



(TRANSLATION)

AUDITOR'S REPORT

To: THE SHAREHOLDERS OF KRUNG THAI BANK PUBLIC COMPANY LIMITED

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 December ๓๑, ๒๐๑๘, 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 year 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 December ๓๑, ๒๐๑๘, and its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows for the year 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 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.

State Audit Office of the Kingdom of Thailand

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



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financial statements of the current period. This matter was addressed in the context of the State Audit Office of the Kingdom of Thailand's 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. 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 assets 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 December ๓๑, ๒๐๑๘ represented ๗๓.๙๓ % of the Group's total assets and ๗๓.๓๗ % of the Bank's total assets, which an allowance for doubtful accounts in the consolidated and the Bank's financial statements amount of Baht ๑๓๓,๗๕๔.๓๙ million and Baht ๑๒๕,๓๓๙.๘๗ 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 assets 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 industries 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 ๓.๘ and ๓.๗ to the financial statements, respectively.

State Audit Office of the Kingdom of Thailand

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, assumptions used in the calculation are still calibrated in a way which is appropriate for the impairment risks in the Bank's loan portfolios;



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- 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and the Bank's financial statements and the auditor's report thereon. The annual report is expected to be made available to the State Audit Office of the Kingdom of Thailand after the date of this auditor's report.

The State Audit Office of the Kingdom of Thailand's opinion on the consolidated and the Bank's financial statements does not cover the other information and the State Audit Office of the Kingdom of Thailand will not express any form of assurance conclusion thereon.

In connection with the audit of the consolidated and the Bank's financial statements, the State Audit Office of the Kingdom of Thailand's responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the accompanying consolidated and the Bank's financial statements or the State Audit Office of the Kingdom of Thailand's knowledge obtained in the audit, or otherwise appears to be materially misstated.

State Audit Office of the Kingdom of Thailand

When the State Audit Office of the Kingdom of Thailand reads the annual report, if the State Audit Office of the Kingdom of Thailand concludes that there is a material misstatement therein, the State Audit Office of the Kingdom of Thailand is required to communicate the matter to those charged with governance.

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 is 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.



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In preparing the consolidated and the Bank's financial statements, management is responsible for assessing the Group's 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 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 process.

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:

State Audit Office of the Kingdom of Thailand

- 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



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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 and the Bank to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the consolidated and the Bank's financial statements, including the disclosures, and 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 audit opinion.

State Audit Office of the Kingdom of Thailand

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.



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(Signed)

Pornchai Jumroonpanichkul
(Pornchai Jumroonpanichkul)
Deputy Auditor General

(Signed)

Ratchanee Chohnakijkul
(Ratchanee Chohnakijkul)
Director of Financial and Procurement Audit Office No.๔

State Audit Office of the Kingdom of Thailand

February ๒๗, ๒๐๑๙

February 28,

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2018

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		DECEMBER 31, 2018	DECEMBER 31, 2017	DECEMBER 31, 2018	DECEMBER 31, 2017
ASSETS					
CASH		68,878,125	73,572,868	68,661,544	73,334,740
INTERBANK AND MONEY MARKET ITEMS, NET	7.2	372,513,779	549,669,529	371,763,700	549,180,025
CLAIMS ON SECURITIES		33,595,200	58,521,800	33,595,200	58,521,800
DERIVATIVES ASSETS	7.3	36,229,566	33,833,398	36,231,033	33,842,515
INVESTMENTS, NET	7.4	223,332,594	209,514,532	223,228,712	209,311,888
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET	7.5	16,834,298	18,725,225	10,697,855	10,697,950
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET	7.6				
LOANS TO CUSTOMERS		2,025,130,041	1,939,927,818	1,948,747,872	1,865,483,424
ACCRUED INTEREST RECEIVABLES		5,424,063	5,211,737	4,877,860	4,691,079
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES		2,030,554,104	1,945,139,555	1,953,625,732	1,870,174,503
LESS DEFERRED REVENUE		(925,374)	(1,846,301)	(45,990)	(87,092)
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	7.7	(133,754,394)	(125,363,725)	(125,339,870)	(116,726,345)
LESS REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING	7.8	-	(17,264)	-	(17,264)
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET		1,895,874,336	1,817,912,265	1,828,239,872	1,753,343,802
CUSTOMERS' LIABILITIES UNDER ACCEPTANCES		208,030	152,852	208,030	152,852
PROPERTIES FOR SALE, NET	7.9	35,983,101	35,509,936	35,912,796	35,486,341
PREMISES AND EQUIPMENT, NET	7.10	26,501,196	26,019,406	24,592,840	24,413,806
OTHER INTANGIBLE ASSETS, NET	7.11	3,943,802	3,906,494	994,705	895,359
DEFERRED TAX ASSETS	7.12	5,127,961	4,592,766	2,666,690	2,130,345
ACCRUED INCOME		3,837,229	3,476,209	3,627,623	3,188,162
OTHER ASSETS, NET	7.13	16,343,974	18,802,727	15,760,774	17,082,986
TOTAL ASSETS		2,739,203,191	2,854,210,007	2,656,181,374	2,771,582,571
LIABILITIES AND EQUITY					
DEPOSITS	7.14	2,039,601,901	2,070,874,680	2,042,947,825	2,073,594,012
INTERBANK AND MONEY MARKET ITEMS, NET	7.15	157,395,930	228,691,395	151,999,937	219,066,748
LIABILITIES PAYABLE ON DEMAND		5,579,659	5,291,692	5,579,659	5,291,692
LIABILITIES TO DELIVER SECURITIES		33,595,200	58,521,804	33,595,200	58,521,804
DERIVATIVES LIABILITIES	7.3	32,345,613	30,284,422	32,345,613	30,284,422
DEBT ISSUED AND BORROWINGS	7.16	95,205,510	110,626,429	50,521,110	67,271,429
BANK'S LIABILITIES UNDER ACCEPTANCES		208,030	152,852	208,030	152,852
PROVISIONS	7.17	11,837,740	12,625,672	10,734,911	11,524,569
OTHER LIABILITIES	7.18	49,292,505	42,922,118	40,743,911	35,745,892
TOTAL LIABILITIES		2,425,062,088	2,559,991,064	2,368,676,196	2,501,453,420

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

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER, 2018

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		DECEMBER 31, 2018	DECEMBER 31, 2017	DECEMBER 31, 2018	DECEMBER 31, 2017
LIABILITIES AND EQUITY (CONTINUED)					
EQUITY					
SHARE CAPITAL	7.19				
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		71,976,715	71,976,715	71,976,715	71,976,715
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		19,074,388	21,918,740	14,970,218	15,015,969
RETAINED EARNINGS					
APPROPRIATED					
LEGAL RESERVE	7.20	7,200,504	7,200,504	7,200,504	7,200,504
UNAPPROPRIATED		186,761,783	165,903,237	172,495,682	155,073,904
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		305,875,449	287,861,255	287,505,178	270,129,151
NON-CONTROLLING INTEREST		8,265,654	6,357,688		
TOTAL EQUITY		314,141,103	294,218,943	287,505,178	270,129,151
TOTAL LIABILITIES AND EQUITY		2,739,203,191	2,854,210,007	2,656,181,374	2,771,582,571

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

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
CHAIRMAN OF THE BOARD OF DIRECTORS

(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 YEAR ENDED DECEMBER 31, 2018

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2018	2017 (RESTATED)	2018	2017 (RESTATED)
INTEREST INCOME	7.27	119,770,299	122,886,167	105,936,898	109,374,291
INTEREST EXPENSES	7.28	36,081,433	36,022,769	34,560,623	34,426,252
INTEREST INCOME, NET		83,688,866	86,863,398	71,376,275	74,948,039
FEES AND SERVICE INCOME		29,492,754	28,638,265	23,587,445	23,357,785
FEES AND SERVICE EXPENSES		5,830,770	4,617,113	4,197,264	3,094,940
FEES AND SERVICE INCOME, NET	7.29	23,661,984	24,021,152	19,390,181	20,262,845
GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS, NET	7.30	3,500,468	3,231,563	3,493,051	3,220,441
GAINS ON INVESTMENTS, NET	7.31	434,487	928,659	434,392	924,966
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD		1,129,638	2,264,089	-	-
DIVIDEND INCOME		453,358	415,452	1,860,076	3,435,393
REVENUES FROM LITIGATION COMPENSATION		-	1,635,735	-	1,635,735
OTHER OPERATING INCOME		4,352,345	3,864,127	654,698	995,662
TOTAL OPERATING INCOME		117,221,146	123,224,175	97,208,673	105,423,081
OTHER OPERATING EXPENSES					
EMPLOYEES' EXPENSES		29,226,146	27,439,450	23,634,815	21,996,338
DIRECTORS' REMUNERATION		92,592	99,238	58,530	71,983
PREMISES AND EQUIPMENT EXPENSES		8,792,226	8,560,565	5,066,785	4,971,059
TAXES AND DUTIES		4,303,293	4,364,252	3,789,024	3,878,956
OTHERS		10,673,726	9,019,668	13,755,571	11,872,947
TOTAL OTHER OPERATING EXPENSES		53,087,983	49,483,173	46,304,725	42,791,283
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES	7.32	26,191,865	44,833,388	20,500,076	37,499,849
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES		37,941,298	28,907,614	30,403,872	25,131,949
INCOME TAX EXPENSES	7.33	6,851,974	4,797,336	5,303,252	3,819,483
NET PROFIT		31,089,324	24,110,278	25,100,620	21,312,466

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

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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 YEAR ENDED DECEMBER 31, 2018

(Thousand Baht)					
	NOTE	CONSOLIDATED		THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2018	2017	2018	2017
			(RESTATED)		(RESTATED)
OTHER COMPREHENSIVE INCOME					
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
GAINS ON REMEASURING AVAILABLE-FOR-SALE INVESTMENTS		218,971	574,929	210,190	574,929
GAINS FROM RECLASSIFICATION OF INVESTMENTS		-	805,442	-	805,442
GAINS (LOSSES) ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS		(207,348)	192,586	(207,348)	192,586
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES (EQUITY METHOD)					
WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(2,805,627)	2,883,383	-	-
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME					
WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(43,794)	(276,074)	(42,038)	(276,074)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
CHANGES IN REVALUATION SURPLUS ON ASSETS		(8,194)	(12,928)	(8,194)	(12,928)
ACTUARIAL GAINS (LOSSES) ON DEFINED BENEFIT PLANS		1,121,945	(1,149,468)	1,063,450	(1,124,505)
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME					
WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		(222,750)	232,478	(211,051)	227,486
OTHER COMPREHENSIVE INCOME, NET	7.34	(1,946,797)	3,250,348	805,009	386,936
TOTAL COMPREHENSIVE INCOME		29,142,527	27,360,626	25,905,629	21,699,402
NET PROFIT ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		28,491,290	22,440,009	25,100,620	21,312,466
NON-CONTROLLING INTEREST		2,598,034	1,670,269		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE					
EQUITY HOLDERS OF THE BANK		26,543,796	25,699,216	25,905,629	21,699,402
NON-CONTROLLING INTEREST		2,598,731	1,661,410		
EARNINGS PER SHARE OF PARENT COMPANY					
BASIC EARNINGS PER SHARE (BAHT)		2.04	1.61	1.80	1.52

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

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

CONSOLIDATED FINANCIAL STATEMENTS												NON-CONTROLLING INTEREST	TOTAL
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK													
NOTE	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				
			APPRAISAL SURPLUS (DEFICIT)	REVALUATION SURPLUS (DEFICIT)	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	8,367,335	5,630,275	-	-	(85,107)	3,836,315	163,341,742	273,929,334	5,217,609	279,146,943	
	-	-	-	-	-	-	-	-	257,697	257,697	-	257,697	
	72,005,040	20,833,734	8,367,335	5,630,275	-	-	(85,107)	3,836,315	163,599,439	274,187,031	5,217,609	279,404,640	
7.21	-	-	-	-	-	-	-	-	(12,024,992)	(12,024,992)	(521,331)	(12,546,323)	
	-	-	(10,343)	459,943	644,353	192,586	2,883,383	21,529,294	25,699,216	1,661,410	27,360,626	27,360,626	
	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	294,218,943	
	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	294,218,943	
	-	-	-	-	-	-	-	-	(8,529,602)	(8,529,602)	(690,765)	(9,220,367)	
7.21	-	-	(6,555)	175,178	-	(207,348)	(2,805,627)	29,388,148	26,543,796	2,598,731	29,142,527	29,142,527	
	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	314,141,103	

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 YEAR ENDED DECEMBER 31, 2018

THE BANK'S FINANCIAL STATEMENTS										TOTAL
NOTE	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM ON SHARE CAPITAL	OTHER COMPONENTS OF EQUITY				RETAINED EARNINGS			
			APPRAISAL SURPLUS (DEFICIT) ON ASSETS	REVALUATION SURPLUS (DEFICIT) ON INVESTMENTS	GAINS (LOSS) FROM RECLASSIFICATION OF INVESTMENTS	GAIN (LOSS) FROM TRANSLATING THE FINANCIAL STATEMENTS				
BEGINNING BALANCE AS AT JANUARY 1, 2017										
	72,005,040	20,833,734	8,367,335	5,447,202	-	(85,107)	153,886,537	260,454,741		
7.21	-	-	-	-	-	-	(12,024,992)	(12,024,992)		
TOTAL COMPREHENSIVE INCOME										
	72,005,040	20,833,734	(10,343)	459,943	644,353	192,586	20,412,863	21,699,402		
ENDING BALANCE AS AT DECEMBER 31, 2017										
	72,005,040	20,833,734	8,356,992	5,907,145	644,353	107,479	162,274,408	270,129,151		
BEGINNING BALANCE AS AT JANUARY 1, 2018										
	72,005,040	20,833,734	8,356,992	5,907,145	644,353	107,479	162,274,408	270,129,151		
7.21	-	-	-	-	-	-	(8,529,602)	(8,529,602)		
TOTAL COMPREHENSIVE INCOME										
	-	-	(6,555)	168,152	-	(207,348)	25,951,380	25,905,629		
ENDING BALANCE AS AT DECEMBER 31, 2018										
	72,005,040	20,833,734	8,350,437	6,075,297	644,353	(99,869)	179,696,186	287,505,178		

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

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
CHAIRMAN OF THE BOARD OF DIRECTORS

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	(Thousand Baht)			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
	2018	2017	2018	2017
		(RESTATED)		(RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES				
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES	37,941,298	28,907,614	30,403,872	25,131,949
ADJUSTMENTS TO RECONCILE PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
DEPRECIATION AND AMORTIZATION EXPENSES	2,745,040	2,954,393	1,265,182	1,405,051
BAD DEBTS, DOUBTFUL ACCOUNTS AND LOSS ON IMPAIRMENT	26,191,865	44,833,388	20,500,076	37,499,849
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD	(1,129,638)	(2,264,089)	-	-
GAIN ON DISPOSAL OF ASSETS	(44,080)	(4,511)	(35,572)	(1,978)
GAIN ON LIQUIDATION OF INVESTMENTS IN SUBSIDIARY COMPANY	-	-	-	(252,253)
GAIN ON DISPOSAL OF INVESTMENTS	(425,630)	(663,756)	(425,630)	(663,756)
GAIN ON REVALUATION OF INVESTMENTS	(74,932)	(85,736)	(74,932)	(85,736)
LOSS (REVERSAL) ON IMPAIRMENT OF PROPERTIES FOR SALE	269,319	(1,825)	255,106	(12,900)
REVERSAL ON IMPAIRMENT OF INVESTMENTS	(8,856)	(12,651)	(8,761)	(8,957)
LOSS ON IMPAIRMENT OF OTHER ASSETS	544,980	95,175	544,980	95,175
AMORTIZATION OF DISCOUNT ON INVESTMENTS	(93,267)	(167,230)	(88,861)	(164,531)
GAIN ON FOREIGN CURRENCY TRANSLATION	(695,569)	(43,408)	(695,553)	(41,859)
INCREASE IN PROVISIONS	111,143	241,919	273,792	83,822
INCREASE IN OTHER ACCRUED INCOME	(477,558)	(780,652)	(556,000)	(757,308)
INCREASE (DECREASE) IN OTHER ACCRUED EXPENSES	2,074,755	(2,508,938)	2,029,973	(2,575,328)
	66,928,870	70,499,693	53,387,672	59,651,240
INTEREST INCOME, NET	(83,688,866)	(86,863,398)	(71,376,275)	(74,948,039)
DIVIDEND INCOME	(453,358)	(415,452)	(1,860,076)	(3,435,393)
PROCEEDS FROM INTEREST INCOME	119,842,818	123,163,175	106,034,961	109,675,836
CASH PAID ON INTEREST EXPENSES	(35,454,554)	(36,496,577)	(34,016,197)	(34,916,000)
PROCEEDS FROM DIVIDEND INCOME	452,828	415,452	452,828	415,452
CASH PAID ON INCOME TAX EXPENSES	(6,281,035)	(5,192,682)	(4,716,969)	(3,963,815)
PROFIT FROM OPERATION BEFORE CHANGES IN				
OPERATING ASSETS AND LIABILITIES	61,346,703	65,110,211	47,905,944	52,479,281
(INCREASE) DECREASE IN OPERATING ASSETS				
INTERBANK AND MONEY MARKET ITEMS	176,987,974	(118,090,802)	177,248,549	(117,889,497)
CLAIMS ON SECURITIES	24,926,600	(37,100,100)	24,926,600	(37,100,100)
INVESTMENTS IN TRADING SECURITIES	(14,929,216)	8,704,406	(14,926,206)	8,720,927
LOANS TO CUSTOMERS	(106,479,458)	(72,349,087)	(97,747,211)	(60,076,417)
PROPERTIES FOR SALE	854,890	4,694,565	860,928	4,647,574
OTHER ASSETS	423,709	(887,001)	(705,024)	(919,875)
INCREASE (DECREASE) IN OPERATING LIABILITIES				
DEPOSITS	(31,272,780)	98,471,149	(30,646,187)	98,436,338
INTERBANK AND MONEY MARKET ITEMS	(71,295,465)	17,520,083	(67,066,811)	17,350,745
LIABILITIES PAYABLE ON DEMAND	287,967	209,221	287,967	209,221
LIABILITIES TO DELIVER SECURITIES	(24,926,604)	37,100,104	(24,926,604)	37,100,104
OTHER LIABILITIES	3,369,301	(278,694)	2,658,924	(377,808)
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,293,621	3,104,055	17,870,869	2,580,493

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 YEAR ENDED DECEMBER 31, 2018

	(Thousand Baht)			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
	2018	2017	2018	2017
		(RESTATED)		(RESTATED)
CASH FLOWS FROM INVESTING ACTIVITIES				
PURCHASES OF AVAILABLE FOR SALE SECURITIES	(150,051,299)	(143,931,576)	(150,701,899)	(143,931,576)
PROCEEDS FROM DISPOSAL OF AVAILABLE FOR SALE SECURITIES	112,267,675	133,965,418	112,267,675	133,965,418
PURCHASES OF HELD TO MATURITY DEBT SECURITIES	(2,503,804)	(1,194,485)	(973,828)	(316,487)
PROCEEDS FROM DISPOSAL OF HELD TO MATURITY DEBT SECURITIES	42,507,927	19,369,774	41,513,591	18,413,774
PURCHASES OF GENERAL INVESTMENTS	(363,133)	(358,369)	(363,133)	(358,369)
PROCEEDS FROM DISPOSAL OF GENERAL INVESTMENTS	294,567	536,991	294,567	536,991
PURCHASES OF INVESTMENTS IN ASSOCIATED COMPANIES	-	(14,942)	-	(14,942)
PROCEEDS FROM LIQUIDATION OF INVESTMENTS IN SUBSIDIARY COMPANY	-	-	-	253,253
PROCEEDS FROM DIVIDEND INCOME FROM SUBSIDIARIES AND ASSOCIATES	214,938	2,028,641	1,406,718	3,019,941
PURCHASES OF INTANGIBLE ASSETS	(678,611)	(512,027)	(264,394)	(171,753)
PURCHASES OF PREMISES AND EQUIPMENT	(1,268,953)	(895,010)	(612,329)	(453,364)
PROCEEDS FROM DISPOSAL OF PREMISES AND EQUIPMENT	100,644	78,039	35,917	2,221
NET CASH PROVIDED BY INVESTING ACTIVITIES	519,951	9,072,454	2,602,885	10,945,107
CASH FLOWS FROM FINANCING ACTIVITIES				
PROCEEDS FROM DEBT ISSUED AND LONG-TERM BORROWINGS	9,065,000	31,500,000	-	20,000,000
REPAYMENTS OF DEBT ISSUED AND LONG-TERM BORROWINGS	(24,145,600)	(29,856,320)	(16,410,000)	(20,288,320)
DIVIDEND PAID-ORDINARY SHARE	(8,525,397)	(12,019,412)	(8,525,397)	(12,019,412)
DIVIDEND PAID-PREFERRED SHARE	(4,205)	(5,580)	(4,205)	(5,580)
DIVIDEND PAID TO NON-CONTROLLING INTEREST	(690,765)	(521,331)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(24,300,967)	(10,902,643)	(24,939,602)	(12,313,312)
(GAIN) LOSS ON ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	(207,348)	192,586	(207,348)	192,586
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,694,743)	1,466,452	(4,673,196)	1,404,874
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS	73,572,868	72,106,416	73,334,740	71,929,866
ENDING BALANCE OF CASH AND CASH EQUIVALENTS	68,878,125	73,572,868	68,661,544	73,334,740

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

(Signed) Ekniti Nitithanprapas
EKNITI NITITHANPRAPAS
CHAIRMAN OF THE BOARD OF DIRECTOR

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2018**

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 STATEMENTS**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., and Krungthai Card Pcl.

Percentages of shareholdings and investments in the Bank's subsidiaries and associates are shown in Note 7.5.

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 year ended December 31, 2018 and 2017 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.

2.2 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 periods 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), TSIC Interpretations and IFRIC Interpretations that are relevant to the Bank as follows:

2.3.1 Effective for the financial statements periods beginning on or after January 1, 2019

TAS 1 (revised 2018)	Presentation of Financial Statements
TAS 7 (revised 2018)	Statement of Cash Flows
TAS 8 (revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2018)	Events after the Reporting Period
TAS 12 (revised 2018)	Income Taxes
TAS 16 (revised 2018)	Property, Plant and Equipment
TAS 17 (revised 2018)	Leases
TAS 19 (revised 2018)	Employee Benefits
TAS 20 (revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2018)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2018)	Borrowing Costs
TAS 24 (revised 2018)	Related Party Disclosures
TAS 26 (revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2018)	Separate Financial Statements
TAS 28 (revised 2018)	Investments in Associates and Joint Ventures
TAS 29 (revised 2018)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2018)	Earnings per Share
TAS 34 (revised 2018)	Interim Financial Reporting
TAS 36 (revised 2018)	Impairment of Assets
TAS 37 (revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2018)	Intangible Assets
TAS 40 (revised 2018)	Investment Property

2.3.1 Effective for the financial statements periods beginning on or after January 1, 2019 (Continued)

TFRS 2 (revised 2018)	Share-based Payment
TFRS 3 (revised 2018)	Business Combinations
TFRS 5 (revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2018)	Operating Segments
TFRS 10 (revised 2018)	Consolidated Financial Statements
TFRS 11 (revised 2018)	Joint Arrangements
TFRS 12 (revised 2018)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2018)	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers
TSIC 10 (revised 2018)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (revised 2018)	Operating Leases-Incentives
TSIC 25 (revised 2018)	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 32 (revised 2018)	Intangible Assets-Web Site Costs
TFRIC 1 (revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2018)	Applying the Restatement Approach under TAS 29 (revised 2018) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2018)	Interim Financial Reporting and Impairment
TFRIC 14 (revised 2018)	TAS 19 (revised 2018) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (revised 2018)	Distributions of Non-cash Assets to Owners
TFRIC 21 (revised 2018)	Levies

The Bank administrators have considered to constitute no significant impacts on the Bank's accounting policies and its subsidiaries' financial statements.

2.3.2 Effective for the financial statements periods beginning on or after January 1, 2020

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.

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.

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:

- 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.

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.

3.10 Properties for Sale (Continued)

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. 745/2559 dated June 10, 2016, regarding Delivery Policy of Appraisal Guarantee and Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institutions, the properties for sale in the amount exceeding Baht 50 million are appraised by the external appraisers, and the amount of not exceeding Baht 50 million are considered to appraise by internal or external appraisers depending on the Bank.

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.

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 Foreign Currency Translation (Continued)

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:

3.20 Provisions (Continued)

- 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

4.1 The Bank's Risk Information

Credit Risk

Credit risk is the risk that a counterparty or borrower fails to comply with conditions and covenants as stated in the mutual agreement or the deterioration of assets' quality resulting in non-repayment debts as set out in the loan contract and an adverse effect over the Bank's income and capital funds. 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 Bank also input economic and business from the research in loan portfolio management, including set the Industry Direction, stress testing and Industry Indicators in order to monitors and manages over all loan portfolio management with efficiency. 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.

4.1 The Bank's Risk Information (Continued)

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 Early Warning System that notice credit department and set the loan policy guideline to prevent the debtors become 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 Management 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.

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 Management Committee regularly.

4.1 The Bank's Risk Information (Continued)

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>December 31, 2018</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	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	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

(Million Baht)

	<u>December 31, 2017</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	522,794.48	7,077.87	5,367.09	1.56	17,721.97	-	552,962.97
Investments*	30,848.88	9,753.61	10,825.23	133,922.83	19,991.57	-	205,342.12
Loans to customers	1,357,047.26	204,878.81	163,255.01	40,578.57	1,086.38	98,637.39	1,865,483.42
Total financial assets	1,910,690.62	221,710.29	179,447.33	174,502.96	38,799.92	98,637.39	2,623,788.51
Financial liabilities							
Deposits	1,462,873.53	132,820.09	255,548.29	126,012.48	96,339.62	-	2,073,594.01
Interbank and money market items	151,649.33	12,041.79	8,359.92	38,600.44	8,415.27	-	219,066.75
Debt issued and borrowings	0.70	-	16,335.70	50,935.03	-	-	67,271.43
Total financial liabilities	1,614,523.56	144,861.88	280,243.91	215,547.95	104,754.89	-	2,359,932.19

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

4.1 The Bank's Risk Information (Continued)

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 Management Committee to formulate policy and market risk limit as follows:

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 Management Committee – RMC

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 RMC.

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.

4.1 The Bank's Risk Information (Continued)

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.

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 Management 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.

4.1 The Bank's Risk Information (Continued)

Risk Management Committee – RMC

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. RMC 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.

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 Management Committee (RMC) 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;

4.1 The Bank's Risk Information (Continued)

- 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 Management 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 Management 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.

- Simulation liquidity risk stress testing report is submitted to the Risk Management 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 December 31, 2018
Information as at	December 31, 2018

4.1 The Bank's Risk Information (Continued)

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 December 31, 2018, and 2017, the Bank has deposits at the BOT and cash at the Cash Center of Baht 20,754.02 million and Baht 19,507.24 million, respectively.

Sources and Uses of Funds

Sources and uses of funds as at December 31, 2018, the Bank and its subsidiaries' major sources of funds were deposits accounting for 74.46 percent of total funds. Other significant sources of funds included net interbank and money market items (liabilities) of 5.75 percent, debt issued and borrowings of 3.48 percent, and equity of 11.47 percent.

The Bank and its subsidiaries' uses of funds were loans to customers 73.90 percent of total uses of funds. Other significant uses of funds included net interbank and money market items (assets) of 13.60 percent and net investments of 8.77 percent.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Sources of Funds		
Deposits	74.46%	72.56%
Interbank and money market items, net	5.75%	8.01%
Debt issued and borrowings	3.48%	3.88%
Equity	11.47%	10.31%
Uses of Funds		
Loans to customers	73.90%	67.90%
Interbank and money market items, net	13.60%	19.26%
Investments, net	8.77%	8.00%

Loans to Deposits Ratio

On the consolidated financial statements as at December 31, 2018, the Bank has loans to deposits ratio of 99.25 percent which has increased from 93.59 percent as at December 31, 2017.

Loan to deposits ratio on the Bank's financial statements as at December 31, 2018 is 95.39 percent which has increased from 89.96 percent as at December 31, 2017. As a result of loan increased 4.47 percent and the reduction of deposits decreased 1.48 percent from the end of the year 2017.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Loans to deposits ratio (Consolidated financial statements)	99.25%	93.59%
Loans to deposits ratio (The Bank's financial statements)	95.39%	89.96%

4.1 The Bank's Risk Information (Continued)

As at December 31, 2018 and 2017, the Bank's financial assets and liabilities are classified by remaining maturity as follows:

(Million Baht)

	December 31, 2018					
	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.

(Million Baht)

	December 31, 2017					
	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	436,285.59	32,790.72	65,811.50	14,292.22	-	549,180.03
Investments, net*	39,337.15	9,754.27	10,907.06	149,313.41	10,697.95	220,009.84
Loans to customers	110,911.92	101,363.25	408,884.17	1,244,324.08	-	1,865,483.42
Total financial assets	586,534.66	143,908.24	485,602.73	1,407,929.71	10,697.95	2,634,673.29
Financial Liabilities						
Deposits	1,557,499.12	134,289.86	252,969.41	128,835.62	-	2,073,594.01
Interbank and money market items, net	163,604.12	8,558.36	8,303.53	38,600.74	-	219,066.75
Debt issued and borrowings	0.70	-	16,335.70	50,935.03	-	67,271.43
Total financial liabilities	1,721,103.94	142,848.22	277,608.64	218,371.39	-	2,359,932.19

* Included investments in subsidiaries and associates.

4.2 Fair Value of Financial Instruments

(Million Baht)

<u>Consolidated Financial Statements</u>				
	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	68,878.13	68,878.13	73,572.87	73,572.87
Interbank and money market items, net	372,513.78	372,513.78	549,669.53	549,669.53
Derivatives assets	36,229.57	36,229.57	33,833.40	33,833.40
Investments, net*	240,166.89	241,460.11	228,239.76	228,240.26
Loans to customers and accrued interest receivables, net	1,895,874.34	1,895,874.34	1,817,912.27	1,817,912.27
Total financial assets	2,613,662.71	2,614,955.93	2,703,227.83	2,703,228.33
Financial Liabilities				
Deposits	2,039,601.90	2,039,601.90	2,070,874.68	2,070,874.68
Interbank and money market items, net	157,395.93	157,878.58	228,691.40	223,399.10
Liabilities payable on demand	5,579.66	5,579.66	5,291.69	5,291.69
Derivatives liabilities	32,345.61	32,345.61	30,284.42	30,284.42
Debt issued and borrowings	95,205.51	95,376.82	110,626.43	111,455.31
Total financial liabilities	2,330,128.61	2,330,782.57	2,445,768.62	2,441,305.20

* Included investments in subsidiaries and associates.

(Million Baht)

<u>The Bank's Financial Statements</u>				
	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	68,661.54	68,661.54	73,334.74	73,334.74
Interbank and money market items, net	371,763.70	371,763.70	549,180.03	549,180.03
Derivatives assets	36,231.03	36,231.03	33,842.51	33,842.51
Investments, net*	233,926.57	282,932.37	220,009.84	254,948.87
Loans to customers and accrued interest receivables, net	1,828,239.87	1,828,239.87	1,753,343.80	1,753,343.80
Total financial assets	2,538,822.71	2,587,828.51	2,629,710.92	2,664,649.95
Financial Liabilities				
Deposits	2,042,947.83	2,042,947.83	2,073,594.01	2,073,594.01
Interbank and money market items, net	151,999.94	152,482.59	219,066.75	213,774.45
Liabilities payable on demand	5,579.66	5,579.66	5,291.69	5,291.69
Derivatives liabilities	32,345.61	32,345.61	30,284.42	30,284.42
Debt issued and borrowings	50,521.11	50,692.42	67,271.43	68,100.31
Total financial abilities	2,283,394.15	2,284,048.11	2,395,508.30	2,391,044.88

* Included investments in subsidiaries and associates.

4.3 Capital Requirements

As at December 31, 2018 and 2017, 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.

Capital Adequacy Ratios

	<u>2018</u>	<u>2017</u>
	<u>More than %</u>	<u>More than %</u>
Common Equity Tier 1 Ratio	6.375	5.75
Tier 1 capital fund ratio	7.875	7.25
Capital Adequacy Ratio	10.375	9.75

Capital fund and Capital adequacy ratio information as at December 31, 2018 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, 2017 already submitted to the BOT as follow.

	(Million Baht)	
	<u>Financial Business Groups</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</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	174,631.23	156,895.32
Other components of equity	19,063.98	20,836.56
Capital deduction items on common equity Tier 1	(9,717.20)	(10,390.16)
Tier 1 capital fund - financial instruments	984.43	1,136.47
Total tier 1 capital fund	285,001.72	268,517.47
Tier 2 capital fund		
Long-term subordinated debt	51,810.16	51,810.16
Allowance for assets classified as normal	21,914.51	22,394.91
Total tier 2 capital fund	73,724.67	74,205.07
Total capital fund	358,726.39	342,722.54

4.3 Capital Requirements (Continued)

(Million Baht)

	<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</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	162,860.95	147,414.43
Other components of equity	14,965.81	14,860.62
Capital deduction items on common equity Tier 1	(5,850.76)	(5,886.76)
Total tier 1 capital fund	<u>272,015.28</u>	<u>256,427.57</u>
Tier 2 capital fund		
Long-term subordinated debt	51,810.16	51,810.16
Allowance for assets classified as normal	21,045.98	21,072.95
Total tier 2 capital fund	<u>72,856.14</u>	<u>72,883.11</u>
Total capital fund	<u>344,871.42</u>	<u>329,310.68</u>

Capital Adequacy Ratio

	<u>Financial Business Groups</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Common equity Tier 1 ratio	14.42	13.38	14.35	13.59
Tier 1 capital fund ratio	14.47	13.44	14.35	13.59
Capital adequacy ratio	18.21	17.15	18.19	17.45

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	December 31, 2018

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. RECLASSIFICATION

The Bank reclassified items in the statements of profit or loss and other comprehensive income for the year ended December 31, 2017 in order to be consistent and comparable with the statements of profit or loss and other comprehensive income for the year ended December 31, 2018. This reclassification is ineffective to net profit of the Bank as follows.

	<u>Consolidated Financial Statements</u>			<u>The Bank's Financial Statements</u>		
	<u>Before</u>	<u>Reclassification</u>	<u>After</u>	<u>Before</u>	<u>Reclassification</u>	<u>After</u>
	<u>reclassification</u>		<u>reclassification</u>	<u>reclassification</u>		<u>reclassification</u>
Statements of Profit or Loss and Other Comprehensive Income						
For the year ended December 31, 2017						
Interest income	122,507.45	378.72	122,886.17	108,995.57	378.72	109,374.29
Interest expenses	36,729.41	(706.64)	36,022.77	35,132.89	(706.64)	34,426.25
Interest income, net	85,778.04	1,085.36	86,863.40	73,862.68	1,085.36	74,948.04
Gains on tradings and						
foreign exchange transactions, net	4,316.92	(1,085.36)	3,231.56	4,305.80	(1,085.36)	3,220.44
Other operating income	3,776.85	87.28	3,864.13	908.38	87.28	995.66
Other operating expenses						
Others	8,932.39	87.28	9,019.67	11,785.67	87.28	11,872.95

7. SUPPLEMENTARY INFORMATION

7.1. Supplementary Information of Cash Flows

7.1.1 Significant non-cash items for the year ended December 31, 2018 and 2017 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Increase in revaluation surplus on available-for-sale				
investments net income tax expenses*	175.18	1,104.30	168.15	1,104.30
Increase in properties for sale from loans payment	2,202.22	4,426.16	2,202.22	4,426.16

* Included gains (losses) from reclassification of investments

7.1.2 Disclosures of Related change in Liabilities from Financing Activities

(Million Baht)

<u>Consolidated Financial Statements</u>					
<u>Item</u>	<u>January 1, 2018</u>	<u>Cash Flows From</u>	<u>None-Cash Item</u>		<u>December 31, 2018</u>
		<u>Financing Activities</u>	<u>Exchange Rate Conversion</u>	<u>Amotize Discount</u>	
Debt Issued and					
Borrowings	110,626.43	(15,080.60)	(335.70)	(4.62)	95,205.51
Total	110,626.43	(15,080.60)	(335.70)	(4.62)	95,205.51

(Million Baht)

<u>The Bank's Financial Statements</u>					
<u>Item</u>	<u>January 1, 2018</u>	<u>Cash Flows From</u>	<u>None-Cash Item</u>		<u>December 31, 2018</u>
		<u>Financing Activities</u>	<u>Exchange Rate Conversion</u>	<u>Amotize Discount</u>	
Debt Issued and					
Borrowings	67,271.43	(16,410.00)	(335.70)	(4.62)	50,521.11
Total	67,271.43	(16,410.00)	(335.70)	(4.62)	50,521.11

7.2 Interbank and Money Market Items, Net (Assets)

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
7.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	16,311.10	252,001.37	268,312.47	15,428.20	392,249.35	407,677.55
Commercial banks	734.15	17,799.78	18,533.93	493.02	3,197.44	3,690.46
Special purpose financial institutions	16.75	818.09	834.84	19.94	4,649.23	4,669.17
Other financial institutions	41.00	45,819.66	45,860.66	30.54	105,798.38	105,828.92
Total	17,103.00	316,438.90	333,541.90	15,971.70	505,894.40	521,866.10
<u>Add</u> Accrued interest receivables	-	174.72	174.72	-	292.55	292.55
<u>Less</u> Deferred Revenue	-	(15.11)	(15.11)	-	(5.89)	(5.89)
Allowance for doubtful accounts	(0.73)	(1,744.93)	(1,745.66)	(0.67)	(4,108.49)	(4,109.16)
Total domestic items	17,102.27	314,853.58	331,955.85	15,971.03	502,072.57	518,043.60
7.2.2 Foreign Items						
US Dollar	25,227.34	8,877.93	34,105.27	11,390.45	15,272.45	26,662.90
Japanese Yen	544.54	-	544.54	219.79	-	219.79
Euro	1,462.91	-	1,462.91	688.82	-	688.82
Other currencies	1,642.29	2,756.44	4,398.73	1,768.26	2,246.60	4,014.86
Total	28,877.08	11,634.37	40,511.45	14,067.32	17,519.05	31,586.37
<u>Add</u> Accrued interest receivables	-	130.04	130.04	0.31	179.68	179.99
<u>Less</u> Deferred revenue	-	(2.61)	(2.61)	-	(1.15)	(1.15)
Allowance for doubtful accounts	-	(80.95)	(80.95)	-	(139.28)	(139.28)
Total foreign items	28,877.08	11,680.85	40,557.93	14,067.63	17,558.30	31,625.93
Total domestic and foreign items	45,979.35	326,534.43	372,513.78	30,038.66	519,630.87	549,669.53

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

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
7.2.1 Domestic Items						
Bank of Thailand and						
Financial Institutions Development Fund	16,311.10	252,001.37	268,312.47	15,428.20	392,249.35	407,677.55
Commercial banks	0.82	17,799.78	17,800.60	23.46	3,197.44	3,220.90
Special purpose financial institutions	-	818.09	818.09	-	4,649.23	4,649.23
Other financial institutions	41.00	45,819.66	45,860.66	30.54	105,798.38	105,828.92
Total	16,352.92	316,438.90	332,791.82	15,482.20	505,894.40	521,376.60
<u>Add</u> Accrued interest receivables	-	174.72	174.72	-	292.55	292.55
<u>Less</u> Deferred Revenue	-	(15.11)	(15.11)	-	(5.89)	(5.89)
Allowance for doubtful accounts	(0.73)	(1,744.93)	(1,745.66)	(0.67)	(4,108.49)	(4,109.16)
Total domestic items	16,352.19	314,853.58	331,205.77	15,481.53	502,072.57	517,554.10
7.2.2 Foreign Items						
US Dollar	25,227.34	8,877.93	34,105.27	11,390.45	15,272.45	26,662.90
Japanese Yen	544.54	-	544.54	219.79	-	219.79
Euro	1,462.91	-	1,462.91	688.82	-	688.82
Other currencies	1,642.29	2,756.44	4,398.73	1,768.26	2,246.60	4,014.86
Total	28,877.08	11,634.37	40,511.45	14,067.32	17,519.05	31,586.37
<u>Add</u> Accrued interest receivables	-	130.04	130.04	0.31	179.68	179.99
<u>Less</u> Deferred revenue	-	(2.61)	(2.61)	-	(1.15)	(1.15)
Allowance for doubtful accounts	-	(80.95)	(80.95)	-	(139.28)	(139.28)
Total foreign items	28,877.08	11,680.85	40,557.93	14,067.63	17,558.30	31,625.93
Total domestic and foreign items	45,229.27	326,534.43	371,763.70	29,549.16	519,630.87	549,180.03

7.3 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>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Fair Value</u>		<u>Notional</u>	<u>Fair Value</u>		<u>Notional</u>
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	23,368.23	18,779.56	2,214,299.83	24,337.94	20,486.77	1,778,097.10
Interest rate	6,739.14	7,037.15	1,784,644.83	4,913.34	4,736.26	1,162,066.51
Others	6,122.20	6,528.90	111,623.79	4,582.12	5,061.39	88,843.22
Total	36,229.57	32,345.61	4,110,568.45	33,833.40	30,284.42	3,029,006.83

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>Type of Risk</u>	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Fair Value</u>		<u>Notional</u>	<u>Fair Value</u>		<u>Notional</u>
	<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>	
Exchange rate	23,368.23	18,779.56	2,214,299.83	24,337.94	20,486.77	1,778,097.10
Interest rate	6,740.60	7,037.15	1,784,982.84	4,922.45	4,736.26	1,162,958.94
Others	6,122.20	6,528.90	111,623.78	4,582.12	5,061.39	88,843.22
Total	36,231.03	32,345.61	4,110,906.45	33,842.51	30,284.42	3,029,899.26

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>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>	<u>Proportion</u>
Financial institutions	75.18%	76.16%	75.18%	76.14%
Group companies	0.26%	0.32%	0.27%	0.35%
Third parties	24.56%	23.52%	24.55%	23.51%
Total	100.00%	100.00%	100.00%	100.00%

7.4 Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
7.4.1 Trading Securities				
Government and state enterprises securities	15,670.50	8,315.31	15,670.50	8,315.31
Private enterprises debt securities	239.95	168.60	239.95	171.61
Foreign debt securities	7,452.93	-	7,452.93	-
Total	23,363.38	8,483.91	23,363.38	8,486.92
7.4.2 Available-for-Sale Securities				
Government and state enterprises securities	132,192.80	111,990.81	132,192.80	111,990.81
Private enterprises debt securities	14,045.36	6,383.60	14,687.18	6,383.60
Foreign debt securities	35,046.70	27,295.31	35,046.70	27,295.31
Domestic marketable equity securities	15,133.22	12,348.33	15,133.22	12,348.33
Foreign marketable equity securities	382.34	478.68	382.34	478.68
Total	196,800.42	158,496.73	197,442.24	158,496.73
	<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>
7.4.3 Held-to-Maturity Debt Securities				
Government and state enterprises securities	1,745.65	35,510.74	1,000.00	35,305.14
Private enterprises debt securities	35.71	295.96	35.71	295.96
Foreign debt securities	646.30	6,066.15	646.30	6,066.15
Total	2,427.66	41,872.85	1,682.01	41,667.25
<u>Less</u> Allowance for impairment	(35.82)	(35.71)	(35.82)	(35.71)
Total	2,391.84	41,837.14	1,646.19	41,631.54
7.4.4 General Investments				
Domestic non-marketable equity securities	1,933.74	1,862.19	1,933.69	1,862.14
Foreign non-marketable equity securities	3.77	3.97	3.77	3.97
Others	0.81	0.82	0.81	0.82
Total	1,938.32	1,866.98	1,938.27	1,866.93
<u>Less</u> Allowance for impairment	(1,161.37)	(1,170.23)	(1,161.37)	(1,170.23)
Total	776.95	696.75	776.90	696.70
Total investments, net	223,332.59	209,514.53	223,228.71	209,311.89

7.4 Investments, Net (Continued)

As at December 31, 2018 and 2017, general investments which are domestic non-marketable equity securities of Baht 1,933.69 million and Baht 1,862.14 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 124.51 million which support the government policies.

7.4.5 As at December 31, 2018 and 2017 unrealized gains (losses) on revaluation of available-for-sale securities are as follows:

(Million Baht)

<u>Consolidated Financial Statements</u>								
<u>December 31, 2018</u>					<u>December 31, 2017</u>			
	<u>Cost</u> ¹	<u>Unrealized Gains</u> ²	<u>Unrealized Losses</u> ²	<u>Fair Value</u>		<u>Unrealized Gains</u> ²	<u>Unrealized Losses</u> ²	<u>Fair Value</u>
Available-for-Sale Securities	188,392.08	10,532.73	(2,124.39)	196,800.42	150,307.36	9,253.48	(1,064.11)	158,496.73

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>December 31, 2018</u>					<u>December 31, 2017</u>			
	<u>Cost</u> ¹	<u>Unrealized Gains</u> ²	<u>Unrealized Losses</u> ²	<u>Fair Value</u>		<u>Unrealized Gains</u> ²	<u>Unrealized Losses</u> ²	<u>Fair Value</u>
Available-for-Sale Securities	189,042.68	10,532.73	(2,133.17)	197,442.24	150,307.36	9,253.48	(1,064.11)	158,496.73

¹ net of allowance for impairment

² Included gains (losses) from reclassification of investments

7.4.6 As at December 31, 2018 and 2017, the Bank has investments in foreign securities that are affected by foreign exchange rate, resulting in a decrease of the carrying amount of Baht 608.53 million and Baht 965.77 million, respectively.

7.4.7 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>December 31, 2018</u>	<u>December 31, 2017</u>
Public utilities and services	1,434.11	1,474.17

7.4.8 As at December 31, 2018, the Bank has investments in 3 listed companies that are subject to delisting from SET, their cost of Baht 0.10 million which are fully reserved allowance for impairment.

7.5 Investments in Subsidiaries and Associates, Net

7.5.1 The Bank's Financial Statements

(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
Less Allowance for impairment***				(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

7.5 Investments in Subsidiaries and Associates, Net (Continued)**7.5.1 The Bank's Financial Statements (Continued)**

(Million Baht)

						December 31, 2017	
						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	19.00		
KTB General Services and Security Co., Ltd.	General Services	Ordinary	100.00	140.00	203.00		
Krung Thai Asset Management Pcl.	Securities Business	Ordinary	100.00	210.90	232.00		
KTB Computer Services Co., Ltd.	IT Services	Ordinary	100.00	1,300.00	27.30		
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	510.00		
Total				4,715.50	991.30		
<u>Less</u> Allowance for impairment***				(802.46)	-		
Total				3,913.04	991.30		
Associates							
Krungthai-AXA Life Insurance Pcl.	Life Insurance	Ordinary	50.00	4,071.77	1,825.00		
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	1,518.82	158.40		
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	39.05		
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	-		
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	6.19		
Total				6,784.91	2,028.64		
Investments in subsidiaries and associates, net				10,697.95	3,019.94		

* Under consideration of business restructuring plan.

** Under operation of business plan preparation.

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

7.5 Investments in Subsidiaries and Associates, Net (Continued)

7.5.2 The Consolidated Financial Statements

(Million Baht)

			December 31, 2018		
Name of Company	Type of Business	Type of Shares	Percentages of	Investments	Investments
			Shareholdings	(Cost Method)	(Equity Method)
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
(Million Baht)					

(Million Baht)

			December 31, 2017		
			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	13,906.41
Krungthai Panich Insurance Pcl.	Non-Life Insurance	Ordinary	45.00	971.30	2,674.67
Krung Thai IBJ Leasing Co., Ltd.	Hire Purchase	Ordinary	49.00	87.38	617.15
KT Zmico Securities Co., Ltd.	Securities Business	Ordinary	50.00	1,068.89	1,220.55
National ITMX Co., Ltd.	Service	Ordinary	21.13	38.05	306.44
Total investments in associates, net				2,759.19	18,725.22

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.

7.5.3 Financial Positions and Operations of Associates

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2018</u>			<u>December 31, 2017</u>			
<u>"Unaudited"</u>			<u>"Audited"</u>			
<u>Name of Company</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Shareholders' Equity</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Shareholders' Equity</u>
Krungthai-AXA Life Insurance Pcl.	275,461.68	251,660.38	23,801.30	244,580.16	216,818.57	27,761.59
Krungthai Panich Insurance Pcl.	9,821.96	3,684.68	6,137.28	9,285.39	3,372.35	5,913.04
Krung Thai IBJ Leasing Co., Ltd.	11,228.26	9,881.79	1,346.47	9,729.78	8,469.28	1,260.50
KT Zmico Securities Co., Ltd.	6,664.16	4,328.54	2,335.62	8,859.04	6,467.68	2,391.36
National ITMX Co., Ltd.	1,807.35	177.75	1,629.60	1,630.94	182.10	1,448.84
	304,983.41	269,733.14	35,250.27	274,085.31	235,309.98	38,775.33

7.5 Investments in Subsidiaries and Associates, Net (Continued)**7.5.3 Financial Positions and Operations of Associates (Continued)**

(Million Baht)

Name of Company	Consolidated Financial Statements			
	December 31, 2018		December 31, 2017	
	"Unaudited"		"Audited"	
	Total Income	Net Profit (Loss)	Total Income	Net Profit (Loss)
Krungthai-AXA Life Insurance Pcl.	67,381.16	1,455.27	71,671.44	3,763.65
Krungthai Panich Insurance Pcl.	3,015.72	690.43	3,047.69	627.86
Krung Thai IBJ Leasing Co., Ltd.	871.51	170.37	854.81	168.93
KT Zmico Securities Co., Ltd.	1,335.81	(0.81)	1,491.77	3.19
National ITMX Co., Ltd.	748.52	205.77	517.17	79.85
	<u>73,352.72</u>	<u>2,521.03</u>	<u>77,582.88</u>	<u>4,643.48</u>

7.6 Loans to Customers and Accrued Interest Receivables, Net**7.6.1 Classified by Type of Loans**

(Million Baht)

	Consolidated Financial Statements		The Bank's Financial Statements	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Overdrafts	171,033.53	168,278.16	171,033.53	168,278.16
Loans	1,347,062.18	1,295,457.88	1,273,401.07	1,237,594.66
Bills	492,393.92	450,791.70	503,233.92	458,391.70
Hire purchase receivables	9,173.43	18,514.79	1.04	1.74
Financial lease receivables	2,338.81	4,352.46	-	-
Others	3,128.17	2,532.83	1,078.31	1,217.16
<u>Less</u> Deferred revenue	(925.37)	(1,846.30)	(45.99)	(87.09)
Total loans to customers net of deferred revenue	<u>2,024,204.67</u>	<u>1,938,081.52</u>	<u>1,948,701.88</u>	<u>1,865,396.33</u>
<u>Add</u> Accrued interest receivables	<u>5,424.06</u>	<u>5,211.74</u>	<u>4,877.86</u>	<u>4,691.08</u>
Total loans to customers net of deferred revenue, plus accrued interest receivables	<u>2,029,628.73</u>	<u>1,943,293.26</u>	<u>1,953,579.74</u>	<u>1,870,087.41</u>
<u>Less</u> Allowance for doubtful accounts				
1. Minimum reserve under BOT's regulations				
Individual approach	(71,305.17)	(85,134.73)	(69,052.44)	(82,907.08)
Collective approach	(3,781.72)	(3,803.50)	-	-
2. Excess allowance	(58,667.50)	(36,425.50)	(56,287.43)	(33,819.27)
<u>Less</u> Revaluation allowance for debt restructuring	-	(17.26)	-	(17.26)
Total loans to customers, net	<u>1,895,874.34</u>	<u>1,817,912.27</u>	<u>1,828,239.87</u>	<u>1,753,343.80</u>

As at December 31, 2018, 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 three Southern provinces' entrepreneur, revolving fund project for energy conservation by financial institution phase 1-6, and Loan project for environment totaling amount Baht 34,096.49 million.

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.1 Classified by Type of Loans (Continued)**

As at December 31, 2018 and 2017, the Bank's other loans of Baht 1,078.31 million and Baht 1,217.16 million included debts resulting from the Bank's liabilities under acceptances or guarantees of Baht 1,031.55 million and Baht 1,163.72 million, respectively.

7.6.2 Classified by Currency and Customer's Residency

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,951,161.43	0.69	1,951,162.12	1,841,799.36	1.37	1,841,800.73
US Dollar	51,886.21	18,246.89	70,133.10	65,792.54	27,554.29	93,346.83
Other currencies	2,832.30	77.15	2,909.45	2,801.53	132.43	2,933.96
Total	2,005,879.94	18,324.73	2,024,204.67	1,910,393.43	27,688.09	1,938,081.52

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Thai Baht	1,875,658.64	0.69	1,875,659.33	1,769,114.17	1.37	1,769,115.54
US Dollar	51,886.21	18,246.89	70,133.10	65,792.54	27,554.29	93,346.83
Other currencies	2,832.30	77.15	2,909.45	2,801.53	132.43	2,933.96
Total	1,930,377.15	18,324.73	1,948,701.88	1,837,708.24	27,688.09	1,865,396.33

7.6.3 Classified by Business Types and Loan Classification

(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

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.3 Classified by Business Types and Loan Classification (Continued)**

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2017</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	26,110.94	1,780.74	246.10	10,275.71	782.07	39,195.56
Manufacturing and commercial	474,662.38	34,147.33	5,018.44	13,058.77	24,680.61	551,567.53
Real estate and construction	88,839.74	5,472.79	406.89	2,881.74	7,996.12	105,597.28
Public utilities and services	293,552.42	16,019.45	663.85	4,383.22	5,730.66	320,349.60
Housing loans	327,161.82	6,143.16	2,845.77	3,205.40	10,566.70	349,922.85
Others	555,641.01	5,529.32	3,060.44	2,085.12	5,132.81	571,448.70
Total	1,765,968.31	69,092.79	12,241.49	35,889.96	54,888.97	1,938,081.52

(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

(Million Baht)

<u>The Bank's Financial Statements</u>						
<u>December 31, 2017</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	25,778.58	1,763.73	213.23	10,226.42	755.76	38,737.72
Manufacturing and commercial	470,747.10	33,986.11	4,925.07	12,866.04	24,335.96	546,860.28
Real estate and construction	88,548.16	5,400.04	355.13	2,513.17	7,852.42	104,668.92
Public utilities and services	290,011.94	15,765.12	563.18	4,249.00	5,399.54	315,988.78
Housing loans	327,161.82	6,143.16	2,845.77	3,205.41	10,566.70	349,922.86
Others	498,070.34	3,382.84	2,746.93	1,847.41	3,170.25	509,217.77
Total	1,700,317.94	66,441.00	11,649.31	34,907.45	52,080.63	1,865,396.33

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.4 Classified by Loans Classification**

(Million Baht)

<u>Consolidated 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 ²	Allowance for Doubtful Accounts ³	
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

(Million Baht)

<u>Consolidated Financial Statements</u>				
<u>December 31, 2017</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 ²	Allowance for Doubtful Accounts ³	
1. Minimum reserve under BOT's regulations				
Normal	1,770,815.82	884,654.34	1	11,067.33
Special mention	69,361.72	28,189.24	2	17,305.19
Substandard	12,242.99	7,265.67	100	7,289.59
Doubtful	35,890.08	23,198.05	100	25,029.24
Doubtful of loss	54,982.65	19,924.29	100	28,246.88
2. Excess allowance				36,425.50
Total	1,943,293.26	963,231.59		125,363.73

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.4 Classified by Loans Classification (Continued)**

(Million Baht)

<u>The Bank's 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>	Allowance for Doubtful <u>Accounts</u> ⁵	
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

(Million Baht)

<u>The Bank's Financial Statements</u>				
<u>December 31, 2017</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>	Allowance for Doubtful <u>Accounts</u>	
1. Minimum reserve under BOT's regulations				
Normal	1,704,657.61	834,514.36	1	8,948.50
Special mention	66,699.01	26,762.37	2	16,803.74
Substandard	11,649.33	6,979.62	100	7,003.55
Doubtful	34,907.56	22,820.07	100	24,651.26
Doubtful of loss	52,173.90	17,177.45	100	25,500.03
2. Excess allowance				33,819.27
Total	1,870,087.41	908,253.87		116,726.35

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.

³ The bank classified some of minimum reserve BOT's regulations as an excess allowance as at December 31, 2018 in the report that submitted to the BOT in order to be consistent with the relevant regulations.

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

7.6.5 Non-Performing Loans (NPLs)

As at December 31, 2018 and 2017, 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>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
NPLs before allowance for doubtful accounts	106,369.71	103,020.42	102,633.69	98,637.39
NPLs as percentage of total loans	4.53	4.19	4.52	4.14
NPLs after allowance for doubtful accounts	44,396.08	42,506.32	43,942.97	41,532.26
NPLs as percentage of net total loans	1.94	1.77	1.98	1.78

For the year ended December 31, 2018 and 2017, the Bank write off bad debts from non-performing debtors which included principal and accrued interest receivables of Baht 18,330.35 million and Baht 23,738.68 million, respectively.

7.6.6 Non-Accrual Loans based on the Accrual Basis

As at December 31, 2018 and 2017, 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>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Non-accrual loans	106,369.71	103,020.42	102,633.69	98,637.39
Percentage of total loans before allowance for doubtful accounts	4.53	4.19	4.52	4.14

7.6.7 Loans to Potential Delisted Companies

As at December 31, 2018 and 2017, the Bank and its subsidiaries have loans and accrued interest receivables to 3 potential delisted companies of Baht 9,052.68 million which have allowance for doubtful accounts of Baht 7,616.11 million. Moreover, there are 5 potential delisted companies of Baht 10,331.11 million, accrued interest receivables of Baht 0.12 million, totaling to Baht 10,331.23 million which have allowance for doubtful accounts of Baht 7,640.29 million, respectively.

7.6.8 Troubled Debt Restructuring (TDR)

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.

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.8 Troubled Debt Restructuring (TDR) (Continued)**

TDR for the year ended December 31, 2018 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>Fair Value</u>
		<u>Outstanding Debt before Restructuring</u>	<u>Type of Transferred Assets</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.

For the year ended December 31, 2017, the Bank conducts the troubled debt restructuring contracts in 9,424 cases, which the debt balance before restructuring of Baht 63,019.02 million, principal repayment is in amount of Baht 11,291.61 million, whereas its loans increase in amount of Baht 49,657.77 million, and bad debts from troubled debt restructuring of Baht 2.88 million.

TDR for the year ended December 31, 2017 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>Fair Value</u>
		<u>Outstanding Debt before Restructuring</u>	<u>Type of Transferred Assets</u>	
Transfers of assets	28	1,161.40	Land & Premises	1,161.40
Change of repayment conditions	401	26,542.34		
Debt restructuring in various forms	8,995	35,315.28		
	9,424	63,019.02		

As at December 31, 2017, the Bank has outstanding balance of loans to restructured debts for 36,555 cases of Baht 162,034.82 million, of which 13,097 cases of Baht 8,751.45 million, has been monitored under the new contractual agreements.

The consolidated financial statements for the year ended December 31, 2017, the Bank and its subsidiaries restructured debts of 9,492 cases which the debts before restructuring were Baht 65,605.11 million.

7.6 Loans to Customers and Accrued Interest Receivables, Net (Continued)**7.6.9 Financial Lease Receivables (Including Hire Purchase Receivables and Financial Lease Receivables)**

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2018</u>				<u>December 31, 2017</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	6,778.78	4,712.38	21.08	11,512.24	12,762.83	10,069.96	34.46	22,867.25
<u>Less</u> Unearned financial income				(879.53)				(1,759.45)
Present value of minimum leases payment				10,632.71				21,107.80
<u>Less</u> Allowance for doubtful accounts				(1,238.29)				(1,841.17)
Financial lease receivables, net				9,394.42				19,266.63

(Million Baht)

The Bank's Financial Statements

	<u>December 31, 2018</u>				<u>December 31, 2017</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	1.04	-	-	1.04	1.74	-	-	1.74
<u>Less</u> Unearned financial income				(0.15)				(0.24)
Present value of minimum leases payment				0.89				1.50
<u>Less</u> Allowance for doubtful accounts				(0.89)				(1.46)
Financial lease receivables, net				-				0.04

7.7 Allowance for Doubtful Accounts

(Million Baht)

<u>Consolidated Financial Statements</u>							
<u>December 31, 2018</u>							
						Allowance in Excess of	
	Special		Doubtful			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

(Million Baht)

<u>Consolidated Financial Statements</u>							
<u>December 31, 2017</u>							
						Allowance in Excess of	
	Special		Doubtful			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	16,062.69	21,790.10	6,784.86	9,059.46	34,616.06	22,406.45	110,719.62
Doubtful accounts	(2,603.05)	(3,601.68)	5,359.53	16,165.46	15,362.30	14,019.05	44,701.61
Allowance for doubtful accounts							
transferred from allowance for							
debt restructuring revaluation	-	44.36	-	-	-	-	44.36
Bad debt recovered	-	-	-	-	2,493.41	-	2,493.41
Bad debt written-off	(191.72)	(864.93)	(4,854.80)	(195.68)	(24,182.01)	-	(30,289.14)
Others	(2,200.59)	(62.66)	-	-	(42.88)	-	(2,306.13)
Ending balances	11,067.33	17,305.19	7,289.59	25,029.24	28,246.88	36,425.50	125,363.73

7.7 Allowance for Doubtful Accounts (Continued)

(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

(Million Baht)

<u>The Bank's Financial Statements</u>							
<u>December 31, 2017</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	14,126.11	21,232.11	6,208.25	8,723.54	32,349.68	20,220.20	102,859.89
Doubtful accounts	(2,977.02)	(4,410.07)	795.30	15,927.72	14,565.00	13,599.07	37,500.00
Allowance for doubtful accounts							
transferred from allowance for							
debt restructuring revaluation	-	44.36	-	-	-	-	44.36
Bad debt recovered	-	-	-	-	2,366.91	-	2,366.91
Bad debt written-off	-	-	-	-	(23,738.68)	-	(23,738.68)
Others	(2,200.59)	(62.66)	-	-	(42.88)	-	(2,306.13)
Ending balances	8,948.50	16,803.74	7,003.55	24,651.26	25,500.03	33,819.27	116,726.35

For the year ended December 31, 2018, the Bank has the allowance for doubtful accounts of Baht 20,500 million.

For the year ended December 31, 2017, the Bank has the allowance for doubtful accounts of Baht 37,500 million.

7.8 Revaluation Allowance for Debt Restructuring

(Million Baht)

Consolidated and the Bank's Financial Statements

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	17.26	61.62
Transfer to allowance for doubtful accounts	(17.26)	(44.36)
Ending balance	-	17.26

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.

7.9 Properties for Sale, Net

(Million Baht)

Consolidated Financial Statements

	<u>December 31, 2018</u>				<u>December 31, 2017</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	32,002.40	2,236.11	3,520.45	30,718.06	34,387.27	4,498.03	6,882.90	32,002.40
Appraised by internal appraisers	4,190.69	2,172.98	283.02	6,080.65	2,399.19	1,896.99	105.49	4,190.69
Movable properties	236.44	168.47	107.56	297.35	276.85	250.05	290.46	236.44
Total	36,429.53	4,577.56	3,911.03	37,096.06	37,063.31	6,645.07	7,278.85	36,429.53
Others (closed branches)	68.62	-	-	68.62	42.31	26.31	-	68.62
Properties for sale in transit	826.01	901.95	826.01	901.95	454.06	826.01	454.06	826.01
Total	37,324.16	5,479.51	4,737.04	38,066.63	37,559.68	7,497.39	7,732.91	37,324.16
<u>Less</u> Allowance for impairment	(1,814.22)	(269.31)	-	(2,083.53)	(1,816.05)	-	(1.83)	(1,814.22)
Properties for sale, net	35,509.94	5,210.20	4,737.04	35,983.10	35,743.63	7,497.39	7,731.08	35,509.94

7.9 Properties for Sale, Net (Continued)

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>Type of Properties for Sale</u>	<u>December 31, 2018</u>				<u>December 31, 2017</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	32,002.40	2,236.11	3,520.45	30,718.06	34,387.27	4,498.03	6,882.90	32,002.40
Appraised by internal appraisers	4,190.69	2,172.98	283.02	6,080.65	2,399.19	1,896.99	105.49	4,190.69
Movable properties	110.60	-	-	110.60	110.60	-	-	110.60
Total	36,303.69	4,409.09	3,803.47	36,909.31	36,897.06	6,395.02	6,988.39	36,303.69
Others (closed branches)	68.62	-	-	68.62	42.31	26.31	-	68.62
Properties for sale in transit	826.01	901.95	826.01	901.95	454.06	826.01	454.06	826.01
Total	37,198.32	5,311.04	4,629.48	37,879.88	37,393.43	7,247.34	7,442.45	37,198.32
<u>Less</u> Allowance for impairment	(1,711.98)	(255.10)	-	(1,967.08)	(1,724.88)	-	(12.90)	(1,711.98)
Properties for sale, net	35,486.34	5,055.94	4,629.48	35,912.80	35,668.55	7,247.34	7,429.55	35,486.34

As at December 31, 2018 and 2017, the Bank has allowance for impairment of properties for sale which is increased in the amount of Baht 255.10 million and decreased in the amount of Baht 12.90 million, respectively, from additional of loss on impairment.

For the year ended December 31, 2018 and 2017, the Bank generated gains on sale of properties for sale in the amount of Baht 498.30 million and Baht 896.18 million, respectively (before including revenue from ownership transferring fees which were paid by customer in the amount of Baht 82.10 million and Baht 275.69 million and selling expenses in the amount of Baht 187.44 million and Baht 361.24 million, respectively).

7.10 Premises and Equipment, Net

Premises and equipment as at December 31, 2018 and 2017 are as follows:

(Million Baht)

Consolidated 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	9,213.10	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

(Million Baht)

Consolidated Financial StatementsDecember 31, 2017

	<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	9,237.34	-	24.24	9,213.10	-	-	-	-	919.40	8,293.70
Appraisal increase *	10,459.17	-	12.93	10,446.24	-	-	-	-	-	10,446.24
Premises	11,918.86	101.04	110.01	11,909.89	8,205.50	322.51	107.04	8,420.97	-	3,488.92
Equipment	22,037.26	996.62	1,136.22	21,897.66	17,711.98	1,637.46	918.55	18,430.89	-	3,466.77
Others	946.50	168.58	226.26	888.82	449.59	120.83	5.38	565.04	-	323.78
Total	54,599.13	1,266.24	1,509.66	54,355.71	26,367.07	2,080.80	1,030.97	27,416.90	919.40	26,019.41

7.10 Premises and Equipment, Net (Continued)

(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

(Million Baht)

The Bank's Financial StatementsDecember 31, 2017

	<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	9,454.28	-	24.24	9,430.04	-	-	-	-	919.40	8,510.64
Appraisal increase *	10,459.17	-	12.93	10,446.24	-	-	-	-	-	10,446.24
Premises	10,884.67	88.50	16.60	10,956.57	7,432.11	279.88	13.78	7,698.21	-	3,258.36
Equipment	12,752.72	481.22	328.42	12,905.52	10,361.57	837.44	198.69	11,000.32	-	1,905.20
Others	850.84	59.80	52.23	858.41	449.59	120.83	5.38	565.04	-	293.37
Total	44,401.68	629.52	434.42	44,596.78	18,243.27	1,238.15	217.85	19,263.57	919.40	24,413.81

* The Bank Appraisal its land in year 2016.

7.10 Premises and Equipment, Net (Continued)

As at December 31, 2018 and 2017, the allowance for impairment is as follows:

	(Million Baht)	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	919.40	919.40
Increase	16.05	-
Ending balance	<u>935.45</u>	<u>919.40</u>

7.11 Other Intangible Assets, Net

(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

(Million Baht)

Consolidated Financial StatementsDecember 31, 2017

	<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	6,350.22	551.96	781.97	6,120.21	3,899.79	599.84	781.97	3,717.66	-	2,402.55
Other licenses	9.59	1.02	-	10.61	8.84	0.60	-	9.44	-	1.17
Development cost	4,215.42	8.71	-	4,224.13	2,566.41	272.26	-	2,838.67	-	1,385.46
Partial payment of										
intangible assets	384.16	143.85	137.25	390.76	-	-	-	-	273.45	117.31
Total	10,959.39	705.54	919.22	10,745.71	6,475.04	872.70	781.97	6,565.77	273.45	3,906.49

7.11 Other Intangible Assets, Net (Continued)

(Million Baht)

The Bank's Financial StatementsDecember 31, 2018

	<u>Cost</u>				<u>Accumulated Amortization</u>				<u>Intangible</u>
	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

(Million Baht)

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	<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	803.94	163.06	-	967.00	459.20	86.01	-	545.21	421.79
Other licenses	5.12	-	-	5.12	4.95	0.02	-	4.97	0.15
Development cost	738.10	-	-	738.10	275.03	61.08	-	336.11	401.99
Partial payment of									
intangible assets	62.74	8.69	-	71.43	-	-	-	-	71.43
Total	1,609.90	171.75	-	1,781.65	739.18	147.11	-	886.29	895.36

7.12 Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities as at December 31, 2018 and 2017 are as follows:

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deferred Tax Assets	5,127.96	4,592.77	2,666.69	2,130.35
Deferred Tax Liabilities	-	-	-	-
Net	5,127.96	4,592.77	2,666.69	2,130.35

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, 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

7.12 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, 2017</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2017</u>
Deferred Tax Assets				
Investments	463.44	(4.97)	12.23	470.70
Investments in subsidiaries and associates	159.75	0.74	-	160.49
Loans to customers and accrued interest receivables, net	3,628.12	246.39	-	3,874.51
Properties for sale	363.21	(0.31)	-	362.90
Premises and equipment	205.75	7.01	-	212.76
Provisions	2,843.72	57.77	229.89	3,131.38
Guarantee deposit under financial lease	51.03	(19.09)	-	31.94
Others	1,263.79	(212.33)	-	1,051.46
Total	8,978.81	75.21	242.12	9,296.14
Deferred Tax Liabilities				
Investments	1,565.19	14.37	288.30	1,867.86
Premises and equipment	2,366.62	44.63	(2.58)	2,408.67
Loans to customers and accrued interest receivables, net	550.54	(123.87)	-	426.67
Others	-	0.17	-	0.17
Total	4,482.35	(64.70)	285.72	4,703.37
Net	4,496.46	139.91	(43.60)	4,592.77

(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

7.12 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, 2017</u>	<u>Profit / Loss</u>	<u>Income</u>	<u>December 31, 2017</u>
Deferred Tax Assets				
Investments	463.44	(4.97)	12.23	470.70
Investments in subsidiaries and associates	159.75	0.74	-	160.49
Loans to customers and accrued interest receivables, net	1,742.37	109.03	-	1,851.40
Properties for sale	344.97	(2.58)	-	342.39
Premises and equipment	183.88	-	-	183.88
Provisions	2,167.67	23.68	224.90	2,416.25
Others	1,191.40	(209.42)	-	981.98
Total	6,253.48	(83.52)	237.13	6,407.09
Deferred Tax Liabilities				
Investments	1,565.19	14.37	288.30	1,867.86
Premises and equipment	2,366.62	44.84	(2.58)	2,408.88
Total	3,931.81	59.21	285.72	4,276.74
Net	2,321.67	(142.73)	(48.59)	2,130.35

7.13 Other Assets, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Prepaid expenses	1,349.14	1,207.20	1,006.47	996.89
Account receivables - Revenue Department				
Leaseholds	1,071.03	1,681.74	4.81	3.41
Suspense account debtors	74.75	79.78	74.75	79.78
Collateral under Credit Support Annex Contract	5,520.20	3,354.47	5,508.86	3,345.30
and Cash Margin Debtors	3,935.01	3,918.35	3,935.01	3,918.35
Interbranch transactions	20.48	-	20.48	-
Settlement account between the Bank and	1,269.40	1,576.82	1,269.40	1,576.82
other financial institutions	6,132.11	9,480.09	6,942.49	9,618.75
Sundry assets				
Total	19,372.12	21,298.45	18,762.27	19,539.30
<u>Less</u> Allowance for impairment	(3,028.15)	(2,495.72)	(3,001.50)	(2,456.31)
Total other assets, net	16,343.97	18,802.73	15,760.77	17,082.99

As at December 31, 2018 and 2017, 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 7.37.1).

7.14 Deposits**7.14.1 Classified by Type of Deposits**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Demand deposits	86,498.72	95,462.41	88,144.96	96,317.51
Savings deposits	1,402,459.13	1,387,164.71	1,403,335.22	1,388,420.83
Time deposits	550,644.05	588,247.56	551,467.65	588,855.67
Total	2,039,601.90	2,070,874.68	2,042,947.83	2,073,594.01

7.14.2 Classified by Currencies and Residency of Depositors

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,978,710.89	14,746.40	1,993,457.29	2,011,185.44	12,909.23	2,024,094.67
US Dollar	33,355.94	5,811.85	39,167.79	34,310.68	7,282.32	41,593.00
Other currencies	4,004.60	2,972.22	6,976.82	2,401.03	2,785.98	5,187.01
Total	2,016,071.43	23,530.47	2,039,601.90	2,047,897.15	22,977.53	2,070,874.68

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Baht	1,982,056.82	14,746.40	1,996,803.22	2,013,904.77	12,909.23	2,026,814.00
US Dollar	33,355.94	5,811.85	39,167.79	34,310.68	7,282.32	41,593.00
Other currencies	4,004.60	2,972.22	6,976.82	2,401.03	2,785.98	5,187.01
Total	2,019,417.36	23,530.47	2,042,947.83	2,050,616.48	22,977.53	2,073,594.01

7.15 Interbank and Money Market Items (Liabilities)

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
7.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	79.00	27,507.65	27,586.65	983.11	31,679.38	32,662.49
Commercial banks	407.46	35,497.89	35,905.35	331.51	106,564.88	106,896.39
Special purpose financial institutions	411.87	27,128.74	27,540.61	612.06	18,015.92	18,627.98
Other financial institutions	29,138.55	34,633.88	63,772.43	26,691.17	34,322.74	61,013.91
Total domestic items	30,036.88	124,768.16	154,805.04	28,617.85	190,582.92	219,200.77
7.15.2 Foreign Items						
US Dollar	346.46	1,946.99	2,293.45	398.25	8,791.16	9,189.41
Euro	112.05	-	112.05	143.98	-	143.98
Other currencies	185.39	-	185.39	157.23	-	157.23
Total foreign items	643.90	1,946.99	2,590.89	699.46	8,791.16	9,490.62
Total domestic and foreign items	30,680.78	126,715.15	157,395.93	29,317.31	199,374.08	228,691.39

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>
7.15.1 Domestic Items						
Bank of Thailand and Financial Institutions						
Development Fund	79.00	27,507.65	27,586.65	983.11	31,679.38	32,662.49
Commercial banks	407.46	30,700.08	31,107.54	331.51	97,900.10	98,231.61
Special purpose financial institutions	411.87	26,928.74	27,340.61	612.06	17,015.92	17,627.98
Other financial institutions	29,339.85	34,034.40	63,374.25	27,131.24	33,922.81	61,054.05
Total domestic items	30,238.18	119,170.87	149,409.05	29,057.92	180,518.21	209,576.13
7.15.2 Foreign Items						
US Dollar	346.46	1,946.99	2,293.45	398.25	8,791.16	9,189.41
Euro	112.05	-	112.05	143.98	-	143.98
Other currencies	185.39	-	185.39	157.23	-	157.23
Total foreign items	643.90	1,946.99	2,590.89	699.46	8,791.16	9,490.62
Total domestic and foreign items	30,882.08	121,117.86	151,999.94	29,757.38	189,309.37	219,066.75

7.16 Debt Issued and Borrowings

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

(Million Baht)

Consolidated Financial Statements									
				December 31, 2018			December 31, 2017		
		Interest	Maturity						
	Currency	Rate (%)	Date	Domestic	Foreign	Total	Domestic	Foreign	Total
Long term bonds									
2013	Baht	5.00	2018	-	-	-	800.00	-	800.00
2013 (EMTN Programme)	USD	2.25	2018	-	-	-	-	16,335.70	16,335.70
2014	Baht	3.80-4.30	2018	-	-	-	4,300.00	-	4,300.00
2015	Baht	3.14-4.00	2018-2025	7,080.00	-	7,080.00	8,755.00	-	8,755.00
2016	Baht	1.88-4.00	2018-2026	17,496.00	-	17,496.00	18,000.00	-	18,000.00
2017	Baht	2.46-3.80	2022-2027	11,043.40	-	11,043.40	11,500.00	-	11,500.00
2018	Baht	2.20-3.83	2023-2028	9,065.00	-	9,065.00	-	-	-
KTB subordinated debentures									
No.1/2014 (EMTN Programme)	USD	5.20	2024	-	22,714.86	22,714.86	-	22,876.63	22,876.63
No.1/2015	MYR	5.10	2025	-	7,805.55	7,805.55	-	8,058.40	8,058.40
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				64,685.10	30,520.41	95,205.51	63,355.70	47,270.73	110,626.43

(Million Baht)

The Bank's Financial Statements									
				December 31, 2018			December 31, 2017		
		Interest	Maturity						
	Currency	Rate (%)	Date	Domestic	Foreign	Total	Domestic	Foreign	Total
Long term bonds									
2013 (EMTN Programme)	USD	2.25	2018	-	-	-	-	16,335.70	16,335.70
KTB subordinated debentures									
No.1/2014 (EMTN Programme)	USD	5.20	2024	-	22,714.86	22,714.86	-	22,876.63	22,876.63
No.1/2015	MYR	5.10	2025	-	7,805.55	7,805.55	-	8,058.40	8,058.40
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	30,520.41	50,521.11	20,000.70	47,270.73	67,271.43

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

7.16 Debt Issued and Borrowings (Continued)

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

On March 11, 2013, the Bank issued and offered USD 500 million of unsecured unsubordinated debentures. The debenture has tenor 5.5 years, constant interest rate of 2.25 percent per annum with a payment of interest every six months. It's on 11st of March and September of each year until maturity.

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 three 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.

7.17 Provisions

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Provisions for employee benefits	10,987.65	11,947.70	9,904.19	10,859.40
Provisions for contingent loss from legal case	684.40	518.85	684.40	518.85
Other provisions	165.69	159.12	146.32	146.32
Total provisions	11,837.74	12,625.67	10,734.91	11,524.57

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

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Provisions for employee benefits				
Beginning balance	11,947.70	10,776.99	10,859.40	9,795.64
Current service costs	686.65	608.26	664.10	506.27
Interest costs	415.30	420.53	408.33	383.64
Past service cost	76.86	-	-	-
Employee benefits paid during the period	(1,016.92)	(1,007.55)	(964.19)	(950.66)
Actuarial losses (gains) on defined benefit plans				
- from changes in demographic assumptions	23.27	(13.06)	22.36	(28.82)
- from changes in financial assumptions	(1,145.21)	1,162.53	(1,085.81)	1,153.33
Total provisions for employee benefits	10,987.65	11,947.70	9,904.19	10,859.40

The Principal Actuarial Assumptions

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Average discount rate	2.75% - 4.42%	2.50% - 4.03%
Average future salary increase rate	3.62% - 6.50%	4.00% - 7.50%
Average turnover rate	0.07% - 30.26%	0.10% - 26.27%
Retirement age	55 - 60 Years	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>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Average discount rate				
Increase of 1 %	(1,062.94)	(1,216.67)	(947.72)	(1,091.60)
Decrease of 1 %	1,262.30	1,454.82	1,126.69	1,305.09
Average future salary increase rate				
Increase of 1 %	976.53	1,119.29	854.32	993.52
Decrease of 1 %	(835.33)	(959.60)	(733.88)	(849.49)
Average turnover rate				
Increase of 1 %	(124.63)	(137.92)	(102.07)	(111.83)
Decrease of 1 %	125.92	145.35	102.07	111.83

7.17 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>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Weighted average duration of the defined benefit plan	22	23	21	22

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Maturity analysis of benefits expected to be paid				
Amount expected to be paid within 12 months	552.75	531.08	502.09	489.03
Amount expected to be paid between 1 to 2 years	605.71	586.87	556.44	543.84
Amount expected to be paid between 2 to 5 years	2,773.87	2,686.83	2,567.40	2,496.87
Amount expected to be paid between 5 to 10 years	6,472.42	6,646.06	5,877.44	6,125.71
Amount expected to be paid between 10 to 15 years	5,615.08	5,986.73	4,760.77	5,135.56
Amount expected to be paid between 15 to 25 years	10,377.94	10,425.51	8,151.06	7,713.35
Amount expected to be paid over 25 years	20,779.86	25,330.92	19,699.43	23,757.06

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labor Protection Act, which is in the process being published in the Royal Gazette. The new Labor Protection Act stipulates additional legal severance pay rates in the event of termination of an employee who has worked for an uninterrupted period of 20 years or more, whereby the employee is entitled to receive compensation of not less than 400 days. However, there is no impact on the Bank's financial statements because the Bank is covered by the State Enterprise Labor Relations Act B.E. 2543. The subsidiaries will reflect the effect of this change in which the law is effective, no significant impacts 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>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Provisions for Litigations				
Beginning balance	518.85	335.91	518.85	335.91
Increase	165.55	182.94	165.55	182.94
Ending balance	684.40	518.85	684.40	518.85

7.17 Provisions (Continued)**Other Provisions**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other provisions				
Beginning balance	159.12	39.38	146.32	31.87
Increase	6.57	119.74	-	114.45
Ending balance	165.69	159.12	146.32	146.32

7.18 Other Liabilities

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accrued interest expenses	4,193.71	3,734.98	3,819.36	3,443.08
Accrued expenses	14,007.94	11,760.42	12,214.13	10,011.39
Interbranch account	-	832.16	-	832.16
Suspense account creditors	2,801.96	3,495.95	4,126.09	5,064.80
Tax payables	4,250.44	2,730.09	3,352.70	1,965.53
Deferred revenue for reward points	2,335.67	2,558.54	-	-
Settle account between the Bank and other financial institutions	613.90	812.09	613.90	812.09
Advanced account	2,222.63	198.34	2,222.63	198.34
Cheque in transit	5,282.65	5,289.95	5,282.65	5,289.95
Sundry liabilities	13,583.60	11,509.60	9,112.45	8,128.55
Total	49,292.50	42,922.12	40,743.91	35,745.89

7.19 Share Capital**7.19.1 Ordinary Shares**

As at December 31, 2018 and 2017, the Bank's authorized share capital and issued and paid-up share capital are 13,976,061,250 shares.

7.19.2 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.

7.19.3 The Bank is the state enterprise; its major shareholder is the Financial Institutions Development Fund (FIDF). As at December 31, 2018, FIDF holds 7,696,248,833 shares or 55.05 percent of paid-up ordinary and preferred shares.

7.20 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.

7.21 The Appropriation of 2017 Net Profit and Dividend Payment

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. On April 28, 2017, the 24th Annual General Shareholders' Meeting passed the resolution to approve the appropriation of 2016 net profit of Baht 29,967.79 million and dividend payment as follows:

	(Million Baht)	
	<u>Net Profit of 2017</u>	<u>Net Profit of 2016</u>
Dividend - preferred shares (@ Baht 0.7645 and Baht 1.0145)	4.20	5.58
Dividend - ordinary shares (@ Baht 0.61 and Baht 0.86)	8,525.40	12,019.41
Net profit carried forward	12,782.87	17,942.80

7.22 Obligations and Contingent Liabilities

7.22.1 Contingent Liabilities

	(Million Baht)	
	<u>Consolidated and the Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Avals to bills	9,996.58	8,062.96
Guarantees of loans	3,781.13	4,011.56
Liability under unmatured import bills	5,626.47	4,368.59
Letters of credit	54,990.07	50,125.01
Other contingencies		
Unused credit line of overdraft	154,399.93	155,394.32
Other guarantees	172,789.00	168,116.68
Others	246.59	311.58
Total	401,829.77	390,390.70

Besides the contingent liabilities are mentioned above, as at December 31, 2018 and 2017, the Bank has contingent liabilities owing to prosecutions that are significant case of Baht 12,560.20 million and Baht 9,011.62 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 December 31, 2018 and 2017, the Bank has recognized provisions of Baht 684.40 million and Baht 518.85 million, respectively (Note 7.17).

7.22 Obligations and Contingent Liabilities (Continued)**7.22.2 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>December 31, 2018</u>				<u>December 31, 2017</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	844.42	790.38	44.84	1,679.64	814.08	926.51	57.41	1,798.00
Vehicles	427.73	839.88	-	1,267.61	402.22	652.66	-	1,054.88
Others	202.39	183.97	-	386.36	54.15	32.94	-	87.09
Total	1,474.54	1,814.23	44.84	3,333.61	1,270.45	1,612.11	57.41	2,939.97

(Million Baht)

<u>The Bank's Financial Statements</u>								
<u>Period</u>	<u>December 31, 2018</u>				<u>December 31, 2017</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	598.71	548.27	44.84	1,191.82	568.90	557.36	57.41	1,183.67
Vehicles	383.18	775.87	-	1,159.05	355.69	582.52	-	938.21
Others	1.03	0.03	-	1.06	3.58	1.06	-	4.64
Total	982.92	1,324.17	44.84	2,351.93	928.17	1,140.94	57.41	2,126.52

7.23 Assets with Obligations and Restrictions

(Million Baht)

<u>Consolidated and the Bank's Financial Statements</u>		
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Government and state enterprise bonds pledged as collateral		
Court collateral	517.71	413.76
Repurchase agreements	-	36,209.98
Properties for sale (debtor is granted the right to buy back or first right for this portion)	8,450.02	12,453.51
Total	8,967.73	49,077.25

7.24 Related Party Transactions

7.24.1 As at December 31, 2018 and 2017, loans to the Bank's executives (First Vice President and above) are Baht 126.69 million and Baht 134.96 million. The average outstanding balances of such loans at month end are Baht 125.68 million and Baht 119.47 million, respectively.

The loans and obligation outstanding as at December 31, 2018 and 2017 to close family of the Bank's executives mentioned above are Baht 16.58 million and Baht 18.90 million, respectively.

7.24.2 Loans, Obligations, Derivatives, and Other Assets

The balances of loans and obligations to related parties, normal bank pricing policies, as at December 31, 2018 and 2017 are as follows:

	(Million Baht)			
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Loans				
Related parties which the Bank totally held from 10 to 20 percent				
of their paid-up capital	0.48	0.51	0.48	0.51
Related parties which the Bank acquired equal to or over 10 percent				
of their paid-up capital from TDR	8,949.19	28.93	8,949.19	28.93
<u>Less</u> Allowance for doubtful accounts	(7,616.08)	-	(7,616.08)	-
Total	1,333.11	28.93	1,333.11	28.93
Subsidiaries				
KTBS General Services and Security Co., Ltd.	-	-	9.00	10.16
KTBS Computer Services Co., Ltd.	-	-	2,356.11	2,486.61
KTBS Leasing Co., Ltd.	-	-	9,825.38	20,726.91
Krung Thai Asset Management Pcl.	-	-	0.03	0.04
Krungthai Card Pcl.	-	-	3,190.59	0.63
<u>Less</u> Allowance for doubtful accounts	-	-	(153.81)	(232.24)
Total	-	-	15,227.30	22,992.11
Associates				
Krung Thai IBJ Leasing Co., Ltd.	2,000.12	0.10	2,000.12	0.10
KT Zmico Securities Co., Ltd.	0.58	955.20	0.58	955.20
Krungthai Panich Insurance Pcl.	0.55	0.68	0.55	0.68
<u>Less</u> Allowance for doubtful accounts	(20.01)	(9.56)	(20.01)	(9.56)
Total	1,981.24	946.42	1,981.24	946.42
Related parties with directors or key management personal				
<u>Less</u> Allowance for doubtful accounts	(393.97)	(220.17)	(393.97)	(220.17)
Total	26,851.30	21,862.07	26,851.30	21,862.07

7.24 Related Party Transactions (Continued)**7.24.2 Loans, Obligations, Derivatives, and Other Assets (Continued)**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Obligations				
Related parties which the Bank totally held from 10 to 20 percent of their paid-up capital	20.89	12.32	20.89	12.32
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	-	-	0.96	0.78
KTB General Services and Security Co., Ltd.	-	-	4.55	4.55
KTB Computer Services Co., Ltd.	-	-	0.98	1.18
KTB Leasing Co., Ltd.	-	-	0.50	2.13
Krungthai Card Pcl.	-	-	-	-
Associates	1.80	3.72	1.80	3.72
Krung Thai IBJ Leasing Co., Ltd.	0.85	-	0.85	-
Krungthai-AXA Life Insurance Pcl.	-	5.00	-	5.00
Krungthai Panich Insurance Pcl.	12,168.19	8,375.97	12,168.19	8,375.97
Related parties with directors or key management personal	-	-	-	-
Derivatives				
Subsidiaries	-	-	-	-
KTB Leasing Co., Ltd.	-	-	338.01	892.42
Associates	-	-	-	-
Krungthai-AXA Life Insurance Pcl.	10,773.81	9,614.42	10,773.81	9,614.42
Other Assets				
Subsidiaries	-	-	-	-
KTB General Services and Security Co., Ltd.	-	-	2.70	2.70
KTB Computer Services Co., Ltd.	-	-	0.72	0.57
KTB Leasing Co., Ltd.	-	-	3.81	11.27
Krungthai Card Pcl.	-	-	1,772.88	1,318.44
Krung Thai Asset Management Pcl.	-	-	46.59	55.36
Associates	-	-	-	-
Krungthai-AXA Life Insurance Pcl.	171.36	204.96	171.36	204.96
Krungthai Panich Insurance Pcl.	28.52	32.13	28.52	32.13
KT Zmico Securities Co., Ltd.	1.03	1.84	1.03	1.84

7.24 Related Party Transactions (Continued)**7.24.3 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 December 31, 2018 and 2017 are as follows:

	(Million Baht)			
	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deposits				
Subsidiaries				
KTB Law Co., Ltd.	-	-	556.72	472.88
KTB General Services and Security Co., Ltd.	-	-	580.91	601.70
KTB Computer Services Co., Ltd.	-	-	46.77	307.62
KTB Leasing Co., Ltd.	-	-	251.74	218.27
Krung Thai Asset Management Pcl.,	-	-	201.31	440.07
KTB Advisory Co., Ltd.	-	-	44.13	36.82
Krungthai Card Pcl.	-	-	1,865.65	1,082.04
Associates				
Krung Thai IBJ Leasing Co., Ltd.	36.91	21.15	36.91	21.15
KT Zmico Securities Co., Ltd.	38.73	25.65	38.73	25.65
Krungthai Panich Insurance Pcl.	129.42	183.11	129.42	183.11
Krungthai-AXA Life Insurance Pcl.	2,580.73	2,105.84	2,580.73	2,105.84
Other parties related with directors or key managements	21,867.66	25,557.49	21,867.66	25,557.49
Interbank and Money Market Items				
Associates				
Krungthai-AXA Life Insurance Pcl.	4,200.00	3,800.00	4,200.00	3,800.00
Other Liabilities				
Subsidiaries				
KTB General Services and Security Co., Ltd.	-	-	336.15	397.23
KTB Computer Services Co., Ltd.	-	-	1,008.03	583.36
KTB Leasing Co., Ltd.	-	-	0.35	0.35
Krungthai Card Pcl.	-	-	1.17	0.64
KTB Law Co., Ltd.	-	-	125.00	158.79
Krung Thai Asset Management Pcl.	-	-	0.04	0.04
Associates				
KT Zmico Securities Co., Ltd.	0.03	0.05	0.03	0.05
Krungthai Panich Insurance Pcl.	13.22	19.20	13.22	19.20
Krungthai-AXA Life Insurance Pcl.	29.35	38.26	29.35	38.26
National ITMX Co., Ltd.	13.86	8.78	13.86	8.78

7.24 Related Party Transactions (Continued)**7.24.4 Income and Expenses**

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

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interest Income				
Subsidiaries				
KTB Computer Services Co., Ltd.	-	-	67.61	80.05
KTB Leasing Co., Ltd.	-	-	383.48	859.28
Krungthai Card Pcl.	-	-	21.57	17.93
Associates				
KT Zmico Securities Co., Ltd.	19.24	39.97	19.24	39.97
Krung Thai IBJ Leasing Co., Ltd.	1.63	-	1.63	-
Interest Expenses				
Subsidiaries				
KTB Law Co., Ltd.	-	-	3.84	3.74
KTB General Services and Security Co., Ltd.	-	-	5.33	5.04
KTB Computer Services Co., Ltd.	-	-	0.98	0.69
KTB Leasing Co., Ltd.	-	-	1.78	5.16
Krung Thai Asset Management Pcl.	-	-	1.68	1.16
KTB Advisory Co., Ltd.	-	-	0.16	0.14
Krungthai Card Pcl.	-	-	1.39	2.19
Associates				
KT Zmico Securities Co., Ltd.	0.06	0.08	0.06	0.08
Krungthai Panich Insurance Pcl.	0.95	0.88	0.95	0.88
Krungthai-AXA Life Insurance Pcl.	180.20	164.75	180.20	164.75
Krung Thai IBJ Leasing Co., Ltd.	0.01	-	0.01	-

7.24 Related Party Transactions (Continued)**7.24.4 Income and Expenses (Continued)**

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other Income				
Subsidiaries				
KTB Law Co., Ltd.	-	-	0.13	0.15
KTB General Services and Security Co., Ltd.	-	-	4.92	5.66
KTB Computer Services Co., Ltd.	-	-	0.07	0.16
KTB Leasing Co., Ltd.	-	-	21.77	26.24
Krung Thai Asset Management Pcl.	-	-	637.94	473.91
Krungthai Card Pcl.	-	-	334.44	307.48
Associates				
Krung Thai IBJ Leasing Co., Ltd.	2.62	-	2.62	-
KT Zmico Securities Co., Ltd.	6.24	21.71	6.24	21.71
Krungthai Panich Insurance Pcl.	182.83	169.09	182.83	169.09
Krungthai-AXA Life Insurance Pcl.	2,366.14	2,263.91	2,366.14	2,263.91
National ITMX Co., Ltd.	0.08	0.09	0.08	0.09
Other Expenses				
Subsidiaries				
KTB Law Co., Ltd.	-	-	939.79	1,018.56
KTB General Services and Security Co., Ltd.	-	-	2,342.65	2,286.08
KTB Computer Services Co., Ltd.	-	-	3,529.44	3,384.18
Krungthai Card Pcl.	-	-	8.36	6.18
Associates				
Krung Thai IBJ Leasing Co., Ltd.	127.57	211.05	127.57	211.05
KT Zmico Securities Co., Ltd.	8.75	2.35	8.75	2.35
National ITMX Co., Ltd.	120.36	91.98	120.36	91.98

7.24.5 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>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Short-term employee benefits	1,099.38	1,118.00	751.17	752.46
Post-employment benefits	54.68	28.52	27.42	13.29
Total	1,154.06	1,146.52	778.59	765.75

7.24 Related Party Transactions (Continued)

7.24.6 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 year ended December 31, 2018 and 2017 of Baht 3,398.50 million and Baht 3,256.50 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 year ended December 31, 2018 and 2017 of Baht 130.94 million and Baht 127.68 million, respectively.

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 year ended December 31, 2018 and 2017 of Baht 786.99 million and Baht 892.03 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 year ended December 31, 2018 and 2017 of Baht 2,342.65 million and Baht 2,286.08 million, respectively.

4) The Bank incurs service charges for sourcing and installing EDC machines for foreign exchange service to Krungthai Card Pcl. for the year ended December 31, 2018 and 2017 of Baht 0.53 million and Baht 0.16 million, respectively.

5) The Bank incurs service charges on its subsidiaries [including service charges mentioned in No.1) to 4)] for the year ended December 31, 2018 and 2017 of Baht 6,820.24 million and Baht 6,695.00 million, respectively, at the rate upon agreement.

6) The Bank generates fees income from service contracts for the year ended December 31, 2018 and 2017 of Baht 903.08 million and Baht 667.98 million, respectively.

7) The Bank generates premises rental income from subsidiaries for the year ended December 31, 2018 and 2017 of Baht 19.52 million and Baht 19.36 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.

Associates

1) The Bank generates premises rental income from associates for the year ended December 31, 2018 and 2017 at the amount of Baht 1.18 million and Baht 1.08 million, respectively, at the rate upon agreement.

2) The Bank generates fees income from supportive service contracts for the year ended December 31, 2018 and 2017 of Baht 2,482.87 million and Baht 2,363.06 million, respectively, at the rate upon agreement.

7.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment

7.25.1 Financial Position Classified by Business Segment

(Million Baht)

	<u>Consolidated Financial Statements</u>					
	<u>December 31, 2018</u>			<u>December 31, 2017</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	2,704,603.14	39,363.72	2,743,966.86	2,804,573.24	55,231.82	2,859,805.06
Interbank and money market items, net	357,494.13	15,019.65	372,513.78	529,284.84	20,384.69	549,669.53
Investments, net*	238,710.38	1,456.51	240,166.89	226,479.52	1,760.24	228,239.76
Loans to customers and						
accrued interest receivables, net	1,878,056.87	17,817.47	1,895,874.34	1,790,762.28	27,149.99	1,817,912.27
Deposits	2,033,590.08	6,011.82	2,039,601.90	2,065,458.14	5,416.54	2,070,874.68
Interbank and money market items, net	155,433.18	1,962.75	157,395.93	227,074.21	1,617.19	228,691.40
Debt issued and borrowings	64,685.10	30,520.41	95,205.51	63,355.70	47,270.73	110,626.43

(Million Baht)

	<u>The Bank's Financial Statements</u>					
	<u>December 31, 2018</u>			<u>December 31, 2017</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	2,621,581.33	39,363.72	2,660,945.05	2,721,945.80	55,231.82	2,777,177.62
Interbank and money market items, net	356,744.05	15,019.65	371,763.70	528,795.34	20,384.69	549,180.03
Investments, net*	232,470.06	1,456.51	233,926.57	218,249.60	1,760.24	220,009.84
Loans to customers and						
accrued interest receivables, net	1,810,422.40	17,817.47	1,828,239.87	1,726,193.81	27,149.99	1,753,343.80
Deposits	2,036,936.01	6,011.82	2,042,947.83	2,068,177.47	5,416.54	2,073,594.01
Interbank and money market items, net	150,037.19	1,962.75	151,999.94	217,449.56	1,617.19	219,066.75
Debt issued and borrowings	20,000.70	30,520.41	50,521.11	20,000.70	47,270.73	67,271.43

* Included investments in subsidiaries and associates.

The consolidated and the Bank's financial statements as at December 31, 2018 and 2017, have total assets before eliminating net interbranch transactions of Baht 4,763.67 million and Baht 5,595.05 million, respectively.

7.25 Significant Financial Position and Operations Classified by Domestic and Foreign Business Segment (Continued)**7.25.2 Operations Classified by Business Segment**

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2018</u>			<u>December 31, 2017</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	118,396.49	4,184.55	122,581.04	121,349.21	4,714.82	126,064.03
Interest expenses	(35,952.80)	(2,939.37)	(38,892.17)	(35,908.17)	(3,292.46)	(39,200.63)
Interest income, net	82,443.69	1,245.18	83,688.87	85,441.04	1,422.36	86,863.40
Fees and service income, net	23,608.61	53.37	23,661.98	23,946.00	75.15	24,021.15
Other operating income	9,715.62	154.68	9,870.30	12,337.26	2.36	12,339.62
Other operating expenses	(79,194.22)	(85.63)	(79,279.85)	(93,843.70)	(472.86)	(94,316.56)
Profit from operating before income tax expenses	36,573.70	1,367.60	37,941.30	27,880.60	1,027.01	28,907.61

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2018</u>			<u>December 31, 2017</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	104,563.09	4,184.55	108,747.64	107,837.33	4,714.82	112,552.15
Interest expenses	(34,431.99)	(2,939.37)	(37,371.36)	(34,311.65)	(3,292.46)	(37,604.11)
Interest income, net	70,131.10	1,245.18	71,376.28	73,525.68	1,422.36	74,948.04
Fees and service income, net	19,336.81	53.37	19,390.18	20,187.70	75.15	20,262.85
Other operating income	6,287.53	154.68	6,442.21	10,209.83	2.36	10,212.19
Other operating expenses	(66,719.17)	(85.63)	(66,804.80)	(79,818.27)	(472.86)	(80,291.13)
Profit from operating before income tax expenses	29,036.27	1,367.60	30,403.87	24,104.94	1,027.01	25,131.95

The consolidated and the Bank's financial statements for the year ended December 31, 2018 and 2017, have total interest income and interest expenses before eliminating net interbranch transactions of Baht 2,810.74 million and Baht 3,177.86 million, respectively.

7.26 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>December 31, 2018</u>						
	Retail Banking	Wholesale Banking	Treasury and Investment	Support and Others	Adjustments	Total
Total operating income	51,471.53	30,921.73	6,163.93	28,663.96	-	117,221.15
Total expenses (excluding bad debts, doubtful accounts and loss on impairment)	(33,406.87)	(10,542.99)	(2,459.15)	(13,530.95)	-	(59,939.96)
Bad debts, doubtful accounts and loss on impairment	(1,910.85)	(507.10)	103.27	(23,877.19)	-	(26,191.87)
Net profit (loss)	16,153.81	19,871.64	3,808.05	(8,744.18)	-	31,089.32
Segment assets	1,054,903.61	1,122,505.11	25,001.53	562,818.65	(26,025.71)	2,739,203.19
Segment liabilities	1,517,542.20	597,752.99	155,224.32	179,208.11	(24,665.53)	2,425,062.09

7.26 Operations Classified by Operating Segment (Continued)

(Million Baht)

<u>Consolidated Financial Statements</u>						
<u>December 31, 2017</u>						
	Retail	Wholesale	Treasury and	Support and		
	<u>Banking</u>	<u>Banking</u>	<u>Investment</u>	<u>Others</u>	<u>Adjustments</u>	<u>Total</u>
Total operating income	54,986.60	34,281.41	7,983.22	25,972.95	-	123,224.18
Total expenses (excluding bad debts, doubtful accounts and loss on impairment)	(31,296.92)	(5,271.61)	(2,859.37)	(14,852.61)	-	(54,280.51)
Bad debts, doubtful accounts and loss on impairment	(3,588.15)	(27,525.17)	949.41	(14,669.48)	-	(44,833.39)
Net profit (loss)	20,101.53	1,484.63	6,073.26	(3,549.14)	-	24,110.28
Segment assets	972,067.56	1,150,642.77	35,139.65	625,255.44	71,104.59	2,854,210.01
Segment liabilities	1,450,229.29	635,631.39	203,356.79	192,093.26	78,680.33	2,559,991.06

7.27 Interest Income

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interbank and money market items	9,881.92	10,419.68	9,881.70	10,419.49
Investment and trading transactions	324.84	281.51	324.84	281.51
Investment in debt	3,807.67	4,128.59	3,803.06	4,125.67
Loans	104,680.94	106,186.69	91,788.34	94,485.80
Hire-purchase and finance lease	935.98	1,807.97	0.01	0.10
Others	138.95	61.73	138.95	61.72
Total interest income	119,770.30	122,886.17	105,936.90	109,374.29

7.28 Interest Expenses

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deposits	19,444.98	19,788.31	19,458.45	19,805.26
Interbank and money market items	2,707.39	2,618.76	2,640.61	2,535.91
Contributions to Bank of Thailand (BOT)	9,498.23	9,172.53	9,498.23	9,172.53
Contributions to Deposit Protection Agency (DPA)	206.59	199.77	206.59	199.77
Debt issued				
Subordinated notes	4,068.92	4,165.88	2,621.99	2,656.73
B/E	0.45	0.91	0.45	-
Borrowings	23.54	26.50	2.80	5.21
Others	131.33	50.11	131.50	50.84
Total interest expenses	36,081.43	36,022.77	34,560.62	34,426.25

7.29 Fees and Service Income, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fees and service income				
Acceptance, aval and guarantee	1,762.07	1,841.59	1,762.07	1,841.59
Others	27,730.68	26,796.67	21,825.37	21,516.20
Total fees and service income	29,492.75	28,638.26	23,587.44	23,357.79
Fees and service expenses	(5,830.77)	(4,617.11)	(4,197.26)	(3,094.94)
Fees and service income, net	23,661.98	24,021.15	19,390.18	20,262.85

7.30 Gains on Tradings and Foreign Exchange Transactions, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Gains (losses) on tradings and foreign exchange transactions				
Foreign currencies and foreign currency related derivatives	3,470.30	2,850.12	3,470.53	2,851.67
Interest rate related derivatives	(175.92)	226.43	(183.57)	213.76
Debt securities	(2.94)	390.14	(2.94)	390.14
Equity securities	-	0.61	-	0.61
Others	209.03	(235.74)	209.03	(235.74)
Total gains on tradings and foreign exchange transactions, net	3,500.47	3,231.56	3,493.05	3,220.44

7.31 Gain on Investments, Net

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Gains on sale of				
Available-for-sale securities	422.64	631.89	422.64	631.89
General investments	2.99	31.87	2.99	31.87
Total	425.63	663.76	425.63	663.76
Gains on investments in the liquidation associate	-	252.25	-	252.25
Reversal (losses) on impairment of				
General investments	8.86	12.65	8.85	12.65
Investments in subsidiaries and associates	-	-	(0.09)	(3.69)
Total	8.86	12.65	8.76	8.96
Total gains on investments, net	434.49	928.66	434.39	924.97

7.32 Impairment Loss of Loans Debt Securities

(Million Baht)

	<u>Consolidated Financial Statements</u>		<u>The Bank's Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interbank and money market items	(2,421.82)	2,263.25	(2,421.82)	2,263.25
Held-to-maturity debt securities	0.08	(0.15)	0.08	(0.15)
Loans to customers	28,627.08	42,614.65	22,935.29	35,281.11
Loss from troubled debt restructuring	(13.47)	(44.36)	(13.47)	(44.36)
Total bad debts, doubtful accounts, and loss on impairment	26,191.87	44,833.39	20,500.08	37,499.85

7.33 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.

Income tax expenses recognized in profit or loss for the year ended December 31, 2018 and 2017 are as follows:

	(Million Baht)	
	<u>Consolidated Financial Statements</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current tax		
Current period	7,653.71	4,937.25
Deferred tax		
Movement in temporary differences	(801.74)	(139.91)
Total	6,851.97	4,797.34

Reconciliation of effective tax rates for the year ended December 31, 2018 and 2017 are as follows:

	(Million Baht)			
	<u>Consolidated Financial Statements</u>			
	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Profit from operating before income tax expense		37,941.30		28,907.61
Income tax using the tax rate	20.00%	7,588.26	20.00%	5,781.52
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(736.29)		(984.18)
Total	18.06%	6,851.97	16.60%	4,797.34

	(Million Baht)			
	<u>The Bank's Financial Statements</u>			
	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>
Profit from operating before income tax expense		30,403.87		25,131.95
Income tax using the tax rate	20.00%	6,080.77	20.00%	5,026.39
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(777.52)		(1,206.91)
Total	17.44%	5,303.25	15.20%	3,819.48

7.34 Components of Other Comprehensive Income and Related Taxes

Components of other comprehensive income and related taxes the year ended December 31, 2018 and 2017.

(Million Baht)

<u>Consolidated Financial Statements</u>						
	<u>December 31, 2018</u>			<u>December 31, 2017</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>
Changes in revaluation surplus on assets	(8.19)	1.64	(6.55)	(12.93)	2.58	(10.35)
Gains on remeasuring available-for-sale investments *	218.97	(43.79)	175.18	1,380.37	(276.07)	1,104.30
Gains (losses) arising from translating the						
financial statements of foreign operations	(207.35)	-	(207.35)	192.59	-	192.59
Actuarial gains (losses) on defined benefit plans	1,121.94	(224.39)	897.55	(1,149.47)	229.89	(919.58)
Share of other comprehensive income from associates	(3,507.03)	701.40	(2,805.63)	3,604.23	(720.85)	2,883.38
Other comprehensive income	(2,381.66)	434.86	(1,946.80)	4,014.79	(764.45)	3,250.34

(Million Baht)

<u>The Bank's Financial Statements</u>						
	<u>December 31, 2018</u>			<u>December 31, 2017</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>
Changes in revaluation surplus on assets	(8.19)	1.64	(6.55)	(12.93)	2.58	(10.35)
Gains on remeasuring available-for-sale investments *	210.19	(42.04)	168.15	1,380.37	(276.07)	1,104.30
Gains (losses) arising from translating the						
financial statements of foreign operations	(207.35)	-	(207.35)	192.59	-	192.59
Actuarial gains (losses) on defined benefit plans	1,063.45	(212.69)	850.76	(1,124.51)	224.90	(899.61)
Other comprehensive income	1,058.10	(253.09)	805.01	435.52	(48.59)	386.93

* In 2017, included gains (losses) from reclassification of investments.

7.35 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>December 31, 2018</u>				<u>December 31, 2017</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	-	36,229.57	-	36,229.57	-	33,833.40	-	33,833.40
Trading investments	7,452.93	15,910.45	-	23,363.38	-	8,483.91	-	8,483.91
Available-for-sale investments	50,380.46	146,419.96	-	196,800.42	39,514.28	118,982.45	-	158,496.73
Total financial assets	57,833.39	198,559.98	-	256,393.37	39,514.28	161,299.76	-	200,814.04
Financial liabilities								
Derivatives liabilities	-	32,345.61	-	32,345.61	-	30,284.42	-	30,284.42
Total financial liabilities	-	32,345.61	-	32,345.61	-	30,284.42	-	30,284.42

(Million Baht)

<u>The Bank's Financial Statements</u>								
	<u>December 31, 2018</u>				<u>December 31, 2017</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	-	36,231.03	-	36,231.03	-	33,842.51	-	33,842.51
Trading investments	7,452.93	15,910.45	-	23,363.38	-	8,486.92	-	8,486.92
Available-for-sale investments	50,380.46	147,061.78	-	197,442.24	39,514.28	118,982.45	-	158,496.73
Total financial assets	57,833.39	199,203.26	-	257,036.65	39,514.28	161,311.88	-	200,826.16
Financial liabilities								
Derivatives liabilities	-	32,345.61	-	32,345.61	-	30,284.42	-	30,284.42
Total financial liabilities	-	32,345.61	-	32,345.61	-	30,284.42	-	30,284.42

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 other that are observable, either directly or in directly for those assets and liabilities besides quoted prices included within in level 1.
- Level 3 – Inputs that are unobservable for those assets and liabilities.

7.35 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 is the observable input from reliable institutions, such as interest rates, exchange rates, and volatilities.

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

Besides, by using valuation techniques the Bank has valuation adjustment in order to properly reflect related risk i.e. Credit Valuation Adjustment (CVA), liquidity risk of market is considered by Bid – offer Spread Adjustment and model risk used in the option valuation by currency guarantee program for SMEs.

7.36 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 11 companies within the financial business group (Note 7.5 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.

7.37 Others

7.37.1 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 December 31, 2018, 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. In the present, aforementioned bidding outsiders for mortgaged guarantee assets from auction in the part of criminal case already paid down completely at the Legal Execution Department on January 24, 2019. For the mortgaged guarantee sold in other bankruptcy and other civil cases, because there was applicants asking for withdrawing auction, buyer noticed asking for extending for paying down the remainder. Executing officer commanded to allow extending paying down the remainder until the court has commanded about revoking the auction.

For the Bank's civil case being a plaintiff suing enforcing to mortgage aforementioned mortgaged guarantee assets, the Civil Court passed the judgment that the Bank was settled following to the cause of action all of the principal and the interest on September 28, 2017. Afterwards, on October 31, 2018, The Court of Appeals appointed to listen to the judgment, which sustains the Civil Court's judgment. In the present, the defendant appealed to the Supreme Court on December 25, 2018 and the Bank is in the period of solving the petition to the Supreme Court.

7.37 Others (Continued)

7.37.2 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.

7.37.3 On October 12, 2016, the Bank is considering the principle of closing a certain foreign branch. Currently, the Bank continues on the process of discussion following advice of legal consultants. Assets, liabilities and operating performances of the branch do not have a material effect on the Bank's financial statements.

7.38 Approval of the Financial Statements

These financial statements have been authorized for issue by the Board of Directors on February 27, 2019.
