



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and Nine Months Ended September 30, 2017



Management Discussion and Analysis

Overview of the Economy and Banking

Thai Economy in the Third Quarter of 2017

The Thai economy in the third quarter of 2017 continued to recover with exports and tourism as the main drivers. Exports grew by 12.5 percent from the same period last year across almost all products and markets, with the benefits now flowing to small and medium-sized exporters, resulting clearer signs of acceleration in industrial production. In the meantime, private consumption only grew slowly due to weak overall household purchasing power, as farm income continued to be constrained by low prices of agricultural products and nonfarm income remained lackluster. Moreover, high levels of household debt caused the generation of new loans for consumption to decelerate. Government investment expanded as a result of the disbursement for mass transit and telecommunication projects, while private investment, in spite of signs of improvement, remained under pressure from excess production capacity.

Headline inflation in the third quarter of 2017 averaged at 0.45 percent, up from 0.26 percent in the same period last year, following higher energy prices and slower decline in fresh food prices. However, inflation remained below the Bank of Thailand's target range of 1-4 percent. Core inflation is registered at 0.49 percent, down from 0.76 percent in the same period last year, reflecting the concentration of domestic demand. This, combined with structural factors such as the expansion of the global value chain and e-commerce, increased the difficulty for domestic businesses to raise their prices. The Thai baht averaged at 33.39 THB/USD in the third quarter, appreciating from 34.84 THB/USD in the same period last year and 34.30 THB/USD in the previous quarter.

The Monetary Policy Committee (MPC) maintained the policy interest rate at 1.50 percent, viewing that while the Thai economy continued to gain further traction, there remained risks on the external fronts that may affect exports and tourism, and the recovery of domestic demand was not yet sufficiently broad-based. Meanwhile, financial stability remained sound. In this light, monetary policy should continue to be accommodative so that the economic growth could continue and translate into the strengthening of domestic demand. Notwithstanding this, there are pockets of risks, such as debt serviceability of SMEs, maturity mismatches among businesses, particularly in the real estate sector, and the search-for-yield behavior in the prolonged period of low interest rates that could lead to the underpricing of risks.

The Thai economy in 2017 is expected to grow by 3-4 percent on the back of exports and tourism, in line with the growth of the trading partners. At the same time, public investment in large infrastructure projects will continue to support the economic growth and help bolster private investment recovery going forward. Nevertheless, monetary policies in the US and Europe necessitate continuous monitoring, as they may trigger financial market volatilities and capital outflows from emerging markets including Thailand. Furthermore, China's financial stability issues and international geopolitical situations remain risk factors affecting economic activities of Thailand's trading partners. At the same time, uneven recovery of household purchasing power may be further hindered by the floods in many areas that resulted in the destruction of crops and household assets. Towards the end of this year, domestic political situation will also warrant monitoring as the National Council for Peace and Order (NCPO) begins to ease restrictions on political activities to prepare for an election, which is expected to take place at the end of next year.

Thai Banking Industry

The economic environment in the third quarter continued to pose a challenge for commercial banks' business operations so lending and deposits continued to grow at a slow pace. As deposits grew at a higher rate than loans, liquidity in the commercial banking system increased from the end of last year. Meanwhile, loan quality, measured by the ratio of non-performing loans (NPLs) to total loans, continued to deteriorate, with the NPL ratio rising to 2.97 percent from 2.95 percent and 2.83 percent at the end of June 2017 and the end of 2016, respectively.

The Bank of Thailand's Senior Loan Officer Survey indicated that in the third quarter of 2017, credit demand from the business sector increased from the previous quarter, mostly due to SMEs' requirements for working capital and inventory production. Demand for loans from large corporates increased at a slow pace as there is less need for investment in fixed assets and working capital. Demand for loans of household sector rose from the previous quarter in auto-leasing and credit card loans, but declined in housing loans in line with the sluggish real-estate market. Financial institutions expect 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 improve, the recovery remains concentrated in certain business sectors. There is considerable excess liquidity in the commercial banking system, with a high level of liquidity than required by the Bank of Thailand. Infrastructure investment progress needs to be closely monitored as more bidding processes will open later in 2017, while overseas investment by Thai businesses will continue to increase. Commercial banks' liquidity management is expected to focus on readjusting deposit structures and appropriate managing of costs. Under the Basel III requirements 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. The outlook for NPLs in the commercial banking system will depend on economic growth spreading to all sectors. However, given its relatively high capital base and regular increases in provisioning reserves, the commercial banking system will still be able to provide quality loan support.

Fee income from fund transferred in 2017 will be impacted by the government's National e-Payment scheme to reduce cash payments, starting with the PromptPay system for person-to-person fund transfers and PromptPay for businesses, which were introduced in January and March 2017, respectively. The extent to which this reduces commercial 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 (%)		9 Months		Change (%)
	3/2017	2/2017	3/2016	2/2017	3/2016	2017	2016	
Net profit *	8.161	8,047	8,061	1.4%	1.2%	24,513	23,547	4.1%
Earnings per share (Baht)	4.28	4.22	4.22	1.4%	1.2%	12.84	12.34	4.1%
Net interest margin	2.30%	2.31%	2.33%	(0.01)%	(0.03)%	2.32%	2.33%	(0.01)%
Net fees and service income to operating income ratio	23.2%	22.7%	22.8%	0.5%	0.4%	23.5%	23.2%	0.3%
Expense to operating income ratio	41.9%	45.8%	44.9%	(3.9)%	(3.0)%	42.8%	47.8%	(5.0)%
Return on average assets *	1.06%	1.07%	1.10%	(0.01)%	(0.04)%	1.09%	1.09%	-
Return on average equity *	8.33%	8.38%	8.67%	(0.05)%	(0.34)%	8.50%	8.55%	(0.05)%

* Attributable to the Bank

Million Baht

Item	September	June	December	Change (%)	
	2017	2017	2016	June 2017	December 2016
Loans **	1,938,619	1,978,391	1,941,093	(2.0)%	(0.1)%
Deposits	2,300,958	2,297,918	2,178,141	0.1%	5.6%
Loan to deposit ratio	84.3%	86.1%	89.1%	(1.8)%	(4.8)%
Non-performing loans (NPLs)	88,231	85,947	68,841	2.7%	28.2%
Ratio of NPLs to total loans	3.8%	3.7%	3.2%	0.1%	0.6%
Ratio of loan loss reserves to NPLs	154.0%	151.2%	173.6%	2.8%	(19.6)%
Total capital adequacy ratio	18.73%	18.13%	18.32%	0.60%	0.41%

** Less deferred revenue

Bangkok Bank and its subsidiaries' net interest income amounted to Baht 16.8 billion, an increase of 4.7 percent compared to the third quarter of last year, with a net interest margin of 2.30 percent. Non-interest income was Baht 11.7 billion, an increase of 7.0 percent, due predominantly to gains on investments and net fees and service income, contributed mainly by mutual funds, bancassurance, and loan-related fees. The Bank's operating expenses were Baht 11.9 billion, a decrease of 1.3 percent, with an expenses to operating income ratio of 41.9 percent. Net profit (attributable to the Bank) for the third quarter of 2017 was Baht 8.2 billion, an increase of 1.2 percent from the same quarter last year.

At the end of September 2017, the Bank's loans were Baht 1,938.6 billion, a similar level to the end of 2016. The ratio of non-performing loans (NPLs) to total loans was 3.8 percent. The Bank continues to closely monitor its loan quality and set aside appropriate provisioning expenses. Total allowances for doubtful accounts were Baht 135.8 billion or 7.0 percent of loans.

In terms of capital, in September 2017 the Bank of Thailand (BOT) announced the guidelines for identifying and regulating Domestic Systemically Important Banks (D-SIBs). Bangkok Bank, which is classified as a D-SIB, is required by the BOT to hold additional capital for Higher Loss Absorbency (HLA) by gradually increasing its additional capital ratio by an

increment of 0.5 percent from January 1, 2019 until completion of the increment to 1.0 percent in January 1, 2020 onwards. For the Bank, with the inclusion of net profit for the third quarter 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 19.10 percent, 17.33 percent and 17.33 percent, respectively. Our capital adequacy ratios are adequate to support the additional capital adequacy ratio as the guidelines on D-SIBs. Shareholders' equity as of September 30, 2017, amounted to Baht 393.0 billion or 12.8 percent of total assets. The book value per share was Baht 205.89, an increase of Baht 7.34 from the end of 2016.

Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2017	2/2017	3/2016	2/2017	3/2016	2017	2016	
Net interest income	16,825	16,568	16,066	1.6%	4.7%	49,670	47,695	4.1%
Non-interest income	11,651	11,472	10,887	1.6%	7.0%	34,054	30,796	10.6%
Operating expenses	11,938	12,846	12,095	(7.1)%	(1.3)%	35,858	37,536	(4.5)%
Impairment loss of loans and debt securities	6,259	5,688	4,946	10.0%	26.5%	17,753	12,132	46.3%
Operating profit before tax	10,279	9,506	9,912	8.1%	3.7%	30,113	28,823	4.5%
Income tax expenses	2,037	1,388	1,786	46.8%	14.1%	5,376	5,087	5.7%
Net profit	8,242	8,118	8,126	1.5%	1.4%	24,737	23,736	4.2%
Net profit *	8,161	8,047	8,061	1.4%	1.2%	24,513	23,547	4.1%
Total comprehensive income *	12,196	6,967	5,502	75.1%	121.7%	26,058	21,077	23.6%

* Attributable to the Bank

In terms of the Bank's operating results for the third quarter of 2017, compared with the second quarter of 2017, net interest income rose by Baht 257 million or 1.6 percent due to the increase in interest income from interbank and money market items and loans, while interest expenses on deposits increased from higher deposit volume. Non-interest income increased by Baht 179 million or 1.6 percent due to the increase in gains on investments and net fees and service income increased, partly due to an increase in fee income from mutual funds and bancassurance, while dividend income and gains on disposal of assets decreased. However, operating expenses declined by Baht 908 million, due predominantly to a decrease in premises and equipment expenses and other expenses. Impairment loss of loans and debt securities rose by Baht 571 million or 10.0 percent. Consequently, net profit (attributable to the Bank) in the third quarter of 2017 amounted to Baht 8.2 billion, an increase of Baht 114 million or 1.4 percent from the second quarter of 2017.

Compared with the third quarter of 2016, net interest income rose by Baht 759 million or 4.7 percent, mainly due to the increase in interest income from interbank and money market items and loans, while interest expenses from deposits increased in line with an increase in deposit volume. Non-interest income rose by Baht 764 million or 7.0 percent, largely due to an increase in gains on investments and net fees and service income, predominately from fee income from mutual funds, bancassurance and loan-related services, while gains on tradings and foreign exchange transactions and dividend income declined. Impairment loss of loans and debt securities rose by Baht 1.3 billion, while operating expenses decreased by Baht 157 million. Consequently, net profit (attributable to the Bank) rose by Baht 100 million or 1.2 percent from the same quarter of 2016.

In the first nine months of 2017, non-interest income increased by Baht 3.3 billion or 10.6 percent from the first nine months of 2016, due mainly to the increase in gains on investments and net fees and service income, an increase in fee income from mutual funds, bancassurance, electronic services and remittances. Net interest income rose by Baht 2.0 billion or 4.1 percent, due mainly to higher interest income from interbank and money market items, due to an increase in transaction volume. Operating expenses decreased by Baht 1.7 billion or 4.5 percent, due mainly to a decrease in provisions for contingencies. Impairment loss on loans and debt securities rose by Baht 5.6 billion or 46.3 percent. Net profit (attributable to the Bank) amounted to Baht 24.5 billion, an increase of Baht 966 million or 4.1 percent from the first nine months of 2016.

Net Interest Income

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change
	3/2017	2/2017	3/2016	2/2017	3/2016	2017	2016	(%)
Interest Income								
Loans	22,418	22,166	21,940	1.1%	2.2%	66,412	66,112	0.5%
Interbank and money market items	2,348	2,045	1,578	14.8%	48.8%	6,120	4,623	32.4%
Investments	1,987	2,003	1,983	(0.8)%	0.2%	6,084	6,187	(1.7)%
Total interest income	26,753	26,214	25,501	2.1%	4.9%	78,616	76,922	2.2%
Interest expenses								
Deposits	5,552	5,326	5,225	4.2%	6.3%	15,981	16,418	(2.7)%
Interbank and money market items	307	242	266	26.9%	15.4%	805	868	(7.3)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,442	2,415	2,265	1.1%	7.8%	7,188	6,850	4.9%
Debt issued and borrowings	1,627	1,663	1,679	(2.2)%	(3.1)%	4,972	5,091	(2.3)%
Total interest expenses	9,928	9,646	9,435	2.9%	5.2%	28,946	29,227	(1.0)%
Net interest income	16,825	16,568	16,066	1.6%	4.7%	49,670	47,695	4.1%
Yield on earning assets	3.65%	3.66%	3.70%	(0.01)%	(0.05)%	3.67%	3.76%	(0.09)%
Cost of funds	1.54%	1.54%	1.56%	-	(0.02)%	1.54%	1.62%	(0.08)%
Net interest margin	2.30%	2.31%	2.33%	(0.01)%	(0.03)%	2.32%	2.33%	(0.01)%

Net interest income in the third quarter of 2017 amounted to Baht 16.8 billion, an increase of Baht 257 million or 1.6 percent from the second quarter of 2017, due to an increase of Baht 539 million or 2.1 percent in interest income, mainly from an increase of Baht 303 million or 14.8 percent in interest income from interbank and money market items resulting from an increase in transaction volume and an increase of Baht 252 million or 1.1 percent in interest income from loans. Interest expenses rose by Baht 282 million or 2.9 percent, due largely to an increase of Baht 226 million or 4.2 percent in interest expenses from deposits as a result of higher deposit volume. The net interest margin decreased by 0.01 percent from the previous quarter to 2.30 percent.

Compared with the third quarter of 2016, net interest income rose by Baht 759 million or 4.7 percent, due to an increase of Baht 1.3 billion or 4.9 percent in interest income. Significant items included an increase of Baht 770 million or 48.8 percent in interest income from interbank and money market items due to an increase in transaction volume and yield which is in line with market yield, and an increase of Baht 478 million or 2.2 percent in interest income from loans due to an

increase in lending volume. Interest expenses rose by Baht 493 million or 5.2 percent, mainly from an increase of Baht 327 million or 6.3 percent in interest expenses on deposits due to an increase in deposit volume. The net interest margin decreased by 0.03 percent from the same quarter last year.

In the first nine months of 2017, net interest income amounted to Baht 49.7 billion, an increase of Baht 2.0 billion or 4.1 percent from the first nine months of 2016, due predominantly to an increase of Baht 1.5 billion or 32.4 percent in interest income from interbank and money market items caused by an increase in transaction volume and yield which is in line with market yield, and a decrease of Baht 437 million or 2.7 percent in interest expenses on deposits due to the expansion of low-cost deposits of savings and current accounts, and a decrease in the cost of deposits. The net interest margin decreased slightly by 0.01 percent from the same period last year to 2.32 percent.

Bangkok Bank Interest Rates	May 16, '17	Apr 25, '16	Apr 6, '16	May 26, '15
Loans (%)				
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
Deposits (%)				
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
		Apr 29, '15		Mar 11, '15
Bank of Thailand Policy Rates (%)		1.500		1.750

Non-Interest Income

Item	Quarter		Change (%)		9 Months		Change (%)	
	3/2017	2/2017	3/2016	2/2017	3/2016	2017		2016
Fees and service income	8,807	8,501	8,227	3.6%	7.0%	26,339	24,458	7.7%
<u>Less</u> Fees and service expenses	2,208	2,129	2,070	3.7%	6.7%	6,649	6,221	6.9%
Net fees and service income	6,599	6,372	6,157	3.6%	7.2%	19,690	18,237	8.0%
Gains on tradings and foreign exchange transactions	1,492	1,399	1,924	6.6%	(22.5)%	4,521	5,433	(16.8)%
Gains on investments	2,502	1,633	1,468	53.2%	70.4%	5,464	3,049	79.2%
Share of profit (loss) from investment for using equity method	52	54	50	(3.7)%	4.0%	188	55	241.8%
Gains on disposal of assets	198	585	136	(66.2)%	45.6%	987	457	116.0%
Dividend income	711	1,316	1,014	(46.0)%	(29.9)%	2,896	3,182	(9.0)%
Other operating income	97	113	138	(14.2)%	(29.7)%	308	383	(19.6)%
Total other operating income	5,052	5,100	4,730	(0.9)%	6.8%	14,364	12,559	14.4%
Total non-interest income	11,651	11,472	10,887	1.6%	7.0%	34,054	30,796	10.6%
Net fees and service income to operating income ratio	23.2%	22.7%	22.8%	0.5%	0.4%	23.5%	23.2%	0.3%

Non-interest income in the third quarter of 2017 amounted to Baht 11.7 billion, an increase of Baht 179 million or 1.6 percent from the second quarter of 2017, mainly due to an increase of Baht 869 million in gains on investments and an increase of Baht 227 million in net fees and service income, due to an increase in fee income from mutual fund, bancassurance and securities businesses. Dividend income decreased by Baht 605 million and gains on disposal of assets decreased by Baht 387 million. Consequently, the ratio of net fees and service income to operating income stood at 23.2 percent, 0.5 percent higher than the previous quarter.

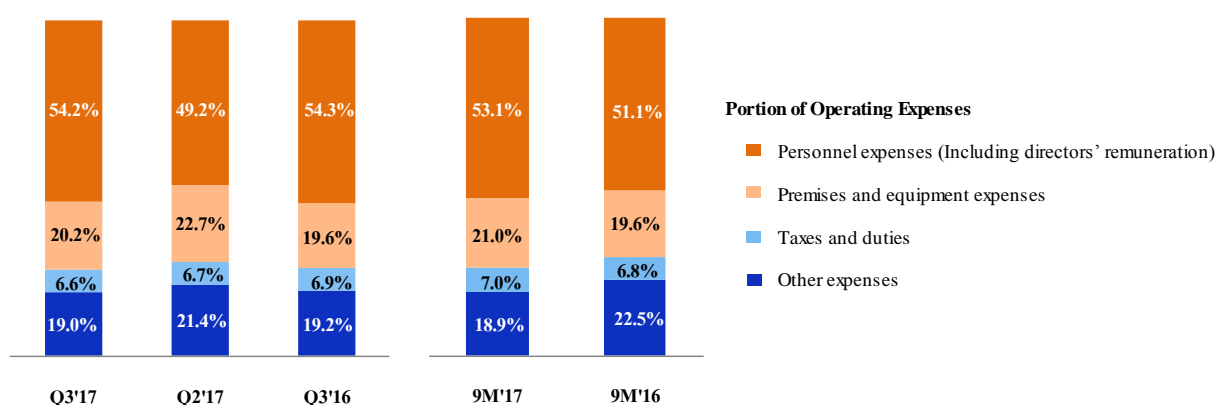
Compared with the third quarter of 2016, non-interest income rose by Baht 764 million or 7.0 percent. Significant items included an increase of Baht 1.0 billion from gains on investments and an increase of Baht 442 million in net fees and service income due to an increase in fee income from mutual funds, bancassurance, loan-related services, and electronic services and remittances. Gains on tradings and foreign exchange transactions decreased by Baht 432 million and dividend income decreased by Baht 303 million.

In the first nine months of 2017, non-interest income amounted to Baht 34.1 billion, an increase of Baht 3.3 billion or 10.6 percent from the first nine months of 2016, due to an increase in gains on investments of Baht 2.4 billion. Net fees and service income rose by Baht 1.5 billion, due mainly to the increase in fee income from mutual funds, bancassurance, electronic services and remittances, and loan-related services.

Operating Expenses

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2017	2/2017	3/2016	2/2017	3/2016	2017	2016	
Personnel expenses	6,446	6,273	6,552	2.8%	(1.6)%	18,938	19,090	(0.8)%
Directors' remuneration	22	46	20	(52.2)%	10.0%	102	82	24.4%
Premises and equipment expenses	2,409	2,916	2,368	(17.4)%	1.7%	7,516	7,374	1.9%
Taxes and duties	790	863	832	(8.5)%	(5.0)%	2,517	2,549	(1.3)%
Other expenses	2,271	2,748	2,323	(17.4)%	(2.2)%	6,785	8,441	(19.6)%
Total operating expenses	11,938	12,846	12,095	(7.1)%	(1.3)%	35,858	37,536	(4.5)%
Expense to operating income ratio	41.9%	45.8%	44.9%	(3.9)%	(3.0)%	42.8%	47.8%	(5.0)%



Operating expenses in the third quarter of 2017 amounted to Baht 11.9 billion, a decrease of Baht 908 million or 7.1 percent from the second quarter of 2017. Significant items included decreases in premises and equipment expenses of Baht 507 million and other expenses of Baht 477 million.

Compared with the third quarter of 2016, operating expenses decreased by Baht 157 million or 1.3 percent, due to a decrease of Baht 106 million in personnel expenses and a decrease of Baht 52 million due partly to lower provisions for contingencies.

In the first nine months of 2017, operating expenses amounted to Baht 35.9 billion, a decrease of Baht 1.7 billion or 4.5 percent from the first nine months of 2016. Significant items included a decrease of Baht 1.7 billion in other expenses due to lower provisions for contingencies.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter		Change (%)		9 Months		Change (%)	
	3/2017	2/2017	3/2016	2/2017	2017	2016		
Bad debt and doubtful accounts	6,420	5,779	5,023	11.1%	27.8%	18,057	12,560	43.8%
Loss on debt restructuring (reversal)	(161)	(91)	(77)	(76.9)%	(109.1)%	(304)	(428)	29.0%
Total	6,259	5,688	4,946	10.0%	26.5%	17,753	12,132	46.3%

Impairment loss of loans and debt securities in the third quarter of 2017 was Baht 6.3 billion, compared to Baht 5.7 billion in the second quarter of 2017 and Baht 4.9 billion in the third quarter of 2016. In the first nine months of 2017, impairment loss of loans and debt securities amounted to Baht 17.8 billion, compared to Baht 12.1 billion in the first nine months of the previous year.

Significant Items in the Financial Position

Assets

Million Baht

Item	September 2017	June 2017	December 2016	Change (%)	
				June 2017	December 2016
Net interbank and money market items	607,775	514,488	394,612	18.1%	54.0%
Net investments	493,908	514,825	546,614	(4.1)%	(9.6)%
Net investments in associates	1,443	1,363	1,327	5.9%	8.7%
Loans *	1,938,619	1,978,391	1,941,093	(2.0)%	(0.1)%
Net properties for sale	11,378	11,298	12,262	0.7%	(7.2)%
Total assets	3,073,691	3,041,132	2,944,230	1.1%	4.4%

* Less deferred revenue

Total assets as of September 30, 2017, amounted to Baht 3,073.7 billion, an increase of Baht 32.6 billion from the end of June 2017. Significant items included net interbank and money market items of Baht 607.8 billion, an increase of Baht 93.3 billion or 18.1 percent mainly from an increase in lending and loans of Baht 1,938.6 billion, which decreased by Baht 39.8 billion or 2.0 percent. Net investments amounted to Baht 493.9 billion, a decrease of Baht 20.9 billion or 4.1 percent.

Compared with the end of December 2016, total assets rose by Baht 129.5 billion. Significant items included an increase of Baht 213.2 billion or 54.0 percent in net interbank and money market items due to an increase in lending, while net investments decreased by Baht 52.7 billion or 9.6 percent.

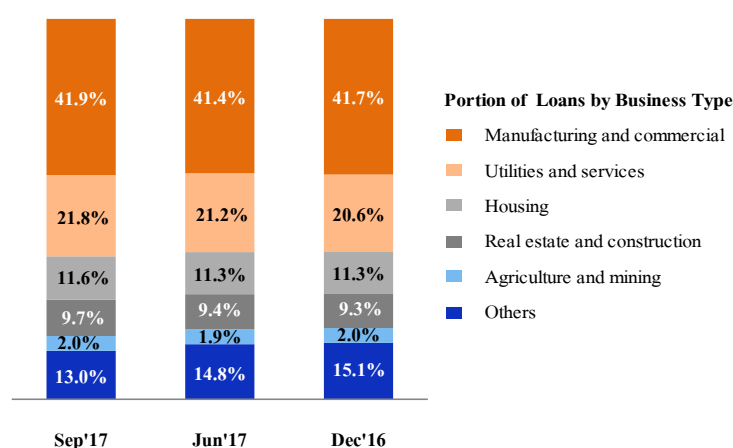
Loans

Loans as of September 30, 2017 amounted to Baht 1,938.6 billion, a decrease of Baht 39.8 billion or 2.0 percent from the end of June 2017, and a slightly decrease of Baht 2.5 billion or 0.1 percent from the end of December 2016, due to a decrease in loans to large corporates and small businesses.

Million Baht

Loans by Business Type *	September 2017	June 2017	December 2016	Change (%)	
				June 2017	December 2016
Manufacturing and commercial	812,621	818,265	810,335	(0.7)%	0.3%
Utilities and services	422,319	419,339	399,372	0.7%	5.7%
Housing	225,109	222,977	219,365	1.0%	2.6%
Real estate and construction	187,971	186,744	179,973	0.7%	4.4%
Agriculture and mining	39,019	37,383	38,541	4.4%	1.2%
Others	251,580	293,683	293,507	(14.3)%	(14.3)%
Total	1,938,619	1,978,391	1,941,093	(2.0)%	(0.1)%

* Less deferred revenue



The highest portion of lending was to various industries in the manufacturing and commercial sectors, at 41.9 percent, followed by 21.8 percent to utilities and services, 11.6 percent to housing, and 9.7 percent to real estate and construction. The main decrease in loans from the end of June 2017 was to 'others' and manufacturing and commercial, while the decrease from the end of December 2016 was mainly to 'others'.

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 2017	June 2017	December 2016	September 2017	June 2017	December 2016
Normal	1,806,458	1,853,978	1,830,827	14,547	14,953	14,502
Special mentioned	48,646	42,306	46,058	619	550	548
Substandard	11,955	17,482	9,495	5,364	9,029	2,589
Doubtful	20,487	16,430	16,050	10,766	8,246	10,140
Doubtful of loss	55,834	52,083	43,316	36,135	33,744	27,815
Total	1,943,380	1,982,279	1,945,746	67,431	66,522	55,594
<u>Add</u> Excess allowance for doubtful accounts				66,047	60,874	61,214
Total allowance for doubtful accounts from loan classification				133,478	127,396	116,808
<u>Add</u> Revaluation allowance for debt restructuring				2,362	2,522	2,710
Total allowance for doubtful accounts				135,840	129,918	119,518

* Less deferred revenue

Million Baht

Item	September 2017	June 2017	December 2016	Change (%)	
				June 2017	December 2016
NPLs before allowance for doubtful accounts	88,231	85,947	68,841	2.7%	28.2%
Ratio of NPLs to total loans	3.8%	3.7%	3.2%	0.1%	0.6%
NPLs after allowance for doubtful accounts (net NPLs)	26,928	25,697	19,156	4.8%	40.6%
Ratio of net NPLs to net total loans	1.2%	1.1%	0.9%	0.1%	0.3%
Ratio of loan loss reserves to minimum required provisioning	194.6%	188.2%	205.0%	6.4%	(10.4)%
Ratio of loan loss reserves to NPLs	154.0%	151.2%	173.6%	2.8%	(19.6)%

Non-performing loans (NPLs) at the end of September 2017 amounted to Baht 88.2 billion and the ratio of NPLs to total loans was 3.8 percent.

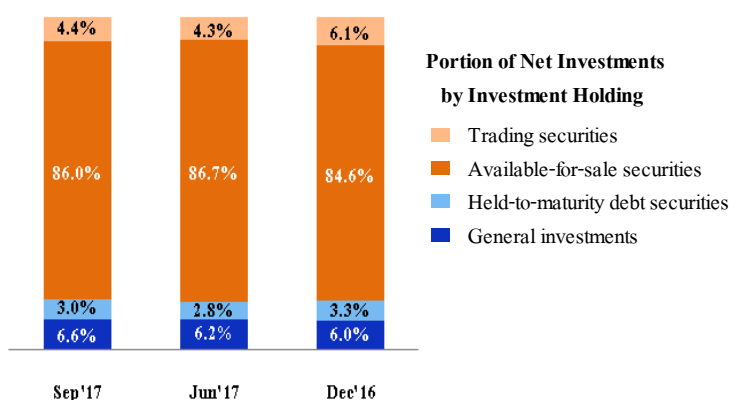
Total allowance for doubtful accounts at the end of September 2017 was Baht 135.8 billion or 194.6 percent of the minimum amount required by the Bank of Thailand (BOT) of Baht 69.8 billion. The ratio of loan loss reserves to NPLs as at end of September 2017 was 154.0 percent.

Net Investments

Net investments as of September 30, 2017 amounted to Baht 493.9 billion, a decrease of Baht 20.9 billion or 4.1 percent from the end of June 2017, due mainly to a decrease in investment from available-for-sale securities. Net investments decreased by Baht 52.7 billion or 9.6 percent from the end of December 2016, due mainly to available-for-sale securities and trading securities.

Million Baht

Investments by Investment Holding	September 2017	June 2017	December 2016	Change (%)	
				June 2017	December 2016
Trading securities	21,799	22,053	33,148	(1.2)%	(34.2)%
Available-for-sale securities	424,622	446,116	462,742	(4.8)%	(8.2)%
Held-to-maturity debt securities	14,742	14,450	18,121	2.0%	(18.6)%
General investments	32,745	32,206	32,603	1.7%	0.4%
Total net investments	493,908	514,825	546,614	(4.1)%	(9.6)%



Most of the net investments were in government and state-enterprise securities. As of September 30, 2017, these amounted to Baht 246.1 billion, accounting for 49.8 percent of total investments. Foreign debt securities were Baht 83.0 billion, private enterprise debt securities Baht 41.4 billion, and net equity securities Baht 122.5 billion.

Million Baht

Investments by Maturity *	September 2017		June 2017		December 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2017	December 2016
Up to one year	70,386	14.2%	74,384	14.4%	87,347	15.9%	(5.4)%	(19.4)%
Between one and five years	286,528	57.9%	314,949	61.0%	317,650	58.0%	(9.0)%	(9.8)%
Over five years	18,020	3.6%	17,166	3.3%	37,631	6.9%	5.0%	(52.1)%
No maturity	120,417	24.3%	109,689	21.3%	105,313	19.2%	9.8%	14.3%
Total net investments	495,351	100.0%	516,188	100.0%	547,941	100.0%	(4.0)%	(9.6)%

* Including net investments in associates

The remaining terms of the net investments (including net investments in associates) as of September 30, 2017 were categorized into securities with less than one year to maturity of Baht 70.4 billion, securities with one-to-five years to maturity of Baht 286.5 billion, securities with remaining maturities of more than five years of Baht 18.0 billion, and securities with no maturity of Baht 120.4 billion.

Liabilities and Shareholders' Equity

Million Baht

Item	September 2017	June 2017	December 2016	Change (%)	
				June 2017	December 2016
Deposits	2,300,958	2,297,918	2,178,141	0.1%	5.6%
Interbank and money market items	133,365	114,538	130,928	16.4%	1.9%
Debt issued and borrowings	129,518	131,595	137,815	(1.6)%	(6.0)%
Total liabilities	2,680,473	2,656,343	2,564,985	0.9%	4.5%
Shareholders' equity *	393,019	384,532	379,016	2.2%	3.7%

* Attributable to the Bank

Total liabilities as of September 30, 2017 amounted to Baht 2,680.5 billion, an increase of Baht 24.1 billion or 0.9 percent from the end of June 2017, due mainly to an increase of Baht 18.8 billion or 16.4 percent in interbank and money market items due to borrowing transactions, and an increase of Baht 3.0 billion or 0.1 percent in deposits.

Compared with the end of December 2016, total liabilities rose by Baht 115.5 billion or 4.5 percent, mostly from deposits which rose by Baht 122.8 billion or 5.6 percent. Debt issued and borrowings fell by Baht 8.3 billion or 6.0 percent.

Deposits

Million Baht

Deposits Classified by Product Type	September 2017		June 2017		December 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2017	December 2016
Current	96,560	4.2%	94,255	4.1%	95,810	4.4%	2.4%	0.8%
Savings	1,034,254	44.9%	1,019,429	44.4%	958,150	44.0%	1.5%	7.9%
Fixed *	1,170,144	50.9%	1,184,234	51.5%	1,124,181	51.6%	(1.2)%	4.1%
Total	2,300,958	100.0%	2,297,918	100.0%	2,178,141	100.0%	0.1%	5.6%
Loan to deposit ratio		84.3%		86.1%		89.1%	(1.8)%	(4.8)%

* Including negotiable certificates of deposit

Total deposits as of September 30, 2017 amounted to Baht 2,301.0 billion, an increase of Baht 3.0 billion or 0.1 percent from the end of June 2017, due to savings deposits which rose by 1.5 percent and fixed deposits which fell by 1.2 percent.

Compared with the end of December 2016, total deposits rose by Baht 122.8 billion or 5.6 percent, mainly from savings deposits which rose by 7.9 percent due to an increase in the proportion of low-cost deposits, and from fixed deposits which rose by 4.1 percent.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	September 2017		June 2017		December 2016		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2017	December 2016
Senior unsecured notes	100,105	73.9%	101,988	74.1%	107,556	74.7%	(1.8)%	(6.9)%
Unsecured subordinated notes	35,007	25.8%	35,288	25.6%	36,123	25.1%	(0.8)%	(3.1)%
Bills of exchange	36	0.1%	39	0.1%	74	0.1%	(7.7)%	(51.4)%
Others	346	0.2%	314	0.2%	213	0.1%	10.2%	62.4%
Total (before less discount on borrowings)	135,494	100.0%	137,629	100.0%	143,966	100.0%	(1.6)%	(5.9)%
<u>Less</u> Discount on borrowings	5,976		6,034		6,151		(1.0)%	(2.8)%
Total	129,518		131,595		137,815		(1.6)%	(6.0)%

Total debt issued and borrowings as of September 30, 2017 amounted to Baht 129.5 billion, a decrease of Baht 2.1 billion from the end of June 2017 and a decrease of Baht 8.3 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 September 30, 2017 amounted to Baht 393.0 billion, an increase of Baht 14.0 billion or 3.7 percent from the end of 2016, due mainly to the net profit (attributable to the Bank) for the first nine months of 2017 of Baht 24.5 billion, net of two dividend payments in 2017 totaling Baht 12.1 billion which consisted of the final dividend payment for 2016 performance of Baht 8.3 billion (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 12, 2017, and the interim dividend payment made from the net profit from operations in the first half of 2017 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, and an increase of Baht 5.7 billion in revaluation gains on available-for-sale investments. Loss on translation of the financial statements of foreign operations rose by Baht 4.2 billion due to the Baht's appreciation.

Contingent Liabilities

Million Baht

Item	September 2017	June 2017	December 2016	Change (%)	
				June 2017	December 2016
Avals to bills	7,424	7,215	5,529	2.9%	34.3%
Guarantees of loans	20,192	17,767	18,001	13.6%	12.2%
Liability under unmatured import bills	14,597	19,180	17,921	(23.9)%	(18.5)%
Letters of credit	33,009	31,374	35,623	5.2%	(7.3)%
Other commitments					
Underwriting commitments	3,820	-	-	100.0%	100.0%
Amount of unused bank overdrafts	176,188	173,133	175,893	1.8%	0.2%
Other guarantees	263,485	264,894	267,989	(0.5)%	(1.7)%
Others	97,230	113,033	82,088	(14.0)%	18.4%
Total	615,945	626,596	603,044	(1.7)%	2.1%

Contingent liabilities as of September 30, 2017 amounted to Baht 615.9 billion, a decrease of Baht 10.7 billion or 1.7 percent from the end of June 2017, with a decrease in others (under other commitments) and liability under unmatured import bills.

Compared with the end of December 2016, contingent liabilities rose by Baht 12.9 billion, due predominantly to an increase in others (under other commitments).

Sources and Utilization of Funds

The primary sources of funds as of September 30, 2017 were Baht 2,301.0 billion or 74.9 percent in deposits, Baht 393.0 billion or 12.8 percent in shareholders' equity (attributable to the Bank), Baht 133.4 billion or 4.3 percent in interbank and money market liabilities, and Baht 129.5 billion or 4.2 percent in debt issued and borrowings.

The utilization of funds comprised Baht 1,938.6 billion or 63.1 percent in loans, Baht 607.8 billion or 19.8 percent in interbank and money market assets, and Baht 495.4 billion or 16.1 percent in net investments (including net investments in associates).

Capital Reserves and Capital Adequacy Ratio

Consolidated

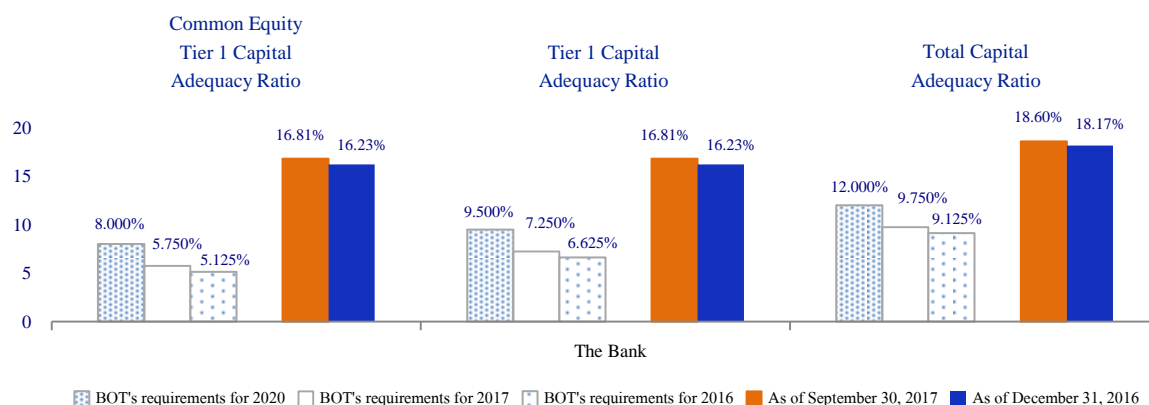
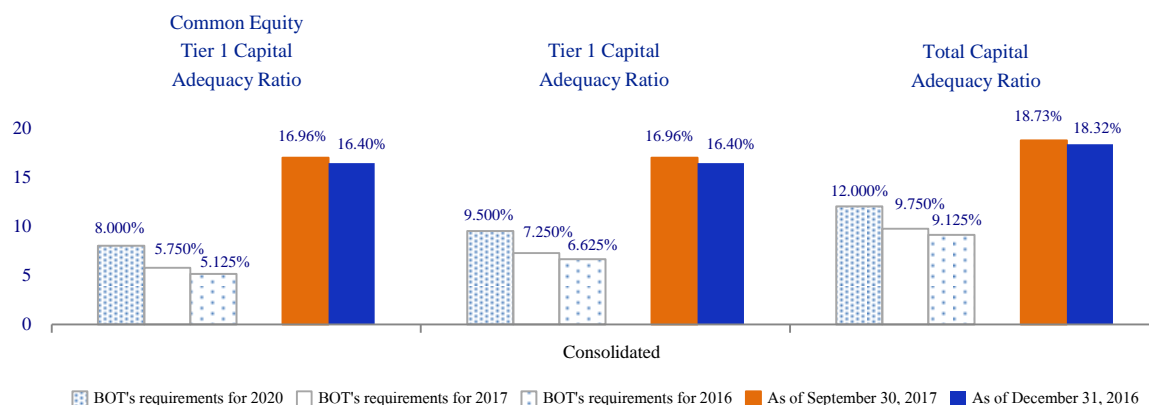
Million Baht

Item	Capital			Capital Adequacy Ratio		
	September 2017	June 2017	December 2016	September 2017	June 2017	December 2016
Total capital	423,958	406,769	403,068	18.73%	18.13%	18.32%
Tier 1 capital	383,797	366,795	360,818	16.96%	16.35%	16.40%
Common Equity Tier 1 capital	383,721	366,709	360,702	16.96%	16.35%	16.40%

The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	September 2017	June 2017	December 2016	September 2017	June 2017	December 2016
Total capital	408,506	391,470	388,788	18.60%	17.93%	18.17%
Tier 1 capital	369,305	352,369	347,373	16.81%	16.14%	16.23%
Common Equity Tier 1 capital	369,305	352,369	347,373	16.81%	16.14%	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 levels and capital buffer specified by the BOT's requirements, 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. In September 2017, the BOT announced the guidelines for identifying and regulating Domestic Systemically Important Banks (D-SIBs). Bangkok Bank, which is classified as a D-SIB, is required by the BOT to hold additional capital for Higher Loss Absorbency (HLA) by gradually increasing its additional capital ratio by an increment of 0.50 percent p.a. from January 1, 2019 until completion of the increment to 1.00 percent in January 1, 2020.

As of September 30, 2017, legal capital funds were Baht 424.0 billion, Common Equity Tier 1 capital was Baht 383.7 billion, and Tier 1 capital was Baht 383.8 billion. The total capital adequacy ratio was 18.73 percent, the Common Equity Tier 1 capital adequacy ratio was 16.96 percent, and the Tier 1 capital adequacy ratio was 16.96 percent. With the inclusion of net profit for the third quarter of 2017 ending September 30, 2017, the total capital adequacy ratio, the Common Equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 19.10 percent, 17.33 percent and 17.33 percent, respectively.

Liquid Assets

Item	September 2017	June 2017	December 2016
Liquid assets (Million Baht)	1,109,192	1,034,447	956,847
Liquid assets/total assets (%)	36.1	34.0	32.5
Liquid assets/deposits (%)	48.2	45.0	43.9

Liquid assets consisted of cash, interbank and money market items, claims on securities, trading securities and available-for-sale securities. As of September 30, 2017, liquid assets totaled Baht 1,109.2 billion, an increase of Baht 74.7 billion or 7.2 percent from the end of June 2017, due mainly to an increase of Baht 93.3 billion in interbank and money market items, while available-for-sale securities decreased by Baht 21.5 billion.

Compared with the end of December 2016, liquid assets rose by Baht 152.3 billion or 15.9 percent. Significant items included an increase of Baht 213.2 billion in interbank and money market items, and decreases of Baht 38.1 billion in available-for-sale securities and of Baht 11.4 billion in cash.

Credit Ratings

At the end of September 2017, credit-rating agencies maintained the Bank's credit ratings from the end June 2017 and the end of 2016. Details of the Bank's credit ratings are as follows:

Credit Rating Agency *	September 30, 2017	June 30, 2017	December 31, 2016
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, 2017	June 30, 2017	December 31, 2016
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+(tha)	AA+(tha)
Short term - Debt instruments	F1+(tha)	F1+(tha)	F1+(tha)
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.