

Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and Six Months Ended June 30, 2016

Management Discussion and Analysis

Overview of the Economy and Banking

Thai Economy in the Second Quarter of 2016

The Thai economy in the second quarter of 2016 grew by 3.5 percent, up from 3.2 percent in the first quarter, on the back of the continued expansion in public expenditure and tourism. Private consumption also expanded, while private investment remained stable, in line with a gradual pace of economic recovery. Nevertheless, exports of goods in this quarter contracted by 3.1 percent, a further decline from a 1.4 percent contraction in the previous quarter, due to the slow global growth as well as the ongoing structural problems in production.

Headline inflation turned positive in the second quarter, reaching 0.3 percent after contracting for five consecutive quarters, due to the increasing prices of raw food and the upward trend of oil prices. Still, inflation remains below the Bank of Thailand's target range of 1-4 percent. Core inflation rose to 0.8 percent from higher production costs for instant food and a gradual improvement in domestic demand. The Thai baht in this quarter averaged at 35.28 THB/USD, a slight appreciation from 35.67 THB/USD in the previous quarter, but this level was significantly lower than 33.27 THB/USD recorded in the second 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, while inflation may return to the target band slightly later than expected due to weaker-than-expected energy prices. Going forward, the Thai economy would still be facing risks from the global economy, the monetary policy directions in developed countries, uncertainties following the British referendum (Brexit), and increased fragility in China's financial sector. Nonetheless, financial stability risks such as search-for-yield behavior, which result 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 mainly by government expenditure and initiatives, including investment in small rural area projects, strengthening the local economy, financial supports to small and medium-sized businesses, and investment in infrastructure projects. In addition, tourism is expected to grow further, and private consumption shows signs of improvement, as the last round of debt repayments under the first-time car-buyer scheme in the last quarter of the year will slowly reduce a portion of household debt burden and partly support the purchasing power of consumers. However, the Thai economy will continue to experience frictions from the export sector, which remains under pressure from the slowdown in the Chinese and ASEAN economies, as well as the volatility in exchange rates and financial markets resulted from the monetary policy directions, in developed countries, low global agricultural prices, and high levels of household debt.

Thai Banking Industry

Despite a tepid economic environment in the second quarter of 2016, Thai commercial banks' loans and deposits continued to grow. From the aggregated balance sheets of commercial banks at the end of June 2016, deposits grew by 1.8 percent from the same period last year, slightly higher than the previous quarter's growth of 1.5 percent. Loans also grew by 3.6 percent from the same period last year, a slight expansion from the previous quarter's growth of 3.4 percent. The banking system's liquidity tightened with a Loan-to-Deposit Ratio (LDR) of 98.0 percent, compared with 96.4 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 2.88 percent from 2.78 percent at the end of March 2016 and 2.69 percent at the end of 2015.

The Bank of Thailand's Senior Loan Officer Survey indicated that the overall demand for business credit in the second quarter improved from the previous quarter, in line with the demand for loans from large corporates for mergers and acquisitions and for investment in fixed assets as well as the demand from medium and small-sized businesses for working capital. In contrast, the demand for household credit declined from the previous quarter in accordance with low levels of consumer confidence. However, the demand for home loans increased as a result of government measures. Going forward, financial institutions expect the loan demand from businesses to improve and the loan demand from households to decline. Meanwhile, the competition for deposits is likely to be mild as the economy is recovering at a slow pace, although the progress of infrastructure investment will need to be closely monitored as more bidding processes are opened in the second half of the year. The banking system has sufficient liquidity to support loan expansion during the initial stages of these projects.

Commercial banks' liquidity management is expected to focus on readjusting deposit structures and managing costs in an appropriate manner. Banks also need to maintain a sufficient level of liquid assets (as measured by the Liquidity Coverage Ratio or LCR) to cope with potential cash outflows in the event of a crisis in accordance with the requirements of Basel III, which has been in effect since January 2016. In the second half of 2016, the rate of increase in the banking system's non-performing loans is expected to be slow as banks continue to maintain a relatively large capital base and a high level of provisioning reserves to support loan quality.

Overall Picture of the Bank and its Subsidiaries

Item	Million Baht							
	Quarter		Change (%)		H1		Change	
	2/2016	1/2016	2/2015	1/2016	2/2015	2016	2015	(%)
Net profit *	7,169	8,317	8,035	(13.8)%	(10.8)%	15,487	17,442	(11.2)%
Earnings per share (Baht)	3.76	4.36	4.21	(13.8)%	(10.8)%	8.11	9.14	(11.2)%
Net interest margin	2.27%	2.37%	1.97%	(0.10)%	0.30%	2.33%	2.08%	0.25%
Net fees and service income to operating income ratio	24.1%	22.9%	22.1%	1.2%	2.0%	23.4%	23.8%	(0.4)%
Expense to operating income ratio	50.7%	48.1%	47.2%	2.6%	3.5%	49.4%	44.3%	5.1%
Return on average assets *	0.98%	1.16%	1.13%	(0.18)%	(0.15)%	1.07%	1.25%	(0.18)%
Return on average equity *	7.80%	9.14%	9.43%	(1.34)%	(1.63)%	8.48%	10.48%	(2.00)%

* Attributable to the Bank

Million Baht

Item	June 2016	March 2016	December 2015	Change (%)	
				March 2016	December 2015
Loans **	1,906,936	1,874,924	1,868,903	1.7%	2.0%
Deposits	2,154,256	2,149,333	2,090,965	0.2%	3.0%
Loan to deposit ratio	88.5%	87.2%	89.4%	1.3%	(0.9)%
Non-performing loans (NPLs)	67,995	61,841	56,226	10.0%	20.9%
Ratio of NPLs to total loans	3.1%	2.9%	2.8%	0.2%	0.3%
Ratio of loan loss reserves to NPLs	164.5%	174.4%	185.3%	(9.9)%	(20.8)%
Total capital adequacy ratio	18.04%	17.68%	17.87%	0.36%	0.17%

** Less deferred revenue

Bangkok Bank and its subsidiaries have reported lending growth of 2.0 percent from the end of 2015. Net interest income and net fees and service income increased in the second quarter when compared with the same period last year. However, greater volatility in financial markets caused other operating income to decline. At the same time, the Bank continues to maintain its prudent approach by consistently setting aside further provisioning expenses. Accordingly, the Bank has posted a net profit for the second quarter of 2016 of Baht 7.2 billion.

The Bank's loans at the end of June 2016 amounted to Baht 1,906.9 billion, an increase of Baht 38.0 billion or 2.0 percent from the end of 2015, with growth in lending to various segments ranging from large corporates, medium-sized businesses, the consumer sector and loans made through the Bank's international network.

In terms of loan quality, the business sector continued to be impacted by the slow economic recovery and sluggish exports. As a result, the Bank's non-performing loans (NPLs) were Baht 68.0 billion and its ratio of NPLs to total loans was 3.1 percent. The Bank maintained its focus on effective risk management to ensure loan quality remained at appropriate levels, staying close to its customers and providing them with relevant advice and assistance.

The Bank's continue its prudent strategic approach by consistently setting aside appropriate provisioning expenses which resulted in total allowances for doubtful accounts at the end of June 2016 were at a high level of Baht 111.9 billion, representing a ratio of loan loss reserves to total loans of 5.9 percent. In the second quarter of 2016, provisioning expenses set aside amounted to Baht 3.5 billion.

The Bank also continues to focus on managing liquidity and financial costs to ensure they are at appropriate levels. At the end of June 2016, the Bank reported total deposits of Baht 2,154.3 billion, an increase of Baht 63.3 billion or 3.0 percent from the end of 2015. The loan-to-deposit ratio was 88.5 percent, compared with 89.4 percent at the end of the previous year.

Net profit for the second quarter of 2016 was Baht 7.2 billion, a decrease of Baht 866 million or 10.8 percent from the same period last year. Net interest income rose by Baht 2.4 billion or 18.0 percent to Baht 15.6 billion, and net interest margin increased by 0.30 percent to 2.27 percent due as the lower cost of deposits. Non-interest income was Baht 9.3 billion, a decrease of Baht 2.1 billion or 18.3 percent, due mainly to the decline in gains on investments.

Net fees and service income amounted to Baht 6.0 billion, an increase of Baht 550 million or 10.1 percent, due to an increase in fee income from loan-related services. Operating expenses were Baht 12.6 billion, an increase of Baht 1.0 billion or 8.7 percent, due mainly to expenses spent on improving the efficiency of business operations.

The Bank maintained capital reserves at a good level to support future business expansion. After the inclusion of net profit for the six months ending June 30, 2016, the total capital adequacy ratio, Tier 1 capital ratio and common equity Tier 1 ratio of the Bank and its subsidiaries would be approximately 18.77 percent, 16.83 percent and 16.83 percent, respectively.

Shareholders' equity as of June 30, 2016 amounted to Baht 369.1 billion, equivalent to 12.6 percent of total assets. The book value per share was Baht 193.36, an increase of Baht 3.80 from the end of 2015.

Operating Income and Expenses of the Bank and its Subsidiaries

Item	Million Baht							
	Quarter			Change (%)		H1		Change
	2/2016	1/2016	2/2015	1/2016	2/2015	2016	2015	(%)
Net interest income	15,596	16,034	13,218	(2.7)%	18.0%	31,629	27,452	15.2%
Non-interest income	9,250	10,672	11,327	(13.3)%	(18.3)%	19,916	22,135	(10.0)%
Operating expenses	12,599	12,856	11,589	(2.0)%	8.7%	25,448	21,959	15.9%
Impairment loss of loans and debt securities	3,542	3,644	2,921	(2.8)%	21.3%	7,186	5,901	21.8%
Operating profit before tax	8,705	10,206	10,035	(14.7)%	(13.3)%	18,911	21,727	(13.0)%
Income tax expenses	1,473	1,828	1,942	(19.4)%	(24.2)%	3,301	4,177	(21.0)%
Net profit	7,232	8,378	8,093	(13.7)%	(10.6)%	15,610	17,550	(11.1)%
Net profit *	7,169	8,317	8,035	(13.8)%	(10.8)%	15,487	17,442	(11.2)%
Total comprehensive income *	6,889	8,685	24,583	(20.7)%	(72.0)%	15,574	34,921	(55.4)%

* Attributable to the Bank

Net profit in the second quarter of 2016 amounted to Baht 7.2 billion, a decrease of Baht 1.1 billion or 13.8 percent from the first quarter of 2016. Significant items included a decrease of Baht 1.4 billion or 13.3 percent in non-interest income, due mainly to decreases in gains on investments and gains on tradings and foreign exchange transactions, while dividend income increased. Net interest income decreased by Baht 438 million or 2.7 percent from the lowering of the Bank's loan interest rate. Total comprehensive income decreased by Baht 1.8 billion.

Compared with the second quarter of 2015, net profit decreased by Baht 866 million or 10.8 percent. Significant items included a decrease of Baht 2.1 billion or 18.3 percent in non-interest income due mainly to a decrease in gains on investments, and an increase of Baht 1.0 billion or 8.7 percent in operating expenses, which in turn was due mainly to higher premises and equipment expenses and other expenses. Net interest income rose by Baht 2.4 billion or 18.0 percent, due mainly to a decrease in interest expenses from deposit due to the gradual maturing of high-rate fixed deposits.

In the first half of 2016, net profit amounted to Baht 15.5 billion, a decrease of Baht 2.0 billion or 11.2 percent from the first half of 2015. Significant items included an increase of Baht 3.5 billion or 15.9 percent in operating expenses, due mainly to provisions for contingencies, and a decrease of Baht 2.2 billion or 10.0 percent in non-interest income, due mainly to a decrease in gains on investments, while net interest income rose by Baht 4.2 billion or 15.2 percent from the gradual maturing of high-rate fixed deposits. Impairment loss on loans and debt securities rose by Baht 1.3 billion or 21.8 percent. Total comprehensive income decreased by Baht 19.3 billion due mainly to a surplus from the revaluation of lands and premises recorded in 2015.

Net Interest Income

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2016	1/2016	2/2015	1/2016	2/2015	2016	2015	
Interest Income								
Loans	21,797	22,376	21,527	(2.6)%	1.3%	44,172	43,338	1.9%
Interbank and money market items	1,686	1,359	2,521	24.1%	(33.1)%	3,046	5,566	(45.3)%
Investments	2,095	2,108	1,761	(0.6)%	19.0%	4,203	3,494	20.3%
Total interest income	25,578	25,843	25,809	(1.0)%	(0.9)%	51,421	52,398	(1.9)%
Interest expenses								
Deposits	5,650	5,543	8,163	1.9%	(30.8)%	11,193	16,160	(30.7)%
Interbank and money market items	324	278	355	16.5%	(8.7)%	602	807	(25.4)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,305	2,280	2,352	1.1%	(2.0)%	4,586	4,583	0.1%
Debt issued and borrowings	1,703	1,708	1,721	(0.4)%	(1.1)%	3,411	3,396	0.4%
Total interest expenses	9,982	9,809	12,591	1.8%	(20.7)%	19,792	24,946	(20.7)%
Net interest income	15,596	16,034	13,218	(2.7)%	18.0%	31,629	27,452	15.2%
Yield on earning assets	3.72%	3.83%	3.85%	(0.11)%	(0.13)%	3.79%	3.97%	(0.18)%
Cost of funds	1.64%	1.64%	2.11%	-	(0.47)%	1.65%	2.12%	(0.47)%
Net interest margin	2.27%	2.37%	1.97%	(0.10)%	0.30%	2.33%	2.08%	0.25%

Net interest income in the second quarter of 2016 amounted to Baht 15.6 billion, a decrease of Baht 438 million or 2.7 percent from the first quarter of 2016, due to a decrease of Baht 579 million or 2.6 percent in interest income from loans, which in turn was due to the lowering of the Bank's loan interest rate by 0.25 percent in April 2016. Interest income from interbank and money market items rose by Baht 327 million, mainly from the increase in transaction volume. Interest expenses rose by Baht 173 million or 1.8 percent, due mainly to the increase in deposit volume. The net interest margin decreased by 0.10 percent from the previous quarter to 2.27 percent, due mainly to the decrease in yield on loans.

Compared with the second quarter of 2015, net interest income rose by Baht 2.4 billion or 18.0 percent; as a result, the net interest margin rose by 0.30 percent from the same quarter last year to 2.27 percent, due to a decrease of Baht 2.6 billion or 20.7 percent in interest expenses caused by lower costs of high-rate fixed deposits which are gradually maturing, while interest income declined, mainly from interbank and money market items which fell by Baht 835 million due to the decrease in business volume and yield as a result of a cut in the policy interest rate on April 29, 2015 by 0.25 percent.

In the first half of 2016, net interest income amounted to Baht 31.6 billion, an increase of Baht 4.2 billion or 15.2 percent from the first half of 2015, due predominantly to a decrease of Baht 5.0 billion or 30.7 percent in interest expenses from deposits due to the gradual maturing of high-rate fixed deposits. The net interest margin rose by 0.25 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 (%)		H1		Change (%)	
	2/2016	1/2016	2/2015	1/2016	2016	2015		
Fees and service income	7,973	8,257	7,306	(3.4)%	9.1%	16,231	15,850	2.4%
<u>Less</u> fees and service expenses	1,997	2,154	1,880	(7.3)%	6.2%	4,152	4,030	3.0%
Net fees and service income	5,976	6,103	5,426	(2.1)%	10.1%	12,079	11,820	2.2%
Gains on tradings and foreign exchange transactions	1,554	1,955	1,882	(20.5)%	(17.4)%	3,510	3,565	(1.5)%
Gains on investments	51	1,531	2,261	(96.7)%	(97.7)%	1,581	3,470	(54.4)%
Share of profit (loss) from investment for using equity method	(55)	61	51	(190.2)%	(207.8)%	6	113	(94.7)%
Gains on disposal of assets	220	100	419	120.0%	(47.5)%	321	962	(66.6)%
Dividend income	1,381	788	1,162	75.3%	18.8%	2,168	1,956	10.8%
Other operating income	123	134	126	(8.2)%	(2.4)%	251	249	0.8%
Total other operating income	3,274	4,569	5,901	(28.3)%	(44.5)%	7,837	10,315	(24.0)%
Total non-interest income	9,250	10,672	11,327	(13.3)%	(18.3)%	19,916	22,135	(10.0)%
Net fees and service income to operating income ratio	24.1%	22.9%	22.1%	1.2%	2.0%	23.4%	23.8%	(0.4)%

Non-interest income in the second quarter of 2016 amounted to Baht 9.3 billion, a decrease of Baht 1.4 billion or 13.3 percent from the first quarter of 2016, due mainly to a decrease of Baht 1.5 billion or 96.7 percent in gains on investments and a decrease of Baht 401 million in gains on tradings and foreign exchange transactions; while dividend income rose by Baht 593 million. Net fees and service income decreased by Baht 127 million or 2.1 percent, with the main sources of income continuing to be credit card transactions, loan-related services, mutual funds and bancassurance; as a result, the ratio of net fees and service income to operating income stood at 24.1 percent, an increase from 22.9 percent in the previous quarter.

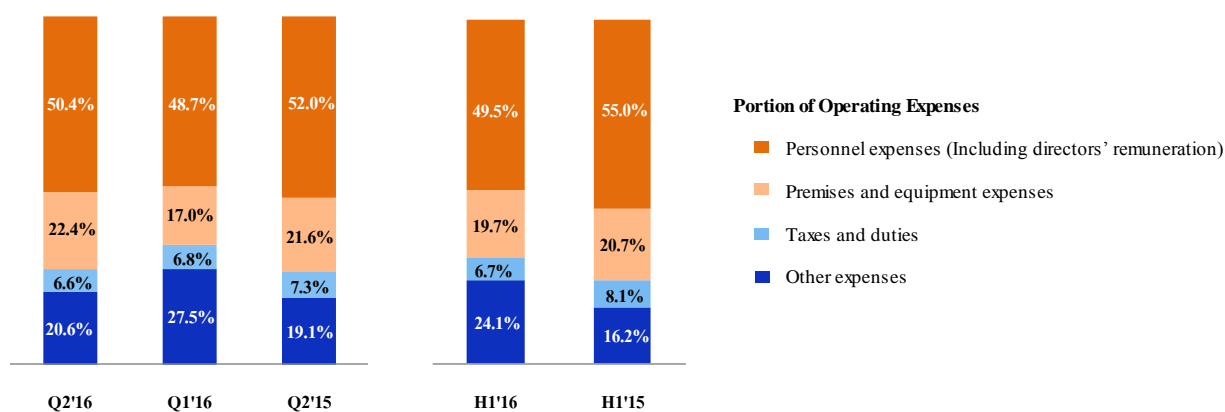
Compared with the second quarter of 2015, non-interest income decreased by Baht 2.1 billion or 18.3 percent, with significant items including a decrease of Baht 2.2 billion or 97.7 percent in gains on investments. Net fees and service income rose by Baht 550 million or 10.1 percent due

partly to increases in fee income from loan-related services, electronic services and remittance. However, fee income from credit cards continued to increase and was higher than the same period last year.

In the first half of 2016, non-interest income amounted to Baht 19.9 billion, a decrease of Baht 2.2 billion or 10.0 percent from the first half of 2015, with gains on investments declining by Baht 1.9 billion and gains on disposal of assets declining by Baht 641 million. Net fees and service income rose by Baht 259 million, due mainly to increases in fee income from loan-related services and credit cards.

Operating Expenses

Item	Quarter		Change (%)		H1		Change (%)	
	2/2016	1/2016	2/2015	1/2016	2016	2015		
Personnel expenses	6,300	6,238	5,987	1.0%	5.2%	12,538	12,003	4.5%
Directors' remuneration	43	19	42	126.3%	2.4%	63	75	(16.0)%
Premises and equipment expenses	2,821	2,185	2,504	29.1%	12.7%	5,006	4,554	9.9%
Taxes and duties	837	881	847	(5.0)%	(1.2)%	1,717	1,773	(3.2)%
Other expenses	2,598	3,533	2,209	(26.5)%	17.6%	6,124	3,554	72.3%
Total operating expenses	12,599	12,856	11,589	(2.0)%	8.7%	25,448	21,959	15.9%
Expense to operating income ratio	50.7%	48.1%	47.2%	2.6%	3.5%	49.4%	44.3%	5.1%



Operating expenses in the second quarter of 2016 amounted to Baht 12.6 billion, a decrease of Baht 257 million or 2.0 percent from the first quarter of 2016. Significant items included other expenses, which decreased by Baht 935 million due to provisions for contingencies in the previous quarter. Premises and equipment expenses rose by Baht 636 million from expenses related to improving the efficiency of business operations.

Compared with the second quarter of 2015, operating expenses rose by Baht 1.0 billion or 8.7 percent. Significant items included increases of Baht 389 million in other expenses and Baht 317 million in premises and equipment expenses, due to expenses related to improving the efficiency of business operations, while personnel expenses rose by Baht 313 million.

In the first half of 2016, operating expenses amounted to Baht 25.4 billion, an increase of Baht 3.5 billion or 15.9 percent from the first half of 2015. Significant items included an increase of Baht 2.6 billion in other expenses due predominantly to provisions for contingencies, an increase of Baht 535 million or 4.5 percent in personnel expenses, and an increase of Baht 452 million in premises and equipment expenses, partly from expenses related to improving the efficiency of business operations.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2016	1/2016	2/2015	1/2016	2/2015	2016	2015	
Bad debt and doubtful accounts	3,545	3,991	3,008	(11.2)%	17.9%	7,537	6,084	23.9%
Loss on debt restructuring (reversal)	(3)	(347)	(87)	(99.1)%	(96.6)%	(351)	(183)	91.8%
Total	3,542	3,644	2,921	(2.8)%	21.3%	7,186	5,901	21.8%

Impairment loss of loans and debt securities in the second quarter of 2016 was Baht 3.5 billion, compared to Baht 3.6 billion in the first quarter of 2016 and Baht 2.9 billion in the second quarter of 2015. In the first half of 2016, impairment loss of loans and debt securities amounted to Baht 7.2 billion, compared to Baht 5.9 billion in the first half of the previous year.

Significant Items in the Financial Position

Assets

Million Baht

Item	June 2016	March 2016	December 2015	Change (%)	
				March 2016	December 2015
Net interbank and money market items	475,968	455,144	372,007	4.6%	27.9%
Net investments	479,234	541,050	519,525	(11.4)%	(7.8)%
Net investments in associates	1,236	1,341	1,280	(7.8)%	(3.4)%
Loans *	1,906,936	1,874,924	1,868,903	1.7%	2.0%
Net properties for sale	13,296	13,436	13,579	(1.0)%	(2.1)%
Total assets	2,932,207	2,940,726	2,835,852	(0.3)%	3.4%

* Less deferred revenue

Total assets as of June 30, 2016 amounted to Baht 2,932.2 billion, a decrease of Baht 8.5 billion from the end of March 2016. Significant items included net investments of Baht 479.2 billion, a decrease of Baht 61.8 billion or 11.4 percent. Loans amounted to Baht 1,906.9 billion, an increase of Baht 32.0 billion or 1.7 percent, and net interbank and money market items amounted to Baht 476.0 billion, an increase of Baht 20.8 billion or 4.6 percent, mainly from repurchase agreements and deposit transactions.

Compared with the end of December 2015, total assets rose by Baht 96.4 billion. Significant items included an increase of Baht 104.0 billion or 27.9 percent in net interbank and money market items. Loans increased by Baht 38.0 billion or 2.0 percent, while net investments decreased by Baht 40.3 billion or 7.8 percent.

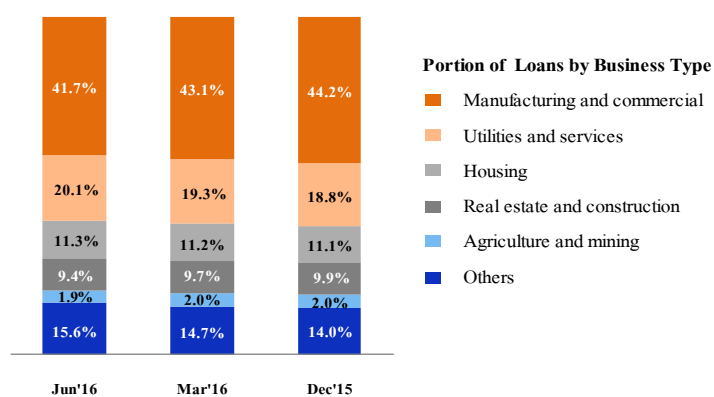
Loans

Loans as of June 30, 2016 amounted to Baht 1,906.9 billion, an increase of Baht 32.0 billion or 1.7 percent from the end of March 2016. Compared with the end of December 2015, loans rose by Baht 38.0 billion or 2.0 percent, mainly from the increases in loans from various segments ranging from large corporates, medium-sized businesses, the consumer sector and loans made through the Bank's international network.

Million Baht

Loans by Business Type *	June 2016	March 2016	December 2015	Change (%)	
				March 2016	December 2015
Manufacturing and commercial	795,594	807,411	825,913	(1.5)%	(3.7)%
Utilities and services	382,979	361,829	351,791	5.8%	8.9%
Housing	216,006	210,706	207,847	2.5%	3.9%
Real estate and construction	178,477	182,063	184,058	(2.0)%	(3.0)%
Agriculture and mining	36,305	37,109	38,013	(2.2)%	(4.5)%
Others	297,575	275,806	261,281	7.9%	13.9%
Total	1,906,936	1,874,924	1,868,903	1.7%	2.0%

* Less deferred revenue



The highest portion of lending was to a range of industries in the manufacturing and commercial sectors, at 41.7 percent, followed by 20.1 percent to utilities and services, 11.3 percent to housing, and 9.4 percent to real estate and construction. The main increase in loans from the end of March 2016 and the end of December 2015 were 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		
	June 2016	March 2016	December 2015	June 2016	March 2016	December 2015
Normal	1,797,274	1,769,793	1,773,357	13,875	13,646	13,788
Special mentioned	45,104	46,832	43,504	548	528	501
Substandard	11,282	8,420	9,650	3,706	3,590	3,975
Doubtful	13,859	14,249	13,725	7,573	7,434	7,197
Doubtful of loss	42,900	39,260	32,946	26,572	24,748	20,935
Total	1,910,419	1,878,554	1,873,182	52,274	49,946	46,396
<u>Plus</u> excess allowance for doubtful accounts				57,606	55,929	55,379
Total allowance for doubtful accounts from loan classification				109,880	105,875	101,775
<u>Plus</u> revaluation allowance for debt restructuring				1,983	1,986	2,412
Total allowance for doubtful accounts				111,863	107,861	104,187

* Less deferred revenue

Million Baht

Item	June 2016	March 2016	December 2015	Change (%)	
				March 2016	December 2015
NPLs before allowance for doubtful accounts	67,995	61,841	56,226	10.0%	20.9%
Ratio of NPLs to total loans	3.1%	2.9%	2.8%	0.2%	0.3%
Net NPLs after allowance for doubtful accounts	20,740	18,477	16,622	12.2%	24.8%
Ratio of net NPLs to net total loans	1.0%	0.9%	0.8%	0.1%	0.1%
Ratio of loan loss reserves to minimum required provisioning	206.2%	207.7%	213.5%	(1.5)%	(7.3)%
Ratio of loan loss reserves to NPLs	164.5%	174.4%	185.3%	(9.9)%	(20.8)%

Non-performing loans (NPLs) at the end of June 2016 amounted to Baht 68.0 billion. The ratio of NPLs to total loans was 3.1 percent.

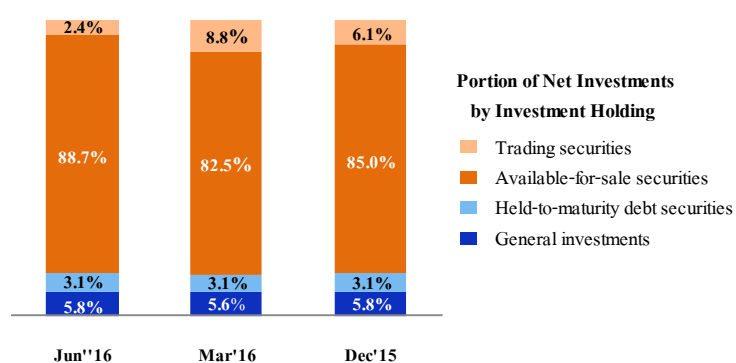
Total allowance for doubtful accounts at the end of June 2016 was Baht 111.9 billion, 206.2 percent above the minimum required by the Bank of Thailand (BOT) of Baht 54.3 billion. The ratio of loan loss reserves to NPLs was 164.5 percent.

Net Investments

Net investments at June 30, 2016 amounted to Baht 479.2 billion, a decrease of Baht 61.8 billion or 11.4 percent from the end of March 2016 and a decrease of Baht 40.3 billion or 7.8 percent from the end of December 2015, due mainly to trading securities and available-for-sale securities.

Million Baht

Investments by Investment Holding	June 2016	March 2016	December 2015	Change (%)	
				March 2016	December 2015
Trading securities	11,317	47,773	31,685	(76.3)%	(64.3)%
Available-for-sale securities	425,044	446,333	441,497	(4.8)%	(3.7)%
Held-to-maturity debt securities	15,006	16,910	16,213	(11.3)%	(7.4)%
General investments	27,867	30,034	30,130	(7.2)%	(7.5)%
Total net investments	479,234	541,050	519,525	(11.4)%	(7.8)%



Most of the net investments were in government and state-enterprise securities. As of June 30, 2016, these amounted to Baht 281.7 billion, accounting for 58.8 percent of total investments. Foreign debt securities were Baht 84.5 billion, private enterprise debt securities Baht 12.9 billion, and net equity securities Baht 98.4 billion.

Million Baht

Investments by Maturity *	June 2016		March 2016		December 2015		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2016	December 2015
Up to one year	107,340	22.3%	124,301	22.9%	101,774	19.5%	(13.6)%	5.5%
Between one and five years	242,364	50.4%	274,452	50.6%	302,433	58.1%	(11.7)%	(19.9)%
Over five years	33,886	7.1%	45,778	8.4%	18,567	3.6%	(26.0)%	82.5%
No maturity	96,880	20.2%	97,860	18.1%	98,031	18.8%	(1.0)%	(1.2)%
Total net investments	480,470	100.0%	542,391	100.0%	520,805	100.0%	(11.4)%	(7.7)%

* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of June 30, 2016 were as follows: securities with less than one year to maturity, Baht 107.3 billion; securities with between one-to-five years to maturity, Baht 242.4 billion; securities with a maturity profile of more than five years, Baht 33.9 billion; and securities with no maturity, Baht 96.9 billion.

Liabilities and Shareholders' Equity

Million Baht

Item	June 2016	March 2016	December 2015	Change (%)	
				March 2016	December 2015
Deposits	2,154,256	2,149,333	2,090,965	0.2%	3.0%
Interbank and money market	150,394	162,867	128,681	(7.7)%	16.9%
Debt issued and borrowings	135,372	135,513	138,402	(0.1)%	(2.2)%
Total liabilities	2,562,894	2,570,054	2,473,821	(0.3)%	3.6%
Shareholders' equity *	369,097	370,518	361,832	(0.4)%	2.0%

* Attributable to the Bank

Total liabilities as of June 30, 2016 amounted to Baht 2,562.9 billion, a decrease of Baht 7.2 billion or 0.3 percent from the end of March 2016, due mainly to a decrease of Baht 12.5 billion or 7.7 percent in interbank and money market items, mainly from borrowing-related transactions, while deposits increased by Baht 4.9 billion.

Compared with the end of December 2015, total liabilities rose by Baht 89.1 billion or 3.6 percent, mostly from deposits which rose by Baht 63.3 billion or 3.0 percent, interbank and money market items rose by Baht 21.7 billion or 16.9 percent, mainly from borrowing-related transactions and repurchase agreements.

Deposits

Million Baht

Deposits Classified by Product Type	June 2016		March 2016		December 2015		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2016	December 2015
Current	92,437	4.3%	92,142	4.3%	86,797	4.1%	0.3%	6.5%
Savings	915,967	42.5%	901,195	41.9%	850,689	40.7%	1.6%	7.7%
Fixed *	1,145,852	53.2%	1,155,996	53.8%	1,153,479	55.2%	(0.9)%	(0.7)%
Total	2,154,256	100.0%	2,149,333	100.0%	2,090,965	100.0%	0.2%	3.0%
Loan to deposit ratio		88.5%		87.2%		89.4%	1.3%	(0.9)%

* Including negotiable certificates of deposit

Total deposits as of June 30, 2016 amounted to Baht 2,154.3 billion, an increase of Baht 4.9 billion from the end of March 2016, mostly from savings deposits, which increased by 1.6 percent, while fixed deposits declined by 0.9 percent from the gradual maturing of high-rate fixed deposits.

Compared with the end of December 2015, total deposits rose by Baht 63.3 billion, or 3.0 percent, mostly from saving deposits, which increased by 7.7 percent.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	June 2016		March 2016		December 2015		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2016	December 2015
Senior unsecured notes	105,586	74.5%	105,740	74.5%	108,335	74.8%	(0.1)%	(2.5)%
Unsecured subordinated notes	35,827	25.3%	35,850	25.3%	36,238	25.0%	(0.1)%	(1.1)%
Bills of exchange	74	0.1%	74	0.1%	74	0.1%	-	-
Others	135	0.1%	149	0.1%	107	0.1%	(9.4)%	26.2%
Total (before less discount on borrowings)	141,622	100.0%	141,813	100.0%	144,754	100.0%	(0.1)%	(2.2)%
<u>Less</u> discount on borrowings	6,250		6,300		6,352		(0.8)%	(1.6)%
Total	135,372		135,513		138,402		(0.1)%	(2.2)%

Total debt issued and borrowings as of June 30, 2016 amounted to Baht 135.4 billion, a slightly decrease of Baht 141 million from the end of March 2016 and a decrease of Baht 3.0 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 June 30, 2016 amounted to Baht 369.1 billion, an increase of Baht 7.3 billion or 2.0 percent from the end of 2015, due mainly to the first half of 2016's net profit of Baht 15.5 billion, net of dividend payments of Baht 8.3 billion (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 12, 2016, and an increase of Baht 1.2 billion in revaluation gains on available-for-sale investments.

Contingent Liabilities

Million Baht

Item	June 2016	March 2016	December 2015	Change (%)	
				March 2016	December 2015
Avals to bills	7,326	6,588	6,808	11.2%	7.6%
Guarantees of loans	11,537	11,901	11,788	(3.1)%	(2.1)%
Liability under unmatured import bills	20,502	19,884	18,487	3.1%	10.9%
Letters of credit	27,017	27,130	29,192	(0.4)%	(7.5)%
Other commitments					
Underwriting commitments	-	498	-	(100.0)%	-
Amount of unused bank overdrafts	177,227	178,372	178,698	(0.6)%	(0.8)%
Other guarantees	264,196	230,883	220,602	14.4%	19.8%
Others	108,911	109,900	90,449	(0.9)%	20.4%
Total	616,716	585,156	556,024	5.4%	10.9%

Contingent liabilities as of June 30, 2016 amounted to Baht 616.7 billion, an increase of Baht 31.6 billion from the end of March 2016 from other guarantees, and an increase of Baht 60.7 billion from the end of December 2015, due mainly to increase in other guarantees and other commitments..

Sources and Utilization of Funds

Primary sources of funds as of June 30, 2016 comprised Baht 2,154.3 billion or 73.5 percent in deposits, Baht 369.1 billion or 12.6 percent in shareholders' equity, Baht 150.4 billion or 5.1 percent in interbank and money market liabilities, and Baht 135.4 billion or 4.6 percent in debt issued and borrowings.

The utilization of funds comprised Baht 1,906.9 billion or 65.0 percent in loans, Baht 480.5 billion or 16.4 percent in net investments (including net investments in associates), and Baht 476.0 billion or 16.2 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

Consolidated

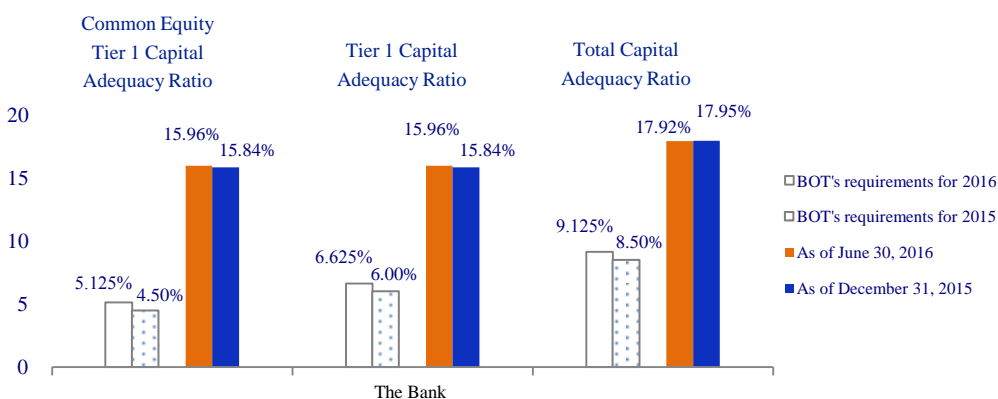
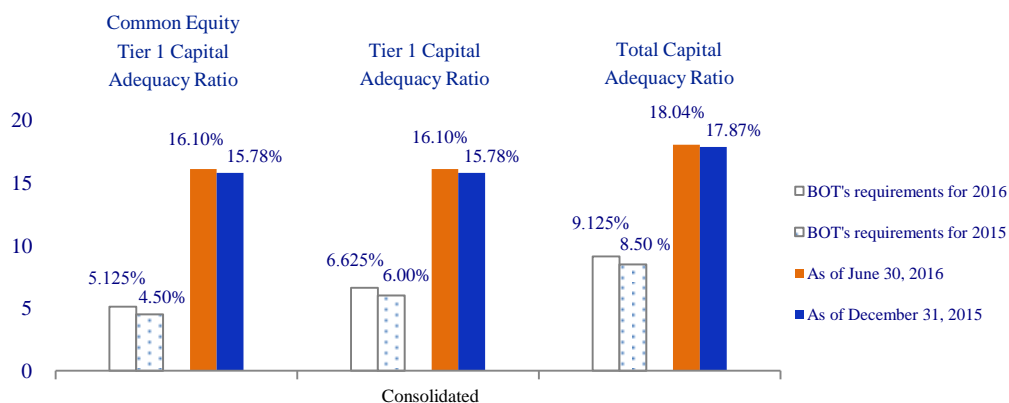
Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2016	March 2016	December 2015	June 2016	March 2016	December 2015
Total capital	393,040	383,765	386,653	18.04%	17.68%	17.87%
Tier 1 capital	350,817	341,618	341,564	16.10%	15.74%	15.78%
Common equity Tier 1 capital	350,707	341,537	341,431	16.10%	15.74%	15.78%

The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2016	March 2016	December 2015	June 2016	March 2016	December 2015
Total capital	379,742	373,407	376,265	17.92%	17.78%	17.95%
Tier 1 capital	338,086	332,044	332,058	15.96%	15.81%	15.84%
Common equity Tier 1 capital	338,086	332,044	332,058	15.96%	15.81%	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% in 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 in 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 June 30, 2016, legal capital funds were Baht 393.0 billion, common equity Tier 1 capital Baht 350.7 billion, and Tier 1 capital Baht 350.8 billion. The total capital adequacy ratio was 18.04 percent, while the common equity Tier 1 capital adequacy ratio was 16.10 percent and the Tier 1 capital adequacy ratio was 16.10 percent. With the inclusion of net profit for the six months ending June 30, 2016, the total capital adequacy ratio, the common equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.77 percent, 16.83 percent and 16.83 percent, respectively.

Liquid Assets

Item	June 2016	March 2016	December 2015
Liquid assets (Million Baht)	967,284	1,003,089	906,648
Liquid assets/total assets (%)	33.0	34.1	32.0
Liquid assets/deposits (%)	44.9	46.7	43.4

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of June 30, 2016, liquid assets totaled Baht 967.3 billion, a decrease of Baht 35.8 billion or 3.6 percent from the end of March 2016, due predominantly to decreases of Baht 36.5 billion in trading securities and Baht 21.3 billion in available-for-sale securities, while interbank and money market items increased by Baht 20.8 billion.

Compared with the end of December 2015, liquid assets rose by Baht 60.6 billion or 6.7 percent. Significant items included an increase of Baht 104.0 billion in interbank and money market items while trading securities decreased by Baht 20.4 billion and available-for-sale securities decreased by Baht 16.5 billion.

Credit Ratings

At the end of June 2016, credit-rating agencies maintained the Bank's credit ratings from the end of 2015 and the end of March 2016. The outlook for the Bank's credit ratings is as follows:

Credit Rating Agency *	June 30, 2016	March 31, 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 *	June 30, 2016	March 31, 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
Domestic ratings			
Long term - Debt instruments **	AA(th)	AA(th)	AA(th)
Short term - Debt instruments	F1+(th)	F1+(th)	F1+(th)
Subordinated debt instruments **	AA-(th)	AA-(th)	AA-(th)
Outlook **	Stable	Stable	Stable

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

** As of August 2, 2016, Fitch Ratings has upgraded the National long-term rating of the Bank to 'AA+(th)' from 'AA(th)' and the National subordinated debt to 'AA(th)' from 'AA-(th)'. The Outlook is maintained at Stable.