



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter Ended March 31, 2017

Management Discussion and Analysis

Overview of the Economy and Banking

Thai Economy in the First Quarter of 2017

The Thai economy in the first quarter of 2017 continued to recover, supported by government expenditure and tourism. Export growth showed a clearer sign of recovery, registering a 6.6 percent year-on-year growth as a result of a continuing global economic recovery, an upward adjustment of oil and commodity prices, and a growing demand for electronic goods due to the expansion of Internet of Things (IoT). Private consumption expanded gradually, in line with overall household confidence and improvements in agricultural household income. Meanwhile, overall private investment contracted from the same period last year, with investment activities limited to sectors related to energy, services, and exports.

Average headline inflation in the first quarter of 2017 had risen to 1.25 percent in the first quarter, compared with a 0.50 percent contraction in the same period last year, as a consequence of the improvement in oil prices. Thus, the inflation rate is now approaching the Bank of Thailand's target range of 1-4 percent. Core inflation rose to 0.66 percent, reflecting the gradual recovery in domestic consumption. The Thai baht averaged at 35.12 THB/USD over the first quarter, an appreciation from 35.67 THB/USD in the same period last year and 35.40 THB/USD in the previous quarter.

The Monetary Policy Committee (MPC) maintained the policy interest rate at 1.50 percent. The Committee assessed that the Thai economy will expand at a faster pace than previously evaluated, while inflation is expected to gradually rise. However, the Thai economy will continue to face risks from the uncertainty of the global economic recovery, the outturns of the US economic and foreign trade policies, financial stability concerns in China, political developments in Europe, and problems faced by the European banking sector. In the meantime, overall financial conditions remained stable and conducive to economic expansion. However, there remained pockets of risks that warranted close monitoring, such as the deterioration in loan quality of some business sectors and the search-for-yield behavior in the prolonged low interest rate environment which might lead to the underpricing of risks. Therefore, monetary policy should remain accommodative to support the continuation of economic growth.

The Thai economy in 2017 is expected to grow by 3-4 percent with the continued support from government expenditure, particularly the acceleration of infrastructure investment, including the development of the Eastern Economic Corridor (EEC) which would help attract private investment and place a new foundation for the next phase of economic growth. In addition, tourism revenue is expected to rise satisfactorily, and export growth is likely to be stronger following the improving economic situation of major trade partners and the recovery in prices of export goods. At the same time, the ongoing increase in prices of commodity products as well as – household income from agriculture would bolster private consumption. Nonetheless, the Thai economy still encounters major risks from volatility in the global economic and financial conditions, particularly uncertainties involving the US's trade and foreign policies, the effects from political changes in Europe, including the Brexit negotiations, the outcome of France's presidential election and concerns over the stability of China's economy. Meanwhile, domestic political conditions, with the election preparation in late 2017 according to the National Council for Peace and Order's Road Map, warrant close monitoring.

Thai Banking Industry

The economic environment in the first quarter remained a challenge for commercial banks' business operations, with Thai commercial banks' lendings and deposits continuing to grow at a slow pace. The aggregated balance sheets of commercial banks registered in Thailand at the end of March 2017 showed that deposits grew by 2.0 percent and lending grew by 2.5 percent from the same period last year. Consequently, the liquidity in the commercial banking system measured by Loan-to-Deposit Ratio (LDR) at the end of March 2017 stood at 96.9 percent, an increase from 96.4 percent from the same period last year but decreased from 98.0 percent at the end of 2016. Meanwhile, loan quality, measured by the ratio of non-performing loans (NPLs) to total loans, continued to deteriorate, with the NPL ratio rising to 2.9 percent from 2.8 percent at the end of 2016.

The Bank of Thailand's Senior Loan Officer Survey indicated that in the first quarter of 2017, credit demand from large corporates improved with the major need for working capital and investment in fixed assets, while demand for loans from SMEs increased with the need for working capital and stockpiling, but demand for household credit declined. Looking ahead, financial institutions predict that demand for business and household credit will increase.

Meanwhile, competition for deposits is likely to be mild as the economy is recovering at a slow pace, there is still excess liquidity in the commercial banking system. Although the progress of infrastructure investment needs to be closely monitored as more bidding processes will be opened in 2017, the commercial banking system has sufficient liquidity to support loan expansion during the initial stages of these projects. Commercial banks' liquidity management is expected to focus on readjusting deposit structures and managing costs in an appropriate manner. Banks also need to maintain a sufficient level of liquid assets (as measured by the Liquidity Coverage Ratio) to cope with potential cash outflows in the event of a crisis in accordance with the requirements of Basel III. The banking system's level of non-performing loans is expected to increase at a slower rate for the remainder of the year as banks continue to maintain a relatively large capital base and a high level of provisioning reserves to support loan quality.

Fee income from fund transfers in 2017 will be impacted by the government's National E-Payment scheme to encourage a reduction in cash payments, starting with the PromptPay system for person-to-person fund transfers on January 27, 2017. To attract more users, transaction fees via PromptPay services are lower than transaction fees via other fund transfer services. PromptPay for businesses was launched in March 2017 and will result in lower fee income for commercial banks.

Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)	
	1/2017	4/2016	1/2016	4/2016	1/2016
Net profit *	8,305	8,267	8,317	0.5%	(0.1)%
Earnings per share (Baht)	4.35	4.33	4.36	0.5%	(0.1)%
Net interest margin	2.35%	2.36%	2.37%	(0.01)%	(0.02)%
Net fees and service income to operating income ratio	24.7%	22.9%	22.9%	1.8%	1.8%
Expense to operating income ratio	40.7%	47.4%	48.1%	(6.7)%	(7.4)%
Return on average assets *	1.13%	1.13%	1.16%	-	(0.03)%
Return on average equity *	8.81%	8.77%	9.14%	0.04%	(0.33)%

* Attributable to the Bank

Million Baht

Item				Change (%)	
	March 2017	December 2016	March 2016	December 2016	March 2016
Loans **	1,923,953	1,941,093	1,874,924	(0.9)%	2.6%
Deposits	2,244,032	2,178,141	2,149,333	3.0%	4.4%
Loan to deposit ratio	85.7%	89.1%	87.2%	(3.4)%	(1.5)%
Non-performing loans (NPLs)	77,772	68,841	61,841	13.0%	25.8%
Ratio of NPLs to total loans	3.5%	3.2%	2.9%	0.3%	0.6%
Ratio of loan loss reserves to NPLs	160.0%	173.6%	174.4%	(13.6)%	(14.4)%
Total capital adequacy ratio	18.26%	18.32%	17.68%	(0.06)%	0.58%

** Less deferred revenue

Bangkok Bank and its subsidiaries have reported a net profit for the first quarter 2017 of Baht 8.3 billion, a similar level to the first quarter of last year, with net interest income of Baht 16.3 billion, an increase of 1.5 percent, and a net interest margin of 2.35 percent. Non-interest income amounted to Baht 10.9 billion, an increase of 2.5 percent, due predominately to an increase of 10.1 percent in net fees and service income from the increase in fee income from mutual funds, bancassurance, electronic services and remittances. Meanwhile, gains on trading and foreign exchange transactions and gains on investments decreased. Operating expenses were Baht 11.1 billion, a decrease of 13.8 percent, due to the decline in provisions for contingencies.

The Bank's loans at the end of March 2017 amounted to Baht 1,924.0 billion, a decrease of 0.9 percent from the end of 2016, which decreased in loans to medium-sized and small businesses, consumer sector and loans made through the Bank's international network. Non-performing loans (NPLs) at the end of March 2017 amounted to Baht 77.8 billion with the ratio of NPLs to total loans at 3.5 percent due to the slow economic recovery impacting the solvency of businesses. Nevertheless, the Bank continues to closely monitor its loan quality and set aside appropriate provisioning expenses. In this quarter, provisioning expenses amounted to Baht 5.8 billion, consequently total allowances for doubtful accounts were at Baht 124.4 billion or 6.5 percent of loans.

In terms of capital, with the inclusion of net profit for the six months between July – December, 2016 and of net profit for the first quarter of 2017 minus the May 2017 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 19.03 percent, 17.22 percent and 17.22 percent, respectively. Shareholders' equity as of March 31, 2017, amounted to Baht 385.9 billion or 12.9 percent of total assets. The book value per share was Baht 202.17, an increase of Baht 3.61 from the end of 2016.

Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

Item	Quarter		Change (%)		
	1/2017	4/2016	1/2016	4/2016	1/2016
Net interest income	16,277	16,303	16,034	(0.2)%	1.5%
Non-interest income	10,939	11,063	10,672	(1.1)%	2.5%
Operating expenses	11,082	12,968	12,856	(14.5)%	(13.8)%
Impairment loss of loans and debt securities	5,806	3,596	3,644	61.5%	59.3%
Operating profit before tax	10,328	10,802	10,206	(4.4)%	1.2%
Income tax expenses	1,951	2,469	1,828	(21.0)%	6.7%
Net profit	8,377	8,333	8,378	0.5%	(0.0)%
Net profit *	8,305	8,267	8,317	0.5%	(0.1)%
Total comprehensive income *	6,895	8,128	8,685	(15.2)%	(20.6)%

* Attributable to the Bank

Net profit in the first quarter of 2017 amounted to Baht 8.3 billion, an increase of Baht 38 million or 0.5 percent from the fourth quarter of 2016, due largely to an increase of Baht 464 million or 7.4 percent in net fees and service income, due partly to an increase in fee income from lending. Gains on investments increased by Baht 107 million or 8.8 percent, and operating expenses declined by Baht 1.9 billion, mainly due to the decline in provisions for contingencies. Impairment loss of loans and debt securities rose by Baht 2.2 billion.

Compared with the first quarter of 2016, net profit decreased by Baht 12 million or 0.1 percent, with an increase of Baht 2.2 billion in impairment loss of loans and debt securities. Net interest income rose by Baht 243 million or 1.5 percent, due to a decline in interest expenses from deposits given the lower costs of fixed deposits. Non-interest income rose by Baht 267 million or 2.5 percent, due predominately to an increase in net fees and service income resulting largely from fee income from mutual funds and bancassurance, and electronic services and remittances. Operating expenses declined by Baht 1.8 billion due to the decline in provisions for contingencies.

Net Interest Income

Million Baht

Item	Quarter		Change (%)		
	1/2017	4/2016	1/2016	4/2016	1/2016
Interest Income					
Loans	21,828	21,967	22,376	(0.6)%	(2.4)%
Interbank and money market items	1,727	1,499	1,359	15.2%	27.1%
Investments	2,094	2,055	2,108	1.9%	(0.7)%
Total interest income	25,649	25,521	25,843	0.5%	(0.8)%
Interest expenses					
Deposits	5,102	4,992	5,543	2.2%	(8.0)%
Interbank and money market items	257	235	278	9.4%	(7.6)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,331	2,277	2,280	2.4%	2.2%
Debt issued and borrowings	1,682	1,714	1,708	(1.9)%	(1.5)%
Total interest expenses	9,372	9,218	9,809	1.7%	(4.5)%
Net interest income	16,277	16,303	16,034	(0.2)%	1.5%
Yield on earning assets	3.70%	3.69%	3.83%	0.01%	(0.13)%
Cost of funds	1.54%	1.52%	1.64%	0.02%	(0.10)%
Net interest margin	2.35%	2.36%	2.37%	(0.01)%	(0.02)%

Net interest income in the first quarter of 2017 amounted to Baht 16.3 billion, a decrease of Baht 26 million or 0.2 percent from the fourth quarter of 2016, due to a decrease of Baht 139 million or 0.6 percent in interest income from loans and an increase of Baht 110 million or 2.2 percent in interest expenses from deposits as a result of an increase in deposits volume. Interest income from interbank and money market items rose by Baht 228 million or 15.2 percent, from an increase in transaction volume. The net interest margin decreased by 0.01 percent from the previous quarter to 2.35 percent.

Compared with the first quarter of 2016, net interest income rose by Baht 243 million or 1.5 percent, mainly due to a decrease of Baht 441 million or 8.0 percent in interest expenses on deposits as high-rate fixed deposits gradually mature, and an increase of Baht 368 million or 27.1 percent in interest income from interbank and money market items from an increase in transaction volume. Interest income from loans fell by Baht 548 million or 2.4 percent due to the decrease in yield resulting from the Bank's loan interest rate being cut by 0.25 percent in April 2016, as a result, yield on earning assets decreased by 0.13 percent. The net interest margin fell by 0.02 percent from the same quarter last year to 2.35 percent.

Bangkok Bank Interest Rates	Apr 25, '16	Apr 6, '16	May 26, '15
Loans (%)			
MOR	7.375	7.375	7.375
MRR	7.625	7.875	7.875
MLR	6.250	6.250	6.500
Deposits (%)			
Savings	0.500-0.625	0.500-0.625	0.500-0.625
Fixed 3 months	1.000	1.000	1.000
Fixed 6 months	1.250	1.250	1.250
Fixed 12 months	1.500	1.500	1.500
		Apr 29, '15	Mar 11, '15
Bank of Thailand Policy Rates (%)		1.500	1.750

Non-Interest Income

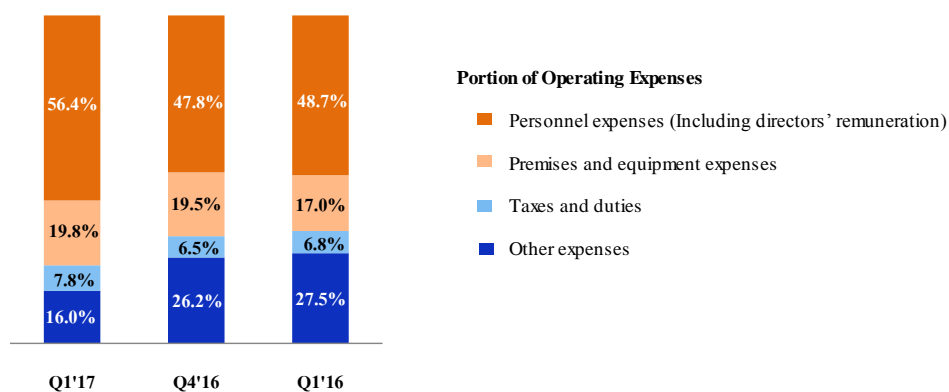
Item	Quarter		Change (%)		
	1/2017	4/2016	1/2016	4/2016	1/2016
Fees and service income	9,030	8,478	8,257	6.5%	9.4%
<u>Less fees and service expenses</u>	2,311	2,223	2,154	4.0%	7.3%
Net fees and service income	6,719	6,255	6,103	7.4%	10.1%
Gains on trading and foreign exchange transactions	1,630	2,026	1,955	(19.5)%	(16.6)%
Gains on investments	1,329	1,222	1,531	8.8%	(13.2)%
Share of profit from investment for using equity method	82	41	61	100.0%	34.4%
Gains on disposal of assets	204	542	100	(62.4)%	104.0%
Dividend income	869	784	788	10.8%	10.3%
Other operating income	106	193	134	(45.1)%	(20.9)%
Total other operating income	4,220	4,808	4,569	(12.2)%	(7.6)%
Total non-interest income	10,939	11,063	10,672	(1.1)%	2.5%
Net fees and service income to operating income ratio	24.7%	22.9%	22.9%	1.8%	1.8%

Non-interest income in the first quarter of 2017 amounted to Baht 10.9 billion, a decrease of Baht 124 million or 1.1 percent from the fourth quarter of 2016 mainly due to a decrease of Baht 396 million in gains on trading and foreign exchange transactions. Gains on disposal of assets decreased by Baht 338 million while net fees and service income rose by Baht 464 million, with the main sources of fee income from lending, mutual funds and bancassurance, and electronic services and remittances. Consequently, the ratio of net fees and service income to operating income stood at 24.7 percent, higher than the previous quarter.

Compared with the first quarter of 2016, non-interest income rose by Baht 267 million or 2.5 percent. Significant items included an increase of Baht 616 million in net fees and service income due to an increase in fee income from mutual funds and bancassurance, electronic services and remittances, the securities business, and trade services. Gains on trading and foreign exchange transactions decreased by Baht 325 million and gains on investments fell by Baht 202 million.

Operating Expenses

Item	Quarter			Change (%)	
	1/2017	4/2016	1/2016	4/2016	1/2016
Personnel expenses	6,219	6,157	6,238	1.0%	(0.3)%
Directors' remuneration	33	43	19	(23.3)%	73.7%
Premises and equipment expenses	2,191	2,535	2,185	(13.6)%	0.3%
Taxes and duties	864	838	881	3.1%	(1.9)%
Other expenses	1,775	3,395	3,533	(47.7)%	(49.8)%
Total operating expenses	11,082	12,968	12,856	(14.5)%	(13.8)%
Expense to operating income ratio	40.7%	47.4%	48.1%	(6.7)%	(7.4)%



Operating expenses in the first quarter of 2017 amounted to Baht 11.1 billion, a decrease of Baht 1.9 billion or 14.5 percent from the fourth quarter of 2016. Significant items included other expenses, which decreased by Baht 1.6 billion due to the decline in provisions for contingencies, and expenses relating to premises and equipment decreased by Baht 344 million.

Compared with the first quarter of 2016, operating expenses decreased by Baht 1.8 billion or 13.8 percent, mainly due to a decline in other expenses by Baht 1.8 billion, caused by lower provisions for contingencies.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter		Change (%)		
	1/2017	4/2016	1/2016	4/2016	1/2016
Bad debt and doubtful accounts	5,859	2,792	3,991	109.8%	46.8%
Loss on debt restructuring (reversal)	(53)	804	(347)	(106.6)%	84.7%
Total	5,806	3,596	3,644	61.5%	59.3%

In the first quarter of 2017, impairment loss of loans and debt securities was Baht 5.8 billion, compared with Baht 3.6 billion in the fourth quarter of 2016 and Baht 3.6 billion in the first quarter of 2016.

Significant Items in the Financial Position

Assets

Million Baht

Item	March 2017	December 2016	March 2016	Change (%)	
				December 2016	March 2016
Net interbank and money market items	504,369	394,612	455,144	27.8%	10.8%
Net investments	525,639	546,614	541,050	(3.8)%	(2.8)%
Net investments in associates	1,410	1,327	1,341	6.3%	5.1%
Loans *	1,923,953	1,941,093	1,874,924	(0.9)%	2.6%
Net properties for sale	12,004	12,262	13,436	(2.1)%	(10.7)%
Total assets	2,995,623	2,944,230	2,940,726	1.7%	1.9%

* Less deferred revenue

Total assets as of March 31, 2017, amounted to Baht 2,995.6 billion, an increase of Baht 51.4 billion from the end of December 2016. Significant items included net interbank and money market items of Baht 504.4 billion, an increase of Baht 109.8 billion or 27.8 percent, mainly from the increase in lending volume. Net investments amounted to Baht 525.6 billion, a decrease of Baht 21.0 billion or 3.8 percent, and a decrease of Baht 17.1 billion or 0.9 percent in loans.

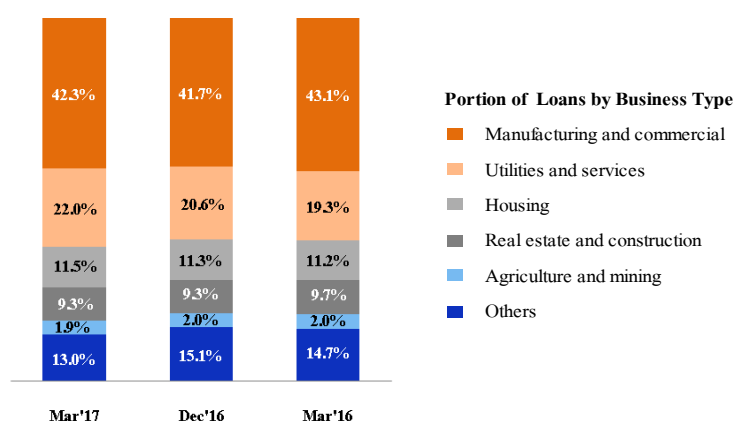
Loans

Loans as of March 31, 2017, amounted to Baht 1,924.0 billion, a decrease of Baht 17.1 billion or 0.9 percent from the end of December 2016, due to the reduction in loans to medium-sized and small businesses, consumer sector and loans made through the Bank's international network.

Million Baht

Loans by Business Type *	March 2017	December 2016	March 2016	Change (%)	
				December 2016	March 2016
Manufacturing and commercial	814,365	810,335	807,411	0.5%	0.9%
Utilities and services	424,143	399,372	361,829	6.2%	17.2%
Housing	220,250	219,365	210,706	0.4%	4.5%
Real estate and construction	179,036	179,973	182,063	(0.5)%	(1.7)%
Agriculture and mining	36,825	38,541	37,109	(4.5)%	(0.8)%
Others	249,334	293,507	275,806	(15.1)%	9.6%
Total	1,923,953	1,941,093	1,874,924	(0.9)%	2.6%

* Less deferred revenue



The highest portion of lending was to various industries in the manufacturing and commercial sectors, at 42.3 percent, followed by 22.0 percent to utilities and services, 11.5 percent to housing, and 9.3 percent to real estate and construction. The main decrease in loans from the end of December 2016 was to 'others'.

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 2017	December 2016	March 2016	March 2017	December 2016	March 2016
Normal	1,801,607	1,830,827	1,769,793	13,986	14,502	13,646
Special mentioned	48,377	46,058	46,832	593	548	528
Substandard	12,188	9,495	8,420	5,852	2,589	3,590
Doubtful	16,341	16,050	14,249	8,724	10,140	7,434
Doubtful of loss	49,296	43,316	39,260	32,247	27,815	24,748
Total	1,927,809	1,945,746	1,878,554	61,402	55,594	49,946
<u>Plus</u> excess allowance for doubtful accounts				60,430	61,214	55,929
Total allowance for doubtful accounts from loan classification				121,832	116,808	105,875
<u>Plus</u> revaluation allowance for debt restructuring				2,614	2,710	1,986
Total allowance for doubtful accounts				124,446	119,518	107,861

* Less deferred revenue

Million Baht

Item	March 2017	December 2016	March 2016	Change (%)	
				December 2016	March 2016
NPLs before allowance for doubtful accounts	77,772	68,841	61,841	13.0%	25.8%
Ratio of NPLs to total loans	3.5%	3.2%	2.9%	0.3%	0.6%
NPLs after allowance for doubtful accounts (net NPLs)	22,799	19,156	18,477	19.0%	23.4%
Ratio of net NPLs to net total loans	1.1%	0.9%	0.9%	0.2%	0.2%
Ratio of loan loss reserves to minimum required provisioning	194.4%	205.0%	207.7%	(10.6)%	(13.3)%
Ratio of loan loss reserves to NPLs	160.0%	173.6%	174.4%	(13.6)%	(14.4)%

Non-performing loans (NPLs) at the end of March 2017 amounted to Baht 77.8 billion and the ratio of NPLs to total loans was 3.5 percent.

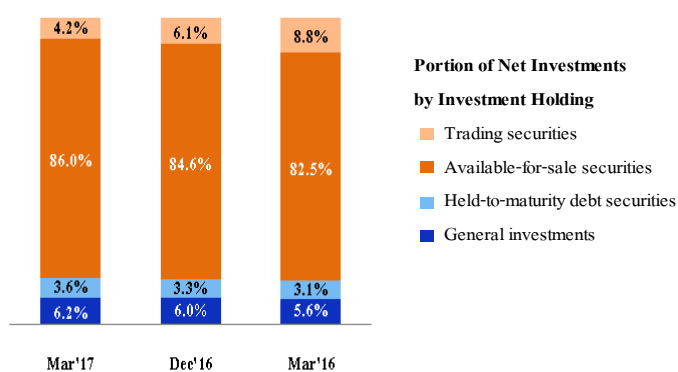
Total allowance for doubtful accounts at the end of March 2017 was Baht 124.4 billion. However, the minimum required by the Bank of Thailand (BOT) was Baht 64.0 billion or 194.4 percent. The ratio of loan loss reserves to NPLs was 160.0 percent.

Net Investments

Net investments as of March 31, 2017, amounted to Baht 525.6 billion, a decrease of Baht 21.0 billion or 3.8 percent from the end of December 2016, due mainly to a decrease in investment from trading securities and available-for-sale securities.

Million Baht

Investments by Investment Holding	March 2017	December 2016	March 2016	Change (%)	
				December 2016	March 2016
Trading securities	22,180	33,148	47,773	(33.1)%	(53.6)%
Available-for-sale securities	452,056	462,742	446,333	(2.3)%	1.3%
Held-to-maturity debt securities	19,125	18,121	16,910	5.5%	13.1%
General investments	32,278	32,603	30,034	(1.0)%	7.5%
Total net investments	525,639	546,614	541,050	(3.8)%	(2.8)%



Most of the net investments were in government and state-enterprise securities. As of March 31, 2017, these amounted to Baht 298.2 billion, accounting for 56.7 percent of total investments. Foreign debt securities were Baht 95.9 billion, private enterprise debt securities Baht 25.1 billion, and net equity securities Baht 105.7 billion.

Million Baht

Investments by Maturity *	March 2017		December 2016		March 2016 **		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2016	March 2016
Up to one year	88,365	16.8%	87,347	15.9%	124,301	22.9%	1.2%	(28.9)%
Between one and five years	300,560	57.0%	317,650	58.0%	274,452	50.6%	(5.4)%	9.5%
Over five years	32,469	6.2%	37,631	6.9%	44,105	8.1%	(13.7)%	(26.4)%
No maturity	105,655	20.0%	105,313	19.2%	99,533	18.4%	0.3%	6.2%
Total net investments	527,049	100.0%	547,941	100.0%	542,391	100.0%	(3.8)%	(2.8)%

* Including net investments in associates

** The Bank has changed the way it presents the comparison to be in accordance with the current end-of-quarter presentation

The remaining terms of the net investments (including net investments in associates) as of March 31, 2017, were categorized into securities with less than one year to maturity of Baht 88.4 billion, securities with one-to-five years to maturity of Baht 300.6 billion, securities with remaining maturities of more than five years of Baht 32.5 billion, and securities with no maturity of Baht 105.7 billion.

Liabilities and Shareholders' Equity

Million Baht

Item	March 2017	December 2016	March 2016	Change (%)	
				December 2016	March 2016
Deposits	2,244,032	2,178,141	2,149,333	3.0%	4.4%
Interbank and money market items	117,580	130,928	162,867	(10.2)%	(27.8)%
Debt issued and borrowings	133,236	137,815	135,513	(3.3)%	(1.7)%
Total liabilities	2,609,526	2,564,985	2,570,054	1.7%	1.5%
Shareholders' equity *	385,910	379,016	370,518	1.8%	4.2%

* Attributable to the Bank

Total liabilities as of March 31, 2017, amounted to Baht 2,609.5 billion, an increase of Baht 44.5 billion or 1.7 percent from the end of December 2016, due mainly to an increase of Baht 65.9 billion in deposits, while interbank and money market items fell by Baht 13.3 billion or 10.2 percent, due to deposit transactions and repurchase agreements.

Deposits

Million Baht

Deposits Classified by Product Type	March 2017		December 2016		March 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2016	March 2016
Current	96,643	4.3%	95,810	4.4%	92,142	4.3%	0.9%	4.9%
Savings	991,774	44.2%	958,150	44.0%	901,195	41.9%	3.5%	10.1%
Fixed *	1,155,615	51.5%	1,124,181	51.6%	1,155,996	53.8%	2.8%	(0.0)%
Total	2,244,032	100.0%	2,178,141	100.0%	2,149,333	100.0%	3.0%	4.4%
Loan to deposit ratio		85.7%		89.1%		87.2%	(3.4)%	(1.5)%

* Including negotiable certificates of deposit

Total deposits as of March 31, 2017, amounted to Baht 2,244.0 billion, an increase of Baht 65.9 billion or 3.0 percent due to the increase in all types of deposits, mostly from savings deposits which rose by 3.5 percent and fixed deposits which rose by 2.8 percent.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	March 2017		December 2016		March 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2016	March 2016
Senior unsecured notes	103,379	74.2%	107,556	74.7%	105,740	74.5%	(3.9)%	(2.2)%
Unsecured subordinated notes	35,497	25.5%	36,123	25.1%	35,850	25.3%	(1.7)%	(1.0)%
Bills of exchange	74	0.1%	74	0.1%	74	0.1%	-	-
Others	378	0.2%	213	0.1%	149	0.1%	77.5%	153.7%
Total (before less discount on borrowings)	139,328	100.0%	143,966	100.0%	141,813	100.0%	(3.2)%	(1.8)%
<u>Less</u> discount on borrowings	6,092		6,151		6,300		(1.0)%	(3.3)%
Total	133,236		137,815		135,513		(3.3)%	(1.7)%

Total debt issued and borrowings as of March 31, 2017, amounted to Baht 133.2 billion, a decrease of Baht 4.6 billion from the end of December 2016, due to a decrease in the value of foreign-denominated debentures as a result of the Baht's appreciation.

Shareholders' Equity

Shareholders' equity as of March 31, 2017, amounted to Baht 385.9 billion, an increase of Baht 6.9 billion or 1.8 percent from the end of 2016, due mainly to the net profit for the first quarter of 2017 of Baht 8.3 billion and an increase of Baht 1.1 billion in revaluation gains on available-for-sale investments. Loss on translation of the financial statements of foreign operations rose by Baht 2.5 billion due to the Baht's appreciation.

Contingent Liabilities

Million Baht

Item	March 2017	December 2016	March 2016	Change (%)	
				December 2016	March 2016
Avals to bills	6,619	5,529	6,588	19.7%	0.5%
Guarantees of loans	17,788	18,001	11,901	(1.2)%	49.5%
Liability under unmatured import bills	19,610	17,921	19,884	9.4%	(1.4)%
Letters of credit	35,400	35,623	27,130	(0.6)%	30.5%
Other commitments					
Underwriting commitments	1,950	-	498	100.0%	291.6%
Amount of unused bank overdrafts	175,078	175,893	178,372	(0.5)%	(1.8)%
Other guarantees	272,948	267,989	230,883	1.9%	18.2%
Others	151,080	82,088	109,900	84.0%	37.5%
Total	680,473	603,044	585,156	12.8%	16.3%

Contingent liabilities as of March 31, 2017, amounted to Baht 614.0 billion, an increase of Baht 11.0 billion or 1.8 percent from the end of December 2016, with an increase in others (under other commitments) and other guarantees.

Sources and Utilization of Funds

The primary sources of funds as of March 31, 2017, were Baht 2,244.0 billion or 74.9 percent in deposits, Baht 385.9 billion or 12.9 percent in shareholders' equity, Baht 133.2 billion or 4.4 percent in debt issued and borrowings, and Baht 117.6 billion or 3.9 percent in interbank and money market liabilities.

The utilization of funds comprised Baht 1,924.0 billion or 64.2 percent in loans, Baht 527.0 billion or 17.6 percent in net investments (including net investments in associates), and Baht 504.4 billion or 16.8 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

Consolidated

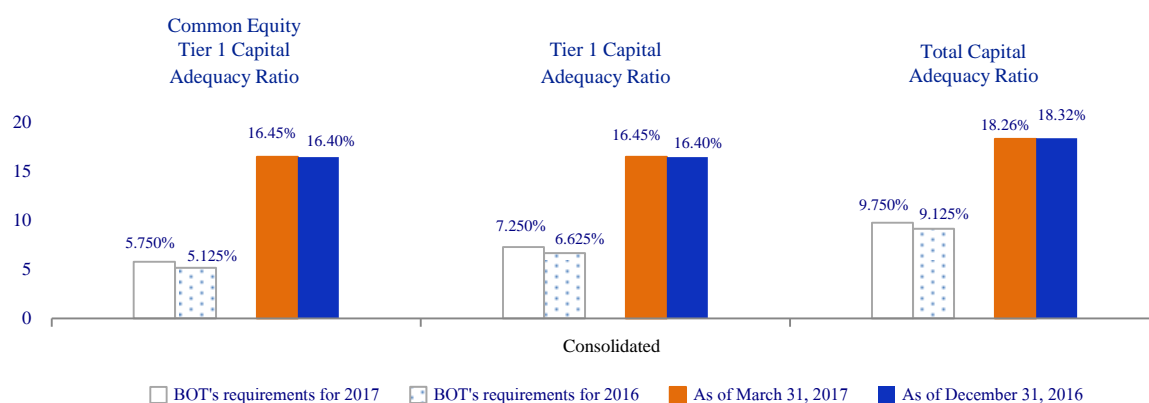
Million Baht

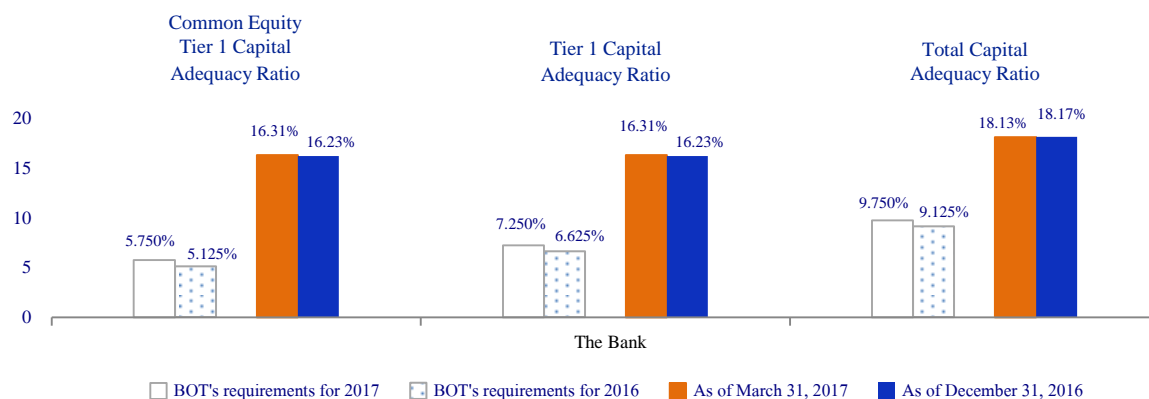
Item	Capital			Capital Adequacy Ratio		
	March 2017	December 2016	March 2016	March 2017	December 2016	March 2016
Total capital	398,844	403,068	383,765	18.26%	18.32%	17.68%
Tier 1 capital	359,432	360,818	341,618	16.45%	16.40%	15.74%
Common equity Tier 1 capital	359,364	360,702	341,537	16.45%	16.40%	15.74%

The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	March 2017	December 2016	March 2016	March 2017	December 2016	March 2016
Total capital	385,734	388,788	373,407	18.13%	18.17%	17.78%
Tier 1 capital	347,000	347,373	332,044	16.31%	16.23%	15.81%
Common equity Tier 1 capital	347,000	347,373	332,044	16.31%	16.23%	15.81%





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 on January 1, 2019. To satisfy the minimum requirements and capital buffer, in 2017 the Bank is required to maintain the Common Equity Tier 1 ratio at more than 5.75 percent, the Tier 1 ratio at more than 7.25 percent, and the total capital ratio at more than 9.75 percent – measured as percentages of total risk-weighted assets.

As of March 31, 2017, legal capital funds were Baht 398.8 billion, common equity Tier 1 capital was Baht 359.4 billion, and Tier 1 capital was Baht 359.4 billion. The total capital adequacy ratio was 18.26 percent, the common equity Tier 1 capital adequacy ratio was 16.45 percent, and the Tier 1 capital adequacy ratio was 16.45 percent. With the inclusion of net profit for the six months ending December 31, 2016 and net profit for the first quarter of 2017 minus the dividend payment in May 2017, the total capital adequacy ratio, the common equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 19.03 percent, 17.22 percent and 17.22 percent, respectively.

Liquid Assets

Item	March 2017	December 2016	March 2016
Liquid assets (Million Baht)	1,034,151	956,847	1,003,089
Liquid assets/total assets (%)	34.5	32.5	34.1
Liquid assets/deposits (%)	46.1	43.9	46.7

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of March 31, 2017, liquid assets totaled Baht 1,034.2 billion, an increase of Baht 77.3 billion or 8.1 percent from the end of December 2016, due mainly to an increase of Baht 109.8 billion in interbank and money market items, while trading securities decreased by Baht 11.0 billion, cash decreased by Baht 10.8 billion, and available-for-sale securities decreased by Baht 10.7 billion.

Credit Ratings

At the end of March 2017, Moody's Investors Service and Standard & Poor's maintained the Bank's credit ratings from the end of 2016 and the end of March 2016. Fitch Ratings, in August 2016, announced the upgrade of the Bank's national long-term credit ratings from AA(th) to AA+(th) and its subordinated debt instruments rating from AA-(th) to AA(th), while the outlook for the Bank's rating remained at Stable. Details of the Bank's credit ratings are as follows:

Credit Rating Agency *	March 31, 2017	December 31, 2016	March 31, 2016
Moody's Investors Service			
Long term - Deposits	Baa1	Baa1	Baa1
Short term - Debt instruments / deposits	P-2 / P-2	P-2 / P-2	P-2 / P-2
Senior unsecured debt instruments	Baa1	Baa1	Baa1
Subordinated debt instruments	Baa3	Baa3	Baa3
Outlook	Stable	Stable	Stable
Financial strength (BCA)	baa2	baa2	baa2
Financial strength outlook	Stable	Stable	Stable
Standard & Poor's			
Long term - Debt instruments	BBB+	BBB+	BBB+
- Deposits	BBB+	BBB+	BBB+
Short term - Debt instruments / deposits	A-2 / A-2	A-2 / A-2	A-2 / A-2
Senior unsecured debt instruments	BBB+	BBB+	BBB+
Subordinated debt instruments	BBB	BBB	BBB
Financial strength (SACP)	bbb	bbb	bbb
Support	+1	+1	+1
Outlook	Stable	Stable	Stable
ASEAN Regional Ratings (Long term / Short term)	axA+ / axA-1	axA+ / axA-1	axA+ / axA-1
Fitch Ratings			
International ratings			
Long term - Debt instruments	BBB+	BBB+	BBB+
Short term - Debt instruments	F2	F2	F2
Senior unsecured debt instruments	BBB+	BBB+	BBB+
Subordinated debt instruments	BBB	BBB	BBB
Financial strength (Viability)	bbb+	bbb+	bbb+
Support	2	2	2
Outlook	Stable	Stable	Stable
National ratings			
Long term - Debt instruments	AA+(th)	AA+(th)	AA(th)
Short term - Debt instruments	F1+(th)	F1+(th)	F1+(th)
Subordinated debt instruments	AA(th)	AA(th)	AA-(th)
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.