



Management Discussion and Analysis

For the Quarter ended June 30, 2019

(audited)

This report discusses the principal changes in the audited consolidated financial statement for the quarter and the half year ended June 30, 2019.

Economic Overview

The Thai economic growth in the first-half of 2019 continued to expand at softer pace due to softening external demand. Meanwhile, domestic demand continues to support economic growth. However, private consumption has been pressured by the drought, affecting farm income. Investment spending has slowed down, owing to softer construction activities that caused by slower-than-expected government budget disbursement, to delays in infrastructure projects, as well as to slowdown in real estate activities post BOT's implementation of a new measure to control mortgage lending in the second quarter. Manufacturing activities contracted in line with exports, which have been facing risks from a slowdown in trade partners' economy as well as the escalating trade tension between the US and China. Additionally, the tourism sector lost its momentum slightly from the decline in Chinese tourists even through the fee waivers of Visa on Arrival has been extended.

The Bank and Its Subsidiaries' overview performance for the First Half of 2019

The Bank and Its Subsidiaries' Performance for the First Half of 2019

In the first half of 2019, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 15,471 million, or a growth of 6.7% YoY, mainly due to higher net interest income from both interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets in 1Q2019 and from lower interest expense whilst a continual impact of fee waiver via digital channel and higher expense on impairment loss of properties foreclosed. Furthermore, loan has a growth of 2.0% YTD, which derived mainly from private corporate loans and retail loans (both personal and housing loans). For 1H2019, Net Interest Margin (NIM) excluding income received from the auction of mortgaged guarantee asset of 1Q2019 improved at 3.24% YoY from managing liquidity and cost of fund while still focusing on portfolio management toward higher efficiency and risk management alignment.

The Bank's consolidated total operating income registered at Baht 63,635 million, growing 8.0% YoY with key changes as shown below:

- Net interest income increased by 12.4% YoY while NIM excluding income received from the auction of mortgaged guarantee asset of 1Q2019 stood at 3.24%, increasing from 3.09% in 1H2018.
- Non-interest income decreased by 2.3% YoY, which mainly due to the contraction of net fee and service income by 5.9% from continual impact of fee waiver via digital channel and from lower bancassurance fee. Other non-interest income grew 5.5% YoY from gains on properties foreclosed and on investment, net.

The Bank's consolidated operating expenses increased by 15.7% YoY as a result of higher expense on impairment loss of properties foreclosed since 1Q2019 in accordance with BOT's regulation regarding the holding period of properties foreclosed. Consolidated cost to income ratio stood at 46.76%, increasing from 43.64% in 1H2018.

The Bank is consistently conforming to provision policy with prudent practice. As a consequence, the Bank's consolidated coverage ratio is increasing from FY2018 of 125.74% to this 1H2019 of 132.83%.

The NPLs Ratio-Gross stood at 4.68%, increasing from 4.53% due to the contraction of loans under the NPLs Ratio-Gross calculation as compared to end 2018. NPL Ratio-Net stood at 1.93%, a slight decline from as at end of 2018. The Bank and Financial Business Group's Tier 1 and Total Capital ratios were 14.97% and 18.70% respectively.

On 24 May 2019, the Bank has jointly invested with KTC for the establishment of KTC Nano Co., Ltd. (registered capital Baht 50.0 million) and KTC Pico (Bangkok) Co., Ltd. (registered capital Baht 20.0 million) to expand the channel for retail loans. These 2 newly established companies will be the Bank's subsidiaries through the Bank's and KTC's ownership. They are in the process of applying for business licenses on nano and pico finances from relevant regulators.

The Bank and Its Subsidiaries' Performance for 2Q2019

Comparing 2Q2019 to the same period of last year, the Bank and its subsidiaries' net profit attributable to equity holders of the Bank was Baht 8,170 million, a growth of 6.0% due to continual loan growth. Net Interest Margin (NIM) increased from 3.10% in 2Q2018 to 3.24%, mainly from lower cost of fund.

Net fee and service income decreased 3.2% from lower bancassurance fee while other operating income was lowered from gain on trading and foreign exchange transactions, net. Moreover, operating expenses continued to increase due to impairment loss on foreclosed properties and to personnel expenses. Consolidated Cost to Income ratio stood at 45.10%.

The Bank and its subsidiaries set aside lower expense on impairment loss of loans compared to the same period of last year.

The Bank and Its Subsidiaries' Performance for the Quarter and First Half Ended June 30, 2019

Overview Operating Income and Net Profit

Unit : Million Baht

	2/2019	1/2019	Change	2/2018	Change	1H2019	1H2018	Change
			%		%			%
Net interest income	21,805	24,641	(11.5)	20,799	4.8	46,446	41,339	12.4
Net fee and service income	5,650	5,635	0.3	5,835	(3.2)	11,285	11,994	(5.9)
Other non-interest income	2,609	3,296	(20.8)	2,844	(8.3)	5,904	5,598	5.5
Total operating income	30,064	33,572	(10.4)	29,478	2.0	63,635	58,931	8.0
Total other operating expenses	13,558	16,196	(16.3)	12,259	10.6	29,754	25,717	15.7
Pre-provision profit ⁽¹⁾	16,506	17,376	(5.0)	17,219	(4.1)	33,881	33,214	2.0
Impairment loss of loans and debt securities	5,561	7,330	(24.1)	6,769	(17.8)	12,891	13,677	(5.7)
Operating profit before income tax expenses	10,945	10,046	8.9	10,450	4.7	20,990	19,537	7.4
Income tax expenses	2,080	1,941	7.2	2,082	(0.1)	4,021	3,771	6.6
Net Profit	8,865	8,105	9.4	8,368	5.9	16,969	15,766	7.6
Net profit (attributable to equity holders of the Bank)	8,170	7,301	11.9	7,708	6.0	15,471	14,495	6.7
ROA (%) ⁽²⁾	1.17	1.05		1.09		1.14	1.03	
ROE (%) ⁽²⁾	10.34	9.54		10.63		9.99	10.14	

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

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

In 2Q2019, KTB's consolidated net profit attributable to equity holders of the Bank amounted to Baht 8,170 million, increased by 6.0% compared to 2Q2018 as a consequence from an improvement of net interest income and lower impairment loss of loans and debt securities, despite higher operating expenses from provision for impairment of properties foreclosed. Compared to 1Q2019, KTB's consolidated net profit attributable to equity holders of the Bank hiked by 11.9% due to an improvement in operating expenses and impairment loss of loans and debt securities.

In 1H2019, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 15,471 million, an increase of 6.7% YoY from interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of THB 3,899 million in 1Q2019 and from lower expense on impairment loss of loans, despite higher expenses from provision for impairment of properties foreclosed.

Net Interest Income

Unit : Million Baht

	2/2019	1/2019	Change %	2/2018	Change %	1H2019	1H2018	Change %
Interest income	30,245	33,377	(9.4)	29,878	1.2	63,622	59,383	7.1
- Interbank and money market items	1,795	2,199	(18.4)	2,671	(32.8)	3,994	5,379	(25.7)
- Investments and trading transactions	104	99	4.9	83	25.4	204	161	26.6
- Investment in debt securities	1,488	853	74.5	848	75.4	2,340	1,697	37.9
- Loans	26,682	30,085	(11.3)	25,984	2.7	56,768	51,535	10.2
- Hire purchase and financial lease	114	138	(17.6)	253	(55.1)	251	553	(54.6)
- Others	62	3	1,922.8	39	60.4	65	58	12.3
Less Interest expense	(8,440)	(8,736)	(3.4)	(9,079)	(7.0)	(17,176)	(18,044)	(4.8)
- Deposits	(4,354)	(4,668)	(6.7)	(4,844)	(10.1)	(9,022)	(9,675)	(6.7)
- Interbank and money market items	(651)	(640)	1.8	(709)	(8.2)	(1,291)	(1,378)	(6.3)
- Contributions to BOT and DPA	(2,453)	(2,484)	(1.3)	(2,415)	1.6	(4,937)	(4,856)	1.7
- Debts issued	(939)	(934)	0.6	(1,077)	(12.7)	(1,874)	(2,083)	(10.1)
- Others	(43)	(10)	333.9	(34)	24.3	(52)	(52)	1.1
Net interest income	21,805	24,641	(11.5)	20,799	4.8	46,446	41,339	12.4
Earning Asset Yiled (%)	4.49	4.44⁽¹⁾		4.45		4.55⁽¹⁾	4.44	
Cost of Fund (%)	1.46	1.52		1.54		1.52	1.53	
Net interest margin [based on earning assets](%)	3.24	3.13⁽¹⁾		3.10		3.24⁽¹⁾	3.09	

⁽¹⁾ Excluding interest income due to the partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million

KTB's consolidated net interest income in 2Q2019 amounted Baht 21,805 million, increased by 4.8% YoY from higher interest income on loans and on investment in debt securities as well as lower interest expense on deposits as such deposits of high return were due. Loans in 2Q2019 grew 2.0% YTD. As the Bank continuously manages the cost of fund, it was lowered to 1.46%; hence, Net Interest Margin (NIM) registered at 3.24%, increasing from 3.10% in 2Q2018 and from 3.13% in 1Q2019 (excluding income received from the auction of mortgaged guarantee asset).

KTB's consolidated net interest income in 1H2019 amounted Baht 46,446 million, increased by 12.4% YoY from the interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million in 1Q2019. If excluding such item, net interest income grew 2.9% YoY while the Bank still focuses on portfolio management toward higher efficiency and risk management alignment. Cost of fund stood at similar level as same period of last year. As a result, Net Interest Margin (NIM) excluding income received from the auction of mortgaged guarantee asset of 1Q2019 registered at 3.24%, increasing from 3.09% in 1H2018.

Change of interest rate

	30 June 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018
Policy Interest Rate (%)	1.75% ⁽¹⁾	1.75%	1.75%	1.50%	1.50%	1.50%
Deposit Rate (%)						
- Savings Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
- 3 Months Fixed Rate	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
- 6 Months Fixed Rate	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%
- 12 Months Fixed Rate	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Loan Rate (%)						
- MLR	6.275%	6.275%	6.275%	6.275%	6.275%	6.275%
- MOR	7.120% ⁽¹⁾	7.120%	7.120%	7.120%	7.120%	7.120%
- MRR	7.120% ⁽¹⁾	7.120%	7.120%	7.120%	7.120%	7.120%

⁽¹⁾ The Monetary Policy Committee, Bank of Thailand announced the policy rate cut by 0.25% from 1.75% to 1.50%, effective on August 7, 2019. Consequently, the bank announced the 0.25% cut of both Minimum Overdraft Rate (MOR) and Minimum Retail Rate (MRR) from 7.12% to 6.87%, effective on August 15, 2019.

Net Fee and Service Income

Unit : Million Baht

	2/2019	1/2019	Change %	2/2018	Change %	1H2019	1H2018	Change %
Fee and service income	7,252	7,077	2.5	7,270	(0.2)	14,329	14,860	(3.6)
Less Fee and service expense	(1,602)	(1,442)	11.1	(1,435)	11.6	(3,044)	(2,866)	6.2
Net fee and service income	5,650	5,635	0.3	5,835	(3.2)	11,285	11,994	(5.9)

KTB's consolidated net fee and service income in 2Q2019 was Baht 5,650 million, a declined by 3.2% YoY from lower bancassurance fee. Compared to 1Q2019, KTB's consolidated net fee and service income slightly increased.

KTB's consolidated net fee and service income in 1H2019 was Baht 11,285 million, compressed by 5.9% due to the impact of fee waiver via digital channel and lower bancassurance fee.

Fee and service income breakdown

Unit : %

	2Q2019	1Q2019	2Q2018	1H2019	1H2018
Loan related fee	8%	9%	8%	8%	9%
Card Business and electronic services	50%	51%	50%	51%	49%
Cash management	6%	6%	7%	6%	7%
Bancassurance	8%	8%	10%	8%	11%
Other fees ⁽¹⁾	28%	26%	25%	27%	24%
Total Fee and service income	100%	100%	100%	100%	100%

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

Total Other Operating Income

Unit : Million Baht

	2/2019	1/2019	Change %	2/2018	Change %	1H2019	1H2018	Change %
Gain (loss) on trading and foreign exchange transactions, net	670	995	(32.6)	1,222	(45.1)	1,666	2,132	(21.9)
Gain (loss) on investments, net	337	336	0.5	189	77.8	672	304	121.0
Share of profit (loss) from investments on equity method	464	318	46.0	324	43.2	781	907	(13.9)
Dividend income	188	116	61.8	147	27.9	304	248	22.7
Other income	950	1,531	(38.0)	962	(1.2)	2,481	2,007	23.6
Total other operating income	2,609	3,296	(20.8)	2,844	(8.3)	5,904	5,598	5.5

KTB's consolidated total other operating income in 2Q2019 was Baht 2,609 million, decreased by 8.3% YoY, owing to gain on trading and foreign exchange transactions, net despite the increase from gain on investments, net and from share of profit from investments on equity method. Compared to 1Q2019, KTB's consolidated total other operating income declined by 20.8% due to gain on trading and foreign exchange transactions and gain from selling properties foreclosed (other income).

KTB's consolidated total other operating income in 1H2019 was Baht 5,904 million, increased by 5.5% YoY due to gain from selling properties foreclosed (other income) and gain on investment, net.

Other Operating Expenses

Unit : Million Baht

	2/2019	1/2019	Change %	2/2018	Change %	1H2019	1H2018	Change %
Personnel expenses	7,151	7,137	0.2	6,729	6.3	14,288	14,750	(3.1)
Premises and equipment expenses	2,214	2,195	0.9	2,133	3.8	4,409	4,303	2.5
Taxes and duties	1,077	1,117	(3.6)	1,121	(3.9)	2,194	2,167	1.2
Impairment loss of properties foreclosed	1,079	3,769	(71.4)	-	100.0	4,848	227	2,033.0
Others ⁽¹⁾	2,037	1,978	3.0	2,276	(10.5)	4,015	4,270	(6.0)
Total other operating expenses	13,558	16,196	(16.3)	12,259	10.6	29,754	25,717	15.7
Cost-to-income ratio (%)	45.10	48.24		41.59		46.76	43.64	

⁽¹⁾ including Directors' remuneration

KTB's consolidated other operating expenses in 2Q2019 was Baht 13,558 million, rose by 10.6%YoY due to impairment loss of properties foreclosed in accordance with BOT's regulation regarding the holding period of properties foreclosed and to higher personnel expenses, which was partly increased from subsidiaries' implementation of the new Labor Protection Act effective in this period. Compared to 1Q2019, other operating expenses decreased 16.3% QoQ from lower impairment loss of properties foreclosed.

KTB's consolidated other operating expenses in 1H2019 was Baht 29,754 million, increased by 15.7% YoY from impairment loss of properties foreclosed. If excluding such item, other operating expenses decreased 2.0% YoY.

On April 5, 2019, the Labor Protection Act (No. 7) B.E. 2562 was published in the Royal Thai Government Gazette in effective of additional legal severance pay rates in the event of termination of an employee, who has worked for 20 consecutive years or more, to receive compensation of no less than 400 days of the latest pay rate. The Bank's 1H2019 financial statements have not yet been obligated to provision on this matter as the Bank is under the State Enterprise Labor Relations Act B.E. 2543, in which the Bank will comply upon any changes. Additionally, the Bank keeps a close eye on any potential impact.

However, the subsidiaries are under such new Act, in which they have set aside the provision with no significant impacts to the consolidated financial statements.

Impairment Loss of Loans

Unit : Million Baht								
	2/2019	1/2019	Change	2/2018	Change	1H2019	1H2018	Change
			%		%			%
Impairment loss of loans ⁽¹⁾	5,561	7,330	(24.1)	6,769	(17.8)	12,891	13,677	(5.7)

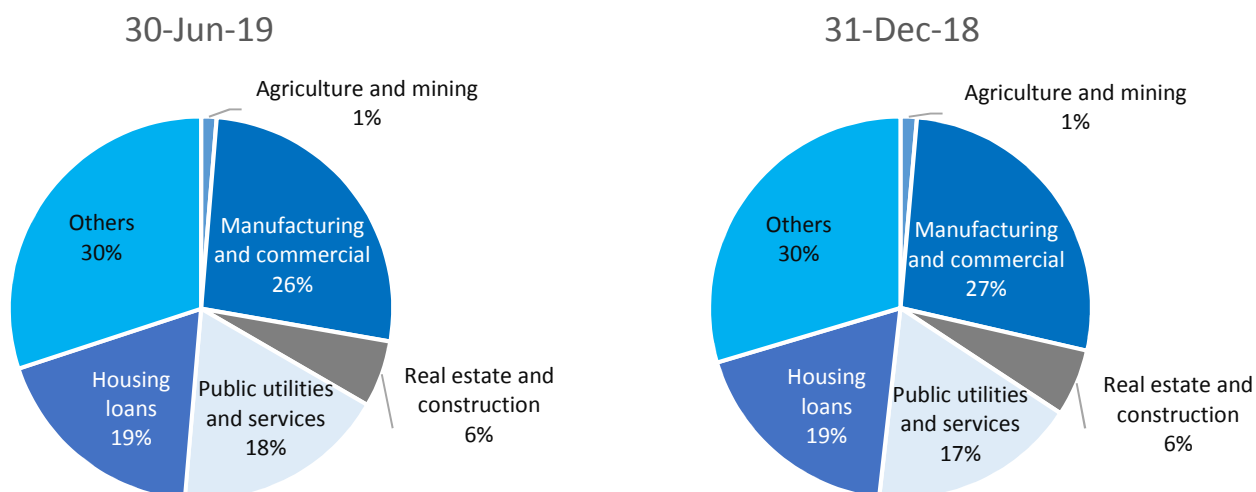
⁽¹⁾ Impairment loss of loans and debt securities

In 2Q2019, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 5,561 million, a decrease by 17.8% YoY and by 24.1% QoQ. In 1H2019, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 12,891 million, a decrease by 5.7% YoY. Such coverage ratio is continuously increasing pursuant to the Bank's compliance of provision policy with prudent practice. The Bank's consolidated coverage ratio was increased to 132.83% as at June 30, 2019 from 125.74% as at end 2018. Compared to 1Q2019, coverage ratio rose from 126.86% as at March 31, 2019, which was partly from lower NPL at the end of this quarter.

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

Loans to Customers

Loan breakdown by type of business



The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,065,053 million, increased by 2.0% compared to the end of last year. Such growth was derived from the private corporate and retail loans (both personal and housing loans). Loans to customers (less deferred revenue) rose by 1.6% from Baht 2,032,879 million as at March 31, 2019 on similar drivers as the YTD period.

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

Unit : Million Baht

The Bank's Financial Statements	30 Jun 2019		31 Mar 2019		Change	31 Dec 2018		Change
	Amount	(%)	Amount	(%)	(%)	Amount	(%)	(%)
Private Corporate	678,089	34.1	652,669	33.3	3.9	646,016	33.2	5.0
Government and State	179,287	9.0	178,407	9.1	0.5	179,904	9.2	-0.3
Enterprise								
SMEs ⁽¹⁾	332,548	16.7	338,889	17.3	-1.9	344,197	17.7	-3.4
Retail	799,394	40.2	789,281	40.3	1.3	778,262	39.9	2.7
- Housing	383,809	19.3	381,003	19.5	0.7	376,734	19.3	1.9
- Personal	415,585	20.9	408,278	20.8	1.8	401,528	20.6	3.5
Others	376	0.0	370	0.0	1.6	370	0.0	1.7
Total loans	1,989,694		1,959,616	100.0	1.5	1,948,748	100.0	2.1
Less Deferred revenue	88		29			46		
Total	1,989,606		1,959,587			1,948,702		

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

Asset Quality

Loan classification and allowance for doubtful accounts

Unit : Million Baht

Consolidated Financial Statement	30 Jun 2019			31 Mar 2019			31 Dec 2018		
	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts
1. Loan Classification									
Normal	1,888,408	901,015	13,683	1,857,832	875,294	13,365	1,858,757	872,884	13,399
Special mention	74,430	32,170	14,863	71,150	31,366	11,437	64,465	25,555	11,585
Substandard	8,141	3,320	3,326	17,065	8,580	8,588	14,404	7,899	7,899
Doubtful	15,118	7,142	7,142	15,365	7,150	7,150	17,923	9,196	9,196
Doubtful of loss	84,227	40,358	41,852	77,221	35,276	36,771	74,080	31,511	33,008
Total	2,070,324	984,005	80,866	2,038,633	957,666	77,311	2,029,629	947,045	75,087
Excess allowance			61,842			61,733			58,668
Allowance for doubtful account			142,708			139,044			133,755
Revaluation allowance for debt restructuring			-			-			-
2. Actual provisioning for loan loss⁽¹⁾			142,708			139,044			133,755
3. Gross NPLs⁽²⁾	107,438		4.68%	109,607		4.50%	106,370		4.53%
Net NPLs⁽²⁾	43,053		1.93%	45,951		1.94%	44,396		1.94%
4. Coverage Ratio⁽³⁾			132.83%			126.86%			125.74%

Bank's Financial Statement

Actual provisioning for loan loss⁽⁴⁾		136,660			133,320		127,970
Gross NPLs⁽²⁾	103,871	4.68%	105,937	4.48%	102,634	4.52%	
Net NPLs⁽²⁾	42,757	1.98%	45,638	1.98%	43,943	1.98%	
Coverage Ratio⁽³⁾		131.57%		125.85%		124.69%	

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

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

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

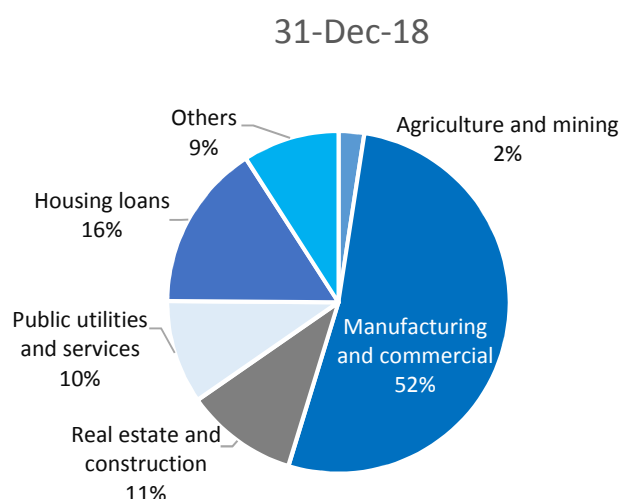
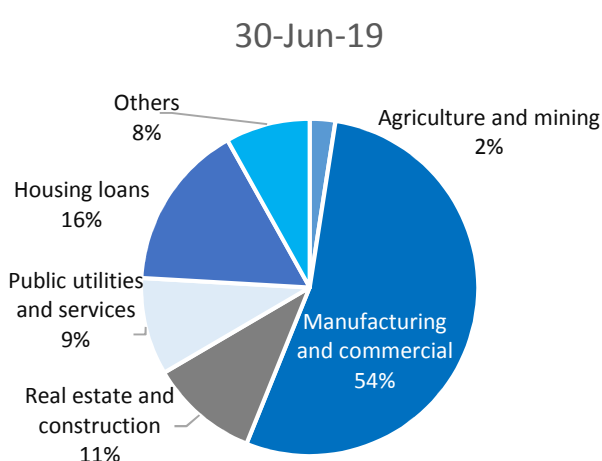
⁽⁴⁾ Actual provisioning for loan loss (according to C.B.1.1)

The Bank's consolidated NPLs Ratio-Gross as at June 30, 2019 was 4.68%, rose from 4.53% and 4.50% as at December 31, 2018 and March 31, 2019 respectively. Such is the consequence from the contraction of loans used for the NPLs Ratio-Gross calculation as compared to the previous year-end and quarter-end; although, NPL was lowered in this quarter.

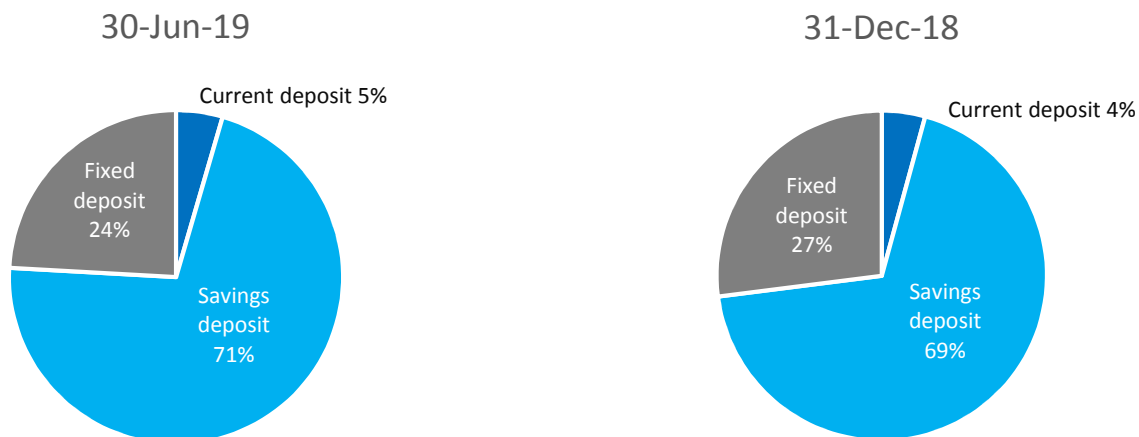
NPLs Ratio-Net stood at 1.93%, a slight decrease from as at December 31, 2018 and as at March 31, 2019.

The Bank and its subsidiaries consistently conform to provision policy with prudent practice. As at June 30, 2019, the Bank's consolidated coverage ratio was increased to 132.83% from 125.74% as at December 31, 2018. Compared to 1Q2019, coverage ratio rose from 126.86% as at March 31, 2019, which was partly from lower NPL at the end of this quarter.

Gross NPLs breakdown by type of business



Deposits

Deposits breakdown by types

The Bank's consolidated deposits was Baht 1,984,776 million, decreased by 2.7% from December 31, 2018, mainly from the due of fixed deposits with high return. However, the Bank's consolidated deposits decreased by 4.4% from March 31, 2019 from all deposit types, especially from lower saving deposits and the due of fixed deposits with high return. Additionally, such fixed deposits will additionally be due throughout 2H2019.

Given high deposits contraction and the loans growth as compared to the end of last year, the Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) as at June 30, 2019 of 104.04% increased from 99.25% as at December 31, 2018 and increased from 97.87% as at March 31, 2019. L/D ratio for the Bank Only as at June 30, 2019 registered at 100.05%, increased from 95.39% as at December 31, 2018 and increased from 94.19% as at March 31, 2019. In addition, the Bank continuously monitors other the liquidity ratios for the appropriate level of liquidity.

In July 2019, the Bank has issued to institutional investors and wealth clients the sub-debt Tier 2 for the amount of no more than Baht 24,000 million with 10-year tenor at the interest rate of 3.70% per year as another funding source; the feedback on such was well-received.

Sources and Uses of Funds

Unit : Million Baht

	30 Jun 2019		31 Mar 2019		Change	31 Dec 2018		Change
	Amount	(%)	Amount	(%)	(%)	Amount	(%)	(%)
Net Interbank and money market items (Asset)	276,504	10.1	424,454	14.7	(34.9)	372,514	13.6	(25.8)
Net investments and net investments in subsidiaries and associates	312,685	11.5	286,868	9.9	9.0	240,167	8.8	30.2
Loans to customers (less deferred revenues)	2,065,053	75.7	2,032,879	70.5	1.6	2,024,205	73.9	2.0
<u>Less</u> Allowance for doubtful accounts and revaluation allowance for debt restructuring	(142,708)	(5.2)	(139,044)	(4.8)	2.6	(133,755)	(4.9)	6.7
Other assets	215,473	7.9	278,957	9.7	(22.8)	236,072	8.6	(8.7)
Total Asset	2,727,007	100.0	2,884,114	100.0	(5.4)	2,739,203	100.0	(0.4)
Deposits	1,984,776	72.8	2,077,071	72.0	(4.4)	2,039,602	74.5	(2.7)
Net Interbank and money market items (liabilities)	182,389	6.7	201,439	7.0	(9.5)	157,396	5.7	15.9
Debt issued and borrowings	93,239	3.4	96,854	3.4	(3.7)	95,205	3.5	(2.1)
Others	139,269	5.1	184,779	6.4	(24.6)	132,859	4.8	4.8
Total equity								
- Equity holders of the Bank	318,631	11.7	314,902	10.9	1.2	305,875	11.2	4.2
- Non-controlling interest	8,703	0.3	9,069	0.3	(4.0)	8,266	0.3	5.3
Total liabilities and equity	2,727,007	100.0	2,884,114	100.0	(5.4)	2,739,203	100.0	(0.4)
Loans to customers (less deferred revenue)-to-deposits ratio (%)	104.04		97.87			99.25		

As at June 30, 2019, the Bank's major source of funds was 72.8% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. The Bank's use of funds comprised of 75.7% loans to customers (less deferred revenue), 11.5% net investments and net investments in subsidiaries and associates, and 10.1% net interbank and money market items.

Equity

The total equity (equity holders of the Bank) as at June 30, 2019 was Baht 318,631 million, increased by 4.2% and 1.2% compared to December 31, 2018 and March 31, 2019 respectively.

Book value per share (equity holders of the Bank) was Baht 22.79 per share increased from Baht 21.88 per share and Baht 22.52 per share at December 31, 2018 and March 31, 2019 respectively.

Statutory Capital Fund

Statutory Capital Fund (Bank and the Financial Business Group)

Unit : Million Baht

Bank and the Financial Business Group ⁽¹⁾	30 Jun 2019 ⁽³⁾		31 Mar 2019 ⁽³⁾		The minimum rate required by the BOT for 2019 (%) ⁽²⁾	31 Dec 2018 ⁽³⁾		The minimum rate required by the BOT for 2018 (%) ⁽²⁾
	Amount	(%)	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	294,429	14.91	285,833	14.60	>7.500	284,013	14.42	>6.375
Tier 1 capital	295,561	14.97	286,965	14.66	>9.000	284,982	14.47	>7.875
Tier 2 capital	73,745		73,533			73,718		
Total capital fund	369,306	18.70	360,498	18.41	>11.500	358,700	18.22	>10.375
Risk-weighted assets	1,974,956		1,958,104			1,969,203		

⁽¹⁾ Balance sheet as under regulatory scope of the financial business group means financial statement for consolidated basis under BOT's regulation which does not include non-life and life insurance companies, and companies held less than 50 percent of paid-up shares capital by the Bank.

⁽²⁾ According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb Capital conversation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.5% is reached on January 1, 2019. Moreover, KTB was named as the one of the Domestic Systemically Important Banks (D-SIBs) requiring to hold all capital ratios to absorb higher loss absorbency of additional 0.5% of risk-weight assets from January 1, 2019 and 1% of risk-weight assets from January 1, 2020 onwards (reference to the BOT Notification Sor.Nor.Sor. 16/2560 and 17/2560).

⁽³⁾ Capital fund and capital adequacy ratio as at June 30 and March 31, 2019 are preliminary information prepared accordance with BOT guidelines. However, the capital data as at December 31, 2018 has been updated in alignment with the report to BOT.

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	30 Jun 2019 ⁽²⁾		31 Mar 2019 ⁽²⁾		The minimum rate required by the BOT for 2019 (%) ⁽¹⁾	31 Dec 2018 ⁽²⁾		The minimum rate required by the BOT for 2018 (%) ⁽¹⁾
	Amount	(%)	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	275,893	14.34	272,605	14.29	>7.500	272,015	14.35	>6.375
Tier 1 capital	275,893	14.34	272,605	14.29	>9.000	272,015	14.35	>7.875
Tier 2 capital	73,162		72,950			72,856		
Total capital fund	349,055	18.14	345,555	18.12	>11.500	344,871	18.19	>10.375
Risk-weighted assets	1,924,020		1,907,236			1,895,879		

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

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

As at June 30, 2019, the Bank and the Financial Business Group's Common Equity Tier 1 were Baht 294,429 million (14.91% of its RWA), and Tier 1 capital were Baht 295,561 million (14.97% of its RWA). Total capital was Baht 369,306 million (18.70% of its RWA).

As at June 30, 2019, the Bank's Common Equity Tier 1 and Tier 1 capital were Baht 275,893 million (14.34% of its RWA). Total capital was Baht 349,055 million (18.14% of its RWA).

The Bank possesses healthy capital ratios compared to BOT's requirement. Moreover, the bank regularly reassesses the capital level to be in accordance with the BOT's requirement as well as with any foreseeable risk to ensure the capital adequacy. In July 2019, the bank has issued the sub-debt Tier 2 for the amount of not more than Baht 24,000 million in order to strengthen the capital status per aforementioned.

Credit Ratings

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

■ S&P Global Ratings	June 2019	March 2019	December 2018
■ Long-term/ Short-term	BBB / A-2	BBB / A-2	BBB / A-2
■ Outlook	Stable	Stable	Stable
■ Stand-Alone Credit Profile (SACP)	bb+	bb+	bb+
■ Moody's Investors Service	June 2019	March 2019	December 2018
■ Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2	Baa1 / P-2
■ Outlook	Positive ⁽¹⁾	Stable	Stable
■ Baseline Credit Assessment (BCA)	baa3 ⁽¹⁾	ba1	ba1
■ Fitch Ratings	June 2019	March 2019	December 2018
Foreign Currency Credit Ratings			
■ Long-term/ Short-term	BBB / F2	BBB / F2	BBB / F2
■ Outlook	Positive ⁽¹⁾	Stable	Stable
■ Viability Rating	bbb-	bbb-	bbb-
■ Subordinated Debt (USD)	BBB-	BBB-	BBB-
National Credit Ratings			
■ Long-term/ Short-term	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)
■ Outlook	Stable	Stable	Stable
■ US dollar-denominated Senior unsecured debentures	AA+(tha)	AA+(tha)	AA+(tha)
■ Subordinated Debt (Baht)	AA(tha)	AA(tha)	AA(tha)

⁽¹⁾ In July 2019, the outlook on Foreign Currency Ratings and Baseline Credit Assessment (BCA) have been upgraded.

In July 2019, Fitch Ratings and Moody's Investor Service have revised the outlook on Foreign Currency Ratings to Positive from Stable in alignment with Thailand's outlook. In addition, Moody's Investor Service has upgraded Baseline Credit Assessment (BCA) to baa3 from ba1 due to the bank's good financial fundamentals despite the still challenging credit cycle in Thailand.

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

Disclaimer

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