

BANGKOK BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014
(UNAUDITED)

Baht : '000

	CONSOLIDATED			THE BANK		
	June 30, 2014	December 31, 2013	Increase (Decrease) %	June 30, 2014	December 31, 2013	Increase (Decrease) %
ASSETS						
CASH	43,204,345	53,550,467	(19.3)	43,048,741	53,299,523	(19.2)
INTERBANK AND MONEY MARKET ITEMS, NET	362,763,521	407,632,067	(11.0)	311,528,235	356,833,087	(12.7)
CLAIMS ON SECURITY	41,147	6,810	504.2	-	-	-
DERIVATIVES ASSETS	12,438,669	13,770,312	(9.7)	12,303,588	13,672,755	(10.0)
INVESTMENTS, NET	395,498,619	377,412,764	4.8	379,471,277	363,575,834	4.4
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET	984,520	910,177	8.2	31,123,419	31,123,425	-
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET						
Loans to customers	1,765,223,937	1,753,344,023	0.7	1,716,641,513	1,706,723,444	0.6
Accrued interest receivables	3,450,741	4,571,094	(24.5)	3,346,493	4,472,766	(25.2)
Total loans to customers and accrued interest receivables	1,768,674,678	1,757,915,117	0.6	1,719,988,006	1,711,196,210	0.5
Less Deferred revenue	(703,324)	(676,580)	4.0	(630,072)	(603,865)	4.3
Less Allowance for doubtful accounts	(94,338,100)	(89,697,165)	5.2	(92,022,733)	(87,621,580)	5.0
Less Revaluation allowance for debt restructuring	(2,868,606)	(2,885,668)	(0.6)	(2,868,606)	(2,885,668)	(0.6)
Total loans to customers and accrued interest receivables, net	1,670,764,648	1,664,655,704	0.4	1,624,466,595	1,620,085,097	0.3
CUSTOMER'S LIABILITY UNDER ACCEPTANCES	1,748,116	2,051,165	(14.8)	292,049	332,527	(12.2)
PROPERTIES FOR SALE, NET	17,860,215	18,900,941	(5.5)	11,814,775	12,286,849	(3.8)
PREMISES AND EQUIPMENT, NET	31,992,690	32,275,104	(0.9)	30,702,709	31,280,619	(1.8)
OTHER INTANGIBLE ASSETS, NET	699,668	606,416	15.4	636,793	530,002	20.1
DEFERRED TAX ASSETS	2,042,566	2,006,821	1.8	1,046,381	904,395	15.7
OTHER ASSETS, NET	18,098,025	22,728,494	(20.4)	13,494,449	18,825,607	(28.3)
TOTAL ASSETS	2,558,136,749	2,596,507,242	(1.5)	2,459,929,011	2,502,749,720	(1.7)

BANGKOK BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014
(UNAUDITED)

Baht : '000

	CONSOLIDATED			THE BANK		
	June 30, 2014	December 31, 2013	Increase	June 30, 2014	December 31, 2013	Increase
			(Decrease) %			(Decrease) %
LIABILITIES AND SHAREHOLDERS' EQUITY						
DEPOSITS	1,903,432,307	1,935,272,479	(1.6)	1,835,697,579	1,871,061,159	(1.9)
INTERBANK AND MONEY MARKET ITEMS, NET	117,462,323	124,295,617	(5.5)	109,369,360	114,417,434	(4.4)
LIABILITY PAYABLE ON DEMAND	8,789,316	10,909,681	(19.4)	8,730,692	10,803,643	(19.2)
LIABILITY TO DELIVER SECURITY	158,997	133,317	19.3	-	-	-
DERIVATIVES LIABILITIES	11,035,259	21,710,574	(49.2)	10,359,640	21,316,105	(51.4)
DEBT ISSUED AND BORROWINGS	138,822,971	140,147,252	(0.9)	138,822,971	140,734,626	(1.4)
BANK'S LIABILITY UNDER ACCEPTANCES	1,748,116	2,051,165	(14.8)	292,049	332,527	(12.2)
PROVISIONS	8,431,896	8,257,159	2.1	8,341,387	8,174,667	2.0
DEFERRED TAX LIABILITIES	4,772,857	3,106,688	53.6	4,569,771	2,802,278	63.1
OTHER LIABILITIES	50,247,867	54,571,620	(7.9)	37,916,453	44,142,551	(14.1)
TOTAL LIABILITIES	2,244,901,909	2,300,455,552	(2.4)	2,154,099,902	2,213,784,990	(2.7)
SHAREHOLDERS' EQUITY						
SHARE CAPITAL						
Authorized share capital						
1,655,000 preferred shares of Baht 10 each	16,550	16,550	-	16,550	16,550	-
3,998,345,000 common shares of Baht 10 each	39,983,450	39,983,450	-	39,983,450	39,983,450	-
Issued and paid-up share capital						
1,908,842,894 common shares of Baht 10 each	19,088,429	19,088,429	-	19,088,429	19,088,429	-
PREMIUM ON COMMON SHARES	56,346,232	56,346,232	-	56,346,232	56,346,232	-
OTHER RESERVES	47,143,524	39,837,149	18.3	46,457,279	38,495,631	20.7
RETAINED EARNINGS						
Appropriated						
Legal reserve	18,500,000	18,000,000	2.8	18,500,000	18,000,000	2.8
Others	76,500,000	76,500,000	-	76,500,000	76,500,000	-
Unappropriated	95,517,142	86,164,059	10.9	88,937,169	80,534,438	10.4
TOTAL BANK'S EQUITY	313,095,327	295,935,869	5.8	305,829,109	288,964,730	5.8
NON-CONTROLLING INTEREST	139,513	115,821	20.5	-	-	-
TOTAL SHAREHOLDERS' EQUITY	313,234,840	296,051,690	5.8	305,829,109	288,964,730	5.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,558,136,749	2,596,507,242	(1.5)	2,459,929,011	2,502,749,720	(1.7)

BANGKOK BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED
(UNAUDITED)

Baht : '000

	CONSOLIDATED				THE BANK			
	June 30, 2014	March 31, 2014	Increase (Decrease) %	June 30, 2013	June 30, 2014	March 31, 2014	Increase (Decrease) %	June 30, 2013
Interest income	25,795,884	25,834,292	(0.1)	24,856,983	24,491,572	24,500,819	-	23,884,361
Interest expenses	10,834,046	11,767,653	(7.9)	10,921,138	10,243,916	11,169,874	(8.3)	10,416,194
Net interest income	14,961,838	14,066,639	6.4	13,935,845	14,247,656	13,330,945	6.9	13,468,167
Fees and service income	7,071,331	7,145,377	(1.0)	7,358,466	6,338,527	6,498,461	(2.5)	6,477,601
Fees and service expenses	1,788,432	1,939,329	(7.8)	1,666,908	1,770,349	1,922,709	(7.9)	1,647,613
Net fees and service income	5,282,899	5,206,048	1.5	5,691,558	4,568,178	4,575,752	(0.2)	4,829,988
Gains on tradings and foreign exchange transactions	1,414,532	1,898,507	(25.5)	1,395,918	1,243,861	1,626,545	(23.5)	1,541,334
Gains on investments	499,822	484,785	3.1	915,530	493,922	501,235	(1.5)	903,972
Share of profit from investment using equity method	47,689	52,510	(9.2)	40,871	-	-	-	-
Gains on disposal of assets	546,383	370,928	47.3	580,020	512,453	233,897	119.1	536,641
Dividend income	1,346,644	558,552	141.1	1,340,306	1,288,857	703,769	83.1	1,260,668
Other operating income	145,054	99,772	45.4	123,849	127,329	84,696	50.3	101,912
Total operating income	24,244,861	22,737,741	6.6	24,023,897	22,482,256	21,056,839	6.8	22,642,682
Other operating expenses								
Employee's expenses	5,468,727	5,420,709	0.9	5,057,081	4,981,698	4,939,547	0.9	4,565,286
Directors' remuneration	42,639	19,723	116.2	42,493	37,350	14,700	154.1	37,350
Premises and equipment expenses	2,883,680	2,142,560	34.6	2,379,685	2,723,111	1,986,986	37.0	2,266,354
Taxes and duties	866,315	903,969	(4.2)	805,386	833,615	856,233	(2.6)	778,423
Others	1,699,607	925,262	83.7	(175,667)	1,550,424	787,146	97.0	(337,064)
Total other operating expenses	10,960,968	9,412,223	16.5	8,108,978	10,126,198	8,584,612	18.0	7,310,349
Impairment loss of loans and debt securities	2,331,327	2,103,242	10.8	3,378,721	2,241,201	1,738,992	28.9	3,383,634
Profit from operating before income tax expenses	10,952,566	11,222,276	(2.4)	12,536,198	10,114,857	10,733,235	(5.8)	11,948,699
Income tax expenses	1,885,314	2,221,618	(15.1)	2,252,038	1,709,392	2,094,715	(18.4)	2,104,117
Net profit	9,067,252	9,000,658	0.7	10,284,160	8,405,465	8,638,520	(2.7)	9,844,582
Other comprehensive income (losses)								
Gains (losses) on remeasuring available-for-sale investment	7,724,123	3,036,154	154.4	(8,081,240)	7,717,549	3,000,804	157.2	(8,053,252)
Gains (losses) arising from translating the financial statements of foreign operations	(313,931)	(533,517)	41.2	2,822,316	(420,521)	260,452	(261.5)	1,167,851
Income tax relating to components of other comprehensive income (losses)	(1,553,239)	(604,555)	(156.9)	1,601,710	(1,550,136)	(597,961)	(159.2)	1,599,318
Total other comprehensive income (losses)	5,856,953	1,898,082	208.6	(3,657,214)	5,746,892	2,663,295	115.8	(5,286,083)
Total comprehensive income	14,924,205	10,898,740	36.9	6,626,946	14,152,357	11,301,815	25.2	4,558,499
Net profit attributable								
Owners of the Bank	9,029,216	8,965,122	0.7	10,250,367	8,405,465	8,638,520	(2.7)	9,844,582
Non-controlling interest	38,036	35,536	7.0	33,793	-	-	-	-
	9,067,252	9,000,658	0.7	10,284,160	8,405,465	8,638,520	(2.7)	9,844,582
Total comprehensive income attributable								
Owners of the Bank	14,886,071	10,863,181	37.0	6,593,224	14,152,357	11,301,815	25.2	4,558,499
Non-controlling interest	38,134	35,559	7.2	33,722	-	-	-	-
	14,924,205	10,898,740	36.9	6,626,946	14,152,357	11,301,815	25.2	4,558,499
Basic earnings per share (Baht)	4.73	4.70	0.7	5.37	4.40	4.53	(2.7)	5.16
Weighted average number of ordinary shares								
(Thousand shares)	1,908,843	1,908,843	-	1,908,843	1,908,843	1,908,843	-	1,908,843

BANGKOK BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Baht : '000

	CONSOLIDATED				THE BANK			
	2014	2013	Increase (Decrease)	%	2014	2013	Increase (Decrease)	%
Interest income	51,630,175	49,480,719	2,149,456	4.3	48,992,390	47,582,166	1,410,224	3.0
Interest expenses	22,601,699	21,668,310	933,389	4.3	21,413,789	20,672,532	741,257	3.6
Net interest income	29,028,476	27,812,409	1,216,067	4.4	27,578,601	26,909,634	668,967	2.5
Fees and service income	14,216,707	14,479,120	(262,413)	(1.8)	12,836,988	12,599,895	237,093	1.9
Fees and service expenses	3,727,760	3,569,379	158,381	4.4	3,693,057	3,534,418	158,639	4.5
Net fees and service income	10,488,947	10,909,741	(420,794)	(3.9)	9,143,931	9,065,477	78,454	0.9
Gains on tradings and foreign exchange transactions	3,313,039	2,675,773	637,266	23.8	2,870,405	2,732,421	137,984	5.0
Gains on investments	984,608	1,985,099	(1,000,491)	(50.4)	995,157	1,965,377	(970,220)	(49.4)
Share of profit from investment using equity method	100,199	88,613	11,586	13.1	-	-	-	-
Gains on disposal of assets	917,311	1,131,376	(214,065)	(18.9)	746,350	1,043,662	(297,312)	(28.5)
Dividend income	1,905,196	1,963,134	(57,938)	(3.0)	1,992,627	1,966,426	26,201	1.3
Other operating income	244,825	227,289	17,536	7.7	212,024	177,405	34,619	19.5
Total operating income	46,982,601	46,793,434	189,167	0.4	43,539,095	43,860,402	(321,307)	(0.7)
Other operating expenses								
Employee's expenses	10,889,436	10,400,092	489,344	4.7	9,921,245	9,311,483	609,762	6.5
Directors' remuneration	62,362	61,678	684	1.1	52,050	52,250	(200)	(0.4)
Premises and equipment expenses	5,026,241	4,493,883	532,358	11.8	4,710,097	4,270,289	439,808	10.3
Taxes and duties	1,770,283	1,646,540	123,743	7.5	1,689,848	1,591,175	98,673	6.2
Others	2,624,869	1,106,704	1,518,165	137.2	2,337,570	802,927	1,534,643	191.1
Total other operating expenses	20,373,191	17,708,897	2,664,294	15.0	18,710,810	16,028,124	2,682,686	16.7
Impairment loss of loans and debt securities	4,434,569	5,120,180	(685,611)	(13.4)	3,980,193	5,002,835	(1,022,642)	(20.4)
Profit from operating before income tax expenses	22,174,841	23,964,357	(1,789,516)	(7.5)	20,848,092	22,829,443	(1,981,351)	(8.7)
Income tax expenses	4,106,931	4,638,757	(531,826)	(11.5)	3,804,106	4,359,979	(555,873)	(12.7)
Net profit	18,067,910	19,325,600	(1,257,690)	(6.5)	17,043,986	18,469,464	(1,425,478)	(7.7)
Other comprehensive income (losses)								
Changes in revaluation surplus	-	(839)	839	100.0	-	(839)	839	100.0
Gains on remeasuring available-for-sale investment	10,760,277	3,171	10,757,106	339,233.9	10,718,352	21,747	10,696,605	49,186.6
Gains (losses) arising from translating the financial statements of foreign operations	(847,449)	443,765	(1,291,214)	(291.0)	(160,069)	(87,466)	(72,603)	(83.0)
Income tax relating to components of other comprehensive income (losses)	(2,157,794)	(56,034)	(2,101,760)	(3,750.9)	(2,148,097)	(57,140)	(2,090,957)	(3,659.4)
Total other comprehensive income (losses)	7,755,034	390,063	7,364,971	1,888.1	8,410,186	(123,698)	8,533,884	6,899.0
Total comprehensive income	25,822,944	19,715,663	6,107,281	31.0	25,454,172	18,345,766	7,108,406	38.7
Net profit attributable								
Owners of the Bank	17,994,338	19,264,551	(1,270,213)	(6.6)	17,043,986	18,469,464	(1,425,478)	(7.7)
Non-controlling interest	73,572	61,049	12,523	20.5	-	-	-	-
	18,067,910	19,325,600	(1,257,690)	(6.5)	17,043,986	18,469,464	(1,425,478)	(7.7)
Total comprehensive income attributable								
Owners of the Bank	25,749,251	19,654,779	6,094,472	31.0	25,454,172	18,345,766	7,108,406	38.7
Non-controlling interest	73,693	60,884	12,809	21.0	-	-	-	-
	25,822,944	19,715,663	6,107,281	31.0	25,454,172	18,345,766	7,108,406	38.7
Basic earnings per share (Baht)	9.43	10.09	(0.66)	(6.6)	8.93	9.68	(0.75)	(7.7)
Weighted average number of ordinary shares (Thousand shares)	1,908,843	1,908,843	-	-	1,908,843	1,908,843	-	-

Summary of Consolidated Financial Results for the Quarter and Half Year Ended June 30, 2014

Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	H1		Change (%)	Quarter			Change (%)	
	2014	2013		2/2014	1/2014	2/2013	1/2014	2/2013
Profit before provision and tax	26,609	29,084	(8.5)%	13,284	13,326	15,915	(0.3)%	(16.5)%
Operating profit before tax	22,175	23,964	(7.5)%	10,953	11,222	12,536	(2.4)%	(12.6)%
Net profit *	17,994	19,265	(6.6)%	9,029	8,965	10,250	0.7%	(11.9)%
Earnings per share (Baht)	9.43	10.09	(6.6)%	4.73	4.70	5.37	0.7%	(11.9)%
Net interest income	29,028	27,812	4.4%	14,962	14,067	13,936	6.4%	7.4%
Net interest margin	2.37%	2.41%	(0.04)%	2.44%	2.30%	2.39%	0.14%	0.05%
Net fees and service income to operating income ratio	22.3%	23.3%	(1.0)%	21.8%	22.9%	23.7%	(1.1)%	(1.9)%
Expense to operating income ratio	43.4%	37.8%	5.6%	45.2%	41.4%	33.8%	3.8%	11.4%
Return on average assets *	1.40%	1.59%	(0.19)%	1.40%	1.40%	1.67%	0.00%	(0.27)%
Return on average equity *	11.89%	13.87%	(1.98)%	11.68%	12.06%	14.47%	(0.38)%	(2.79)%

* Attributable to the Bank

Million Baht

Item	June 2014	March 2014	December 2013	Change (%)	
				March 2014	December 2013
Loans *	1,764,521	1,745,919	1,752,667	1.1%	0.7%
Deposits	1,903,432	1,932,921	1,935,272	(1.5)%	(1.6)%
Loan to deposit ratio	92.7%	90.3%	90.6%	2.4%	2.1%
Non-performing loans (NPLs)	45,007	45,003	43,228	0.0%	4.1%
Ratio of NPLs to total loans	2.3%	2.2%	2.2%	0.1%	0.1%

* Less deferred revenue

Bangkok Bank and its subsidiaries have reported a consolidated net profit of Baht 9,029 billion for the second quarter of 2014, an increase of Baht 64 million from the first quarter of 2014. Net interest income rose by Baht 895 million while non-interest income grew by Baht 612 million. Operating expenses increased by Baht 1,549 billion.

The Bank's performance came against the backdrop of a subdued economy over the first half of 2014. Political uncertainties lowered the confidence of businesses and households alike. Together with a slow recovery in exports and limits to government spending, this resulted in lower loan demand for both working capital and business expansion, as companies awaited signs of economic recovery and clarity on government policy.

Despite these factors, at the end of June 2014, the Bank's total lending was Baht 1,764.521 billion, an increase of Baht 11.854 billion or 0.7 percent from the end of 2013. SME and mortgage loans, and loans made through the Bank's international network, continued to rise in line with the Bank's targets.

The economic slowdown impacted some customers, and as a result non-performing loans (NPLs) at the end of June 2014 amounted to Baht 45.007 billion, an increase of Baht 1.779 billion from the end of 2013, but at a similar level to the end of March 2014. This was equivalent to 2.3 percent of total lending, compared with 2.2 percent at both the end of last year and at the end of March 2014. The Bank closely monitored all customer segments and continued to provide advice and assistance to customers in order to maintain the quality of loans at an appropriate level.

Meanwhile the Bank maintained its provisioning policy, setting aside provisioning expenses of Baht 2.331 billion in the second quarter, resulting in a ratio of loan loss reserves to NPLs of 216.0 percent.

Total deposits at the end of June 2014 were Baht 1,903.432 billion, 1.6 percent lower from six months earlier, while lending increased by 0.7 percent over the same period. The loan-to-deposit ratio rose from 90.6 percent at the end of 2013 to 92.7 percent.

Net interest income for the second quarter of 2014 was Baht 14.962 billion and the net interest margin rose from 2.30 percent for the first quarter to 2.44 percent as the Bank judiciously managed its cost of deposits. The 7.1 percent increase in non-interest income was due mainly to dividend income and gains on properties for sale. The 16.5 percent increase in operating expenses was due mainly to investment costs related to branch and electronic services expansion, including system development. The cost-to-income ratio for the second quarter of 2014 stood at 45.2 percent.

In terms of capital funds, after the inclusion of net profit for the half year ending June 30, 2014, the Bank's total capital adequacy ratio, the common equity Tier 1 ratio and the Tier 1 capital ratio would be approximately 18.08 percent, 15.73 percent and 15.73 percent, respectively.

Shareholders' equity at the end of the second quarter was Baht 313.095 billion, equivalent to 12.2 percent of total assets. The book value per share was Baht 164.02, an increase of Baht 8.99 from the end of 2013.

Operating Income and Expenses of the Bank and its subsidiaries

Item	Million Baht							
	H1		Change (%)	Quarter		Change (%)		
	2014	2013		2/2014	1/2014	2/2013	1/2014	2/2013
Net interest income	29,028	27,812	4.4%	14,962	14,067	13,936	6.4%	7.4%
Non-interest income	17,954	18,981	(5.4)%	9,283	8,671	10,088	7.1%	(8.0)%
Operating expenses	20,373	17,709	15.0%	10,961	9,412	8,109	16.5%	35.2%
Impairment loss of loans and debt securities	4,434	5,120	(13.4)%	2,331	2,103	3,379	10.8%	(31.0)%
Operating profit before tax	22,175	23,964	(7.5)%	10,953	11,222	12,536	(2.4)%	(12.6)%
Income tax expenses	4,107	4,639	(11.5)%	1,886	2,222	2,252	(15.1)%	(16.3)%
Net profit	18,068	19,325	(6.5)%	9,067	9,000	10,284	0.7%	(11.8)%
Net profit *	17,994	19,265	(6.6)%	9,029	8,965	10,250	0.7%	(11.9)%
Total comprehensive income *	25,749	19,655	31.0%	14,886	10,863	6,593	37.0%	125.8%

* Attributable to the Bank

Bangkok Bank reported a consolidated net profit of Baht 17.994 billion for the first half of 2014, a decrease of Baht 1.271 billion or 6.6 percent from the first half of 2013, due predominantly to one-time recorded from the reversal of the probable loss arising from the impaired assets transferred to TAMC of Baht 2.578 billion during the first half of 2013, as well as a decrease of Baht 1,000 billion in gains on investments during the first half of 2014. Net interest income rose by Baht 1.216 billion, mainly as a result of the increase in interest income from loans; and gains on tradings and foreign exchange transactions increased by Baht 637 million. Total comprehensive income of the Bank and its subsidiaries amounted to Baht 25.749 billion, an increase of 31.0 percent, due mainly to an increase in revaluation gains on available-for-sale investments, reflecting the increase in capital market value comparing to the end of December 2013.

In the second quarter of 2014 the net profit of the Bank and its subsidiaries amounted to Baht 9.029 billion, an increase of Baht 64 million from previous quarter or 0.7 percent. Significant items included net interest income, which increased by Baht 895 million due mainly to a decrease in the cost of deposits from the gradual maturing of high rate fixed deposits; dividend income, which increased by Baht 789 million; and operating expenses, which increased by Baht 1.549 billion due to an increase in branches and electronic service machines as well as system development related expenses.

When compared with the second quarter of 2013, net profit of the Bank and its subsidiaries decreased by Baht 1.221 billion or 11.9 percent, due predominantly to one-time recorded from the reversal of the probable loss arising from the impaired assets transferred to TAMC during the second quarter of 2013; a decrease of Baht 416 million in gains on investments and a decrease of Baht 408 million in net fees and service income during the second quarter of 2014. However, net interest income increased by Baht 1.026 billion in this quarter due to the growth in loans, and the special impairment loss of loans and debt securities under the Bank's prudent approach recorded during the second quarter of 2013.

Net Interest Income

Million Baht

Item	H1		Change (%)	Quarter			Change (%)	
	2014	2013		2/2014	1/2014	2/2013	1/2014	2/2013
Interest Income								
Loans	42,508	40,254	5.6%	21,310	21,198	20,268	0.5%	5.1%
Interbank and money market items	4,742	4,327	9.5%	2,337	2,405	2,220	(2.8)%	5.2%
Investments and trading transactions	148	356	(58.4)%	83	65	224	27.5%	(63.0)%
Investment in debt securities	4,232	4,543	(6.8)%	2,066	2,166	2,145	(4.6)%	(3.7)%
Total interest income	51,630	49,480	4.3%	25,796	25,834	24,857	(0.1)%	3.8%
Interest expenses								
Deposits	14,212	14,402	(1.3)%	6,689	7,522	7,234	(11.1)%	(7.5)%
Interbank and money market items	888	821	8.1%	399	490	458	(18.5)%	(12.8)%
Contributions to the Deposit Protection Agency	4,153	3,932	5.6%	2,074	2,079	1,968	(0.3)%	5.4%
Debt issued and borrowings	3,349	2,513	33.3%	1,672	1,676	1,261	(0.2)%	32.5%
Total interest expenses	22,602	21,668	4.3%	10,834	11,767	10,921	(7.9)%	(0.8)%
Net interest income	29,028	27,812	4.4%	14,962	14,067	13,936	6.4%	7.4%
Net interest margin	2.37%	2.41%	(0.04)%	2.44%	2.30%	2.39%	0.14%	0.05%

In the first half of 2014, the net interest income of the Bank and its subsidiaries amounted to Baht 29.028 billion, an increase of Baht 1.216 billion or 4.4 percent from the first half of 2013. This was mainly because interest income from loans rose by Baht 2.254 billion or 5.6 percent to Baht 42.508 billion, reflecting the growth in SME and mortgage loans, and loans made through the Bank's international network. Interest expenses rose by Baht 934 million or 4.3 percent, mainly from interest expenses on debt issued and borrowings, which rose by Baht 836 million or 33.3 percent due to the Bank's issuance of USD 1.000 billion senior unsecured notes for sale in the offshore debt capital markets in the fourth quarter of last year.

In the second quarter of 2014, the net interest income of the Bank and its subsidiaries amounted to Baht 14.962 billion, an increase of Baht 895 million or 6.4 percent from the first quarter of 2014, due to a decrease of Baht 833 million or 11.1 percent in cost of deposits caused by the gradual maturing of high rate fixed deposits.

When compared with the second quarter of 2013, the net interest income of the Bank and its subsidiaries in the second quarter of 2014 rose by Baht 1.026 billion or 7.4 percent, with interest income rising by Baht 939 million or 3.8 percent. Significant items included interest income from loans, which increased by Baht 1.042 billion or 5.1 percent in line with the growth in the SME customer segment. Interest expenses declined by Baht 87 million due partly to the gradual maturing of high rate fixed deposits and decreasing interest expenses on deposits, reflecting in a decrease of Baht 545 million or 7.5 percent in cost of deposit. These factors were partially offset by higher interest expenses on debt issued and borrowings by Baht 411 million, due mainly to the issuing of USD 1.000 billion senior unsecured notes issued by the Bank for sale in the offshore debt capital markets in the fourth quarter of last year.

Non-Interest Income

Million Baht								
Item	H1		Change (%)	Quarter			Change (%)	
	2014	2013		2/2014	1/2014	2/2013	1/2014	2/2013
Fees and service income	14,217	14,479	(1.8)%	7,071	7,145	7,358	(1.0)%	(3.9)%
<u>Less</u> fees and service expenses	3,728	3,569	4.4%	1,788	1,939	1,667	(7.8)%	7.3%
Net fees and service income	10,489	10,910	(3.9)%	5,283	5,206	5,691	1.5%	(7.2)%
Gains on tradings and foreign exchange transactions	3,313	2,676	23.8%	1,414	1,899	1,396	(25.5)%	1.3%
Gains on investments	985	1,985	(50.4)%	500	485	916	3.1%	(45.4)%
Share of profit from investment for using equity method	100	89	13.1%	48	52	41	(9.2)%	16.7%
Gains on disposal of assets	917	1,131	(18.9)%	546	371	580	47.3%	(5.8)%
Dividend income	1,905	1,963	(3.0)%	1,347	558	1,340	141.1%	0.5%
Other operating income	245	227	7.7%	145	100	124	45.4%	17.1%
Total other operating income	7,465	8,071	(7.5)%	4,000	3,465	4,397	15.5%	(9.0)%
Total non-interest income	17,954	18,981	(5.4)%	9,283	8,671	10,088	7.1%	(8.0)%
Net fees and service income to operating income ratio	22.3%	23.3%	(1.0)%	21.8%	22.9%	23.7%	(1.1)%	(1.9)%

In the first half of 2014, the non-interest income of the Bank and its subsidiaries amounted to Baht 17.954 billion, a decrease of Baht 1.027 billion or 5.4 percent compared to the first half of 2013. Net fees and service income in the first half of 2014 totaled Baht 10.489 billion, a decrease of Baht 421 million or 3.9 percent from the first half of 2013, due to a decline in fees income of Baht 262 million. Significant items included a decrease in fees income from loans and a securities business – caused by the economic slowdown during the first half of 2014 – and an increase in fees and service income from bancassurance. The outcome was a decline in the ratio of net fees and service income to operating income from 23.3 percent to 22.3 percent.

Other operating income amounted to Baht 7.465 billion, a decrease of Baht 606 million or 7.5 percent. Significant items included gains on investments, which decreased by Baht 1.000 billion or 50.4 percent offset by gains on trading and foreign exchange transactions which increased by Baht 637 million or 23.8 percent.

When compared with the first quarter of 2014, the non-interest income of the Bank and its subsidiaries in the second quarter of 2014 rose by Baht 612 million or 7.1 percent. Net fees and service income increased by Baht 77 million or 1.5 percent due to the increase in fees income from mutual funds and bancassurance and the decrease in net fees and service income from loans. As a result, the ratio of net fees and service income to operating income from 22.9 percent to 21.8 percent.

Total other operating income rose by Baht 535 million or 15.5 percent due to an increase in dividend income of Baht 789 million or 141.1 percent, and increases in gains on disposal of assets of Baht 175 million, mainly from disposal of properties for sale. These were partially offset by a decrease in net gains on trading and foreign exchange of Baht 485 million or 25.5 percent.

When compared with the second quarter of 2013, the non-interest income of the Bank and its subsidiaries in the second quarter of 2014 decreased by Baht 805 million or 8.0 percent. Net fees and service income decreased by Baht 408 million or 7.2 percent, due mainly to decreases in fees income from loans and a securities business. Other operating income decreased by Baht 397 million, due predominantly to a decrease in gains on investments of the Bank and its subsidiaries of Baht 416 million or 45.4 percent.

Operating Expenses

Million Baht

Item	H1		Change (%)	Quarter			Change (%)	
	2014	2013		2/2014	1/2014	2/2013	1/2014	2/2013
Personnel expenses	10,889	10,400	4.7%	5,469	5,421	5,057	0.9%	8.1%
Directors' remuneration	63	62	1.1%	43	20	43	116.2%	0.3%
Premises and equipment expenses	5,026	4,494	11.8%	2,884	2,142	2,380	34.6%	21.2%
Taxes and duties	1,770	1,647	7.5%	866	904	805	(4.2)%	7.6%
Other expenses	2,625	1,106	137.3%	1,699	925	(176)	83.7%	1,067.5%
Total operating expenses	20,373	17,709	15.0%	10,961	9,412	8,109	16.5%	35.2%

In the first half of 2014, operating expenses of the Bank and its subsidiaries amounted to Baht 20.373 billion, an increase of Baht 2.664 billion or 15.0 percent from the first half of 2013. Significant items included other expenses, which rose by Baht 1.519 billion or 137.3 percent because of the reversal of Baht 2.578 billion for probable loss arising from the impaired assets transferred to TAMC during the first half of 2013, after the TAMC concluded its performance and informed the allocation of profit to the Bank; while marketing expenses decreased in line with the economic slowdown during the first half of 2014. Personnel expenses rose by Baht 489 million or 4.7 percent due to annual salary adjustments and an increase in the number of employees. Premises and equipment expenses increased by Baht 532 million due mainly to the increase in branches and electronic service machines including system development related expenses.

When compared with the first quarter of 2014, operating expenses of the Bank and its subsidiaries in the second quarter of 2014 increased by Baht 1.549 billion or 16.5 percent. Significant items included premises and equipment expenses, which rose by Baht 742 million due mainly to the increase in branches and electronic service machines, and other expenses, which rose by Baht 774 million, due mainly to expenses related to the development of systems and marketing.

When compared with the second quarter of 2013, operating expenses of the Bank and its subsidiaries in the second quarter of 2014 increased by Baht 2.852 billion or 35.2 percent. Significant items included other expenses, which rose by Baht 1.875 billion from the reversal of the probable loss arising from the impaired assets transferred to TAMC in the second quarter of 2013; premises and equipment expenses, which rose by Baht 504 million from the expansion of branches and electronic service machines; and personnel expenses, which rose by Baht 412 million from annual salary adjustments and an increase in the number of employees.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	H1		Change (%)	Quarter			Change (%)	
	2014	2013		2/2014	1/2014	2/2013	1/2014	2/2013
Bad debt and doubtful accounts	4,412	4,563	(3.3)%	2,120	2,292	2,887	(7.5)%	(26.6)%
Loss on debt restructuring (reversal)	22	57	(61.4)%	211	(189)	(8)	211.6%	2,737.5%
Loss on diminution in value of investment	-	500	(100.0)%	-	-	500	-	(100.0)%
Total	4,434	5,120	(13.4)%	2,331	2,103	3,379	10.8%	(31.0)%

In the first half of 2014, impairment loss of loans and debt securities of the Bank and its subsidiaries amounted to Baht 4.434 billion, compared with Baht 5.120 billion in the first half of 2013. In the second quarter of 2014, impairment loss of loans and debt securities amounted to Baht 2.331 billion, increased by 10.8 percent from the previous quarter, but 31.0 percent lower from the same period last year. This was because in the second quarter of 2013 the Bank increased its loan loss reserves and allowances for doubtful accounts as a special case to be in line with its prudent financial management policy.

Significant Items in the Financial Position

Assets

Million Baht

Item	June	March	December	Change (%)	
	2014	2014	2013	March 2014	December 2013
Net interbank and money market items	362,764	448,196	407,632	(19.1)%	(11.0)%
Net investments *	396,483	368,129	378,323	7.7%	4.8%
Loans **	1,764,521	1,745,919	1,752,667	1.1%	0.7%
Net properties for sale	17,860	18,065	18,901	(1.1)%	(5.5)%
Total assets	2,558,137	2,598,862	2,596,507	(1.6)%	(1.5)%

* Included net investments in subsidiaries and associates

** Less deferred revenue

Total assets of the Bank and its subsidiaries as of June 30, 2014 amounted to Baht 2,558.137 billion, a decrease of Baht 40.725 billion from March 31, 2014. Significant items included net interbank and money market items, which amounted to Baht 362.764 billion, a decrease of Baht 85.432 billion or 19.1 percent due mainly to repurchase agreements and lending transactions. Net investments amounted to Baht 396.483 billion, rose by Baht 28.354 billion or 7.7 percent from the additional investments in the available-for-sale securities portfolio, and total loans, which amounted to Baht 1,764.521 billion, rose by Baht 18.602 billion or 1.1 percent, due to growth in every customer segment.

When compared with the end of December, 2013, total assets decreased by Baht 38.370 billion. Significant items included net interbank and money market items decreased by Baht 44.868 billion or 11.0 percent, caused mainly by the decline in repurchase agreements, while net investments increased by Baht 18.160 billion or 4.8 percent, mainly from the additional investments in the available-for-sale securities portfolio in line with the Bank's liquidity management strategy; total loans rose by Baht 11.854 billion or 0.7 percent due to growth in SME, mortgage loans and loans made through the Bank's international network.

Liabilities and Shareholders' equity

Million Baht

Item	June 2014	March 2014	December 2013	Change (%)	
				March 2014	December 2013
Deposits	1,903,432	1,932,921	1,935,272	(1.5)%	(1.6)%
Net interbank and money market items	117,462	133,968	124,296	(12.3)%	(5.5)%
Debt issued and borrowings	138,823	138,601	140,147	0.2%	(0.9)%
Total liabilities	2,244,902	2,291,962	2,300,456	(2.1)%	(2.4)%
Shareholders' equity *	313,095	306,799	295,936	2.1%	5.8%

* Attributable to the Bank

Total liabilities as of June 30, 2014 amounted to Baht 2,244.902 billion, a decrease of Baht 47.060 billion or 2.1 percent from the end of March 2014. Total deposits decreased by Baht 29.489 billion or 1.5 percent. Net interbank and money market items, which decreased by Baht 16.506 billion or 12.3 percent.

When compared with the end of December 2013, total liabilities decreased by Baht 55.554 billion or 2.4 percent, total deposits decreased by Baht 31.840 billion or 1.6 percent, and net interbank and money market items decreased by Baht 6.834 billion or 5.5 percent. Debt issued and borrowings amounted to Baht 138.823 billion, a decrease of Baht 1.324 billion or 0.9 percent, due mainly to the decline in short-term borrowings from bills of exchange (B/E). The loan-to-deposit ratio increased from 90.6 percent at the end of December 2013 to 92.7 percent at the end of June 2014, due to the increase in loans of 0.7 percent, while a decrease in deposit by 1.6 percent.

Shareholders' equity as of June 30, 2014 amounted to Baht 313.095 billion, an increase of Baht 17.159 billion or 5.8 percent from the end of 2013, due mainly to the net profit in the first half of 2014 of Baht 17.994 billion and the increase of Baht 8.602 billion in unrealized gain on available-for-sale investment. These were partially offset by the dividend payment of Baht 8.590 billion (Baht 4.50 per share) in accordance with the Annual General Meeting of Shareholders' resolution of April 11, 2014.

Classified Loans and Allowance for Doubtful Accounts

Million Baht

Item	Loans & Accrued Interest Receivables *			Allowance for Doubtful Accounts Classified to the Bank of Thailand Criteria		
	June 2014	March 2014	December 2013	June 2014	March 2014	December 2013
Normal	1,678,009	1,662,239	1,678,314	12,298	12,146	12,384
Special mentioned	44,941	42,196	35,661	621	523	492
Substandard	6,704	7,110	6,058	685	894	965
Doubtful	8,041	7,294	5,937	2,450	2,500	2,219
Doubtful of loss	30,276	30,613	31,269	15,575	15,818	17,031
Total	1,767,971	1,749,452	1,757,239	31,629	31,881	33,091
Plus excess allowance for doubtful accounts				62,709	60,031	56,606
Total allowance for doubtful accounts from loan classification				94,338	91,912	89,697
Plus revaluation allowance for debt restructuring				2,869	2,659	2,886
Total allowance for doubtful accounts				97,207	94,571	92,583

* Less deferred revenue

Million Baht

Item	June 2014	March 2014	December 2013	Change (%)	
				March 2014	December 2013
Non-performing loans (NPLs) *	45,007	45,003	43,228	0.0%	4.1%
Ratio of NPLs to total loans	2.3%	2.2%	2.2%	0.1%	0.1%
Ratio of loan loss reserves to NPLs	216.0%	210.1%	214.2%	5.9%	1.8%

* Excluding interest receivable but including interbank and money market items

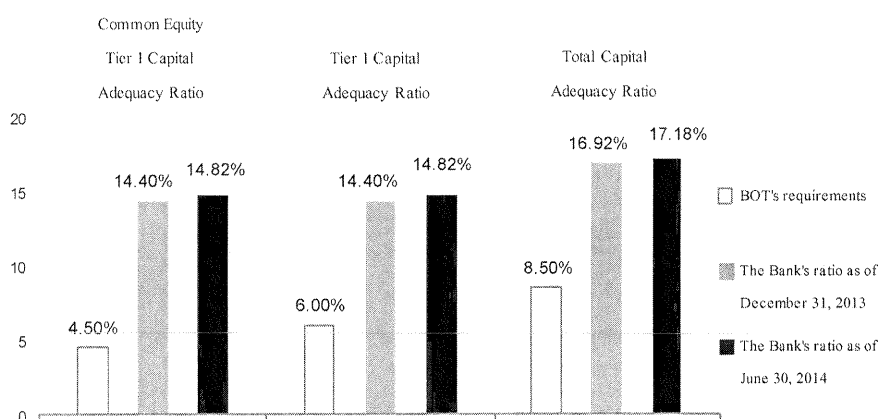
Non-performing loans (NPLs) of the Bank and its subsidiaries as at the end of June 2014 amounted to Baht 45.007 billion. The ratio of NPLs to total loans was 2.3 percent.

The Bank and its subsidiaries set aside total allowance for doubtful accounts at the end of June 2014 amounting to Baht 97.207 billion, increased 5.0 percent from Baht 92.583 billion at the end of 2013. The total allowance for doubtful accounts was 281.8 percent above the minimum required by the Bank of Thailand (BOT) of Baht 34.498 billion. The ratio of loan loss reserves to NPLs at the end of June 2014 was 216.0 percent.

Capital Reserves and Capital Adequacy Ratio (The Bank)

Million Baht

Item	June 2014	March 2014	December 2013	Change	
				March 2014	December 2013
Total capital	332,566	319,241	319,747	13,325	12,819
Tier 1 capital	287,012	273,946	272,156	13,066	14,856
Common equity Tier 1 capital	287,012	273,946	272,156	13,066	14,856
Tier 2 capital	45,554	45,295	47,591	259	(2,037)



As of June 30, 2014, the Bank had legal capital funds of Baht 332.566 billion, and common equity Tier 1 capital of Baht 287.012 billion, equal to the amount of Tier 1 capital. The Bank's capital adequacy ratio was approximately 17.18 percent, while the common equity Tier 1 ratio and the Tier 1 capital ratio were approximately 14.82 percent. With the inclusion of net profit for the half year ending June 30, 2014, the total capital adequacy ratio, the common equity Tier 1 ratio and the Tier 1 capital ratio would be approximately 18.08 percent, 15.73 percent and 15.73 percent, respectively.

