



Bangkok Bank Public Company Limited
Management Discussion and Analysis
for the Quarter and the Year Ended December 31, 2015

Management Discussion and Analysis

Overview of the Economy and Banking

Thai Economy in 2015

In 2015, the Thai economy grew by 2.8 percent. Major growth factors were government sector investment which grew by 29.8 percent while private investment fell by 2.0 percent. Private and government sector consumption improved from the previous year with an increase of 2.1 and 2.2 percent, respectively. Given the low prices of oil and commodities, 2015 headline inflation was minus 0.9 percent but core inflation, excluding food and energy prices, increased slightly to 1.05 percent.

Meanwhile the economic slowdown in Thailand's main trading partners, including China, Japan and Europe, impacted exports which fell by 5.8 percent in US dollar terms and 1.2 percent in Thai baht terms for the year, while low agricultural commodity prices and a severe drought depressed farm income and the purchasing power of farmers, which is the biggest occupational group in Thailand. These factors, together with continued high household debt, negatively affected confidence and thus household spending.

In the midst of the situation above, the Bank of Thailand cut the policy interest rate twice, from 2.00 percent to 1.75 percent in March and then to 1.50 percent in April. It maintained interest rates at this level for the remainder of the year, the lowest level since the global financial crisis in 2008. The policy interest rate cut was to facilitate the recovery of the economy. At the same time the government launched short-term measures targeted at low-income households as well as soft loans for SMEs, while accelerating plans for infrastructure investment. These included projects at the community level and urban mass transit systems, as well as transportation projects for regional connectivity.

Although local economy and exports encountered many negative factors, tourism remained strong with a rising number of foreign visitors, particularly from China. The robust growth of CLMV countries (Cambodia, Laos, Myanmar and Vietnam) was a positive factor which helped cushion the slowdown in the export sector.

Financial markets were active in 2015 due to various events throughout most of the year. These included expectations of an interest rate hike by the US Federal Reserve, which resulted in capital outflows from Asian countries, the turbulence in China's equity market and the devaluation of the yuan in the middle of the year, as well as the expansion of quantitative easing by the European Central Bank towards the end of the year. These factors caused greater volatility in the region's financial markets and currencies and increased the difficulties businesses faced in managing exchange rate risks. By the end of 2015, as the US economy showed signs of recovery, the US Federal Reserve increased its policy interest rate for the first time since 2006. In 2015 the baht depreciated against the dollar by 5.6 percent from an average of Baht 32.48 in 2014 to Baht 34.29, in line with the movements of the currencies of other countries in the region.

In 2016 the Thai economy is expected to grow by 3-3.5 percent. The major supporting factors will be the government's infrastructure investment which will demonstrate clearer progress and this, together with the continued growth in the tourism sector, will help boost confidence for the business and household sectors and result in higher investment and consumption. However, Thai exports will continue to be affected by China's economy, which is likely to experience slower economic growth due to the slowdown in the real estate sector and indebtedness in the business and state enterprise sectors, as well as the rebalancing of its economy towards domestic consumption. The fragile economic recoveries of Europe and Japan will also affect Thai exports. Moreover, capital flows and exchange rates will continue to be volatile due to the differing pace of recovery in the US, Europe and Japan which has led to disparate monetary policies, while low agricultural commodity prices and high household debt will continue to hold back spending by Thailand's consumers.

Although the global economic environment will continue to be challenging, the launch of the ASEAN Economic Community (AEC) at the end of 2015 will assist in building confidence, stimulate regional trade and investment and attract investment from other parts of the world, especially China and Japan, so ASEAN will be a bright spot in the global economy. The trend towards urbanization will support the growth of middle to high-income households in Thailand and the region, spur infrastructure development and open up new markets for various businesses. Furthermore, the Chinese government's the New Silk Road plan, which connects with Thailand, will increase connectivity with the region and the rest of Asia, and facilitate the development of a regional logistics and supply chain system. Greater regional connectivity will be a major driver of opportunities and this will be supported by the Thai government's infrastructure development policies. After making some progress late in 2015 with the opening of bidding for certain projects, the government's planned infrastructure investments, which cover rail, road, seaport and airport development, are expected to show further progress in 2016. Moreover, licenses granted for the further development of Thailand's telecommunications will accelerate the trend towards digitalization in Thailand and help support the digital economy. These factors should help shield Thailand from the worst effects of any economic storms.

To drive growth in the long run, the Thai government is seeking to rebalance the economy by strengthening the country's economy and reducing the country's reliance on exports and commodities. It is building special economic zones near the borders, increasing R&D investment and strengthening the service sector. It has targeted for development 10 high-value-added industries, namely next-generation automotive; smart electronics; affluent, medical and wellness tourism; agriculture and biotechnology; food for the future; robotics; aviation and logistics; biofuels and biochemicals; digital; and medical hubs, and is directing investment towards high-value-added industry clusters in these sectors. All of these will help increase the country's competitiveness and support the sustainable growth of Thailand's economy.

Thai Banking Industry in 2015

The commercial banks in Thailand faced many challenges over the year such as policy interest rate cuts which affected profitability, economic volatility in the business and household sectors which affected loan quality, and enforcement of new regulations that impacted business operations. While these factors led to a slowdown in business for commercial banks in Thailand, they maintained good financial stability and a high level of capital and reserves.

The combined net profit of the commercial banking system for the year decreased by 10.2 percent from last year, partly due to the increase in provisioning expense to cushion for loan quality deterioration. Net interest income increased slightly and net fees and service income grew by 9.0 percent. The net interest income per average total assets (NIM) in 2015 stood at 2.5 percent, down from 2.6 percent the previous year as the Bank of Thailand cut its policy interest rate twice, in March and then April.

At the end of December 2015, loans in the commercial banking system had grown by 4.3 percent from the end of 2014. Corporate loans rose by 0.1 percent while SME loans and consumer loans grew by 5.6 and 7.1 percent, respectively. Deposits and bills of exchange (B/E) grew by 3.0 percent from the end of 2014, resulting in a tightening of liquidity. The ratio of loans to deposits and B/E increased to 97.0 percent from 95.7 percent.

The ratio of gross NPLs to total loans stood at 2.6 percent, up from 2.2 percent at the end of 2014, reflecting the deterioration of overall loan quality – corporate, SME and consumer loans – due to unfavorable economic conditions. However, the level of capital reserves remained high as the ratio of loan loss reserves to NPLs, or coverage ratio, stood at 129.9 percent, while the total capital adequacy ratio and Tier 1 capital adequacy ratio stood at 17.4 and 14.5 percent, respectively, at year's end.

In 2016 commercial banks are expected to have a stable business performance. Loans will grow slightly in parallel with economy conditions, and competition for deposits is likely to be mild. But commercial banks in Thailand will tend to exercise caution in liquidity management by focusing on restructuring deposits and proper cost management, while preparing to hold a sufficient level of liquid assets to comply with the new Liquidity Coverage Ratio (LCR) guidelines required under the Basel III liquidity framework, which comes into effect in January 2016. Loan quality in the commercial banking system may slip slightly from the current level due partly to negative external conditions, especially uncertainty about the global economy which will be a major risk factor. Nonetheless, the relatively high level of capital and continuous increases in reserves will provide an adequate cushion for loan quality in the system. Furthermore, commercial banks need to constantly adapt to changes in domestic and international laws and regulations, such as the Secured Transaction Act, which comes into effect in 2016, which are likely to increase and more stringent.

Factors Affecting Banking Industry Performance

The megatrends of urbanization, regionalization and digitalization will continue to shape Thailand's economy over the next few years. Beneath these umbrella trends, several initiatives of the Thai government and the Bank of Thailand will impact the financial sector and the economy in the short and medium-terms.

1. Establishing a new economic foundation for the future (1) Rebalancing the economy by strengthening the domestic sector, particularly at the local and SME level to reduce Thailand's reliance on exports; (2) Restructuring the production sector by increasing the value-add for existing industries and creating new engines of growth such as robotics, aviation and logistics and digital; (3) Upgrading infrastructure in transport systems. All of these aim to enhance the country's long-run competitiveness.

2. Promoting investment The Government has declared 2016 as "The Golden Year of Investment" with the intention of using investment from the public and private sectors to drive economic growth in 2016. Measures to attract private investment include doubling the allowance for depreciation in 2016, expediting the infrastructure investment process to encourage private sector participation in infrastructure investment, offering tax breaks and subsidies for investment in the targeted high-value-added industries, and providing privileges for the establishment of international headquarters and trade centers in Thailand, as well as investments in Special Economic Zones (SEZ).

3. Financial Sector Master Plan III The Bank of Thailand is expected to announce the implementation of the Financial Sector Master Plan III in the first half of 2016 after receiving approval from the Ministry of Finance for the 5-year development plan from 2016-2020. This Bank of Thailand initiative is intended to enhance the Thai financial system in four areas: (1) Competitiveness. Support competitiveness through the use of digital technology, improved efficiency, accelerated innovation in the financial system and reduced costs in the economic system; (2) Access. Increase financial accessibility for retail customers, SMEs and corporate customers to facilitate long-term growth of the economy; (3) Connectivity. Increase the capability of the Thai financial system to support integrated regional trade and investment; and (4) Sustainability. Develop financial infrastructure to increase the long-run capability of the Thai financial system.

4. National E-Payment Master Plan This initiative aims to develop a full range of e-payment options which will increase the efficiency of the payment infrastructure and e-tax system. This development will help the government proceed effectively with its policies of integrating the low-income-earners database with the social welfare payment system and promoting financial inclusion. This will support its objectives of moving towards a cashless society while enabling financial transactions and economic activities to be carried out more easily and quickly. This will help increase the business sector's competitiveness and enhance the quality of lives as well as strengthening the stability of the financial system.

Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		Year		Change (%)
	4/2015	3/2015	4/2014	3/2015	4/2014	2015	2014	
Net profit *	7,681	9,057	8,763	(15.2)%	(12.3)%	34,181	36,332	(5.9)%
Earnings per share (Baht)	4.02	4.74	4.59	(15.2)%	(12.3)%	17.91	19.03	(5.9)%
Net interest margin	2.33%	2.14%	2.32%	0.19%	0.01%	2.16%	2.37%	(0.21)%
Net fees and service income to operating income ratio	23.6%	22.5%	24.1%	1.1%	(0.5)%	23.4%	22.4%	1.0%
Expense to operating income ratio	46.0%	40.9%	50.6%	5.1%	(4.6)%	43.8%	44.5%	(0.7)%
Return on average assets *	1.08%	1.26%	1.30%	(0.18)%	(0.22)%	1.21%	1.39%	(0.18)%
Return on average equity *	8.50%	10.20%	10.83%	(1.70)%	(2.33)%	9.91%	11.66%	(1.75)%

* Attributable to the Bank

Million Baht

Item	December 2015	September 2015	December 2014	Change (%)	
				September 2015	December 2014
Loans **	1,868,903	1,809,886	1,782,233	3.3%	4.9%
Deposits	2,090,965	2,068,240	2,058,779	1.1%	1.6%
Loan to deposit ratio	89.4%	87.5%	86.6%	1.9%	2.8%
Non-performing loans (NPLs)	56,226	58,112	45,046	(3.2)%	24.8%
Ratio of NPLs to total loans	2.8%	2.8%	2.1%	-	0.7%
Ratio of loan loss reserves to NPLs	185.3%	172.5%	204.1%	12.8%	(18.8)%
Total capital adequacy ratio	17.87%	18.21%	17.41%	(0.34)%	0.46%

** Less deferred revenue

Bangkok Bank and its subsidiaries have reported a consolidated net profit of Baht 34.2 billion for 2015, a decrease of 5.9 percent from 2014. Total operating income rose 6.1 percent to Baht 102.7 billion, while operating expenses increased by 4.5 percent to Baht 45.0 billion.

The Bank reported total lending for 2015 of Baht 1,868.9 billion, an increase of Baht 86.7 billion or 4.9 percent from the end of 2014 due to medium-sized business and consumer lending, as well as loans made through the Bank's international network.

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. As a result, the Bank's non-performing loans (NPLs) decreased from Baht 58.1 billion at the end of September 2015 to Baht 56.2 billion at the end of December 2015. The ratio of NPLs to total loans remained at the same manageable level of 2.8 percent.

The Bank continued its prudent strategic approach by consistently setting aside provisioning expenses. In 2015 these amounted to Baht 14.7 billion, resulting in a ratio of loan loss reserves to total loans of 5.6 percent.

In terms of liquidity, the Bank reported total deposits at the end of December 2015 of Baht 2,091.0 billion, an increase of Baht 32.2 billion or 1.6 percent from the end of 2014. The loan-to-deposit ratio at the end of 2015 was 89.4 percent rose from 86.6 percent at the end of 2014 as the increase in deposits was less than the increase in lending, while the ratio of liquid assets to deposits remained high at 43.4 percent. The Bank continuously focuses on liquidity management as well as financial cost management at appropriate levels.

Net profit for 2015 was Baht 34.2 billion, a decline from the previous year. Net interest income decreased by Baht 1.5 billion or 2.5 percent to Baht 57.5 billion. Net interest margin declined by 0.21 percent to 2.16 percent in line with the Bank of Thailand's lowering of the policy interest rate by 0.50 percent during the first half of 2015. Non-interest income in 2015 was Baht 45.2 billion, an increase of Baht 7.4 billion or 19.4 percent from the previous year, due largely to gains on tradings and foreign exchange transaction and gains on investments. Net fees and service income amounted to Baht 24.1 billion, an increase of Baht 2.3 billion or 10.8 percent, due mainly to an increase in fee income from mutual funds, underwriting and loans. The Bank's operating expenses were Baht 45.0 billion, an increase of Baht 1.9 billion or 4.5 percent, due mainly to higher personnel expenses, while the cost-to-income ratio decreased to 43.8 percent.

The Bank maintained a strong level of capital reserves to support future business expansion. After the inclusion of net profit for the six months from July to December 2015, the total capital adequacy ratio, common equity Tier 1 ratio and Tier 1 capital ratio of the Bank and its subsidiaries would be 18.65 percent, 16.57 percent and 16.57 percent, respectively.

Shareholders' equity as of December 31, 2015 amounted of Baht 361.8 billion, equivalent to 12.7 percent of total assets. The book value per share was Baht 189.56, an increase of Baht 20.09 from the end of 2014.

Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		Year		Change
	4/2015	3/2015	4/2014	3/2015	4/2014	2015	2014	(%)
Net interest income	15,617	14,441	14,859	8.1%	5.1%	57,510	58,997	(2.5)%
Non-interest income	10,793	12,299	8,973	(12.2)%	20.3%	45,219	37,860	19.4%
Operating expenses	12,146	10,948	12,057	10.9%	0.7%	45,045	43,087	4.5%
Impairment loss of loans and debt securities	3,880	4,872	939	(20.4)%	313.2%	14,654	8,687	68.7%
Operating profit before tax	10,384	10,920	10,836	(4.9)%	(4.2)%	43,030	45,083	(4.6)%
Income tax expenses	2,643	1,810	2,028	46.0%	30.3%	8,630	8,593	0.4%
Net profit	7,741	9,110	8,808	(15.0)%	(12.1)%	34,400	36,490	(5.7)%
Net profit *	7,681	9,057	8,763	(15.2)%	(12.3)%	34,181	36,332	(5.9)%
Total comprehensive income *	6,784	9,043	4,657	(25.0)%	45.7%	50,749	39,963	27.0%

* Attributable to the Bank

Net profit in the fourth quarter of 2015 amounted to Baht 7.7 billion, a decrease of Baht 1.4 billion or 15.2 percent from the third quarter of 2015. Significant items included an increase of Baht 1.2 billion in operating expenses due mainly to public relations and marketing campaigns and expenses associated with improving operational efficiency. Gains on disposal of assets decreased by Baht 1.3 billion. Net interest income rose by Baht 1.2 billion or 8.1 percent, in line with a decline in fixed-deposit costs. Impairment loss on loans and debt securities decreased by Baht 992 million or 20.4 percent.

Compared with the fourth quarter of 2014, net profit decreased by Baht 1.1 billion or 12.3 percent due mainly to an increase of Baht 2.9 billion in impairment loss on loans and debt securities to cushion non-performing loans that were impacted from a slightly improvement in economic situation. Net interest income rose by Baht 758 million or 5.1 percent due to a decline in fixed-deposit costs. Gains on tradings and foreign exchange transactions rose by Baht 942 million or 90.9 percent.

In 2015, net profit amounted to Baht 34.2 billion, a decrease of Baht 2.2 billion or 5.9 percent from last year. Significant items included an increase of Baht 6.0 billion or 68.7 percent in impairment loss on loans and debt securities to cushion the effect of higher NPLs caused by economic conditions, an increase of Baht 2.0 billion or 4.5 percent in operating expenses from higher personnel expenses due to annual salary adjustments and an increase in the number of employees. Net interest income decreased by Baht 1.5 billion or 2.5 percent due to an increase in interest expense from deposits caused by an increase in fixed-deposit volume from the fourth quarter of 2014 to the second quarter of 2015. Net fees and service income rose by Baht 2.3 billion, partly from fee income from mutual funds and underwriting. Gains on tradings and foreign exchange transactions rose by Baht 2.2 billion. Gains on investments rose by Baht 1.8 billion from the selling of available-for-sale investments. Total comprehensive income rose by 27.0 percent to Baht 50.7 billion, due mainly to a surplus on revaluation of premises.

Net Interest Income

Million Baht

Item	Quarter			Change (%)		Year		Change (%)
	4/2015	3/2015	4/2014	3/2015	4/2014	2015	2014	
Interest Income								
Loans	22,200	21,920	21,674	1.3%	2.4%	87,458	85,493	2.3%
Interbank and money market items	1,604	2,345	2,802	(31.6)%	(42.8)%	9,515	9,735	(2.3)%
Investments	1,870	1,477	1,823	26.6%	2.6%	6,841	8,252	(17.1)%
Total interest income	25,674	25,742	26,299	(0.3)%	(2.4)%	103,814	103,480	0.3%
Interest expenses								
Deposits	5,819	6,926	7,297	(16.0)%	(20.3)%	28,905	27,975	3.3%
Interbank and money market items	271	297	395	(8.8)%	(31.4)%	1,374	1,633	(15.9)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,223	2,254	2,058	(1.4)%	8.0%	9,060	8,175	10.8%
Debt issued and borrowings	1,744	1,824	1,690	(4.4)%	3.2%	6,965	6,700	4.0%
Total interest expenses	10,057	11,301	11,440	(11.0)%	(12.1)%	46,304	44,483	4.1%
Net interest income	15,617	14,441	14,859	8.1%	5.1%	57,510	58,997	(2.5)%
Yield on earning assets	3.83%	3.81%	4.10%	0.02%	(0.27)%	3.90%	4.15%	(0.25)%
Cost of funds	1.70%	1.89%	2.00%	(0.19)%	(0.30)%	1.96%	2.00%	(0.04)%
Net interest margin	2.33%	2.14%	2.32%	0.19%	0.01%	2.16%	2.37%	(0.21)%

Net interest income in the fourth quarter of 2015 amounted to Baht 15.6 billion, an increase of Baht 1.2 billion or 8.1 percent from the third quarter of 2015, due to a decrease of Baht 1.2 billion or 11.0 percent in interest expenses, mainly from the maturing of high-rate fixed deposits and an increase of Baht 280 million or 1.3 percent in interest income from loans in line with higher lending in all segments. The net interest margin rose by 0.19 percent from the previous quarter to 2.33 percent, due mainly to the decrease in deposit cost.

Compared with the fourth quarter of 2014, net interest income rose by Baht 758 million or 5.1 percent due to a decrease of Baht 1.4 billion or 12.1 percent in interest expenses caused by lower deposit volume from the gradual maturing of high-rate fixed deposits. Interest income from interbank and money market items declined by Baht 1.2 billion in line with the decrease in the policy interest rate and lower transaction volume. The net interest margin was at nearly the same level as the fourth quarter of 2014, up by 0.01 percent to 2.33 percent.

Net interest income for 2015 amounted to Baht 57.5 billion, a decrease of Baht 1.5 billion or 2.5 percent from the previous year, mainly from an increase of Baht 1.8 billion or 4.1 percent in interest expense caused largely by an increase in fixed-deposit volume from the fourth quarter of 2014 to the second quarter of 2015. As a result, the Bank's contribution to the Deposit Protection Agency and Financial Institutions Development Fund increased. Interest income from investments decreased by Baht 1.4 billion, due to the decline in yield on debt securities, while interest income from loans rose by Baht 2.0 billion or 2.3 percent, due mainly to an increase in lending to medium-sized businesses, consumer loans, and loans made through the Bank's international network. The net interest margin decreased by 0.21 percent from last year due to the decrease in yield on investments in line with the Bank of Thailand's lowering of the policy interest rate by 0.50 percent during the first half of 2015.

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
Loans (%)									
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
Deposits (%)									
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
		Apr 29, '15		Mar 11, '15		Mar 12, '14		Nov 27, '13	
Bank of Thailand Policy Rates (%)		1.500		1.750		2.000		2.250	

Non-Interest Income

Item	Quarter		Change (%)		Year		Change (%)	
	4/2015	3/2015	4/2014	3/2015	4/2014	2015		2014
Fees and service income	8,292	7,940	7,660	4.4%	8.3%	32,083	29,161	10.0%
<u>Less</u> fees and service expenses	2,055	1,927	1,908	6.6%	7.7%	8,012	7,435	7.8%
Net fees and service income	6,237	6,013	5,752	3.7%	8.4%	24,071	21,726	10.8%
Gains on tradings and foreign exchange transactions	1,978	2,231	1,036	(11.3)%	90.9%	7,774	5,572	39.5%
Gains on investments	1,070	1,296	606	(17.4)%	76.6%	5,836	4,055	43.9%
Share of profit from investment for using equity method	38	42	35	(9.5)%	8.6%	192	182	5.5%
Gains on disposal of assets	373	1,672	470	(77.7)%	(20.6)%	3,008	2,016	49.2%
Dividend income	920	861	890	6.9%	3.4%	3,737	3,626	3.1%
Other operating income	177	184	184	(3.8)%	(3.8)%	601	683	(12.0)%
Total other operating income	4,556	6,286	3,221	(27.5)%	41.4%	21,148	16,134	31.1%
Total non-interest income	10,793	12,299	8,973	(12.2)%	20.3%	45,219	37,860	19.4%
Net fees and service income to operating income ratio	23.6%	22.5%	24.1%	1.1%	(0.5)%	23.4%	22.4%	1.0%

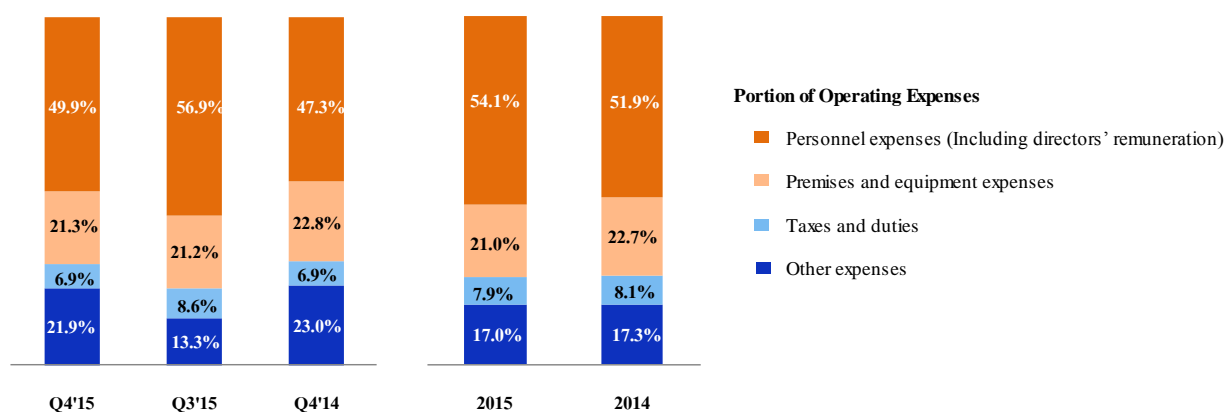
Non-interest income in the fourth quarter of 2015 amounted to Baht 10.8 billion, a decrease of Baht 1.5 billion or 12.2 percent from the previous quarter, due mainly to a decrease of Baht 1.3 billion in gains on disposal of assets, gains on tradings and foreign exchange transactions decreased by Baht 253 million or 11.3 percent due predominantly to derivative transactions, and a decrease of Baht 226 million in gains on investments. Net fees and service income increased by Baht 225 million or 3.7 percent, from an increase in mutual funds and bancassurance.

Compared with the fourth quarter of 2014, non-interest income rose by Baht 1.8 billion or 20.3 percent, due mainly to an increase of Baht 942 million or 90.9 percent in gains on tradings and foreign exchange transactions, and gains on investments increased by Baht 464 million due to gains on available-for-sale investments. Net fees and service income increased by Baht 485 million, due mainly to the increase in fee income from loans, credit cards and mutual funds. The ratio of net fees and service income to operating income decreased from 24.1 percent to 23.6 percent.

In 2015, non-interest income amounted to Baht 45.2 billion, an increase of Baht 7.4 billion or 19.4 percent from 2014. Gains on tradings and foreign exchange transactions rose by Baht 2.2 billion. Net fees and service income rose by Baht 2.3 billion, due to the increases in fee income from mutual funds, underwriting and loans. As a result, the ratio of net fees and service income to operating income increased from 22.4 percent to 23.4 percent. Gains on investments rose by Baht 1.8 billion, due mainly to gains on available-for-sale investments. Gains on disposal of assets rose by Baht 992 million.

Operating Expenses

Item	Million Baht							
	Quarter		Change (%)		Year		Change (%)	
	4/2015	3/2015	4/2014	3/2015	4/2014	2015		2014
Personnel expenses	6,015	6,208	5,660	(3.1)%	6.3%	24,227	22,254	8.9%
Directors' remuneration	43	20	42	115.0%	2.4%	138	124	11.3%
Premises and equipment expenses	2,588	2,316	2,746	11.7%	(5.8)%	9,458	9,762	(3.1)%
Taxes and duties	836	946	831	(11.6)%	0.6%	3,555	3,489	1.9%
Other expenses	2,664	1,458	2,778	82.7%	(4.1)%	7,667	7,458	2.8%
Total operating expenses	12,146	10,948	12,057	10.9%	0.7%	45,045	43,087	4.5%
Expense to operating income ratio	46.0%	40.9%	50.6%	5.1%	(4.6)%	43.8%	44.5%	(0.7)%



Operating expenses in the fourth quarter of 2015 amounted to Baht 12.1 billion, an increase of Baht 1.2 billion or 10.9 percent from the third quarter of 2015. Significant items included other expenses, which rose by Baht 1.2 billion due mainly to an increase in marketing expenses and expenses associate with improving operational efficiency.

Compared with the fourth quarter of 2014, operating expenses rose by Baht 89 million or 0.7 percent. Significant items included personnel expenses, which rose by Baht 355 million due to annual salary adjustments and an increase in the number of employees.

In 2015, operating expenses were Baht 45.0 billion, an increase of Baht 2.0 billion or 4.5 percent from the previous year. Significant items included personnel expenses, which rose by Baht 2.0 billion or 8.9 percent due to annual salary adjustments, including a special adjustment to assist employees and an increase in the number of employees. Other expenses rose by Baht 209 million due mainly to expenses associated with improving operational efficiency.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)		Year		Change (%)
	4/2015	3/2015	4/2014	3/2015	4/2014	2015	2014	
Bad debt and doubtful accounts	3,423	5,208	1,259	(34.3)%	171.9%	14,716	9,004	63.4%
Loss on debt restructuring (reversal)	457	(336)	(320)	236.0%	242.8%	(62)	(317)	80.4%
Total	3,880	4,872	939	(20.4)%	313.2%	14,654	8,687	68.7%

Impairment loss of loans and debt securities in the fourth quarter of 2015 was Baht 3.9 billion, compared to Baht 4.9 billion in the third quarter of 2015 and Baht 939 million in the fourth quarter of 2014. In 2015, impairment loss of loans and debt securities was Baht 14.7 billion, compared to Baht 8.7 billion in the previous year.

Significant Items in the Financial Position

Assets

Million Baht

Item	December 2015	September 2015	December 2014	Change (%)	
				September 2015	December 2014
Net interbank and money market items	372,007	531,310	532,205	(30.0)%	(30.1)%
Net investments	519,525	407,631	382,054	27.4%	36.0%
Net investments in associates	1,280	1,242	1,156	3.1%	10.7%
Loans *	1,868,903	1,809,886	1,782,233	3.3%	4.9%
Net properties for sale	13,579	13,991	16,516	(2.9)%	(17.8)%
Total assets	2,835,852	2,820,841	2,759,890	0.5%	2.8%

* Less deferred revenue

Total assets as of December 31, 2015 amounted to Baht 2,835.9 billion, an increase of Baht 15.0 billion from September 30, 2015. Significant items included net investments of Baht 519.5 billion, an increase of Baht 111.9 billion or 27.4 percent, mainly from available-for-sales securities. Loans amounted to Baht 1,868.9 billion, an increase of Baht 59.0 billion. Net interbank and money market items amounted to Baht 372.0 billion, a decrease of Baht 159.3 billion or 30.0 percent, mainly attributable to the decrease in lending and reverse repurchase agreement transactions.

Compared with the end of December 2014, total assets rose by Baht 76.0 billion. Significant items included net investments which rose by Baht 137.5 billion or 36.0 percent, mainly from available-for-sales securities, and loans which increased by Baht 86.7 billion or 4.9 percent. Net interbank and money market items decreased by Baht 160.2 billion or 30.1 percent due mainly to lending transactions.

Loans

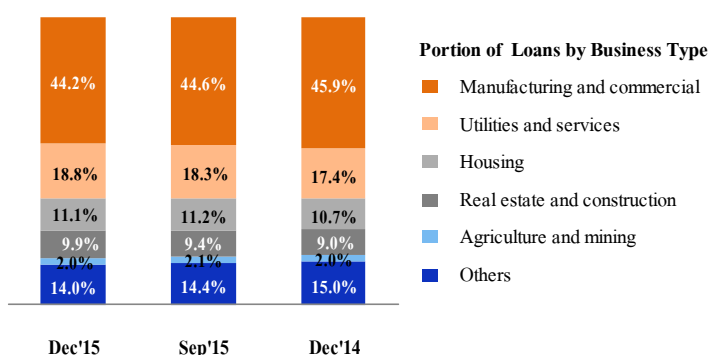
Loans as of December 31, 2015 amounted to Baht 1,868.9 billion, an increase of Baht 59.0 billion or 3.3 percent from the end of September 2015, due to the growth in business and consumer loans.

Compared with the end of December 2014, loans rose by Baht 86.7 billion or 4.9 percent due to the growth in lending to medium-sized business and consumer loans, as well as loans made through the Bank's international network.

Million Baht

Loans by Business Type *	December 2015	September 2015	December 2014	Change (%)	
				September 2015	December 2014
Manufacturing and commercial	825,913	807,001	818,419	2.3%	0.9%
Utilities and services	351,791	330,827	310,353	6.3%	13.4%
Housing	207,847	202,885	191,220	2.4%	8.7%
Real estate and construction	184,058	170,419	160,309	8.0%	14.8%
Agriculture and mining	38,013	37,191	35,746	2.2%	6.3%
Others	261,281	261,563	266,186	(0.1)%	(1.8)%
Total	1,868,903	1,809,886	1,782,233	3.3%	4.9%

* Less deferred revenue



The highest portion of lending was to a range of industries in the manufacturing and commercial sectors, at 44.2 percent, followed by 18.8 percent to utilities and services, 11.1 percent to housing, and 9.9 percent to real estate and construction. The main increase in loans from the end of September 2015 and the end of December 2014 were to the utilities and real estate 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		
	December 2015	September 2014	December 2014	December 2015	September 2015	December 2014
Normal	1,773,357	1,714,644	1,704,086	13,788	13,073	12,687
Special mentioned	43,504	40,265	37,312	501	508	449
Substandard	9,650	11,493	5,803	3,975	3,062	1,631
Doubtful	13,725	14,962	17,156	7,197	6,450	4,860
Doubtful of loss	32,946	31,700	22,109	20,935	21,102	11,005
Total	1,873,182	1,813,064	1,786,466	46,396	44,195	30,632
<u>Plus</u> excess allowance for doubtful accounts				55,379	54,122	58,779
Total allowance for doubtful accounts from loan classification				101,775	98,317	89,411
<u>Plus</u> revaluation allowance for debt restructuring				2,412	1,955	2,514
Total allowance for doubtful accounts				104,187	100,272	91,925

* Less deferred revenue

Million Baht

Item	December 2015	September 2015	December 2014	Change (%)	
				September 2015	December 2014
NPLs before allowance for doubtful accounts	56,226	58,112	45,046	(3.2)%	24.8%
Ratio of NPLs to total loans	2.8%	2.8%	2.1%	-	0.7%
Net NPLs after allowance for doubtful accounts	16,622	18,669	18,260	(11.0)%	(9.0)%
Ratio of net NPLs to net total loans	0.8%	0.9%	0.9%	(0.1)%	(0.1)%
Ratio of loan loss reserves to minimum required provisioning	213.5%	217.3%	277.3%	(3.8)%	(63.8)%
Ratio of loan loss reserves to NPLs	185.3%	172.5%	204.1%	12.8%	(18.8)%

Non-performing loans (NPLs) at the end of December 2015 amounted to Baht 56.2 billion. The ratio of NPLs to total loans was 2.8 percent.

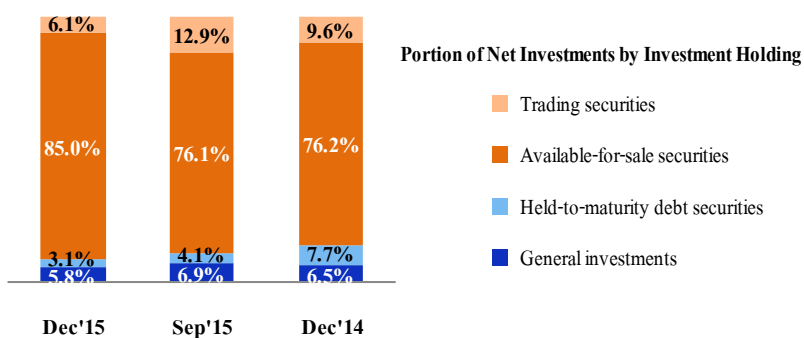
Total allowance for doubtful accounts at the end of December 2015 was Baht 104.2 billion, 213.5 percent above the minimum required by the Bank of Thailand (BOT) of Baht 48.8 billion. The ratio of loan loss reserves to NPLs was 185.3 percent.

Net Investments

Net investments at December 31, 2015 amounted to Baht 519.5 billion, an increase of Baht 111.9 billion or 27.4 percent from the end of September 2015, and Baht 137.5 billion or 36.0 percent from the end of December 2014, due mainly to available-for-sale securities.

Million Baht

Investments by Investment Holding	December 2015	September 2015	December 2014	Change (%)	
				September 2015	December 2014
Trading securities	31,685	52,696	36,704	(39.9)%	(13.7)%
Available-for-sale securities	441,497	310,246	291,161	42.3%	51.6%
Held-to-maturity debt securities	16,213	16,726	29,380	(3.1)%	(44.8)%
General investments	30,130	27,963	24,809	7.7%	21.4%
Total net investments	519,525	407,631	382,054	27.4%	36.0%



Most of the net investments were in domestic government and state-enterprise securities. As of December 31, 2015, these amounted to Baht 337.9 billion, accounting for 65.0 percent of total investments. Foreign debt securities were Baht 69.7 billion, private enterprise debt securities Baht 10.9 billion, and net equity securities Baht 98.9 billion.

Million Baht

Investments by Maturity *	December 2015		September 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	September 2015	December 2014
Up to one year	101,774	19.5%	102,314	25.0%	147,302	38.5%	(0.5)%	(30.9)%
Between one and five years	302,433	58.1%	191,835	46.9%	134,095	35.0%	57.7%	125.5%
Over five years	18,567	3.6%	18,895	4.6%	18,147	4.7%	(1.7)%	2.3%
No maturity	98,031	18.8%	95,829	23.5%	83,666	21.8%	2.3%	17.2%
Total net investments	520,805	100.0%	408,873	100.0%	383,210	100.0%	27.4%	35.9%

* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of December 31, 2015 were as follows: securities with less than one year to maturity, Baht 101.8 billion; securities with between one-to-five years to maturity, Baht 302.4 billion; securities with a maturity profile of more than five years, Baht 18.6 billion; and securities with no maturity, Baht 98.0 billion.

Liabilities and Shareholders' Equity

Million Baht

Item	December 2015	September 2015	December 2014	Change (%)	
				September 2015	December 2014
Deposits	2,090,965	2,068,240	2,058,779	1.1%	1.6%
Net interbank and money market items	128,681	116,053	140,048	10.9%	(8.1)%
Debt issued and borrowings	138,402	154,026	140,845	(10.1)%	(1.7)%
Total liabilities	2,473,821	2,465,654	2,436,247	0.3%	1.5%
Shareholders' equity *	361,832	355,048	323,491	1.9%	11.9%

* Attributable to the Bank

Total liabilities as of December 31, 2015 amounted to Baht 2,473.8 billion, an increase of Baht 8.2 billion or 0.3 percent from the end of September 2015, due mainly to an increase of Baht 22.7 billion or 1.1 percent in deposits. Net interbank and money market items increased by Baht 12.6 billion from repurchase agreements and borrowing-related transactions, while debt issued and borrowings amounted to Baht 138.4 billion, a decrease of Baht 15.6 billion due partially to the maturity of foreign debentures in the fourth quarter of 2015.

Compared with the end of December 2014, total liabilities rose by Baht 37.6 billion or 1.5 percent, due mainly to an increase of Baht 32.2 billion or 1.6 percent in deposits, while net interbank and money market items decreased by Baht 11.4 billion or 8.1 percent due to reverse repurchase agreements and deposit transactions.

Deposits

Million Baht

Deposits Classified by Product Type	December 2015		September 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	September 2015	December 2014
Current	86,797	4.1%	85,827	4.1%	84,231	4.1%	1.1%	3.0%
Savings	850,689	40.7%	801,722	38.8%	771,281	37.5%	6.1%	10.3%
Fixed *	1,153,479	55.2%	1,180,691	57.1%	1,203,267	58.4%	(2.3)%	(4.1)%
Total	2,090,965	100.0%	2,068,240	100.0%	2,058,779	100.0%	1.1%	1.6%
Loan to deposit ratio		89.4%		87.5%		86.6%	1.9%	2.8%

* Including negotiable certificates of deposit

Total deposits as of December 31, 2015 amounted to Baht 2,091.0 billion, an increase of Baht 22.7 billion or 1.1 percent from the end of September 2015, mostly from savings deposits, which increased by 6.1 percent.

Compared with the end of December 2014, total deposits rose by Baht 32.2 billion or 1.6 percent, mostly from savings deposits, which increased by 10.3 percent.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	December 2015		September 2015		December 2014		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	September 2015	December 2014
Senior unsecured notes	108,335	74.8%	123,759	77.1%	112,155	76.1%	(12.5)%	(3.4)%
Unsecured subordinated notes	36,238	25.0%	36,368	22.7%	34,832	23.6%	(0.4)%	4.0%
Bills of exchange	74	0.1%	75	0.1%	273	0.2%	(1.3)%	(72.9)%
Others	107	0.1%	224	0.1%	96	0.1%	(52.2)%	11.5%
Total (before less discount on borrowings)	144,754	100.0%	160,426	100.0%	147,356	100.0%	(9.8)%	(1.8)%
<u>Less</u> discount on borrowings	6,352		6,400		6,511		(0.8)%	(2.4)%
Total	138,402		154,026		140,845		(10.1)%	(1.7)%

Total debt issued and borrowings as of December 31, 2015 amounted to Baht 138.4 billion, a decrease of Baht 15.6 billion from the end of September 2015 and Baht 2.4 billion from the end of December 2014, due to the maturity of USD 400 million in senior unsecured notes in October 2015, and due partly to the Baht's depreciation.

Shareholders' Equity

Shareholders' equity as of December 31, 2015 amounted to Baht 361.8 billion, an increase of Baht 38.3 billion or 11.9 percent from the end of 2014, due mainly to the net profit of 2015 of Baht 34.2 billion, net of two dividend payments during 2015 totaling Baht 12.4 billion. These payments comprised 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). There was also an increase of Baht 11.6 billion in surplus on revaluation of premises.

Contingent Liabilities

Million Baht

Item	December 2015	September 2015	December 2014	Change (%)	
				September 2015	December 2014
Avals to bills	6,808	6,435	5,237	5.8%	30.0%
Guarantees of loans	11,788	11,295	9,479	4.4%	24.4%
Liability under unmatured import bills	18,487	20,718	19,788	(10.8)%	(6.6)%
Letters of credit	29,192	29,823	31,927	(2.1)%	(8.6)%
Other commitments					
Amount of unused bank overdrafts	178,698	181,111	176,298	(1.3)%	1.4%
Other guarantees	220,602	204,875	226,608	7.7%	(2.7)%
Others	90,449	124,562	84,642	(27.4)%	6.9%
Total	556,024	578,819	553,979	(3.9)%	0.4%

Contingent liabilities as of December 31, 2015 amounted to Baht 556.0 billion, a decrease of Baht 22.8 billion from the end of September 2015. This was due mainly to decreases in other commitments, while other guarantees increased.

Compared with the end of December 2014, contingent liabilities rose by Baht 2.0 billion, predominantly from an increase in other commitments, while other guarantees declined.

Sources and Utilization of Funds

Primary sources of funds as of December 31, 2015 comprised Baht 2,091.0 billion or 73.7 percent in deposits, Baht 361.8 billion or 12.8 percent in shareholders' equity, Baht 138.4 billion or 4.9 percent in debt issued and borrowings, and Baht 128.7 billion or 4.5 percent in net interbank and money market liabilities.

The utilization of funds comprised Baht 1,868.9 billion or 65.9 percent in loans, Baht 520.8 billion or 18.4 percent in net investments (including net investments in associates), and Baht 372.0 billion or 13.1 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

Consolidated

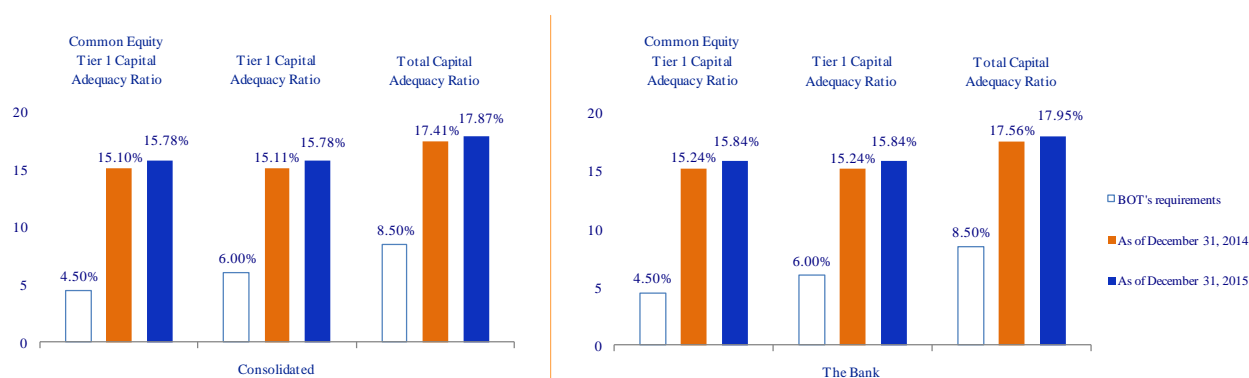
Million Baht

Item	Capital			Capital Adequacy Ratio		
	December 2015	September 2015	December 2014	December 2015	September 2015	December 2014
Total capital	386,653	387,589	350,097	17.87%	18.21%	17.41%
Tier 1 capital	341,564	342,977	303,810	15.78%	16.11%	15.11%
Common equity Tier 1 capital	341,431	342,882	303,683	15.78%	16.11%	15.10%

The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	December 2015	September 2015	December 2014	December 2015	September 2015	December 2014
Total capital	376,265	376,992	342,423	17.95%	18.32 %	17.56%
Tier 1 capital	332,058	333,146	297,006	15.84%	16.19 %	15.24%
Common equity Tier 1 capital	332,058	333,146	297,006	15.84%	16.19 %	15.24%



As of December 31, 2015, legal capital funds were Baht 386.7 billion, common equity Tier 1 capital Baht 341.4 billion, and Tier 1 capital Baht 341.6 billion. The total capital adequacy ratio was 17.87 percent, while the common equity Tier 1 capital adequacy ratio was 15.78 percent and the Tier 1 capital adequacy ratio was 15.78 percent. With the inclusion of net profit for the six months from July to December 2015, the total capital adequacy ratio, the common equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.65 percent, 16.57 percent and 16.57 percent, respectively.

Liquid Assets

Item	December 2015	September 2015	December 2014
Liquid assets (Million Baht)	906,648	940,808	920,034
Liquid assets/total assets (%)	32.0	33.4	33.3
Liquid assets/deposits (%)	43.4	45.5	44.7

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of December 31, 2015, liquid assets totaled Baht 906.6 billion, a decrease of Baht 34.2 billion or 3.6 percent from the end of September 2015, due predominantly to a decrease of Baht 159.3 billion in interbank and money market items, while available-for-sale securities increased by Baht 131.3 billion.

Compared with the end of December 2014, liquid assets declined by Baht 13.4 billion or 1.5 percent. Significant items included a decrease of Baht 160.2 billion in interbank and money market items, while an increase of Baht 150.3 billion in available-for-sale securities.

Credit Ratings

At the end of December 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 *	December 31, 2015	September 30, 2015	December 31, 2014
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	A3
Subordinated debt instruments	Baa3	Baa3	Baa3
Outlook	Stable	Stable	Stable
Financial strength (BCA / BFSR)	baa2 / C-	baa2 / C-	baa2 / C-
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
Domestic ratings			
Long term - Debt instruments	AA	AA	AA
Short term - Debt instruments	F1+	F1+	F1+
Subordinated debt instruments	AA-	AA-	AA-
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.