



**Bangkok Bank Public Company Limited**  
Management Discussion and Analysis  
for the Quarter and Six Months Ended June 30, 2017

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## Management Discussion and Analysis

### Overview of the Economy and Banking

#### *Thai Economy in the Second Quarter of 2017*

The Thai economy in the second quarter of 2017 continued to recover, primarily supported by the expansion in exports and tourism. Exports registered an 8.0 percent growth year-on-year as a result of higher exports of various types of goods, which is partly due to global economic recovery, as well as the growth in exports of electronic goods which supports Internet of Things (IoT). Private consumption expanded at a moderate pace as overall household purchasing power remained weak. Despite improvements of both farm and nonfarm income, households' purchasing power is compressed by the high debt burden and the waning confidence regarding agricultural prices and job opportunities in the future. Government investment contracted after the acceleration in disbursement in the previous period. Meanwhile, private investment slightly contracted, partly due to the remaining excess capacity.

Average headline inflation in the second quarter of 2017 is at 0.10 percent, slightly lower than a 0.30 percent rate in the same period last year and a 1.25 percent rate in the last quarter, due to the decline in the prices of fresh food and energy. Inflation is therefore below the Bank of Thailand's target range of 1-4 percent. Core inflation registered at 0.47 percent, a drop from 0.78 percent in the same period last year and 0.66 percent in the last quarter, reflecting the low overall cost of production and the slow recovery in household purchasing power. The Thai baht averaged at 34.30 THB/USD over the second quarter, an appreciation from 35.28 THB/USD in the same period last year and 35.12 THB/USD in the previous quarter.

The Monetary Policy Committee (MPC) maintained the policy interest rate at 1.50 percent. The Committee assessed that the Thai economy was on the path of recovery, while domestic demand recovery remained gradual and unevenly distributed. Headline inflation decelerated due to supply-side factors coupled with limited upward demand-side pressure. However, headline inflation is expected to slowly rise in the second half of the year. In the meantime, the overall financial conditions remained accommodative to economic expansion, with high liquidity in the financial system and low government bond yields and effective interest rates. Although the movement of the Thai baht remained in line with those of other currencies in the region, close monitoring of short-term capital flows is necessary. The overall financial system remained stable and resilient to global and domestic volatilities. However, there remained pockets of risks, such as the solvency of SMEs and the search-for-yield behavior in the prolonged low interest rate environment that might lead to the underpricing of risks.

The Thai economy in 2017 is expected to grow by 3-4 percent. The main growth drivers include export growth, in line with global economic recovery, that would propel production and private investment going forward. In addition, tourism revenue is expected to rise satisfactorily. Government expenditure is also projected to expand further as infrastructure projects are being implemented as planned, including the development of the Eastern Economic Corridor (EEC).

Nevertheless, the Thai economy still faces major risks from external uncertainties in the US economic and trade policies, China's economic restructuring and financial stability, and geopolitical circumstances, which could impact volatilities in the financial markets and exchange rates. At the same time, key domestic risks include the flood conditions which hinder agricultural production and cause damages in household assets in the affected areas. Political development, especially preparation for an election according to the National Council for Peace and Order's Road Map, also warrants close monitoring.

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*Thai Banking Industry*

The economic environment in the second quarter remained a challenge for commercial banks' business operations, with Thai commercial banks' lending and deposits continuing to grow at a slow pace. The aggregated balance sheets of commercial banks registered in Thailand at the end of June 2017 showed that deposits grew by 3.9 percent and lending grew by 3.4 percent from the same period last year. Consequently, liquidity in the commercial banking system measured by Loan-to-Deposit Ratio (LDR) at the end of June 2017 stood at 97.1 percent, a slight increase from 96.9 percent at the end of 2016. Meanwhile, loan quality, measured by the ratio of non-performing loans (NPLs) to total loans, continued to deteriorate, with the NPL ratio rising to 3.0 percent from 2.8 percent at the end of 2016.

The Bank of Thailand's Senior Loan Officer Survey indicated that in the second quarter of 2017, credit demand from large corporates increased with a major need for working capital and investment in fixed assets for some types of businesses. Demand for loans from SMEs has stabilized as the need for working capital has slowed down, while demand for household credit increased in almost all categories except home loans. Looking ahead, financial institutions predict that demand for business and household credit will increase.

Meanwhile, competition for deposits is expected to be mild, as although the economy is likely to be on the rise, recovery remains concentrated in certain business sectors. In addition, there is considerable excess liquidity in the commercial banking system, with a high liquidity coverage ratio of 162.3 percent. Therefore, the progress of infrastructure investment needs to be closely monitored as more bidding processes will open in the remainder of 2017, while overseas investment by Thai businesses will continue to grow. Commercial banks' liquidity management is expected to focus on readjusting deposit structures and managing costs in an appropriate manner. Banks also need to maintain a sufficient level of liquid assets (as measured by the Liquidity Coverage Ratio) to cope with potential cash outflows in the event of a crisis in accordance with the requirements of Basel III. Meanwhile, the outlook for the commercial banking system's NPLs will depend on how thoroughly economic growth can spread to all sectors. However, given commercial banks' relatively high capital base in combination with consistent increases in provisioning reserves, the commercial banking system will be able to continue to support the quality of loans in the system.

Fee income from fund transfers in 2017 will be impacted by the government's National e-Payment scheme to encourage a reduction in cash payments, starting with the PromptPay system for person-to-person fund transfers and PromptPay for businesses, in January and March 2017, respectively. The extent to which this lower fund transfer fees for commercial banks will depend on the rate of service acceptance and the volume of PromptPay transactions.

## Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2017	1/2017	2/2016	1/2017	2/2016	2017	2016	
Net profit *	<b>8,047</b>	8,305	7,169	(3.1)%	12.2%	<b>16,352</b>	15,487	5.6%
Earnings per share (Baht)	<b>4.22</b>	4.35	3.76	(3.1)%	12.2%	<b>8.57</b>	8.11	5.6%
Net interest margin	<b>2.31%</b>	2.35%	2.27%	(0.04)%	0.04%	<b>2.33%</b>	2.33%	-
Net fees and service income to operating income ratio	<b>22.7%</b>	24.7%	24.1%	(2.0)%	(1.4)%	<b>23.7%</b>	23.4%	0.3%
Expense to operating income ratio	<b>45.8%</b>	40.7%	50.7%	5.1%	(4.9)%	<b>43.3%</b>	49.4%	(6.1)%
Return on average assets *	<b>1.07%</b>	1.13%	0.98%	(0.06)%	0.09%	<b>1.10%</b>	1.07%	0.03%
Return on average equity *	<b>8.38%</b>	8.81%	7.80%	(0.43)%	0.58%	<b>8.61%</b>	8.48%	0.13%

\* Attributable to the Bank

Million Baht

Item	June 2017	March 2017	December 2016	Change (%)	
				March 2017	December 2016
Loans **	<b>1,978,391</b>	1,923,953	1,941,093	2.8%	1.9%
Deposits	<b>2,297,918</b>	2,244,032	2,178,141	2.4%	5.5%
Loan to deposit ratio	<b>86.1%</b>	85.7%	89.1%	0.4%	(3.0)%
Non-performing loans (NPLs)	<b>85,947</b>	77,772	68,841	10.5%	24.8%
Ratio of NPLs to total loans	<b>3.7%</b>	3.5%	3.2%	0.2%	0.5%
Ratio of loan loss reserves to NPLs	<b>151.2%</b>	160.0%	173.6%	(8.8)%	(22.4)%
Total capital adequacy ratio	<b>18.13%</b>	18.26%	18.32%	(0.13)%	(0.19)%

\*\* Less deferred revenue

Bangkok Bank and its subsidiaries' net interest income amounted to Baht 16.6 billion, an increase of 6.2 percent compared to the second quarter of last year, with a net interest margin of 2.31 percent. Non-interest income amounted to Baht 11.5 billion, an increase of 24.0 percent, due predominantly to gains on investments and net fees and service income, which contributed mainly from fee income from mutual funds, bancassurance, and electronic services and remittances. The Bank's operating expenses were Baht 12.8 billion, an increase of 2.0 percent, with a ratio of expenses to operating income of 45.8 percent. Net profit (attributable to the Bank) for the second quarter of 2017 amounted to Baht 8.0 billion, an increase of 12.2 percent from the same quarter last year.

At the end of June 2017, the Bank's loans amounted to Baht 1,978.4 billion, an increase of 1.9 percent from the end of 2016 due to an increase in loans to large corporates. The ratio of non-performing loans (NPLs) to total loans was 3.7 percent due to the slow economic recovery impacting business solvency. The Bank continues to closely monitor its loan quality and set aside appropriate provisioning expenses. Total allowances for doubtful accounts were Baht 129.9 billion or 6.6 percent of loans.

In terms of capital, with the inclusion of net profit for the six months ending June 30, 2017, the total capital adequacy ratio, the common equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio of the Bank and its subsidiaries would be 18.88 percent, 17.10 percent and 17.10 percent, respectively. Shareholders' equity as of June 30, 2017, amounted to Baht 384.5 billion or 12.6 percent of total assets. The book value per share was Baht 201.45, an increase of Baht 2.89 from the end of 2016.

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

Item	Million Baht							
	Quarter			Change (%)		H1		Change
	2/2017	1/2017	2/2016	1/2017	2/2016	2017	2016	(%)
Net interest income	<b>16,568</b>	16,277	15,596	1.8%	6.2%	<b>32,845</b>	31,629	3.8%
Non-interest income	<b>11,472</b>	10,939	9,250	4.9%	24.0%	<b>22,408</b>	19,916	12.5%
Operating expenses	<b>12,846</b>	11,082	12,599	15.9%	2.0%	<b>23,925</b>	25,448	(6.0)%
Impairment loss of loans and debt securities	<b>5,688</b>	5,806	3,542	(2.0)%	60.6%	<b>11,494</b>	7,186	59.9%
Operating profit before tax	<b>9,506</b>	10,328	8,705	(8.0)%	9.2%	<b>19,834</b>	18,911	4.9%
Income tax expenses	<b>1,388</b>	1,951	1,473	(28.9)%	(5.8)%	<b>3,339</b>	3,301	1.2%
Net profit	<b>8,118</b>	8,377	7,232	(3.1)%	12.3%	<b>16,495</b>	15,610	5.7%
Net profit *	<b>8,047</b>	8,305	7,169	(3.1)%	12.2%	<b>16,352</b>	15,487	5.6%
Total comprehensive income *	<b>6,967</b>	6,895	6,889	1.0%	1.1%	<b>13,862</b>	15,574	(11.0)%

\* Attributable to the Bank

Operating results for the second quarter of 2017 compared with the first quarter of 2017, non-interest income rose by Baht 533 million or 4.9 percent due to an increase in gains on disposal of assets and dividend income, however, net fees and service income and gains on tradings and foreign exchange transactions declined. Net interest income rose by Baht 291 million or 1.8 percent. However, operating expenses rose by Baht 1.8 billion, due predominantly to expenses related to developing working systems and improving the efficiency of business operations. Net profit (attributable to the Bank) in the second quarter of 2017 amounted to Baht 8.0 billion, a decrease of Baht 258 million or 3.1 percent from the first quarter of 2017.

Compared with the second quarter of 2016, non-interest income rose by Baht 2.2 billion or 24.0 percent, largely due to an increase in gains on investments and net fees and service income, predominately from fee income from mutual funds and bancassurance, and electronic services and remittances. Moreover, net interest income rose by Baht 972 million or 6.2 percent, mainly from the increase in interest income from loans and interbank and money market items. Interest expenses from deposits decreased in line with a decrease in costs of deposits, while impairment loss of loans and debt securities rose by Baht 2.1 billion. Consequently, net profit (attributable to the Bank) rose by Baht 878 million or 12.2 percent from the same quarter of 2016.

In the first half of 2017, non-interest income increased by Baht 2.5 billion or 12.5 percent from the first half of 2016, due mainly to the increase in gains on investments and net fees and service income. Net interest income rose by Baht 1.2 billion or 3.8 percent due to the expansion of low-cost deposits in savings and current accounts and the decline in the cost of deposits. Operating expenses decreased by Baht 1.5 billion or 6.0 percent, due mainly to a decrease in provisions for contingencies. Impairment loss on loans and debt securities rose by Baht 4.3 billion or 59.9 percent. Net profit (attributable to the Bank) amounted to Baht 16.4 billion, an increase of Baht 865 million or 5.6 percent.

### Net Interest Income

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2017	1/2017	2/2016	1/2017	2/2016	2017	2016	
<b>Interest Income</b>								
Loans	22,166	21,828	21,797	1.5%	1.7%	43,994	44,172	(0.4)%
Interbank and money market items	2,045	1,727	1,686	18.4%	21.3%	3,772	3,046	23.8%
Investments	2,003	2,094	2,095	(4.3)%	(4.4)%	4,097	4,203	(2.5)%
<b>Total interest income</b>	<b>26,214</b>	<b>25,649</b>	<b>25,578</b>	<b>2.2%</b>	<b>2.5%</b>	<b>51,863</b>	<b>51,421</b>	<b>0.9%</b>
<b>Interest expenses</b>								
Deposits	5,326	5,102	5,650	4.4%	(5.7)%	10,428	11,193	(6.8)%
Interbank and money market items	242	257	324	(5.8)%	(25.3)%	499	602	(17.1)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,415	2,331	2,305	3.6%	4.8%	4,746	4,586	3.5%
Debt issued and borrowings	1,663	1,682	1,703	(1.1)%	(2.3)%	3,345	3,411	(1.9)%
<b>Total interest expenses</b>	<b>9,646</b>	<b>9,372</b>	<b>9,982</b>	<b>2.9%</b>	<b>(3.4)%</b>	<b>19,018</b>	<b>19,792</b>	<b>(3.9)%</b>
<b>Net interest income</b>	<b>16,568</b>	<b>16,277</b>	<b>15,596</b>	<b>1.8%</b>	<b>6.2%</b>	<b>32,845</b>	<b>31,629</b>	<b>3.8%</b>
Yield on earning assets	3.66%	3.70%	3.72%	(0.04)%	(0.06)%	3.68%	3.79%	(0.11)%
Cost of funds	1.54%	1.54%	1.64%	-	(0.10)%	1.54%	1.65%	(0.11)%
Net interest margin	2.31%	2.35%	2.27%	(0.04)%	0.04%	2.33%	2.33%	-

Net interest income in the second quarter of 2017 amounted to Baht 16.6 billion, an increase of Baht 291 million or 1.8 percent from the first quarter of 2017, due to an increase of Baht 565 million or 2.2 percent in interest income, mainly from an increase of Baht 338 million or 1.5 percent in interest income from loans, and an increase of Baht 318 million or 18.4 percent in interbank and money market items from an increase in transaction volume. Interest expenses rose by Baht 274 million or 2.9 percent, due largely to an increase of Baht 224 million or 4.4 percent in interest expenses from deposits as a result of an increase in deposit volume. The net interest margin decreased by 0.04 percent from the previous quarter to 2.31 percent.

Compared with the second quarter of 2016, net interest income rose by Baht 972 million or 6.2 percent, due to an increase of Baht 636 million or 2.5 percent in interest income. Significant items included an increase of Baht 369 million or 1.7 percent in interest income from loans and an increase of Baht 359 million or 21.3 percent in interest income from interbank and money market items as a result of an increase in transaction volume. All of these, coupled with a decrease of Baht 336 or 3.4 percent in interest expenses mainly from a decrease of Baht 324 million or 5.7 percent in interest expenses on deposits due to a decrease in average costs of deposits, resulted in an increase of net interest margin from the same quarter last year by 0.04 percent to 2.31 percent.

In the first half of 2017, net interest income amounted to Baht 32.8 billion, an increase of Baht 1.2 billion or 3.8 percent from the first half of 2016, due predominantly to a decrease of Baht 765 million or 6.8 percent in interest expenses due to the expansion of low-cost deposits of savings and current accounts, and a decrease in the cost of deposits, coupled with an increase of Baht 726 million or 23.8 percent in interest income from interbank and money market items from an increase in transaction volume. The net interest margin stood at 2.33 percent, a similar level to the same period last year.

Bangkok Bank Interest Rates	May 16, '17	Apr 25, '16	Apr 6, '16	May 26, '15
<b>Loans (%)</b>				
MOR	7.125	7.375	7.375	7.375
MRR	7.125	7.625	7.875	7.875
MLR	6.250	6.250	6.250	6.500
<b>Deposits (%)</b>				
Savings	0.500-0.625	0.500-0.625	0.500-0.625	0.500-0.625
Fixed 3 months	1.000	1.000	1.000	1.000
Fixed 6 months	1.250	1.250	1.250	1.250
Fixed 12 months	1.500	1.500	1.500	1.500
		<b>Apr 29, '15</b>		<b>Mar 11, '15</b>
<b>Bank of Thailand Policy Rates (%)</b>		1.500		1.750

### Non-Interest Income

Item	Quarter		Change (%)		H1		Change (%)	
	2/2017	1/2017	2/2016	1/2017	2/2016	2017		2016
Fees and service income	8,501	9,030	7,973	(5.9)%	6.6%	17,531	16,231	8.0%
<u>Less</u> fees and service expenses	2,129	2,311	1,997	(7.9)%	6.6%	4,440	4,152	6.9%
<b>Net fees and service income</b>	<b>6,372</b>	<b>6,719</b>	<b>5,976</b>	<b>(5.2)%</b>	<b>6.6%</b>	<b>13,091</b>	<b>12,079</b>	<b>8.4%</b>
Gains on tradings and foreign exchange transactions	1,399	1,630	1,554	(14.2)%	(10.0)%	3,029	3,510	(13.7)%
Gains on investments	1,633	1,329	51	22.9%	3,102.0%	2,962	1,581	87.3%
Share of profit (loss) from investment for using equity method	54	82	(55)	(34.1)%	(198.2)%	136	6	2,166.7%
Gains on disposal of assets	585	204	220	186.8%	165.9%	789	321	145.8%
Dividend income	1,316	869	1,381	51.4%	(4.7)%	2,185	2,168	0.8%
Other operating income	113	106	123	6.6%	(8.1)%	216	251	(13.9)%
<b>Total other operating income</b>	<b>5,100</b>	<b>4,220</b>	<b>3,274</b>	<b>20.9%</b>	<b>55.8%</b>	<b>9,317</b>	<b>7,837</b>	<b>18.9%</b>
<b>Total non-interest income</b>	<b>11,472</b>	<b>10,939</b>	<b>9,250</b>	<b>4.9%</b>	<b>24.0%</b>	<b>22,408</b>	<b>19,916</b>	<b>12.5%</b>
Net fees and service income to operating income ratio	22.7%	24.7%	24.1%	(2.0)%	(1.4)%	23.7%	23.4%	0.3%

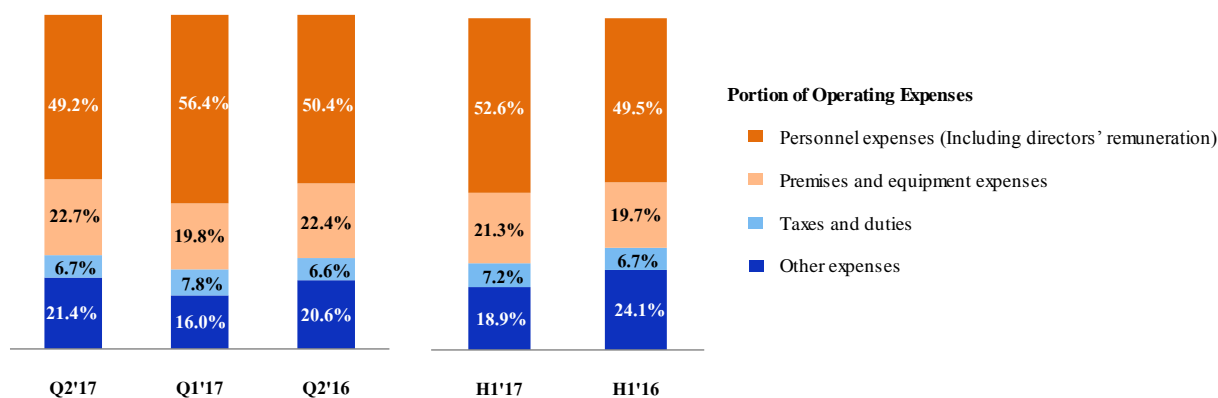
Non-interest income in the second quarter of 2017 amounted to Baht 11.5 billion, an increase of Baht 533 million or 4.9 percent from the first quarter of 2017 mainly due to an increase of Baht 447 million in dividend income and an increase of Baht 381 million from gains on disposal of assets, while net fees and service income decreased by Baht 347 million. The Bank's main sources of fee income continues to be loan-related fees, electronic services and remittances, mutual funds and bancassurance. Consequently, the ratio of net fees and service income to operating income stood at 22.7 percent, 2.0 percent lower than the previous quarter.

Compared with the second quarter of 2016, non-interest income rose by Baht 2.2 billion or 24.0 percent. Significant items included an increase of Baht 1.6 billion from gains on investments and an increase of Baht 396 million in net fees and service income due to an increase in fee income from mutual funds and bancassurance, and electronic services and remittances.

In the first half of 2017, non-interest income amounted to Baht 22.4 billion, an increase of Baht 2.5 billion or 12.5 percent from the first half of 2016, due to increase in gains on investments of Baht 1.4 billion. Net fees and service income rose by Baht 1.0 billion, due mainly to the increase in fee income from mutual funds and bancassurance, and electronic services and remittances.

### Operating Expenses

Item	Quarter			Change (%)		H1		Change (%)
	2/2017	1/2017	2/2016	1/2017	2/2016	2017	2016	
Personnel expenses	6,273	6,219	6,300	0.9%	(0.4)%	12,492	12,538	(0.4)%
Directors' remuneration	46	33	43	39.4%	7.0%	80	63	27.0%
Premises and equipment expenses	2,916	2,191	2,821	33.1%	3.4%	5,107	5,006	2.0%
Taxes and duties	863	864	837	(0.1)%	3.1%	1,727	1,717	0.6%
Other expenses	2,748	1,775	2,598	54.8%	5.8%	4,519	6,124	(26.2)%
<b>Total operating expenses</b>	<b>12,846</b>	<b>11,082</b>	<b>12,599</b>	<b>15.9%</b>	<b>2.0%</b>	<b>23,925</b>	<b>25,448</b>	<b>(6.0)%</b>
Expense to operating income ratio	45.8%	40.7%	50.7%	5.1%	(4.9)%	43.3%	49.4%	(6.1)%



Operating expenses in the second quarter of 2017 amounted to Baht 12.8 billion, an increase of Baht 1.8 billion or 15.9 percent from the first quarter of 2017. Significant items included increases in other expenses of Baht 973 million and premises and equipment expenses of Baht 725 million, mainly from expenses related to developing working systems and improving the efficiency of business operations.

Compared with the second quarter of 2016, operating expenses increased by Baht 247 million or 2.0 percent, due to increases in other expenses of Baht 150 million and premises and equipment expenses of Baht 95 million.

In the first half of 2017, operating expenses amounted to Baht 23.9 billion, a decrease of Baht 1.5 billion or 6.0 percent from the first half of 2016. Significant items included a decrease of Baht 1.6 billion in other expenses due predominantly to lower provisions for contingencies.



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

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2017	1/2017	2/2016	1/2017	2/2016	2017	2016	
Bad debt and doubtful accounts	5,779	5,859	3,545	(1.4)%	63.0%	11,637	7,537	54.4%
Loss on debt restructuring (reversal)	(91)	(53)	(3)	(71.7)%	(2,933.3)%	(143)	(351)	59.3%
<b>Total</b>	<b>5,688</b>	<b>5,806</b>	<b>3,542</b>	<b>(2.0)%</b>	<b>60.6%</b>	<b>11,494</b>	<b>7,186</b>	<b>59.9%</b>

Impairment loss of loans and debt securities in the second quarter of 2017 was Baht 5.7 billion, compared to Baht 5.8 billion in the first quarter of 2017 and Baht 3.5 billion in the second quarter of 2016. In the first half of 2017, impairment loss of loans and debt securities amounted to Baht 11.5 billion, compared to Baht 7.2 billion in the first half of the previous year.

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

#### *Assets*

Million Baht

Item	June 2017	March 2017	December 2016	Change (%)	
				March 2017	December 2016
Net interbank and money market items	514,488	504,369	394,612	2.0%	30.4%
Net investments	514,825	525,639	546,614	(2.1)%	(5.8)%
Net investments in associates	1,363	1,410	1,327	(3.3)%	2.7%
Loans *	1,978,391	1,923,953	1,941,093	2.8%	1.9%
Net properties for sale	11,298	12,004	12,262	(5.9)%	(7.9)%
<b>Total assets</b>	<b>3,041,132</b>	<b>2,995,623</b>	<b>2,944,230</b>	<b>1.5%</b>	<b>3.3%</b>

\* Less deferred revenue

Total assets as of June 30, 2017, amounted to Baht 3,041.1 billion, an increase of Baht 45.5 billion from the end of March 2017. Significant items included loans of Baht 1,978.4 billion, which rose by Baht 54.4 billion or 2.8 percent, and net interbank and money market items of Baht 514.5 billion, which increased by Baht 10.1 billion or 2.0 percent mainly from an increase in loans to repurchase agreements. Net investments amounted to Baht 514.8 billion, a decrease of Baht 10.8 billion or 2.1 percent.

Compared with the end of December 2016, total assets rose by Baht 96.9 billion. Significant items included an increase of Baht 119.9 billion or 30.4 percent in net interbank and money market items due to an increase in loans caused by more lending volume. Net investments decreased by Baht 31.8 billion or 5.8 percent.

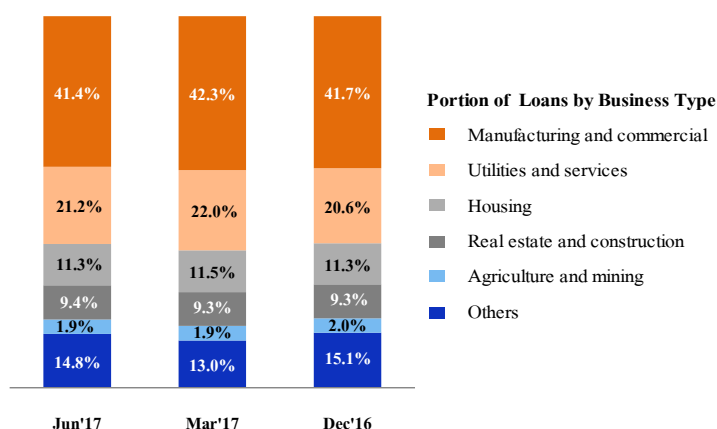
#### *Loans*

Loans as of June 30, 2017, amounted to Baht 1,978.4 billion, an increase of Baht 54.4 billion or 2.8 percent from the end of March 2017, due to an increase in loans to large corporate, medium-sized and small businesses, as well as loans made through the Bank's international network. Compared with the end of December 2016, loans rose by Baht 37.3 billion or 1.9 percent, due mainly to an increase in loans to large corporate.

Million Baht

Loans by Business Type *	June 2017	March 2017	December 2016	Change (%)	
				March 2017	December 2016
Manufacturing and commercial	<b>818,265</b>	814,365	810,335	0.5%	1.0%
Utilities and services	<b>419,339</b>	424,143	399,372	(1.1)%	5.0%
Housing	<b>222,977</b>	220,250	219,365	1.2%	1.6%
Real estate and construction	<b>186,744</b>	179,036	179,973	4.3%	3.8%
Agriculture and mining	<b>37,383</b>	36,825	38,541	1.5%	(3.0)%
Others	<b>293,683</b>	249,334	293,507	17.8%	0.1%
<b>Total</b>	<b>1,978,391</b>	1,923,953	1,941,093	2.8%	1.9%

\* Less deferred revenue



The highest portion of lending was to various industries in the manufacturing and commercial sectors, at 41.4 percent, followed by 21.2 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 2017 was to real estate and construction, and 'others', while the increase from the end of December 2016 was mainly to utilities and services.

### 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 2017	March 2017	December 2016	June 2017	March 2017	December 2016
Normal	<b>1,853,978</b>	1,801,607	1,830,827	<b>14,953</b>	13,986	14,502
Special mentioned	<b>42,306</b>	48,377	46,058	<b>550</b>	593	548
Substandard	<b>17,482</b>	12,188	9,495	<b>9,029</b>	5,852	2,589
Doubtful	<b>16,430</b>	16,341	16,050	<b>8,246</b>	8,724	10,140
Doubtful of loss	<b>52,083</b>	49,296	43,316	<b>33,744</b>	32,247	27,815
<b>Total</b>	<b>1,982,279</b>	1,927,809	1,945,746	<b>66,522</b>	61,402	55,594
<u>Plus</u> excess allowance for doubtful accounts				<b>60,874</b>	60,430	61,214
<b>Total allowance for doubtful accounts from loan classification</b>				<b>127,396</b>	121,832	116,808
<u>Plus</u> revaluation allowance for debt restructuring				<b>2,522</b>	2,614	2,710
<b>Total allowance for doubtful accounts</b>				<b>129,918</b>	124,446	119,518

\* Less deferred revenue

Million Baht

Item	June 2017	March 2017	December 2016	Change (%)	
				March 2017	December 2016
NPLs before allowance for doubtful accounts	85,947	77,772	68,841	10.5%	24.8%
Ratio of NPLs to total loans	3.7%	3.5%	3.2%	0.2%	0.5%
NPLs after allowance for doubtful accounts (net NPLs)	25,697	22,799	19,156	12.7%	34.1%
Ratio of net NPLs to net total loans	1.1%	1.1%	0.9%	-	0.2%
Ratio of loan loss reserves to minimum required provisioning	188.2%	194.4%	205.0%	(6.2)%	(16.8)%
Ratio of loan loss reserves to NPLs	151.2%	160.0%	173.6%	(8.8)%	(22.4)%

Non-performing loans (NPLs) at the end of June 2017 amounted to Baht 85.9 billion and the ratio of NPLs to total loans was 3.7 percent.

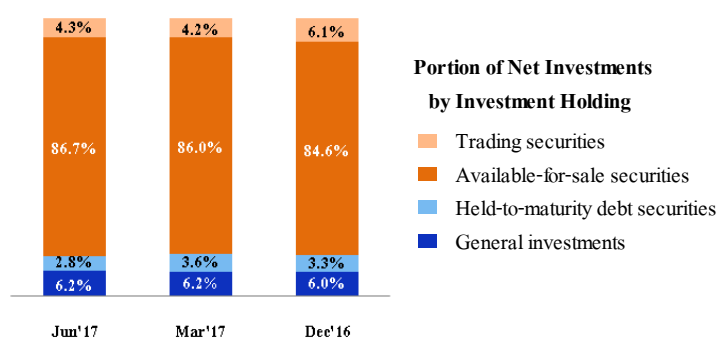
Total allowance for doubtful accounts at the end of June 2017 was Baht 129.9 billion or 188.2 percent of minimum amount required by the Bank of Thailand (BOT) of Baht 69.0 billion. The ratio of loan loss reserves to NPLs was 151.2 percent.

### Net Investments

Net investments as of June 30, 2017 amounted to Baht 514.8 billion, a decrease of Baht 10.8 billion or 2.1 percent from the end of March 2017, due mainly to a decrease in investment from available-for-sale securities and held-to-maturity debt securities. Net investments decreased by Baht 31.8 billion or 5.8 percent from the end of December 2016, due mainly to available-for-sale securities and trading securities.

Million Baht

Investments by Investment Holding	June 2017	March 2017	December 2016	Change (%)	
				March 2017	December 2016
Trading securities	22,053	22,180	33,148	(0.6)%	(33.5)%
Available-for-sale securities	446,116	452,056	462,742	(1.3)%	(3.6)%
Held-to-maturity debt securities	14,450	19,125	18,121	(24.4)%	(20.3)%
General investments	32,206	32,278	32,603	(0.2)%	(1.2)%
<b>Total net investments</b>	<b>514,825</b>	<b>525,639</b>	<b>546,614</b>	<b>(2.1)%</b>	<b>(5.8)%</b>



Most of the net investments were in government and state-enterprise securities. As of June 30, 2017, these amounted to Baht 277.9 billion, accounting for 54.0 percent of total investments. Foreign debt securities were Baht 92.4 billion, private enterprise debt securities Baht 33.4 billion, and net equity securities Baht 110.3 billion.

Million Baht

Investments by Maturity *	June 2017		March 2017		December 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2017	December 2016
Up to one year	74,384	14.4%	88,365	16.8%	87,347	15.9%	(15.8)%	(14.8)%
Between one and five years	314,949	61.0%	300,560	57.0%	317,650	58.0%	4.8%	(0.9)%
Over five years	17,166	3.3%	32,469	6.2%	37,631	6.9%	(47.1)%	(54.4)%
No maturity	109,689	21.3%	105,655	20.0%	105,313	19.2%	3.8%	4.2%
<b>Total net investments</b>	<b>516,188</b>	<b>100.0%</b>	<b>527,049</b>	<b>100.0%</b>	<b>547,941</b>	<b>100.0%</b>	<b>(2.1)%</b>	<b>(5.8)%</b>

\* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of June 30, 2017, were categorized into securities with less than one year to maturity of Baht 74.4 billion, securities with one-to-five years to maturity of Baht 314.9 billion, securities with remaining maturities of more than five years of Baht 17.2 billion, and securities with no maturity of Baht 109.7 billion.

### Liabilities and Shareholders' Equity

Million Baht

Item	June 2017	March 2017	December 2016	Change (%)	
				March 2017	December 2016
Deposits	2,297,918	2,244,032	2,178,141	2.4%	5.5%
Interbank and money market items	114,538	117,580	130,928	(2.6)%	(12.5)%
Debt issued and borrowings	131,595	133,236	137,815	(1.2)%	(4.5)%
<b>Total liabilities</b>	<b>2,656,343</b>	<b>2,609,526</b>	<b>2,564,985</b>	<b>1.8%</b>	<b>3.6%</b>
<b>Shareholders' equity *</b>	<b>384,532</b>	<b>385,910</b>	<b>379,016</b>	<b>(0.4)%</b>	<b>1.5%</b>

\* Attributable to the Bank

Total liabilities as of June 30, 2017, amounted to Baht 2,656.3 billion, an increase of Baht 46.8 billion or 1.8 percent from the end of March 2017, due mainly to an increase of Baht 53.9 billion in deposits or 2.4 percent, while interbank and money market items fell by Baht 3.0 billion or 2.6 percent, due to borrowing transactions.

Compared with the end of December 2016, total liabilities rose by Baht 91.4 billion or 3.6 percent, mostly from deposits which rose by Baht 119.8 billion or 5.5 percent. Interbank and money market items fell by Baht 16.4 billion or 12.5 percent, due mainly to decrease in borrowing transactions.

### Deposits

Million Baht

Deposits Classified by Product Type	June 2017		March 2017		December 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2017	December 2016
Current	94,255	4.1%	96,643	4.3%	95,810	4.4%	(2.5)%	(1.6)%
Savings	1,019,429	44.4%	991,774	44.2%	958,150	44.0%	2.8%	6.4%
Fixed *	1,184,234	51.5%	1,155,615	51.5%	1,124,181	51.6%	2.5%	5.3%
<b>Total</b>	<b>2,297,918</b>	<b>100.0%</b>	<b>2,244,032</b>	<b>100.0%</b>	<b>2,178,141</b>	<b>100.0%</b>	<b>2.4%</b>	<b>5.5%</b>
Loan to deposit ratio		<b>86.1%</b>		<b>85.7%</b>		<b>89.1%</b>	<b>0.4%</b>	<b>(3.0)%</b>

\* Including negotiable certificates of deposit

Total deposits as of June 30, 2017, amounted to Baht 2,297.9 billion, an increase of Baht 53.9 billion or 2.4 percent from the end of March 2017, due to fixed deposits which rose by 2.5 percent and savings deposits which rose by 2.8 percent.

Compared with the end of December 2016, total deposits rose by Baht 119.8 billion or 5.5 percent, mainly from savings deposits which rose by 6.4 percent, and from fixed deposits which rose by 5.3 percent.

### *Debt Issued and Borrowings*

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	June 2017		March 2017		December 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2017	December 2016
Senior unsecured notes	101,988	74.1%	103,379	74.2%	107,556	74.7%	(1.3)%	(5.2)%
Unsecured subordinated notes	35,288	25.6%	35,497	25.5%	36,123	25.1%	(0.6)%	(2.3)%
Bills of exchange	39	0.1%	74	0.1%	74	0.1%	(47.3)%	(47.3)%
Others	314	0.2%	378	0.2%	213	0.1%	(16.9)%	47.4%
<b>Total (before less discount on borrowings)</b>	<b>137,629</b>	<b>100.0%</b>	<b>139,328</b>	<b>100.0%</b>	<b>143,966</b>	<b>100.0%</b>	<b>(1.2)%</b>	<b>(4.4)%</b>
Less discount on borrowings	6,034		6,092		6,151		(1.0)%	(1.9)%
<b>Total</b>	<b>131,595</b>		<b>133,236</b>		<b>137,815</b>		<b>(1.2)%</b>	<b>(4.5)%</b>

Total debt issued and borrowings as of June 30, 2017, amounted to Baht 131.6 billion, a decrease of Baht 1.6 billion from the end of March 2017 and a decrease of Baht 6.2 billion from the end of December 2016, due to a decrease in the value of foreign-denominated debentures as a result of the Baht's appreciation.

### *Shareholders' Equity*

Shareholders' equity (attributable to the Bank) as of June 30, 2017, amounted to Baht 384.5 billion, an increase of Baht 5.5 billion or 1.5 percent from the end of 2016, due mainly to the net profit (attributable to the Bank) for the first half of 2017 of Baht 16.4 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, 2017. Loss on translation of the financial statements of foreign operations rose by Baht 3.0 billion due to the Baht's appreciation.

### **Contingent Liabilities**

Million Baht

Item	June 2017	March 2017	December 2016	Change (%)	
				March 2017	December 2016
Avals to bills	7,215	6,619	5,529	9.0%	30.5%
Guarantees of loans	17,767	17,788	18,001	(0.1)%	(1.3)%
Liability under unmatured import bills	19,180	19,610	17,921	(2.2)%	7.0%
Letters of credit	31,374	35,400	35,623	(11.4)%	(11.9)%
Other commitments					
Underwriting commitments	-	1,950	-	(100.0)%	-
Amount of unused bank overdrafts	173,133	175,078	175,893	(1.1)%	(1.6)%
Other guarantees	264,894	272,948	267,989	(3.0)%	(1.2)%
Others	113,033	151,080	82,088	(25.2)%	37.7%
<b>Total</b>	<b>626,596</b>	<b>680,473</b>	<b>603,044</b>	<b>(7.9)%</b>	<b>3.9%</b>

Contingent liabilities as of June 30, 2017, amounted to Baht 626.6 billion, a decrease of Baht 53.9 billion or 7.9 percent from the end of March 2017, with a decrease in others (under other commitments) and other guarantees.

Compared with the end of December 2016, contingent liabilities rose by Baht 23.6 billion, due predominantly to an increase in others (under other commitments).

### Sources and Utilization of Funds

The primary sources of funds as of June 30, 2017, were Baht 2,297.9 billion or 75.6 percent in deposits, Baht 384.5 billion or 12.6 percent in shareholders' equity (attributable to the Bank), Baht 131.6 billion or 4.3 percent in debt issued and borrowings, and Baht 114.5 billion or 3.8 percent in interbank and money market liabilities.

The utilization of funds comprised Baht 1,978.4 billion or 65.1 percent in loans, Baht 516.2 billion or 17.0 percent in net investments (including net investments in associates), and Baht 514.5 billion or 16.9 percent in net interbank and money market assets.

### Capital Reserves and Capital Adequacy Ratio

#### Consolidated

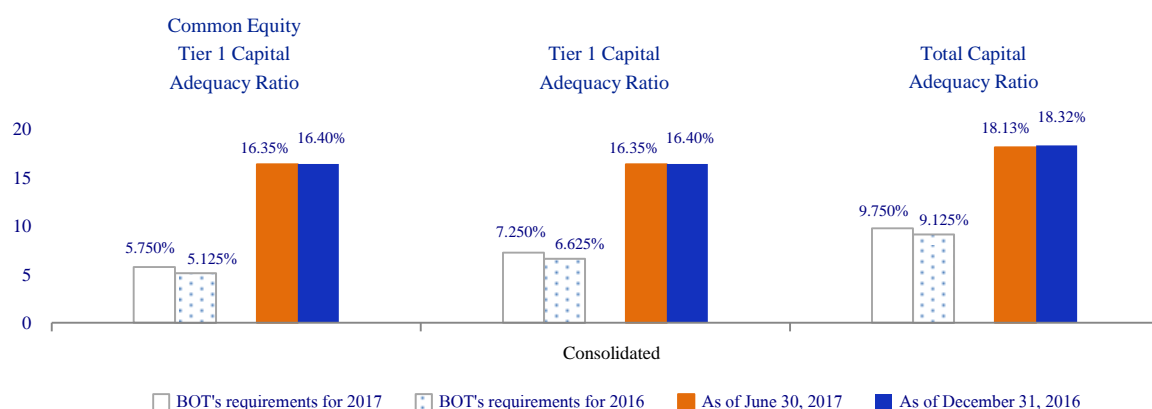
Million Baht

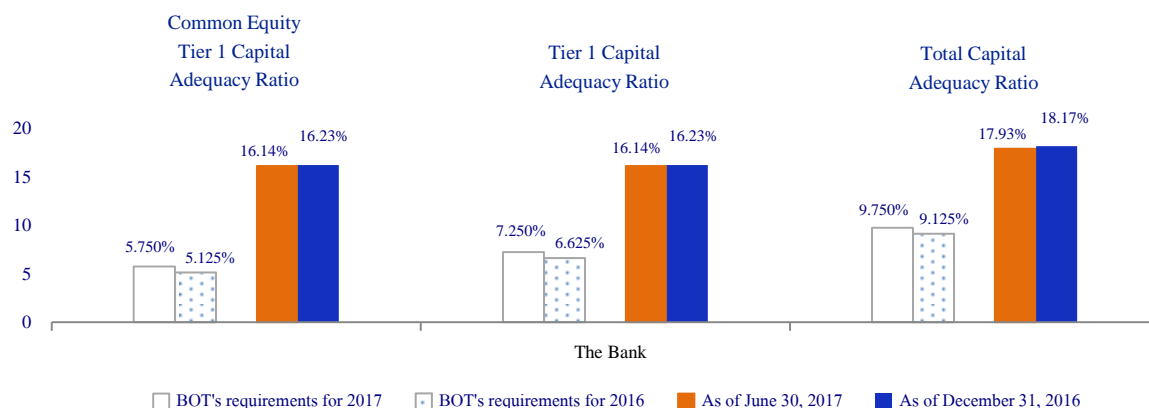
Item	Capital			Capital Adequacy Ratio		
	June 2017	March 2017	December 2016	June 2017	March 2017	December 2016
<b>Total capital</b>	<b>406,769</b>	398,844	403,068	<b>18.13%</b>	18.26%	18.32%
Tier 1 capital	<b>366,795</b>	359,432	360,818	<b>16.35%</b>	16.45%	16.40%
Common equity Tier 1 capital	<b>366,709</b>	359,364	360,702	<b>16.35%</b>	16.45%	16.40%

#### The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2017	March 2017	December 2016	June 2017	March 2017	December 2016
<b>Total capital</b>	<b>391,470</b>	385,734	388,788	<b>17.93%</b>	18.13%	18.17%
Tier 1 capital	<b>352,369</b>	347,000	347,373	<b>16.14%</b>	16.31%	16.23%
Common equity Tier 1 capital	<b>352,369</b>	347,000	347,373	<b>16.14%</b>	16.31%	16.23%





Under the principles of Basel III, the Bank of Thailand (BOT) requires commercial banks registered in Thailand and members of their financial groups to maintain minimum levels of capital adequacy as measured by three ratios, including the Common Equity Tier 1 ratio at no less than 4.50 percent, the Tier 1 ratio at no less than 6.00 percent, and the total capital ratio at no less than 8.50 percent – measured as a percentage of total risk-weighted assets. It also requires a capital conservation buffer in addition to minimum capital adequacy ratios, phasing in an additional capital ratio of more than 0.625 percent p.a. starting January 1, 2016 until completion of the increment to more than 2.50 percent on January 1, 2019. To satisfy the minimum requirements and capital buffer, in 2017 the Bank is required to maintain the Common Equity Tier 1 ratio at more than 5.75 percent, the Tier 1 ratio at more than 7.25 percent, and the total capital ratio at more than 9.75 percent – measured as percentages of total risk-weighted assets.

As of June 30, 2017, legal capital funds were Baht 406.8 billion, common equity Tier 1 capital was Baht 366.7 billion, and Tier 1 capital was Baht 366.8 billion. The total capital adequacy ratio was 18.13 percent, the common equity Tier 1 capital adequacy ratio was 16.35 percent, and the Tier 1 capital adequacy ratio was 16.35 percent. With the inclusion of net profit for the six months ending June 30, 2017, the total capital adequacy ratio, the common equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.88 percent, 17.10 percent and 17.10 percent, respectively.

### Liquid Assets

Item	June 2017	March 2017	December 2016
Liquid assets (Million Baht)	<b>1,034,447</b>	1,034,151	956,847
Liquid assets/total assets (%)	<b>34.0</b>	34.5	32.5
Liquid assets/deposits (%)	<b>45.0</b>	46.1	43.9

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of June 30, 2017, liquid assets totaled Baht 1,034.4 billion, an increase of Baht 296 million or 0.1 percent from the end of March 2017, due mainly to an increase of Baht 10.1 billion in interbank and money market items, while available-for-sale securities decreased by Baht 5.9 billion and cash decreased by Baht 3.8 billion.

Compared with the end of December 2016, liquid assets rose by Baht 77.6 billion or 8.1 percent. Significant items included an increase of Baht 119.9 billion in interbank and money market items and decreases of Baht 16.6 billion in available-for-sale securities, Baht 14.6 billion in cash and Baht 11.1 billion in trading securities.

## Credit Ratings

At the end of June 2017, Moody's Investors Service and Standard & Poor's maintained the Bank's credit ratings from the end March 2017 and the end of 2016. Details of the Bank's credit ratings are as follows:

Credit Rating Agency *	June 30, 2017	March 31, 2017	December 31, 2016
<b>Moody's Investors Service</b>			
Long term - Deposits	<b>Baa1</b>	Baa1	Baa1
Short term - Debt instruments / deposits	<b>P-2 / P-2</b>	P-2 / P-2	P-2 / P-2
Senior unsecured debt instruments	<b>Baa1</b>	Baa1	Baa1
Subordinated debt instruments	<b>Baa3</b>	Baa3	Baa3
Outlook	<b>Stable</b>	Stable	Stable
Financial strength (BCA)	<b>baa2</b>	baa2	baa2
Financial strength outlook	<b>Stable</b>	Stable	Stable
<b>Standard &amp; Poor's</b>			
Long term - Debt instruments	<b>BBB+</b>	BBB+	BBB+
- Deposits	<b>BBB+</b>	BBB+	BBB+
Short term - Debt instruments / deposits	<b>A-2 / A-2</b>	A-2 / A-2	A-2 / A-2
Senior unsecured debt instruments	<b>BBB+</b>	BBB+	BBB+
Subordinated debt instruments	<b>BBB</b>	BBB	BBB
Financial strength (SACP)	<b>bbb</b>	bbb	bbb
Support	<b>+1</b>	+1	+1
Outlook	<b>Stable</b>	Stable	Stable
ASEAN Regional Ratings (Long term / Short term)	<b>axA+ / axA-1</b>	axA+ / axA-1	axA+ / axA-1
<b>Fitch Ratings</b>			
<b>International ratings</b>			
Long term - Debt instruments	<b>BBB+</b>	BBB+	BBB+
Short term - Debt instruments	<b>F2</b>	F2	F2
Senior unsecured debt instruments	<b>BBB+</b>	BBB+	BBB+
Subordinated debt instruments	<b>BBB</b>	BBB	BBB
Financial strength (Viability)	<b>bbb+</b>	bbb+	bbb+
Support	<b>2</b>	2	2
Outlook	<b>Stable</b>	Stable	Stable
<b>National ratings</b>			
Long term - Debt instruments	<b>AA+(tha)</b>	AA+(tha)	AA+(tha)
Short term - Debt instruments	<b>F1+(tha)</b>	F1+(tha)	F1+(tha)
Subordinated debt instruments	<b>AA(th)</b>	AA(th)	AA(th)
Outlook	<b>Stable</b>	Stable	Stable

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