



Bangkok Bank Public Company Limited
Management Discussion and Analysis
for the Quarter Ended March 31, 2018



Management Discussion and Analysis

Overview of the Economy and Banking

Thai Economy in the First Quarter of 2018

The Thai economy in the first quarter of 2018 expanded continuously on the back of robust exports and tourism, which is supported by stronger global economic conditions. Exports and tourist arrivals rose by 9.9 percent and 15.4 percent, from the same period last year, respectively. Meanwhile, private consumption increased gradually, as a recovery in purchasing power remained tepid. Private investment has shown signs of improvement, particularly in sectors related to exports and tourism. Public investment totaled Baht 111.6 billion, near last year's level, though investment in March edged up from the first two months.

Headline inflation stood at 0.64 percent, down from 1.25 percent in the same period last year due to the decline in raw food prices as a result of oversupply. However, the headline inflation remained below the Bank of Thailand's target range of 1-4 percent. At the same time, core inflation was at 0.61 percent, a slight decrease from 0.66 percent in the same period last year, reflecting a gradual recovery in domestic consumption. The Thai baht averaged 31.54 THB/USD, appreciating from 35.12 THB/USD in the same period last year and 32.95 THB/USD in the fourth quarter of 2017.

The Monetary Policy Committee (MPC) decided to keep the policy interest rate unchanged at 1.50 percent, with the view that the Thai economy is expected to grow at a stronger pace while the impact of economic growth has yet to be translated to a broad-based growth in household purchasing power. At the same time, inflation remains subdued though it is expected to slowly rise. In this regard, the MPC judged that accommodative monetary policy stance would still be necessary to support a more robust growth in domestic demand, which would foster the return of inflation to the target range.

The 2018 economic growth is expected to be within a range of 4.0-4.5 percent. The favorable global economic conditions will continue to support exports and tourism, resulting in positive spillovers to investment in related sectors. At the same time, government spending is expected to increase further, following the acceleration in the disbursement on infrastructure projects. In addition, the development of the Eastern Economic Corridor (EEC) projects has been progressing, though actual implementation will likely be started from 2019 onwards. Nevertheless, there remain downside risks from an inclination towards protectionism, as exemplified by the US-China situation, and global financial market volatilities in the face of uncertainties in the US's policies. In the meantime, domestic political situation also warrants monitoring as the government is preparing for an election, which is expected to take place in the early of 2019.

Thai Banking Industry

Although the commercial banking system in Thailand is facing ongoing challenges from the economic environment, its lending and deposits continue to expand. Deposits grew at a higher rate than loans and as a result, liquidity in the commercial banking system increased from the end of last year. As the quality of loans began to stabilize, the ratio of non-performing loan (NPL) to total loans was 2.9 percent, the same level as the ratio at the end of 2017.

The Bank of Thailand's Senior Loan Officer Survey indicated that in the first quarter of 2018, credit demand improved from the previous quarter, due to SMEs' requirements for working capital and inventory build-up purposes, especially in the agricultural sector. Demand for loans from large corporates continued to expand but by less than expected due to greater competition. Demand for loans from the consumer sector increased from housing and auto-leasing, while credit card and other consumer loans declined. Financial institutions expect credit demand from business and household sectors 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, as there is considerable excess liquidity in the commercial banking system with the Liquidity Coverage Ratio above the BOT's minimum requirement, reflecting the system's ability to support ongoing loan expansion.

Commercial banks' liquidity management is expected to focus on readjusting deposit structures and managing costs in an appropriate manner. Banks need to maintain a sufficient level of liquid assets to cope with potential cash outflows in the event of a crisis in accordance with the requirements of Basel III. Banks also have prepared for the adoption of IFRS 9. Non-performing loan of the commercial banking system are projected to increase at a slower pace during the rest of the year. However, given its relatively high level of capital, in combination with regular increases in reserves, the commercial banking system will continue to provide a cushion for NPL.

Overall Picture of the Bank and its Subsidiaries

Million Baht

| Item | Quarter | | Change (%) | | |
|---|--------------|--------|------------|--------|---------|
| | 1/2018 | 4/2017 | 1/2017 | 4/2017 | 1/2017 |
| Net profit * | 9,005 | 8,496 | 8,305 | 6.0% | 8.4% |
| Earnings per share (Baht) | 4.72 | 4.45 | 4.35 | 6.0% | 8.4% |
| Net interest margin | 2.34% | 2.31% | 2.35% | 0.03% | (0.01)% |
| Net fees and service income to operating income ratio | 24.1% | 27.3% | 24.7% | (3.2)% | (0.6)% |
| Expense to operating income ratio | 39.9% | 45.5% | 40.7% | (5.6)% | (0.8)% |
| Return on average assets * | 1.17% | 1.10% | 1.13% | 0.07% | 0.04% |
| Return on average equity * | 9.05% | 8.48% | 8.81% | 0.57% | 0.24% |

* Attributable to owners of the Bank

Million Baht

| Item | March | December | March | Change (%) | |
|------------------------------------|------------------|-----------|-----------|---------------|------------|
| | 2018 | 2017 | 2017 | December 2017 | March 2017 |
| Loans ** | 1,978,511 | 2,003,989 | 1,923,953 | (1.3)% | 2.8% |
| Deposits | 2,334,078 | 2,310,743 | 2,244,032 | 1.0% | 4.0% |
| Loan to deposit ratio | 84.8% | 86.7% | 85.7% | (1.9)% | (0.9)% |
| Non-performing loan (NPL) | 92,165 | 87,419 | 77,772 | 5.4% | 18.5% |
| Ratio of NPL to total loans | 3.8% | 3.9% | 3.5% | (0.1)% | 0.3% |
| Ratio of loan loss reserves to NPL | 159.3% | 160.2% | 160.0% | (0.9)% | (0.7)% |
| Total capital adequacy ratio | 17.97% | 18.17% | 18.26% | (0.20)% | (0.29)% |

** Less deferred revenue

Bank and its subsidiaries' net profit attributable to owners of the Bank was Baht 9.0 billion, an increase of 8.4 percent from the first quarter in 2017. Net interest income amounted to Baht 17.1 billion, an increase of 5.2 percent, with a net interest margin of 2.34 percent. Non-interest income was Baht 14.4 billion, an increase of 31.8 percent, due predominantly to an increase in net fees and service income and gains on investments. The increase in net fees and service income

was mainly attributed to a rise in fee income from mutual funds and loan-related services. The Bank's operating expenses were Baht 12.6 billion, an increase of 13.6 percent, while the ratio of expenses to operating income dropped to 39.9 percent.

At the end of March 2018, the Bank's loans amounted to Baht 1,978.5 billion, a decrease of 1.3 percent from the end of 2017, due to business and consumer loans, as well as loans made through the Bank's international network. The ratio of non-performing loan (NPL) was 3.8 percent. In line with the prudent approach of setting aside adequate provisioning expenses, the Bank's total allowances for doubtful accounts amounted to Baht 146.8 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 from July to December 2017 and of net profit for the first quarter of 2018 minus the May 2018 dividend payment, 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 18.73 percent, 17.19 percent and 17.19 percent, respectively. These capital adequacy ratios are above the Bank of Thailand's minimum capital requirements. Shareholders' equity as of March 31, 2018, amounted to Baht 405.5 billion. The book value per share was Baht 212.41, an increase of Baht 1.96 from the end of 2017.

Operating Income and Expenses of the Bank and its Subsidiaries

| Item | Million Baht | | | | |
|--|--------------|--------|--------|------------|---------|
| | Quarter | | | Change (%) | |
| | 1/2018 | 4/2017 | 1/2017 | 4/2017 | 1/2017 |
| Net interest income | 17,123 | 16,955 | 16,277 | 1.0% | 5.2% |
| Non-interest income | 14,414 | 11,789 | 10,939 | 22.3% | 31.8% |
| Operating expenses | 12,594 | 13,089 | 11,082 | (3.8)% | 13.6% |
| Impairment loss of loans and debt securities | 7,322 | 4,617 | 5,806 | 58.6% | 26.1% |
| Operating profit before tax | 11,621 | 11,038 | 10,328 | 5.3% | 12.5% |
| Income tax expenses | 2,522 | 2,457 | 1,951 | 2.6% | 29.3% |
| Net profit | 9,099 | 8,581 | 8,377 | 6.0% | 8.6% |
| Net profit * | 9,005 | 8,496 | 8,305 | 6.0% | 8.4% |
| Total comprehensive income * | 3,738 | 8,705 | 6,895 | (57.1)% | (45.8)% |

* Attributable to owners of the Bank

In terms of operating results for the first quarter of 2018, compared with the fourth quarter of 2017, Bangkok Bank and its subsidiaries reported an increase of Baht 168 million or 1.0 percent in net interest income. The increase was mainly the result of a decrease in interest expenses on deposit due mainly to a decline in cost and volume of fixed deposits, and a decrease in interest expenses on debt issued and borrowings from the early redemption of Subordinated Debentures No. 1/2012 in December 2017. Non-interest income rose by Baht 2.6 billion or 22.3 percent due mainly to an increase in gains on investments, while dividend income and net fees and service income decreased. Operating expenses decreased by Baht 495 million, due to a decline in premises and equipment expenses. Impairment loss of loans and debt securities rose by Baht 2.7 billion or 58.6 percent. Consequently, net profit attributable to owners of the Bank in the first quarter of 2018 amounted to Baht 9.0 billion, an increase of Baht 509 million or 6.0 percent from the fourth quarter of 2017.

Compared with the first quarter of 2017, net interest income rose by Baht 846 million or 5.2 percent mainly because of 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. Non-interest income rose by Baht 3.5 billion or 31.8 percent, due mainly to increases in gains on investments and net fees and service income from mutual funds and loan-related services. Impairment loss of loans and debt securities rose by Baht 1.5 billion and operating expenses rose by Baht 1.5 billion or 13.6 percent due to increases in other expenses and personnel expenses. Consequently, net profit attributable to owners of the Bank rose by Baht 700 million or 8.4 percent compared with the first quarter of 2017.

Net Interest Income

| Item | Quarter | | Change (%) | | |
|--|---------------|---------------|---------------|---------------|-------------|
| | 1/2018 | 4/2017 | 1/2017 | 4/2017 | 1/2017 |
| Million Baht | | | | | |
| Interest Income | | | | | |
| Loans | 22,366 | 22,465 | 21,828 | (0.4)% | 2.5% |
| Interbank and money market items | 2,057 | 2,237 | 1,727 | (8.0)% | 19.1% |
| Investments | 2,160 | 2,158 | 2,094 | 0.1% | 3.2% |
| Total interest income | 26,583 | 26,860 | 25,649 | (1.0)% | 3.6% |
| Interest expenses | | | | | |
| Deposits | 5,288 | 5,616 | 5,102 | (5.8)% | 3.6% |
| Interbank and money market items | 405 | 310 | 257 | 30.6% | 57.6% |
| Contributions to the Deposit Protection Agency and Financial Institutions Development Fund | 2,440 | 2,429 | 2,331 | 0.5% | 4.7% |
| Debt issued and borrowings | 1,327 | 1,550 | 1,682 | (14.4)% | (21.1)% |
| Total interest expenses | 9,460 | 9,905 | 9,372 | (4.5)% | 0.9% |
| Net interest income | 17,123 | 16,955 | 16,277 | 1.0% | 5.2% |
| Yield on earning assets | 3.64% | 3.66% | 3.70% | (0.02)% | (0.06)% |
| Cost of funds | 1.48% | 1.54% | 1.54% | (0.06)% | (0.06)% |
| Net interest margin | 2.34% | 2.31% | 2.35% | 0.03% | (0.01)% |

Net interest income in the first quarter of 2018 amounted to Baht 17.1 billion, an increase of Baht 168 million or 1.0 percent from the fourth quarter of 2017, due to a reduction of Baht 445 million or 4.5 percent in interest expenses, mainly from a decrease of Baht 328 million or 5.8 percent in interest expenses from deposits from a decrease in cost and volume of fixed deposits and an expansion of low-cost deposits in savings and current accounts. Interest expenses on debt issued and borrowings declined by Baht 223 million due to the early redemption of Subordinated Debentures No. 1/2012 in December 2017. Interest expenses from interbank and money market items rose by Baht 95 million, in line with an increase in transaction volume and costs. Interest income declined by Baht 277 million or 1.0 percent, due mainly to a decrease of Baht 180 million or 8.0 percent in interest income from interbank and money market items from a lower yield. Interest income from loans fell by Baht 99 million or 0.4 percent. The net interest margin rose by 0.03 percent from the previous quarter to 2.34 percent as cost of funds fell from lower costs of deposits.

Compared with the first quarter of 2017, net interest income rose by Baht 846 million or 5.2 percent, due to an increase of Baht 934 million or 3.6 percent in interest income. Significant items included an increase of Baht 538 million or 2.5 percent in interest income from loans due to a rise in lending volume, and an increase of Baht 330 million or 19.1 percent in interest income from interbank and money market items following a rise in transaction volume. Interest expenses rose by Baht 88 million or 0.9 percent mainly from an increase of Baht 186 million or 3.6 percent in interest expenses on deposits due to an increase in deposit volume, as a result, contributions to the Deposit Protection Agency and Financial Institutions Development Fund rose. Interest expenses from interbank and money market items rose by Baht 148 million following a rise in transaction volume. Interest expenses on debt issued and borrowings declined by Baht 355 million or 21.1 percent from the early redemption of Subordinated Debentures No. 1/2012 in December 2017. The net interest margin decreased by 0.01 percent from the same quarter last year.

| Bangkok Bank Interest Rate | May 16, 2017 | Apr 25, 2016 |
|---|--------------|---------------------|
| Loans (%) | | |
| MOR | 7.125 | 7.375 |
| MRR | 7.125 | 7.625 |
| MLR | 6.250 | 6.250 |
| Deposits (%) | | |
| 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 |
| | | Apr 29, 2015 |
| Bank of Thailand Policy Rate (%) | | 1.500 |

Non-Interest Income

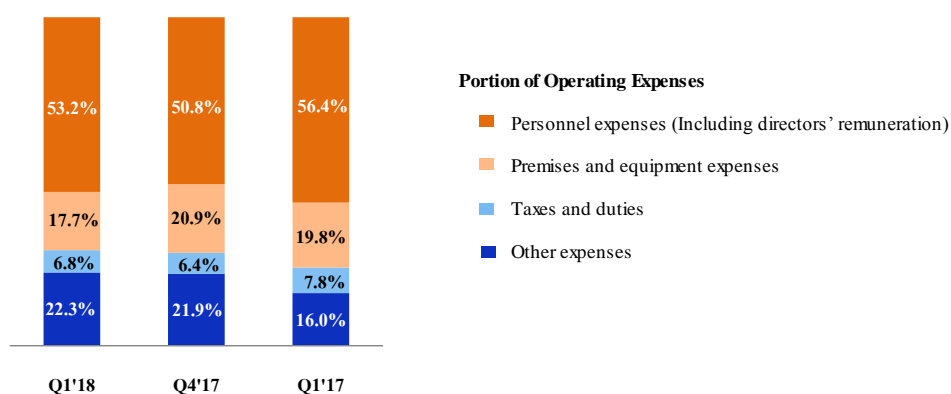
| Item | Quarter | | Change (%) | | Million Baht |
|---|---------------|--------|------------|---------|--------------|
| | 1/2018 | 4/2017 | 1/2017 | 4/2017 | 1/2017 |
| Fees and service income | 10,013 | 10,121 | 9,030 | (1.1)% | 10.9% |
| <u>Less</u> Fees and service expenses | 2,411 | 2,285 | 2,311 | 5.5% | 4.3% |
| Net fees and service income | 7,602 | 7,836 | 6,719 | (3.0)% | 13.1% |
| Gains on trading and foreign exchange transactions | 1,654 | 1,736 | 1,630 | (4.7)% | 1.5% |
| Gains on investments | 3,527 | 965 | 1,329 | 265.5% | 165.4% |
| Share of profit from investment for using equity method | 35 | 16 | 82 | 118.8% | (57.3)% |
| Gains on disposal of assets | 349 | 209 | 204 | 67.0% | 71.1% |
| Dividend income | 592 | 892 | 869 | (33.6)% | (31.9)% |
| Other operating income | 655 | 135 | 106 | 385.2% | 517.9% |
| Total other operating income | 6,812 | 3,953 | 4,220 | 72.3% | 61.4% |
| Total non-interest income | 14,414 | 11,789 | 10,939 | 22.3% | 31.8% |
| Net fees and service income to operating income ratio | 24.1% | 27.3% | 24.7% | (3.2)% | (0.6)% |

Non-interest income in the first quarter of 2018 amounted to Baht 14.4 billion, an increase of Baht 2.6 billion or 22.3 percent from the fourth quarter of 2017, due mainly to an increase of Baht 2.6 billion in gains on investments and Baht 520 million in other operating income as the Bank recognized a profit sharing from the management of the impaired assets by Thai Asset Management Corporation (TAMC). Dividend income declined by Baht 300 million and net fees and service income declined by Baht 234 million due to a decrease in fee income from loan-related services, credit card and underwriting services, while fee income from transaction services and securities business increased. Consequently, the ratio of net fees and service income to operating income stood at 24.1 percent, 3.2 percent lower than the previous quarter.

Compared with the first quarter of 2017, non-interest income rose by Baht 3.5 billion or 31.8 percent due mainly to an increase of Baht 2.2 billion in gains on investments and an increase of Baht 883 million in net fees and service income driven by mutual funds, securities business, loan-related services and transaction services. Other operating income rose by Baht 549 million as the Bank recognized a profit sharing from the management of the impaired assets by TAMC.

Operating Expenses

| Item | Million Baht | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| | Quarter | | | Change (%) | |
| | 1/2018 | 4/2017 | 1/2017 | 4/2017 | 1/2017 |
| Personnel expenses | 6,670 | 6,602 | 6,219 | 1.0% | 7.2% |
| Directors' remuneration | 35 | 46 | 33 | (23.9)% | 6.1% |
| Premises and equipment expenses | 2,223 | 2,736 | 2,191 | (18.8)% | 1.5% |
| Taxes and duties | 862 | 840 | 864 | 2.6% | (0.2)% |
| Other expenses | 2,804 | 2,865 | 1,775 | (2.1)% | 58.0% |
| Total operating expenses | 12,594 | 13,089 | 11,082 | (3.8)% | 13.6% |
| Expense to operating income ratio | 39.9% | 45.5% | 40.7% | (5.6)% | (0.8)% |



Operating expenses in the first quarter of 2018 amounted to Baht 12.6 billion, a decrease of Baht 495 million or 3.8 percent from the fourth quarter of 2017 due mainly to a decrease of Baht 513 million in premises and equipment expenses.

Compared with the first quarter of 2017, operating expenses increased by Baht 1.5 billion or 13.6 percent. Other expenses increased by Baht 1.0 billion and personnel expenses increased by Baht 451 million due mainly to the annual salary adjustment.

Impairment Loss of Loans and Debt Securities

Million Baht

| Item | Quarter | | | Change (%) | |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 1/2018 | 4/2017 | 1/2017 | 4/2017 | 1/2017 |
| Bad debt and doubtful accounts | 7,369 | 4,654 | 5,859 | 58.3% | 25.8% |
| Loss on debt restructuring (reversal) | (47) | (37) | (53) | (27.0)% | 11.3% |
| Total | 7,322 | 4,617 | 5,806 | 58.6% | 26.1% |

Impairment loss of loans and debt securities in the first quarter of 2018 was Baht 7.3 billion, compared to Baht 4.6 billion in the fourth quarter of 2017 and Baht 5.8 billion in the first quarter of 2017.

Significant Items in the Financial Position

Assets

Million Baht

| Item | March 2018 | December 2017 | March 2017 | Change (%) | |
|--------------------------------------|------------------|------------------|------------------|---------------|-------------|
| | | | | December 2017 | March 2017 |
| Net interbank and money market items | 634,237 | 437,738 | 504,369 | 44.9% | 25.7% |
| Net investments | 523,259 | 591,720 | 525,639 | (11.6)% | (0.5)% |
| Net investments in associates | 1,495 | 1,460 | 1,410 | 2.4% | 6.0% |
| Loans * | 1,978,511 | 2,003,989 | 1,923,953 | (1.3)% | 2.8% |
| Net properties for sale | 10,546 | 11,415 | 12,004 | (7.6)% | (12.1)% |
| Total assets | 3,173,916 | 3,076,310 | 2,995,623 | 3.2% | 6.0% |

* Less deferred revenue

Total assets as of March 31, 2018, amounted to Baht 3,173.9 billion, an increase of Baht 97.6 billion from the end of December 2017. Significant items included net interbank and money market items of Baht 634.2 billion, an increase of Baht 196.5 billion or 44.9 percent mainly from an increase in lending, net investments of Baht 523.3 billion, a decrease of Baht 68.5 billion or 11.6 percent from a reduction in the investment in available-for-sale securities, and loans of Baht 1,978.5 billion, a decrease of Baht 25.5 billion or 1.3 percent.

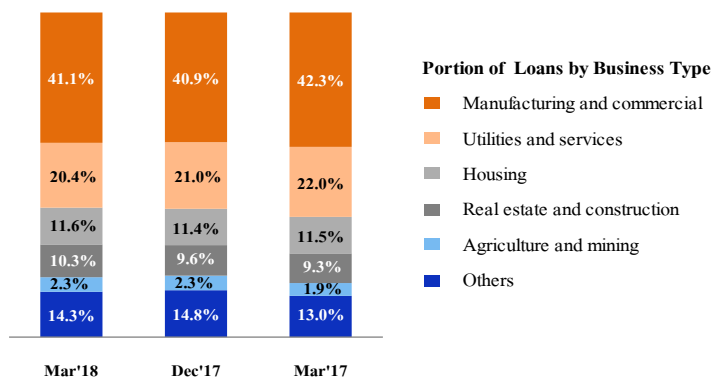
Loans

Loans as of March 31, 2018 amounted to Baht 1,978.5 billion, a decrease of Baht 25.5 billion or 1.3 percent from the end of December 2017 due to business and consumer loans, as well as loans made through the Bank's international network.

Million Baht

| Loans by Business Type * | March 2018 | December 2017 | March 2017 | Change (%) | |
|------------------------------|------------------|------------------|------------------|---------------|-------------|
| | | | | December 2017 | March 2017 |
| Manufacturing and commercial | 813,319 | 819,338 | 814,365 | (0.7)% | (0.1)% |
| Utilities and services | 404,036 | 421,595 | 424,143 | (4.2)% | (4.7)% |
| Housing | 229,441 | 228,146 | 220,250 | 0.6% | 4.2% |
| Real estate and construction | 203,566 | 191,176 | 179,036 | 6.5% | 13.7% |
| Agriculture and mining | 46,242 | 46,658 | 36,825 | (0.9)% | 25.6% |
| Others | 281,907 | 297,076 | 249,334 | (5.1)% | 13.1% |
| Total | 1,978,511 | 2,003,989 | 1,923,953 | (1.3)% | 2.8% |

* Less deferred revenue



The highest portion of lending was the manufacturing and commercial sector, at 41.1 percent, followed by 20.4 percent to utilities and services sector, 11.6 percent to housing sector, and 10.3 percent to real estate and construction sector. The main decrease in loans from the end of December 2017 was mainly to utilities and services sector and others 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 | | |
|---|--|------------------|------------------|---|----------------|----------------|
| | March 2018 | December 2017 | March 2017 | March 2018 | December 2017 | March 2017 |
| Normal | 1,853,402 | 1,875,782 | 1,801,607 | 14,550 | 14,983 | 13,986 |
| Special mentioned | 37,711 | 45,815 | 48,377 | 452 | 591 | 593 |
| Substandard | 12,077 | 11,760 | 12,188 | 6,737 | 5,275 | 5,852 |
| Doubtful | 15,080 | 19,012 | 16,341 | 8,505 | 10,387 | 8,724 |
| Doubtful of loss | 65,092 | 56,681 | 49,296 | 41,044 | 36,471 | 32,247 |
| Total | 1,983,362 | 2,009,050 | 1,927,809 | 71,288 | 67,707 | 61,402 |
| <u>Add</u> Excess allowance for doubtful accounts | | | | 73,268 | 70,004 | 60,430 |
| Total allowance for doubtful accounts from loan classification | | | | 144,556 | 137,711 | 121,832 |
| <u>Add</u> Revaluation allowance for debt restructuring | | | | 2,251 | 2,310 | 2,614 |
| Total allowance for doubtful accounts | | | | 146,807 | 140,021 | 124,446 |

* Less deferred revenue

Million Baht

| Item | March 2018 | December 2017 | March 2017 | Change (%) | |
|---|---------------|------------------|---------------|------------------|---------------|
| | | | | December 2017 | March 2017 |
| NPL before allowance for doubtful accounts | 92,165 | 87,419 | 77,772 | 5.4% | 18.5% |
| Ratio of NPL to total loans | 3.8% | 3.9% | 3.5% | (0.1)% | 0.3% |
| NPL after allowance for doubtful accounts (net NPL) | 27,166 | 26,576 | 22,799 | 2.2% | 19.2% |
| Ratio of net NPL to net total loans | 1.2% | 1.2% | 1.1% | - | 0.1% |
| Ratio of loan loss reserves to minimum required provisioning | 199.6% | 200.0% | 194.4% | (0.4)% | 5.2% |
| Ratio of loan loss reserves to NPL | 159.3% | 160.2% | 160.0% | (0.9)% | (0.7)% |

Non-performing loan (NPL) at the end of March 2018 amounted to Baht 92.2 billion and the ratio of NPL to total loans was 3.8 percent.

Total allowance for doubtful accounts at the end of March 2018 was Baht 146.8 billion or 199.6 percent of the minimum amount required by the Bank of Thailand (BOT) of Baht 73.5 billion. The ratio of loan loss reserves to NPL at the end of March 2018 was 159.3 percent.

Net Investments

Net investments as of March 31, 2018 amounted to Baht 523.3 billion, a decrease of Baht 68.5 billion or 11.6 percent from the end of December 2017, due mainly to available-for-sale securities.

Million Baht

| Investments by Investment Holding | March 2018 | December 2017 | March 2017 | Change (%) | |
|-----------------------------------|----------------|------------------|----------------|------------------|---------------|
| | | | | December 2017 | March 2017 |
| Trading securities | 17,880 | 15,113 | 22,180 | 18.3% | (19.4)% |
| Available-for-sale securities | 463,842 | 533,651 | 452,056 | (13.1)% | 2.6% |
| Held-to-maturity debt securities | 10,752 | 11,233 | 19,125 | (4.3)% | (43.8)% |
| General investments | 30,785 | 31,723 | 32,278 | (3.0)% | (4.6)% |
| Total net investments | 523,259 | 591,720 | 525,639 | (11.6)% | (0.5)% |

Most of the net investments were in government and state-enterprise securities. As of March 31, 2018, these amounted to Baht 247.8 billion, accounting for 47.4 percent of total investments. The remaining net investments were foreign debt securities of Baht 99.7 billion, private enterprise debt securities of Baht 50.4 billion, and net equity securities of Baht 116.7 billion.

Million Baht

| Investments by Maturity * | March 2018 | | December 2017 | | March 2017 | | Change (%) | |
|------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | Amount | Portion | Amount | Portion | Amount | Portion | December 2017 | March 2017 |
| Up to one year | 81,259 | 15.5% | 71,982 | 12.1% | 88,365 | 16.8% | 12.9% | (8.0)% |
| Between one and five years | 307,531 | 58.6% | 375,910 | 63.4% | 300,560 | 57.0% | (18.2)% | 2.3% |
| Over five years | 23,531 | 4.5% | 24,597 | 4.2% | 32,469 | 6.2% | (4.3)% | (27.5)% |
| No maturity | 112,433 | 21.4% | 120,691 | 20.3% | 105,655 | 20.0% | (6.8)% | 6.4% |
| Total net investments | 524,754 | 100.0% | 593,180 | 100.0% | 527,049 | 100.0% | (11.5)% | (0.4)% |

* Including net investments in associates

The remaining maturity of net investments (including net investments in associates) as of March 31, 2018 were categorized into securities with less than one year to maturity of Baht 81.3 billion, securities with one-to-five years to maturity of Baht 307.5 billion, securities with remaining maturity of more than five years of Baht 23.5 billion, and securities with no maturity of Baht 112.4 billion.

Liabilities and Shareholders' Equity

Million Baht

| Item | March 2018 | December 2017 | March 2017 | Change (%) | |
|----------------------------------|------------------|------------------|------------------|---------------|-------------|
| | | | | December 2017 | March 2017 |
| Deposits | 2,334,078 | 2,310,743 | 2,244,032 | 1.0% | 4.0% |
| Interbank and money market items | 213,009 | 133,584 | 117,580 | 59.5% | 81.2% |
| Debt issued and borrowings | 89,777 | 107,190 | 133,236 | (16.2)% | (32.6)% |
| Total liabilities | 2,768,225 | 2,674,303 | 2,609,526 | 3.5% | 6.1% |
| Shareholders' equity * | 405,462 | 401,724 | 385,910 | 0.9% | 5.1% |

* Attributable to owners of the Bank

Total liabilities as of March 31, 2018 amounted to Baht 2,768.2 billion, an increase of Baht 93.9 billion or 3.5 percent from the end of December 2017, due largely to an increase of Baht 79.4 billion or 59.5 percent in interbank and money market items and an increase of Baht 23.3 billion or 1.0 percent in deposits while debt issued and borrowings decreased by Baht 17.4 billion or 16.2 percent.

Deposits

Million Baht

| Deposits Classified by Product Type | March 2018 | | December 2017 | | March 2017 | | Change (%) | |
|--|------------------|---------------|------------------|---------------|------------------|---------------|---------------|---------------|
| | Amount | Portion | Amount | Portion | Amount | Portion | December 2017 | March 2017 |
| Current | 110,531 | 4.7% | 106,184 | 4.6% | 96,643 | 4.3% | 4.1% | 14.4% |
| Savings | 1,089,645 | 46.7% | 1,065,928 | 46.1% | 991,774 | 44.2% | 2.2% | 9.9% |
| Fixed * | 1,133,902 | 48.6% | 1,138,631 | 49.3% | 1,155,615 | 51.5% | (0.4)% | (1.9)% |
| Total | 2,334,078 | 100.0% | 2,310,743 | 100.0% | 2,244,032 | 100.0% | 1.0% | 4.0% |
| Loan to deposit ratio | | 84.8% | | 86.7% | | 85.7% | (1.9)% | (0.9)% |

* Including negotiable certificates of deposit

Total deposits as of March 31, 2018 amounted to Baht 2,334.1 billion, an increase of Baht 23.3 billion or 1.0 percent from the end of December 2017. Current deposits rose by 4.1 percent and savings deposits rose by 2.2 percent due to an ongoing increase in the proportion of low-cost deposits, while fixed deposits fell by 0.4 percent.

Debt Issued and Borrowings

Million Baht

| Debt Issued and Borrowings Classified by Type of Instruments | March 2018 | | December 2017 | | March 2017 | | Change (%) | |
|---|---------------|---------------|----------------|---------------|----------------|---------------|----------------|----------------|
| | Amount | Portion | Amount | Portion | Amount | Portion | December 2017 | March 2017 |
| Senior unsecured notes | 81,219 | 84.9% | 98,003 | 86.6% | 103,379 | 74.2% | (17.1)% | (21.4)% |
| Unsecured subordinated notes | 14,049 | 14.7% | 14,692 | 13.0% | 35,497 | 25.5% | (4.4)% | (60.4)% |
| Bills of exchange | 26 | 0.1% | 26 | 0.1% | 74 | 0.1% | - | (64.9)% |
| Others | 334 | 0.3% | 384 | 0.3% | 378 | 0.2% | (13.0)% | (11.6)% |
| Total (before less discount on borrowings) | 95,628 | 100.0% | 113,105 | 100.0% | 139,328 | 100.0% | (15.5)% | (31.4)% |
| <u>Less</u> Discount on borrowings | 5,851 | | 5,915 | | 6,092 | | (1.1)% | (4.0)% |
| Total | 89,777 | | 107,190 | | 133,236 | | (16.2)% | (32.6)% |

Total debt issued and borrowings as of March 31, 2018 amounted to Baht 89.8 billion, a decrease of Baht 17.4 billion from the end of December 2017 as a result of a decline in the value of foreign-denominated debentures mainly due to the maturity of USD 400 million senior unsecured debentures on March 28, 2018 and partly to the Baht's appreciation.

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of March 31, 2018 amounted to Baht 405.5 billion, an increase of Baht 3.7 billion or 0.9 percent from the end of 2017, due mainly to the net profit attributable to owners of the Bank for the first quarter of 2018 of Baht 9.0 billion. Losses from conversion of the financial statements of foreign operations rose by Baht 2.5 billion due to the Baht's appreciation while revaluation gains on available-for-sale investments decreased by Baht 2.8 billion.

Contingent Liabilities

Million Baht

| Item | March 2018 | December 2017 | March 2017 | Change (%) | |
|--|----------------|----------------|----------------|---------------|---------------|
| | | | | December 2017 | March 2017 |
| Avals to bills | 8,169 | 8,187 | 6,619 | (0.2)% | 23.4% |
| Guarantees of loans | 19,650 | 20,445 | 17,788 | (3.9)% | 10.5% |
| Liability under unmatured import bills | 15,307 | 16,394 | 19,610 | (6.6)% | (21.9)% |
| Letters of credit | 34,226 | 31,803 | 35,400 | 7.6% | (3.3)% |
| Other commitments | | | | | |
| Underwriting commitments | 1,199 | 1,098 | 1,950 | 9.2% | (38.5)% |
| Amount of unused bank overdrafts | 173,600 | 174,083 | 175,078 | (0.3)% | (0.8)% |
| Other guarantees | 261,731 | 259,314 | 272,948 | 0.9% | (4.1)% |
| Others | 113,920 | 88,622 | 151,080 | 28.5% | (24.6)% |
| Total | 627,802 | 599,946 | 680,473 | 4.6% | (7.7)% |

Contingent liabilities as of March 31, 2018 amounted to Baht 627.8 billion, an increase of Baht 27.9 billion or 4.6 percent from the end of December 2017, with increases in other guarantees and others (under other commitments).

Sources and Utilization of Funds

The primary sources of funds as of March 31, 2018 were Baht 2,334.1 billion or 73.5 percent in deposits, Baht 405.5 billion or 12.8 percent in shareholders' equity attributable to owners of the Bank, Baht 213.0 billion or 6.7 percent in interbank and money market liabilities, and Baht 89.8 billion or 2.8 percent in debt issued and borrowings.

The utilization of funds comprised Baht 1,978.5 billion or 62.3 percent in loans, Baht 634.2 billion or 20.0 percent in net interbank and money market assets, and Baht 524.8 billion or 16.5 percent in net investments (including net investments in associates).

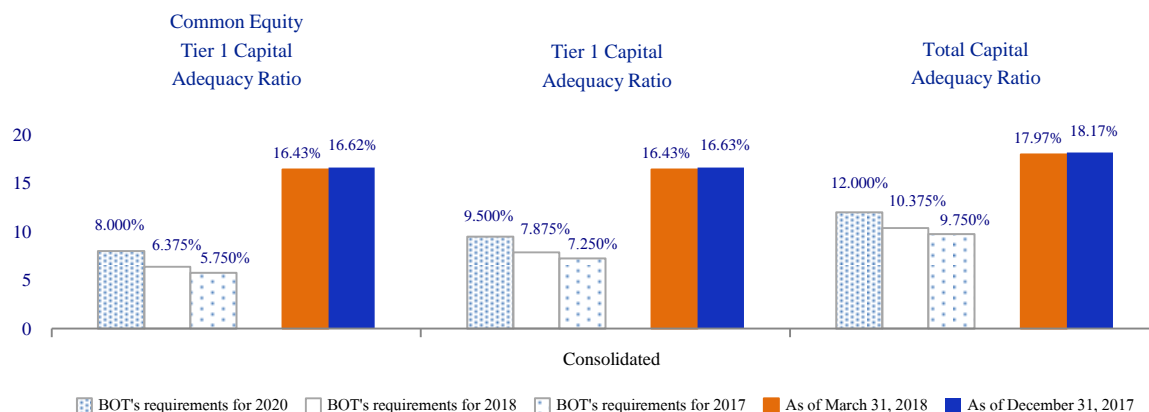
Capital Reserves and Capital Adequacy Ratio

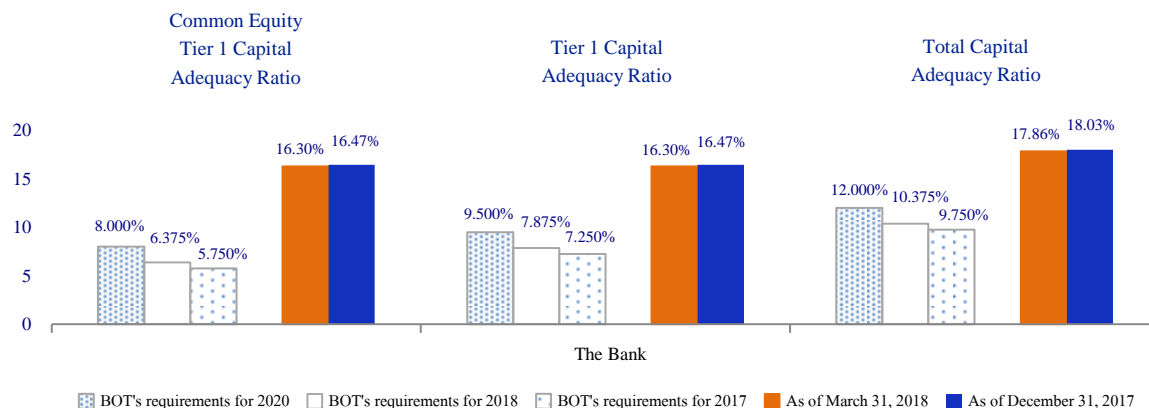
Consolidated

| Item | Million Baht | | | | | |
|------------------------------|----------------|---------------|------------|------------------------|---------------|------------|
| | Capital | | | Capital Adequacy Ratio | | |
| | March 2018 | December 2017 | March 2017 | March 2018 | December 2017 | March 2017 |
| Total capital | 412,920 | 419,580 | 398,844 | 17.97% | 18.17% | 18.26% |
| Tier 1 capital | 377,563 | 383,942 | 359,432 | 16.43% | 16.63% | 16.45% |
| Common Equity Tier 1 capital | 377,512 | 383,841 | 359,364 | 16.43% | 16.62% | 16.45% |

The Bank

| Item | Million Baht | | | | | |
|------------------------------|----------------|---------------|------------|------------------------|---------------|------------|
| | Capital | | | Capital Adequacy Ratio | | |
| | March 2018 | December 2017 | March 2017 | March 2018 | December 2017 | March 2017 |
| Total capital | 398,084 | 404,226 | 385,734 | 17.86% | 18.03% | 18.13% |
| Tier 1 capital | 363,436 | 369,261 | 347,000 | 16.30% | 16.47% | 16.31% |
| Common Equity Tier 1 capital | 363,436 | 369,261 | 347,000 | 16.30% | 16.47% | 16.31% |





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 the 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 March 31, 2018, regulatory capital position was Baht 412.9 billion, Common Equity Tier 1 capital was Baht 377.5 billion, and Tier 1 capital was Baht 377.6 billion. The total capital adequacy ratio was 17.97 percent, the Common Equity Tier 1 capital adequacy ratio was 16.43 percent, and the Tier 1 capital adequacy ratio was 16.43 percent. With the inclusion of net profit from July to December 2017 and net profit for the first quarter of 2018 minus the dividend payment in May 2018, the total capital adequacy ratio, the Common Equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.73 percent, 17.19 percent and 17.19 percent, respectively.

Liquid Assets

| Item | March 2018 | December 2017 | March 2017 |
|--------------------------------|------------------|---------------|------------|
| Liquid assets (Million Baht) | 1,173,948 | 1,051,982 | 1,034,151 |
| Liquid assets/Total assets (%) | 37.0 | 34.2 | 34.5 |
| Liquid assets/Deposits (%) | 50.3 | 45.5 | 46.1 |

Liquid assets consisted of cash, net interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of March 31, 2018, liquid assets totaled Baht 1,173.9 billion, an increase of Baht 122.0 billion or 11.6 percent from the end of December 2017, due mainly to an increase of Baht 196.5 billion in net interbank and money market items, while available-for-sale securities declined by Baht 69.8 billion.

Credit Ratings

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

| Credit Rating Agency * | March 31, 2018 | December 31, 2017 | March 31, 2017 |
|---------------------------------------|-----------------|-------------------|----------------|
| Moody's Investors Service | | | |
| Long-term Deposit | Baa1 | Baa1 | Baa1 |
| Short-term Deposit | P-2 | P-2 | P-2 |
| Senior Unsecured Debt Instrument | Baa1 | Baa1 | Baa1 |
| Subordinated Debt Instrument | Baa3 | Baa3 | Baa3 |
| Financial Strength (BCA) | baa2 | baa2 | baa2 |
| Outlook | Stable | Stable | Stable |
| Standard & Poor's | | | |
| Long-term Counterparty Credit Rating | BBB+ | BBB+ | BBB+ |
| Short-term Counterparty Credit Rating | A-2 | A-2 | A-2 |
| Senior Unsecured Debt Instrument | BBB+ | BBB+ | BBB+ |
| Subordinated Debt Instrument | BBB | BBB | BBB |
| Financial Strength (SACP) | bbb | bbb | bbb |
| Outlook | Stable | Stable | Stable |
| Fitch Ratings | | | |
| International Rating | | | |
| Long-term Issuer Default Rating | BBB+ | BBB+ | BBB+ |
| Short-term Issuer Default Rating | F2 | F2 | F2 |
| Senior Unsecured Debt Instrument | BBB+ | BBB+ | BBB+ |
| Subordinated Debt Instrument | BBB | BBB | BBB |
| Financial Strength (VR) | bbb+ | bbb+ | bbb+ |
| Outlook | Stable | stable | stable |
| National Rating | | | |
| Long-term | AA+(tha) | AA+(tha) | AA+(tha) |
| Short-term | F1+(tha) | F1+(tha) | F1+(tha) |
| Outlook | Stable | 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.