>	17.41%	16.60%
Tier 1 Capital	305,612	303,810	278,535	15.21%	15.11%	14.25%
Common Equity Tier 1 Capital	305,524	303,683	278,451	15.20%	15.10%	14.25%
Tier 2 Capital	43,308	46,287	45,872	2.15%	2.30%	2.35%



*The Bank*

Million Baht

Item	Capital			Capital Adequacy Ratio		
	March 2015	December 2014	March 2014	March 2015	December 2014	March 2014
<b>Total Capital</b>	<b>341,583</b>	342,423	319,241	<b>17.52%</b>	17.56%	16.81%
Tier 1 Capital	<b>299,124</b>	297,006	273,946	<b>15.34%</b>	15.24%	14.42%
Common Equity Tier 1 Capital	<b>299,124</b>	297,006	273,946	<b>15.34%</b>	15.24%	14.42%
Tier 2 Capital	<b>42,459</b>	45,417	45,295	<b>2.18%</b>	2.32%	2.39%



As of March 31, 2015, the Bank and its subsidiaries had legal capital funds of Baht 348.9 billion, common equity Tier 1 capital of Baht 305.5 billion, and Tier 1 capital of Baht 305.6 billion. The total capital adequacy ratio was 17.36 percent, while the common equity Tier 1 ratio was 15.20 percent and the Tier 1 capital ratio was 15.21 percent. With the inclusion of net profit for the six-month period ending December 31, 2014, the deduction of dividends to be paid in May 2015 and the inclusion of net profit for the first quarter of 2015, the total capital adequacy ratio, the common equity Tier 1 ratio and the Tier 1 capital ratio would be 18.32 percent, 16.16 percent and 16.16 percent, respectively.

**Liquid Assets**

Item	March 2015	December 2014	March 2014
Liquid assets (Million Baht)	<b>996,013</b>	920,034	798,629
Liquid assets/total assets (%)	<b>35.3</b>	33.3	30.7
Liquid assets/deposits (%)	<b>47.0</b>	44.7	41.3

Liquid assets maintained by the Bank and its subsidiaries consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of March 31, 2015, liquid assets totaled Baht 996.0 billion, an increase of Baht 76.0 billion or 8.3 percent from the end of December 2014. Significant changes included increases of Baht 63.2 billion in interbank and money market items, while available-for-sale securities increased by Baht 30.9 billion.

## Credit Ratings

At the end of March 2015, major credit-rating agencies maintained the Bank's credit ratings from the end of 2014. The outlook for the Bank's credit ratings is as follows:

Credit Rating Agency *	31 March 2015	31 December 2014	31 March 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>A3</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.