



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and Nine Months Ended September 30, 2016

Management Discussion and Analysis

Overview of the Economy and Banking

Thai Economy in the Third Quarter of 2016

The Thai economy in the third quarter of 2016 continued to recover on the back of public expenditure and the growth in private consumption along with the improvement in consumer confidence from the previous quarter. Exports also improved, growing by 0.4 percent after contracting by 1.5 and 2.5 percent in the first and second quarters, respectively. This was due to an increase in exports of electronic goods, electrical appliances, automotive, and auto-parts in August and September, and tourism also continued to grow. However, private investment remained subdued, in line with the gradual pace of the economic recovery.

Headline inflation leveled at 0.3 percent, with growth slightly down from the second quarter as raw food prices started to fall after the easing of the drought. Nevertheless, inflation remains below the Bank of Thailand's target range of 1-4 percent. Core inflation stood at 0.8 percent, reflecting a slow improvement in domestic consumption. The Thai baht averaged 34.84 THB/USD over the third quarter, slightly appreciated from 35.28 THB/USD in the previous quarter and 35.25 THB/USD in the third quarter of last year.

The Monetary Policy Committee maintained the policy interest rate at 1.50 percent, assessing that the Thai economy will continue to recover gradually – and inflation may reach the target band by the end of this year. Nonetheless, the Thai economy is still facing both domestic and external uncertainties. Furthermore, a risk from the Thai baht appreciation may pose negative impact on country's economic recovery, while a risk to financial stability from search-for-yield behavior, which results from a long period of low interest rates, continued to warrant close monitoring.

Overall, the Thai economy in 2016 is expected to grow at 3.0-3.5 percent, driven by government initiatives, including investment in small rural projects, policies to strengthen the local economies, supports to small and medium-sized businesses, and investment in infrastructure. Such growth will also be supported by the continuous expansion in tourism and a gradual improvement in private consumption. However, the Thai economy will continue to encounter risks from uncertainties in the world economy, which will pose pressure on exports, as well as the volatility in exchange rates and financial markets due to the monetary policy directions in advanced economies, muted global agricultural prices, and high levels of household debt.

Thai Banking Industry

Continuing from the first half of 2016, the economic environment in the third quarter remained a challenge for commercial banks' business operations, with Thai commercial banks' lending and deposits continuing to grow only moderately. The aggregated balance sheets of commercial banks at the end of September 2016 showed that deposits grew by 1.4 percent from the same period last year, but declined from the growth of 1.8 percent in the second quarter. Lending growth followed a similar pattern, up by 2.9 percent from the same period last year, but declined from the growth of 3.6 percent in the second quarter. Banking system liquidity tightened with a Loan-to-Deposit Ratio (LDR) of 98.6 percent, an increase from 98.0 percent at the end of the previous quarter and 97.6 percent at the end of 2015. Meanwhile, loan quality, measured by the ratio of non-performing loans (NPLs) to total loans, continued to deteriorate, with the NPL ratio rising to 3.06 percent from 2.88 percent at the end of the previous quarter and 2.69 percent at the end of 2015.

The Bank of Thailand's Senior Loan Officer Survey indicated that overall demand for business credit in the third quarter improved from the previous quarter, especially from SMEs' need for working capital and investment in fixed assets, while loan demand from large corporates was unchanged from the previous quarter. Overall demand for household credit declined from the previous quarter, but demand for credit card loans increased. Looking ahead, financial institutions predict that demand for business and household credit will increase.

In terms of deposits, competition is likely to be mild as the economy is recovering at only a slow pace, although the progress of infrastructure investment will need to be closely monitored as more bidding processes are opened in 2017. The banking system has sufficient liquidity to support loan expansion during the initial stages of these projects. Regarding liquidity management, the Bank of Thailand requires commercial banks to maintain a sufficient level of liquid assets to cope with potential cash outflows in the event of a crisis (as measured by the Liquidity Coverage Ratio or LCR) in accordance with the requirements of Basel III, which has been in effect since January 2016. Although the gradual economic growth will affect the quality of loans in the banking system, 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 (%)
	3/2016	2/2016	3/2015	2/2016	3/2015	2016	2015	
Net profit *	8,061	7,169	9,057	12.4%	(11.0)%	23,547	26,499	(11.1)%
Earnings per share (Baht)	4.22	3.76	4.74	12.4%	(11.0)%	12.34	13.88	(11.1)%
Net interest margin	2.33%	2.27%	2.14%	0.06%	0.19%	2.33%	2.11%	0.22%
Net fees and service income to operating income ratio	22.8%	24.1%	22.5%	(1.3)%	0.3%	23.2%	23.4%	(0.2)%
Expense to operating income ratio	44.9%	50.7%	40.9%	(5.8)%	3.9%	47.8%	43.1%	4.7%
Return on average assets *	1.10%	0.98%	1.26%	0.12%	(0.16)%	1.09%	1.26%	(0.17)%
Return on average equity *	8.67%	7.80%	10.20%	0.87%	(1.53)%	8.55%	10.40%	(1.85)%

* Attributable to the Bank

Million Baht

Item	September 2016	June 2016	December 2015	Change (%)	
				June 2016	December 2015
Loans **	1,901,900	1,906,936	1,868,903	(0.3)%	1.8%
Deposits	2,106,870	2,154,256	2,090,965	(2.2)%	0.8%
Loan to deposit ratio	90.3%	88.5%	89.4%	1.8%	0.9%
Non-performing loans (NPLs)	73,187	67,995	56,226	7.6%	30.2%
Ratio of NPLs to total loans	3.4%	3.1%	2.8%	0.3%	0.6%
Ratio of loan loss reserves to NPLs	159.5%	164.5%	185.3%	(5.0)%	(25.8)%
Total capital adequacy ratio	18.82%	18.04%	17.87%	0.78%	0.95%

** Less deferred revenue

Bangkok Bank and its subsidiaries have reported a net profit of Baht 8.1 billion for the third quarter of 2016, an increase from the second quarter due to earnings growth of net interest income, net fees and service income, and other operating income. Given the gradual economic recovery, the Bank continues to maintain a prudent approach by setting aside further provisioning expenses and focusing on its risk management to maintain asset quality at an appropriate level.

The Bank's loans at the end of September 2016 amounted to Baht 1,901.9 billion, a rise of Baht 33.0 billion or 1.8 percent when compared with the end of 2015, due to lending to large corporates, medium-sized businesses and the consumer sector.

Given the slow pace of the Thai economic recovery it will take time for the business sector to adapt and recover, however the Bank continues to stay close to its customers and provide them with relevant advice and assistance. The Bank's non-performing loans (NPLs) were Baht 73.2 billion or 3.4 percent of total loans. The Bank continues to set aside appropriate provisioning expenses in line with its prudent strategic approach. Total allowances for doubtful accounts at the end of September 2016 were at the high level of Baht 116.8 billion or 6.1 percent of loans. In the third quarter of 2016, provisioning expenses set aside amounted to Baht 4.9 billion.

The Bank also continues to focus on managing liquidity and financial costs to ensure they are at appropriate levels. At the end of September 2016, the Bank reported total deposits of Baht 2,106.9 billion, an increase of Baht 15.9 billion or 0.8 percent from the end of 2015. The loan-to-deposit ratio was 90.3 percent increased from 89.4 percent at the end of the previous year.

Net profit for the third quarter of 2016 was Baht 8.1 billion, an increase of Baht 892 million or 12.4 percent from the second quarter of this year. Net interest income rose by Baht 470 million or 3.0 percent to Baht 16.1 billion, and the net interest margin increased to 2.33 percent as a result of managing the low-cost deposits. Non-interest income was Baht 10.9 billion, an increase of Baht 1.6 billion or 17.7 percent, due largely to gains on investments. Net fees and service income amounted to Baht 6.2 billion, an increase of Baht 181 million or 3.0 percent, due mainly to an increase in fee income from electronic services and remittances as well as from mutual funds and bancassurance. Operating expenses were Baht 12.1 billion, a decrease of Baht 504 million or 4.0 percent, mainly because of a reduction in expenses on premises and equipment and other expenses.

The Bank maintained capital reserves at a good level to support future business expansion. After the inclusion of the third quarter of 2016 net profit, the total capital adequacy ratio, Tier 1 capital ratio and common equity Tier 1 ratio of the Bank and its subsidiaries would be 19.21 percent, 17.26 percent and 17.25 percent, respectively.

Shareholders' equity as of 30 September, 2016 amounted to Baht 370.9 billion or 12.9 percent of total assets. The book value per share was Baht 194.30, an increase of Baht 4.74 from the end of 2015.

Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2016	2/2016	3/2015	2/2016	3/2015	2016	2015	
Net interest income	16,066	15,596	14,441	3.0%	11.3%	47,695	41,893	13.8%
Non-interest income	10,887	9,250	12,299	17.7%	(11.5)%	30,796	34,430	(10.6)%
Operating expenses	12,095	12,599	10,948	(4.0)%	10.5%	37,536	32,904	14.1%
Impairment loss of loans and debt securities	4,946	3,542	4,872	39.6%	1.5%	12,132	10,773	12.6%
Operating profit before tax	9,912	8,705	10,920	13.9%	(9.2)%	28,823	32,646	(11.7)%
Income tax expenses	1,786	1,473	1,810	21.2%	(1.3)%	5,087	5,987	(15.0)%
Net profit	8,126	7,232	9,110	12.4%	(10.8)%	23,736	26,659	(11.0)%
Net profit *	8,061	7,169	9,057	12.4%	(11.0)%	23,547	26,499	(11.1)%
Total comprehensive income *	5,502	6,889	9,043	(20.1)%	(39.2)%	21,077	43,964	(52.1)%

* Attributable to the Bank

Net profit in the third quarter of 2016 amounted to Baht 8.1 billion, an increase of Baht 892 million or 12.4 percent from the second quarter of 2016. Significant items included an increase of Baht 1.6 billion or 17.7 percent in non-interest income, due mainly to net fees and service income, gains on tradings and foreign exchange transactions, and gains on investments. Net interest income increased by Baht 470 million or 3.0 percent from a decrease in interest expenses on deposits due to a decrease in volume and cost of fixed deposits. Operating expenses decreased by Baht 504 million or 4.0 percent, due mainly to decreases in premises and equipment expenses, as well as other expenses. Impairment loss on loans and debt securities rose by Baht 1.4 billion or 39.6 percent.

Compared with the third quarter of 2015, net profit decreased by Baht 996 million or 11.0 percent. Significant items included a decrease of Baht 1.4 billion or 11.5 percent in non-interest income due mainly to a decrease in gains on disposal of assets, and an increase of Baht 1.1 billion or 10.5 percent in operating expenses, partly due to marketing expenses. Net interest income rose by Baht 1.6 billion or 11.3 percent, due mainly to a decrease in interest expenses resulting from the gradual maturing of high-rate fixed deposits.

For the nine months of 2016, net profit amounted to Baht 23.5 billion, a decrease of Baht 3.0 billion or 11.1 percent from the same period last year. Significant items included an increase of Baht 4.6 billion or 14.1 percent in operating expenses, mainly from provisions for contingencies, and a decrease of Baht 3.6 billion or 10.6 percent in non-interest income, resulting from a decrease in gains on disposal of assets and in gains on investments. Net interest income rose by Baht 5.8 billion or 13.8 percent due mainly to an expansion of low-cost deposits in savings and current accounts and the lower costs of fixed deposits. Impairment losses on loans and debt securities rose by Baht 1.4 billion or 12.6 percent. Total comprehensive income decreased by Baht 22.9 billion which was largely attributable to a surplus from the revaluation of lands and premises in 2015.

Net Interest Income

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2016	2/2016	3/2015	2/2016	3/2015	2016	2015	
Interest Income								
Loans	21,940	21,797	21,920	0.7%	0.1%	66,112	65,258	1.3%
Interbank and money market items	1,578	1,686	2,345	(6.4)%	(32.7)%	4,623	7,911	(41.6)%
Investments	1,983	2,095	1,477	(5.3)%	34.3%	6,187	4,971	24.5%
Total interest income	25,501	25,578	25,742	(0.3)%	(0.9)%	76,922	78,140	(1.6)%
Interest expenses								
Deposits	5,225	5,650	6,926	(7.5)%	(24.6)%	16,418	23,086	(28.9)%
Interbank and money market items	266	324	297	(17.9)%	(10.4)%	868	1,104	(21.4)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,265	2,305	2,254	(1.7)%	0.5%	6,850	6,837	0.2%
Debt issued and borrowings	1,679	1,703	1,824	(1.4)%	(7.9)%	5,091	5,220	(2.5)%
Total interest expenses	9,435	9,982	11,301	(5.5)%	(16.5)%	29,227	36,247	(19.4)%
Net interest income	16,066	15,596	14,441	3.0%	11.3%	47,695	41,893	13.8%
Yield on earning assets	3.70%	3.72%	3.81%	(0.02)%	(0.11)%	3.76%	3.93%	(0.17)%
Cost of funds	1.56%	1.64%	1.89%	(0.08)%	(0.33)%	1.62%	2.05%	(0.43)%
Net interest margin	2.33%	2.27%	2.14%	0.06%	0.19%	2.33%	2.11%	0.22%

Net interest income in the third quarter of 2016 amounted to Baht 16.1 billion, an increase of Baht 470 million or 3.0 percent from the second quarter of 2016, due to a decrease of Baht 425 million or 7.5 percent in interest expenses from deposits as a result of the reduced volume and costs of fixed deposits and an increase of Baht 143 million or 0.7 percent in interest income from lending. Interest income from interbank and money market items fell by Baht 108 million, mainly from the decrease in transaction volume. The net interest margin increased by 0.06 percent from the previous quarter to 2.33 percent.

Compared with the third quarter of 2015, net interest income rose by Baht 1.6 billion or 11.3 percent; as a result, the net interest margin rose by 0.19 percent to 2.33 percent, due to a decrease of Baht 1.7 billion or 24.6 percent in interest expenses on deposits as high-rate fixed deposits are gradually maturing, while interest income from interbank and money market items fell by Baht 767 million due to the decrease in business volume and yield which is in line with market yield.

For the nine months of 2016, net interest income amounted to Baht 47.7 billion, an increase of Baht 5.8 billion, or 13.8 percent, from the same period last year, due predominantly to a decrease of Baht 6.7 billion or 28.9 percent, in interest expenses on deposits, resulting from an expansion of low-cost deposits in savings and current accounts and a decrease in the cost of fixed deposits, while interest income from investments increased by Baht 1.2 billion. Interest income from interbank and money market items fell by Baht 3.3 billion due to the decrease in business volume and yield resulting from cuts in the policy interest rate on March 11, 2015 and April 29, 2015 of 0.50 percent in total. The net interest margin rose by 0.22 percent from the same period last year.

Bangkok Bank Interest Rates	Apr 25, '16	Apr 6, '16	May 26, '15	May 12, '15	Mar 16, '15	Sep 22, '14
Loans (%)						
MOR	7.375	7.375	7.375	7.500	7.500	7.500
MRR	7.625	7.875	7.875	8.125	8.125	8.125
MLR	6.250	6.250	6.500	6.625	6.625	6.750
Deposits (%)						
Savings	0.500-0.625	0.500-0.625	0.500-0.625	0.500-0.625	0.500-0.750	0.500-1.250
Fixed 3 months	1.000	1.000	1.000	1.000	1.000	1.125-1.250
Fixed 6 months	1.250	1.250	1.250	1.250	1.250	1.375
Fixed 12 months	1.500	1.500	1.500	1.500	1.500	1.750
		Apr 29, '15		Mar 11, '15		Mar 12, '14
Bank of Thailand Policy Rates (%)		1.500		1.750		2.000

Non-Interest Income

Item	Quarter		Change (%)		9 Months		Change (%)	
	3/2016	2/2016	3/2015	2/2016	3/2015	2016		2015
Fees and service income	8,227	7,973	7,940	3.2%	3.6%	24,458	23,790	2.8%
<u>Less</u> fees and service expenses	2,070	1,997	1,927	3.7%	7.4%	6,221	5,957	4.4%
Net fees and service income	6,157	5,976	6,013	3.0%	2.4%	18,237	17,833	2.3%
Gains on tradings and foreign exchange transactions	1,924	1,554	2,231	23.8%	(13.8)%	5,433	5,796	(6.3)%
Gains on investments	1,468	51	1,296	2,778.4%	13.3%	3,049	4,766	(36.0)%
Share of profit (loss) from investment for using equity method	50	(55)	42	190.9%	19.0%	55	154	(64.3)%
Gains on disposal of assets	136	220	1,672	(38.2)%	(91.9)%	457	2,635	(82.7)%
Dividend income	1,014	1,381	861	(26.6)%	17.8%	3,182	2,817	13.0%
Other operating income	138	123	184	12.2%	(25.0)%	383	429	(10.7)%
Total other operating income	4,730	3,274	6,286	44.5%	(24.8)%	12,559	16,597	(24.3)%
Total non-interest income	10,887	9,250	12,299	17.7%	(11.5)%	30,796	34,430	(10.6)%
Net fees and service income to operating income ratio	22.8%	24.1%	22.5%	(1.3)%	0.3%	23.2%	23.4%	(0.2)%

Non-interest income in the third quarter of 2016 amounted to Baht 10.9 billion, an increase of Baht 1.6 billion or 17.7 percent from the second quarter of 2016, with net fees and service income increased by Baht 181 million or 3.0 percent, with the main sources of fee income from electronic services and remittances, mutual funds and bancassurance. Gains on investments rose by 1.4 billion, gains on tradings and foreign exchange transactions increased by Baht 370 million, while dividend income decreased by Baht 367 million. Consequently, the ratio of net fees and service income to operating income stood at 22.8 percent, decreasing from 24.1 percent in the previous quarter.

Compared with the third quarter of 2015, non-interest income decreased by Baht 1.4 billion or 11.5 percent. Significant items included a decrease of Baht 1.5 billion or 91.9 percent in gains on disposal of assets and a decrease of Baht 307 million or 13.8 percent in gains on tradings and foreign exchange transactions. Net fees and service income rose by Baht 144 million or 2.4

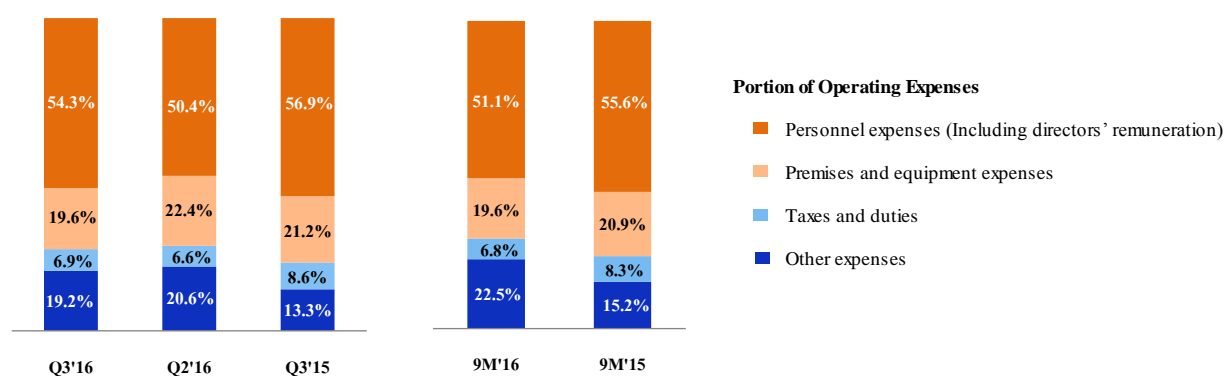
percent due partly to increase in fee income from the securities business, and electronic services and remittances which was higher than the same quarter last year.

For the nine months of 2016, non-interest income amounted to Baht 30.8 billion, a decrease of Baht 3.6 billion or 10.6 percent from the same period last year, with gains on disposal of assets declining by Baht 2.2 billion and gains on investments declining by Baht 1.7 billion. Net fees and service income rose by Baht 404 million, due mainly to increases in fee income from loan-related services, and electronic services and remittances.

Operating Expenses

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2016	2/2016	3/2015	2/2016	3/2015	2016	2015	
Personnel expenses	6,552	6,300	6,208	4.0%	5.5%	19,090	18,212	4.8%
Directors' remuneration	20	43	20	(53.5)%	-	82	95	(13.7)%
Premises and equipment expenses	2,368	2,821	2,316	(16.1)%	2.2%	7,374	6,870	7.3%
Taxes and duties	832	837	946	(0.6)%	(12.1)%	2,549	2,719	(6.3)%
Other expenses	2,323	2,598	1,458	(10.6)%	59.3%	8,441	5,008	68.6%
Total operating expenses	12,095	12,599	10,948	(4.0)%	10.5%	37,536	32,904	14.1%
Expense to operating income ratio	44.9%	50.7%	40.9%	(5.8)%	4.0%	47.8%	43.1%	5.1%



Operating expenses in the third quarter of 2016 amounted to Baht 12.1 billion, a decrease of Baht 504 million or 4.0 percent from the second quarter of 2016. Significant items included expenses on premises and equipment, which decreased by Baht 453 million, and other expenses which decreased by Baht 275 million from the reduction in expenses related to improving the efficiency of business operations.

Compared with the third quarter of 2015, operating expenses rose by Baht 1.1 billion or 10.5 percent. Significant items included other expenses which increased by Baht 865 million, due to provisions for contingencies, marketing expenses and improving the efficiency of business operations; and personnel expenses which rose by Baht 344 million.

For the nine months of 2016, operating expenses amounted to Baht 37.5 billion, an increase of Baht 4.6 billion or 14.1 percent from the nine months of 2015. Significant items included an increase of Baht 3.4 billion in other expenses due predominantly to provisions for contingencies, an increase of Baht 878 million or 4.8 percent in personnel expenses, and an increase of Baht 504 million in premises and equipment expenses.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2016	2/2016	3/2015	2/2016	3/2015	2016	2015	
Bad debt and doubtful accounts	5,023	3,545	5,208	41.7%	(3.6)%	12,560	11,293	11.2%
Loss on debt restructuring (reversal)	(77)	(3)	(336)	(2,466.7)%	77.1%	(428)	(520)	17.7%
Total	4,946	3,542	4,872	39.6%	1.5%	12,132	10,773	12.6%

Impairment loss of loans and debt securities in the third quarter of 2016 was Baht 4.9 billion, compared to Baht 3.5 billion in the second quarter of 2016 and Baht 4.9 billion in the third quarter of 2015. For the nine months of 2016, impairment loss of loans and debt securities amounted to Baht 12.1 billion, compared to Baht 10.8 billion in the same period of the previous year.

Significant Items in the Financial Position

Assets

Million Baht

Item	September 2016	June 2016	December 2015	Change (%)	
				June 2016	December 2015
Net interbank and money market items	421,451	475,968	372,007	(11.5)%	13.3%
Net investments	497,645	479,234	519,525	3.8%	(4.2)%
Net investments in associates	1,286	1,236	1,280	4.0%	0.5%
Loans *	1,901,900	1,906,936	1,868,903	(0.3)%	1.8%
Net properties for sale	13,079	13,296	13,579	(1.6)%	(3.7)%
Total assets	2,875,539	2,932,207	2,835,852	(1.9)%	1.4%

* Less deferred revenue

Total assets, as of September 30, 2016, amounted to Baht 2,875.5 billion, a decrease of Baht 56.7 billion from the end of June 2016. Significant items included net interbank and money market items of Baht 421.5 billion, a decrease of Baht 54.5 billion or 11.5 percent, mainly from the reduction in lending and reverse repurchase agreements transactions, while net investments amounted to Baht 497.6 billion, an increase of Baht 18.4 billion or 3.8 percent.

Compared with the end of December 2015, total assets rose by Baht 39.7 billion. Significant items included an increase of Baht 49.4 billion or 13.3 percent in net interbank and money market items. Loans increased by Baht 33.0 billion or 1.8 percent, while net investments decreased by Baht 21.9 billion or 4.2 percent.

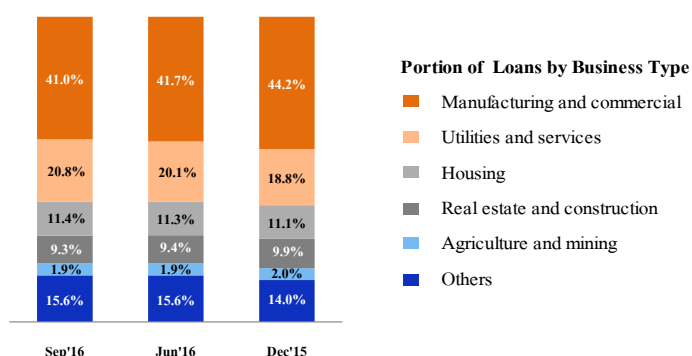
Loans

Loans, as of September 30, 2016, amounted to Baht 1,901.9 billion, a slight decrease of Baht 5.0 billion or 0.3 percent from the end of June 2016, due mainly to the reduction in loans made through the Bank's international network. Compared with the end of December 2015, loans rose by Baht 33.0 billion or 1.8 percent increased from loans to large corporates, medium-sized businesses and the consumer sector.

Million Baht

Loans by Business Type *	September 2016	June 2016	December 2015	Change (%)	
				June 2016	December 2015
Manufacturing and commercial	778,952	795,594	825,913	(2.1)%	(5.7)%
Utilities and services	395,881	382,979	351,791	3.4%	12.5%
Housing	216,539	216,006	207,847	0.2%	4.2%
Real estate and construction	177,592	178,477	184,058	(0.5)%	(3.5)%
Agriculture and mining	36,575	36,305	38,013	0.7%	(3.8)%
Others	296,361	297,575	261,281	(0.4)%	13.4%
Total	1,901,900	1,906,936	1,868,903	(0.3)%	1.8%

* Less deferred revenue



The highest portion of lending was to various industries in the manufacturing and commercial sectors, at 41.0 percent, followed by 20.8 percent to utilities and services, 11.4 percent to housing, and 9.3 percent to real estate and construction. The main decrease in loans from the end of June 2016 was to the manufacturing sector, while increase from the end of December 2015 was to the utilities and services sector, and to the others sector.

Classified Loans and Allowance for Doubtful Accounts

Million Baht

Item	Loans & Accrued Interest Receivables *			Allowance for Doubtful Accounts Classified to Bank of Thailand Criteria		
	September 2016	June 2016	December 2015	September 2016	June 2016	December 2015
Normal	1,779,332	1,797,274	1,773,357	13,795	13,875	13,788
Special mentioned	53,065	45,104	43,504	623	548	501
Substandard	8,315	11,282	9,650	1,842	3,706	3,975
Doubtful	21,460	13,859	13,725	12,767	7,573	7,197
Doubtful of loss	43,439	42,900	32,946	27,069	26,572	20,935
Total	1,905,611	1,910,419	1,873,182	56,096	52,274	46,396
<u>Plus</u> excess allowance for doubtful accounts				58,756	57,606	55,379
Total allowance for doubtful accounts from loan classification				114,852	109,880	101,775
<u>Plus</u> revaluation allowance for debt restructuring				1,905	1,983	2,412
Total allowance for doubtful accounts				116,757	111,863	104,187

* Less deferred revenue

Million Baht

Item	September 2016	June 2016	December 2015	Change (%)	
				June 2016	December 2015
NPLs before allowance for doubtful accounts	73,187	67,995	56,226	7.6%	30.2%
Ratio of NPLs to total loans	3.4%	3.1%	2.8%	0.3%	0.6%
Net NPLs after allowance for doubtful accounts	22,149	20,740	16,622	6.8%	33.3%
Ratio of net NPLs to net total loans	1.1%	1.0%	0.8%	0.1%	0.3%
Ratio of loan loss reserves to minimum required provisioning	201.3%	206.2%	213.5%	(4.9)%	(12.2)%
Ratio of loan loss reserves to NPLs	159.5%	164.5%	185.3%	(5.0)%	(25.8)%

Non-performing loans (NPLs) at the end of September 2016 amounted to Baht 73.2 billion and its ratio of NPLs to total loans was 3.4 percent.

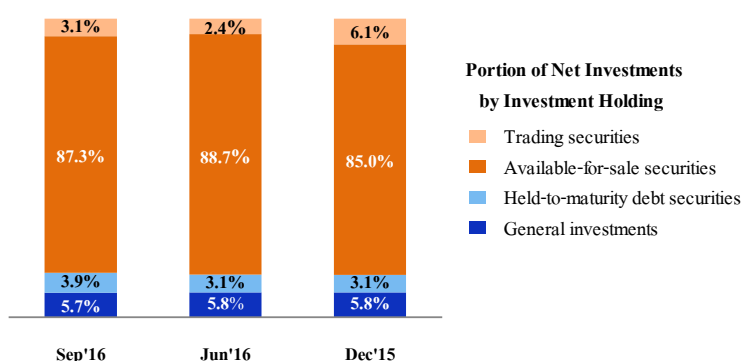
Total allowance for doubtful accounts at the end of September 2016 was Baht 116.8 billion, 201.3 percent of the minimum required by the Bank of Thailand (BOT) of Baht 58.0 billion. The ratio of loan loss reserves to NPLs was 159.5 percent.

Net Investments

Net investments as of September 30, 2016 amounted to Baht 497.6 billion, an increase of Baht 18.4 billion or 3.8 percent from the end of June 2016, due to an increase in investment from available-for-sale securities, while net investments decreased by Baht 21.9 billion or 4.2 percent from the end of December 2015, due mainly to trading securities and available-for-sale securities.

Million Baht

Investments by Investment Holding	September 2016	June 2016	December 2015	Change (%)	
				June 2016	December 2015
Trading securities	15,513	11,317	31,685	37.1%	(51.0)%
Available-for-sale securities	434,348	425,044	441,497	2.2%	(1.6)%
Held-to-maturity debt securities	19,404	15,006	16,213	29.3%	19.7%
General investments	28,380	27,867	30,130	1.8%	(5.8)%
Total net investments	497,645	479,234	519,525	3.8%	(4.2)%



Most of the net investments were in government and state-enterprise securities. As of September 30, 2016, these amounted to Baht 299.2 billion, accounting for 60.1 percent of total investments. Foreign debt securities were Baht 86.0 billion, private enterprise debt securities Baht 12.6 billion, and net equity securities Baht 98.5 billion.

Million Baht

Investments by Maturity *	September 2016		June 2016		December 2015		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2016	December 2015
Up to one year	72,036	14.4%	107,340	22.3%	101,774	19.5%	(32.9)%	(29.2)%
Between one and five years	283,366	56.8%	242,364	50.4 %	302,433	58.1%	16.9%	(6.3)%
Over five years	45,913	9.2%	33,886	7.1%	18,567	3.6%	35.5%	147.3%
No maturity	97,616	19.6%	96,880	20.2%	98,031	18.8%	0.8%	(0.4)%
Total net investments	498,931	100.0%	480,470	100.0%	520,805	100.0%	3.8%	(4.2)%

* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of September 30, 2016 were categorized into securities with less than one year to maturity of Baht 72.0 billion, securities with one-to-five years to maturity of Baht 283.4 billion, securities with remaining maturity of more than five years of Baht 45.9 billion, and securities with no maturity of Baht 97.6 billion.

Liabilities and Shareholders' Equity

Million Baht

Item	September 2016	June 2016	December 2015	Change (%)	
				June 2016	December 2015
Deposits	2,106,870	2,154,256	2,090,965	(2.2)%	0.8%
Interbank and money market items	144,797	150,394	128,681	(3.7)%	12.5%
Debt issued and borrowings	133,678	135,372	138,402	(1.3)%	(3.4)%
Total liabilities	2,504,482	2,562,894	2,473,821	(2.3)%	1.2%
Shareholders' equity *	370,887	369,097	361,832	0.5%	2.5%

* Attributable to the Bank

Total liabilities as of September 30, 2016 amounted to Baht 2,504.5 billion, a decrease of Baht 58.4 billion or 2.3 percent from the end of June 2016, due mainly to a decrease of Baht 47.4 billion in deposits and a decrease of Baht 5.6 billion or 3.7 percent in interbank and money market items due to the reduction in repurchase agreements.

Compared with the end of December 2015, total liabilities rose by Baht 30.7 billion or 1.2 percent, mostly from deposits which rose by Baht 15.9 billion or 0.8 percent, and interbank and money market items rose by Baht 16.1 billion or 12.5 percent, mainly from borrowing-related transactions.

Deposits

Million Baht

Deposits Classified by Product Type	September 2016		June 2016		December 2015		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2016	December 2015
Current	92,254	4.4%	92,437	4.3%	86,797	4.1%	(0.2)%	6.3%
Savings	928,554	44.1%	915,967	42.5%	850,689	40.7%	1.4%	9.2%
Fixed *	1,086,062	51.5%	1,145,852	53.2%	1,153,479	55.2%	(5.2)%	(5.8)%
Total	2,106,870	100.0%	2,154,256	100.0%	2,090,965	100.0%	(2.2)%	0.8%
Loan to deposit ratio		90.3%		88.5%		89.4%	1.8%	0.9%

* Including negotiable certificates of deposit

Total deposits, as of September 30, 2016, amounted to Baht 2,106.9 billion, a decrease of Baht 47.4 billion from the end of June 2016, mostly from fixed deposits which decreased by 5.2 percent while savings deposits rose by 1.4 percent.

Compared with the end of December 2015, total deposits rose by Baht 15.9 billion or 0.8 percent mostly from savings deposits, which increased by 9.2 percent while fixed deposits declined by 5.8 percent as a result of managing the cost of deposits by increasing the proportion of low-cost deposits.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	September 2016		June 2016		December 2015		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2016	December 2015
Senior unsecured notes	104,085	74.4%	105,586	74.5%	108,335	74.8%	(1.4)%	(3.9)%
Unsecured subordinated notes	35,602	25.4%	35,827	25.3%	36,238	25.0%	(0.6)%	(1.8)%
Bills of exchange	74	0.1%	74	0.1%	74	0.1%	-	-
Others	115	0.1%	135	0.1%	107	0.1%	(14.8)%	7.5%
Total (before less discount on borrowings)	139,876	100.0%	141,622	100.0%	144,754	100.0%	(1.2)%	(3.4)%
<u>Less</u> discount on borrowings	6,198		6,250		6,352		(0.8)%	(2.4)%
Total	133,678		135,372		138,402		(1.3)%	(3.4)%

Total debt issued and borrowings as of September 30, 2016 amounted to Baht 133.7 billion, a decrease of Baht 1.7 billion from the end of June 2016 and a decrease of Baht 4.7 billion from the end of December 2015, due mainly to a decline in the value of foreign-denominated debentures worth USD 3.5 billion as a result of the Baht's appreciation.

Shareholders' Equity

Shareholders' equity as of September 30, 2016 amounted to Baht 370.9 billion, an increase of Baht 9.1 billion or 2.5 percent from the end of 2015, due mainly to the profit in the nine months of 2016 of Baht 23.5 billion, net of two dividend payments during 2016 totaling Baht 12.0 billion which consisted of the final dividend payment for 2015 performance of Baht 8.3 billion (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 12, 2016,

and the interim dividend payment made from the net profit from operations in the first half of 2016 of Baht 3.7 billion (Baht 2.00 per share), and appropriation of the profit as legal reserve and as other reserves amounting to Baht 6.0 billion in total, while the 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	September 2016	June 2016	December 2015	Change (%)	
				June 2016	December 2015
Avals to bills	5,860	7,326	6,808	(20.0)%	(13.9)%
Guarantees of loans	13,378	11,537	11,788	16.0%	13.5%
Liability under unmatured import bills	16,179	20,502	18,487	(21.1)%	(12.5)%
Letters of credit	27,802	27,017	29,192	2.9%	(4.8)%
Other commitments					
Amount of unused bank overdrafts	175,576	177,227	178,698	(0.9)%	(1.7)%
Other guarantees	262,153	264,196	220,602	(0.8)%	18.8%
Others	102,892	108,911	90,449	(5.5)%	13.8%
Total	603,840	616,716	556,024	(2.1)%	8.6%

Contingent liabilities as of September 30, 2016 amounted to Baht 603.8 billion, a decrease of Baht 12.9 billion from the end of June 2016 due to other commitments and liability under unmatured import bills.

Compared with the end of December 2015, contingent liabilities rose by Baht 47.8 billion, due predominantly to increases in other guarantees and other commitments.

Sources and Utilization of Funds

The primary sources of funds, as of September 30, 2016, were Baht 2,106.9 billion or 73.3 percent in deposits, Baht 370.9 billion or 12.9 percent in shareholders' equity, Baht 144.8 billion or 5.0 percent in interbank and money market liabilities, and Baht 133.7 billion or 4.6 percent in debt issued and borrowings.

The utilization of funds comprised Baht 1,901.9 billion or 66.1 percent in loans, Baht 498.9 billion or 17.4 percent in net investments (including net investments in associates), and Baht 421.5 billion or 14.7 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

Consolidated

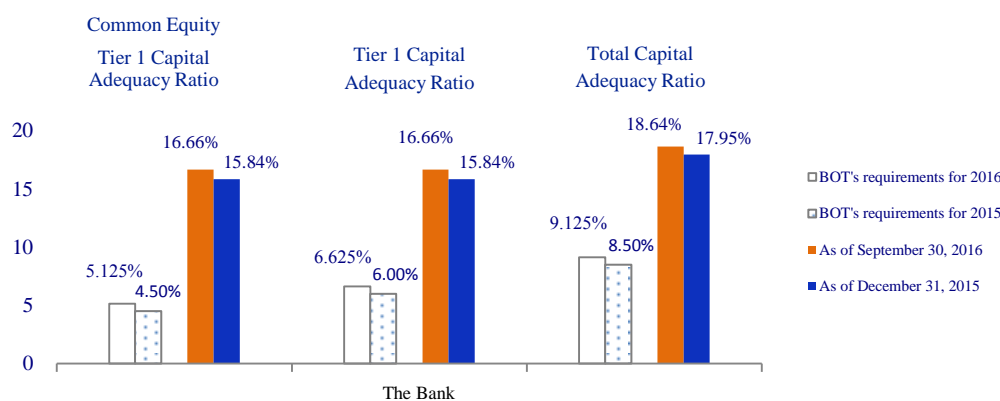
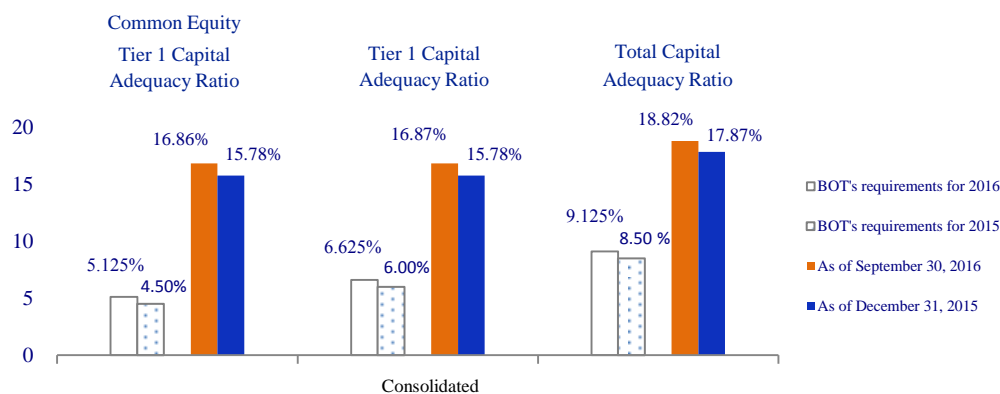
Million Baht

Item	Capital			Capital Adequacy Ratio		
	September 2016	June 2016	December 2015	September 2016	June 2016	December 2015
Total capital	402,835	393,040	386,653	18.82%	18.04%	17.87%
Tier 1 capital	360,987	350,817	341,564	16.87%	16.10%	15.78%
Common equity Tier 1 capital	360,898	350,707	341,431	16.86%	16.10%	15.78%

The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	September 2016	June 2016	December 2015	September 2016	June 2016	December 2015
Total capital	388,511	379,742	376,265	18.64%	17.92%	17.95%
Tier 1 capital	347,174	338,086	332,058	16.66%	15.96%	15.84%
Common equity Tier 1 capital	347,174	338,086	332,058	16.66%	15.96%	15.84%



Remark: The Bank of Thailand requires commercial banks to maintain an additional capital conservation buffer. The buffer will gradually increase by more than 0.625% each year from January 1, 2016 until it reaches more than 2.5% on January 1, 2019.

Under the principles of Basel III, the Bank of Thailand (BOT) requires commercial banks registered in Thailand and their groups to maintain 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. In 2016, the requirement for Common Equity Tier 1 ratio rises from no less than 4.50 percent to more than 5.125 percent, the requirement for the Tier 1 ratio rises from no less than 6.00 percent to more than 6.625 percent, and the requirement for the total capital ratio rises from no less than 8.50 percent to more than 9.125 percent – measured as percentages of total risk-weighted assets.

As of September 30, 2016, legal capital funds were Baht 402.8 billion, common equity Tier 1 capital Baht 360.9 billion, and Tier 1 capital Baht 361.0 billion. The total capital adequacy ratio was 18.82 percent, while the common equity Tier 1 capital adequacy ratio was 16.86 percent and the Tier 1 capital adequacy ratio was 16.87 percent. With the inclusion of net profit for the third quarter of 2016, the total capital adequacy ratio, the common equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 19.21 percent, 17.25 percent and 17.26 percent, respectively. The Bank maintained capital reserves at a good level to support future business expansion.

Liquid Assets

Item	September 2016	June 2016	December 2015
Liquid assets (Million Baht)	921,249	967,284	906,648
Liquid assets/total assets (%)	32.0	33.0	32.0
Liquid assets/deposits (%)	43.7	44.9	43.4

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of September 30, 2016, liquid assets totaled Baht 921.2 billion, a decrease of Baht 46.0 billion or 4.8 percent from the end of June 2016, due predominantly to decreases of Baht 54.5 billion in interbank and money market items, while available-for-sale securities increased by Baht 9.3 billion.

Compared with the end of December 2015, liquid assets rose by Baht 14.6 billion or 1.6 percent. Significant items included an increase of Baht 49.4 billion in interbank and money market items while trading securities decreased by Baht 16.2 billion and cash decreased by Baht 11.5 billion.

Credit Ratings

At the end of September 2016, Moody's Investors Service and Standard & Poor's maintained the Bank's credit ratings from the end of 2015 and the end of June 2016. In August 2016, Fitch Ratings upgraded the Bank's national long-term credit ratings from AA(th) to AA+(th) and subordinated debt instruments rating from AA-(th) to AA(th), and outlook for the Bank's rating remained at Stable. Details of the Bank's credit ratings are as follows:

Credit Rating Agency *	September 30, 2016	June 30, 2016	December 31, 2015
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

Credit Rating Agency *	September 30, 2016	June 30, 2016	December 31, 2015
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+(tha)	AA(thai)	AA(thai)
Short term - Debt instruments	F1+(tha)	F1+(thai)	F1+(thai)
Subordinated debt instruments	AA(thai)	AA-(thai)	AA-(thai)
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.