



# Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and the Nine Months Ended September 30, 2015

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## Management Discussion and Analysis

### Overview of the Economy and Banking

#### *Thai Economy in the Third Quarter of 2015*

Thailand's economy in the third quarter of 2015 recovered at a moderate pace. Domestic demand improved slightly in line with a gradual recovery in private consumption, although households remained cautious about spending and agricultural prices remained sluggish, with a decline in agricultural production caused by the recent drought and high levels of household debt. Private investment also improved marginally but its level remained low. Uncertainty about the economic recovery, delays in large-scale public infrastructure investment and low industry capacity utilization rates meant that the business sector maintained its cautious stance. Government investment spending, which had accelerated over the first two quarters of 2015, started to slow down. Exports continued to contract on declining demand from major trading partners, particularly China. Tourism growth slowed slightly due to a major bombing in Bangkok in August, but the growth rate over the quarter remained high. In the first nine months of the year, Thailand's economy is expected to grow by around 2.8-2.9 percent from the same period last year.

The moderate pace of economic growth, coupled with persistently low world commodity prices, was reflected in headline inflation of minus 1.1 percent in the third quarter, lower than the Bank of Thailand's target range of 1-4 percent for the third consecutive quarter, due mainly to the decline in energy prices. Core inflation stood at 0.9 percent, indicating that prices of non-energy goods had continued to increase. In the first nine months of the year, headline inflation was minus 0.9 percent while core inflation was 1.1 percent. The Thai baht averaged 35.25 THB/USD in the third quarter, depreciating from 32.10 and 33.27 THB/USD when compared with the third quarter of last year and the first quarter of this year, respectively.

The Monetary Policy Committee (MPC) has so far cut its policy interest rate twice in 2015, by 25 basis points in March and April, with the current rate standing at 1.50 percent. This was in response to the slow pace of economic recovery, and the disappointing level of consumption and investment, which will further dampen economic growth. These factors, combined with negative inflation and expectations that inflation will remain low for some time, prompted the MPC to further ease monetary policy to bolster the economy.

Thailand's economic growth for 2015 is expected to be around 2-3 percent. Key negative factors include: China's slower-than-expected economic growth; greater volatility in financial and currency markets as the Federal Reserve's imminent interest rate hike is expected to lead to increasing demand for US dollar assets; uncertain economic recoveries in the Eurozone and Japan; the prolonged sluggish state of world commodity prices, especially agricultural prices; the delay in the Thai government's investment spending; and continuing high levels of domestic household debt. Factors supporting the Thai economy include government investment spending on small-sized projects in rural areas, government stimulus measures focused on helping low-income households and small and medium-sized enterprises (SMEs), robust tourism growth, and low energy prices. These factors are expected to support GDP growth for the rest of the year.

#### *Thai Banking Industry*

Despite an unfavorable economic environment in the third quarter of 2015, the Thai commercial banking system's total loans and deposits continued to expand slightly. Aggregating the balance sheets of commercial banks at the end of September 2015, deposits grew by 6.4 percent from the same period last year, slower than the previous quarter's growth of 8.4 percent, while loans grew by 7.0 percent from the same period last year, slightly higher than the previous quarter's growth of 6.7 percent. As a result of slower deposit growth, banking system liquidity tightened compared to the end of 2014 and the previous quarter, with a Loan-to-Deposit Ratio

(LDR) of 97.2 percent, up from 94.6 and 96.3 percent at the end of 2014 and the end of June 2015, respectively. Loan quality slightly deteriorated, as measured by the ratio of non-performing loans (NPLs) to total loans, which rose to 2.92 percent from the previous quarter's 2.49 percent.

The Bank of Thailand's Senior Loan Officer Survey in the third quarter indicated that the demand for business credit improved marginally but household credit demand edged down, compared to the previous quarter. However, both business and household credit demand are expected to increase in the fourth quarter. Competition for deposits is expected to be mild, as the economy is likely to recover at a slow pace; coupled with the delay in public infrastructure investment, demand for loans is unlikely to accelerate. In addition, the banking system has adequate levels of liquidity. Commercial banks' liquidity management is expected to focus on re-adjusting their deposit structures and appropriately managing costs. Banks also need to maintain a level of liquid assets (as measured by Liquidity Coverage Ratio or LCR) sufficient to cope with cash outflows during a potential crisis, in accordance with the requirements of Basel III which will come into effect in January 2016. At current lending levels the system's overall loan quality will slightly deteriorate; however, banks still maintain a relatively large capital base and a high level of provisioning reserves which should continue to support loan quality.

### Overall Picture of the Bank and its Subsidiaries

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change
	3/2015	2/2015	3/2014	2/2015	3/2014	2015	2014	(%)
Net profit *	<b>9,057</b>	8,035	9,575	12.7%	(5.4)%	<b>26,499</b>	27,569	(3.9)%
Earnings per share (Baht)	<b>4.74</b>	4.21	5.02	12.7%	(5.4)%	<b>13.88</b>	14.44	(3.9)%
Net interest margin	<b>2.14%</b>	1.97%	2.44%	0.17%	(0.30)%	<b>2.11%</b>	2.39%	(0.28)%
Net fees and service income to operating income ratio	<b>22.5%</b>	22.1%	21.1%	0.4%	1.4%	<b>23.4%</b>	21.9%	1.5%
Expense to operating income ratio	<b>40.9%</b>	47.2%	40.9%	(6.3)%	0.0%	<b>43.1%</b>	42.5%	0.6%
Return on average assets *	<b>1.26%</b>	1.13%	1.47%	0.13%	(0.21)%	<b>1.26%</b>	1.42%	(0.16)%
Return on average equity *	<b>10.20%</b>	9.43%	12.02%	0.77%	(1.82)%	<b>10.40%</b>	11.94%	(1.54)%

\* Attributable to the Bank

Item	Million Baht				
	September	June	December	Change (%)	
	2015	2015	2014	June 2015	December 2014
Loans **	<b>1,809,886</b>	1,789,616	1,782,233	1.1%	1.6%
Deposits	<b>2,068,240</b>	2,128,102	2,058,779	(2.8)%	0.5%
Loan to deposit ratio	<b>87.5%</b>	84.1%	86.6%	3.4%	0.9%
Non-performing loans (NPLs)	<b>58,112</b>	55,126	45,046	5.4%	29.0%
Ratio of NPLs to total loans	<b>2.8%</b>	2.5%	2.1%	0.3%	0.7%
Ratio of loan loss reserves to NPLs	<b>172.5%</b>	170.4%	204.1%	2.2%	(31.5)%
Total capital adequacy ratio	<b>18.21%</b>	17.62%	17.41%	0.59%	0.80%

\*\* Less deferred revenue

Bangkok Bank and its subsidiaries have reported a consolidated net profit of Baht 9.1 billion for the third quarter of 2015, an increase of Baht 1.0 billion or 12.7 percent from the second quarter of 2015, and a decrease of Baht 518 million or 5.4 percent from the third quarter of last year. Net profit for the first nine months of 2015 was Baht 26.5 billion, a decrease of Baht 1.1 billion or 3.9 percent from the same period last year.

The Bank's lending at the end of September 2015 amounted to Baht 1,809.9 billion, up by Baht 20.3 billion or 1.1 percent from the end of June 2015. Non-performing loans (NPLs) amounted to Baht 58.1 billion, while the ratio of NPLs to total loans was 2.8 percent, rising from 2.5 percent in the previous quarter. In response, the Bank continued to focus on effective risk management and maintaining loan quality at appropriate levels, staying close to its customers and providing them with relevant advice and assistance.

The Bank continued its prudent strategic approach by consistently setting aside provisioning expenses. For the nine months ending September 30, 2015, provisioning expenses were Baht 10.8 billion, representing a ratio of loan loss reserves to NPLs of 172.5 percent and a ratio of loan loss reserves to total loans of 5.5 percent.

The Bank also focused on holding adequate levels of liquidity and controlling costs at appropriate levels. At the end of September 2015, total deposits were Baht 2,068.2 billion, a decrease of Baht 59.9 billion or 2.8 percent from the end of the second quarter of 2015; consequently the loan-to-deposit ratio increased from 84.1 percent at the end of June 2015 to 87.5 percent.

Net interest income amounted to Baht 14.4 billion, an increase of Baht 1.2 billion or 9.3 percent. The net interest margin rose to 2.14 percent due mainly to a lower cost of deposits from the maturing of high-rate fixed deposits. Non-interest income amounted to Baht 12.3 billion, an increase of Baht 972 million or 8.6 percent mostly due to an increase in net fees and service income, and gains on disposal of assets. Operating expenses were Baht 10.9 billion, a decrease of Baht 641 million or 5.5 percent, and the cost-to-income ratio decreased to 40.9 percent.

The Bank maintained a strong level of capital reserves to support future business expansion. After the inclusion of net profit for the third quarter of 2015, the total capital adequacy ratio, common equity Tier 1 ratio and Tier 1 capital ratio of the Bank and its subsidiaries would be 18.64 percent, 16.54 percent and 16.55 percent, respectively.

Shareholders' equity as of September 30, 2015 amounted to Baht 355.0 billion, equivalent to 12.6 percent of total assets. The book value per share was Baht 186.00, an increase of Baht 16.53 from the end of 2014.

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

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change
	3/2015	2/2015	3/2014	2/2015	3/2014	2015	2014	(%)
Net interest income	14,441	13,218	15,109	9.3%	(4.4)%	41,893	44,137	(5.1)%
Non-interest income	12,299	11,327	10,933	8.6%	12.5%	34,430	28,887	19.2%
Operating expenses	10,948	11,589	10,656	(5.5)%	2.7%	32,904	31,030	6.0%
Impairment loss of loans and debt securities	4,872	2,921	3,313	66.8%	47.1%	10,773	7,747	39.1%
Operating profit before tax	10,920	10,035	12,073	8.8%	(9.6)%	32,646	34,247	(4.7)%
Income tax expenses	1,810	1,942	2,458	(6.8)%	(26.4)%	5,987	6,564	(8.8)%
Net profit	9,110	8,093	9,615	12.6%	(5.3)%	26,659	27,683	(3.7)%
Net profit *	9,057	8,035	9,575	12.7%	(5.4)%	26,499	27,569	(3.9)%
Total comprehensive income *	9,043	24,583	9,557	(63.2)%	(5.4)%	43,964	35,306	24.5%

\* Attributable to the Bank

Net profit in the third quarter of 2015 amounted to Baht 9.1 billion, an increase of Baht 1.0 billion or 12.7 percent from the second quarter of 2015. Significant items included an increase of Baht 1.2 billion or 9.3 percent in net interest income due to lower cost of deposits from the maturing of high-rate fixed deposits, an increase of Baht 587 million in net fees and service income, an increase of Baht 1.3 billion in gains on disposal of assets, while gains on selling of investments decreased by Baht 965 million, and impairment loss on loans and debt securities increased by Baht 2.0 billion or 66.8 percent.

Compared with the third quarter of 2014, net profit decreased by Baht 518 million or 5.4 percent due mainly to a decrease of Baht 668 million or 4.4 percent in net interest income from higher deposit volume and a decrease of Baht 1.2 billion or 47.4 percent in gains on selling of investments. In the third quarter of 2015 gains on disposal of assets rose by Baht 1.0 billion and gains on tradings and foreign exchange transactions rose by Baht 1.0 billion, due mainly to derivative transactions and partly to the Baht's depreciation. Impairment loss on loans and debt securities rose by Baht 1.6 billion or 47.1 percent to support an increase in NPLs caused by the slow economic recovery.

In the first nine months of 2015, net profit amounted to Baht 26.5 billion, a decrease of Baht 1.1 billion or 3.9 percent from the same period last year. Significant items included net interest income, which decreased by Baht 2.2 billion or 5.1 percent due to an increase in interest expenses from higher deposit volume. Impairment loss on loans and debt securities rose by Baht 3.0 billion or 39.1 percent. Operating expenses rose by Baht 1.9 billion or 6.0 percent from higher personnel expenses due to annual salary adjustments and an increase in the number of employees. Net fees and service income rose by Baht 1.9 billion, partly from fee income from underwriting in the first quarter of 2015. Gains on investments rose by Baht 1.3 billion from the selling of available-for-sale investments. Total comprehensive income rose by 24.5 percent to Baht 44.0 billion, due mainly to a surplus on revaluation of premises.

### *Net Interest Income*

Item	Quarter		Change (%)		9 Months		Change (%)	
	3/2015	2/2015	3/2014	2/2015	3/2014	2015		2014
Million Baht								
<b>Interest Income</b>								
Loans	<b>21,920</b>	21,527	21,311	1.8%	2.9%	<b>65,258</b>	63,819	2.3%
Interbank and money market items	<b>2,345</b>	2,521	2,191	(7.0)%	7.0%	<b>7,911</b>	6,933	14.1%
Investments	<b>1,477</b>	1,761	2,048	(16.1)%	(27.9)%	<b>4,971</b>	6,428	(22.7)%
<b>Total interest income</b>	<b>25,742</b>	25,809	25,550	(0.3)%	0.8%	<b>78,140</b>	77,180	1.2%
<b>Interest expenses</b>								
Deposits	<b>6,926</b>	8,162	6,466	(15.1)%	7.1%	<b>23,086</b>	20,678	11.6%
Interbank and money market items	<b>297</b>	356	350	(16.6)%	(15.1)%	<b>1,104</b>	1,238	(10.8)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	<b>2,254</b>	2,352	1,964	(4.2)%	14.8%	<b>6,837</b>	6,117	11.8%
Debt issued and borrowings	<b>1,824</b>	1,721	1,661	6.0%	9.8%	<b>5,220</b>	5,010	4.2%
<b>Total interest expenses</b>	<b>11,301</b>	12,591	10,441	(10.2)%	8.2%	<b>36,247</b>	33,043	9.7%
<b>Net interest income</b>	<b>14,441</b>	13,218	15,109	9.3%	(4.4)%	<b>41,893</b>	44,137	(5.1)%
Yield on earning assets	<b>3.81%</b>	3.85%	4.13%	(0.04)%	(0.32)%	<b>3.93%</b>	4.19%	(0.26)%
Cost of funds	<b>1.89%</b>	2.11%	1.91%	(0.22)%	(0.02)%	<b>2.05%</b>	2.02%	0.03%
Net interest margin	<b>2.14%</b>	1.97%	2.44%	0.17%	(0.30)%	<b>2.11%</b>	2.39%	(0.28)%



Net interest income in the third quarter of 2015 amounted to Baht 14.4 billion, an increase of Baht 1.2 billion or 9.3 percent from the second quarter of 2015, due to a decrease of Baht 1.3 billion or 10.2 percent in interest expenses mainly from the maturing of high-rate fixed deposits and an increase of Baht 393 million or 1.8 percent in interest income from loans in line with higher lending, especially to SMEs and consumer loans. The net interest margin rose by 0.17 percent from the previous quarter to 2.14 percent due to the decrease in deposit cost.

Compared with the third quarter of 2014, net interest income declined by Baht 668 million or 4.4 percent due to an increase of Baht 860 million or 8.2 percent in interest expenses caused by higher deposit volume which required the Bank to raise its contribution to the Deposit Protection Agency and Financial Institutions Development Fund. Interest income from investments decreased by Baht 571 million due to a decline in yields on debt securities. The net interest margin decreased 0.30 percent from the third quarter last year due to the decrease in yield on interbank and money market items which the volume increased in line with the increase in deposit.

Net interest income for the first nine months of 2015 amounted to Baht 41.9 billion, a decrease of Baht 2.2 billion or 5.1 percent from the same period last year, mainly from an increase of Baht 3.2 billion or 9.7 percent in interest expense caused largely by an increase in deposit volume. As a result, the Bank's contribution to the Deposit Protection Agency and Financial Institutions Development Fund increased. Interest income from loans rose by Baht 1.4 billion or 2.3 percent, due mainly to an increase in lending to SMEs, consumer loans, and loans made through the Bank's international network. The net interest margin decreased 0.28 percent from the same period last year due to the decrease in yield on interbank and money market items which the volume increased in line with the increase in deposit.

Bangkok Bank Interest Rates	May 26, '15	May 12, '15	Mar 16, '15	Sep 22, '14	Mar 28, '14	Mar 13, '14	Feb 28, '14	Feb 24, '14	Jan 2, '14
<b>Loans (%)</b>									
MOR	7.375	7.500	7.500	7.500	7.375	7.250	7.375	7.375	7.375
MRR	7.875	8.125	8.125	8.125	8.000	8.000	8.000	8.000	7.750
MLR	6.500	6.625	6.625	6.750	6.750	6.750	6.875	6.875	6.875
<b>Deposits (%)</b>									
Savings	0.500-0.625	0.500-0.625	0.500-0.750	0.500-1.250	0.500	0.500	0.625	0.625	0.625
Fixed 3 months	1.000	1.000	1.000	1.125-1.250	1.125-1.250	1.125-1.375	1.250-1.625	1.500-1.750	1.500-1.750
Fixed 6 months	1.250	1.250	1.250	1.375	1.375	1.500	1.625-1.750	1.875-2.000	1.875-2.000
Fixed 12 months	1.500	1.500	1.500	1.750	1.750	1.750	2.000	2.250	2.250
		<b>Apr 29, '15</b>		<b>Mar 11, '15</b>		<b>Mar 12, '14</b>		<b>Nov 27, '13</b>	
<b>Bank of Thailand Policy Rates (%)</b>		1.500		1.750		2.000		2.250	

### Non-Interest Income

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change
	3/2015	2/2015	3/2014	2/2015	3/2014	2015	2014	(%)
Fees and service income	<b>7,940</b>	7,306	7,284	8.7%	9.0%	<b>23,790</b>	21,501	10.6%
<u>Less</u> fees and service expenses	<b>1,927</b>	1,880	1,798	2.5%	7.2%	<b>5,957</b>	5,526	7.8%
<b>Net fees and service income</b>	<b>6,013</b>	5,426	5,486	10.8%	9.6%	<b>17,833</b>	15,975	11.6%
Gains on tradings and foreign exchange transactions	<b>2,231</b>	1,882	1,223	18.5%	82.4%	<b>5,796</b>	4,536	27.8%
Gains on investments	<b>1,296</b>	2,261	2,465	(42.7)%	(47.4)%	<b>4,766</b>	3,450	38.1%
Share of profit from investment for using equity method	<b>42</b>	51	47	(17.6)%	(10.6)%	<b>154</b>	147	4.8%
Gains on disposal of assets	<b>1,672</b>	419	628	299.0%	166.2%	<b>2,635</b>	1,545	70.6%
Dividend income	<b>861</b>	1,162	830	(25.9)%	3.7%	<b>2,817</b>	2,735	3.0%
Other operating income	<b>184</b>	126	254	46.0%	(27.6)%	<b>429</b>	499	(14.0)%
<b>Total other operating income</b>	<b>6,286</b>	5,901	5,447	6.5%	15.4%	<b>16,597</b>	12,912	28.5%
<b>Total non-interest income</b>	<b>12,299</b>	11,327	10,933	8.6%	12.5%	<b>34,430</b>	28,887	19.2%
Net fees and service income to operating income ratio	<b>22.5%</b>	22.1%	21.1%	0.4%	1.4%	<b>23.4%</b>	21.9%	1.5%

Non-interest income in the third quarter of 2015 amounted to Baht 12.3 billion, an increase of Baht 972 million or 8.6 percent from the previous quarter, due mainly to an increase of Baht 587 million or 10.8 percent in net fees and service income from higher fee income from loans and mutual funds, an increase of Baht 1.3 billion in gains on disposal of assets, while gains on selling investments decreased by Baht 965 million.

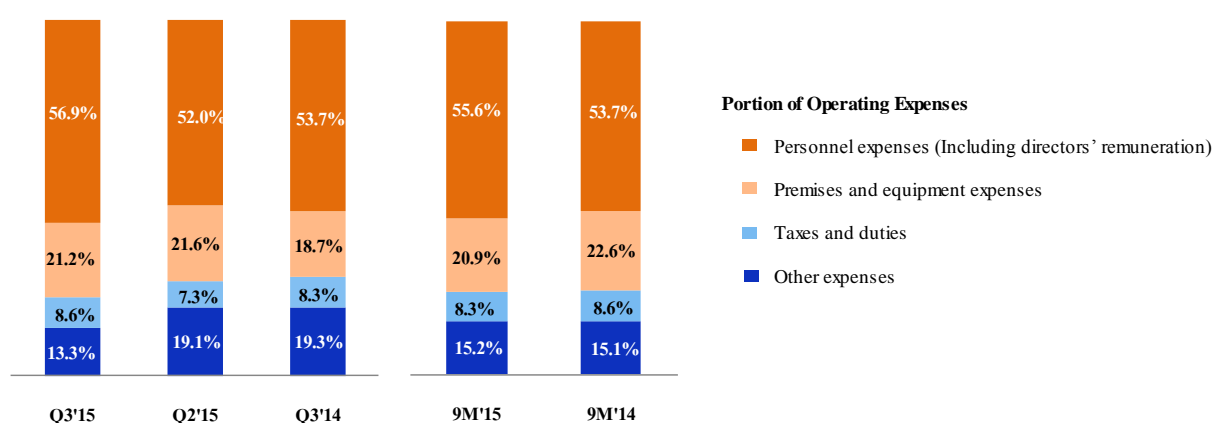
Compared with the third quarter of 2014, non-interest income rose by Baht 1.4 billion or 12.5 percent, due mainly to an increase of Baht 1.0 billion in gains on disposal of assets and an increase of Baht 1.0 billion or 82.4 percent in gains on tradings and foreign exchange transactions due mainly to derivative transactions and partly to the Baht's depreciation. Net fees and service income rose by Baht 527 million due mainly to the increase in fee income from mutual funds, bancassurance and credit cards, while fee income from securities business declined in line with stock market situation. As a result, the ratio of net fees and service income to operating income rose from 21.1 percent to 22.5 percent.

In the first nine months of 2015, non-interest income amounted to Baht 34.4 billion, an increase of Baht 5.5 billion or 19.2 percent from the same period last year. Net fees and service income rose by Baht 1.9 billion, due to an increase of Baht 2.3 billion in fee income. Significant items included increases in fee income from underwriting, mutual funds and loans. Fees and service expenses rose by Baht 431 million or 7.8 percent; as a result, the ratio of net fees and service income to operating income rose from 21.9 percent to 23.4 percent. Gains on investments rose by Baht 1.3 billion or 38.1 percent, due mainly to gains on available-for-sale investments. Gains on tradings and foreign exchange transactions rose by Baht 1.3 billion or 27.8 percent and an increase of Baht 1.1 billion in gains on disposal of assets.

## Operating Expenses

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2015	2/2015	3/2014	2/2015	3/2014	2015	2014	
Personnel expenses	6,208	5,987	5,704	3.7%	8.8%	18,212	16,594	9.8%
Directors' remuneration	20	42	20	(52.4)%	0.0%	95	82	15.9%
Premises and equipment expenses	2,316	2,504	1,990	(7.5)%	16.4%	6,870	7,016	(2.1)%
Taxes and duties	946	847	887	11.7%	6.7%	2,719	2,658	2.3%
Other expenses	1,458	2,209	2,055	(34.0)%	(29.1)%	5,008	4,680	7.0%
<b>Total operating expenses</b>	<b>10,948</b>	<b>11,589</b>	<b>10,656</b>	<b>(5.5)%</b>	<b>2.7%</b>	<b>32,904</b>	<b>31,030</b>	<b>6.0%</b>



Operating expenses in the third quarter of 2015 amounted to Baht 10.9 billion, a decrease of Baht 641 million or 5.5 percent from the second quarter of 2015. Significant items included other expenses, which decreased by Baht 751 million due to a decrease in expenses associate with improving operational efficiency, while personnel expenses increased by Baht 221 million due to special payment to assist employees.

When compared with the third quarter of 2014, operating expenses rose by Baht 292 million or 2.7 percent. Significant items included personnel expenses, which rose by Baht 504 million due to annual salary adjustments and an increase in the number of employees. Premises and equipment expenses rose by Baht 326 million due mainly to higher expenses from efficiency improving and maintaining business systems, while other expenses decreased by Baht 597 million.

In the first nine months of 2015, operating expenses were Baht 32.9 billion, an increase of Baht 1.9 billion or 6.0 percent from the same period last year. Significant items included personnel expenses, which rose by Baht 1.6 billion or 9.8 percent due to annual salary adjustments, including a special adjustment to assist employees and an increase in the number of employees.



### *Impairment Loss of Loans and Debt Securities*

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change
	3/2015	2/2015	3/2014	2/2015	3/2014	2015	2014	(%)
Bad debt and doubtful accounts and impairment loss	5,208	3,008	3,332	73.1%	56.3%	11,293	7,744	45.8%
Loss on debt restructuring (reversal)	(336)	(87)	(19)	(286.2)%	(1,668.4)%	(520)	3	(17,433.3)%
<b>Total</b>	<b>4,872</b>	<b>2,921</b>	<b>3,313</b>	<b>66.8%</b>	<b>47.1%</b>	<b>10,773</b>	<b>7,747</b>	<b>39.1%</b>

Impairment loss of loans and debt securities in the third quarter of 2015 was Baht 4.9 billion, compared to Baht 2.9 billion in the second quarter of 2015 and Baht 3.3 billion in the third quarter of 2014. In the first nine months 2015, impairment loss of loans and debt securities was Baht 10.8 billion, compared to Baht 7.7 billion in the same period last year.

### **Significant Items in the Financial Position**

#### *Assets*

Item	Million Baht				
	September	June	December	Change (%)	
	2015	2015	2014	June 2015	December 2014
Net interbank and money market items	531,310	643,327	532,205	(17.4)%	(0.2)%
Net investments	407,631	365,765	382,054	11.4%	6.7%
Net investments in associates	1,242	1,233	1,156	0.7%	7.4%
Loans *	1,809,886	1,789,616	1,782,233	1.1%	1.6%
Net properties for sale	13,991	15,011	16,516	(6.8)%	(15.3)%
<b>Total assets</b>	<b>2,820,841</b>	<b>2,861,697</b>	<b>2,759,890</b>	<b>(1.4)%</b>	<b>2.2%</b>

\* Less deferred revenue

Total assets as of September 30, 2015 amounted to Baht 2,820.8 billion, a decrease of Baht 40.9 billion from June 30, 2015. Significant items included net interbank and money market items, which amounted to Baht 531.3 billion, a decrease of Baht 112.0 billion or 17.4 percent, mainly attributable to lending and repurchase agreement transactions. Net investments amounted to Baht 407.6 billion, an increase of Baht 41.9 billion or 11.4 percent, mainly from trading securities. Total loans amounted to Baht 1,809.9 billion, an increase of Baht 20.3 billion or 1.1 percent.

Compared with the end of December 2014, total assets rose by Baht 61.0 billion. Significant items included loans, which increased by Baht 27.7 billion or 1.6 percent. Net investments increased by Baht 25.6 billion or 6.7 percent, mainly from available-for-sale investments. Net interbank and money market items decreased by Baht 895 million or 0.2 percent due mainly to lending.

#### *Loans*

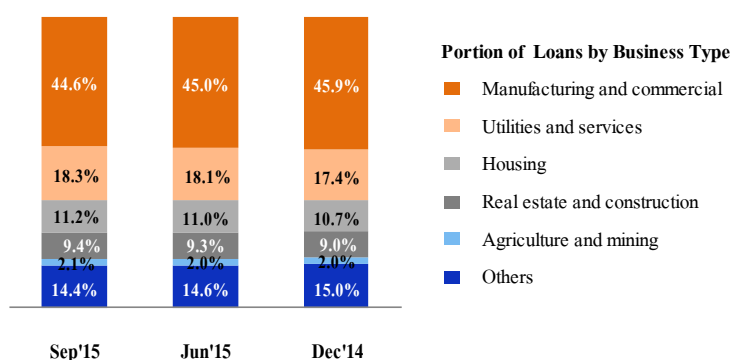
Total loans as of September 30, 2015 amounted to Baht 1,809.9 billion, an increase of Baht 20.3 billion or 1.1 percent from the end of June 2015, due to the growth in SMEs and consumer lending, and loans made through the Bank's international network.

Compared with the end of December 2014, total loans rose by Baht 27.7 billion or 1.6 percent due to the growth in lending to consumer, SMEs and loans made through the Bank's international network.

Million Baht

Loans by Business Type *	September	June	December	Change (%)	
	2015	2015	2014	June 2015	December 2014
Manufacturing and commercial	807,001	804,958	818,419	0.3%	(1.4)%
Utilities and services	330,827	323,153	310,353	2.4%	6.6%
Housing	202,885	197,779	191,220	2.6%	6.1%
Real estate and construction	170,419	166,216	160,309	2.5%	6.3%
Agriculture and mining	37,191	36,144	35,746	2.9%	4.0%
Others	261,563	261,366	266,186	0.1%	(1.7)%
<b>Total loans</b>	<b>1,809,886</b>	<b>1,789,616</b>	<b>1,782,233</b>	<b>1.1%</b>	<b>1.6%</b>

\* Less deferred revenue



The highest portion of lending was to a range of industries in the manufacturing and commercial sectors, at 44.6 percent, followed by 18.3 percent to utilities and services, 11.2 percent to housing, and 9.4 percent to real estate and construction. The main increase in loans from the end of June 2015 and the end of December 2014 were to the utilities and housing sectors.

### Classified Loans and Allowance for Doubtful Accounts

Million Baht

Item	Loans & Accrued Interest Receivables *			Allowance for Doubtful Accounts Classified to Bank of Thailand Criteria		
	September 2015	June 2015	December 2014	September 2015	June 2015	December 2014
Normal	1,714,644	1,697,402	1,704,086	13,073	12,888	12,687
Special mentioned	40,265	40,346	37,312	508	524	449
Substandard	11,493	12,440	5,803	3,062	3,494	1,631
Doubtful	14,962	13,034	17,156	6,450	5,959	4,860
Doubtful of loss	31,700	29,695	22,109	21,102	13,579	11,005
<b>Total</b>	<b>1,813,064</b>	<b>1,792,917</b>	<b>1,786,466</b>	<b>44,195</b>	<b>36,444</b>	<b>30,632</b>
<u>Plus</u> excess allowance for doubtful accounts				<b>54,122</b>	55,153	58,779
<b>Total allowance for doubtful accounts from loan classification</b>				<b>98,317</b>	91,597	89,411
<u>Plus</u> revaluation allowance for debt restructuring				<b>1,955</b>	2,317	2,514
<b>Total allowance for doubtful accounts</b>				<b>100,272</b>	93,914	91,925

\* Less deferred revenue

Million Baht

Item	September	June	December	Change (%)	
	2015	2015	2014	June 2015	December 2014
NPLs before allowance for doubtful accounts	<b>58,112</b>	55,126	45,046	5.4%	29.0%
Ratio of NPLs to total loans	<b>2.8%</b>	2.5%	2.1%	0.3%	0.7%
Net NPLs after allowance for doubtful accounts	<b>18,669</b>	22,111	18,260	(15.6)%	2.2%
Ratio of net NPLs to net total loans	<b>0.9%</b>	1.0%	0.9%	(0.1)%	0.0%
Ratio of loan loss reserves to minimum required provisioning	<b>217.3%</b>	242.3%	277.3%	(25.0)%	(60.0)%
Ratio of loan loss reserves to NPLs	<b>172.5%</b>	170.4%	204.1%	2.1%	(31.6)%

Non-performing loans (NPLs) at the end of September 2015 amounted to Baht 58.1 billion. The ratio of NPLs to total loans was 2.8 percent.

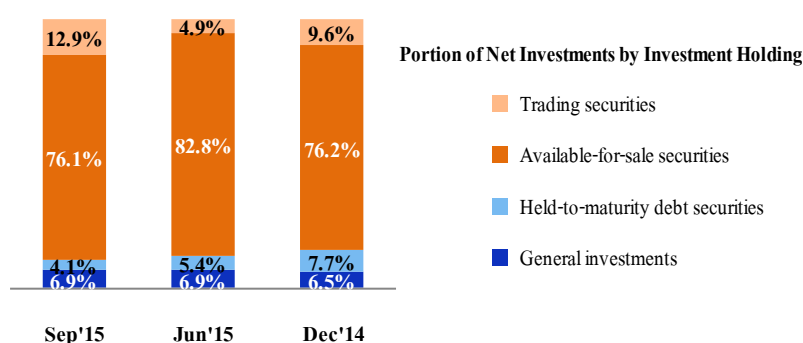
Total allowance for doubtful accounts at the end of September 2015 was Baht 100.3 billion, 217.3 percent above the minimum required by the Bank of Thailand (BOT) of Baht 46.2 billion. The ratio of loan loss reserves to NPLs was 172.5 percent.

### Net Investments

Net investments at September 30, 2015 amounted to Baht 407.6 billion, an increase of Baht 41.9 billion or 11.4 percent from the end of June 2015 due mainly to trading securities, and Baht 25.6 billion or 6.7 percent from the end of December 2014, due mainly to available-for-sale securities and trading securities.

Million Baht

Investments by Investment Holding	September	June	December	Change (%)	
	2015	2015	2014	June 2015	December 2014
Trading securities	<b>52,696</b>	17,986	36,704	193.0%	43.6%
Available-for-sale securities	<b>310,246</b>	302,762	291,161	2.5%	6.6%
Held-to-maturity debt securities	<b>16,726</b>	19,793	29,380	(15.5)%	(43.1)%
General investments	<b>27,963</b>	25,224	24,809	10.9%	12.7%
<b>Total net investments</b>	<b>407,631</b>	365,765	382,054	11.4%	6.7%



Most of the net investments were in domestic government and state-enterprise securities. As of September 30, 2015, these amounted to Baht 253.0 billion, accounting for 62.1 percent of total investments. Foreign debt securities were Baht 46.8 billion, private enterprise debt securities Baht 8.7 billion, and net equity securities Baht 97.0 billion.

Million Baht

Investments by Maturity *	September 2015		June 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2015	December 2014
Up to one year	102,314	25.0%	117,079	31.9%	147,302	38.5%	(12.6)%	(30.5)%
Between one and five years	191,835	46.9%	137,991	37.6%	134,095	35.0%	39.0%	43.1%
Over five years	18,895	4.6%	18,152	4.9%	18,147	4.7%	4.1%	4.1%
No maturity	95,829	23.5%	93,776	25.6%	83,666	21.8%	2.2%	14.5%
<b>Total net investments *</b>	<b>408,873</b>	<b>100.0%</b>	<b>366,998</b>	<b>100.0%</b>	<b>383,210</b>	<b>100.0%</b>	<b>11.4%</b>	<b>6.7%</b>

\* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of September 30, 2015 were as follows: securities with less than one year to maturity, Baht 102.3 billion; securities with between one-to-five years to maturity, Baht 191.8 billion; securities with a maturity profile of more than five years, Baht 18.9 billion; and securities with no maturity, Baht 95.8 billion.

### *Liabilities and Shareholders' Equity*

Million Baht

Item	September	June	December	Change (%)	
	2015	2015	2014	June 2015	December 2014
Deposits	2,068,240	2,128,102	2,058,779	(2.8)%	0.5%
Net interbank and money market items	116,053	131,454	140,048	(11.7)%	(17.1)%
Debt issued and borrowings	154,026	144,022	140,845	6.9%	9.4%
<b>Total liabilities</b>	<b>2,465,654</b>	<b>2,511,688</b>	<b>2,436,247</b>	<b>(1.8)%</b>	<b>1.2%</b>
<b>Shareholders' equity *</b>	<b>355,048</b>	<b>349,823</b>	<b>323,491</b>	<b>1.5%</b>	<b>9.8%</b>

\* Attributable to the Bank

Total liabilities as of September 30, 2015 amounted to Baht 2,465.7 billion, a decrease of Baht 46.0 billion or 1.8 percent from the end of June 2015, due mainly to a decrease of Baht 59.9 billion or 2.8 percent in deposits. Net interbank and money market items decreased by Baht 15.4 billion due to lower borrowing-related transactions, and debt issued and borrowings amounted to Baht 154.0 billion, an increase of Baht 10.0 billion due to an increase in the value of foreign currency notes caused by the Baht's depreciation.

Compared with the end of December 2014, total liabilities rose by Baht 29.4 billion or 1.2 percent, due mainly to an increase of Baht 13.2 billion or 9.4 percent in debt issued and borrowings, an increase of Baht 9.5 billion or 0.5 percent in deposits, while net interbank and money market items decreased by Baht 24.0 billion or 17.1 percent.

### Deposits

Million Baht

Deposits Classified by Product Type	September 2015		June 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2015	December 2014
Current	85,827	4.1%	84,831	4.0%	84,231	4.1%	1.2%	1.9%
Savings	801,722	38.8%	796,066	37.4%	771,281	37.5%	0.7%	3.9%
Fixed *	1,180,691	57.1%	1,247,205	58.6%	1,203,267	58.4%	(5.3)%	(1.9)%
<b>Total</b>	<b>2,068,240</b>	<b>100.0%</b>	<b>2,128,102</b>	<b>100.0%</b>	<b>2,058,779</b>	<b>100.0%</b>	<b>(2.8)%</b>	<b>0.5%</b>
Loan to deposit ratio		87.5%		84.1%		86.6%	3.4%	0.9%

\* Including negotiable certificates of deposit

Total deposits as of September 30, 2015 amounted to Baht 2,068.2 billion, a decrease of Baht 59.9 billion or 2.8 percent from the end of June 2015, mostly from fixed deposits, which decreased by 5.3 percent.

Compared with the end of December 2014, total deposits rose by Baht 9.5 billion or 0.5 percent, mostly from savings deposits, which increased by 3.9 percent.

### Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	September 2015		June 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2015	December 2014
Senior unsecured notes	123,759	77.1%	114,872	76.3%	112,155	76.1%	7.7%	10.3%
Unsecured subordinated notes	36,368	22.7%	35,192	23.4%	34,832	23.6%	3.3%	4.4%
Bills of exchange	75	0.1%	128	0.1%	273	0.2%	(41.4)%	(72.5)%
Others	224	0.1%	259	0.2%	96	0.1%	(13.5)%	133.3%
<b>Total (before less discount on borrowings)</b>	<b>160,426</b>	<b>100.0%</b>	<b>150,451</b>	<b>100.0%</b>	<b>147,356</b>	<b>100.0%</b>	<b>6.6%</b>	<b>8.9%</b>
<u>Less</u> discount on borrowings	<b>6,400</b>		6,429		6,511		(0.5)%	(1.7)%
<b>Total</b>	<b>154,026</b>		<b>144,022</b>		<b>140,845</b>		<b>6.9%</b>	<b>9.4%</b>

Total debt issued and borrowings as of September 30, 2015 amounted to Baht 154.0 billion, an increase of Baht 10.0 billion from the end of June 2015 and Baht 13.2 billion from the end of December 2014, due to an increase in the value of foreign currency notes of USD 3.9 billion caused by the Baht's depreciation.

### Shareholders' Equity

Shareholders' equity as of September 30, 2015 amounted to Baht 355.0 billion, an increase of Baht 31.6 billion or 9.8 percent from the end of 2014, due mainly to the net profit in the first nine months of 2015 of Baht 26.5 billion, net of two dividend payments during 2015 totaling Baht 12.4 billion which consisted of the final dividend payment for 2014 performance of Baht 8.6 billion (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 10, 2015 and the interim dividend payment made in the first half of 2015 of Baht 3.8 billion (Baht 2.00 per share), and an increase of Baht 11.8 billion in surplus on revaluation of premises.

### Contingent Liabilities

Million Baht

Item	September	June	December	Change (%)	
	2015	2015	2014	June 2015	December 2014
Avals to bills	6,435	6,025	5,237	6.8%	22.9%
Guarantees of loans	11,295	10,720	9,479	5.4%	19.2%
Liability under unmatured import bills	20,718	19,063	19,788	8.7%	4.7%
Letters of credit	29,823	31,925	31,927	(6.6)%	(6.6)%
Other commitments					
Amount of unused bank overdrafts	181,111	173,608	176,298	4.3%	2.7%
Other guarantees	204,875	208,047	226,608	(1.5)%	(9.6)%
Others	48,928	42,188	4,927	16.0%	893.1%
<b>Total</b>	<b>503,185</b>	<b>491,576</b>	<b>474,264</b>	<b>2.4%</b>	<b>6.1%</b>

Contingent liabilities as of September 30, 2015 amounted to Baht 503.2 billion, an increase of Baht 11.6 billion from the end of June 2015. This was due mainly to increases in amount of unused bank overdrafts and others' commitments, while other guarantees decreased.

Compared with the end of December 2014, contingent liabilities rose by Baht 28.9 billion, predominantly from an increase in others' commitments, while other guarantees declined.

### Sources and Utilization of Funds

Primary sources of funds at the end of September 2015 comprised Baht 2,068.2 billion or 73.3 percent in deposits, Baht 355.0 billion or 12.6 percent in shareholders' equity, Baht 154.0 billion or 5.5 percent in debt issued and borrowings, and Baht 116.1 billion or 4.1 percent in net interbank and money market liabilities.

The utilization of funds comprised Baht 1,809.9 billion or 64.2 percent in loans, Baht 531.3 billion or 18.8 percent in net interbank and money market assets, and Baht 408.9 billion or 14.5 percent in net investments (including net investments in associates).

### Capital Reserves and Capital Adequacy Ratio

#### Consolidated

Million Baht

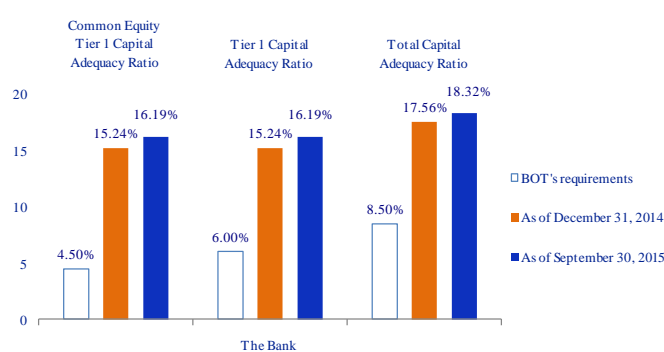
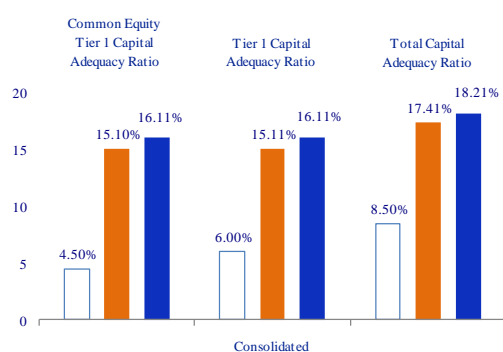
Item	Capital			Capital Adequacy Ratio		
	September 2015	June 2015	December 2014	September 2015	June 2015	December 2014
<b>Total capital</b>	<b>387,589</b>	<b>361,838</b>	<b>350,097</b>	<b>18.21%</b>	<b>17.62%</b>	<b>17.41%</b>
Tier 1 capital	342,977	318,016	303,810	16.11%	15.49%	15.11%
Common equity Tier 1 capital	342,882	317,891	303,683	16.11%	15.48%	15.10%



*The Bank*

Million Baht

Item	Capital			Capital Adequacy Ratio		
	September 2015	June 2015	December 2014	September 2015	June 2015	December 2014
<b>Total capital</b>	<b>376,992</b>	352,931	342,423	<b>18.32%</b>	17.74 %	17.56%
Tier 1 capital	<b>333,146</b>	309,750	297,006	<b>16.19%</b>	15.57 %	15.24%
Common equity Tier 1 capital	<b>333,146</b>	309,750	297,006	<b>16.19%</b>	15.57 %	15.24%



As of September 30, 2015, legal capital funds were Baht 387.6 billion, common equity Tier 1 capital Baht 342.9 billion, and Tier 1 capital Baht 343.0 billion. The total capital adequacy ratio was 18.21 percent, while the common equity Tier 1 capital adequacy ratio was 16.11 percent and the Tier 1 capital adequacy ratio was 16.11 percent. With the inclusion of net profit for the third quarter of 2015, the total capital adequacy ratio, the common equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.64 percent, 16.54 percent and 16.55 percent, respectively.

### Liquid Assets

Item	September 2015	June 2015	December 2014
Liquid assets (Million Baht)	<b>940,808</b>	1,011,295	920,034
Liquid assets/total assets (%)	<b>33.4</b>	35.3	33.3
Liquid assets/deposits (%)	<b>45.5</b>	47.5	44.7

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of September 30, 2015, liquid assets totaled Baht 940.8 billion, a decrease of Baht 70.5 billion or 7.0 percent from the end of June 2015. Significant changes included a decrease of Baht 112.0 billion in interbank and money market items, while trading securities increased by Baht 34.7 billion.

Compared with the end of December 2014, liquid assets rose by Baht 20.8 billion or 2.3 percent. Significant items included an increase of Baht 19.1 billion in available-for-sale securities, an increase of Baht 16.0 billion in trading securities, while a decrease of Baht 13.4 billion in cash.

## Credit Ratings

At the end of September 2015, credit-rating agencies maintained the Bank's credit ratings from the end of 2014. In June 2015, Moody's Investors Service (Moody's) downgraded the Bank's senior unsecured debt rating to Baa1 from A3 due to a change in Moody's bank-rating methodology. The change in assessment methods did not affect the other credit ratings of the Bank, which were classified as investment grade. The outlook for the Bank's credit ratings is as follows:

Credit Rating Agency *	September 30, 2015	June 30, 2015	December 31, 2014
<b>Moody's Investors Service</b>			
Long term - Deposits	<b>Baa1</b>	Baa1	Baa1
Short term - Debt instruments / deposits	<b>P-2 / P-2</b>	P-2 / P-2	P-2 / P-2
Senior unsecured debt instruments	<b>Baa1</b>	Baa1	A3
Subordinated debt instruments	<b>Baa3</b>	Baa3	Baa3
Outlook	<b>Stable</b>	Stable	Stable
Financial strength (BCA / BFSR)	<b>baa2 / C-</b>	baa2 / C-	baa2 / C-
Financial strength outlook	<b>Stable</b>	Stable	Stable
<b>Standard &amp; Poor's</b>			
Long term - Debt instruments	<b>BBB+</b>	BBB+	BBB+
- Deposits	<b>BBB+</b>	BBB+	BBB+
Short term - Debt instruments / deposits	<b>A-2 / A-2</b>	A-2 / A-2	A-2 / A-2
Senior unsecured debt instruments	<b>BBB+</b>	BBB+	BBB+
Subordinated debt instruments	<b>BBB</b>	BBB	BBB
Financial strength (SACP)	<b>bbb</b>	bbb	bbb
Support	<b>+1</b>	+1	+1
Outlook	<b>Stable</b>	Stable	Stable
ASEAN Regional Ratings (Long term / Short term)	<b>axA+ / axA-1</b>	axA+ / axA-1	axA+ / axA-1
<b>Fitch Ratings</b>			
<b>International ratings</b>			
Long term - Debt instruments	<b>BBB+</b>	BBB+	BBB+
Short term - Debt instruments	<b>F2</b>	F2	F2
Senior unsecured debt instruments	<b>BBB+</b>	BBB+	BBB+
Subordinated debt instruments	<b>BBB</b>	BBB	BBB
Financial strength (Viability)	<b>bbb+</b>	bbb+	bbb+
Support	<b>2</b>	2	2
Outlook	<b>Stable</b>	Stable	Stable
<b>Domestic ratings</b>			
Long term - Debt instruments	<b>AA</b>	AA	AA
Short term - Debt instruments	<b>F1+</b>	F1+	F1+
Subordinated debt instruments	<b>AA-</b>	AA-	AA-
Outlook	<b>Stable</b>	Stable	Stable

\* Long-term credit ratings classified as investment grade by Moody's Investors Service, Standard & Poor's and Fitch Ratings are Baa3, BBB- and BBB-, or higher, respectively. Short-term credit ratings classified as investment grade by Moody's Investors Service, Standard & Poor's and Fitch Ratings are P-3, A-3 and F3, or higher, respectively.