



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and Nine Months Ended September 30, 2018

Management Discussion and Analysis

Overview of the Economy and Banking Industry

Thai Economy in the Third Quarter of 2018

The Thai economy in the third quarter of 2018 continued to grow year-on-year on the back of buoyant domestic demand. Private consumption continued to gain traction, supported by improvement in income and employment. Furthermore, there has been greater clarity on the direction of public investment in infrastructure projects, including those in the Eastern Economic Corridor (EEC). These factors have helped underpinning private sector sentiment. Meanwhile, exports and tourism expanded at a slower pace, partly due to the impact of the US trade policies and a drop in Chinese tourist arrivals.

Headline inflation in the third quarter of 2018 came in at 1.47 percent, up from 1.31 percent in the second quarter and within the Bank of Thailand's target range of 1-4 percent. At the same time, core inflation for the third quarter was 0.78 percent, increasing slightly from 0.76 percent in the second quarter. The average exchange rate was 32.97 THB/USD, appreciating from 33.39 THB/USD in the same period last year but weaker than 31.92 THB/USD in the previous quarter.

The Monetary Policy Committee (MPC) decided to keep the policy interest rate unchanged at 1.50 percent as it considered that the current accommodative monetary policy stance remained conducive to the continuation of economic growth and was appropriate given the inflation target. However, the MPC cited that the need for currently accommodative monetary policy would be gradually reduced. Also, there were concerns about pockets of risks in the property market, further accumulation of household debt, and debt serviceability of SMEs, especially those affected by changes in structural factors and business models.

The overall economic growth in 2018 is expected to be 4.5 percent, driven by both domestic and external demand. Nevertheless, the Thai economy continues to face downside risks from the US foreign trade policies and retaliatory measures by major advanced economies as well as volatility in the global financial markets. In the meantime, the domestic political situation warrants monitoring given that general elections are expected to take place in early 2019.

Thai Banking Industry

The commercial banking system in Thailand continues to face challenges from an uncertain economic environment, but its lending and deposits in the third quarter of 2018 grew further, with lending expanding at a higher rate than deposits. Consequently, the loan to deposit ratio has risen from the previous year. As the loan quality was relatively stable, the ratio of gross non-performing loans (NPL) to total loans was 2.9 percent, nearly the same level at the end of 2017.

The Bank of Thailand's Senior Loan Officer Survey indicated that in the third quarter of 2018, credit demand from business sector improved from the previous quarter, due to demand for loans from large corporates, especially in the EEC areas and businesses with strong growth potential. Demand for loans from SMEs has slowed down and is concentrated in some areas, particularly Bangkok; while in the provinces demand is relatively stable. Demand for loans from the household sector increased in all categories, particularly auto-leasing and credit card loans, in line with the further improvement in consumer confidence. Looking forward, financial institutions expect demand for business and household credit to increase in line with continued economic growth.

Competition for deposits is expected to be mild, considering the loan to deposit ratio and the Liquidity Coverage Ratio (LCR) which reflects the excess liquidity in the commercial banking system. With the combination of the recent high level of provisioning in preparation for the adoption of IFRS 9, which will be effective in 2020, it would help supporting the financial stability in the Thai commercial banking system in order to accommodate loan growth in the next phase.

Overall Picture of the Bank and its Subsidiaries

Item	Million Baht							
	Quarter		Change (%)			9 Months		Change
	3/2018	2/2018	3/2017	2/2018	3/2017	2018	2017	(%)
Net profit *	9,030	9,194	8,161	(1.8)%	10.6%	27,229	24,513	11.1%
Earnings per share (Baht)	4.73	4.82	4.28	(1.8)%	10.6%	14.26	12.84	11.1%
Net interest margin	2.42%	2.33%	2.30%	0.09%	0.12%	2.38%	2.32%	0.06%
Net fees and service income to operating income ratio	21.2%	21.3%	23.2%	(0.1)%	(2.0)%	22.2%	23.5%	(1.3)%
Expense to operating income ratio	43.5%	42.8%	41.9%	0.7%	1.6%	42.1%	42.8%	(0.7)%
Return on average assets *	1.14%	1.16%	1.06%	(0.02)%	0.08%	1.16%	1.09%	0.07%
Return on average equity *	8.91%	9.16%	8.33%	(0.25)%	0.58%	9.04%	8.50%	0.54%

* Attributable to owners of the Bank

Item	Million Baht				
	September	June	December	Change (%)	
	2018	2018	2017	June 2018	December 2017
Loans **	2,021,246	2,065,487	2,003,989	(2.1)%	0.9%
Deposits	2,297,627	2,349,857	2,310,743	(2.2)%	(0.6)%
Loan to deposit ratio	88.0%	87.9%	86.7%	0.1%	1.3%
Non-performing loan (NPL)	84,137	83,478	87,419	0.8%	(3.8)%
Ratio of NPL to total loans	3.6%	3.5%	3.9%	0.1%	(0.3)%
Ratio of loan loss reserves to NPL	180.1%	176.3%	160.2%	3.8%	19.9%
Total capital adequacy ratio	17.86%	17.22%	18.17%	0.64%	(0.31)%

** Less deferred revenue

For the first nine months of 2018, Bangkok Bank and its subsidiaries have reported a net profit attributable to owners of the Bank of Baht 27,229 million, an increase of 11.1 percent from the first nine months of 2017. Operating income amounted to Baht 92,338 million, an increase of 10.3 percent, driven by an increase of 6.6 percent in net interest income with a net interest margin of 2.38 percent, and an increase of 15.7 percent in non-interest income contributed by increases in gains on trading and foreign exchange transactions, gains on investments and net fees and service income, due largely to higher fees from bancassurance and mutual funds, and securities business. The ratio of expenses to operating income was 42.1 percent.

At the end of September 2018, the Bank's loans amounted to Baht 2,021,246 million, an increase of 0.9 percent from the end of 2017, due to loans to large corporates, consumers, and loans made through the Bank's international network. The ratio of non-performing loans (NPL) to total loans was 3.6 percent. The Bank's total allowances for doubtful accounts amounted to Baht 151,515 million, which will be an adequate provisioning expenses against any uncertainty or new regulations.

In terms of capital, with the inclusion of net profit for the third quarter of 2018, 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 18.25 percent, 16.72 percent and 16.73 percent, respectively. These capital adequacy ratios are above the Bank of Thailand's minimum capital requirements. Shareholders' equity attributable to owners of the Bank as of September 30, 2018, amounted to Baht 404,574 million. The book value per share was Baht 211.95.

Operating Income and Expenses of the Bank and its Subsidiaries

Item	Million Baht							
	Quarter		Change (%)		9 Months		Change	
	3/2018	2/2018	3/2017	2/2018	3/2017	2018	2017	(%)
Net interest income	18,256	17,573	16,825	3.9%	8.5%	52,953	49,670	6.6%
Non-interest income	11,321	13,667	11,651	(17.2)%	(2.8)%	39,385	34,054	15.7%
Operating expenses	12,878	13,376	11,938	(3.7)%	7.9%	38,832	35,858	8.3%
Impairment loss of loans and debt securities	5,346	6,533	6,259	(18.2)%	(14.6)%	19,200	17,753	8.2%
Operating profit before tax	11,353	11,331	10,279	0.2%	10.4%	34,306	30,113	13.9%
Income tax expenses	2,224	2,041	2,037	9.0%	9.2%	6,787	5,376	26.2%
Net profit	9,129	9,290	8,242	(1.7)%	10.8%	27,519	24,737	11.2%
Net profit *	9,030	9,194	8,161	(1.8)%	10.6%	27,229	24,513	11.1%
Total comprehensive income *	8,440	2,738	12,196	208.3%	(30.8)%	14,917	26,058	(42.8)%

* Attributable to owners of the Bank

For the third quarter of 2018, Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9,030 million. Compared with the second quarter of 2018, net interest income rose by Baht 683 million or 3.9 percent, mainly driven by an increase in interest income from loans and investments. Non-interest income fell by Baht 2,346 million or 17.2 percent due to lower dividend income, gains on investments, and net fees and service income, partly due to lower fees from loan-related services, bancassurance and mutual funds. Operating expenses fell by Baht 498 million or 3.7 percent from lower premises and equipment expenses, and impairment loss of loans and debt securities which declined by Baht 1,187 million.

Compared with the third quarter of 2017, net profit attributable to owners of the Bank rose by Baht 869 million or 10.6 percent due to an increase of Baht 1,431 million or 8.5 percent in net interest income. The increase in net interest income was mainly due to an increase in interest income from loans. This was coupled with the decreases in interest expenses on debt issued and borrowings from the redemption of debentures, while interest expenses on interbank and money market items increased. Non-interest income fell by Baht 330 million or 2.8 percent, due largely to lower gains on investments and net fees and service income, mainly from lower fees from loan-related services, combined with the decline in fees from transaction services caused by the exemption of transaction fees via digital channels, while gains on tradings and foreign exchange transactions increased. Operating expenses rose by Baht 940 million or 7.9 percent from an increase in other expenses. Impairment loss of loans and debt securities decreased by Baht 913 million.

In the first nine months of 2018, net profit attributable to owners of the Bank amounted to Baht 27,229 million, an increase of Baht 2,716 million or 11.1 percent from the first nine months of 2017. Net interest income rose by Baht 3,283 million or 6.6 percent, due mainly to higher interest income from loans, combined with lower interest expenses on debt issued and borrowings from the redemption of debentures. Non-interest income rose by Baht 5,331 million or 15.7 percent, mainly driven by higher gains on investments, gains on tradings and foreign exchange transactions, and net fees and service income from bancassurance and mutual fund, and securities business. Operating expenses rose by Baht 2,974 million or 8.3 percent from increases in other expenses and personnel expenses, and impairment loss on loans and debt securities which rose by Baht 1,447 million.

Net Interest Income

Item	Quarter			Change (%)		9 Months		Change
	3/2018	2/2018	3/2017	2/2018	3/2017	2018	2017	(%)
Million Baht								
Interest Income								
Loans	23,727	23,012	22,418	3.1%	5.8%	69,105	66,412	4.1%
Interbank and money market items	2,039	2,306	2,348	(11.6)%	(13.2)%	6,403	6,120	4.6%
Investments	2,454	2,150	1,987	14.1%	23.5%	6,764	6,084	11.2%
Total interest income	28,220	27,468	26,753	2.7%	5.5%	82,272	78,616	4.7%
Interest expenses								
Deposits	5,534	5,442	5,552	1.7%	(0.3)%	16,264	15,981	1.8%
Interbank and money market items	593	676	307	(12.3)%	93.2%	1,673	805	107.8%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,479	2,498	2,442	(0.8)%	1.5%	7,417	7,188	3.2%
Debt issued and borrowings	1,358	1,279	1,627	6.2%	(16.5)%	3,965	4,972	(20.3)%
Total interest expenses	9,964	9,895	9,928	0.7%	0.4%	29,319	28,946	1.3%
Net interest income	18,256	17,573	16,825	3.9%	8.5%	52,953	49,670	6.6%
Yield on earning assets	3.74%	3.64%	3.65%	0.10%	0.09%	3.69%	3.67%	0.02%
Cost of funds	1.52%	1.50%	1.54%	0.02%	(0.02)%	1.51%	1.54%	(0.03)%
Net interest margin	2.42%	2.33%	2.30%	0.09%	0.12%	2.38%	2.32%	0.06%

Net interest income in the third quarter of 2018 amounted to Baht 18,256 million, an increase of Baht 683 million or 3.9 percent from the second quarter of 2018, from an increase of Baht 752 million or 2.7 percent in interest income largely due to an increase of Baht 715 million or 3.1 percent in interest income from loans, in line with increases in average loan volume and yield on loans. Interest income from investments rose by Baht 304 million or 14.1 percent from higher average transaction volume. Interest expenses rose slightly, by Baht 69 million or 0.7 percent, mainly attributed to an increase of Baht 92 million or 1.7 percent in interest expenses from deposits, partly due to an increase in deposit costs. Interest expenses on debt issued and borrowings increased by Baht 79 million or 6.2 percent from the issuance of senior unsecured debentures totaling USD 1,200 million in September 2018. Interest expenses on interbank and money market items fell by Baht 83 million or 12.3 percent due to lower average transaction volume. The net interest margin rose from the previous quarter, by 0.09 percent to 2.42 percent, due to increases in yield on loans and interbank and money market items.



Compared with the third quarter of 2017, net interest income rose by Baht 1,431 million or 8.5 percent, due to an increase of Baht 1,467 million or 5.5 percent in interest income, from an increase of Baht 1,309 million or 5.8 percent in interest income from loans due mainly to an expansion in average lending volume. Interest expenses rose by Baht 36 million or 0.4 percent from an increase of Baht 286 million or 93.2 percent in interest expenses from interbank and money market items due to increases in costs and average transaction volume. Interest expenses on debt issued and borrowings declined by Baht 269 million or 16.5 percent largely from the redemption of debentures. The net interest margin rose by 0.12 percent from the same quarter last year due mainly to increases in yield on loans and interbank and money market items, coupled with lower cost of deposits following an expansion of low-cost deposits in savings and current accounts.

In the first nine months of 2018, net interest income amounted to Baht 52,953 million, an increase of Baht 3,283 million or 6.6 percent from the first nine months of 2017, due predominantly to an increase of Baht 3,656 million or 4.7 percent in interest income which was largely due to an increase of Baht 2,693 million or 4.1 percent in interest income from loans in line with the expansion of loan volume. Interest expenses rose by Baht 373 million or 1.3 percent, due to an increase of Baht 868 million or 107.8 percent in interest expenses from interbank and money market items due to the increases in costs and average transaction volume, coupled with an increase of Baht 283 million or 1.8 percent in interest expenses on deposits due to an increase in deposit volume; consequently, contributions to the Deposit Protection Agency and Financial Institutions Development Fund rose. Interest expenses on debt issued and borrowings declined by Baht 1,007 million or 20.3 percent largely due to the redemption of debentures, and the net interest margin rose by 0.06 percent from the same period last year due to a lower cost of deposits following an expansion of low-cost deposits in savings and current accounts.

Bangkok Bank Interest Rate	May 16, 2017	Apr 25, 2016
Loans (%)		
MOR	7.125	7.375
MRR	7.125	7.625
MLR	6.250	6.250
Deposits (%)		
Savings	0.500-0.625	0.500-0.625
3-month Fixed	1.000	1.000
6-month Fixed	1.250	1.250
12-month Fixed	1.500	1.500
		Apr 29, 2015
Bank of Thailand Policy Rate (%)		1.500

Non-Interest Income

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change
	3/2018	2/2018	3/2017	2/2018	3/2017	2018	2017	(%)
Fees and service income	8,723	8,994	8,807	(3.0)%	(1.0)%	27,730	26,339	5.3%
<u>Less</u> Fees and service expenses	2,460	2,339	2,208	5.2%	11.4%	7,210	6,649	8.4%
Net fees and service income	6,263	6,655	6,599	(5.9)%	(5.1)%	20,520	19,690	4.2%
Gains on tradings and foreign exchange transactions	2,386	2,187	1,492	9.1%	59.9%	6,226	4,521	37.7%
Gains on investments	1,709	2,309	2,502	(26.0)%	(31.7)%	7,545	5,464	38.1%
Share of profit (loss) from investment for using equity method	(22)	45	52	(148.9)%	(142.3)%	57	188	(69.7)%
Gains on disposal of assets	195	339	198	(42.5)%	(1.5)%	883	987	(10.5)%
Dividend income	642	1,857	711	(65.4)%	(9.7)%	3,091	2,896	6.7%
Other operating income	148	275	97	(46.2)%	52.6%	1,063	308	245.1%
Total other operating income	5,058	7,012	5,052	(27.9)%	0.1%	18,865	14,364	31.3%
Total non-interest income	11,321	13,667	11,651	(17.2)%	(2.8)%	39,385	34,054	15.7%
Net fees and service income to operating income ratio	21.2%	21.3%	23.2%	(0.1)%	(2.0)%	22.2%	23.5%	(1.3)%

Non-interest income in the third quarter of 2018 amounted to Baht 11,321 million, a decrease of Baht 2,346 million or 17.2 percent from the second quarter of 2018, due mainly to a decrease of Baht 1,215 million in dividend income, a decrease of Baht 600 million in gains on investment, and a decrease of Baht 392 million in net fees and service income, due largely to decline in fees from loan-related services, bancassurance and mutual funds. Gains on tradings and foreign exchange transactions rose by Baht 199 million. Consequently, the ratio of net fees and service income to operating income stood at 21.2 percent, lower than the previous quarter by 0.1 percent.

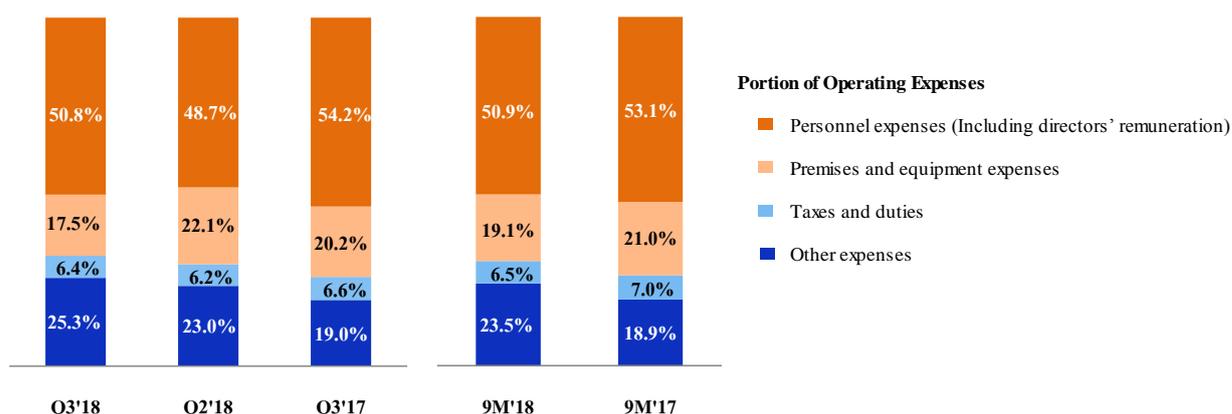
Compared with the third quarter of 2017, non-interest income fell by Baht 330 million or 2.8 percent due mainly to decreases of Baht 793 million in gains on investments and Baht 336 million in net fees and service income, mainly from the decreases in fees from loan-related services and fees from transaction services caused by the exemption of transaction fees via digital channels. Gains on tradings and foreign exchange transactions rose by Baht 894 million.

In the first nine months of 2018, non-interest income amounted to Baht 39,385 million, an increase of Baht 5,331 million or 15.7 percent from the first nine months of 2017, due to the increases of Baht 2,081 million in gains on investments, Baht 1,705 million in gains on tradings and foreign exchange transactions, and an increase of Baht 830 million in net fees and service income, due predominantly to the increase in fees from bancassurance and mutual funds, and securities business. Other operating income rose by Baht 755 million, due mainly to the recognition of profit sharing from the management of impaired assets by Thai Asset Management Corporation (TAMC).

Operating Expenses

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2018	2/2018	3/2017	2/2018	3/2017	2018	2017	
Personnel expenses	6,529	6,463	6,446	1.0%	1.3%	19,662	18,938	3.8%
Directors' remuneration	21	46	22	(54.3)%	(4.5)%	101	102	(1.0)%
Premises and equipment expenses	2,254	2,960	2,409	(23.9)%	(6.4)%	7,438	7,516	(1.0)%
Taxes and duties	820	833	790	(1.6)%	3.8%	2,514	2,517	(0.1)%
Other expenses	3,254	3,074	2,271	5.9%	43.3%	9,117	6,785	34.4%
Total operating expenses	12,878	13,376	11,938	(3.7)%	7.9%	38,832	35,858	8.3%
Expense to operating income ratio	43.5%	42.8%	41.9%	0.7%	1.6%	42.1%	42.8%	(0.7)%



Operating expenses in the third quarter of 2018 amounted to Baht 12,878 million, a decrease of Baht 498 million or 3.7 percent from the second quarter of 2018 due largely to a decrease of Baht 706 million in premises and equipment expenses, while other expenses increased by Baht 180 million.

Compared with the third quarter of 2017, operating expenses increased by Baht 940 million or 7.9 percent. Other expenses increased by Baht 983 million, while premises and equipment expenses declined by Baht 155 million.

In the first nine months of 2018, operating expenses amounted to Baht 38,832 million, an increase of Baht 2,974 million or 8.3 percent from the first nine months of 2017, due predominantly to an increase of Baht 2,332 million in other expenses and an increase of Baht 724 million in personnel expenses.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2018	2/2018	3/2017	2/2018	3/2017	2018	2017	
Bad debt and doubtful accounts	5,236	2,846	6,420	84.0%	(18.4)%	15,450	18,057	(14.4)%
Loss on debt restructuring (reversal)	110	3,687	(161)	(97.0)%	168.3%	3,750	(304)	1,333.6%
Total	5,346	6,533	6,259	(18.2)%	(14.6)%	19,200	17,753	8.2%

Impairment loss of loans and debt securities in the third quarter of 2018 was Baht 5,346 million, compared to Baht 6,533 million in the second quarter of 2018 and Baht 6,259 million in the third quarter of 2017. In the first nine months of 2018, impairment loss of loans and debt securities amounted to Baht 19,200 million, compared to Baht 17,753 million in the first nine months of the previous year.

Significant Items in the Financial Position

Assets

Million Baht

Item	September 2018	June 2018	December 2017	Change (%)	
				June 2018	December 2017
Net interbank and money market items	448,478	494,489	437,738	(9.3)%	2.5%
Net investments	597,957	587,788	591,720	1.7%	1.1%
Net investments in associates	1,587	1,409	1,460	12.6%	8.7%
Loans *	2,021,246	2,065,487	2,003,989	(2.1)%	0.9%
Net properties for sale	10,767	10,357	11,415	4.0%	(5.7)%
Total assets	3,087,058	3,175,340	3,076,310	(2.8)%	0.3%

* Less deferred revenue

Total assets as of September 30, 2018, amounted to Baht 3,087,058 million, a decrease of Baht 88,282 million from the end of June 2018. Significant items included net interbank and money market items of Baht 448,478 million, a decrease of Baht 46,011 million or 9.3 percent, mainly due to lower loans and deposits transactions; loans of Baht 2,021,246 million, a decrease of Baht 44,241 million or 2.1 percent; whereas net investments of Baht 597,957 million increased of Baht 10,169 million or 1.7 percent due to increases in held-to-maturity debt securities and available-for-sale securities.

Compared with the end of December 2017, total assets rose by Baht 10,748 million. Significant items included an increase of Baht 17,257 million or 0.9 percent in loans, and an increase of Baht 10,740 million or 2.5 percent in net interbank and money market items mainly from loans transactions.

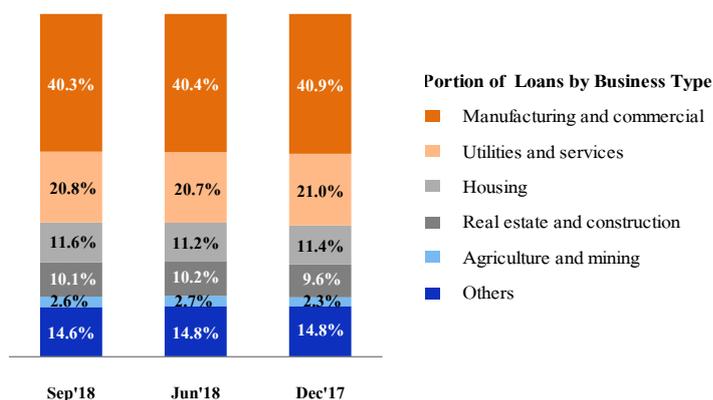
Loans

Loans as of September 30, 2018, amounted to Baht 2,021,246 million, a decrease of Baht 44,241 million or 2.1 percent from the end of June 2018 due to decline in loans to corporates and loans made through the Bank's international network. Compared with the end of December 2017, loans increased by 17,257 million or 0.9 percent due to increases in loans for large corporates, consumers, and loans made through the Bank's international network.

Million Baht

Loans by Business Type *	September 2018	June 2018	December 2017	Change (%)	
				June 2018	December 2017
Manufacturing and commercial	814,559	833,563	819,338	(2.3)%	(0.6)%
Utilities and services	419,838	427,909	421,595	(1.9)%	(0.4)%
Housing	234,359	231,346	228,146	1.3%	2.7%
Real estate and construction	204,407	211,382	191,176	(3.3)%	6.9%
Agriculture and mining	52,359	55,199	46,658	(5.1)%	12.2%
Others	295,724	306,088	297,076	(3.4)%	(0.5)%
Total	2,021,246	2,065,487	2,003,989	(2.1)%	0.9%

* Less deferred revenue



The highest portion of lending was to the manufacturing and commercial sector, at 40.3 percent, followed by 20.8 percent to the utilities and services sector, 11.6 percent to the housing sector, and 10.1 percent to the real estate and construction sector. The decrease in loans from the end of June 2018 was mainly to the manufacturing and commercial sector, the “others” sector, and the utilities sector, while the increase from the end of December 2017 was mainly due to the real estate and construction sector.

Classified Loans and Allowance for Doubtful Accounts

Million Baht

Item	Loans & Accrued Interest Receivables *			Allowance for Doubtful Accounts Classified to Bank of Thailand Criteria		
	September 2018	June 2018	December 2017	September 2018	June 2018	December 2017
Normal	1,905,406	1,954,459	1,875,782	15,491	15,952	14,983
Special mentioned	37,087	32,710	45,815	572	490	591
Substandard	7,416	14,259	11,760	2,137	7,261	5,275
Doubtful	22,963	16,801	19,012	11,892	7,751	10,387
Doubtful of loss	53,810	52,437	56,681	30,198	29,017	36,471
Total	2,026,682	2,070,666	2,009,050	60,290	60,471	67,707
<u>Add</u> Excess allowance for doubtful accounts				85,667	80,755	70,004
Total allowance for doubtful accounts from loan classification				145,957	141,226	137,711
<u>Add</u> Revaluation allowance for debt restructuring				5,558	5,938	2,310
Total allowance for doubtful accounts				151,515	147,164	140,021

* Less deferred revenue

Million Baht

Item	September 2018	June 2018	December 2017	Change (%)	
				June 2018	December 2017
NPL before allowance for doubtful accounts	84,137	83,478	87,419	0.8%	(3.8)%
Ratio of NPL to total loans	3.6%	3.5%	3.9%	0.1%	(0.3)%
NPL after allowance for doubtful accounts (net NPL)	28,103	28,206	26,576	(0.4)%	5.7%
Ratio of net NPL to net total loans	1.2%	1.2%	1.2%	-	-
Ratio of loan loss reserves to minimum required provisioning	230.1%	221.6%	200.0%	8.5%	30.1%
Ratio of loan loss reserves to NPL	180.1%	176.3%	160.2%	3.8%	19.9%

Non-performing loans (NPL) at the end of September 2018 amounted to Baht 84,137 million, a decrease of Baht 3,282 million or 3.8 percent from the end of December 2017. The ratio of NPL to total loans stood at 3.6 percent.

Total allowance for doubtful accounts at the end of September 2018 was Baht 151,515 million or 230.1 percent of the minimum amount of Baht 65,848 million required by the Bank of Thailand (BOT). The ratio of loan loss reserves to NPL at the end of September 2018 was 180.1 percent.

Net Investments

Net investments as of September 30, 2018 amounted to Baht 597,957 million, an increase of Baht 10,169 million or 1.7 percent from the end of June 2018, due mainly to increases in held-to-maturity debt securities and available-for-sale securities. Net investments increased by Baht 6,237 million from the end of December 2017 due to an increase in held-to-maturity debt securities while there were decreases in available-for-sale securities and general investments.

Million Baht

Investments by Investment Holding	September 2018	June 2018	December 2017	Change (%)	
				June 2018	December 2017
Trading securities	14,685	20,817	15,113	(29.5)%	(2.8)%
Available-for-sale securities	528,234	521,204	533,651	1.3%	(1.0)%
Held-to-maturity debt securities	25,088	15,326	11,233	63.7%	123.3%
General investments	29,950	30,441	31,723	(1.6)%	(5.6)%
Total net investments	597,957	587,788	591,720	1.7%	1.1%

Most of the net investments were in government and state-enterprise securities. As of September 30, 2018, these amounted to Baht 321,890 million, accounting for 53.8 percent of total investments. The remaining net investments were foreign debt securities of Baht 96,027 million, private enterprise debt securities of Baht 55,112 million, and net investment in equity securities of Baht 116,552 million.

Million Baht

Investments by Maturity *	September 2018		June 2018		December 2017		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2018	December 2017
Up to one year	150,541	25.1%	107,579	18.3%	71,982	12.1%	39.9%	109.1%
Between one and five years	312,709	52.2%	354,140	60.1%	375,910	63.4%	(11.7)%	(16.8)%
Over five years	22,375	3.7%	21,524	3.6%	24,597	4.2%	4.0%	(9.0)%
No maturity	113,919	19.0%	105,954	18.0%	120,691	20.3%	7.5%	(5.6)%
Total net investments	599,544	100.0%	589,197	100.0%	593,180	100.0%	1.8%	1.1%

* Including net investments in associates

The remaining maturity of net investments (including net investments in associates) as of September 30, 2018 were categorized into securities with less than one year to maturity of Baht 150,541 million, securities with one-to-five years to maturity of Baht 312,709 million, securities with remaining maturity of more than five years of Baht 22,375 million, and securities with no maturity of Baht 113,919 million.

Liabilities and Shareholders' Equity

Million Baht

Item	September 2018	June 2018	December 2017	Change (%)	
				June 2018	December 2017
Deposits	2,297,627	2,349,857	2,310,743	(2.2)%	(0.6)%
Interbank and money market items	133,253	204,367	133,584	(34.8)%	(0.2)%
Debt issued and borrowings	132,543	95,766	107,190	38.4%	23.7%
Total liabilities	2,682,235	2,775,166	2,674,303	(3.3)%	0.3%
Shareholders' equity *	404,574	399,850	401,724	1.2%	0.7%

* Attributable to owners of the Bank

Total liabilities as of September 30, 2018 amounted to Baht 2,682,235 million, a decrease of Baht 92,931 million or 3.3 percent from the end of June 2018, due largely to a decrease of Baht 71,114 million or 34.8 percent in interbank and money market items mainly from borrowings under repurchase agreements and borrowing transactions, and to a decrease of Baht 52,230 million or 2.2 percent in deposits, while debt issued and borrowings rose by Baht 36,777 million or 38.4 percent.

Compared with the end of December 2017, total liabilities rose by Baht 7,932 million or 0.3 percent, mostly from an increase of Baht 25,353 million or 23.7 percent in debt issued and borrowings, while deposits fell by Baht 13,116 million or 0.6 percent.

Deposits

Million Baht

Deposits Classified by Product Type	September 2018		June 2018		December 2017		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2018	December 2017
Current	101,794	4.4%	102,856	4.4%	106,184	4.6%	(1.0)%	(4.1)%
Savings	1,088,909	47.4%	1,111,254	47.3%	1,065,928	46.1%	(2.0)%	2.2%
Fixed *	1,106,924	48.2%	1,135,747	48.3%	1,138,631	49.3%	(2.5)%	(2.8)%
Total	2,297,627	100.0%	2,349,857	100.0%	2,310,743	100.0%	(2.2)%	(0.6)%
Loan to deposit ratio		88.0%		87.9%		86.7%	0.1%	1.3%

* Including negotiable certificates of deposit

Total deposits as of September 30, 2018 amounted to Baht 2,297,627 million, a decrease of Baht 52,230 million or 2.2 percent from the end of June 2018 due to a decrease in all types of deposits.

Compared with the end of December 2017, total deposits fell by Baht 13,116 million or 0.6 percent due to the decrease in fixed deposits and current deposits, while savings deposits increased.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	September 2018		June 2018		December 2017		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2018	December 2017
Senior unsecured notes	123,280	89.1%	86,231	84.9%	98,003	86.6%	43.0%	25.8%
Unsecured subordinated notes	14,591	10.5%	14,916	14.7%	14,692	13.0%	(2.2)%	(0.7)%
Bills of exchange	23	0.1%	25	0.1%	26	0.1%	(8.0)%	(11.5)%
Others	460	0.3%	391	0.3%	384	0.3%	17.6%	19.8%
Total (before less discount on borrowings)	138,354	100.0%	101,563	100.0%	113,105	100.0%	36.2%	22.3%
<u>Less</u> Discount on borrowings	5,811		5,797		5,915		0.2%	(1.8)%
Total	132,543		95,766		107,190		38.4%	23.7%

Total debt issued and borrowings as of September 30, 2018 amounted to Baht 132,543 million, an increase of Baht 36,777 million from the end of June 2018 due mainly to the offering and issuance of senior unsecured debentures of USD 1,200 million in foreign markets in September 2018, dividing into two tranches: USD 600 million of 5.5-year debentures with a coupon rate of 4.05 percent per annum, and USD 600 million of 10-year debentures with a coupon rate of 4.45 percent per annum.

Compared with the end of December 2017, total debt issued and borrowings rose by Baht 25,353 million mainly due to the offering and issuance of the aforementioned debentures, net of the maturity of USD 400 million of senior unsecured debentures in March 2018.

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of September 30, 2018 amounted to Baht 404,574 million, an increase of Baht 2,850 million or 0.7 percent from the end of 2017. This increase was mainly due to the net profit attributable to owners of the Bank for the first nine months of 2018 of Baht 27,229 million net of two dividend payments in 2018 totaling Baht 12,066 million, consisting of the final dividend payment for 2017 performance of Baht 8,350 million (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 12, 2018, and the interim dividend payment made from the net profit from operations in the first half of 2018 of Baht 3,716 million (Baht 2.00 per share), a decrease of Baht 8,730 million in revaluation gains on available-for-sale investments and the loss on translation of the financial statements of foreign operations rose by Baht 3,582 million due to the Baht's appreciation.

Contingent Liabilities

Item	Million Baht				
	September 2018	June 2018	December 2017	Change (%)	
				June 2018	December 2017
Avals to bills	7,490	7,620	8,187	(1.7)%	(8.5)%
Guarantees of loans	77,228	26,325	20,445	193.4%	277.7%
Liability under unmatured import bills	17,150	17,681	16,394	(3.0)%	4.6%
Letters of credit	42,960	35,857	31,803	19.8%	35.1%
Other commitments					
Underwriting commitments	-	249	1,098	(100.0)%	(100.0)%
Amount of unused bank overdrafts	172,917	173,813	174,083	(0.5)%	(0.7)%
Other guarantees	262,414	260,047	259,314	0.9%	1.2%
Others	129,310	101,232	88,622	27.7%	45.9%
Total	709,469	622,824	599,946	13.9%	18.3%

Contingent liabilities as of September 30, 2018 amounted to Baht 709,469 million, an increase of Baht 86,645 million or 13.9 percent from the end of June 2018, and of Baht 109,523 million or 18.3 percent from the end of December 2017, due predominantly to increases in guarantees of loans and others (under other commitments).

Sources and Utilization of Funds

The primary sources of funds as of September 30, 2018 were Baht 2,297,627 million or 74.4 percent in deposits, Baht 404,574 million or 13.1 percent in shareholders' equity attributable to owners of the Bank, Baht 133,253 million or 4.3 percent in interbank and money market liabilities, and Baht 132,543 million or 4.3 percent in debt issued and borrowings.

The utilization of funds comprised Baht 2,021,246 million or 65.5 percent in loans, Baht 599,544 million or 19.4 percent in net investments (including net investments in associates), and Baht 448,478 million or 14.5 percent in net interbank and money market assets.



Capital Reserves and Capital Adequacy Ratio

Consolidated

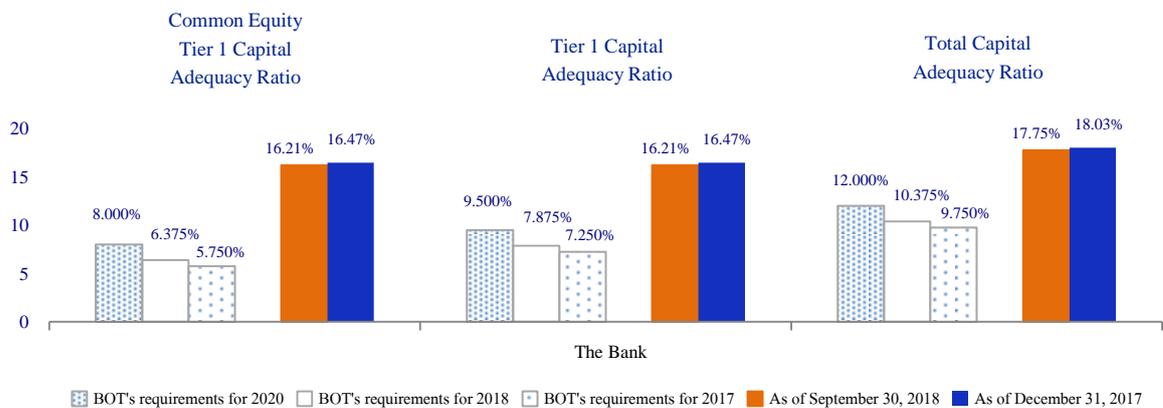
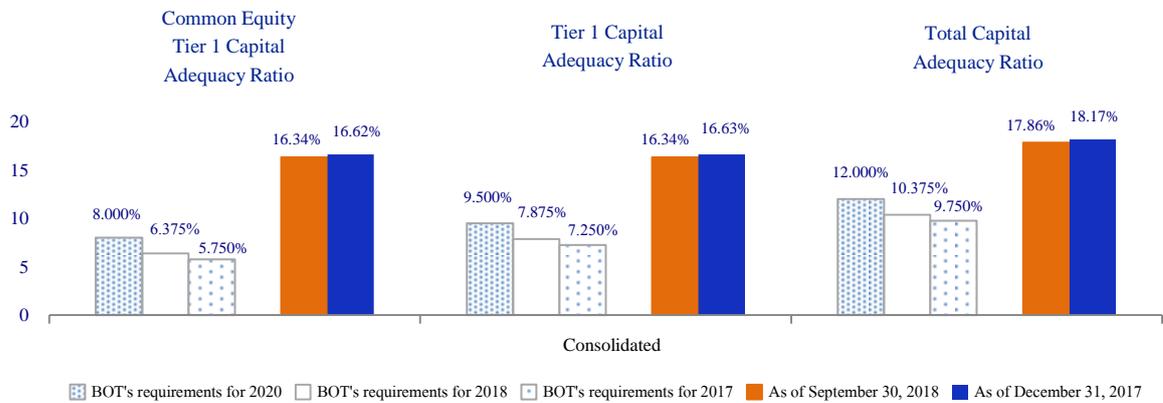
Million Baht

Item	Capital			Capital Adequacy Ratio		
	September 2018	June 2018	December 2017	September 2018	June 2018	December 2017
Total capital	427,209	412,875	419,580	17.86%	17.22%	18.17%
Tier 1 capital	390,773	376,407	383,942	16.34%	15.70%	16.63%
Common Equity Tier 1 capital	390,716	376,348	383,841	16.34%	15.70%	16.62%

The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	September 2018	June 2018	December 2017	September 2018	June 2018	December 2017
Total capital	410,649	397,219	404,226	17.75%	17.14%	18.03%
Tier 1 capital	375,005	361,544	369,261	16.21%	15.60%	16.47%
Common Equity Tier 1 capital	375,005	361,544	369,261	16.21%	15.60%	16.47%



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 from January 1, 2019 onwards. To satisfy the minimum levels and capital buffer requirements of the BOT, in 2018 the Bank was required to maintain the Common Equity Tier 1 ratio at more than 6.375 percent, the Tier 1 ratio at more than 7.875 percent, and the total capital ratio at more than 10.375 percent – measured as percentages of total risk-weighted assets. The BOT also announced 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 from January 1, 2020 onwards.

As of September 30, 2018, the regulatory capital position was Baht 427,209 million, Common Equity Tier 1 capital was Baht 390,716 million, and Tier 1 capital was Baht 390,773 million. The total capital adequacy ratio was 17.86 percent, the Common Equity Tier 1 capital adequacy ratio was 16.34 percent, and the Tier 1 capital adequacy ratio was 16.34 percent. With the inclusion of net profit for the quarter ending September 30, 2018, the total capital adequacy ratio, the Common Equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.25 percent, 16.72 percent and 16.73 percent, respectively.

Liquid Assets

Item	September 2018	June 2018	December 2017
Liquid assets (Million Baht)	1,048,167	1,092,434	1,051,975
Liquid assets/Total assets (%)	34.0	34.4	34.2
Liquid assets/Deposits (%)	45.6	46.5	45.5

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of September 30, 2018, liquid assets totaled Baht 1,048,167 million, a decrease of Baht 44,267 million or 4.1 percent from the end of June 2018, due mainly to a decrease of Baht 46,011 million in net interbank and money market items, and a decrease of Baht 6,132 million in trading securities, whereas available-for-sale securities rose by Baht 7,030 million.

Compared with the end of December 2017, liquid assets fell by Baht 3,808 million or 0.4 percent. Significant items included a decrease of Baht 8,703 million in cash and a decrease of Baht 5,417 million in available-for-sale securities, whereas interbank and money market items rose by Baht 10,740 million.

Credit Ratings

Details of the Bank's credit ratings as of September 30, 2018 are as follows:

Credit Rating Agency *	September 30, 2018	June 30, 2018	December 31, 2017
Moody's Investors Service			
Long-term Deposit	Baa1	Baa1	Baa1
Short-term Deposit	P-2	P-2	P-2
Senior Unsecured Debt Instrument	Baa1	Baa1	Baa1
Subordinated Debt Instrument	Baa3	Baa3	Baa3
Financial Strength (BCA)	baa2	baa2	baa2
Outlook	Stable	Stable	Stable
Standard & Poor's			
Long-term Counterparty Credit Rating	BBB+	BBB+	BBB+
Short-term Counterparty Credit Rating	A-2	A-2	A-2
Senior Unsecured Debt Instrument	BBB+	BBB+	BBB+
Subordinated Debt Instrument	BBB	BBB	BBB
Financial Strength (SACP)	bbb	bbb	bbb
Outlook	Stable	Stable	Stable
Fitch Ratings			
International Rating			
Long-term Issuer Default Rating	BBB+	BBB+	BBB+
Short-term Issuer Default Rating	F2	F2	F2
Senior Unsecured Debt Instrument	BBB+	BBB+	BBB+
Subordinated Debt Instrument	BBB	BBB	BBB
Financial Strength (VR)	bbb+	bbb+	bbb+
Outlook	Stable	Stable	Stable
National Rating			
Long-term	AA+(tha)	AA+(tha)	AA+(tha)
Short-term	F1+(tha)	F1+(tha)	F1+(tha)
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.