



Krungthai
กรุงไทย

Ref. KTB.FIS. 1511 /2019

August 30 , 2019

To: Market Control Department
Singapore Exchange Securities Trading Limited
2 Shenton Way
#19-00 SGX Centre 1
Singapore 068804

Re : Submission of the Audited Financial Statements for the three-month period and the six-month period ended June 30, 2019

Krung Thai Bank Public Company Limited hereby submits the reports for the three-month period and the six-month period ended June 30, 2019 through SET Portal as follows:

1. The financial statements which have been audited by certified public accountant.
2. The Management Discussion and Analysis (MD&A) report.

Please be informed accordingly.

Sincerely yours,

Payong Srivanich
President

Apichaya Chitmunchaitham Vice President and Manager
Financial Institutions Department Tel. +66 2 208 3668-9

Handwritten initials and signature



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(TRANSLATION)

AUDITOR'S REPORT

To: THE SHAREHOLDERS OF KRUNG THAI BANK PUBLIC COMPANY LIMITED

1. Report on Audit of Interim Financial Statements

Opinion

The State Audit Office of the Kingdom of Thailand has audited the accompanying consolidated financial statements of Krung Thai Bank Public Company Limited and its subsidiaries (the Group), and the Bank's financial statements of Krung Thai Bank Public Company Limited (the Bank), which comprise the consolidated and the Bank's statements of financial position as at June 30, 2019, the consolidated and the Bank's statements of profit or loss and other comprehensive income, the consolidated and the Bank's statements of changes in equity and the consolidated and the Bank's statements of cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the State Audit Office of the Kingdom of Thailand's opinion, the accompanying consolidated and the Bank's financial statements present fairly, in all material respects, the consolidated financial position of the Group and the Bank as at June 30, 2019, and its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

The State Audit Office of the Kingdom of Thailand conducted the audit in accordance with the State Audit Standards and Thai Standards on Auditing. The State Audit Office of the Kingdom of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and the Bank's financial statements section of the State Audit Office of the Kingdom of Thailand's report. The State Audit Office of the Kingdom of Thailand is independent of the Group and the Bank in accordance with the State Audit Standards set by the State Audit Commission and the Federation of Accounting Professions's Code of Ethics for Professional Accountants that are relevant to the audit of the consolidated and the Bank, and the State Audit Office of the Kingdom of Thailand has fulfilled other ethical responsibilities in accordance with these requirements. The State Audit Office of the Kingdom of Thailand believes that the audit evidence the State Audit Office of the Kingdom of Thailand has obtained is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion.



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Key Audit Matters

Key audit matter is this matter that, in the State Audit Office of the Kingdom of Thailand professional judgment, was of most significance in the audit of the consolidated and the Bank's financial statements of the current period. This matter was addressed in the context of the audit of the consolidated and the Bank's financial statements as a whole, and in forming the State Audit Office of the Kingdom of Thailand's opinion thereon, and the State Audit Office of the Kingdom of Thailand does not provide a separate opinion on this matter.

The State Audit Office of the Kingdom of Thailand identifies the following as key audit matter to communicate:

Allowance for Doubtful Accounts

The allowance for doubtful accounts for loans to customers requires the application of judgment and use of subjective assumptions and related factors applied by management in the estimates. The Bank and its subsidiaries which engaged in the business of lending business recorded allowance for doubtful accounts in compliance with the Bank of Thailand's notifications and policy regulations on asset classification, determining provisions and the application of value of collateral in determining provisions. In addition, management considered determining additional allowances to cover any loss that may occur in the future by using more strict criteria than the requirements of the Bank of Thailand. Additional allowances consist of specific allowance for an individual that is likely to be non-performing loans or is likely to have loss more than allowance determined under normal regulations, and general allowance, including an individual that is not non-performing loans but there are any indicators of impairment.

Loans to customers as at June 30, 2019 represented 75.75 % of the Group's total assets and 75.39 % of the Bank's total assets, which an allowance for doubtful accounts in the consolidated and the Bank's financial statements amount of Baht 142,708.17 million and Baht 134,370.79 million was provided, respectively.

The State Audit Office of the Kingdom of Thailand focuses on allowance for doubtful accounts. Due to the adoption of regulations on allowance for doubtful accounts, management shall determine the quantitative and qualitative factors used for asset classification, assumptions and methods of calculating the allowances, such as present value of future cash flows expected to be received from the sale of collateral, previous loss experience, the ability of the borrower to repay loans, the declining of economic and industry conditions. This is a process related to uncertainty. The accounting policy for allowance for doubtful accounts and detail of allowance for doubtful accounts are disclosed in Notes 3.8 and 6.7 to the financial statements, respectively.

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The State Audit Office of the Kingdom of Thailand's key audit procedures include understanding and assessing the effectiveness of the key controls, and test of controls as follows:

- The identification of circumstances which indicate that the borrower is likely to be non-performing loans, and may affect ability to repay;
- The governance over the determining allowances processes, including the continuous re-assessment by management that models and assumptions used in the calculation are still calibrated in a way which is appropriate for the impairment risks in the Bank's loan portfolios and current circumstances;
- The review and approval process that management have in place for the models, assumptions used in the calculation, outputs from such models, and the adjustments that are applied to modelled outputs;
- The accuracy, completeness and quality of data input to the system;
- The data interface between systems from the approval to recording and monitoring of loans; and
- The transfer of data between underlying source systems and models used in the calculation.

For the selected borrowers, the State Audit Office of the Kingdom of Thailand reviewed credit process, tested the accuracy, completeness and quality of data input to the system, assessed reasonableness of assumptions applied to identify circumstances which indicate that the borrower is likely to be non-performing loans and re-computed the calculation of allowances, assessed reasonableness of assumptions applied to forecast of future cash flows, valuation of collaterals and loss given default, and tested the accuracy of data transfer from credit systems to data captured in the accounting records.

Responsibilities of Management and Those Charged with Governance for the Consolidated and the Bank's Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and the Bank's financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of the consolidated and the Bank's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and the Bank's financial statements, management is responsible for assessing the Group and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Bank's financial reporting processes.



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Auditor's Responsibilities for the Audit of the Consolidated and the Bank's Financial Statements

The State Audit Office of the Kingdom of Thailand's objectives are to obtain reasonable assurance about whether the consolidated and the Bank's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the State Audit Office of the Kingdom of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the State Audit Standards and Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and the Bank's financial statements.

As part of an audit in accordance with Thai Standards on Auditing, the State Audit Office of the Kingdom of Thailand exercises professional judgment and maintains professional skepticism throughout the audit. The State Audit Office of the Kingdom of Thailand also:

- Identifies and assesses the risks of material misstatement of the consolidated and the Bank's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Bank's internal controls.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If the State Audit Office of the Kingdom of Thailand concludes that a material uncertainty exists, the State Audit Office of the Kingdom of Thailand is required to draw attention in the auditor's report of the State Audit Office of the Kingdom of Thailand to the related disclosures in the consolidated and the Bank's financial statements or, if such disclosures are inadequate, to modify the State Audit Office of the Kingdom of Thailand's opinion. The State Audit Office of the Kingdom of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report of the State Audit Office of the Kingdom of Thailand. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.



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- Evaluates the overall presentation, structure and content of the consolidated and the Bank's financial statements, including the disclosures, whether the consolidated and the Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The State Audit Office of the Kingdom of Thailand is responsible for the direction, supervision and performance of the Group audit. The State Audit Office of the Kingdom of Thailand remains solely responsible for the State Audit Office of the Kingdom of Thailand's opinion.

The State Audit Office of the Kingdom of Thailand communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the State Audit Office of the Kingdom of Thailand identifies during the audit.

The State Audit Office of the Kingdom of Thailand also provides those charged with governance with a statement that the State Audit Office of the Kingdom of Thailand has complied with the State Audit Standards and relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the State Audit Office of the Kingdom of Thailand's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the State Audit Office of the Kingdom of Thailand determines those matters that were of most significance in the audit of the consolidated and the Bank's financial statements of the current period and are therefore the key audit matters. The State Audit Office of the Kingdom of Thailand describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the State Audit Office of the Kingdom of Thailand determines that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

2. Report on Review of Interim Financial Information

The State Audit Office of the Kingdom of Thailand has reviewed the consolidated and the Bank's statements of comprehensive income for the three-month period ended June 30, 2019 of Krung Thai Bank Public Company Limited and its subsidiaries, and of Krung Thai Bank Public Company Limited. The Bank's management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". The responsibility of the State Audit Office of the Kingdom of Thailand is to express a conclusion on this interim financial information based on our reviews.



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Scope of Reviews

The State Audit Office of the Kingdom of Thailand conducted the reviews in accordance with Thai Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable the State Audit Office of the Kingdom of Thailand to obtain assurance that the State Audit Office of the Kingdom of Thailand would become aware of all significant matters that might be identified in an audit. Accordingly, the State Audit Office of the Kingdom of Thailand does not express an audit opinion on the reviewed interim financial information.

Conclusion

Based on the reviews, nothing has come to the attention that causes the State Audit Office of the Kingdom of Thailand to believe that the consolidated and the Bank’s statements of comprehensive income for the three-month period ended June 30, 2019 of Krung Thai Bank Public Company Limited and its subsidiaries, and of Krung Thai Bank Public Company Limited, are not prepared, in all material respects in accordance with Thai Accounting Standard 34, “Interim Financial Reporting”.

(Signed)

Pornchai Jumroonpanichkul

(Pornchai Jumroonpanichkul)

Deputy Auditor General

(Signed)

Nusara Hussadee

(Nusara Hussadee)

Auditor, Senior Professional Level

Acting Director of Financial and Procurement Audit Office No.4

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE, 2019

		(Thousand Baht)			
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		JUNE 30, 2019	DECEMBER 31, 2018	JUNE 30, 2019	DECEMBER 31, 2018
ASSETS					
CASH		54,850,482	68,878,125	54,672,388	68,661,544
INTERBANK AND MONEY MARKET ITEMS, NET	6.2	276,504,103	372,513,779	275,862,941	371,763,700
CLAIMS ON SECURITIES		7,811,100	33,595,200	7,811,100	33,595,200
DERIVATIVES ASSETS	6.3	55,614,324	36,229,566	55,614,772	36,231,033
INVESTMENTS, NET	6.4	290,682,296	223,332,594	290,922,360	223,228,712
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET	6.5	22,002,757	16,834,298	10,712,023	10,697,855
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET	6.6				
LOANS TO CUSTOMERS		2,065,724,102	2,025,130,041	1,989,693,841	1,948,747,872
ACCRUED INTEREST RECEIVABLES		5,271,864	5,424,063	4,755,870	4,877,860
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES		2,070,995,966	2,030,554,104	1,994,449,711	1,953,625,732
LESS DEFERRED REVENUE		(671,532)	(925,374)	(87,784)	(45,990)
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	6.7	(142,708,169)	(133,754,394)	(134,370,786)	(125,339,870)
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET		1,927,616,265	1,895,874,336	1,859,991,141	1,828,239,872
CUSTOMERS' LIABILITIES UNDER ACCEPTANCES		198,775	208,030	198,775	208,030
PROPERTIES FOR SALE, NET	6.9	31,790,330	35,983,101	31,777,278	35,912,796
PREMISES AND EQUIPMENT, NET	6.10	26,580,530	26,501,196	24,570,912	24,592,840
OTHER INTANGIBLE ASSETS, NET	6.11	3,775,144	3,943,802	1,067,082	994,705
DEFERRED TAX ASSETS	6.12	5,697,675	5,127,961	3,257,348	2,666,690
ACCRUED INCOME		3,307,450	3,837,229	2,956,458	3,627,623
OTHER ASSETS, NET	6.13	20,575,604	16,343,974	19,906,937	15,760,774
TOTAL ASSETS		2,727,006,835	2,739,203,191	2,639,321,515	2,656,181,374

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE, 2019

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		JUNE 30, 2019	DECEMBER 31, 2018	JUNE 30, 2019	DECEMBER 31, 2018
LIABILITIES AND EQUITY					
DEPOSITS	6.14	1,984,775,759	2,039,601,901	1,988,686,734	2,042,947,825
INTERBANK AND MONEY MARKET ITEMS, NET	6.15	182,389,292	157,395,930	175,671,470	151,999,937
LIABILITIES PAYABLE ON DEMAND		7,193,537	5,579,659	7,193,537	5,579,659
LIABILITIES TO DELIVER SECURITIES		7,811,100	33,595,200	7,811,100	33,595,200
DERIVATIVES LIABILITIES	6.3	53,520,396	32,345,613	53,520,396	32,345,613
DEBT ISSUED AND BORROWINGS	6.16	93,239,175	95,205,510	48,950,775	50,521,110
BANK'S LIABILITIES UNDER ACCEPTANCES		198,775	208,030	198,775	208,030
PROVISIONS	6.17	12,534,946	11,837,740	11,234,880	10,734,911
OTHER LIABILITIES	6.18	58,009,829	49,292,505	51,166,942	40,743,911
TOTAL LIABILITIES		<u>2,399,672,809</u>	<u>2,425,062,088</u>	<u>2,344,434,609</u>	<u>2,368,676,196</u>
EQUITY					
SHARE CAPITAL	6.19				
AUTHORIZED SHARE CAPITAL					
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH		28,325	28,325	28,325	28,325
13,976,061,250 ORDINARY SHARES OF BAHT 5.15 EACH		<u>71,976,715</u>	<u>71,976,715</u>	<u>71,976,715</u>	<u>71,976,715</u>
ISSUED AND PAID-UP SHARE CAPITAL					
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH		28,325	28,325	28,325	28,325
13,976,061,250 ORDINARY SHARES OF BAHT 5.15 EACH		71,976,715	71,976,715	71,976,715	71,976,715
PREMIUM ON SHARE CAPITAL					
PREMIUM ON ORDINARY SHARE		20,833,734	20,833,734	20,833,734	20,833,734
OTHER COMPONENTS OF EQUITY		26,390,353	19,074,388	17,727,126	14,970,218
RETAINED EARNINGS					
APPROPRIATED					
LEGAL RESERVE	6.20	7,200,504	7,200,504	7,200,504	7,200,504
UNAPPROPRIATED		<u>192,201,278</u>	<u>186,761,783</u>	<u>177,120,502</u>	<u>172,495,682</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		<u>318,630,909</u>	<u>305,875,449</u>	<u>294,886,906</u>	<u>287,505,178</u>
NON-CONTROLLING INTEREST		<u>8,703,117</u>	<u>8,265,654</u>		
TOTAL EQUITY		<u>327,334,026</u>	<u>314,141,103</u>	<u>294,886,906</u>	<u>287,505,178</u>
TOTAL LIABILITIES AND EQUITY		<u>2,727,006,835</u>	<u>2,739,203,191</u>	<u>2,639,321,515</u>	<u>2,656,181,374</u>

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
 CHAIRMAN

(Signed) Payong Srivanich
PAYONG SRIVANICH
 PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2019

UNAUDITED/
REVIEWED

(Thousand Baht)

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
	2019	2018	2019	2018
INTEREST INCOME	30,244,692	29,877,524	26,653,330	26,448,769
INTEREST EXPENSES	8,440,128	9,078,897	8,062,144	8,693,685
INTEREST INCOME, NET	21,804,564	20,798,627	18,591,186	17,755,084
FEES AND SERVICE INCOME	7,252,032	7,269,626	5,716,483	5,739,878
FEES AND SERVICE EXPENSES	1,601,853	1,434,772	1,241,976	1,037,586
FEES AND SERVICE INCOME, NET	5,650,179	5,834,854	4,474,507	4,702,292
GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS, NET	670,478	1,222,345	670,100	1,219,435
GAINS ON INVESTMENTS, NET	336,904	189,525	340,693	189,430
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD	463,583	323,750	-	-
DIVIDEND INCOME	188,202	147,108	1,412,837	1,504,326
OTHER OPERATING INCOME	949,865	961,783	74,600	176,931
TOTAL OPERATING INCOME	30,063,775	29,477,992	25,563,923	25,547,498
OTHER OPERATING EXPENSES				
EMPLOYEES' EXPENSES	7,151,029	6,729,060	5,568,951	5,430,198
DIRECTORS' REMUNERATION	72,212	61,546	45,912	39,626
PREMISES AND EQUIPMENT EXPENSES	2,214,320	2,132,886	1,320,361	1,260,035
TAXES AND DUTIES	1,076,799	1,120,816	942,118	996,320
IMPAIRMENT LOSS OF PROPERTIES FORECLOSED	1,078,672	-	1,085,297	-
OTHERS	1,964,592	2,214,294	2,833,098	2,975,373
TOTAL OTHER OPERATING EXPENSES	13,557,624	12,258,602	11,795,737	10,701,552
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES	5,561,552	6,769,588	4,002,975	5,000,117
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES	10,944,599	10,449,802	9,765,211	9,845,829
INCOME TAX EXPENSES	2,080,026	2,081,860	1,679,213	1,727,055
NET PROFIT	8,864,573	8,367,942	8,085,998	8,118,774

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2019

UNAUDITED/
REVIEWED

(Thousand Baht)

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2019	2018	2019	2018
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
GAINS (LOSSES) ON REMEASURING AVAILABLE-FOR-SALE INVESTMENTS	2,802,076	(1,156,969)	2,817,808	(1,163,657)
LOSSES ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	(26,312)	(20,789)	(26,312)	(20,789)
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES (EQUITY METHOD)				
WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	3,375,003	(2,373,251)	-	-
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME				
WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(560,415)	231,394	(563,562)	232,732
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
ACTUARIAL GAINS ON DEFINED BENEFIT PLANS	10,435	-	-	-
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME				
WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(2,087)	-	-	-
OTHER COMPREHENSIVE INCOME, NET	5,598,700	(3,319,615)	2,227,934	(951,714)
TOTAL COMPREHENSIVE INCOME	14,463,273	5,048,327	10,313,932	7,167,060
NET PROFIT ATTRIBUTABLE				
EQUITY HOLDERS OF THE BANK	8,169,676	7,707,825	8,085,998	8,118,774
NON-CONTROLLING INTEREST	694,897	660,117		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
EQUITY HOLDERS OF THE BANK	13,768,376	4,388,210	10,313,932	7,167,060
NON-CONTROLLING INTEREST	694,897	660,117		
EARNINGS PER SHARE OF PARENT COMPANY				
BASIC EARNINGS PER SHARE (BAHT)	0.58	0.55	0.58	0.58

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
CHAIRMAN

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

		(Thousand Baht)			
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2019	2018	2019	2018
INTEREST INCOME	6.27	63,622,118	59,382,708	56,513,211	52,641,850
INTEREST EXPENSES	6.28	17,176,415	18,043,770	16,430,858	17,277,722
INTEREST INCOME, NET		46,445,703	41,338,938	40,082,353	35,364,128
FEES AND SERVICE INCOME		14,329,566	14,859,801	11,256,332	11,805,696
FEES AND SERVICE EXPENSES		3,044,129	2,866,268	2,239,020	2,088,043
FEES AND SERVICE INCOME, NET	6.29	11,285,437	11,993,533	9,017,312	9,717,653
GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS, NET	6.30	1,665,597	2,132,096	1,665,251	2,127,192
GAINS ON INVESTMENTS, NET	6.31	672,204	304,196	675,993	304,101
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD		781,185	907,224	-	-
DIVIDEND INCOME		304,494	248,260	2,209,209	1,605,478
OTHER OPERATING INCOME		2,481,008	2,006,727	594,597	215,648
TOTAL OPERATING INCOME		63,635,628	58,930,974	54,244,715	49,334,200
OTHER OPERATING EXPENSES					
EMPLOYEES' EXPENSES		14,288,052	14,750,105	11,282,552	12,087,429
DIRECTORS' REMUNERATION		87,627	71,645	52,360	45,926
PREMISES AND EQUIPMENT EXPENSES		4,408,854	4,302,691	2,565,317	2,502,807
TAXES AND DUTIES		2,194,024	2,167,413	1,926,079	1,915,863
IMPAIRMENT LOSS OF PROPERTIES FORECLOSED		4,848,047	227,288	4,875,778	227,288
OTHERS		3,927,392	4,197,712	5,735,401	5,744,583
TOTAL OTHER OPERATING EXPENSES		29,753,996	25,716,854	26,437,487	22,523,896
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES	6.32	12,891,370	13,677,615	10,002,976	10,500,628
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES		20,990,262	19,536,505	17,804,252	16,309,676
INCOME TAX EXPENSES	6.33	4,021,164	3,770,924	3,139,821	3,033,159
NET PROFIT		16,969,098	15,765,581	14,664,431	13,276,517

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(TRANSLATION)

12

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2019	2018	2019	2018
OTHER COMPREHENSIVE INCOME					
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
GAINS (LOSSES) ON REMEASURING AVAILABLE-FOR-SALE INVESTMENTS		3,450,580	(1,909,776)	3,458,813	(1,916,464)
LOSSES ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS		(10,142)	(144,779)	(10,142)	(144,779)
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES (EQUITY METHOD)					
WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		4,565,643	(3,413,213)	-	-
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME					
WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(690,116)	381,955	(691,763)	383,293
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
ACTUARIAL GAINS ON DEFINED BENEFIT PLANS		10,435	-	-	-
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME					
WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(2,087)	-	-	-
OTHER COMPREHENSIVE INCOME, NET	6.34	7,324,313	(5,085,813)	2,756,908	(1,677,950)
TOTAL COMPREHENSIVE INCOME		24,293,411	10,679,768	17,421,339	11,598,567
NET PROFIT ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		15,470,758	14,494,361	14,664,431	13,276,517
NON-CONTROLLING INTEREST		1,498,340	1,271,220		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		22,795,071	9,408,548	17,421,339	11,598,567
NON-CONTROLLING INTEREST		1,498,340	1,271,220		
EARNINGS PER SHARE OF PARENT COMPANY					
BASIC EARNINGS PER SHARE (BAHT)		1.11	1.04	1.05	0.95

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
CHAIRMAN

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

CONSOLIDATED FINANCIAL STATEMENTS											(Thousand Baht)	
NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM ON SHARE CAPITAL	OTHER COMPONENTS OF EQUITY					RETAINED EARNINGS	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	NON- CONTROLLING INTEREST		TOTAL
			APPRAISAL SURPLUS (DEFICIT) ON ASSETS	REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS	GAINS (LOSS) FROM RECLASSIFICATION OF INVESTMENTS	GAIN (LOSS) FROM TRANSLATING THE FINANCIAL STATEMENTS	SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES					
	72,005,040	20,833,734	8,356,992	6,090,218	644,353	107,479	6,719,698	173,103,741	287,861,255	6,357,688	294,218,943	
6.21	-	-	-	-	-	-	-	(8,529,602)	(8,529,602)	(690,765)	(9,220,367)	
	-	-	-	(1,527,821)	-	(144,779)	(3,413,213)	14,494,361	9,408,548	1,271,220	10,679,768	
	72,005,040	20,833,734	8,356,992	4,562,397	644,353	(37,300)	3,306,485	179,068,500	288,740,201	6,938,143	295,678,344	
	72,005,040	20,833,734	8,350,437	6,265,396	644,353	(99,869)	3,914,071	193,962,287	305,875,449	8,265,654	314,141,103	
6.21	-	-	-	-	-	-	-	(10,039,611)	(10,039,611)	(1,068,730)	(11,108,341)	
	-	-	-	2,760,464	-	(10,142)	4,565,643	15,479,106	22,795,071	1,498,340	24,293,411	
	-	-	-	610,918	(610,918)	-	-	-	-	-	-	
ADJUSTMENT GAINS (LOSS) FROM RECLASSIFICATION OF INVESTMENTS												
NON-CONTROLLING INTEREST INCREASES												
FROM DISPOSAL OF INVESTMENTS IN SUBSIDIARY COMPANIES												
	72,005,040	20,833,734	8,350,437	9,636,778	33,435	(110,011)	8,479,714	199,401,782	318,630,909	8,703,117	327,334,026	
ENDING BALANCE AS AT JUNE 30, 2018												

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Thousand Baht)

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

THE BANK'S FINANCIAL STATEMENTS											TOTAL
NOTE	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM		OTHER COMPONENTS OF EQUITY					RETAINED EARNINGS		
		ON SHARE CAPITAL	APPRAISAL SURPLUS (DEFICIT) ON ASSETS	REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS	GAINS (LOSS) FROM RECLASSIFICATION OF INVESTMENTS	GAIN (LOSS) FROM TRANSLATING THE FINANCIAL STATEMENTS					
	72,005,040	20,833,734	8,356,992	5,907,145	644,353	107,479	162,274,408	270,129,151			
6.21	-	-	-	-	-	-	(8,529,602)	(8,529,602)			
	-	-	-	(1,533,171)	-	(144,779)	13,276,517	11,598,567			
	72,005,040	20,833,734	8,356,992	4,373,974	644,353	(37,300)	167,021,323	273,198,116			
	72,005,040	20,833,734	8,350,437	6,075,297	644,353	(99,869)	179,696,186	287,505,178			
6.21	-	-	-	-	-	-	(10,039,611)	(10,039,611)			
	-	-	-	2,767,050	-	(10,142)	14,664,431	17,421,339			
	-	-	-	610,918	(610,918)	-	-	-			
	72,005,040	20,833,734	8,350,437	9,453,265	33,435	(110,011)	184,321,006	294,886,906			

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
 CHAIRMAN

(Signed) Payong Srivanich
PAYONG SRIVANICH
 PRESIDENT

(Thousand Baht)

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

	(Thousand Baht)			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES	20,990,262	19,536,505	17,804,252	16,309,676
ADJUSTMENTS TO RECONCILE PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
DEPRECIATION AND AMORTIZATION EXPENSES	1,318,916	1,380,577	606,996	644,734
BAD DEBTS, DOUBTFUL ACCOUNTS AND LOSS ON IMPAIRMENT	12,891,370	13,677,615	10,002,976	10,500,628
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD	(781,185)	(907,224)	-	-
GAIN ON DISPOSAL OF ASSETS	(23)	(3,928)	(181)	(562)
GAIN ON DISPOSAL OF INVESTMENTS	(715,494)	(295,339)	(715,494)	(295,339)
(GAIN) LOSS ON REVALUATION OF INVESTMENTS	(264,149)	213,170	(264,149)	213,170
LOSS ON IMPAIRMENT OF PROPERTIES FOR SALE	4,848,047	227,231	4,875,778	227,287
LOSS (REVERSAL) ON IMPAIRMENT OF INVESTMENTS	43,290	(8,856)	39,500	(8,761)
LOSS ON IMPAIRMENT OF OTHER ASSETS	138,345	258,430	138,345	258,430
AMORTIZATION OF PREMIUM (DISCOUNT) ON INVESTMENTS	(12,520)	51,799	(8,127)	52,878
(GAIN) LOSS ON FOREIGN CURRENCY TRANSLATION	5,605,282	(566,993)	5,605,286	(567,003)
INCREASE IN PROVISIONS	650,983	456,884	499,969	651,796
(INCREASE) DECREASE IN OTHER ACCRUED INCOME	453,115	(229,675)	594,501	(308,812)
DECREASE IN OTHER ACCRUED EXPENSES	(3,550,095)	(1,190,177)	(3,022,175)	(746,855)
	41,616,144	32,600,019	36,157,477	26,931,267
INTEREST INCOME, NET	(46,445,703)	(41,338,938)	(40,082,353)	(35,364,128)
DIVIDEND INCOME	(304,494)	(248,260)	(2,209,209)	(1,605,478)
PROCEEDS FROM INTEREST INCOME	63,950,338	59,915,871	56,811,223	53,144,606
CASH PAID ON INTEREST EXPENSES	(17,389,798)	(17,718,178)	(16,649,736)	(16,960,836)
PROCEEDS FROM DIVIDEND INCOME	305,024	248,260	305,024	248,260
CASH PAID ON INCOME TAX EXPENSES	(3,893,703)	(2,338,061)	(3,016,641)	(1,628,558)
PROFIT FROM OPERATION BEFORE CHANGES IN				
OPERATING ASSETS AND LIABILITIES	37,837,808	31,120,713	31,315,785	24,765,133
(INCREASE) DECREASE IN OPERATING ASSETS				
INTERBANK AND MONEY MARKET ITEMS	95,909,788	28,397,543	95,800,871	28,455,280
CLAIMS ON SECURITIES	25,784,100	1,933,100	25,784,100	1,933,100
INVESTMENTS IN TRADING SECURITIES	(2,650,476)	(1,042,175)	(2,650,476)	(1,039,165)
LOANS TO CUSTOMERS	(47,910,016)	(24,165,966)	(45,000,753)	(22,134,544)
PROPERTIES FOR SALE	702,556	1,060,031	614,492	1,067,993
OTHER ASSETS	(27,398,959)	(15,378,485)	(27,312,432)	(15,321,946)
INCREASE (DECREASE) IN OPERATING LIABILITIES				
DEPOSITS	(54,826,142)	(30,525,479)	(54,261,091)	(30,773,338)
INTERBANK AND MONEY MARKET ITEMS	24,993,362	(34,988,556)	23,671,533	(31,721,510)
LIABILITIES PAYABLE ON DEMAND	1,613,878	168,480	1,613,878	168,480
LIABILITIES TO DELIVER SECURITIES	(25,784,100)	(1,851,304)	(25,784,100)	(1,851,304)
OTHER LIABILITIES	30,991,403	13,118,960	33,212,968	13,495,264
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	59,263,202	(32,153,138)	57,004,775	(32,956,557)

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

	(Thousand Baht)			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2019	2018	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
PURCHASES OF AVAILABLE FOR SALE SECURITIES	(117,718,784)	(78,237,908)	(118,365,384)	(78,237,908)
PROCEEDS FROM DISPOSAL OF AVAILABLE FOR SALE SECURITIES	54,830,620	76,305,781	55,474,195	75,658,671
PURCHASES OF HELD TO MATURITY DEBT SECURITIES	(1,621,218)	(1,073,696)	(1,181,324)	(637,564)
PROCEEDS FROM DISPOSAL OF HELD TO MATURITY DEBT SECURITIES	2,411,647	37,342,814	1,627,645	36,903,814
PURCHASES OF GENERAL INVESTMENTS	(253,063)	(144,955)	(253,063)	(144,955)
PROCEEDS FROM DISPOSAL OF GENERAL INVESTMENTS	124,785	122,291	124,785	122,291
PURCHASES OF INVESTMENTS IN SUBSIDIARY COMPANIES	-	-	(17,465)	-
PROCEEDS FROM DISPOSAL OF INVESTMENTS IN SUBSIDIARY COMPANIES	188,265	-	188,265	-
PROCEEDS FROM DIVIDEND INCOME FROM SUBSIDIARIES AND ASSOCIATES	179,136	165,438	1,904,716	1,357,218
PURCHASES OF INTANGIBLE ASSETS	(255,142)	(355,311)	(160,061)	(154,590)
PURCHASES OF PREMISES AND EQUIPMENT	(739,360)	(498,771)	(286,668)	(223,396)
PROCEEDS FROM DISPOSAL OF PREMISES AND EQUIPMENT	9,091	17,629	181	563
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(62,844,023)	33,643,312	(60,944,178)	34,644,144
CASH FLOWS FROM FINANCING ACTIVITIES				
PROCEEDS FROM DEBT ISSUED AND LONG-TERM BORROWINGS	2,500,000	1,603,400	-	-
REPAYMENTS OF DEBT ISSUED AND LONG-TERM BORROWINGS	(2,896,000)	(800,000)	-	-
DIVIDEND PAID-ORDINARY SHARE	(10,034,812)	(8,525,397)	(10,034,812)	(8,525,397)
DIVIDEND PAID-PREFERRED SHARE	(4,799)	(4,205)	(4,799)	(4,205)
DIVIDEND PAID TO NON-CONTROLLING INTEREST	(1,069)	(690,765)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(10,436,680)	(8,416,967)	(10,039,611)	(8,529,602)
LOSS ON ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	(10,142)	(144,779)	(10,142)	(144,779)
DECREASE IN CASH AND CASH EQUIVALENTS	(14,027,643)	(7,071,572)	(13,989,156)	(6,986,794)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS	68,878,125	73,572,868	68,661,544	73,334,740
ENDING BALANCE OF CASH AND CASH EQUIVALENTS	54,850,482	66,501,296	54,672,388	66,347,946

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
CHAIRMAN

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

1. GENERAL INFORMATION

Krung Thai Bank Public Company Limited (the Bank) is a public company limited registered in the Kingdom of Thailand with its head office located at 35 Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok. The Bank engages in commercial banking business and conducts its business through a nationwide branch network and in certain major centers of the world.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENT**2.1 Basis of Preparation of the Consolidated and the Bank's Financial Statements**

The consolidated and the Bank's financial statements are presented in accordance with the Notification of the Bank of Thailand (BOT) No. SOR NOR SOR.21/2558 dated December 4, 2015, regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups, including any other supplementary BOT's notifications; and with the regulations of the Stock Exchange of Thailand (SET) dated October 2, 2017, regarding the Preparation and Submission of Financial Statements, and Financial reports and Operating results of Listed Companies, B.E. 2560 (2017). Moreover, these financial statements are prepared in conformity with generally accepted accounting principles, under Accounting Act B.E. 2543 (2000).

The Consolidated Financial Statements

The consolidated financial statements comprise the accounts of the Bank and its subsidiaries in which the Bank is a controlling interest after eliminating material intercompany transactions and balances. The 7 consolidated subsidiaries are KTB Law Co., Ltd., KTB General Services and Security Co., Ltd., Krung Thai Asset Management Pcl., KTB Computer Services Co., Ltd., KTB Leasing Co., Ltd., KTB Advisory Co., Ltd., Krungthai Card Pcl., KTC Nano Co.,Ltd., and KTC Pico (Bangkok) Co., Ltd..

Percentages of shareholdings and investments in the Bank's subsidiaries and associates are shown in Note 6.5.

Investments in associates are accounted in the consolidated financial statements using the equity method.

The Bank's Financial Statements

Investments in subsidiaries and associates are accounted in the Bank's financial statements using the cost method.

The Bank's financial statements for the six-month period ended June 30, 2019 and 2018 and for the year ended December 31, 2018 included the accounts of domestic and foreign branches, after eliminating the effects of all interbranch transactions.

The English Translation of Financial Statements

This English translation of financial statements have been prepared from the statutory financial statements that were issued in Thai language. In case of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENT (Continued)

2.2 Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) Effective in Current Period

The Bank has adopted Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), TSIC Interpretations and TFRIC Interpretations that announced and revised in accordance with the Federation of Accounting Professions, those are effective for the financial statements of the period beginning on or after January 1, 2018. The Bank administrators have considered to constitute no significant impacts on the Bank's accounting policies, and the Bank's and its subsidiaries' financial statements.

2.3 The New and Revised Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) announced but not yet Effective.

The Federation of Accounting Professions has announced Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), IFRIC Interpretations and Thai Accounting Guidances that are relevant to the Bank. Effective for the financial statements period beginning on or after January 1, 2020 as follows:

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) stated above will have impacts on the Bank's financial statements in relation to the classification, the measurement of financial assets and liabilities, the impairment calculation of financial instruments and the presentation and disclosure of financial instruments at the effective mentioned above. In preparing of adopting of such TAS, TFRS and IFRIC mentioned above the Bank has set up the working group on policies, operation process management, and implementing plan. The Bank is in the preparation process for adoption of such TAS and TFRS mentioned above according to the effective date.

TFRS 16	Leases
Thai Accounting Guidances	Financial instruments and Presentation for Insurance business

The Bank administrators have considered not to constitute no significant impacts on the Bank's accounting policies and its subsidiaries' financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of Income

3.1.1 Interest Income

Interest income is recognized on an accrual basis, except for interest on loans classified as delinquent over 3 months and interest on loans under troubled debt restructuring contract which would be reversed. In accordance with the BOT's regulations, interest income on delinquent loans over 3 months from the due date that had been recognized as an income since January 1, 2000 would be reversed and recognized as income upon receipt.

3.1.2 Fees and Service Income

Fees and Service Income is recognized when the related services are performed.

3.1.3 Dividend Income

Dividend income from investments is recognized when declared.

3.1.4 Lease Income

The lease income of the Bank and its subsidiaries is recognized as follows:

- Interest income from hire-purchase and financial lease is recognized by using effective interest rate throughout the term of the lease. Interest on defaulted lease over 3 months is ceased to recognize and reversed from the due date, and interest income will be recognized on an accrual basis when received all overdue payments.
- Income from operating lease contract is recognized on a straight-line basis over the term of lease.

3.2 Recognition of Expenses

Interest expenses, fees and service expenses, and other operating expenses, are recognized on an accrual basis.

3.3 Cash and Cash Equivalents

Cash and cash equivalents represent cash in hand and cash on collection.

3.4 Derivatives

Accounting treatments for derivatives transactions depend on the purpose of the transactions as follows:

1) Trading Derivatives

The Bank measure derivatives at fair value and recognizes gains or losses arising from changes in fair value included in gains (losses) on tradings and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income along with assets or liabilities in the statements of financial position.

2) Hedging Derivatives

The Bank manage its banking exposure to market rate movements through the use of derivatives and recognizes gains or losses arising from changes in fair value of derivatives in accordance with the standard accounting treatment for income or expenses on hedged items.

3.5 Embedded Derivatives

The Bank records embedded derivatives in consistent with the IAS 39 Financial Instruments: Recognition and Measurement as follows:

1) in case of embedded derivatives are not closely related with their host contract and could be separated from their host contracts, the Bank will separately account the embedded derivatives from their host contract and measure the embedded derivatives at fair value including recognizes gains (losses) arising from changes in fair value in gains (losses) on tradings and foreign exchange transaction, net in the statements of profit or loss and other comprehensive income. For the host contract, the Bank will comply with the related accounting standards. If embedded derivatives could not be separated from their host contracts, the Bank will measure the entire combined contract at fair value and classify as trading book at fair value through profit or loss and recognized gains or losses arising from changes in fair value in the statements of profit or loss and other comprehensive income.

2) In case of embedded derivatives are closely related with the host contract, the Bank will not separately account the embedded derivatives from their host contract and classify the entire combined with their host contract in accordance with the related accounting standards.

3.6 Investments

3.6.1 Basis of Classification of Investments

The Bank and its subsidiaries classify their investments in debt securities and equity securities as trading securities, available-for-sale securities, held-to-maturity debt securities, or investments in subsidiaries and associates. Non-marketable equity securities are classified as general investments.

3.6.2 Basis of Valuation of Investments

Investments in marketable debt or equity securities classified as trading securities are stated at fair value. Unrealized gains or losses arising from the revaluation are recorded through gains (losses) on tradings and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income.

Investments in marketable debt or equity securities classified as available-for-sale securities are stated at fair value, net of allowance for impairment (if any). Unrealized gains or losses arising from the revaluation are separately shown in other components of equity and realized gains or losses after the disposal.

Investments in debt securities classified as held-to-maturity are stated at the amortized cost, net of allowance for impairment (if any). Premiums or discounts on held-to-maturity debt securities are adjusted to interest income at the end of each month by using the straight-line method which is immaterially different from using the effective interest rate method.

General investments are stated at cost, net of allowance for impairment (if any). Losses on impairment are realized through gains (losses) on investments, net in the statements of profit or loss and other comprehensive income.

Investments in marketable unit trust classified as trading and available-for-sale securities are stated at fair value whereas investments in non-marketable unit trust are stated at net asset value.

3.6 Investments (Continued)

3.6.2 Basis of Valuation of Investments (Continued)

Investments in foreign asset-backed debt securities classified as trading securities-current investments are stated at fair value.

Investments in subsidiaries and associates, shown in the Bank's financial statements, are accounted for by the cost method, net of allowance for impairment (if any). Moreover, investments in associates, shown in the consolidated financial statements, are accounted for by the equity method (the Bank uses financial information from unaudited/unreviewed financial statements of the associates).

The cost of disposed investments is calculated by the weighted-average method. Gains or losses on disposal of investments are presented in gains (losses) on investments, net in the statements of profit or loss and other comprehensive income, except for trading securities are presented in gains on tradings and foreign exchange transactions, net.

3.7 Loans

Loans represent the outstanding principal amounts, except for overdrafts including accrued interest receivables. Deferred revenue is presented as deduction from the loans.

Hire-purchase and financial lease receivables represent the outstanding amounts, less deferred interest receivables, and deferred commission, plus amortized direct expenses.

3.8 Allowance for Doubtful Accounts

The Bank and its subsidiaries which operate the loan provider business recognize allowance for doubtful accounts compliance with the BOT's Notification No. SOR NOR SOR.5/2559 dated June 10, 2016, regarding Regulations on Assets Classification and Provision of Financial Institutions based on the BOT's Regulations on Valuation and Appraisal of Collateral and Immovable Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institution dated June 10, 2016 summarized as follows:

1) The Bank has set aside provision for normal and special mention categories at 1 percent and 2 percent, respectively, in accordance with the BOT's regulations. The Bank also applies collective approach to set aside provision for each debtor group, grouping by similar credit risk.

2) Provision for impaired-debtors is at 100 percent of the difference between the book value of loans and the present value of expected cash flows from the disposals of collateral as to the practice stipulated by the BOT.

3) Collateral using for calculating the present value of expected cash flows from disposals are such as immovable properties and leasehold rights (e.g. the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the litigation process equal to 62.03 percent of the appraisal value and the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the public auction process equal to 66.38 percent of the appraisal value). Other types of collateral are calculated by using the valuation rate stipulated by the BOT.

4) Collateral valuation has been conducted according to the BOT's regulations relating to types of collateral, valuation methodology, valuation frequency, and values of collateral that could be deductible from loans balances before provisioning as follows:

3.8 Allowance for Doubtful Accounts (Continued)

- As for normal and special mention categories, the underlying collateral is required to reappraise or revalue on a 3-years basis excluding collateral of credit lines of housing loans and other loans in the charge of retail business and network support team, will be reappraised or revalued when changed to sub-standard, doubtful and doubtful of loss, as well as the collateral which have been reappraised or revalued over the past 3 years.

- As for sub-standard, doubtful and doubtful of loss categories are required to reappraise or revalue collaterals by using the methods stipulated by the BOT. Immovable properties collaterals are required to reappraise or revalue on a 3-years basis as minimum. In case of near cash collateral such as marketable securities, is required to reappraise or revalue at the end of the accounting period.

Bad debts written-off and bad debts recovered are either deducted from or added to the allowance for doubtful accounts, whichever the case may be. The Bank defines debt write off guidelines which any debtors classified as doubtful of loss are written off at the underlying value of irrecoverable provision in line with the BOT's debt write off regulations. Bad debts recovered from subsidiary that operates credit cards business will recognize in other operating income.

3.9 Troubled Debt Restructuring and Losses on Troubled Debt Restructuring (TDR)

The Bank has policies in managing non-performing loans and potential non-performing loans by focusing on methodology of restoring customers' businesses back to normal as the first priority. If that is not possible, then the Bank's debt restructuring methodology also includes the reduction of principal and/or accrued interest receivables which already recorded as revenue, interest rate reduction, debt-equity conversion or debt-convertible securities conversion, repayment period extension, debt conversion from short-term to long-term, grace period on principal and/or interest, collateral assets transfers, non-collateral assets transfers, assets transfers with buy back contracts within the due date or with first right of refusal, or the transfer of assets to the Bank in order to reduce its damage given the practicality to the customers.

Losses arising from debt restructuring are determined as follows:

1) In case of relaxation of the debt repayment conditions without reducing of principal and accrued interest receivables prior to troubled debt, the present value of expected cash flow received is discounted by using the interest rate under the conditions specified in the TDR contract. Where such interest rate is lower than financial cost rate, the financial cost rate will be used instead. If the present value computed is lower than the book value (the principal amount plus accrued interest receivables included in the outstanding balance of restructured debt), an allowance for losses on troubled debt restructuring will be fully recognized in the statements of profit or loss and other comprehensive income for the relevant period.

The component of financial costs features the weighted average cost of deposits and borrowings, contributions to the BOT and the Deposit Protection Agency (DPA), and expenses incurred to maintain liquidity.

3.9 Troubled Debt Restructuring and Losses on Troubled Debt Restructuring (TDR) (Continued)

2) In case of the acceptance on reduction of principal and accrued interest prior to restructuring or debt repayment through the transfer of assets, financial instruments or debtors' equity from debt-equity conversion and relaxation of the residual debt repayment to customers, the Bank will write off such receivables and record losses on debt restructuring in the statements of profit or loss and other comprehensive income instantly upon the transfer of assets while considering the original allowance for doubtful accounts. Thus, the value of transferred assets shall be recorded no higher than the book value of the debt plus accrued interest legally entitled by the Bank.

In case of partial debt repayment through the transfer of assets, financial instruments or debtors' equity from debt-equity conversion, the Bank's will follow no. 2) in the first place. For the remaining amount of debt, if there is the relaxation of the repayment condition, the Bank will follow no. 1).

3.10 Properties for Sale

Properties for sale are immovable and movable properties which are stated at lower of cost or market value less allowance for impairment (if any). Losses on impairment or reversal of losses on impairment are recognized as other operating expenses or income in the statements of profit or loss and other comprehensive income. Gains or losses on disposals of those properties after deducting selling expenses are recognized as other operating income or expenses in the statements of profit or loss and other comprehensive income.

The Bank has followed the BOT's Notification No. SOR NOR SOR.20/2558 dated December 4, 2015, regarding Regulations on Accounting of Financial Institutions Section 1, Accounting for the Sales of Foreclosed Assets, SOR NOR SOR.5/2559 dated June 10, 2016, regarding Regulations on Assets Classification and Provision of Financial Institutions, SOR NOR SOR.22/2552 dated December 11, 2009, regarding Immovable Properties for Sale, and SOR NOR SOR.23/2552 dated December 11, 2009, regarding the Rules of the Purchase and Holding of Immovable Properties Used as Premises for the Business or as Facilities for its Officers and Employees of Financial Institutions.

According to the BOT's Policy No. THOR POR THOR. PHOR NOR SOR. (23) WOR.575/2562 dated May 8, 2019, regarding Delivery Policy of Appraisal Guarantee and Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institutions, all properties for sale are appraised by the external appraisers. Except for property for sale in risk areas in the southern region (Pattani, Yala, Narathiwat And Sadao District of Songkhla) with a book value of less than 50 million baht, appraised by an internal appraiser or an external appraiser on a case-by-case basis.

3.11 Land, Premises, Equipment, and Depreciation

Land is presented at revalued amount. Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Land is revalued on a 3-5 years basis by independent appraisers in accordance with the BOT's regulations. In case that revaluation result decreased or decreased more than surplus on land revaluation which had been recognized in other components of equity, the Bank will recognize deficit in the statements of profit or loss and other comprehensive income. In case that revaluation result increased, the Bank will recognize surplus through appraisal surplus on assets in other components of equity. Except for the case that the Bank revalued decreased on land and already recognized loss in the statements of profit or loss and other comprehensive income, the Bank will recognize only surplus amounts that excess of the deficit amounts used to recognized of such land.

3.11 Land, Premises, Equipment, and Depreciation (Continued)

Depreciation of premises is calculated on the straight-line basis over their useful lives. Since April 1, 2012, depreciation of premises is calculated on the straight-line basis over their residual useful lives not over 50 years which appraised by independent expert appraisers. Before April 1, 2012, depreciation of premises is calculated on the straight-line basis over their useful lives of 20 years.

Depreciation of equipment is calculated on the straight-line basis over their useful lives of 5 years. Equipment with an acquisition cost not exceeding Baht 3,000 is charged directly to expense in the period of acquisition. The amounts of those transactions have no significant effect to the Bank's financial statements.

Depreciation method, useful lives, and residual value are annually reviewed.

3.12 Intangible Assets

Intangible assets, comprising software, licenses, and computer system development costs, are presented at cost net accumulated amortization and allowance for impairment (if any). Amortization is calculated by the straight-line basis over their useful lives and recognized as expense in the statements of profit or loss and other comprehensive income.

3.13 Deferred Tax Assets or Liabilities

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxes basis used in the computation of taxable profit (tax base). The Bank recognized deferred tax assets arising from such temporary differences to the extent that it is probable that taxable profit will be available against those temporary differences could be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and shall be reduced to the extent that the tax benefit will be realized.

The Bank and its subsidiaries recognize deferred tax in the statements of profit or loss and other comprehensive income, except for the extent that relates to items recognized in equity, shall be recognized directly in equity.

The Bank and its subsidiaries calculate amounts of deferred tax assets and liabilities by using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset when the Bank has a legally enforceable right to offset current tax assets and current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

3.14 Leaseholds

Leaseholds, which are included in other assets, are stated at cost less accumulated amortization. Amortization charge is calculated by the straight-line basis over the lease period between 3 – 30 years and recognized as expense in the statements of profit or loss and other comprehensive income.

3.15 Impairment of Assets

For outstanding balances of assets as at the end of period, the Bank and its subsidiaries review the impairment of assets by items when there is an indication that the book value of those assets is higher than the expected recoverable amounts. As such, losses on impairment will be realized as other operating expenses. The reversal of losses on impairment will be recorded only when there is an indication that such impairment no longer exists or shown at a declining balance, if any, and reversed to other operating income in the statements of profit or loss and other comprehensive income. Except for the case that reversal of the revalued increased of the same assets that used to be recognized in equity, when impairment occurred latterly it will be recognized in equity.

3.16 Foreign Currency Translation

3.16.1 Presentation Currency

The consolidated and the Bank's financial statements are presented in Baht.

3.16.2 Foreign Currency Translation

Items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction dates. Balances of monetary assets and liabilities are translated by using the reference exchange rates of BOT as at the reporting date. Balances of non-monetary assets and liabilities are translated by using the exchange rates prevailing at the transaction dates or exchange rates at the date when the fair value was measured.

Gains or losses on foreign currency exchange and foreign currency translation are presented in the statements of profit or loss and other comprehensive income as gains (losses) on trading and foreign exchange transactions, net.

3.16.3 Foreign Currency Translation of Foreign Branches' Financial Statements

Items on the foreign branches' statements of financial position are translated into Baht by using the reference exchange rates of BOT as at the reporting date. The statements of profit or loss and other comprehensive income are translated into Baht by using the exchange rate prevailing at the transaction dates or average exchange rates of that accounting period.

Gains or losses on translation of foreign branches' financial statements are presented in equity through other comprehensive income.

3.17 Employees Benefit

3.17.1 Employees Provident Fund

The Bank established a Provident Fund under the Provident Fund Act B.E. 2530 (1987) and entered to the registered fund approved by the Ministry of Finance in June 25, 1992. The Provident Fund is managed by an external fund manager.

Permanent employees and employees under employment contracts of the Bank are entitled to apply for membership according to the registered KTB Provident Fund regulations. Employees could opt to contribute to the Fund at the rate of either 3, 6, 10, 12 or 15 percent of their basic salaries while the Bank's supplemental contribution is at 10 percent of each employees' basic salary.

3.17.2 Defined Benefit Plan

The Bank and its subsidiaries have defined benefit plan to pay their employees under the employment agreements. The estimate of employee benefits obligations are calculated by using the actuarial techniques called the Projected Unit Credit Method. This method uses statistical data as a factor to estimate the present value of expected future payments and discounts by using market yields on high quality corporate bonds with the approximate maturity of those obligations. The estimate amount is shown in a part of the provisions. The actuarial gains (losses) are recognized in other comprehensive income and transferred immediately to the retained earnings.

3.18 Income Taxes

Income taxes comprise of current tax and deferred tax.

Current tax is the amount expected to be paid to the tax authorities by calculating from taxable profit for the period under Revenue Code.

3.19 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding.

3.20 Provisions

Provisions are recognized when the Bank and subsidiaries have present legal or constructive obligations as a result of a past event, they are probable that an outflow of economic benefits will be required to settle the obligation, and the reliable estimate of the amounts can be made.

The BOT's Notification No. SOR NOR SOR.5/2559 dated June 10, 2016, regarding Regulations on Assets Classification and Provision of Financial Institutions prescribed regulations to set aside provisions for off-the statements of financial position obligations in conformity with TAS 37: Provisions, Contingent Liabilities and Contingent Assets. The Bank is required to set aside provisions for off-the statements of financial position obligations when satisfied all of the following criteria:

- 1) Off-the statements of financial position obligations classified as substandard, doubtful, doubtful of loss, and loss.
- 2) Off-the statements of financial position obligations which the Bank should recognize provisions according to TAS 37 when satisfied all of the following criteria:

2.1 A present obligation (a legal or a constructive obligation) resulting from past events.

2.2 It is possibly certain that there will be a future outflow of resources embodying economic benefit to settle such obligation and

2.3 An estimate of obligation can be reliably made.

- 3) Off-the statements of financial position obligations engage in high credit risk such as guarantees on borrowings, aval to bills or irrevocable obligations whereby the Credit Conversion Factor stipulated by the BOT in calculating Capital Fund to be maintained is equal to 1.0.

3.21 Customer Loyalty Programme

The Bank's subsidiaries have customer loyalty programme by offering reward points to customer together with services entitling customers to redeem those reward points to gifts or discount in the future. The Bank's subsidiaries also allocate rewards or accrued rewards to the points by referring from fair value of accumulated points. Then, they are recognized to deferred revenue under "other liabilities" in the statements of financial position and shall be recognized to fees and service income when customers redeem.

3.22 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank and its subsidiaries have considered fair value of individual financial instrument. Fair value of financial instruments is quoted price (unadjusted) for similar assets or liabilities in active markets that the Bank and its subsidiaries are able to access. In case of there is no quoted price in active markets, the Bank and its subsidiaries will use general accepted valuation technique by maximizing observable inputs and minimizing unobservable inputs in commonly used models or the Bank's models. Those models are approved by the management and also regularly reviewed and updated.

4. Risk Management (Continued)

4.1 The Bank's Risk Information (Continued)

Credit Risk

Credit risk is the risk that a counterparty or a borrower fails to comply with conditions and covenants stated in the agreement or the deterioration of assets' quality resulting in non-performing debt and adverse effect over the Bank's income and capital. The assets on the statements of financial position, net of allowance for doubtful accounts, represent the Bank's credit risk exposure.

The Bank concerns about the contingent credit risk at all time. The Bank also inputs economic and business from the research in loan portfolio management, including set the Industry Direction, stress testing and Industry Indicators in order to monitor and manage over all loan portfolio management with efficiently. The Bank continually evaluates and follows up both inside and outside country situation in order to assess the risk that may impact on solvency of the debtors and the Bank's loan portfolio.

The Bank focuses on a credit expansion to both existing and new customers with high potentiality and high yield. The Bank highly concentrates on customer evaluation, business potential, ability to repay debt, and obvious objective of loan purpose. The Bank develops not only risk management tool to rank credit rating in order to be an element to estimate risk of large and middle size of loans, but also develops Credit Scoring tool in order to consider retail loan debtors including to the Early Warning System that notices credit departments and set the loan policy guideline to prevent the debtors becoming NPLs. Moreover, the Bank has regularly improved credit risk management by reviewing/revising credit policies and other policies related to the credit risk management for the purpose of complying with economic situation and the Bank's business operation as well as being in consonant with risk management guidance prescribed by the BOT and The credit risk management policies and guidelines are reviewed/improved at least once a year in order to match with current situation.

The Bank manages credit risk management of the companies in financial business group under the BOT's regulations. The credit risk management policies and guidelines of those companies are also reviewed/improved annually and/or when significantly changed event occurs and affects credit risk management.

The Bank monitors and reports risk management results with the intention to control credit risk to be in compliance with the Bank's risk management plan, the BOT's supervision policy and other regulators' rules. The risk management results reports are normally submitted to the Risk Oversight Committee and the Audit Committee at least once a month and to the Board of Directors at least quarterly.

To follow up and manage the quality of credit, the Bank closely monitors the customers whose credits are approved in order to ensure that they are in comply with the terms and conditions of loan agreements by carrying out NPLs reduction project. The watch list debtors with weak performance will be monitored and controlled to prevent such loans becomes NPLs. However, in case those debtors become NPLs, the measure for debt restructuring shall be set up together with legal process. With this regards, the NPLs reduction project shall help stipulating the implementation plan to become clearer and more effective for the NPLs problem solving. Thus, the regular progress shall be reported regularly in order to expedite debt repayment with minimum loss.

In assessing the adequacy of provision as prescribed by the BOT, the Bank is required to examine the accuracy and completeness of loan classification, debt-restructuring and collateral data as type and value of collateral. Such associated data potentially has significant impacts on the allowance for doubtful accounts of the Bank.

4. Risk Management (Continued)

4.1 The Bank's Risk Information (Continued)

According to assets written-off, the Bank has policy to write off any assets classified as doubtful of loss with 100 percent provision; however, the Bank still closely follow up uncollectible amounts or taken legal proceedings to the final action.

The credit review is established to ensure the compliance with standard operation procedures in relation to credit approval and debt restructuring. In addition, the qualitative assessment for loan and other related assets are conducted for loan classification as prescribed by the BOT.

Market Risk

Market risk is the risk that the Bank may affected by changes in value of position on the statements of financial position and off-the statements of financial position which is caused by fluctuation of interest rate, foreign exchange rate, equity securities price and commodity price resulting in negative impact on income and capital. The Bank monitors and controls the market risk in the trading book and banking book portfolio by comparing the existing risks with the approved risk limits/indicators, conducting the approval processes for the breach of the limits/indicators and reporting to the executives and the Risk Oversight Committee regularly.

Interest Rate Risk

Interest rate risk is the risk that income or capital is adversely affected by changes in interest rate of the asset, liability and off-the statements of financial position items which are Rate Sensitive Items. These may have negative impact on Net Interest Income, Economic Value, market values of Trading Account, and other income and expenses related to interest rate.

The Bank's significant financial assets and liabilities classified by periods of interest rate repricing are as follows:

							(Million Baht)
							<u>June 30, 2019</u>
	Call to	Non-interest					
	<u>1 month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>Over 1 year</u>	<u>Bearing</u>	<u>NPLs</u>	<u>Total</u>
Financial assets							
Interbank and money market items	234,406.55	8,366.80	4,205.56	1.37	30,045.98	18.00	277,044.26
Investments*	113.12	5,267.97	98,104.24	140,886.69	21,277.21	-	265,649.23
Loans to customers	1,330,727.64	254,374.15	217,939.41	81,727.69	1,071.53	103,853.42	1,989,693.84
Total financial assets	1,565,247.31	268,008.92	320,249.21	222,615.75	52,394.72	103,871.42	2,532,387.33
Financial liabilities							
Deposits	1,490,606.25	112,468.49	246,408.38	47,885.21	91,318.40	-	1,988,686.73
Interbank and money market items, net	101,852.07	14,856.41	17,468.05	28,384.21	13,110.73	-	175,671.47
Debt issued and borrowings	0.70	-	21,520.98	27,429.10	-	-	48,950.78
Total financial liabilities	1,592,459.02	127,324.90	285,397.41	103,698.52	104,429.13	-	2,213,308.98

4.1 The Bank's Risk Information (Continued)

(Million Baht)

	<u>December 31, 2018</u>						<u>Total</u>
	<u>Call to</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>Over 1 year</u>	<u>Non-interest</u>	<u>Bearing</u>	
	<u>1 month</u>					<u>NPLs</u>	
Financial assets							
Interbank and money market items	346,566.65	4,298.12	976.22	1.51	21,429.77	31.00	373,303.27
Investments*	2,511.60	5,545.29	5,819.40	169,639.31	20,647.94	-	204,163.54
Loans to customers	1,336,352.05	206,749.42	232,056.08	69,932.78	1,054.55	102,602.99	1,948,747.87
Total financial assets	1,685,430.30	216,592.83	238,851.70	239,573.60	43,132.26	102,633.99	2,526,214.68
Financial liabilities							
Deposits	1,480,298.73	158,496.43	295,432.07	20,538.01	88,182.59	-	2,042,947.83
Interbank and money market items, net	90,117.44	5,513.47	17,275.48	30,464.34	8,629.21	-	151,999.94
Debt issued and borrowings	0.70	-	22,714.86	27,805.55	-	-	50,521.11
Total financial liabilities	1,570,416.87	164,009.90	335,422.41	78,807.90	96,811.80	-	2,245,468.88

* Included investments in subsidiaries and associates. (excluded trading securities, allowance for revaluation and impairment)

Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that foreign exchange rate volatility giving adverse impact on income or capital due to having foreign currency transactions or having assets or liabilities in foreign currency, when converting all items on the Bank's financial statements to local currency, the book values decrease including decline of income or loss incurred from foreign exchange trading.

Equity Securities Price Risk

Equity securities price risk is the risk that income or capital is negatively affected by changes in equity securities prices. However, the Bank focuses on investing in potential securities which have growth performance and have opportunities to generate bank's return.

Commodity Price Risk

This is the risk that income or capital is adversely affected by changes in commodity price. The Bank conducts commodity derivative transactions to accommodate customer hedging of risk. The Bank eliminates those risk exposures by doing back-to-back transactions.

The Bank's Market Risk Management Structure and Supervision

The Bank has designated the Board of Directors and Risk Oversight Committee to formulate policy and market risk limit as follows:

4.1 The Bank's Risk Information (Continued)

Board of Directors

Board of Directors are responsible for the approval of market risk management policy and the limitation acceptance or threshold of Bank in order to control risk exposure that affects to the market risk and decentralized to relevant committees or responsible departments to supervise as appropriate.

Risk Oversight Committee - ROC

RMC is responsible for the determination of risk management policy to the Board of Directors, controlling, monitoring, assessing the result of risk management and supervising that the risk management policy and guidelines set by the Bank and the regulators have been implemented and observed.

The Bank has designated the Market Risk Management Department, an independent business unit from front office, to supervision risk in order to create transparency and efficiency. Moreover, it conforms to the BOT's market risk supervision regulations and the Bank's market risk management policy. Besides, the Market Risk Management Department is responsible to follow up and supervise market risk not exceeding the limit specified by the Bank. Then, it reports to top-level executives and ROC.

The Bank has set the risk management policy to be in line with the Bank's strategy and the BOT's market risk supervision regulations.

For transactions in trading accounts, the Bank set the maximum acceptable risk limit such as investment value/position, maximum loss, including statistic risk measurement namely Value at Risk (VaR) and Sensitivity for the trading book portfolio. The Bank also regularly assesses market value and conducts stress testing for both trading book portfolio and banking book portfolio. Besides, the Bank prepares Product Programme while enhancing applications and tools used in risk assessment and control for higher efficiency capable of accommodate more complex transactions.

The Bank regularly monitors the interest rate risk in the Banking book portfolio by simulating the net interest income change and economic value change. The Bank also regularly conduct stress testing and closely monitor whenever there are some changes in the interest rate market movement that affects to the Bank significantly.

Market Risk Management Structure and Supervision of the Financial Business Group

The Bank has supervision of risk management of the financial business groups and prescribes policy of risk management of the financial business groups. The policy was approved by the Board of Directors determining the subsidiaries within the financial business groups to complete all aspects of risk management in accordance with the Company's significant risks and risk management policies which defines the organization chart that support the efficiency of risk management, including the determining of clearly authorization. The policy also determines the subsidiaries to complete and efficiently follow the monitoring process and internal control system by identifying, measuring, monitoring and controlling risk under the guideline prescribed in the risk management policy of the financial business groups. Moreover, the subsidiaries are required to prepare their market risk management report and relating information for submission to the Bank in order that the Bank can monitor market risk and risk level of companies in the financial business groups and assess effect to the Bank's capital.

The Bank's financial business group has decentralized risk management that means companies within the financial business groups manage their own risk and the Bank will consider and comment the companies' key market risk indicators as appropriate.

4.1 The Bank's Risk Information (Continued)

Liquidity Risk

Liquidity risk is the risk that the Bank fails to repay liabilities or contingencies on due date because of inability to liquidate assets into cash or having insufficient funds or acquiring funds at a higher unacceptable cost thus affecting income and capital funds at present and in the future.

The Bank's Liquidity Risk Management Structure and Supervision

The Bank has designated the Board of Directors, Risk Oversight Committee, Assets and Liabilities Management Committee to prescribe policy and strategy of liquidity risk management as follows:

Board of Directors

Board of Directors is responsible for the approval of liquidity risk management policy and liquidity emergency plan and to approve the Bank's acceptable limit or trigger of liquidity risk.

Risk Oversight Committee – ROC

ROC is responsible for the determination of risk management policy to the Board of Directors, controlling, monitoring, assessing the result of risk management and supervising that the risk management policy and guidelines set by the Bank and the regulators have been implemented. ROC also submitted the operational report to the Audit Committee for acknowledgement and/or for considering on monthly basis and report to the Board of Directors for acknowledgement and/or for considering on quarterly basis.

Assets and Liabilities Management Committee – ALCO

ALCO is responsible for the determination of strategy to manage the Bank's assets, liabilities, and capital to be appropriate. ALCO monitors various external factors affecting the Bank's liquidity, specifies strategy to manage liquidity and interest rate risk and submits ALCO report to the Board of Executive Directors for acknowledgement and/or for considering.

Liquidity Risk Management Structure and Supervision of the Financial Business Group

The Bank has supervision of risk management of the financial business groups and prescribes policy of risk management of the financial business groups. The policy was approved by the Board of Directors determining the subsidiaries within the financial business groups to complete all aspects of risk management in accordance with risk management policy which defines the organization chart that supports the efficiency of risk management, including the determining of clearly authorization. The policy also determines the subsidiaries to complete and efficiently follow the monitoring process and internal control system by identifying, measuring, monitoring and controlling risk under the guideline prescribed in the risk management policy of the financial business groups. Moreover, the group is required to prepare liquidity position report and relating information for submission to the Bank in order that the Bank can monitor liquidity position and risk level of companies in the financial business groups and assess effect to the Bank's liquidity.

The Bank's financial business groups has decentralized risk management that means companies within the financial business groups manage their own risk and the Bank will consider supporting their liquidity as appropriate.

4.1 The Bank's Risk Information (Continued)

Structure of Sources and Uses of Funds

Liquidity risk is the significant risk of commercial banks. The Bank's liquidity risk factors are the structure of sources and uses of funds. The Bank's sources of funds are from short-term deposits mostly less than one year including saving deposits, while uses of funds for lending have maturity date longer than the deposits. Therefore, the Bank's liquidity risk stems from asset to cash turning period not matching with liability's maturity date. Besides, cost of fund that higher than acceptable limit could affect to the Bank's income and capital at present and in the future.

Thus, the Bank has liquidity risk management process through variety of tools. The Bank also assigns the indicator to control liquidity risk such as high-quality liquid assets to net cash outflow ratio etc. In addition, the Bank also monitors structure of sources and uses of funds and funding concentration to monitor important sources of funds then consistently report the risk to the Asset and Liability Management Committee (ALCO), the Risk Oversight Committee (ROC) and other related parties.

Liquidity Risk Management Tools

Liquidity risk management tools are presented in several reports related to the Bank's liquidity to top-level executives and relating departments in order to efficiently apply to use of liquidity risk management. The Bank prepares liquidity risk report to determine liquidity risk on a daily and monthly basis by comparing with the approved risk limit/indicators to manage and control the risk level to the prescribed limit. There are liquidity risk reports as follows;

- Net liquidity position report is prepared on a daily basis in the first 14 calendar days to present daily details by showing estimated cash inflow and outflow information adjusted according to customer behavior, preceding cash flow model together with future trend considerations adhere to realistic and conservative principles.

- Liquidity gap report presents estimates of future cash flows determined in accordance with the customer behavior assumptions in normal situation.

- Daily financial position report presents the Bank's liquid assets in terms of balance amount of daily average deposits with the BOT. The BOT's regulation requires maintaining sum of the average daily deposit balance and the average daily cash balance at the cash inventory management center not less than 1 percent of total customers' deposit and other specified borrowings. Moreover, the report demonstrates high quality liquid assets in each asset category reserved as an operating liquidity for the Bank's normal operations.

- Liquidity Coverage Ratio (LCR) Report is reported to the Risk Oversight Committee and the Assets and Liabilities Management Committee on a monthly basis in accordance with BOT's regulations. LCR is the liquidity risk measurement standard that aims to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) which consists of cash or assets that can be converted into cash at little or no loss of value in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

- Net Stable Funding Ratio (NSFR) Report is reported to BOT on a quarterly basis and the Risk Oversight Committee and the Assets and Liabilities Management Committee on a monthly basis. NSFR is the liquidity risk measurement standard that aims to promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis.

4.1 The Bank's Risk Information (Continued)

- Simulation liquidity risk stress testing report is submitted to the Risk Oversight Committee on a quarterly basis.

Liquidity Risk Stress Testing

The Bank sets quarterly liquidity risk stress testing in conformity with the Bank's stress testing policy by using the 3 situations which are (1) Institution-specific crisis (2) Market-wide crisis and (3) Combination of both. Each situation is based on assumptions such as withdrawing customers' deposit in different proportion, declining in the market liquidity of assets, decreasing in ability to reach large-sized sources of funds. The Bank also prepares contingency plan to support crisis by considering to stress test result of each model situation. The contingency plan is set warning triggers of liquidity crisis in order that the Bank can reduce negative impact from liquidity problems that may occur with reasonable expenses/costs.

The Bank also discloses information about Liquidity Coverage Ratio (LCR) in order to ensure that the Bank has sufficient manage liquidity to support liquidity stress situation under the BOT's notifications regarding the Disclosure of Liquidity Coverage Ratio Disclosure Standards.

Channel of disclosure	www.ktb.co.th >Investor Relations>Financial Information>LCR Disclosures
Date of disclosure	Within 4 months after the end of June 30, 2019
Information as at	June 30, 2019

Liquidity Assets Ratio

The Bank has average fortnightly liquid assets not less than 1 percent of deposits and borrowings as prescribed by the BOT. As at June 30, 2019 and December 31, 2018, the Bank has deposits at the BOT and cash at the Cash Center of Baht 25,847.96 million and Baht 20,754.02 million, respectively.

Sources and Uses of Funds

Sources and uses of funds as at June 30, 2019, the Bank and its subsidiaries' major sources of funds were deposits accounting for 72.78 percent of total funds. Other significant sources of funds included net interbank and money market items (liabilities) of 6.69 percent, debt issued and borrowings of 3.42 percent, and equity of 12.00 percent.

The Bank and its subsidiaries' uses of funds were loans to customers 75.73 percent of total uses of funds. Other significant uses of funds included net interbank and money market items (assets) of 10.14 percent and net investments of 11.47 percent.

4.1 The Bank's Risk Information (Continued)**Sources and Uses of Funds (Continued)**

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Sources of Funds		
Deposits	72.78%	74.46%
Interbank and money market items, net	6.69%	5.75%
Debt issued and borrowings	3.42%	3.48%
Equity	12.00%	11.47%
Uses of Funds		
Loans to customers	75.73%	73.90%
Interbank and money market items, net	10.14%	13.60%
Investments, net	11.47%	8.77%

Loans to Deposits Ratio

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Loans to deposits ratio (Consolidated financial statements)	104.04%	99.25%
Loans to deposits ratio (The Bank's financial statements)	100.05%	95.39%

On the consolidated financial statements as at June 30, 2019, the Bank has loans to deposits ratio of 104.04 percent which has increased from 99.25 percent as at December 31, 2018.

Loan to deposits ratio on the Bank's financial statements as at June 30, 2019 is 100.05 percent which has increased from 95.39 percent as at December 31, 2018. As a result of loan increased 2.10 percent and the reduction of deposits decreased 2.66 percent from the end of the year 2018.

These above ratios have no significant impact to the liquidities of the Bank and its subsidiaries.

As at June 30, 2019 and December 31, 2018, the Bank's financial assets and liabilities are classified by remaining maturity as follows:

	(Million Baht)					
	<u>June 30, 2018</u>					
	Less than <u>1 Month</u>	<u>1-3 Months</u>	Over 3 Months <u>upto 1 Year</u>	<u>Over 1 Year</u>	<u>No Maturity</u>	<u>Total</u>
Financial assets						
Interbank and money market items, net	228,087.59	9,459.56	33,262.73	5,053.06	-	275,862.94
Investments*	7,229.21	5,368.46	100,098.35	178,226.34	10,712.02	301,634.38
Loans to customers	133,801.75	150,764.78	422,305.87	1,282,821.44	-	1,989,693.84
Total financial assets	369,118.55	165,592.80	555,666.95	1,466,100.84	10,712.02	2,567,191.16
Financial liabilities						
Deposits	1,580,343.80	108,959.88	245,820.88	53,562.17	-	1,988,686.73
Interbank and money market items, net	114,744.86	14,831.70	17,437.36	28,657.55	-	175,671.47
Debt issued and borrowings	0.70	-	-	48,950.08	-	48,950.78
Total financial liabilities	1,695,089.36	123,791.58	263,258.24	131,169.80	-	2,213,308.98

* Included investments in subsidiaries and associates.

4.1 The Bank's Risk Information (Continued)

(Million Baht)

<u>December 31, 2018</u>						
	Less than	Over 3 Months				
	<u>1 Month</u>	<u>1-3 Months</u>	<u>upto 1 Year</u>	<u>Over 1 Year</u>	<u>No Maturity</u>	<u>Total</u>
Financial Assets						
Interbank and money market items, net	318,849.59	12,927.72	34,734.35	5,252.04	-	371,763.70
Investments, net*	25,868.76	5,533.16	5,863.18	185,963.61	10,697.86	233,926.57
Loans to customers	86,115.46	69,022.50	511,843.17	1,281,766.74	-	1,948,747.87
Total financial assets	430,833.81	87,483.38	552,440.70	1,472,982.39	10,697.86	2,554,438.14
Financial Liabilities						
Deposits	1,565,018.62	160,721.35	293,575.31	23,632.55	-	2,042,947.83
Interbank and money market items, net	98,625.63	5,500.55	15,948.38	31,925.38	-	151,999.94
Debt issued and borrowings	0.70	-	-	50,520.41	-	50,521.11
Total financial liabilities	1,663,644.95	166,221.90	309,523.69	106,078.34	-	2,245,468.88

* Included investments in subsidiaries and associates.

4.2 Fair Value of Financial Instruments

(Million Baht)

<u>Consolidated Financial Statements</u>				
	<u>June 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	54,850.48	54,850.48	68,878.13	68,878.13
Interbank and money market items, net	276,504.10	276,504.10	372,513.78	372,513.78
Derivatives assets	55,614.32	55,614.32	36,229.57	36,229.57
Investments, net*	312,685.05	313,986.32	240,166.89	241,460.11
Loans to customers and accrued interest receivables, net	1,927,616.27	1,927,616.27	1,895,874.34	1,895,874.34
Total financial assets	2,627,270.22	2,628,571.49	2,613,662.71	2,614,955.93
Financial Liabilities				
Deposits	1,984,775.76	1,984,775.76	2,039,601.90	2,039,601.90
Interbank and money market items, net	182,389.29	182,789.21	157,395.93	157,878.58
Liabilities payable on demand	7,193.54	7,193.54	5,579.66	5,579.66
Derivatives liabilities	53,520.40	53,520.40	32,345.61	32,345.61
Debt issued and borrowings	93,239.18	93,879.52	95,205.51	95,376.82
Total financial liabilities	2,321,118.17	2,322,158.43	2,330,128.61	2,330,782.57

* Included investments in subsidiaries and associates.

4.2 Fair Value of Financial Instruments (Continued)

(Million Baht)

	The Bank's Financial Statements			
	June 30, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash	54,672.39	54,672.39	68,661.54	68,661.54
Interbank and money market items, net	275,862.94	275,862.94	371,763.70	371,763.70
Derivatives assets	55,614.77	55,614.77	36,231.03	36,231.03
Investments, net*	301,634.38	371,797.38	233,926.57	282,932.37
Loans to customers and accrued interest receivables, net	1,859,991.14	1,859,991.14	1,828,239.87	1,828,239.87
Total financial assets	2,547,775.62	2,617,938.62	2,538,822.71	2,587,828.51
Financial Liabilities				
Deposits	1,988,686.73	1,988,686.73	2,042,947.83	2,042,947.83
Interbank and money market items, net	175,671.47	176,071.38	151,999.94	152,482.59
Liabilities payable on demand	7,193.54	7,193.54	5,579.66	5,579.66
Derivatives liabilities	53,520.40	53,520.40	32,345.61	32,345.61
Debt issued and borrowings	48,950.78	49,591.12	50,521.11	50,692.42
Total financial liabilities	2,274,022.92	2,275,063.17	2,283,394.15	2,284,048.11

* Included investments in subsidiaries and associates.

4.3 Capital Requirements

As at June 30, 2019 and December 31, 2018, the Bank has calculated the capital fund in accordance with the BOT's Basel III Framework. Since 2016, which is required the commercial banks that registered in Thailand to maintain the additional common equity Tier 1 ratio more than minimum capital fund 2.5 percent of total Risk-Weighted Assets by gradually maintained the additional more than 0.625 percent of each year, beginning from January 1, 2016 until fully amount on January 1, 2019.

The BOT uplifted the regulation for commercial banks that were classified as the Domestic Systemically Important Banks (D-SIBs), requiring to hold all capital ratios to absorb higher loss absorbency of an additional 0.5 percent of risk-weight assets from January 1, 2019 and of 1 percent of risk-weight assets from January 1, 2020 onwards.

Capital Adequacy Ratios

	2019	2018
	More than %	More than %
Common Equity Tier 1 Ratio	7.50	6.375
Tier 1 capital fund ratio	9.00	7.875
Capital Adequacy Ratio	11.50	10.375

Capital fund and Capital adequacy ratio information as at June 30, 2019 is preliminary information prepared by criteria and methodologies, that prescribed by the BOT, which is required the Bank to prepare and submit the information to the BOT within 3 months from the end of the quarter including disclose the information as at June 30 and December 31 of each year via the Bank's Web Site. For the comparable information as at December 31, 2018 already submitted to the BOT as follow.

4.3 Capital Requirements (Continued)

	(Million Baht)	
	<u>Financial Business Groups</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Common Equity Tier 1		
Paid-up share capital	72,005.04	72,005.04
Premium on share capital	20,833.74	20,833.74
Legal reserve	7,200.50	7,200.50
Net income after appropriation	178,593.33	174,631.23
Other components of equity	26,386.51	19,063.98
Capital deduction items on common equity Tier 1	(10,590.34)	(9,721.13)
Tier 1 capital fund - financial instruments	1,131.95	968.79
Total tier 1 capital fund	295,560.73	284,982.15
Tier 2 capital fund		
Long-term subordinated debt	51,810.16	51,810.16
Allowance for assets classified as normal	21,935.43	21,908.25
Total tier 2 capital fund	73,745.59	73,718.41
Total capital fund	369,306.32	358,700.56

	(Million Baht)	
	<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Common equity Tier 1		
Paid-up share capital	72,005.04	72,005.04
Premium on share capital	20,833.74	20,833.74
Legal reserve	7,200.50	7,200.50
Net income after appropriation	164,645.44	162,860.95
Other components of equity	17,722.72	14,965.81
Capital deduction items on common equity Tier 1	(6,513.80)	(5,850.76)
Total tier 1 capital fund	275,893.64	272,015.28
Tier 2 capital fund		
Long-term subordinated debt	51,810.16	51,810.16
Allowance for assets classified as normal	21,351.63	21,045.98
Total tier 2 capital fund	73,161.79	72,856.14
Total capital fund	349,055.43	344,871.42

4.3 Capital Requirements (Continued)

	<u>Capital Adequacy Ratio</u>			
	<u>Financial Business Groups</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Common equity Tier 1 ratio	14.91	14.42	14.34	14.35
Tier 1 capital fund ratio	14.97	14.47	14.34	14.35
Capital adequacy ratio	18.70	18.22	18.14	18.19

The Bank discloses information about capital requirements of the Bank and financial business groups under the BOT's Notifications regarding the Disclosure of Capital Requirements of Commercial Banks and regarding the Disclosure of Capital Requirement of the Financial Business Group.

Channel of disclosure	www.ktb.co.th >Investor Relations>Financial Information>Pillar III Disclosures
Date of disclosure	Within 4 months after the end of the period
Information as at	June 30, 2019

5. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with the Thai financial reporting standards requires managements to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future period affected. Information about significant areas at estimation uncertainty and assumptions in applying accounting policies that have a significant effect on the amounts recognized in the financial statements.

6. SUPPLEMENTARY INFORMATION

6.1. Supplementary Information of Cash Flows

6.1.1 Significant non-cash items for the six-month period ended June 30, 2019 and 2018 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2019</u>	<u>June 30, 2019</u>	<u>June 30, 2019</u>
Increase (decrease) in revaluation surplus on available-for-sale				
investments net income tax expenses	2,760.46	(1,527.82)	2,767.05	(1,533.17)
Increase in properties for sale from loans payment	1,554.08	969.20	1,554.08	969.20

6.1.2 Disclosures of Related change in Liabilities from Financing Activities

(Million Baht)

<u>Item</u>	<u>Consolidated Financial Statements</u>			
	<u>January 1, 2019</u>	<u>Cash Flows From</u>	<u>None-Cash Item</u>	<u>June 30, 2019</u>
		<u>Financing Activities</u>	<u>Exchange Rate</u>	
		<u>, Net</u>	<u>Conversion</u>	
Debt Issued and Borrowings	95,205.51	(396.00)	(1,570.33)	93,239.18
Total	95,205.51	(396.00)	(1,570.33)	93,239.18

(Million Baht)

<u>Item</u>	<u>Consolidated Financial Statements</u>			
	<u>January 1, 2019</u>	<u>Cash Flows From</u>	<u>None-Cash Item</u>	<u>June 30, 2019</u>
		<u>Financing Activities</u>	<u>Exchange Rate</u>	
		<u>, Net</u>	<u>Conversion</u>	
Debt Issued and Borrowings	50,521.11	-	(1,570.33)	48,950.78
Total	50,521.11	-	(1,570.33)	48,950.78

6.2 Interbank and Money Market Items, Net (Assets)

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	22,398.19	167,394.39	189,792.58	16,311.10	252,001.37	268,312.47
Commercial banks	628.82	17,209.83	17,838.65	734.15	17,799.78	18,533.93
Special purpose financial institutions	20.80	20.16	40.96	16.75	818.09	834.84
Other financial institutions	52.69	37,934.91	37,987.60	41.00	45,819.66	45,860.66
Total	23,100.50	222,559.29	245,659.79	17,103.00	316,438.90	333,541.90
<u>Add</u> Accrued interest receivables	-	111.54	111.54	-	174.72	174.72
<u>Less</u> Deferred Revenue	-	(22.27)	(22.27)	-	(15.11)	(15.11)
Allowance for doubtful accounts	(1.04)	(1,284.59)	(1,285.63)	(0.73)	(1,744.93)	(1,745.66)
Total domestic items	23,099.46	221,363.97	244,463.43	17,102.27	314,853.58	331,955.85
6.2.2 Foreign Items						
US Dollar	14,338.56	8,542.54	22,881.10	25,227.34	8,877.93	34,105.27
Japanese Yen	4,166.64	-	4,166.64	544.54	-	544.54
Euro	1,010.65	-	1,010.65	1,462.91	-	1,462.91
Other currencies	2,548.89	1,418.35	3,967.24	1,642.29	2,756.44	4,398.73
Total	22,064.74	9,960.89	32,025.63	28,877.08	11,634.37	40,511.45
<u>Add</u> Accrued interest receivables	-	93.33	93.33	-	130.04	130.04
<u>Less</u> Deferred revenue	-	(1.77)	(1.77)	-	(2.61)	(2.61)
Allowance for doubtful accounts	(0.19)	(76.33)	(76.52)	-	(80.95)	(80.95)
Total foreign items	22,064.55	9,976.12	32,040.67	28,877.08	11,680.85	40,557.93
Total domestic and foreign items	45,164.01	231,340.09	276,504.10	45,979.35	326,534.43	372,513.78

6.2 Interbank and Money Market Items, Net (Assets) (Continued)

(Million Baht)

The Bank's Financial Statements						
	June 30, 2019			December 31, 2018		
	Demand	Time	Total	Demand	Time	Total
6.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	22,398.19	167,394.39	189,792.58	16,311.10	252,001.37	268,312.47
Commercial banks	8.46	17,209.83	17,218.29	0.82	17,799.78	17,800.60
Special purpose financial institutions	-	20.16	20.16	-	818.09	818.09
Other financial institutions	52.69	37,934.91	37,987.60	41.00	45,819.66	45,860.66
Total	22,459.34	222,559.29	245,018.63	16,352.92	316,438.90	332,791.82
<u>Add</u> Accrued interest receivables	-	111.54	111.54	-	174.72	174.72
<u>Less</u> Deferred Revenue	-	(22.27)	(22.27)	-	(15.11)	(15.11)
Allowance for doubtful accounts	(1.04)	(1,284.59)	(1,285.63)	(0.73)	(1,744.93)	(1,745.66)
Total domestic items	22,458.30	221,363.97	243,822.27	16,352.19	314,853.58	331,205.77
6.2.2 Foreign Items						
US Dollar	14,338.56	8,542.54	22,881.10	25,227.34	8,877.93	34,105.27
Japanese Yen	4,166.64	-	4,166.64	544.54	-	544.54
Euro	1,010.65	-	1,010.65	1,462.91	-	1,462.91
Other currencies	2,548.89	1,418.35	3,967.24	1,642.29	2,756.44	4,398.73
Total	22,064.74	9,960.89	32,025.63	28,877.08	11,634.37	40,511.45
<u>Add</u> Accrued interest receivables	-	93.33	93.33	-	130.04	130.04
<u>Less</u> Deferred revenue	-	(1.77)	(1.77)	-	(2.61)	(2.61)
Allowance for doubtful accounts	(0.19)	(76.33)	(76.52)	-	(80.95)	(80.95)
Total foreign items	22,064.55	9,976.12	32,040.67	28,877.08	11,680.85	40,557.93
Total domestic and foreign items	44,522.85	231,340.09	275,862.94	45,229.27	326,534.43	371,763.70

6.3 Derivatives Held for Trading

The Fair Values and the Notional Amounts Classified by Type of Risk

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>Type of Risk</u>	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Fair Value</u>		Notional <u>Amounts</u>	<u>Fair Value</u>		Notional <u>Amounts</u>
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	35,243.00	33,583.03	2,081,020.46	23,368.23	18,779.56	2,214,299.83
Interest rate	14,197.13	12,985.38	2,038,586.50	6,739.14	7,037.15	1,784,644.83
Others	6,174.19	6,951.99	140,209.08	6,122.20	6,528.90	111,623.79
Total	55,614.32	53,520.40	4,259,816.04	36,229.57	32,345.61	4,110,568.45

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>Type of Risk</u>	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Fair Value</u>		Notional <u>Amounts</u>	<u>Fair Value</u>		Notional <u>Amounts</u>
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	35,243.00	33,583.03	2,081,020.46	23,368.23	18,779.56	2,214,299.83
Interest rate	14,197.58	12,985.38	2,038,721.59	6,740.60	7,037.15	1,784,982.84
Others	6,174.19	6,951.99	140,209.08	6,122.20	6,528.90	111,623.78
Total	55,614.77	53,520.40	4,259,951.13	36,231.03	32,345.61	4,110,906.45

The Proportion of Derivative Transactions Classified by Type of Counterparty based on the Notional Amounts

<u>Counterparty</u>	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>
Financial institutions	77.61%	75.18%	77.61%	75.18%
Group companies	0.20%	0.26%	0.20%	0.27%
Third parties	22.19%	24.56%	22.19%	24.55%
Total	100.00%	100.00%	100.00%	100.00%

6.4 Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
6.4.1 Trading Securities				
Government and state enterprises securities	25,739.34	15,670.50	25,739.34	15,670.50
Private enterprises debt securities	426.73	239.95	426.73	239.95
Foreign debt securities	-	7,452.93	-	7,452.93
Total	26,166.07	23,363.38	26,166.07	23,363.38
6.4.2 Available-for-Sale Securities				
Government and state enterprises securities	191,333.52	132,192.80	191,333.52	132,192.80
Private enterprises debt securities	14,292.77	14,045.36	14,938.82	14,687.18
Foreign debt securities	38,727.96	35,046.70	38,727.96	35,046.70
Domestic marketable equity securities	17,338.82	15,133.22	17,338.82	15,133.22
Foreign marketable equity securities	350.97	382.34	350.97	382.34
Total	262,044.04	196,800.42	262,690.09	197,442.24
	<u>Cost/</u>	<u>Cost/</u>	<u>Cost/</u>	<u>Cost/</u>
	<u>Amortized Cost</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>
6.4.3 Held-to-Maturity Debt Securities				
Government and state enterprises securities	405.94	1,745.65	-	1,000.00
Private enterprises debt securities	735.71	35.71	735.71	35.71
Foreign debt securities	472.50	646.30	472.50	646.30
Total	1,614.15	2,427.66	1,208.21	1,682.01
<u>Less</u> Allowance for impairment	(35.71)	(35.82)	(35.71)	(35.82)
Total	1,578.44	2,391.84	1,172.50	1,646.19
6.4.4 General Investments				
Domestic non-marketable equity securities	2,094.09	1,933.74	2,094.04	1,933.69
Foreign non-marketable equity securities	3.55	3.77	3.55	3.77
Others	0.77	0.81	0.77	0.81
Total	2,098.41	1,938.32	2,098.36	1,938.27
<u>Less</u> Allowance for impairment	(1,204.66)	(1,161.37)	(1,204.66)	(1,161.37)
Total	893.75	776.95	893.70	776.90
	290,682.30	223,332.59	290,922.36	223,228.71

6.4 Investments, Net (Continued)

As at June 30, 2019 and December 31, 2018, general investments which are domestic non-marketable equity securities of Baht 2,094.04 million and Baht 1,933.69 million respectively, included investments in the Islamic Bank of Thailand of Baht 1,048.15 million, which the Bank reserved the full amount of allowances for impairment and included investments in Private Equity Trust for SME Growing Together of Baht 301.85 million which support the government policies.

6.4.5 As at June 30, 2019 and December 31, 2018 unrealized gains (losses) on revaluation of available-for-sale securities are as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>								
	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
		Unrealized	Unrealized	Fair		Unrealized	Unrealized	Fair
	<u>Cost</u> ¹	<u>Gains</u> ²	<u>Losses</u> ²	<u>Value</u>	<u>Cost</u> ¹	<u>Gains</u> ²	<u>Losses</u> ²	<u>Value</u>
Available-for-Sale Securities	250,185.12	13,052.09	(1,193.17)	262,044.04	188,392.08	10,532.73	(2,124.39)	196,800.42

(Million Baht)

<u>The Bank's Financial Statements</u>								
	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
		Unrealized	Unrealized	Fair		Unrealized	Unrealized	Fair
	<u>Cost</u> ¹	<u>Gains</u> ²	<u>Losses</u> ²	<u>Value</u>	<u>Cost</u> ¹	<u>Gains</u> ²	<u>Losses</u> ²	<u>Value</u>
Available-for-Sale Securities	250,831.72	13,052.09	(1,193.72)	262,690.09	189,042.68	10,532.73	(2,133.17)	197,442.24

¹ net of allowance for impairment

² Included Gains (Losses) from reclassification of investments

6.4.6 As at June 30, 2019 and December 31, 2018, the Bank has investments in foreign securities that are affected by foreign exchange rate, resulting in a decrease of the carrying amount of Baht 1,295.10 million and Baht 608.53 million, respectively.

6.4.7 The Bank has the other investments with holding of 10 percent and upwards of the paid-up capital, classified by industrial sector and represented at their fair value as follows:

(Million Baht)

<u>Consolidated and The Bank's Financial Statements</u>		
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Public utilities and services	1,543.58	1,434.11

6.4.8 As at June 30, 2019, the Bank has investments in 4 listed companies that are subject to delisting from SET, their cost of Baht 2.13 million which are fully reserved allowance for impairment.

6.5.1 The Bank's Financial Statements

June 30, 2019

			Percentages of	Investments	
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	<u>Shareholdings</u>	<u>(Cost Method)</u>	<u>Dividend</u>
Subsidiaries					
KTB Law Co., Ltd.	Legal Services	Ordinary	100.00	30.00	27.00
KTB General Services and Security Co., Ltd.	General Services	Ordinary	100.00	140.00	118.65
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	455.00
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	79.43
KTB Leasing Co., Ltd. *	Hire Purchase	Ordinary	100.00	1,000.00	-
KTB Advisory Co., Ltd.**	Financial Counseling & Advisory Services	Ordinary	100.00	40.00	-
Krungthai Card Pcl.	Credit Card Business	Ordinary	49.27	1,987.50	1,045.50
KTC Nano Co.,Ltd ****	Personal Loan to Natural Person in order to use for Career	Ordinary	24.95	12.48	-
KTC Pico (Bangkok) Co., Ltd. ****	Personal Loan	Ordinary	24.95	4.99	-
Total				4,725.87	1,725.58
<u>Less</u> Allowance for impairment ***				(798.76)	-
Total				3,927.11	1,725.58
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	4,071.77	-
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	1,518.82	118.80
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	43.12
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	-
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	17.22
Total				6,784.91	179.14
Investments in subsidiaries and associates, net				10,712.02	1,904.72

6.5 Investments in Subsidiaries and Associates, Net (Continued)**6.5.1 The Bank's Financial Statements (Continued)**

(Million Baht)

						December 31, 2018	
						Percentages of	Investments
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	<u>Shareholdings</u>	<u>(Cost Method)</u>	<u>Dividend</u>		
Subsidiaries							
KTB Law Co., Ltd.	Legal Services	Ordinary	100.00	30.00	22.50		
KTB General Services and Security Co., Ltd.	General Services	Ordinary	100.00	140.00	157.15		
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	320.00		
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	16.38		
KTB Leasing Co., Ltd.*	Hire Purchase	Ordinary	100.00	1,000.00	-		
KTB Advisory Co., Ltd.	Financial Counseling & Advisory Services	Ordinary	100.00	40.00	-		
Krungthai Card Pcl.	Credit Card Business	Ordinary	49.45	1,994.60	675.75		
Total				4,715.50	1,191.78		
<u>Less Allowance for impairment***</u>				(802.56)	-		
Total				3,912.94	1,191.78		
Associates							
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	4,071.77	-		
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	1,518.82	168.30		
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	41.36		
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	-		
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	5.28		
Total				6,784.91	214.94		
Investments in subsidiaries and associates, net				10,697.85	1,406.72		

* Under consideration of business restructuring plan.

** Under operation of business plan preparation.

*** Allowance for impairment in subsidiaries occurs from cost higher than book value.

**** Indirect investment via KTC Co., Ltd. By the Bank invested in KTC hold 49.45% and KTC hold 75.05% in KTC Nano and KTC Pico.

6.5 Investments in Subsidiaries and Associates, Net (Continued)**6.5.2 The Consolidated Financial Statements**

(Million Baht)

				June 30, 2019	
			Percentages of	Investments	Investments
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	<u>Shareholdings</u>	<u>(Cost Method)</u>	<u>(Equity Method)</u>
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	593.57	16,903.06
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	2,921.07
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	672.67
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,126.74
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	379.22
Total investments in associates, net				2,759.19	22,002.76

(Million Baht)

				December 31, 2018	
			Percentages of	Investments	Investments
<u>Name of Company</u>	<u>Type of Business</u>	<u>Type of Shares</u>	<u>Shareholdings</u>	<u>(Cost Method)</u>	<u>(Equity Method)</u>
Associates					
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	593.57	11,900.65
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	2,761.78
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	659.77
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,167.81
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	344.29
Total investments in associates, net				2,759.19	16,834.30

Investments in associates are accounted in the consolidated financial statements by using the equity method based on financial information from unaudited/unreviewed financial statements of the associates.

6.5.3 Financial Positions and Operations of Associates

(Million Baht)

Name of Company	Consolidated Financial Statements					
	June 30, 2019			December 31, 2018		
	"Unreviewed"			"Audited"		
	Total Assets	Total Liabilities	Shareholders' Equity	Total Assets	Total Liabilities	Shareholders' Equity
Krungthai-AXA Life Insurance Pcl.	302,911.67	269,105.54	33,806.13	275,484.29	251,627.05	23,857.24
Krungthai Panich Insurance Pcl.	10,150.70	3,659.43	6,491.27	9,792.84	3,652.00	6,140.84
Krung Thai IBJ Leasing Co., Ltd.	12,214.20	10,842.98	1,371.22	11,203.31	9,851.20	1,352.11
KT Zmico Securities Co., Ltd.	6,567.25	4,313.77	2,253.48	6,661.43	4,368.05	2,293.38
National ITMX Co., Ltd.	2,009.65	214.74	1,794.91	1,847.03	219.48	1,627.55
	333,853.47	288,136.46	45,717.01	304,988.90	269,717.78	35,271.12

6.5 Investments in Subsidiaries and Associates, Net (Continued)**6.5.3 Financial Positions and Operations of Associates (Continued)**

(Million Baht)

<u>Name of Company</u>	<u>Consolidated Financial Statements</u>			
	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>"Unreviewed"</u>		<u>"Reviewed"</u>	
	<u>Total Income</u>	<u>Net Profit (Loss)</u>	<u>Total Income</u>	<u>Net Profit (Loss)</u>
Krungthai-AXA Life Insurance Pcl.	34,470.44	966.84	41,810.34	1,406.04
Krungthai Panich Insurance Pcl.	1,479.89	407.52	1,522.83	334.29
Krung Thai IBJ Leasing Co., Ltd. *	472.51	107.91	444.05	103.84
KT Zmico Securities Co., Ltd.	536.65	(2.92)	738.59	34.74
National ITMX Co., Ltd. *	605.47	248.85	308.28	57.55
	<u>37,564.96</u>	<u>1,728.20</u>	<u>44,824.09</u>	<u>1,936.46</u>

* For the six-month period ended June 30, 2018 information is yet unreviewed by the auditor.

6.6 Loans to Customers and Accrued Interest Receivables, Net**6.6.1 Classified by Type of Loans**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Overdrafts	169,460.83	171,033.53	169,460.83	171,033.53
Loans	1,393,075.31	1,347,062.18	1,319,205.02	1,273,401.07
Bills	492,122.49	492,393.92	499,832.49	503,233.92
Hire purchase receivables	5,657.41	9,173.43	1.02	1.04
Financial lease receivables	1,662.13	2,338.81	-	-
Others	3,745.93	3,128.17	1,194.48	1,078.31
<u>Less</u> Deferred revenue	<u>(671.53)</u>	<u>(925.37)</u>	<u>(87.78)</u>	<u>(45.99)</u>
Total loans to customers net of deferred revenue	2,065,052.57	2,024,204.67	1,989,606.06	1,948,701.88
<u>Add</u> Accrued interest receivables	<u>5,271.87</u>	<u>5,424.06</u>	<u>4,755.87</u>	<u>4,877.86</u>
Total loans to customers net of deferred revenue, plus accrued interest receivables	2,070,324.44	2,029,628.73	1,994,361.93	1,953,579.74
<u>Less</u> Allowance for doubtful accounts				
1. Minimum reserve under BOT's regulations				
Individual approach	(77,126.26)	(71,305.17)	(74,825.13)	(69,052.44)
Collective approach	(3,739.65)	(3,781.72)	-	-
2. Excess allowance	(61,842.26)	(58,667.50)	(59,545.66)	(56,287.43)
Total loans to customers, net	<u>1,927,616.27</u>	<u>1,895,874.34</u>	<u>1,859,991.14</u>	<u>1,828,239.87</u>

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)

6.6.1 Classified by Type of Loans (Continued)

As at June 30, 2019, the Bank has loans to interbank and money market items which subject to government policy program, the loans are as follows : KTB-Soft Loan which is a working capital for Medium-Sized Enterprises and Retails (SMEs), KTB-Soft Loan which is a principal of machinery improvement and increase productivity for Medium-Sized Enterprises and Retails (SMEs), financial support for the six Southern provinces' entrepreneur, revolving fund project for energy conservation by financial institution phase 6, and Loan project for environment totaling amount Baht 32,345.40 million.

As at June 30, 2019 and December 31, 2018 , the Bank's other loans of Baht 1,194.48 million and Baht 1,078.31 million included debts resulting from the Bank's liabilities under acceptances or guarantees of Baht 1,133.52 million and Baht 1,031.55 million, respectively.

6.6.2 Classified by Currency and Customer's Residency

(Million Baht)

Consolidated Financial Statements

	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	2,002,190.99	1.46	2,002,192.45	1,951,161.43	0.69	1,951,162.12
US Dollar	45,607.94	14,157.73	59,765.67	51,886.21	18,246.89	70,133.10
Other currencies	3,018.46	75.99	3,094.45	2,832.30	77.15	2,909.45
Total	2,050,817.39	14,235.18	2,065,052.57	2,005,879.94	18,324.73	2,024,204.67

(Million Baht)

The Bank's Financial Statements

	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,926,744.48	1.46	1,926,745.94	1,875,658.64	0.69	1,875,659.33
US Dollar	45,607.94	14,157.73	59,765.67	51,886.21	18,246.89	70,133.10
Other currencies	3,018.46	75.99	3,094.45	2,832.30	77.15	2,909.45
Total	1,975,370.88	14,235.18	1,989,606.06	1,930,377.15	18,324.73	1,948,701.88

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.3 Classified by Business Types and Loan Classification**

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>June 30, 2019</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	22,784.38	1,705.47	225.81	676.98	1,735.13	27,127.77
Manufacturing and commercial	457,282.52	31,058.47	3,601.06	8,281.73	45,747.00	545,970.78
Real estate and construction	95,983.95	8,452.65	341.63	1,524.71	9,387.29	115,690.23
Public utilities and services	339,775.85	22,020.72	266.03	1,289.56	8,471.43	371,823.59
Housing loans	360,680.42	5,937.83	2,164.12	2,769.99	12,256.79	383,809.15
Others	606,997.10	4,953.63	1,541.05	574.85	6,564.42	620,631.05
Total	1,883,504.22	74,128.77	8,139.70	15,117.82	84,162.06	2,065,052.57

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2018</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	23,526.18	2,007.05	631.43	891.49	1,071.43	28,127.58
Manufacturing and commercial	465,452.34	29,348.22	8,628.32	9,378.12	37,615.46	550,422.46
Real estate and construction	97,000.24	6,793.99	501.00	2,261.81	8,538.57	115,095.61
Public utilities and services	329,581.33	14,772.72	484.01	2,525.40	7,376.07	354,739.53
Housing loans	353,537.67	6,394.85	2,396.85	2,388.22	12,016.19	376,733.78
Others	584,555.30	4,896.05	1,761.14	478.13	7,395.09	599,085.71
Total	1,853,653.06	64,212.88	14,402.75	17,923.17	74,012.81	2,024,204.67

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.3 Classified by Business Types and Loan Classification (Continued)**

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>June 30, 2019</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	22,627.35	1,690.20	225.09	676.52	1,724.21	26,943.37
Manufacturing and commercial	456,192.81	31,009.96	3,564.49	8,270.05	45,665.15	544,702.46
Real estate and construction	98,210.49	8,090.75	334.41	1,521.30	9,347.38	117,504.33
Public utilities and services	338,107.18	21,973.36	247.49	1,245.45	8,397.81	369,971.29
Housing loans	360,680.42	5,937.83	2,164.12	2,769.99	12,256.79	383,809.15
Others	537,741.88	3,490.56	1,359.43	428.33	3,655.26	546,675.46
Total	1,813,560.13	72,192.66	7,895.03	14,911.64	81,046.60	1,989,606.06

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>December 31, 2018</u>						
	<u>Normal</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Doubtful of Loss</u>	<u>Total</u>
Agriculture and mining	23,358.96	1,996.60	622.81	887.03	1,038.19	27,903.59
Manufacturing and commercial	463,829.89	29,295.21	8,589.74	9,303.26	37,356.60	548,374.70
Real estate and construction	97,273.62	6,762.16	489.39	2,233.69	8,417.40	115,176.26
Public utilities and services	327,490.70	14,753.20	454.79	2,492.46	7,151.87	352,343.02
Housing loans	353,537.67	6,394.85	2,396.85	2,388.22	12,016.19	376,733.78
Others	518,169.77	3,236.55	1,543.86	317.45	4,902.90	528,170.53
Total	1,783,660.61	62,438.57	14,097.44	17,622.11	70,883.15	1,948,701.88

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.4 Classified by Loans Classification**

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>June 30, 2019</u>				
	Net Amount	%		
Loans and Accrued Interest <u>Receivables</u>	Used for Setting the Allowance for <u>Doubtful Accounts</u> ¹	Used for Setting the Allowance for <u>Doubtful Accounts</u> ²	Allowance for Doubtful <u>Accounts</u>	
1. Minimum reserve under BOT's regulations				
Normal	1,888,408.00	901,014.74	1	13,682.96
Special mention	74,430.64	32,170.63	2	14,862.88
Substandard	8,140.81	3,319.81	100	3,326.42
Doubtful	15,117.81	7,141.66	100	7,141.66
Doubtful of loss	84,227.18	40,358.10	100	41,851.99
2. Excess allowance				61,842.26
Total	2,070,324.44	984,004.94		142,708.17

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>December 31, 2018</u>				
	Net Amount	%		
Loans and Accrued Interest <u>Receivables</u>	Used for Setting the Allowance for <u>Doubtful Accounts</u> ¹	Used for Setting the Allowance for <u>Doubtful Accounts</u> ²	Allowance for Doubtful <u>Accounts</u>	
1. Minimum reserve under BOT's regulations				
Normal	1,858,756.46	872,883.93	1	13,399.00
Special mention	64,464.87	25,554.66	2	11,584.89
Substandard	14,404.28	7,898.81	100	7,898.81
Doubtful	17,923.17	9,196.18	100	9,196.18
Doubtful of loss	74,079.95	31,511.21	100	33,008.01
2. Excess allowance				58,667.50
Total	2,029,628.73	947,044.79		133,754.39

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.4 Classified by Loans Classification (Continued)**

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>June 30, 2019</u>				
	Net Amount	%		
Loans and Accrued Interest Receivables	Used for Setting the Allowance for Doubtful Accounts ¹	Used for Setting the Allowance for Doubtful Accounts	Allowance for Doubtful Accounts	
1. Minimum reserve under BOT's regulations				
Normal	1,817,959.16	835,449.65	1	11,394.71
Special mention	72,484.52	30,771.89	2	14,381.66
Substandard	7,895.05	3,151.24	100	3,157.85
Doubtful	14,911.63	6,981.72	100	6,981.72
Doubtful of loss	81,111.57	37,415.30	100	38,909.19
2. Excess allowance				59,545.66
Total	1,994,361.93	913,769.80		134,370.79

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>December 31, 2018</u>				
	Net Amount	%		
Loans and Accrued Interest Receivables	Used for Setting the Allowance for Doubtful Accounts ¹	Used for Setting the Allowance for Doubtful Accounts	Allowance for Doubtful Accounts	
1. Minimum reserve under BOT's regulations				
Normal	1,788,230.40	810,450.16	1	11,142.66
Special mention	62,679.70	24,206.50	2	11,091.42
Substandard	14,097.45	7,689.49	100	7,689.49
Doubtful	17,622.11	9,019.90	100	9,019.90
Doubtful of loss	70,950.08	28,612.17	100	30,108.97
2. Excess allowance				56,287.43
Total	1,953,579.74	879,978.22		125,339.87

¹ Net amount used for setting the allowance for doubtful accounts represents outstanding amount of principal excluding accrued interest receivables after deducted collateral, or debts after deducted the present value of expected cash flows from debtors, or present value of expected cash flows from sale of collateral.

² Included loss rate net of recovery.

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)

6.6.5 Non-Performing Loans (NPLs)

As at June 30, 2019 and December 31, 2018, the Bank and its subsidiaries had NPLs defined according to the BOT's notification as loans classified substandard, doubtful, doubtful of loss, and loss. Including interbank and money market items but excluding accrued interest receivables.

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
NPLs before allowance for doubtful accounts	107,437.58	106,369.71	103,871.27	102,633.69
NPLs as percentage of total loans	4.68	4.53	4.68	4.52
NPLs after allowance for doubtful accounts	43,053.06	44,396.08	42,756.82	43,942.97
NPLs as percentage of net total loans	1.93	1.94	1.98	1.98

For the six-month period ended June 30, 2019 and for the year ended December 31, 2018, the Bank write off bad debts from non-performing debtors which included principal and accrued interest receivables of Baht 2,564.19 million and Baht 18,330.35 million, respectively.

6.6.6 Non-Accrual Loans based on the Accrual Basis

As at June 30, 2019 and December 31, 2018, the Bank and its subsidiaries have non-accrual loans based on the accrual basis and comply with the BOT's requirement as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Non-accrual loans	107,437.58	106,369.71	103,871.27	102,633.69
Percentage of total loans before allowance for doubtful accounts	4.68	4.53	4.68	4.52

6.6.7 Loans to Potential Delisted Companies

As at June 30, 2019 and December 31, 2018, the Bank and its subsidiaries have loans and accrued interest receivables to 3 potential delisted companies of Baht 8,823.29 million which have allowance for doubtful accounts of Baht 3,226.35 million. Moreover, there are 3 potential delisted companies of Baht 9,052.68 million, which have allowance for doubtful accounts of Baht 7,616.11 million, respectively.

6.6.8 Troubled Debt Restructuring (TDR)

For the six-month period ended June 30, 2019, the Bank conducts the troubled debt restructuring contracts in 3,921 cases, which the debt balance before restructuring of Baht 32,380.05 million, principal repayment is in amount of Baht 4,040.66 million, whereas its loans increase in amount of Baht 13,225.29 million, and bad debt after restructuring of Baht 0.04 million

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.8 Troubled Debt Restructuring (TDR) (Continued)**

TDR for the six-month period ended June 30, 2019 is set out as follows:

(Million Baht)

<u>Troubled Debt Restructuring Methods</u>	<u>No. of Cases</u>	<u>The Bank's Financial Statements</u>		
		<u>Outstanding Debt before Restructuring</u>	<u>Type of Transferred Assets</u>	<u>Fair Value</u>
Transfers of assets	17	265.03	Land & Premises	265.03
Change of repayment conditions	211	15,091.97		
Debt restructuring in various forms	3,693	17,023.05		
	3,921	32,380.05		

As at June 30, 2019, the Bank has outstanding balance of loans restructured debts 37,083 cases of Baht 167,532.19 million, of which 17,483 cases of Baht 10,454.10 million, has been monitored under the new contractual agreements.

The consolidated financial statements for the six-month period ended June 30, 2019, the Bank and its subsidiaries restructured debts of 3,952 cases, which the debts before restructuring were Baht 33,495.74 million.

For the year ended December 31, 2018, the Bank conducts the troubled debt restructuring contracts in 9,410 cases, which the debt balance before restructuring of Baht 67,302.08 million, principal repayment is in amount of Baht 10,857.72 million, whereas its loans increase in amount of Baht 44,680.60 million, and bad debts from troubled debt restructuring of Baht 3.80 million.

TDR for the year ended December 31, 2018 was set out as follows:

(Million Baht)

<u>Troubled Debt Restructuring Methods</u>	<u>No. of Cases</u>	<u>The Bank's Financial Statements</u>		
		<u>Outstanding Debt before Restructuring</u>	<u>Type of Transferred Assets</u>	<u>Fair Value</u>
Transfers of assets	6	52.56	Land & Premises	52.56
Change of repayment conditions	381	29,283.27		
Debt restructuring in various forms	9,023	37,966.25		
	9,410	67,302.08		

As at December 31, 2018, the Bank has outstanding balance of loans restructured debts 36,782 cases of Baht 165,455.48 million, of which 16,175 cases of Baht 8,830.08 million, has been monitored under the new contractual agreements.

The consolidated financial statements for the year ended December 31, 2018, the Bank and its subsidiaries restructured debts of 9,467 cases, which the debts before restructuring were Baht 69,562.05 million.

6.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**6.6.8 Financial Lease Receivables (Including Hire Purchase Receivables and Financial Lease Receivables)**

(Million Baht)

Consolidated Financial Statements

	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	<u>Amount Due of the Contract</u>				<u>Amount Due of the Contract</u>			
	Not Over	Over	Over		Not Over	Over	Over	
	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>
Gross investment of leases payment	4,316.71	2,991.34	11.49	7,319.54	6,778.78	4,712.38	21.08	11,512.24
<u>Less</u> Unearned financial income				(583.89)				(879.53)
Present value of minimum leases payment				6,735.65				10,632.71
<u>Less</u> Allowance for doubtful accounts				(762.57)				(1,238.29)
Financial lease receivables, net				<u>5,973.08</u>				<u>9,394.42</u>

(Million Baht)

The Bank's Financial Statements

	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	<u>Amount Due of the Contract</u>				<u>Amount Due of the Contract</u>			
	Not Over	Over	Over		Not Over	Over	Over	
	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>	<u>1 Year</u>	<u>1 - 5 Years</u>	<u>5 Years</u>	<u>Total</u>
Gross investment of leases payment	1.02	-	-	1.02	1.04	-	-	1.04
<u>Less</u> Unearned financial income				(0.14)				(0.15)
Present value of minimum leases payment				0.88				0.89
<u>Less</u> Allowance for doubtful accounts				(0.88)				(0.89)
Financial lease receivables, net				<u>-</u>				<u>-</u>

6.7 Allowance for Doubtful Accounts

(Million Baht)

<u>Consolidated Financial Statements</u>							
<u>June 30, 2019</u>							
	Special			Doubtful		Allowance in Excess of BOT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Requirement</u>	<u>Total</u>
Beginning balances	13,399.00	11,584.89	7,898.81	9,196.18	33,008.01	58,667.50	133,754.39
Doubtful accounts	347.75	3,712.32	(2,181.31)	(2,008.63)	10,317.62	2,724.69	12,912.44
Bad debt recovered	-	-	-	-	1,224.84	-	1,224.84
Bad debt written-off	(67.91)	(434.59)	(2,391.08)	(58.89)	(2,647.74)	-	(5,600.21)
Others	4.12	0.26	-	13.00	(50.74)	450.07	416.71
Ending balances	13,682.96	14,862.88	3,326.42	7,141.66	41,851.99	61,842.26	142,708.17

(Million Baht)

<u>Consolidated Financial Statements</u>							
<u>December 31, 2018</u>							
	Special			Doubtful		Allowance in Excess of BOT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Requirement</u>	<u>Total</u>
Beginning balances	11,067.33	17,305.19	7,289.59	25,029.24	28,246.88	36,425.50	125,363.73
Doubtful accounts	(1,300.47)	(4,752.43)	4,952.00	(15,682.55)	19,260.70	23,735.97	26,213.22
Allowance for doubtful accounts transferred from allowance for debt restructuring revaluation	-	17.26	-	-	-	-	17.26
Bad debt recovered	-	-	-	-	4,343.30	-	4,343.30
Bad debt written-off	(216.14)	(1,083.64)	(4,342.78)	(119.51)	(18,607.45)	-	(24,369.52)
Others	3,848.28	98.51	-	(31.00)	(235.42)	(1,493.97)	2,186.40
Ending balances	13,399.00	11,584.89	7,898.81	9,196.18	33,008.01	58,667.50	133,754.39

6.7 Allowance for Doubtful Accounts (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>June 30, 2019</u>							
	Special			Doubtful		Allowance in Excess of BOT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Requirement</u>	<u>Total</u>
Beginning balances	11,142.66	11,091.42	7,689.49	9,019.90	30,108.97	56,287.43	125,339.87
Doubtful accounts	247.93	3,289.98	(4,531.64)	(2,051.18)	10,236.75	2,808.16	10,000.00
Bad debt recovered	-	-	-	-	1,178.40	-	1,178.40
Bad debt written-off	-	-	-	-	(2,564.19)	-	(2,564.19)
Others	4.12	0.26	-	13.00	(50.74)	450.07	416.71
Ending balances	11,394.71	14,381.66	3,157.85	6,981.72	38,909.19	59,545.66	134,370.79

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2018</u>							
	Special			Doubtful		Allowance in Excess of BOT's	
	<u>Normal</u>	<u>Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>of Loss</u>	<u>Requirement</u>	<u>Total</u>
Beginning balances	8,948.50	16,803.74	7,003.55	24,651.26	25,500.03	33,819.27	116,726.35
Doubtful accounts	(1,654.12)	(5,828.09)	685.94	(15,600.36)	18,934.50	23,962.13	20,500.00
Allowance for doubtful accounts transferred from allowance for debt restructuring revaluation	-	17.26	-	-	-	-	17.26
Bad debt recovered	-	-	-	-	4,240.21	-	4,240.21
Bad debt written-off	-	-	-	-	(18,330.35)	-	(18,330.35)
Others	3,848.28	98.51	-	(31.00)	(235.42)	(1,493.97)	2,186.40
Ending balances	11,142.66	11,091.42	7,689.49	9,019.90	30,108.97	56,287.43	125,339.87

For the six-month period ended June 30, 2019, the Bank has the allowance for doubtful accounts of Baht 10,000 million. For the year ended December 31, 2018, the Bank has the allowance for doubtful accounts of Baht 20,500 million.

6.8 Revaluation Allowance for Debt Restructuring

(Million Baht)

	<u>Consolidated and the Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Beginning balance	-	17.26
Transfer to allowance for doubtful accounts	-	(17.26)
Ending balance	-	-

The revaluation allowance for debt restructuring was transferred from allowance for doubtful accounts for restructured debtors, and transferred to allowance for doubtful accounts when the debtors defaulted to comply with the new troubled debt restructuring agreement.

The revaluation allowance for debt restructuring has not been amortized and recognized as income upon receipt of debt repayment but transferred to allowance for doubtful accounts instead as the restructured debts may become non-performing.

6.9 Properties for Sale, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>							
	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	Beginning			Ending	Beginning			Ending
<u>Type of Properties for Sale</u>	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
Assets from debt repayment								
Immovable properties								
Appraised by external appraisers	30,718.06	1,692.01	2,667.90	29,742.17	32,002.40	2,236.11	3,520.45	30,718.06
Appraised by internal appraisers	6,080.65	1,278.07	115.39	7,243.33	4,190.69	2,172.98	283.02	6,080.65
Movable properties	297.35	30.30	115.27	212.38	236.44	168.47	107.56	297.35
Total	37,096.06	3,000.38	2,898.56	37,197.88	36,429.53	4,577.56	3,911.03	37,096.06
Others (closed branches)	68.62	-	-	68.62	68.62	-	-	68.62
Properties for sale in transit	901.95	726.75	901.95	726.75	826.01	901.95	826.01	901.95
Total	38,066.63	3,727.13	3,800.51	37,993.25	37,324.16	5,479.51	4,737.04	38,066.63
<u>Less</u> Allowance for impairment	(2,083.53)	(4,119.39)	-	(6,202.92)	(1,814.22)	(269.31)	-	(2,083.53)
Properties for sale, net	35,983.10	(392.26)	3,800.51	31,790.33	35,509.94	5,210.20	4,737.04	35,983.10

6.9 Properties for Sale, Net (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>Type of Properties for Sale</u>	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	Beginning			Ending	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
Assets from debt repayment								
Immovable properties								
Appraised by external appraisers	30,718.06	1,692.01	2,667.90	29,742.17	32,002.40	2,236.11	3,520.45	30,718.06
Appraised by internal appraisers	6,080.65	1,278.07	115.39	7,243.33	4,190.69	2,172.98	283.02	6,080.65
Movable properties	110.60	-	-	110.60	110.60	-	-	110.60
Total	36,909.31	2,970.08	2,783.29	37,096.10	36,303.69	4,409.09	3,803.47	36,909.31
Others (closed branches)	68.62	-	-	68.62	68.62	-	-	68.62
Properties for sale in transit	901.95	726.75	901.95	726.75	826.01	901.95	826.01	901.95
Total	37,879.88	3,696.83	3,685.24	37,891.47	37,198.32	5,311.04	4,629.48	37,879.88
<u>Less</u> Allowance for impairment	(1,967.08)	(4,147.11)	-	(6,114.19)	(1,711.98)	(255.10)	-	(1,967.08)
Properties for sale, net	35,912.80	(450.28)	3,685.24	31,777.28	35,486.34	5,055.94	4,629.48	35,912.80

As at June 30, 2019 and December 31, 2018, the Bank has allowance for impairment of properties for sale, net which is increased in the amount of Baht 4,147.11 million and the amount of Baht 255.10 million, respectively, from additional of loss on impairment.

For the six-month period ended June 30, 2019 and 2018, the Bank generated gains on sale of properties for sale in the amount of Baht 548.25 million and Baht 221.34 million, respectively (before including revenue from ownership transferring fees which were paid by customer in the amount of Baht 17.36 million and Baht 37.60 million and selling expenses in the amount of Baht 91.52 million and Baht 120.96 million, respectively).

6.10 Premises and Equipment, Net

Premises and equipment as at June 30, 2019 and December 31, 2018 are as follows:

(Million Baht)

Consolidated Financial Statements

June 30, 2019

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning	Additions /	Disposals /	Ending	Beginning			Ending	for	Equipment,
	<u>Balance</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,521.70	3.49	4.11	9,521.08	-	-	-	-	919.40	8,601.68
Appraisal increase *	10,438.05	-	-	10,438.05	-	-	-	-	-	10,438.05
Premises	12,272.51	217.49	33.93	12,456.07	8,641.63	122.53	33.49	8,730.67	16.05	3,709.35
Equipment	20,675.74	724.94	142.28	21,258.40	17,530.86	729.42	107.95	18,152.33	-	3,106.07
Others	1,353.73	459.36	396.25	1,416.84	652.60	38.86	-	691.46	-	725.38
Total	54,261.73	1,405.28	576.57	55,090.44	26,825.09	890.81	141.44	27,574.46	935.45	26,580.53

(Million Baht)

Consolidated Financial Statements

December 31, 2018

	<u>Cost</u>				<u>Accumulated Depreciation</u>			Allowance	Premises and	
	Beginning	Additions /	Disposals /	Ending	Beginning		Ending	for	Equipment,	
	<u>Balance</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,213.10	311.28	2.68	9,521.70	-	-	-	-	919.40	8,602.30
Appraisal increase *	10,446.24	-	8.19	10,438.05	-	-	-	-	-	10,438.05
Premises	11,909.89	445.31	82.69	12,272.51	8,420.97	284.60	63.94	8,641.63	16.05	3,614.83
Equipment	21,897.66	1,505.59	2,727.51	20,675.74	18,430.89	1,604.87	2,504.90	17,530.86	-	3,144.88
Others	888.82	965.29	500.38	1,353.73	565.04	92.44	4.88	652.60	-	701.13
Total	54,355.71	3,227.47	3,321.45	54,261.73	27,416.90	1,981.91	2,573.72	26,825.09	935.45	26,501.19

6.10 Premises and Equipment, Net (Continued)

(Million Baht)

The Bank's Financial StatementsJune 30, 2019

	<u>Cost</u>				<u>Accumulated Depreciation</u>				<u>Allowance</u>	<u>Premises and</u>
	<u>Beginning</u>	<u>Additions /</u>	<u>Disposals /</u>	<u>Ending</u>	<u>Beginning</u>			<u>Ending</u>	<u>for</u>	<u>Equipment,</u>
	<u>Balance</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,738.63	3.49	4.11	9,738.01	-	-	-	-	919.40	8,818.61
Appraisal increase *	10,438.05	-	-	10,438.05	-	-	-	-	-	10,438.05
Premises	11,367.08	197.93	-	11,565.01	7,940.74	105.18	-	8,045.92	16.05	3,503.04
Equipment	11,279.38	144.93	40.63	11,383.68	9,762.91	361.31	30.73	10,093.49	-	1,290.19
Others	1,061.40	161.29	10.21	1,212.48	652.60	38.86	-	691.46	-	521.02
Total	43,884.54	507.64	54.95	44,337.23	18,356.25	505.35	30.73	18,830.87	935.45	24,570.91

(Million Baht)

The Bank's Financial StatementsDecember 31, 2018

	<u>Cost</u>				<u>Accumulated Depreciation</u>				Allowance	Premises and
	Beginning	Additions /	Disposals /	Ending	Beginning			Ending	for	Equipment,
	<u>Balance</u>	<u>Transfer in</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u>	<u>Impairment</u>	<u>Net</u>
Land										
Historical cost	9,430.04	311.28	2.69	9,738.63	-	-	-	-	919.40	8,819.23
Appraisal increase *	10,446.24	-	8.19	10,438.05	-	-	-	-	-	10,438.05
Premises	10,956.57	435.15	24.64	11,367.08	7,698.21	249.11	6.58	7,940.74	16.05	3,410.29
Equipment	12,905.52	448.09	2,074.23	11,279.38	11,000.32	739.56	1,976.97	9,762.91	-	1,516.47
Others	858.41	208.74	5.75	1,061.40	565.04	92.44	4.88	652.60	-	408.80
Total	44,596.78	1,403.26	2,115.50	43,884.54	19,263.57	1,081.11	1,988.43	18,356.25	935.45	24,592.84

* The Bank Appraisal its land in year 2016.

6.10 Premises and Equipment, Net (Continued)

As at June 30, 2019 and December 31, 2018, the allowance for impairment is as follows:

	(Million Baht)	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Beginning balance	935.45	919.40
Increase	-	16.05
Ending balance	<u>935.45</u>	<u>935.45</u>

6.11 Other Intangible Assets, Net

(Million Baht)

Consolidated Financial StatementsJune 30, 2019

	<u>Cost</u>			<u>Accumulated Amortization</u>				Allowance	Intangible	
	Beginning		Disposals/	Ending	Beginning		Disposals/	Ending	for	Assets,
	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Impairment</u>	<u>Net</u>
Software licenses	6,849.08	168.90	176.10	6,841.88	4,307.34	308.02	176.10	4,439.26	-	2,402.62
Other licenses	11.41	0.07	-	11.48	10.14	0.39	-	10.53	-	0.95
Development cost	4,261.58	8.82	-	4,270.40	3,095.54	123.86	-	3,219.40	-	1,051.00
Partial payment of										
intangible assets	508.20	150.19	64.37	594.02	-	-	-	-	273.45	320.57
Total	11,630.27	327.98	240.47	11,717.78	7,413.02	432.27	176.10	7,669.19	273.45	3,775.14

(Million Baht)

Consolidated Financial StatementsDecember 31, 2018

	<u>Cost</u>			<u>Accumulated Amortization</u>				Allowance	Intangible	
	Beginning		Disposals/	Ending	Beginning		Disposals/	Ending	for	Assets,
	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Impairment</u>	<u>Net</u>
Software licenses	6,120.21	763.53	34.66	6,849.08	3,717.66	619.13	29.45	4,307.34	-	2,541.74
Other licenses	10.61	0.80	-	11.41	9.44	0.70	-	10.14	-	1.27
Development cost	4,224.13	40.23	2.78	4,261.58	2,838.67	259.65	2.78	3,095.54	-	1,166.04
Partial payment of										
intangible assets	390.76	294.68	177.24	508.20	-	-	-	-	273.45	234.75
Total	10,745.71	1,099.24	214.68	11,630.27	6,565.77	879.48	32.23	7,413.02	273.45	3,943.80

6.11 Other Intangible Assets, Net (Continued)

(Million Baht)

The Bank's Financial StatementsJune 30, 2019

	<u>Cost</u>			<u>Accumulated Amortization</u>				Intangible	
	Beginning		Disposals/	Ending	Beginning		Disposals/	Ending	Assets,
	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Net</u>
Software licenses	1,172.56	99.75	-	1,272.31	650.42	58.81	-	709.23	563.08
Other licenses	5.12	-	-	5.12	4.99	0.01	-	5.00	0.12
Development cost	735.32	-	-	735.32	393.15	28.87	-	422.02	313.30
Partial payment of									
intangible assets	130.27	77.40	17.09	224.76	-	-	-	-	190.58
Total	2,043.27	177.15	17.09	2,237.51	1,048.56	87.69	-	1,136.25	1,067.08

(Million Baht)

The Bank's Financial StatementsDecember 31, 2018

	<u>Cost</u>				<u>Accumulated Amortization</u>				Intangible
	Beginning		Disposals/	Ending	Beginning		Disposals/	Ending	Assets,
	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Balance</u>	<u>Additions</u>	<u>Transfer out</u>	<u>Balance</u>	<u>Net</u>
Software licenses	967.00	205.56	-	1,172.56	545.21	105.21	-	650.42	522.14
Other licenses	5.12	-	-	5.12	4.97	0.02	-	4.99	0.13
Development cost	738.10	-	2.78	735.32	336.11	59.82	2.78	393.15	342.17
Partial payment of									
intangible assets	71.43	58.84	-	130.27	-	-	-	-	130.27
Total	1,781.65	264.40	2.78	2,043.27	886.29	165.05	2.78	1,048.56	994.71

6.12 Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities as at June 30, 2019 and December 31, 2018 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Deferred Tax Assets	5,697.68	5,127.96	3,257.35	2,666.69
Deferred Tax Liabilities	-	-	-	-
Net	5,697.68	5,127.96	3,257.35	2,666.69

Movements in deferred tax assets and deferred tax liabilities during the period/year are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>			
	<u>Charged / credited to:</u>			
	Other			
	Comprehensive			
	<u>January 1, 2019</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>June 30, 2019</u>
Deferred Tax Assets				
Investments	680.13	8.70	(186.24)	502.59
Investments in subsidiaries and associates	160.51	(0.76)	-	159.75
Loans to customers and accrued interest receivables, net	4,008.39	726.10	-	4,734.49
Properties for sale	416.90	823.78	-	1,240.68
Premises and equipment	268.60	0.31	-	268.91
Provisions	2,966.05	143.17	(2.09)	3,107.13
Guarantee deposit under financial lease	15.20	(12.92)	-	2.28
Others	1,514.33	(390.73)	-	1,123.60
Total	10,030.11	1,297.65	(188.33)	11,139.43
Deferred Tax Liabilities				
Investments	2,138.32	51.88	503.87	2,694.07
Premises and equipment	2,492.00	11.41	-	2,503.41
Loans to customers and accrued interest receivables, net	271.71	(27.66)	-	244.05
Others	0.12	0.10	-	0.22
Total	4,902.15	35.73	503.87	5,441.75
Net	5,127.96	1,261.92	(692.20)	5,697.68

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>Charged / credited to:</u>				
Other				
Comprehensive				
	<u>January 1, 2018</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2018</u>
Deferred Tax Assets				
Investments	470.70	(2.62)	212.05	680.13
Investments in subsidiaries and associates	160.49	0.02	-	160.51
Loans to customers and accrued interest receivables, net	3,874.51	133.88	-	4,008.39
Properties for sale	362.90	54.00	-	416.90
Premises and equipment	212.76	55.84	-	268.60
Provisions	3,131.38	59.06	(224.39)	2,966.05
Guarantee deposit under financial lease	31.94	(16.74)	-	15.20
Others	1,051.46	462.87	-	1,514.33
Total	9,296.14	746.31	(12.34)	10,030.11
Deferred Tax Liabilities				
Investments	1,867.86	14.61	255.85	2,138.32
Premises and equipment	2,408.67	84.97	(1.64)	2,492.00
Loans to customers and accrued interest receivables, net	426.67	(154.96)	-	271.71
Others	0.17	(0.05)	-	0.12
Total	4,703.37	(55.43)	254.21	4,902.15
Net	4,592.77	801.74	(266.55)	5,127.96

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>Charged / credited to:</u>				
Other				
Comprehensive				
	<u>January 1, 2019</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>June 30, 2019</u>
Deferred Tax Assets				
Investments	681.89	8.70	(187.89)	502.70
Investments in subsidiaries and associates	160.51	(0.76)	-	159.75
Loans to customers and accrued interest receivables, net	2,085.57	768.64	-	2,854.21
Properties for sale	393.42	829.42	-	1,222.84
Premises and equipment	187.09	-	-	187.09
Provisions	2,332.62	128.73	-	2,461.35
Others	1,401.09	(390.18)	-	1,010.91
Total	7,242.19	1,344.55	(187.89)	8,398.85
Deferred Tax Liabilities				
Investments	2,138.32	51.88	503.87	2,694.07
Premises and equipment	2,437.18	10.25	-	2,447.43
Total	4,575.50	62.13	503.87	5,141.50
Net	2,666.69	1,282.42	(691.76)	3,257.35

6.12 Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(Million Baht)

	<u>The Bank's Financial Statements</u>			
	<u>Charged / credited to:</u>			
	Other			
	Comprehensive			
	<u>January 1, 2018</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2018</u>
Deferred Tax Assets				
Investments	470.70	(2.62)	213.81	681.89
Investments in subsidiaries and associates	160.49	0.02	-	160.51
Loans to customers and accrued interest receivables, net	1,851.40	234.17	-	2,085.57
Properties for sale	342.39	51.03	-	393.42
Premises and equipment	183.88	3.21	-	187.09
Provisions	2,416.25	129.06	(212.69)	2,332.62
Others	981.98	419.11	-	1,401.09
Total	6,407.09	833.98	1.12	7,242.19
Deferred Tax Liabilities				
Investments	1,867.86	14.61	255.85	2,138.32
Premises and equipment	2,408.88	29.94	(1.64)	2,437.18
Total	4,276.74	44.55	254.21	4,575.50
Net	2,130.35	789.43	(253.09)	2,666.69

6.13 Other Assets, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Prepaid expenses	1,119.70	1,349.14	872.74	1,006.47
Account receivables - Revenue Department	704.53	1,071.03	1.49	4.81
Leaseholds	68.90	74.75	68.90	74.75
Suspense account debtors	5,369.83	5,520.20	5,353.47	5,508.86
Collateral under Credit Support Annex Contract and Cash Margin Debtors	7,548.08	3,935.01	7,548.08	3,935.01
Interbranch transactions	-	20.48	-	20.48
Settlement account between the Bank and other financial institutions	158.10	1,269.40	158.10	1,269.40
Sundry assets	8,766.41	6,132.11	9,043.21	6,942.49
Total	23,735.55	19,372.12	23,045.99	18,762.27
<u>Less</u> Allowance for impairment	(3,159.95)	(3,028.15)	(3,139.05)	(3,001.50)
Total other assets, net	20,575.60	16,343.97	19,906.94	15,760.77

As at June 30, 2019 and December 31, 2018, sundry assets are included default debtors from convertible preferred shares contracts of Baht 997.87 million with the same amounts of allowance for impairment (Note 6.38.1).

6.14 Deposits**6.14.1 Classified by Type of Deposits**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Demand deposits	89,586.39	86,498.72	91,252.93	88,144.96
Savings deposits	1,416,853.90	1,402,459.13	1,418,429.83	1,403,335.22
Time deposits	478,335.47	550,644.05	479,003.97	551,467.65
Total	1,984,775.76	2,070,874.68	1,988,686.73	2,073,594.01

6.14.2 Classified by Currencies and Residency of Depositors

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,946,068.51	15,952.77	1,962,021.28	1,978,710.89	14,746.40	1,993,457.29
US Dollar	12,622.83	4,409.48	17,032.31	33,355.94	5,811.85	39,167.79
Other currencies	3,008.78	2,713.39	5,722.17	4,004.60	2,972.22	6,976.82
Total	1,961,700.12	23,075.64	1,984,775.76	2,016,071.43	23,530.47	2,039,601.90

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,949,979.48	15,952.77	1,965,932.25	1,982,056.82	14,746.40	1,996,803.22
US Dollar	12,622.83	4,409.48	17,032.31	33,355.94	5,811.85	39,167.79
Other currencies	3,008.78	2,713.39	5,722.17	4,004.60	2,972.22	6,976.82
Total	1,965,611.09	23,075.64	1,988,686.73	2,019,417.36	23,530.47	2,042,947.83

6.15 Interbank and Money Market Items (Liabilities)

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	796.70	26,070.96	26,867.66	79.00	27,507.65	27,586.65
Commercial banks	3,880.76	60,711.08	64,591.84	407.46	35,497.89	35,905.35
Special purpose financial institutions	412.50	20,237.78	20,650.28	411.87	27,128.74	27,540.61
Other financial institutions	34,346.18	35,376.93	69,723.11	29,138.55	34,633.88	63,772.43
Total domestic items	39,436.14	142,396.75	181,832.89	30,036.88	124,768.16	154,805.04
6.15.2 Foreign Items						
US Dollar	341.04	-	341.04	346.46	1,946.99	2,293.45
Euro	59.06	-	59.06	112.05	-	112.05
Other currencies	156.30	-	156.30	185.39	-	185.39
Total foreign items	556.40	-	556.40	643.90	1,946.99	2,590.89
Total domestic and foreign items	39,992.54	142,396.75	182,389.29	30,680.78	126,715.15	157,395.93

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
6.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	796.70	26,070.96	26,867.66	79.00	27,507.65	27,586.65
Commercial banks	630.75	59,524.53	60,155.28	407.46	30,700.08	31,107.54
Special purpose financial institutions	412.50	20,237.78	20,650.28	411.87	26,928.74	27,340.61
Other financial institutions	34,062.68	33,379.17	67,441.85	29,339.85	34,034.40	63,374.25
Total domestic items	35,902.63	139,212.44	175,115.07	30,238.18	119,170.87	149,409.05
6.15.2 Foreign Items						
US Dollar	341.04	-	341.04	346.46	1,946.99	2,293.45
Euro	59.06	-	59.06	112.05	-	112.05
Other currencies	156.30	-	156.30	185.39	-	185.39
Total foreign items	556.40	-	556.40	643.90	1,946.99	2,590.89
Total domestic and foreign items	36,459.03	139,212.44	175,671.47	30,882.08	121,117.86	151,999.94

6.16 Debt Issued and Borrowings

Classified by type of debts and sources of fund as follows:

(Million Baht)

Consolidated Financial Statements									
				June 30, 2019			December 31, 2018		
		Interest	Maturity						
	Currency	Rate (%)	Date	Domestic	Foreign	Total	Domestic	Foreign	Total
Long term bonds									
2015	Baht	3.14-4.00	2019-2025	7,080.00	-	7,080.00	7,080.00	-	7,080.00
2016	Baht	1.88-4.00	2019-2026	14,600.00	-	14,600.00	17,496.00	-	17,496.00
2017	Baht	2.46-3.80	2022-2027	11,043.40	-	11,043.40	11,043.40	-	11,043.40
2018	Baht	2.20-3.83	2020-2028	9,065.00	-	9,065.00	9,065.00	-	9,065.00
2019	Baht	2.40-2.65	2021-2022	2,500.00	-	2,500.00	-	-	-
KTB subordinated debentures									
No.1/2014 (EMTN Programme)	USD	5.20	2024	-	21,520.98	21,520.98	-	22,714.86	22,714.86
No.1/2015	MYR	5.10	2025	-	7,429.10	7,429.10	-	7,805.55	7,805.55
No.1/2017	Baht	3.40	2027	20,000.00	-	20,000.00	20,000.00	-	20,000.00
Short-term bill of exchange (B/E) *	Baht	-	2012	0.70	-	0.70	0.70	-	0.70
Total				64,289.10	28,950.08	93,239.18	64,685.10	30,520.41	95,205.51

(Million Baht)

The Bank's Financial Statements									
				June 30, 2019			December 31, 2018		
		Interest	Maturity						
	Currency	Rate (%)	Date	Domestic	Foreign	Total	Domestic	Foreign	Total
KTB subordinated debentures									
No.1/2014 (EMTN Programme)	USD	5.20	2024	-	21,520.98	21,520.98	-	22,714.86	22,714.86
No.1/2015	MYR	5.10	2025	-	7,429.10	7,429.10	-	7,805.55	7,805.55
No.1/2017	Baht	3.40	2027	20,000.00	-	20,000.00	20,000.00	-	20,000.00
Short-term bill of exchange (B/E) *	Baht	-	2012	0.70	-	0.70	0.70	-	0.70
Total				20,000.70	28,950.08	48,950.78	20,000.70	30,520.41	50,521.11

* A maturity B/E that its holder is still not redeemable, is included in short-term bill of exchange.

6.16 Debt Issued and Borrowings (Continued)

Bonds under Euro Medium Term Note Programme (EMTN Programme) amount USD 2,500 Million

On June 26, 2014, the Bank issued and offered USD 700 million of subordinated debentures pursuant to Basel III (Tier 2 subordinated debenture). The debentures has tenor 10.5 years. The constant interest rate of 5.20 percent per annum for the first 5.5 years, after that the interest rate is equal to 5-years US Treasury Rate plus margin that is the interest rate of 3.535 percent per annum with a payment of interest every six months. It's on 26th of June and December of each year until maturity.

Subordinated Debentures pursuant to Malaysian Ringgit Medium Term Note Programme amount MYR 5,000 Million

On July 6, 2015, the Bank issued and offered MYR 1,000 million of subordinated debentures pursuant to Basel III (Tier 2 subordinated debenture). The debenture has tenor 10 years, constant interest rate of 5.10 percent per annum. The right to early redeem the debentures after 5 years.

Subordinated Debentures

The Bank issued subordinated debentures No. 1/2560 that amount Baht 20,000 million, 20 million units of Baht 1,000 each, constant interest rate of 3.40 percent per annum with a payment of interest every six months until maturity. The debenture has tenor of 10 years and is due in 2027 (B.E.2570). The right to early redeem the debenture after 5 years or after that subject to the Bank's condition, without holder's consent.

Redemption of Subordinated Debentures

The right to early redeem the debenture after 5 years or any interest payment date after 5 years or according to the condition of agreement, except for the subordinated debenture pursuant to EMTN Programme, the right to early redeem the debenture after 5.5 years or any interest payment date after 5.5 years.

6.17 Provisions

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Provisions for employee benefits	11,645.45	10,987.65	10,358.90	9,904.19
Provisions for contingent loss from legal case	739.95	684.40	739.95	684.40
Other provisions	149.55	165.69	136.03	146.32
Total provisions	12,534.95	11,837.74	11,234.88	10,734.91

6.17 Provisions (Continued)**Provisions for Employee Benefits**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Provisions for employee benefits				
Beginning balance	10,987.65	11,947.70	9,904.19	10,859.40
Current service costs	343.69	686.65	293.66	664.10
Interest costs	230.28	415.30	209.57	408.33
Past service cost	161.62	76.86	-	-
Employee benefits paid during the period	(67.36)	(1,016.92)	(48.52)	(964.19)
Actuarial losses (gains) on defined benefit plans				
- Demographic assumptions	112.79	23.27	-	22.36
- Financial assumptions	17.95	(1,145.21)	-	(1,085.81)
- Experience adjustment	(141.17)	-	-	-
Total provisions for employee benefits	11,645.45	10,987.65	10,358.90	9,904.19

The Principal Actuarial Assumptions

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Average discount rate	2.75% - 4.43%	2.75% - 4.42%
Average future salary increase rate	3.62% - 6.47%	3.62% - 6.50%
Average turnover rate	0.07% - 45.84%	0.07% - 30.26%
Retirement age	55 - 60 ปี	55 - 60 Years

Sensitivity Analysis of Principal Actuarial Assumptions

Defined benefit plan of the Bank and its subsidiaries are sensitive to changes in assumptions used for calculation. The actuarial assumptions may change based on changes in market conditions, changed in inflation condition including demographic changes in the defined benefit plan. The following table shows the effect of changes in each key assumption. The change in each assumption occurs separately.

(Million Baht)

	<u>Increase (Decrease) in present value of the provisions</u>			
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Average discount rate				
Increase of 1 %	(1,093.76)	(1,062.94)	(962.40)	(947.72)
Decrease of 1 %	1,298.68	1,262.30	1,144.63	1,126.69
Average future salary increase rate				
Increase of 1 %	1,053.93	976.53	913.40	854.32
Decrease of 1 %	(907.29)	(835.33)	(782.82)	(733.88)
Average turnover rate				
Increase of 1 %	(158.62)	(124.63)	(107.26)	(102.07)
Decrease of 1 %	156.56	125.92	107.26	102.07

6.17 Provisions (Continued)**Maturity Profile of Defined Benefit Plan**

The following table provides information on the weighted average duration of the defined benefit plan and the maturity analysis of benefit payments calculated based on the defined benefit plan expected to be paid in the future in the undiscounted form.

(Years)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Weighted average duration of the defined benefit plan	22	22	21	21

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Maturity analysis of benefits expected to be paid				
Amount expected to be paid within 12 months	550.45	552.75	502.09	502.09
Amount expected to be paid between 1 to 2 years	610.52	605.71	556.44	556.44
Amount expected to be paid between 2 to 5 years	2,797.82	2,773.87	2,567.40	2,567.40
Amount expected to be paid between 5 to 10 years	6,476.97	6,472.42	5,877.44	5,877.44
Amount expected to be paid between 10 to 15 years	5,624.18	5,615.08	4,760.77	4,760.77
Amount expected to be paid between 15 to 25 years	10,251.68	10,377.94	8,151.06	8,151.06
Amount expected to be paid over 25 years	20,703.59	20,779.86	19,699.43	19,699.43

On April 5, 2019, the Labour Protection Act (No. 7) B.E.2562 (2019) was published in the Royal Thai Government Gazette as the amendment to the previous Labour Protection Act, which is currently effective. Under this Act, the employer is obligated of additional severance pay in the event of termination of an employee who has worked for 20 consecutive years or more at the rate of no less than 400 days of the employee's last pay rate. This constitutes no significant impacts on the Bank's financial statements as it is under the State Enterprise Labor Relations Act B.E.2543 (2000); however, the Bank's subsidiaries adjusted the impacts on their financial statements for the six-month period ended June 30, 2019, which have been no significant impacts on the consolidated financial statements.

Provisions for Contingent loss from legal case

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Provisions for Litigations				
Beginning balance	684.40	518.85	684.40	518.85
Increase	55.55	165.55	55.55	165.55
Ending balance	739.95	684.40	739.95	684.40

6.17 Provisions (Continued)**Other Provisions**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Other provisions				
Beginning balance	165.69	159.12	146.32	146.32
Increase (Decrease)	(16.14)	6.57	(10.29)	-
Ending balance	149.55	165.69	136.03	146.32

6.18 Other Liabilities

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2017</u>	<u>June 30, 2019</u>	<u>December 31, 2017</u>
Accrued interest expenses	3,891.86	4,193.71	3,512.01	3,819.36
Accrued expenses	10,546.31	14,007.94	9,280.43	12,214.13
Interbranch account	563.55	-	563.54	-
Suspense account creditors	2,503.91	2,801.96	3,787.37	4,126.09
Tax payables	5,610.47	4,250.44	4,708.77	3,352.70
Deferred revenue for reward points	2,279.01	2,335.67	-	-
Settle account between the Bank and other				
financial institutions	331.10	613.90	331.10	613.90
Advanced account	4,690.05	2,222.63	4,690.05	2,222.63
Cheque in transit	5,271.82	5,282.65	5,271.82	5,282.65
Sundry liabilities	22,321.75	13,583.60	19,021.85	9,112.45
Total	58,009.83	49,292.50	51,166.94	40,743.91

6.19 Share Capital**6.19.1 Ordinary Shares**

As at June 30, 2019 and December 31, 2018, the Bank's authorized share capital and issued and paid-up share capital are 13,976,061,250 shares.

6.19.2 Preferred Shares

The 5.5 million of preferred shares are fully paid-up. Preferred share has more preference over the ordinary share. Apart from entitling to the same voting rights and claims on dividends as ordinary shares, it may enjoy preferential rights to a special dividend at a 3 percent fixed rate per annum prior to the ordinary shares when paid.

6.19.3 The Bank is the state enterprise; its major shareholder is the Financial Institutions Development Fund (FIDF). As at June 30, 2019, FIDF holds 7,696,248,833 shares or 55.05 percent of paid-up ordinary and preferred shares.

6.20 Legal Reserve

According to the Public Limited Company Act, the Bank is required to appropriate net profit of the year as legal reserve which is not less than 5 percent after deducting accumulated losses brought forward (if any) until legal reserve reaches an amount not less than 10 percent of authorized share capital. The Bank also set aside full amount of legal reserve.

6.21 The Appropriation of 2017 Net Profit and Dividend Payment

On April 12, 2019, the 26th Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2018 net profit of Baht 25,100.62 million. On April 27, 2018, the 25th Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2017 net profit of Baht 21,312.47 million and dividend payment as follows:

	(Million Baht)	
	<u>Net Profit of 2018</u>	<u>Net Profit of 2017</u>
Dividend - preferred shares (@ Baht 0.8725 and Baht 0.7645)	4.80	4.20
Dividend - ordinary shares (@ Baht 0.718 and Baht 0.61)	10,034.81	8,525.40
Net profit carried forward	15,061.01	12,782.87

6.22 Obligations and Contingent Liabilities

6.22.1 Contingent Liabilities

	(Million Baht)	
	<u>Consolidated and the Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Avals to bills	7,441.71	9,996.58
Guarantees of loans	3,545.31	3,781.13
Liability under unmatured import bills	5,926.54	5,626.47
Letters of credit	54,654.09	54,990.07
Other contingencies		
Unused credit line of overdraft	155,443.41	154,399.93
Other guarantees	178,035.73	172,789.00
Others	-	246.59
Total	405,046.79	401,829.77

Besides the contingent liabilities are mentioned above, as at June 30, 2019 and December 31, 2018, the Bank has contingent liabilities owing to prosecutions that are significant case of Baht 12,012.36 million and Baht 12,560.20 million, respectively. Such prosecutions comprised of the completed cases in the civil court and the cases proceedings in the Appeal Court and the Supreme Court.

As at June 30, 2019 and December 31, 2018, the Bank has recognized provisions of Baht 739.95 million and Baht 684.40 million, respectively (Note 6.17).

6.22 Obligations and Contingent Liabilities (Continued)**6.22.2 Obligations under Long-Terms Leased**

The Bank has obligations arising from lease agreements. The amounts due are classified as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>								
<u>Period</u>	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Land and/or Premises	919.88	743.59	32.11	1,695.58	844.42	790.38	44.84	1,679.64
Vehicles	398.00	756.53	2.68	1,157.21	427.73	839.88	-	1,267.61
Others	274.45	224.58	-	499.03	202.39	183.97	-	386.36
Total	1,592.33	1,724.70	34.79	3,351.82	1,474.54	1,814.23	44.84	3,333.61

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>Period</u>	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>	<u>Within 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Land and/or Premises	675.01	547.82	32.11	1,254.94	598.71	548.27	44.84	1,191.82
Vehicles	356.59	703.51	2.68	1,062.78	383.18	775.87	-	1,159.05
Others	1.94	2.58	-	4.52	1.03	0.03	-	1.06
Total	1,033.54	1,253.91	34.79	2,322.24	982.92	1,324.17	44.84	2,351.93

6.23 Assets with Obligations and Restrictions

(Million Baht)

<u>Consolidated and the Bank's Financial Statements</u>		
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Government and state enterprise bonds pledged as collateral		
Court collateral	507.65	517.71
Repurchase agreements	43,127.62	-
Properties for sale (debtor is granted the right to buy back or first right for this portion)	9,527.91	8,450.02
Total	53,163.18	8,967.73

6.24 Related Party Transactions

6.24.1 As at June 30, 2019 and December 31, 2018, loans to the Bank's executives (First Vice President and above) are Baht 116.23 million and Baht 126.69 million. The average outstanding balances of such loans at month end are Baht 118.13 million and Baht 125.68 million, respectively.

The loans and obligation outstanding as at June 30, 2019 and December 31, 2018 to close family of the Bank's executives mentioned above are Baht 13.33 million and Baht 16.58 million, respectively.

6.24.2 Loans, Obligations, Derivatives, and Other Assets

The balances of loans and obligations to related parties, normal bank pricing policies, as at June 30, 2019 and December 31, 2018 are as follows:

(Million Baht)				
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Loans				
Related parties which the Bank totally held from 10 to 20 percent				
of their paid-up capital	0.53	0.48	0.53	0.48
Related parties which the Bank acquired equal to or over 10 percent				
of their paid-up capital from TDR	8,719.84	8,949.19	8,719.84	8,949.19
<u>Less</u> Allowance for doubtful accounts	(3,226.34)	(7,616.08)	(3,226.34)	(7,616.08)
Total	5,493.50	1,333.11	5,493.50	1,333.11
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	8.80	9.00
KTB Computer Services Co., Ltd.	-	-	3,211.39	2,356.11
KTB Leasing Co., Ltd.	-	-	6,130.25	9,825.38
Krung Thai Asset Management Pcl.	-	-	0.05	0.03
Krungthai Card Pcl.	-	-	1,610.60	3,190.59
<u>Less</u> Allowance for doubtful accounts	-	-	(109.61)	(153.81)
Total	-	-	10,851.48	15,227.30
Associates				
Krung Thai IBJ Leasing Co., Ltd.	2,650.13	2,000.12	2,650.13	2,000.12
KT Zmico Securities Co., Ltd.	963.98	0.58	963.98	0.58
Krungthai Panich Insurance Pcl.	0.60	0.55	0.60	0.55
<u>Less</u> Allowance for doubtful accounts	(36.15)	(20.01)	(36.15)	(20.01)
Total	3,578.56	1,981.24	3,578.56	1,981.24
Related parties with directors or key management personal				
<u>Less</u> Allowance for doubtful accounts	(406.79)	(393.97)	(406.79)	(393.97)
Total	27,725.02	26,851.30	27,725.02	26,851.30

6.24 Related Party Transactions (Continued)**6.24.2 Loans, Obligations, Derivatives, and Other Assets (Continued)**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Obligations				
Related parties which the Bank totally held from 10 to 20 percent				
of their paid-up capital	19.86	20.89	19.86	20.89
Related parties which the Bank acquired equal to or over 10 percent				
of their paid-up capital from TDR	0.96	0.96	0.96	0.96
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	0.71	0.96
KTB Computer Services Co., Ltd.	-	-	4.55	4.55
KTB Leasing Co., Ltd.	-	-	0.98	0.98
Krungthai Card Pcl.	-	-	0.50	0.50
Associates				
Krung Thai IBJ Leasing Co., Ltd.	-	1.80	-	1.80
Krungthai-AXA Life Insurance Pcl.	0.85	0.85	0.85	0.85
Krungthai Panich Insurance Pcl.	5.00	-	5.00	-
Related parties with directors or key management personal	10,867.24	12,168.19	10,867.24	12,168.19
Derivatives				
Subsidiaries				
KTB Leasing Co., Ltd.	-	-	135.10	338.01
Associates				
Krungthai-AXA Life Insurance Pcl.	8,411.79	10,773.81	8,411.79	10,773.81
Other Assets				
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	-	2.70
KTB Computer Services Co., Ltd.	-	-	0.74	0.72
KTB Leasing Co., Ltd.	-	-	2.41	3.81
Krungthai Card Pcl.	-	-	1,206.92	1,772.88
Krung Thai Asset Management Pcl.	-	-	79.61	46.59
Associates				
Krungthai-AXA Life Insurance Pcl.	185.75	171.36	185.75	171.36
Krungthai Panich Insurance Pcl.	27.37	28.52	27.37	28.52
KT Zmico Securities Co., Ltd.	0.98	1.03	0.98	1.03

6.24 Related Party Transactions (Continued)**6.24.3 Deposits, Interbank and Money Market Items, and Other Liabilities**

The balances of deposits and interbank and money market items to related parties, normal bank pricing policies, as at June 30, 2019 and December 31, 2018 are as follows:

	(Million Baht)			
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Deposits				
Subsidiaries				
KTB Law Co., Ltd.	-	-	410.21	556.72
KTB General Services and Security Co., Ltd.	-	-	549.78	580.91
KTB Computer Services Co., Ltd.	-	-	720.04	46.77
KTB Leasing Co., Ltd.	-	-	267.27	251.74
Krung Thai Asset Management Pcl.,	-	-	216.50	201.31
KTB Advisory Co., Ltd.	-	-	43.81	44.13
Krungthai Card Pcl.	-	-	1,919.55	1,865.65
KTC Nano Co.,Ltd	-	-	0.18	-
KTC Pico (Bangkok) Co., Ltd.	-	-	0.12	-
Associates				
Krung Thai IBJ Leasing Co., Ltd.	47.89	36.91	47.89	36.91
KT Zmico Securities Co., Ltd.	7.29	38.73	7.29	38.73
Krungthai Panich Insurance Pcl.	163.56	129.42	163.56	129.42
Krungthai-AXA Life Insurance Pcl.	1,747.03	2,580.73	1,747.03	2,580.73
Other parties related with directors or key managements	9,910.87	21,867.66	9,910.87	21,867.66
Interbank and Money Market Items				
Associates				
Krungthai-AXA Life Insurance Pcl.	3,600.00	4,200.00	3,600.00	4,200.00
Other Liabilities				
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	250.61	336.15
KTB Computer Services Co., Ltd.	-	-	791.10	1,008.03
KTB Leasing Co., Ltd.	-	-	0.35	0.35
Krungthai Card Pcl.	-	-	0.95	1.17
KTB Law Co., Ltd.	-	-	324.63	125.00
Krung Thai Asset Management Pcl.	-	-	0.04	0.04
Associates				
KT Zmico Securities Co., Ltd.	0.01	0.03	0.01	0.03
Krungthai Panich Insurance Pcl.	15.09	13.22	15.09	13.22
Krungthai-AXA Life Insurance Pcl.	33.36	29.35	33.36	29.35
National ITMX Co., Ltd.	26.45	13.86	26.45	13.86

6.24 Related Party Transactions (Continued)**6.24.4 Income and Expenses**

The Bank has significant income and expenses with related parties as follows:

(Million Baht)				
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interest Income				
Subsidiaries				
KTB Computer Services Co., Ltd.	-	-	35.80	34.29
KTB Leasing Co., Ltd.	-	-	79.96	234.85
Krungthai Card Pcl.	-	-	19.94	8.10
Associates				
KT Zmico Securities Co., Ltd.	11.46	12.28	11.46	12.28
Krung Thai IBJ Leasing Co., Ltd.	23.09	-	23.09	-
Interest Expenses				
Subsidiaries				
KTB Law Co., Ltd.	-	-	1.93	1.79
KTB General Services and Security Co., Ltd.	-	-	2.31	2.44
KTB Computer Services Co., Ltd.	-	-	0.45	0.61
KTB Leasing Co., Ltd.	-	-	0.49	1.05
Krung Thai Asset Management Pcl.	-	-	0.52	1.05
KTB Advisory Co., Ltd.	-	-	0.08	0.08
Krungthai Card Pcl.	-	-	0.65	0.67
Associates				
KT Zmico Securities Co., Ltd.	0.03	0.03	0.03	0.03
Krungthai Panich Insurance Pcl.	0.38	0.05	0.38	0.05
Krungthai-AXA Life Insurance Pcl.	80.82	40.32	80.82	40.32
Krung Thai IBJ Leasing Co., Ltd.	0.01	-	0.01	-

6.24 Related Party Transactions (Continued)**6.24.4 Income and Expenses (Continued)**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Other Income				
Subsidiaries				
KTB Law Co., Ltd.	-	-	0.11	0.10
KTB General Services and Security Co., Ltd.	-	-	2.72	2.22
KTB Computer Services Co., Ltd.	-	-	0.14	0.04
KTB Leasing Co., Ltd.	-	-	13.60	11.03
Krung Thai Asset Management Pcl.	-	-	288.58	368.92
Krungthai Card Pcl.	-	-	126.56	158.91
Associates				
Krung Thai IBJ Leasing Co., Ltd.	3.78	-	3.78	-
KT Zmico Securities Co., Ltd.	2.52	3.97	2.52	3.97
Krungthai Panich Insurance Pcl.	57.31	85.09	57.31	85.09
Krungthai-AXA Life Insurance Pcl.	883.50	1,436.50	883.50	1,436.50
National ITMX Co., Ltd.	0.03	0.04	0.03	0.04
Other Expenses				
Subsidiaries				
KTB Law Co., Ltd.	-	-	433.43	559.91
KTB General Services and Security Co., Ltd.	-	-	1,187.37	1,177.39
KTB Computer Services Co., Ltd.	-	-	1,899.47	1,652.47
Krungthai Card Pcl.	-	-	3.62	4.16
Associates				
Krung Thai IBJ Leasing Co., Ltd.	29.44	82.78	29.44	82.78
KT Zmico Securities Co., Ltd.	1.75	7.21	1.75	7.21
National ITMX Co., Ltd.	93.92	52.59	93.92	52.59

6.24.5 The Bank has no compensations or other benefits, both monetary and non-monetary, to directors and executives except the benefits that are normally paid as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Short-term employee benefits	680.07	660.74	481.71	455.18
Post-employment benefits	28.12	25.70	12.84	13.37
Total	708.19	686.44	494.55	468.55

6.24 Related Party Transactions (Continued)

6.24.6 Intercompany Trading Transactions

Subsidiaries

1) KTB Computer Services Co., Ltd. has been designated mainly to provide information technology (IT) services to various work units in the Bank. Service offers consist of introducing IT to the Bank's business operation and modernizing the existing systems in line with the Bank's requirement, rendering system control and maintenance system software development, offering preliminary consultancy service and organizing training in various applications of IT and techniques. The Bank incurs service charges on a cost plus method for the six-month period ended June 30, 2019 and 2018 of Baht 1,834.00 million and Baht 1,587.00 million, respectively.

Since 2003, the GFMIS project Phase 2 has been developed and implemented on behalf of the Bank by KTBCS. The Bank and the Office of GFMIS attached to the Secretariat of the Prime Minister have unanimously signed on the Memorandum of Agreement upon the submission of deliverables and disbursement associated to the investments on the GFMIS project on September 22, 2005. Further the Bank has signed the hiring contract for the implementation and maintenance with the Office of GFMIS. The Bank incurs service charges for the six-month period ended June 30, 2019 and 2018 of Baht 65.47 million.

2) The Bank has operated student loans in subjects of public relations, policy, regulation, loan payment, documents filling, loan notification, loans status, including loan collection, claim for payment, and prosecution for the Student Loans Fund. KTB Law Co., Ltd. has been designated to prosecute debtors of the Student Loans Fund. The Bank incurs service charges for the six-month period ended June 30, 2019 and 2018 of Baht 344.70 million and Baht 488.67 million, respectively.

3) KTB General Services and Security Co., Ltd. is assigned by the Bank to operate all cash delivery, foreign exchange and financial instruments, and the Bank's asset. KTBGS also manages Krung Thai Bank Training Center and the Bank's other buildings. The Bank's expense from those services for the six-month period ended June 30, 2019 and 2018 of Baht 1,187.37 million and Baht 1,177.39 million, respectively.

4) The Bank incurs service charges for sourcing and installing EDC machines for foreign exchange service to Krungthai Card Pcl. for the six-month period ended June 30, 2019 and 2018 of Baht 0.14 million and Baht 0.11 million, respectively.

5) The Bank incurs service charges on its subsidiaries [including service charges mentioned in No.1) to 4)] for the six-month period ended June 30, 2019 and 2018 of Baht 3,523.89 million and Baht 3,393.93 million, respectively, at the rate upon agreement.

6) The Bank generates fees income from service contracts for the six-month period ended June 30, 2019 and 2018 of Baht 406.66 million and Baht 521.07 million, respectively.

7) The Bank generates premises rental income from subsidiaries for the six-month period ended June 30, 2019 and 2018 of Baht 9.98 million and Baht 9.70 million at the rate upon agreement.

Intercompany Considerations

Intercompany income and expenses are based on the rate upon agreement and the amount specified in the contract, whereas cost plus system has been applicable to some certain transactions.

The consolidated financial statements include the accounts of subsidiaries after eliminating intercompany transactions and balances.

6.24 Related Party Transactions (Continued)**6.24.6 Intercompany Trading Transactions (Continued)****Associates**

1) The Bank generates premises rental income from associates for the six-month period ended June 30, 2019 and 2018 at the amount of Baht 0.22 million and Baht 0.77 million, respectively, at the rate upon agreement.

2) The Bank generates fees income from supportive service contracts for the six-month period ended June 30, 2019 and 2018 of Baht 875.93 million and 1,486.60 million, respectively, at the rate upon agreement.

6.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment**6.25.1 Financial Position Classified by Business Segment**

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Total assets	2,698,496.75	35,155.86	2,733,652.61	2,704,603.14	39,363.72	2,743,966.86
Interbank and money market items, net	264,389.72	12,114.38	276,504.10	357,494.13	15,019.65	372,513.78
Investments, net*	310,250.57	2,434.48	312,685.05	238,710.38	1,456.51	240,166.89
Loans to customers and						
accrued interest receivables, net	1,913,982.24	13,634.03	1,927,616.27	1,878,056.87	17,817.47	1,895,874.34
Deposits	1,979,088.71	5,687.05	1,984,775.76	2,033,590.08	6,011.82	2,039,601.90
Interbank and money market items, net	182,373.98	15.31	182,389.29	155,433.18	1,962.75	157,395.93
Debt issued and borrowings	64,289.10	28,950.08	93,239.18	64,685.10	30,520.41	95,205.51

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>June 30, 2019</u>			<u>December 31, 2018</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Total assets	2,610,811.43	35,155.86	2,645,967.29	2,621,581.33	39,363.72	2,660,945.05
Interbank and money market items, net	263,748.56	12,114.38	275,862.94	356,744.05	15,019.65	371,763.70
Investments, net*	299,199.90	2,434.48	301,634.38	232,470.06	1,456.51	233,926.57
Loans to customers and						
accrued interest receivables, net	1,846,357.11	13,634.03	1,859,991.14	1,810,422.40	17,817.47	1,828,239.87
Deposits	1,982,999.68	5,687.05	1,988,686.73	2,036,936.01	6,011.82	2,042,947.83
Interbank and money market items, net	175,656.16	15.31	175,671.47	150,037.19	1,962.75	151,999.94
Debt issued and borrowings	20,000.70	28,950.08	48,950.78	20,000.70	30,520.41	50,521.11

* Included investments in subsidiaries and associates.

The consolidated and the Bank's financial statements as at June 30, 2019 and December 31, 2018, have total assets before eliminating net interbranch transactions of Baht 6,645.77 million and Baht 4,763.67 million, respectively.

6.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment (Continued)**6.25.2 Operations Classified by Business Segment**

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>June 30, 2019</u>			<u>June 30, 2018</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Interest income	63,178.83	1,549.23	64,728.06	58,677.20	2,179.83	60,857.03
Interest expenses	(17,113.21)	(1,169.15)	(18,282.36)	(17,977.46)	(1,540.63)	(19,518.09)
Interest income, net	46,065.62	380.08	46,445.70	40,699.74	639.20	41,338.94
Fees and service income, net	11,265.00	20.44	11,285.44	11,963.85	29.68	11,993.53
Other operating income	5,853.56	50.93	5,904.49	5,535.91	62.59	5,598.50
Other operating expenses	(42,454.16)	(191.21)	(42,645.37)	(39,308.49)	(85.98)	(39,394.47)
Profit from operating before income tax expenses	20,730.02	260.24	20,990.26	18,891.01	645.49	19,536.50

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>June 30, 2019</u>			<u>June 30, 2018</u>		
	Domestic	Foreign Branches		Domestic	Foreign Branches	
	Business	Business		Business	Business	
	<u>Segment</u>	<u>Segment</u>	<u>Total</u>	<u>Segment</u>	<u>Segment</u>	<u>Total</u>
Interest income	56,069.92	1,549.23	57,619.15	51,936.34	2,179.83	54,116.17
Interest expenses	(16,367.65)	(1,169.15)	(17,536.80)	(17,211.41)	(1,540.63)	(18,752.04)
Interest income, net	39,702.27	380.08	40,082.35	34,724.93	639.20	35,364.13
Fees and service income, net	8,996.87	20.44	9,017.31	9,687.97	29.68	9,717.65
Other operating income	5,094.12	50.93	5,145.05	4,189.83	62.59	4,252.42
Other operating expenses	(36,249.25)	(191.21)	(36,440.46)	(32,938.54)	(85.98)	(33,024.52)
Profit from operating before income tax expenses	17,544.01	260.24	17,804.25	15,664.19	645.49	16,309.68

The consolidated and the Bank's financial statements for the six-month period ended June 30, 2019 and 2018, have total interest income and interest expenses before eliminating net interbranch transactions of Baht 1,105.94 million and Baht 1,474.32 million, respectively.

6.26 Operations Classified by Operating Segment

Segment Definition

The Bank is organized into segments for internal management which the Management Committee of each segment is the chief operating decision-maker (CODM). Three reportable segments have been divided based on customer types and nature of businesses:

1) Retail banking segment: develops financial products and services, and also provides services for individual customers relating to deposits, loans, payment for goods and services as well as sale of products released by the Bank's subsidiaries and business alliances through network branches nationwide.

2) Wholesale banking segment: provides credit facilities and financial services to corporate clients.

3) Treasury and investment segment: controls the Bank's financial structure to appropriate to make profit from the Bank's equity investment, international business and excess liquidity, and also supervising overseas branches and companies in which the Bank has invested and etc.

Other segments comprise of middle offices, back offices, subsidiaries and associates.

Accounting Procedures for Segment Reporting

In contrast to the accounting procedures for financial statements preparation, the accounting procedures of the operating segments are based on the principle of Economic Value Management (EVM), whereby performance is measured, as included in the internal management reports that are reviewed by the Bank's CODM. In accordance with the EVM concept, all business units are treated as profit centers, having internal service charge (ISC) between service providing unit and service receiving unit. Fund Transfer Pricing (FTP) concept is used to calculating value of fund for fund provider unit and cost of fund for fund user unit. Income and expenses are allocated according to ownership basis in order to gain net operating profit after tax (NOPAT).

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>June 30, 2019</u>						
	<u>Retail</u>	<u>Wholesale</u>	<u>Treasury and</u>	<u>Support and</u>		
	<u>Banking</u>	<u>Banking</u>	<u>Investment</u>	<u>Others</u>	<u>Adjustments</u>	<u>Total</u>
Total operating income	24,077.48	18,315.47	3,990.43	17,252.25	-	63,635.63
Total expenses (excluding bad debts, doubtful						
accounts and loss on impairment)	(15,189.86)	(8,871.18)	(1,268.14)	(8,445.98)	-	(33,775.16)
Bad debts, doubtful accounts and loss on impairment	(637.65)	(3,740.87)	(158.59)	(8,354.26)	-	(12,891.37)
Net profit (loss)	8,249.97	5,703.42	2,563.70	452.01	-	16,969.10
Segment assets	904,108.55	1,108,566.25	612,538.38	142,737.76	(40,944.10)	2,727,006.84
Segment liabilities	1,498,209.34	585,417.93	182,358.83	172,353.77	(38,667.06)	2,399,672.81

6.26 Operations Classified by Operating Segment (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>June 30, 2018</u>						
	<u>Retail</u>	<u>Wholesale</u>	<u>Treasury and</u>	<u>Support and</u>		
	<u>Banking</u>	<u>Banking</u>	<u>Investment</u>	<u>Others</u>	<u>Adjustments</u>	<u>Total</u>
Total operating income	25,746.60	15,624.24	4,128.76	13,430.74	0.63	58,930.97
Total expenses (excluding bad debts, doubtful						
accounts and loss on impairment)	(16,330.60)	(5,949.81)	(1,398.44)	(5,808.93)	-	(29,487.78)
Bad debts, doubtful accounts and loss on impairment	(896.48)	3,217.27	(22.57)	(15,975.20)	(0.63)	(13,677.61)
Net profit (loss)	8,519.52	12,891.70	2,707.75	(8,353.39)	-	15,765.58
Segment assets	848,114.43	1,054,950.96	752,122.28	134,784.82	14,799.80	2,804,772.29
Segment liabilities	1,494,725.44	597,090.42	205,927.53	193,359.02	17,991.53	2,509,093.94

6.27 Interest Income

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interbank and money market items	3,994.36	5,379.10	3,994.17	5,379.01
Investment and trading transactions	203.95	161.13	203.95	161.13
Investment in debt	2,340.05	1,696.58	2,335.56	1,695.39
Loans *	56,767.79	51,535.32	49,932.98	45,348.68
Hire-purchase and finance lease	251.25	552.95	-	0.01
Others	64.72	57.63	46.55	57.63
Total interest income	63,622.12	59,382.71	56,513.21	52,641.85

* Interest income from loans for the six-month period ended June 30, 2019 included the income received from the auction of mortgaged guarantee asset of a particular debtor amounting 3,898.70 million baht (Note 6.38.1).

6.28 Interest Expenses

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Deposits	9,022.16	9,674.76	9,028.07	9,681.40
Interbank and money market items	1,291.08	1,377.84	1,261.78	1,344.26
Contributions to Bank of Thailand (BOT)	4,832.05	4,752.67	4,832.05	4,752.68
Contributions to Deposit Protection Agency (DPA)	104.82	103.15	104.82	103.15
Debt issued				
Subordinated notes	1,862.17	2,071.37	1,150.65	1,342.15
B/E	-	0.45	-	0.45
Borrowings	1.72	2.93	1.02	1.62
Borrowing Fees	9.95	8.69	-	-
Others	52.47	51.91	52.47	52.01
Total interest expenses	17,176.42	18,043.77	16,430.86	17,277.72

6.29 Fees and Service Income, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Fees and service income				
Acceptance, aval and guarantee	756.88	839.12	756.88	839.12
Others	13,572.69	14,020.68	10,499.45	10,966.57
Total fees and service income	14,329.57	14,859.80	11,256.33	11,805.69
Fees and service expenses	(3,044.13)	(2,866.27)	(2,239.02)	(2,088.04)
Fees and service income, net	11,285.44	11,993.53	9,017.31	9,717.65

6.30 Gains on Tradings and Foreign Exchange Transactions, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Gains (losses) on tradings and foreign exchange transactions				
Foreign currencies and foreign currency related derivatives	252.19	2,333.60	252.86	2,333.53
Interest rate related derivatives	1,181.54	(315.80)	1,180.52	(320.64)
Debt securities	537.40	(317.61)	537.40	(317.61)
Others	(305.53)	431.91	(305.53)	431.91
Total gains on tradings and foreign exchange transactions, net	1,665.60	2,132.10	1,665.25	2,127.19

6.31 Gain on Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Gains on sale of				
Available-for-sale securities	502.25	293.08	502.25	293.08
General investments	32.06	2.26	32.06	2.26
Total	534.31	295.34	534.31	295.34
Gains on investments in the subsidiaries	181.18	-	181.18	-
Reversal (losses) on impairment of				
General investments	(43.29)	8.86	(43.29)	8.86
Investments in subsidiaries and associates	-	-	3.79	(0.10)
Total	(43.29)	8.86	(39.50)	8.76
Total gains on investments, net	672.20	304.20	675.99	304.10

6.32 Impairment Loss of Loans Debt Securities

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interbank and money market items	(464.37)	(1,743.03)	(464.37)	(1,743.03)
Held-to-maturity debt securities	(0.10)	0.63	(0.10)	0.63
Loans to customers	13,355.80	15,427.40	10,467.41	12,250.42
Loss from troubled debt restructuring	0.04	(7.39)	0.04	(7.39)
Total bad debts, doubtful accounts, and loss on impairment	12,891.37	13,677.61	10,002.98	10,500.63

6.33 Income Tax Expenses

The Bank has tax management policy and has been conducting tax management pursuant to the policy that correctly operates tax payment, tax filing and tax benefit utilization according to the legal regulations.

The Bank has considered tax effects both current and future of benefit from carrying amount of assets or settlement of carrying amount of liabilities. If there is probable that the Bank will get benefits from carrying amount of assets or settlement of carrying amount of liabilities, the Bank will pay income tax increase (or decrease) on the basis of amounts expected to be paid. Such the consideration is based on estimates, assumptions, regulation changes that may occur, legal interpretation and historical experience. In the future, if events change, which resulted in Bank to change its decision on the sufficiency of accrued income tax, any changes in accrued income tax will affect to income tax in the period that the changes occur.

6.33 Income Tax Expenses (Continued)

Income tax expenses recognized in profit or loss for the six-month period ended June 30, 2019 and 2018 are as follows:

(Million Baht)				
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2018</u>	<u>June 30, 2018</u>
Current tax				
Current period	5,283.08	3,928.54	4,422.24	3,147.91
Deferred tax				
Movement in temporary differences	(1,261.92)	(157.62)	(1,282.42)	(114.75)
Total	<u>4,021.16</u>	<u>3,770.92</u>	<u>3,139.82</u>	<u>3,033.16</u>

Reconciliation of effective tax rates for the six-month period ended June 30, 2019 and 2018 are as follows:

(Million Baht)				
	<u>Consolidated Financial Statements</u>			
	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses		<u>20,990.26</u>		<u>19,536.50</u>
Income tax calculated statutory tax rates	20.00%	4,198.05	20.00%	3,907.30
Tax effects of income and expenses				
that are not taxable and deductible for tax purposes, net		<u>(176.89)</u>		<u>(136.38)</u>
Total	19.16%	<u>4,021.16</u>	19.30%	<u>3,770.92</u>

(Million Baht)				
	<u>The Bank's Financial Statements</u>			
	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Operating profit before income tax expenses		<u>17,804.25</u>		<u>16,309.68</u>
Income tax calculated statutory tax rates	20.00%	3,560.85	20.00%	3,261.94
Tax effects of income and expenses				
that are not taxable and deductible for tax purposes, net		<u>(421.03)</u>		<u>(228.78)</u>
Total	17.64%	<u>3,139.82</u>	18.60%	<u>3,033.16</u>

6.34 Components of Other Comprehensive Income and Related Taxes

Components of other comprehensive income and related taxes the six-month period ended June 30, 2019 and 2018.

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>June 30, 2019</u>			<u>June 30, 2018</u>		
	Amount	Tax (expense)	Net amount	Amount	Tax (expense)	Net amount
	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>
Gains (losses) on remeasuring available-for-sale investments	3,450.58	(690.12)	2,760.46	(1,909.78)	381.96	(1,527.82)
Losses arising from translating the						
financial statements of foreign operations	(10.14)	-	(10.14)	(144.78)	-	(144.78)
Actuarial gains on defined benefit plans	10.44	(2.09)	8.35	-	-	-
Share of other comprehensive income from associates	5,707.05	(1,141.41)	4,565.64	(4,266.51)	853.30	(3,413.21)
Other comprehensive income	9,157.93	(1,833.62)	7,324.31	(6,321.07)	1,235.26	(5,085.81)

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>June 30, 2019</u>			<u>June 30, 2018</u>		
	Amount	Tax (expense)	Net amount	Amount	Tax (expense)	Net amount
	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>	<u>before tax</u>	<u>benefit</u>	<u>after tax</u>
Gains (losses) on remeasuring available-for-sale investments	3,458.81	(691.76)	2,767.05	(1,916.46)	383.29	(1,533.17)
Losses arising from translating the						
financial statements of foreign operations	(10.44)	-	(10.44)	(144.78)	-	(144.78)
Other comprehensive income	3,448.37	(691.76)	2,756.61	(2,061.24)	383.29	(1,677.95)

6.35 Fair Value of Financial Instruments

Financial assets and financial liabilities instruments carried at fair value classified by the levels of fair value hierarchy as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>								
	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets								
Derivatives assets	-	55,614.32	-	55,614.32	-	36,229.57	-	36,229.57
Trading investments	-	26,166.07	-	26,166.07	7,452.93	15,910.45	-	23,363.38
Available-for-sale investments	55,071.09	206,972.95	-	262,044.04	50,380.46	146,419.96	-	196,800.42
Total financial assets	55,071.09	288,753.34	-	343,824.43	57,833.39	198,559.98	-	256,393.37
Financial liabilities								
Derivatives liabilities	-	53,520.40	-	53,520.40	-	32,345.61	-	32,345.61
Total financial liabilities	-	53,520.40	-	53,520.40	-	32,345.61	-	32,345.61

(Million Baht)

<u>The Bank's Financial Statements</u>								
	<u>June 30, 2019</u>				<u>December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets								
Derivatives assets	-	55,614.77	-	55,614.77	-	36,231.03	-	36,231.03
Trading investments	-	26,166.07	-	26,166.07	7,452.93	15,910.45	-	23,363.38
Available-for-sale investments	55,071.09	207,619.00	-	262,690.09	50,380.46	147,061.78	-	197,442.24
Total financial assets	55,071.09	289,399.84	-	344,470.93	57,833.39	199,203.26	-	257,036.65
Financial liabilities								
Derivatives liabilities	-	53,520.40	-	53,520.40	-	32,345.61	-	32,345.61
Total financial liabilities	-	53,520.40	-	53,520.40	-	32,345.61	-	32,345.61

There are no transfers between level 1 and level 2 of the fair value hierarchy during the period.

Fair Value Hierarchy

Fair value hierarchy of the above financial assets and liabilities depends on differences of data inputs in valuation, which determined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank and its subsidiaries can access at the measurement date.
- Level 2 – Inputs that, can be observed either directly or indirectly for those assets and liabilities other than quoted prices in level 1.
- Level 3 – Inputs that are unobservable for those assets and liabilities.

6.35 Fair Value of Financial Instruments (Continued)

Valuation Techniques for Level 2

Fair value of derivatives is calculated by using valuation techniques included discounted cash flow model and option pricing model commonly used by market participants. Data used in the valuation such as interest rates, exchange rates, and volatilities, is the observable input from reliable institutions.

Fair value of investment in domestic issued debt securities is calculated by using price published by the Thai Bond Market Association (ThaiBMA), whilst fair value of investment in foreign issued debt securities are presented fair value by using the latest published price from reliable institutions.

Moreover, because of using valuation techniques the Bank has valuation adjustment in order to properly reflect related risk. There are many valuation adjustment types such as credit valuation adjustment (CVA), bid-offer spread adjustment for market liquidity risk, and model risk arising from option valuation for SMEs' currency guarantee program.

6.36 Business Transaction within the Financial Business Group Policies and Risk Management Policies regarding Business Transaction within the Financial Business Group.

The BOT's Notification No. SOR NOR SOR. 5/2560 and SOR NOR SOR. 9/2560 dated April 27, 2017, SOR NOR SOR. 8/2561 and SOR NOR SOR. 9/2561 dated April 11, 2018, and SOR NOR SOR. 12/2561 dated May 22, 2018, regarding the Consolidated Supervision Policy requires the Bank to disclose the business transaction within the financial business group policies and risk management policies are prepared as regulations to supervise business transaction within the financial business group, including the Bank and 13 companies within the financial business group (Note 6.5 except National ITMX Co., Ltd.), in terms of common standards and procedures which conform to the BOT's consolidated supervision policy. The business transaction within the financial business group policies and risk management policies regarding business transaction within the financial business group are approved by the Bank's board of directors and reviewed at least once a year. The policies also include transaction types, rules and regulations of business transactions, ratio of business transactions within the financial business group, capital requirements of the financial business groups and other related operating procedures. Business transactions within the group are conducted in the same manner as public operations and follow the Bank's corporate governance.

In case of the Bank having business transactions with a company within the financial business groups as it is the Bank's sector, the Bank will follow the BOT's relenting regulations.

6.37 Events after the Reporting Period

The Bank has issued subordinated notes No. 1/2562 of Bath 24,000 million during July 8 – 11, 2019, with a tenor of 10 years (Issuer has the right to redeem such securities before the maturity and the right to write off as bad debt (in whole or in part) given the terms & condition in the case of government decides to provide financial support) and interest rate at 3.70 percent per annum. The interest payment will be made quarterly on the 12th of January, April, July and October of every year.

Moreover, on August 5, 2019, the BOT considered and approved such subordinated notes No. 1/2562 as the Bank's tier 2 capital fund.

6.38 Others

6.38.1 The Bank has certain default debtors in relation to convertible preferred shares sale and lending with the outstanding principal amounts as per the related agreements totaling Baht 9,745 million as at June 30, 2019, exclusive of the interest charged thereon at default rates. The Bank has fully made a provision for impairment and allowance for doubtful accounts according to the BOT's regulations and is currently in the execution process following the orders of the Civil and Bankruptcy Courts.

These debtors, together with certain other defendants, have also been prosecuted to the Criminal Division for Persons Holding Political Position of The Supreme Court by the Office of the Attorney General. The Supreme Court had issued the order of acceptance on July 25, 2012 and later gave a final judgment on August 26, 2015 that all defendants must be accountable for the damage caused to the Bank. The Bank submitted the letter to the Office of the Attorney General to designate its Department of Legal Execution as the Bank's legal executioner. In January 2016, the Office of the Attorney General filed a complaint to the Supreme Court to nominate the executing officers. The Supreme Court has nominated executing officers accordingly. The Bank also provided them with the result of property investigation of all debtors in accordance with the court judgment. On October 5, 2016 the attorneys of the Department of Special Litigation arranged a meeting for representatives from the Bank of Thailand, the Anti-Money Laundering Office and the Bank to consider the problems regarding the legal execution of the Supreme Court's order. They will coordinate and exchange information, and each party will utilize its authority by the law and the Supreme Court's order for legal execution towards the defendants for the Bank's benefits.

On August 17, 2017, a defendant of the criminal suit of the Persons Holding Political Positions, who was not one of the default debtors, made a partial settlement of Baht 1,635.74 million to the Bank in relation to the criminal lawsuit. The Bank has accepted such payment, which is recorded the transaction as revenue from litigation compensation, and also sent a letter to this defendant demanding for further payment together with all other defendants to the Bank for the remaining compensation amount according to the order of the Criminal Division for Persons Holding Political Position of the Supreme Court.

In the present, criminal, other bankruptcy, and other civil case judgments are bought to levy compulsory execution of the mortgaged assets that assure debt obligation in the Bank's civil case for auction. The court commanded the Bank to be settled as a mortgagee accepting aforementioned mortgaged guarantee assets as the Bank requested for being mortgage settled. Afterwards, on October 17, 2018, the Legal Execution Department noticed to auction and managed auction the mortgaged guarantee assets, which outsiders bid at Baht 8,914.07 million. At present, the Bank has received a settlement of aforementioned mortgaged guarantee assets from the Legal Execution Department, which were sold under criminal case, of Baht 3,898.99 million. After deducting the transaction fees and litigation expenses of Baht 0.29 million, the net amount of Baht 3,898.70 million resulted as the interest payment per civil case judgments under the financial statements for the six-month period ended June 30, 2019. For the mortgaged guarantee assets sold in other bankruptcy and other civil cases, buyer has submitted a request for extending the payment on the remaining amount as there were applicants filing to withdraw the auction. The executing officer then commanded to allow such extension until the court verdict on withdrawing the auction has been established.

6.38 Others (Continue)**6.38.1 (Continue)**

Under the civil case that the Bank being a plaintiff suing for the mortgage enforcement on the aforementioned mortgaged guarantee assets, the Civil Court has the verdict for the Bank to receive all of the filed principal and the interest on September 28, 2017. On October 31, 2018, the Court of Appeals has appointed for the verdict and sustained such prior Civil Court's verdict, in which the defendant has filed for the appeal to the Supreme Court on December 25, 2018 while the Bank also filed against such defendant's petition to the Supreme Court on February 25, 2019. At present, such case is in the period of consideration by the Supreme Court.

6.38.2 In 2010, the Bank lend a company of USD 95.67 million (Baht 2,884.61 million) pledged an investment in ordinary shares of a foreign financial institution as collateral. Although such shares equaled to 50 percent of its authorized shares capital, are on the Bank's behalf, but the Bank has no influences over this invested financial institution. The Bank has already received full loan repayment under this contract since June, 2011, but not yet transferred those ordinary shares as collateral back to the company because the company need to find a financial institution to be a new investor first.

6.38.3 On October 12, 2016, the Bank has considered closing a certain foreign branch. Currently, the Bank continues to follow advice from legal consultants. Assets, liabilities and operating performance of the branch do not have a material effect on the Bank's financial statements.

6.39 Approval of the Financial Statements

These financial statements have been authorized for issue by the Board of the Bank on August 28, 2019.
