



Management Discussion and Analysis

For the Quarter ended September 30, 2019

(Unreviewed)

This report discusses the principal changes in the unreviewed consolidated financial statement for the quarter and the nine-month ended September 30, 2019.

The Bank and Its Subsidiaries' Overview Performance for the Nine-Month of 2019

The Bank and Its Subsidiaries' Performance for the Nine-Month of 2019

In the nine-month of 2019, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 21,825 million, or a decline of 2.3% YoY, mainly due to extraordinary items (extraordinary items) i.e. higher expenses from provision for impairment of properties foreclosed in 1H2019 and from provision expense on employees' benefits for retirement cases in accordance to the State Enterprise Labor Relations Committee's latest notice in 3Q2019 despite interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q2019. If excluding such extraordinary items, net profit attributable to equity holders of the Bank increased by 9.5% YoY.

Consolidated total operating income registered at Baht 94,029 million, growing 7.1% YoY. If excluding income received from the auction of mortgaged guarantee asset of 1Q2019, total operating income would grow 2.6% YoY with key changes as shown below:

- Net interest income increased by 8.6% YoY. If excluding income received from the auction of mortgaged guarantee asset of 1Q2019, net interest income would grow 2.4% YoY and NIM stood at 3.14%, slightly increased from 3.11% during the same period last year. This is a result from cost of fund management while having impact from the recent policy rates and certain lending rate cut since this August..
- Non-interest income increased by 3.3% YoY, which mainly due to the 15.7% growth of other non-interest income from gain on investment, net and from gain on selling properties foreclosed. However, net fee and service income contracted by 2.4% from impact of fee waiver via digital channel and from lower bancassurance fee.

Consolidated operating expenses increased by 19.2% YoY from higher impairment loss of properties foreclosed in 1H2019 in accordance with BOT's regulation regarding the holding period of properties foreclosed as well as from one-time expense on employees' benefits provision of Baht 2,374 million with reference to the State Enterprise Labor Relations Committee's notice upon increasing the rights of severance pay for the retirement effective in 3Q2019. If excluding such extraordinary items, other operating expenses was at a similar level to that of the same period last year, contributing to consolidated cost to income ratio of 42.92%, decreasing from 43.79% in the same period of 2018.

The Bank is consistently conforming to provision policy with prudent practice. As a consequence, coverage ratio increased to 128.07% as at 30 September 2019 from 125.74% as at 31 December 2018.

The NPLs Ratio-Gross stood at 4.58%, a slight change from 4.53% as at 31 December 2018, given an increase in NPLs. NPL Ratio-Net stood at 1.92%, a slight improvement from as at 31 December 2018. The Bank's Tier 1 and Total Capital ratios were 14.54% and 19.63% respectively.

The Bank had jointly invested with KTC for the establishment of KTC Nano Co., Ltd. and KTC Pico (Bangkok) Co., Ltd. to expand the channel for retail loans. These 2 newly established companies are considered as the Bank's subsidiaries through the Bank's and KTC's ownership. Additionally, the Bank and KTC had proportionally increased the capital of KTC Pico (Bangkok) Co., Ltd. with reference to their shareholdings for the purpose of investing in companies who operate pico financing (retail loans by province).

The Bank and Its Subsidiaries' Performance for 3Q2019

Comparing 3Q2019 to the same period of last year, the Bank and its subsidiaries' net profit attributable to equity holders of the Bank was Baht 6,355 million, a decline of 18.9% due to higher operating expenses from the employees' benefits provision for retirement cases in accordance to the State Enterprise Labor Relations Committee's latest notice, despite an improvement of total operating income. If excluding such extraordinary expense, net profit attributable to equity holders of the Bank increased by 5.3% YoY.

Given a continual loan growth, Net Interest Margin (NIM) registered at 3.08%, a slight decrease from 3Q2018 at 3.12% due to Bank of Thailand's policy rate cut and, thus, the Bank's Minimum Retail Rate (MRR) and Minimum Overdraft Rate (MOR) rates cut equally by 0.25% effective from August 15, 2019 onwards. Net fee and service income increased 5.1% from higher loan related fee and bancassurance fee. Other operating income was mainly increased from gain on investments, net and from share of profit from investments on equity method. Moreover, operating expenses continued to increase, mainly due to employees' benefits provision. If excluding such item, consolidated Cost to Income ratio stood at 45.23%. The Bank and its subsidiaries set aside similar level of expense on impairment loss of loans compared to the same period of 2018.

The Bank and Its Subsidiaries' Performance for the Quarter and the Nine-Month Ended September 30, 2019

Overview Operating Income and Net Profit

Unit : Million Baht

	3/2019	2/2019	Change %	3/2018	Change %	9M2019	9M2018	Change %
Net interest income	21,161	21,805	(2.9)	20,890	1.3	67,607	62,229	8.6
Net fee and service income	5,949	5,650	5.3	5,657	5.1	17,234	17,651	(2.4)
Other non-interest income	3,318	2,609	27.2	2,340	41.8	9,188	7,939	15.7
Total operating income	30,428	30,064	1.2	28,887	5.3	94,029	87,819	7.1
Total other operating expenses	16,137	13,558	19.0	12,738	26.7	45,857	38,455	19.2
Pre-provision profit ⁽¹⁾	14,291	16,506	(13.4)	16,149	(11.5)	48,172	49,364	(2.4)
Impairment loss of loans and debt securities	6,098	5,561	9.6	6,084	0.2	18,989	19,762	(3.9)
Operating profit before income tax expenses	8,193	10,945	(25.1)	10,065	(18.6)	29,183	29,602	(1.4)
Income tax expenses	1,154	2,080	(44.5)	1,521	(24.1)	5,176	5,292	(2.2)
Net Profit	7,039	8,865	(20.6)	8,544	(17.6)	24,007	24,310	(1.2)
Net profit (attributable to equity holders of the Bank)	6,355	8,170	(22.2)	7,838	(18.9)	21,825	22,333	(2.3)
ROA (%) ⁽²⁾	0.89 ⁽³⁾	1.17 ⁽³⁾		1.12		1.03 ⁽³⁾	1.07	
ROE (%) ⁽²⁾	7.71 ⁽³⁾	10.34 ⁽³⁾		10.61		9.10 ⁽³⁾	10.20	

⁽¹⁾Pre-provision profit before Impairment loss of loans and debt securities and income tax expense

⁽²⁾ ROA and ROE calculate from net income (attributable to equity holders of the bank) divided by average assets and average equity attributable to equity holders of the bank respectively.

⁽³⁾ If excluding extraordinary items, ROA for 2Q2019, 3Q2019, and 9M2019 would be 1.28%, 1.16%, and 1.16% respectively whilst ROE for 2Q2019, 3Q2019, and 9M2019 would be 11.36%, 10.01%, and 10.19% respectively.

In 3Q2019, KTB's consolidated net profit attributable to equity holders of the Bank amounted to Baht 6,355 million, decreased by 18.9% compared to same period of last year. This is due to higher operating expenses from the employees' benefits provision for retirement cases in accordance to the State Enterprise Labor Relations Committee's latest notice, despite an improvement of total operating income. If excluding such expense, net profit attributable to equity holders of the Bank increased by 5.3% compared to same period of last year. Compared to 2Q2019, KTB's consolidated net profit attributable to equity holders of the Bank slipped by 22.2% due to the decrease of net interest income from the Bank of Thailand's policy rate cut and the Bank's MRR and MOR rates cut effective from August 15, 2019 onwards, altogether with higher operating expenses from employees' benefits provision. If excluding extraordinary items in both 2Q2019 and 3Q2019, net profit attributable to equity holders of the Bank declined by 8.0%

In 9M2019, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 21,825 million, a decrease of 2.3% YoY from higher expenses from provision for impairment of properties foreclosed in 1H2019 and from provision expense on employees' benefits in 3Q2019, despite interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q2019. If excluding such extraordinary items, net profit attributable to equity holders of the Bank increased by 9.5% from 9M2018.

Net Interest Income

Unit : Million Baht

	3/2019	2/2019	Change	3/2018	Change	9M2019	9M2018	Change
			%		%			%
Interest income	29,844	30,245	(1.3)	29,994	(0.5)	93,466	89,376	4.6
- Interbank and money market items	1,552	1,795	(13.6)	2,384	(34.9)	5,546	7,763	(28.6)
- Investments and trading transactions	119	104	14.5	78	53.6	324	239	35.4
- Investment in debt securities	1,243	1,488	(16.4)	956	30.1	3,583	2,653	35.1
- Loans	26,770	26,682	0.3	26,328	1.7	83,538	77,863	7.3
- Hire purchase and financial lease	96	114	(15.5)	197	(51.2)	347	749	(53.7)
- Others	64	62	3.2	51	23.7	128	109	17.7
Less Interest expense	8,683	8,440	2.9	9,104	(4.6)	25,859	27,147	(4.7)
- Deposits	4,422	4,354	1.6	4,890	(9.6)	13,444	14,565	(7.7)
- Interbank and money market items	643	651	(1.2)	720	(10.6)	1,935	2,097	(7.8)
- Contributions to BOT and DPA	2,443	2,453	(0.4)	2,386	2.4	7,380	7,242	1.9
- Debts issued	1,119	939	19.0	1,065	5.1	2,992	3,148	(4.9)
- Others	56	43	30.4	43	28.8	108	95	13.7
Net interest income	21,161	21,805	(2.9)	20,890	1.3	67,607	62,229	8.6
Earning Asset Yield (%)	4.35	4.49		4.49		4.60 ⁽¹⁾	4.47	
Cost of Fund (%)	1.48	1.46		1.56		1.48	1.55	
Net interest margin [based on earning assets](%)	3.08	3.24		3.12		3.33 ⁽¹⁾	3.11	

⁽¹⁾ If excluding interest income due to the partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million, Earning asset yield (%) and Net interest margin [based on earning assets] (%) for nine-month ended September 30, 2019 would be 4.41% and 3.14% respectively.

KTB's consolidated net interest income in 3Q2019 amounted Baht 21,161 million, increased by 1.3% YoY from lower interest expense on deposits as a result from cost of fund management. Yet, interest income was partially affected by the Bank of Thailand's policy rate cut announcement by 0.25% from 1.75% to 1.50%, which led to the Bank's MRR and MOR rates cut equally by 0.25% from 7.120% to 6.870% effective from August 15, 2019 onwards. Loans in 3Q2019 grew 3.4% YTD. Net Interest Margin (NIM) registered at 3.08%, slightly decreasing YoY. Compared to 2Q2019, net interest income decreased by 2.9% from the impact of interest rates cut and higher interest expenses

on debts issued, in which the Bank has recently issued sub-debt Tier 2 in July. Hence, NIM was decreased from 3.24% in 2Q2019.

KTB's consolidated net interest income in 9M2019 amounted Baht 67,607 million, increased by 8.6% YoY from the interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million in 1Q2019. If excluding such item, net interest income grew 2.4% YoY while the Bank still focuses on portfolio management toward higher efficiency and risk management alignment. Given continual cost of fund management, NIM excluding income received from the auction of mortgaged guarantee asset of 1Q2019 registered at 3.14%, a slight increase from 3.11% in 9M2018.

Change of interest rate

	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018
Policy Interest Rate (%)	1.50%	1.75%	1.75%	1.75%	1.50%	1.50%
Deposit Rate (%)						
- Savings Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
- 3 Months Fixed Rate	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
- 6 Months Fixed Rate	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%
- 12 Months Fixed Rate	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Loan Rate (%)						
- MLR	6.275%	6.275%	6.275%	6.275%	6.275%	6.275%
- MOR	6.870%	7.120%	7.120%	7.120%	7.120%	7.120%
- MRR	6.870%	7.120%	7.120%	7.120%	7.120%	7.120%

Net Fee and Service Income

Unit : Million Baht

	3/2019	2/2019	Change %	3/2018	Change %	9M2019	9M2018	Change %
Fee and service income	7,523	7,252	3.7	7,027	7.0	21,852	21,887	(0.2)
Less Fee and service expense	1,574	1,602	(1.7)	1,370	14.9	4,618	4,236	9.0
Net fee and service income	5,949	5,650	5.3	5,657	5.1	17,234	17,651	(2.4)

KTB's consolidated net fee and service income in 3Q2019 was Baht 5,949 million, an increase by 5.1% YoY from higher loan related fee and bancassurance fee. Compared to 2Q2019, KTB's consolidated net fee and service income increased of similar reasons.

KTB's consolidated net fee and service income in 9M2019 was Baht 17,234 million, compressed by 2.4% due to the impact of fee waiver via digital channel and lower bancassurance fee.

Fee and service income breakdown

Unit : %

	3Q2019	2Q2019	3Q2018	9M2019	9M2018
Loan related fee	10%	8%	9%	9%	9%
Card Business and electronic services	50%	50%	53%	50%	50%
Cash management	6%	6%	6%	6%	7%
Bancassurance	8%	8%	8%	8%	10%
Other fees ⁽¹⁾	26%	28%	24%	27%	24%
Total Fee and service income	100%	100%	100%	100%	100%

⁽¹⁾Fees from Mutual fund, Global Market, and other services

Total Other Operating Income

Unit : Million Baht

	3/2019	2/2019	Change	3/2018	Change	9M2019	9M2018	Change
			%		%			%
Gain (loss) on trading and foreign exchange transactions, net	474	670	(29.4)	920	(48.5)	2,139	3,052	(29.9)
Gain (loss) on investments, net	1,154	337	242.5	40	2,771.9	1,826	344	430.3
Share of profit (loss) from investments on equity method	458	464	(1.1)	141	224.0	1,240	1,049	18.2
Dividend income	154	188	(18.3)	141	9.0	458	389	17.7
Other income	1,078	950	13.5	1,098	(1.8)	3,525	3,105	13.5
Total other operating income	3,318	2,609	27.2	2,340	41.8	9,188	7,939	15.7

KTB's consolidated total other operating income in 3Q2019 was Baht 3,318 million, increased by 41.8% YoY, owing to improvement from gain on investments, net and from share of profit from investments on equity method, despite the contraction of gain on trading and foreign exchange transactions, net. Compared to 2Q2019, KTB's consolidated total other operating income increased by 27.2% from gain on investments, net.

KTB's consolidated total other operating income in 9M2019 was Baht 9,188 million, increased by 15.7% YoY due to gain on investment, net and gain from selling properties foreclosed (other income).

Other Operating Expenses

Unit : Million Baht

	3/2019	2/2019	Change %	3/2018	Change %	9M2019	9M2018	Change %
Personnel expenses	10,013	7,151	40.0	7,082	41.4	24,301	21,832	11.3
Premises and equipment expenses	2,229	2,214	0.7	2,109	5.7	6,638	6,412	3.5
Taxes and duties	1,146	1,077	6.4	1,053	8.9	3,340	3,220	3.7
Impairment loss of properties foreclosed	-	1,079	(100.0)	36	(100.0)	4,814	263	1,731.0
Others ⁽¹⁾	2,749	2,037	35.0	2,458	11.8	6,764	6,728	0.5
Total other operating expenses	16,137	13,558	19.0	12,738	26.7	45,857	38,455	19.2
Cost to income ratio (%)	53.03 ⁽²⁾	45.10 ⁽²⁾		44.10		48.77 ⁽²⁾	43.79	

⁽¹⁾ Including Directors' remuneration⁽²⁾ If excluding extraordinary items, cost to income ratio for 2Q2019, 3Q2019 and 9M2019 would be 41.77%, 45.23% and 42.92% respectively.

KTB's consolidated other operating expenses in 3Q2019 was Baht 16,137 million, rose by 26.7%YoY due to higher personnel expenses from the employees' benefits provision for retirement cases in accordance to the State Enterprise Labor Relations Committee's latest notice. If excluding such item, other operating expenses increased by 8.0%; cost to income excluding employees' benefits provision registered at 45.23%, rising from 44.10% in the same period of last year.

Compared to 2Q2019, other operating expenses increased 19.0% QoQ, mainly from employees' benefits provision. If excluding extraordinary items in 2Q2019 and 3Q2019, other operating expenses increased by 9.6%; cost to income excluding extraordinary items registered at 45.23% increased from 41.77% in 2Q2019.

KTB's consolidated other operating expenses in 9M2019 was Baht 45,857 million, increased by 19.2% YoY from provision for impairment of properties foreclosed in 1H2019 and from provision expense on employees' benefits in 3Q2019. If excluding such extraordinary items, other operating expenses grew at a similar level as the same period last year; cost to income excluding such extraordinary items registered at 42.92%, decline from 43.79% in 9M2018.

On September 26, 2019, the State Enterprise Labor Relations Committee's notice was published in the Royal Thai Government Gazette and was effective from September 30, 2019 onwards. The notice increased the rights of an employee, who has worked prior to the retirement for 20 consecutive years or more, to receive severance pay equivalent to 400 days of the latest pay rate, which was in alignment with the previously effective Labor Protection Act (No. 7) B.E. 2562. Consequently, the Bank, who is under the State Enterprise Labor Relations Act B.E. 2543, has set aside the provision on such employees' benefits under the Bank's 3Q2019 financial statement for Baht 2,374 million. However, the subsidiaries, who are under the Labor Protection Act, have formerly set aside such provision with no significant impacts to the consolidated financial statements.

Impairment Loss of Loans

Unit : Million Baht

	3/2019	2/2019	Change %	3/2018	Change %	9M2019	9M2018	Change %
Impairment loss of loans ⁽¹⁾	6,098	5,561	9.6	6,084	0.2	18,989	19,762	(3.9)

⁽¹⁾ Impairment loss of loans and debt securities

In 3Q2019, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 6,098 million, a similar level YoY yet an increase by 9.6% QoQ. In 9M2019, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 18,989 million, a decrease by 3.9% YoY. Such coverage ratio is continuously being maintained pursuant to the Bank's compliance of provision policy with prudent practice. The Bank's consolidated coverage ratio was increased to 128.07% as at September 30, 2019 from 125.74% as at December 31, 2018. Compared to 2Q2019, coverage ratio declined from 132.83% as at June 30, 2019.

The Bank and Its Subsidiaries' Financial Status as at September 30, 2019

Loans to Customers

The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,092,057 million, increased by 3.4% compared to the end of last year. Such growth was derived from the retail loans (both personal and housing loans), private corporate loans and government & SoE loans. Loans to customers (less deferred revenue) rose by 1.3% from as at June 30, 2019 from retail loans and government & SoE loans.

Loan breakdown by type of borrowers (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	30 Sep 2019		30 Jun 2019		Change	31 Dec 2018		Change
	Amount	(%)	Amount	(%)	(%)	Amount	(%)	(%)
Private Corporate	664,657	33.0	678,089	34.1	(2.0)	646,016	33.2	2.9
Government and State Enterprise	207,773	10.3	179,287	9.0	15.9	179,904	9.2	15.5
SMEs ⁽¹⁾	329,062	16.4	332,548	16.7	(1.0)	344,197	17.7	(4.4)
Retail	811,517	40.3	799,394	40.2	1.5	778,262	39.9	4.3
- Housing	388,197	19.3	383,809	19.3	1.1	376,734	19.3	3.0
- Personal	423,320	21.0	415,585	20.9	1.9	401,528	20.6	5.4
Others	379	0.0	376	0.0	0.7	370	0.0	2.5
Total loans	2,013,388	100.0	1,989,694	100.0	1.2	1,948,748	100.0	3.3
Less Deferred revenue	73		88			46		
Total	2,013,315		1,989,606		1.2	1,948,702		3.3

⁽¹⁾SMEs were private companies that have employee no. less than/equal to 200 people and fixed asset (excluding land) less than/equal to Baht 200 million

Asset Quality

Loan classification and allowance for doubtful accounts

Unit : Million Baht

Consolidated Financial Statement	30 Sep 2019			30 Jun 2019			31 Dec 2018		
	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts
1. Loan Classification									
Normal	1,917,468	900,469	13,533	1,888,408	901,015	13,683	1,858,757	872,884	13,399
Special mention	68,363	31,827	14,191	74,430	32,170	14,863	64,465	25,555	11,585
Substandard	15,352	6,071	6,096	8,141	3,320	3,326	14,404	7,899	7,899
Doubtful	14,021	7,129	7,129	15,118	7,142	7,142	17,923	9,196	9,196
Doubtful of loss	80,499	35,296	36,622	84,227	40,358	41,852	74,080	31,511	33,008
Total	2,095,703	980,792	77,571	2,070,324	984,005	80,866	2,029,629	947,045	75,087
Excess allowance			63,074			61,842			58,668
Allowance for doubtful account			140,645			142,708			133,755
Revaluation allowance for debt restructuring			-			-			-
2. Actual provisioning for loan loss⁽¹⁾			140,645			142,708			133,755
3. Gross NPLs⁽²⁾	109,818		4.58%	107,438		4.68%	106,370		4.53%
Net NPLs⁽²⁾	44,910		1.92%	43,053		1.93%	44,396		1.94%
4. Coverage Ratio⁽³⁾			128.07%			132.83%			125.74%

Bank's Financial Statement

Actual provisioning for loan loss⁽⁴⁾		134,565		136,660		127,970
Gross NPLs⁽²⁾	106,425	4.59%	103,871	4.68%	102,634	4.52%
Net NPLs⁽²⁾	44,738	1.98%	42,757	1.98%	43,943	1.98%
Coverage Ratio⁽³⁾		126.44%		131.57%		124.69%

⁽¹⁾ Allowance for doubtful accounts and revaluation allowance for debt (according to the financial statement)

⁽²⁾ NPLs Ratio-Gross and NPLs Ratio-Net were calculated according to BOT definition

⁽³⁾ Coverage Ratio = Actual provisioning for loan loss / Gross NPLs

⁽⁴⁾ Actual provisioning for loan loss (according to C.B.1.1)

The Bank's consolidated NPLs Ratio-Gross as at September 30, 2019 was 4.58%, rose from 4.53% and down from 4.68% as at December 31, 2018 and June 30, 2019 respectively.

NPLs Ratio-Net stood at 1.92%, a slight decrease from as at December 31, 2018 and as at June 30, 2019.

The Bank and its subsidiaries consistently conform to provision policy with prudent practice while maintaining level of coverage ratio. As at September 30, 2019, the Bank's consolidated coverage ratio was increased to 128.07% from 125.74% as at December 31, 2018. Compared to 2Q2019, coverage ratio declined from 132.83% as at June 30, 2019.

Deposits

The Bank's consolidated deposits was Baht 2,082,509 million, increased by 2.1% from December 31, 2018, mainly from the increase of fixed deposits. However, the Bank's consolidated deposits increased by 4.9% from June 30, 2019 from fixed deposits as well.

The Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) as at September 30, 2019 of 100.46% increased from 99.25% as at December 31, 2018 and decreased from 104.04% as at June 30, 2019. L/D ratio for the Bank Only as at September 30, 2019 registered at 96.56%, increased from 95.39% as at December 31, 2018 and decreased from 100.05% as at June 30, 2019. In addition, the Bank continuously monitors other the liquidity ratios for the appropriate level of liquidity.

Sources and Uses of Funds

Unit : Million Baht

	30 Sep 2019		30 Jun 2019		Change	31 Dec 2018		Change
	Amount	(%)	Amount	(%)	(%)	Amount	(%)	(%)
Net Interbank and money market items (Asset)	338,731	11.6	276,504	10.1	22.5	372,514	13.6	(9.1)
Net investments and net investments in associates	360,246	12.4	312,685	11.5	15.2	240,167	8.8	50.0
Loans to customers (less deferred revenues)	2,092,057	71.8	2,065,053	75.7	1.3	2,024,205	73.9	3.4
<u>Less</u> Allowance for doubtful accounts and revaluation allowance for debt restructuring	(140,645)	(4.8)	(142,708)	(5.2)	(1.4)	(133,755)	(4.9)	5.2
Other assets	262,970	9.0	215,473	7.9	22.0	236,072	8.6	11.4
Total Asset	2,913,359	100.0	2,727,007	100.0	6.8	2,739,203	100.0	6.4
Deposits	2,082,509	71.5	1,984,776	72.8	4.9	2,039,602	74.5	2.1
Net Interbank and money market items (liabilities)	184,602	6.3	182,389	6.7	1.2	157,396	5.7	17.3
Debt issued and borrowings	116,126	4.0	93,239	3.4	24.5	95,205	3.5	22.0
Other liabilities	184,989	6.4	139,269	5.1	32.8	132,859	4.8	39.2
Total equity								
- Equity holders of the Bank	335,738	11.5	318,631	11.7	5.4	305,875	11.2	9.8
- Non-controlling interest	9,395	0.3	8,703	0.3	7.9	8,266	0.3	13.7
Total liabilities and equity	2,913,359	100.0	2,727,007	100.0	6.8	2,739,203	100.0	6.4
Loans to customers (less deferred revenue)-to-deposits ratio (%)	100.46		104.04			99.25		

As at September 30, 2019, the Bank's major source of funds was 71.5% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. The Bank's use of funds comprised of 71.8% loans to customers (less deferred revenue), 12.4% net investments and net investments in associates, and 11.6% net interbank and money market items.

Equity

The total equity (equity holders of the Bank) as at September 30, 2019 was Baht 335,738 million, increased by 9.8% and 5.4% compared to December 31, 2018 and June 30, 2019 respectively.

Book value per share (equity holders of the Bank) was Baht 24.01 per share increased from Baht 21.88 per share and Baht 22.79 per share at December 31, 2018 and June 30, 2019 respectively.

Statutory Capital Fund

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	30 Sep 2019 ⁽²⁾		30 Jun 2019 ⁽²⁾		The minimum rate required by the BOT for 2019 (%) ⁽¹⁾	31 Dec 2018 ⁽²⁾		The minimum rate required by the BOT for 2018 (%) ⁽¹⁾
	Amount	(%)	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	276,610	14.54	275,893	14.34	>7.500	272,015	14.35	>6.375
Tier 1 capital	276,610	14.54	275,893	14.34	>9.000	272,015	14.35	>7.875
Tier 2 capital	96,865		73,162			72,856		
Total capital fund	373,475	19.63	349,055	18.14	>11.500	344,871	18.19	>10.375
Risk-weighted assets	1,902,249		1,924,020			1,895,879		

⁽¹⁾ According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb capital conversation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.5% is reached on January 1, 2019. Moreover, KTB was named as the one of the Domestic Systemically Important Banks (D-SIBs) requiring to hold all capital ratios to absorb higher loss absorbency of additional 0.5% of risk-weight assets from January 1, 2019 and 1% of risk-weight assets from January 1, 2020 onwards (reference to the BOT Notification Sor.Nor.Sor. 16/2560 and 17/2560)

⁽²⁾ Capital fund and capital adequacy ratio as at September 30 and June 30, 2019 are preliminary information prepared accordance with BOT guidelines. However, the capital data as at December 31, 2018 has been updated in alignment with the report to BOT.

As at September 30, 2019, the Bank's Common Equity Tier 1 and Tier 1 capital were Baht 276,610 million (14.54% of its RWA). Total capital was Baht 373,475 million (19.63% of its RWA). Additionally, total capital increased Baht 28,604 million from as at December 31, 2018 as a result of the recent sub-debt Tier 2 issuance for the amount of Baht 24,000 million in July.

The Bank possesses healthy capital ratios compared to BOT's requirement. Moreover, the bank regularly reassesses the capital level to be in accordance with the BOT's requirement as well as with any foreseeable risk to ensure the capital adequacy.

Credit Ratings

Bank's credit ratings rated by S&P Global Ratings, Moody's Investors Service and Fitch Ratings were as follows:

■ S&P Global Ratings	September 2019	June 2019	December 2018
■ Long-term/ Short-term	BBB / A-2	BBB / A-2	BBB / A-2
■ Outlook	Stable	Stable	Stable
■ Stand-Alone Credit Profile (SACP)	bb+	bb+	bb+
■ Moody's Investors Service	September 2019	June 2019	December 2018
■ Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2	Baa1 / P-2
■ Outlook	Positive	Stable	Stable
■ Baseline Credit Assessment (BCA)	baa3	ba1	ba1
■ Fitch Ratings	September 2019	June 2019	December 2018
Foreign Currency Credit Ratings			
■ Long-term/ Short-term	BBB / F2	BBB / F2	BBB / F2
■ Outlook	Positive	Stable	Stable
■ Viability Rating	bbb-	bbb-	bbb-
■ Subordinated Debt (USD)	BBB-	BBB-	BBB-
National Credit Ratings			
■ Long-term/ Short-term	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)
■ Outlook	Stable	Stable	Stable
■ US dollar-denominated Senior unsecured debentures	AA+(tha)	AA+(tha)	AA+(tha)
■ Subordinated Debt (Baht)	AA(tha)	AA(tha)	AA(tha)

In July 2019, Fitch Ratings and Moody's Investor Service have revised the outlook on Foreign Currency Ratings to Positive from Stable in alignment with Thailand's outlook. In addition, Moody's Investor Service has upgraded Baseline Credit Assessment (BCA) to baa3 from ba1 based on financial fundamentals of the Bank.

Note :The percentage change stated in this document was calculated from the financial statement figures.

Disclaimer

This document contained information regarding the Bank's financial performance and business operations, macro-economic data and other relevant information which some parts of such information are forward-looking statements based on the view or assumptions of the Bank on current information. In case of changing in such information, the Bank reserves the right to change any information herein without prior notice. As the actual results in the future may differ materially from those anticipated in this document and this document shall not be deemed to be a guarantee of the Bank's financial performance and business operations in the future, investors, therefore, should exercise individual judgment when considering the Bank's information for any purpose.