



## Management Discussion and Analysis

For the year ended December 31, 2018

(Unaudited)

This report discusses the principal changes in the unaudited consolidated financial statement for the year ended December 31, 2018.

## Economic Overview

In 2018, the Thai economy continued to grow, driven by the expansion of merchandise export which aligned with global economic growth. Meanwhile, tourism sector expanded well, though at a softer pace toward the end of the year which owed to the slowdown in the number of Chinese tourists. In addition, private consumption continued to improved, mainly due to the surge of car sales. Such an expansion in merchandise exports and private consumption contributed to the growth of manufacturing production and private investment. Furthermore, public spending, both current and capital spending, also continued to grow. Hence, the Thai economy has been facing a number of risks such as the US - China trade war, the slow growth of farm income, and the pressure from household debt at high levels.

## The Bank and Its Subsidiaries' overview performance for the year 2018

### The Bank and Its Subsidiaries' performance for the year 2018

In 2018, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 28,491 million, or a growth of 27.0% YoY. Such net profit resulted from a loan growth of 4.4% YoY, which derived from the continual growth of retail loans (both housing and personal loans), from an organic growth in government and state enterprise sectors and from the gradual loan growth of SMEs and private corporate sectors since the second half of the 2018.

The Bank's consolidated total operating income registered at Baht 117,221 million with key changes as shown below:

- Net interest income decreased by 3.7% YoY while Net Interest Margin (NIM) stood at 3.13%, decreasing from 3.28% in 2017. Such decline was due to the impact of the 0.50% lending rate cut on Minimum Retail Rate (MRR) since May 2017, market competition as well as the focus for portfolio management toward higher efficiency and risk management alignment. However, cost of fund remained stable as compared to last year.
- Non-interest income decreased by 7.8% YoY, which mainly due to the contraction of net fee and service income by 1.5% from the impact of fee waiver via digital channel as well as the decrease in share of profit from investments on equity method from insurance business. Additionally, there was revenue from litigation compensation amounted Baht 1,636 million in 4Q2017.

The Bank's consolidated operating expenses increased by 7.3% YoY as a result of higher personnel expenses from the higher cost in relation to human resources management as well as of higher marketing expenses. Thus, cost to income ratio stood at 45.29%, increasing from 40.16% in 2017.

The Bank and its subsidiaries set aside lower expense on impairment loss of loans as compared to previous year while consistently conforming to provision policy with prudent practice. As a consequence, the Bank's consolidated coverage ratio is gradually increasing from last year of 121.71% to this year of 125.81%. The NPLs Ratio-Gross stood at 4.52%, increasing from 4.19% and the NPL Ratio-Net was 1.94%, increased from 1.77% as at end of 2017, due to the escalation of SMEs sectors in some industries, together with the strengthening qualitative assessment on NPL. The Bank's Tier 1 and Total Capital ratios were 14.35% and 18.19% respectively.

### The Bank and Its Subsidiaries' performance for 4Q2018

Comparing 4Q2018 to the same period of last year, the Bank and its subsidiaries' net profit attributable to equity holders of the Bank was Baht 6,159 million, a growth of 28.1% due to continual loan growth with an increase of Net Interest Margin (NIM) from 3.21% in 4Q2017 to 3.23%.

Net fee and service income decreased 10.8% which partially due to the impact from fee waiver via digital channel. Furthermore, the contraction of other operating income year on year was due from revenue from litigation compensation amounted Baht 1,636 million in 4Q2017. This resulted in a contraction of consolidated total operating income. Moreover, operating expenses continued to increase due to personnel expenses in relation to human resources management, premises and equipment expenses and other expenses from marketing cost.

The Bank and its subsidiaries set aside lower expense on impairment loss of loans compared to the same period of last year while maintaining the coverage ratio at 125.81%.

## The Bank and Its Subsidiaries' performance for the Quarter and year Ended December 31, 2018

### Overview operating income and net profit

Unit : Million Baht

|                                                         | 4/2018 | 3/2018 | Change | 4/2017     | Change | Y2018   | Y2017      | Change |
|---------------------------------------------------------|--------|--------|--------|------------|--------|---------|------------|--------|
|                                                         |        |        | %      | (restated) | %      |         | (restated) | %      |
| Net interest income                                     | 21,460 | 20,890 | 2.7    | 21,393     | 0.3    | 83,689  | 86,863     | (3.7)  |
| Net fee and service income                              | 6,011  | 5,657  | 6.3    | 6,737      | (10.8) | 23,662  | 24,021     | (1.5)  |
| Other non-interest income                               | 1,932  | 2,340  | (17.5) | 4,132      | (53.3) | 9,870   | 12,340     | (20.0) |
| Total operating income                                  | 29,403 | 28,887 | 1.8    | 32,262     | (8.9)  | 117,221 | 123,224    | (4.9)  |
| Total other operating expenses                          | 14,633 | 12,738 | 14.9   | 12,798     | 14.3   | 53,088  | 49,483     | 7.3    |
| Pre-provision profit <sup>(1)</sup>                     | 14,770 | 16,149 | (8.5)  | 19,464     | (24.1) | 64,133  | 73,741     | (13.0) |
| Impairment loss of loans and debt securities            | 6,430  | 6,084  | 5.7    | 13,578     | (52.6) | 26,192  | 44,833     | (41.6) |
| Operating profit before income tax expenses             | 8,340  | 10,065 | (17.1) | 5,886      | 41.7   | 37,941  | 28,908     | 31.3   |
| Income tax expenses                                     | 1,560  | 1,521  | 2.6    | 603        | 158.5  | 6,852   | 4,798      | 42.8   |
| Net Profit                                              | 6,780  | 8,544  | (20.7) | 5,283      | 28.3   | 31,089  | 24,110     | 28.9   |
| Net profit (attributable to equity holders of the Bank) | 6,159  | 7,838  | (21.4) | 4,808      | 28.1   | 28,491  | 22,440     | 27.0   |
| ROA (%) <sup>(2)</sup>                                  | 0.89   | 1.12   |        | 0.69       |        | 1.02    | 0.81       |        |
| ROE (%) <sup>(2)</sup>                                  | 8.10   | 10.61  |        | 6.67       |        | 9.60    | 7.99       |        |

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

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

In 4Q2018, KTB's consolidated net profit attributable to equity holders of the Bank amounted to Baht 6,159 million, increased by 28.1% compared to 4Q2017 as a consequence from an improvement of net interest income and lower expenses on impairment loss of loans, despite the pressures from fee waiver via digital channel and the partial spike in operating expenses. Compared to 3Q2018, KTB's consolidated net profit attributable to equity holders of the Bank reduced by 21.4% due to higher operating expenses during end of the year.

In 2018, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 28,491 million, an increase of 27.0% YoY from lower expense on impairment loss of loans inspite of the revenue from litigation compensation amounted to Baht 1,636 million in 2017.

## Net Interest Income

Unit : Million Baht

|                                                         | 4/2018         | 3/2018         | Change<br>%  | 4/2017<br>(restated) | Change<br>%  | Y2018           | Y2017<br>(restated) | Change<br>%  |
|---------------------------------------------------------|----------------|----------------|--------------|----------------------|--------------|-----------------|---------------------|--------------|
| <b>Interest income</b>                                  | <b>30,394</b>  | <b>29,994</b>  | <b>1.3</b>   | <b>30,403</b>        | <b>(0.0)</b> | <b>119,770</b>  | <b>122,886</b>      | <b>(2.5)</b> |
| - Interbank and money market items                      | 2,119          | 2,384          | (11.1)       | 2,667                | (20.6)       | 9,882           | 10,420              | (5.2)        |
| - Investments and trading transactions                  | 86             | 78             | 10.3         | 73                   | 17.7         | 325             | 281                 | 15.4         |
| - Investment in debt securities                         | 1,155          | 956            | 20.8         | 1,168                | (1.1)        | 3,807           | 4,128               | (7.8)        |
| - Loans                                                 | 26,818         | 26,328         | 1.9          | 26,114               | 2.7          | 104,681         | 106,187             | (1.4)        |
| - Hire purchase and financial lease                     | 186            | 197            | (5.1)        | 362                  | (48.4)       | 936             | 1,808               | (48.2)       |
| - Others                                                | 30             | 51             | (41.9)       | 19                   | 59.6         | 139             | 62                  | 125.1        |
| <b>Less Interest expense</b>                            | <b>(8,934)</b> | <b>(9,104)</b> | <b>(1.9)</b> | <b>(9,010)</b>       | <b>(0.8)</b> | <b>(36,081)</b> | <b>(36,023)</b>     | <b>0.2</b>   |
| - Deposits                                              | (4,880)        | (4,890)        | (0.2)        | (4,910)              | (0.6)        | (19,445)        | (19,789)            | (1.7)        |
| - Interbank and money market items                      | (610)          | (720)          | (15.2)       | (690)                | (11.6)       | (2,707)         | (2,619)             | 3.4          |
| - Contributions to BOT and DPA                          | (2,463)        | (2,386)        | 3.2          | (2,375)              | 3.7          | (9,705)         | (9,372)             | 3.5          |
| - Debts issued                                          | (945)          | (1,065)        | (11.2)       | (1,011)              | (6.6)        | (4,093)         | (4,193)             | (2.4)        |
| - Others                                                | (36)           | (43)           | (16.1)       | (24)                 | 51.4         | (131)           | (50)                | 162.1        |
| <b>Net interest income</b>                              | <b>21,460</b>  | <b>20,890</b>  | <b>2.7</b>   | <b>21,393</b>        | <b>0.3</b>   | <b>83,689</b>   | <b>86,863</b>       | <b>(3.7)</b> |
| <b>Earning Asset Yiled (%)</b>                          | <b>4.58</b>    | <b>4.49</b>    |              | <b>4.57</b>          |              | <b>4.48</b>     | <b>4.64</b>         |              |
| <b>Cost of Fund (%)</b>                                 | <b>1.55</b>    | <b>1.56</b>    |              | <b>1.53</b>          |              | <b>1.53</b>     | <b>1.53</b>         |              |
| <b>Net interest margin [based on earning assets](%)</b> | <b>3.23</b>    | <b>3.12</b>    |              | <b>3.21</b>          |              | <b>3.13</b>     | <b>3.28</b>         |              |

The Bank re-categorized some items in the Statements of Comprehensive Income – interest income, interest expense, and net gain on trading and foreign exchange transactions items since 1Q2018 by reporting the gain/loss from derivatives in banking book for hedging purpose together with the interest income and interest expenses instead of the net gain on trading and foreign exchange transactions item. Related data of 4Q2017 and Y2017 was restated accordingly

KTb's consolidated net interest income in 4Q2018 amounted Baht 21,460 million, increased by 0.3% YoY due to an improvement of the interest income from higher loan growth in 4Q2018 while the cost of fund could be controlled at an appropriate level. Consequently, Net Interest Margin (NIM) registered at 3.23%, increasing from 3.21% in 4Q2017 and from 3.12% in 3Q2018

KTb's consolidated net interest income in 2018 was Baht 83,689 million, contracted by 3.7% as due to an impact of the 0.50% lending rate cut on Minimum Retail Rate (MRR) since May 2017 given the focus for portfolio management toward higher efficiency and risk management alignment. As cost of fund could be controlled at similar level as last year, NIM resulted at 3.13%, decreased from 3.28% in 2017. However, the Bank could organically grow its loan portfolio in 2H2018, resulting in the growth of 4.4% YoY.

### Change of interest rate

|                          | 31 Dec 2018 | 30 Sep 2018 | 30 Jun 2018 | 31 Mar 2018 | 31 Dec 2017 | 30 Sep 2017 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Policy Interest Rate (%) | 1.50%       | 1.50%       | 1.50%       | 1.50%       | 1.50%       | 1.50%       |
| Deposit Rate (%)         |             |             |             |             |             |             |
| - Savings Rate           | 0.50%       | 0.50%       | 0.50%       | 0.50%       | 0.50%       | 0.50%       |
| - 3 Months Fixed Rate    | 0.90%       | 0.90%       | 0.90%       | 0.90%       | 0.90%       | 0.90%       |
| - 6 Months Fixed Rate    | 1.15%-1.35% | 1.15%-1.35% | 1.15%-1.35% | 1.15%-1.35% | 1.15%-1.35% | 1.15%-1.35% |
| - 12 Months Fixed Rate   | 1.30%       | 1.30%       | 1.30%       | 1.30%       | 1.30%       | 1.30%       |
| Loan Rate (%)            |             |             |             |             |             |             |
| - MLR                    | 6.275%      | 6.275%      | 6.275%      | 6.275%      | 6.275%      | 6.275%      |
| - MOR                    | 7.120%      | 7.120%      | 7.120%      | 7.120%      | 7.120%      | 7.120%      |
| - MRR                    | 7.120%      | 7.120%      | 7.120%      | 7.120%      | 7.120%      | 7.120%      |

### Net Fee and Service Income

Unit : Million Baht

|                              | 4/2018  | 3/2018  | Change<br>% | 4/2017<br>(restated) | Change<br>% | Y2018   | Y2017<br>(restated) | Change<br>% |
|------------------------------|---------|---------|-------------|----------------------|-------------|---------|---------------------|-------------|
| Fee and service income       | 7,605   | 7,027   | 8.2         | 8,018                | (5.1)       | 29,493  | 28,638              | 3.0         |
| Less Fee and service expense | (1,594) | (1,370) | 16.4        | (1,281)              | 24.5        | (5,831) | (4,617)             | 26.3        |
| Net fee and service income   | 6,011   | 5,657   | 6.3         | 6,737                | (10.8)      | 23,662  | 24,021              | (1.5)       |

KTB's consolidated net fee and service income in 4Q2018 was Baht 6,011 million, a declined by 10.8% YoY from the impact of fee waiver via digital channel as well as from the decreased net fee from Bancassurance. Compared to 3Q2018, KTB's consolidated net fee and service income rose by 6.3% from underwriting fee.

KTB's consolidated net fee and service income in 2018 was Baht 23,662 million, compressed by 1.5% due to the impact of fee waiver via digital channel.

### Fee and service income breakdown

Unit : %

|                                       | 4/2018 | 3/2018 | 4/2017 | Y2018 | Y2017 |
|---------------------------------------|--------|--------|--------|-------|-------|
| Loan related fee                      | 8%     | 9%     | 9%     | 9%    | 9%    |
| Card Business and electronic services | 50%    | 53%    | 47%    | 50%   | 50%   |
| Cash management                       | 6%     | 6%     | 6%     | 7%    | 7%    |
| Bancassurance                         | 8%     | 8%     | 10%    | 9%    | 9%    |
| Other fees <sup>(1)</sup>             | 28%    | 24%    | 28%    | 25%   | 25%   |
| Total Fee and service income          | 100%   | 100%   | 100%   | 100%  | 100%  |

<sup>(1)</sup>Fees from Mutual fund, Global Market, and other services

## Total Other Operating Income

Unit : Million Baht

|                                                                              | 4/2018       | 3/2018       | Change<br>%   | 4/2017<br>(restated) | Change<br>%   | Y2018        | Y2017<br>(restated) | Change<br>%   |
|------------------------------------------------------------------------------|--------------|--------------|---------------|----------------------|---------------|--------------|---------------------|---------------|
| Gain (loss) on trading and foreign exchange transactions, net <sup>(1)</sup> | 449          | 920          | (51.2)        | 732                  | (38.7)        | 3,500        | 3,232               | 8.3           |
| Gain (loss) on investments, net                                              | 90           | 40           | 124.3         | 133                  | (32.3)        | 435          | 929                 | (53.2)        |
| Share of profit (loss) from investments on equity method                     | 81           | 141          | (42.8)        | 489                  | (83.4)        | 1,130        | 2,264               | (50.1)        |
| Dividend income                                                              | 64           | 141          | (54.5)        | 53                   | 20.9          | 453          | 415                 | 9.1           |
| Revenues from litigation compensation                                        | -            | -            | -             | 1,636                | N/A           | -            | 1,636               | N/A           |
| Other income                                                                 | 1,248        | 1,098        | 13.6          | 1,089                | 14.5          | 4,352        | 3,864               | 12.6          |
| <b>Total other operating income</b>                                          | <b>1,932</b> | <b>2,340</b> | <b>(17.5)</b> | <b>4,132</b>         | <b>(53.3)</b> | <b>9,870</b> | <b>12,340</b>       | <b>(20.0)</b> |

<sup>(1)</sup> The Bank re-categorized some items in the Statements of Comprehensive Income – interest income, interest expense, and net gain on trading and foreign exchange transactions items since 1Q2018 by reporting the gain/loss from derivatives in banking book for hedging purpose together with the interest income and interest expenses instead of the net gain on trading and foreign exchange transactions item. Related data of 4Q2017 and Y2017 was restated accordingly

KTb's consolidated total other operating income in 4Q2018 was Baht 1,932 million, decreased by 53.3% YoY, owing to the revenue from litigation compensation in 4Q2017 and the contraction of share of profit from investments on equity method. Compared to 3Q2018, KTb's consolidated total other operating income contracted by 17.5% due to the decrease of gain on trading transactions.

KTb's consolidated total other operating income in 2018 was Baht 9,870 million, decreased by 20.0% given similar reasons from 4Q18 on a year-on-year basis.

## Other Operating Expenses

Unit : Million Baht

|                                       | 4/2018        | 3/2018        | Change<br>% | 4/2017<br>(restated) | Change<br>% | Y2018         | Y2017<br>(restated) | Change<br>% |
|---------------------------------------|---------------|---------------|-------------|----------------------|-------------|---------------|---------------------|-------------|
| Personnel expenses                    | 7,395         | 7,082         | 4.4         | 6,010                | 23.0        | 29,226        | 27,439              | 6.5         |
| Premises and equipment expenses       | 2,380         | 2,109         | 12.8        | 2,262                | 5.2         | 8,792         | 8,561               | 2.7         |
| Taxes and duties                      | 1,083         | 1,053         | 2.9         | 1,056                | 2.5         | 4,303         | 4,364               | (1.4)       |
| Others <sup>(1)</sup>                 | 3,775         | 2,494         | 51.3        | 3,470                | 8.8         | 10,767        | 9,119               | 18.1        |
| <b>Total other operating expenses</b> | <b>14,633</b> | <b>12,738</b> | <b>14.9</b> | <b>12,798</b>        | <b>14.3</b> | <b>53,088</b> | <b>49,483</b>       | <b>7.3</b>  |
| <b>Cost-to-income ratio (%)</b>       | <b>49.77</b>  | <b>44.10</b>  |             | <b>39.67</b>         |             | <b>45.29</b>  | <b>40.16</b>        |             |

<sup>(1)</sup> including Directors' remuneration

KTB's consolidated other operating expenses in 4Q2018 was Baht 14,663 million, rose by 14.3% YoY and 14.9% QoQ due to higher personnel expenses in relation to human resources management as well as other expenses especially in marketing cost.

KTB's consolidated other operating expenses in 2018 was Baht 53,088 million, increased by 7.3% YoY from higher personnel expenses in relation to human resources management as well as marketing costs.

### Impairment Loss of Loans

| Unit : Million Baht                     |        |        |        |            |        |        |            |        |
|-----------------------------------------|--------|--------|--------|------------|--------|--------|------------|--------|
|                                         | 4/2018 | 3/2018 | Change | 4/2017     | Change | Y2018  | Y2017      | Change |
|                                         |        |        | %      | (restated) | %      |        | (restated) | %      |
| Impairment loss of loans <sup>(1)</sup> | 6,430  | 6,084  | 5.7    | 13,578     | (52.6) | 26,192 | 44,833     | (41.6) |

<sup>(1)</sup> Impairment loss of loans and debt securities

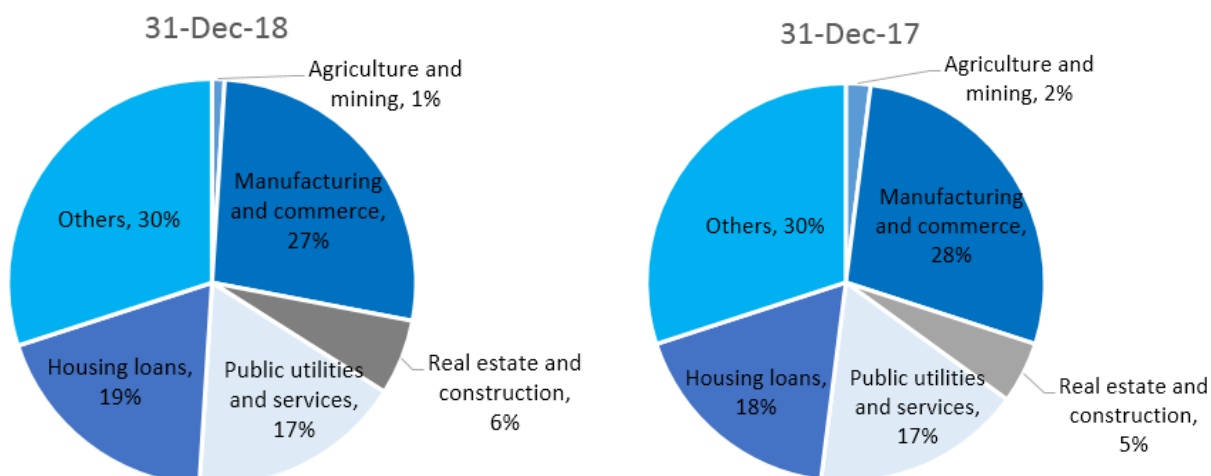
In 2018, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 26,192 million decreased by 41.6% YoY pursuant to compliance of provision policy with prudent practice. The Bank's consolidated coverage ratio was gradually increased to 125.81% as at December 31, 2018 from 122.59% as at September 30, 2018 and from 121.71% as at end 2017.

The Bank has the write off on NPLs of Baht 18,597 million in 2018 and Baht 23,739 million in 2017.

## The Bank and Its Subsidiaries' Financial Status as at December 31, 2018

### Loans to Customers

#### Loan breakdown by type of business



The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,023,938 million, increased by 4.4% compared to the end of last year. Such growth was derived from the continual growth of retail loans (both housing and personal loans), from an organic growth in government and state enterprise sectors and from the gradual loan growth of SMEs and private corporate sectors since the second half of the 2018. Loans to customers (less deferred revenue) rose by 2.2% from Baht 1,980,974 million as at September 30, 2018.

Unit : Million Baht

| The Bank's Financial Statements | 31 Dec 2018      |              | 30 Sep 2018      |              | Change (%) | 31 Dec 2017      |              | Change (%) |
|---------------------------------|------------------|--------------|------------------|--------------|------------|------------------|--------------|------------|
|                                 | Amount           | (%)          | Amount           | (%)          |            | Amount           | (%)          |            |
| Private Corporate               | 646,016          | 33.2         | 633,897          | 33.2         | 1.9        | 671,345          | 36.0         | (3.8)      |
| Government and State Enterprise | 179,904          | 9.2          | 177,121          | 9.3          | 1.6        | 129,623          | 7.0          | 38.8       |
| SMEs <sup>(1)</sup>             | 344,189          | 17.7         | 337,487          | 17.7         | 2.0        | 347,698          | 18.6         | (1.0)      |
| Retail                          | 778,004          | 39.9         | 758,719          | 39.8         | 2.5        | 716,431          | 38.4         | 8.6        |
| - Housing                       | 376,721          | 19.3         | 365,973          | 19.2         | 2.9        | 349,923          | 18.8         | 7.7        |
| - Personal                      | 401,283          | 20.6         | 392,746          | 20.6         | 2.2        | 366,508          | 19.6         | 9.5        |
| Others                          | 369              | 0.0          | 372              | 0.0          | (1.0)      | 386              | 0.0          | (4.5)      |
| <b>Total loans</b>              | <b>1,948,482</b> | <b>100.0</b> | <b>1,907,596</b> | <b>100.0</b> | <b>2.1</b> | <b>1,865,483</b> | <b>100.0</b> | <b>4.4</b> |
| <b>Less Deferred revenue</b>    | <b>46</b>        |              | <b>102</b>       |              |            | <b>87</b>        |              |            |
| <b>Total</b>                    | <b>1,948,436</b> |              | <b>1,907,494</b> |              |            | <b>1,865,396</b> |              |            |

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

## Asset Quality

### Loan Classification and Allowance for Doubtful Accounts

Unit : Million Baht

| Consolidated<br>Financial Statement                           | 31 Dec 2018                                    |                                                                                          |                                          | 30 Sep 2018                                    |                                                                                          |                                          | 31 Dec 2017                                    |                                                                                          |                                          |
|---------------------------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------|
|                                                               | Loan and<br>Accrued<br>Interest<br>Receivables | Net<br>Amount<br>Used for<br>Set aside<br>the<br>Allowance<br>for<br>Doubtful<br>Account | Allowance<br>for<br>Doubtful<br>Accounts | Loan and<br>Accrued<br>Interest<br>Receivables | Net<br>Amount<br>Used for<br>Set aside<br>the<br>Allowance<br>for<br>Doubtful<br>Account | Allowance<br>for<br>Doubtful<br>Accounts | Loan and<br>Accrued<br>Interest<br>Receivables | Net<br>Amount<br>Used for<br>Set aside<br>the<br>Allowance<br>for<br>Doubtful<br>Account | Allowance<br>for<br>Doubtful<br>Accounts |
| <b>1. Loan Classification</b>                                 |                                                |                                                                                          |                                          |                                                |                                                                                          |                                          |                                                |                                                                                          |                                          |
| Normal                                                        | 1,858,756                                      | 872,884                                                                                  | 13,427                                   | 1,807,468                                      | 850,365                                                                                  | 11,682                                   | 1,770,816                                      | 884,655                                                                                  | 11,067                                   |
| Special mention                                               | 64,465                                         | 25,555                                                                                   | 11,585                                   | 73,024                                         | 34,258                                                                                   | 16,272                                   | 69,362                                         | 28,189                                                                                   | 17,305                                   |
| Substandard                                                   | 14,404                                         | 7,899                                                                                    | 7,899                                    | 14,490                                         | 5,922                                                                                    | 5,932                                    | 12,243                                         | 7,266                                                                                    | 7,290                                    |
| Doubtful                                                      | 17,923                                         | 9,196                                                                                    | 9,196                                    | 21,372                                         | 9,612                                                                                    | 10,912                                   | 35,890                                         | 23,198                                                                                   | 25,029                                   |
| Doubtful of loss                                              | 73,814                                         | 31,245                                                                                   | 32,742                                   | 69,828                                         | 29,996                                                                                   | 30,285                                   | 54,982                                         | 19,924                                                                                   | 28,247                                   |
| <b>Total</b>                                                  | <b>2,029,362</b>                               | <b>946,779</b>                                                                           | <b>74,849</b>                            | <b>1,986,182</b>                               | <b>930,153</b>                                                                           | <b>75,083</b>                            | <b>1,943,293</b>                               | <b>963,232</b>                                                                           | <b>88,938</b>                            |
| Excess allowance                                              |                                                |                                                                                          | 58,639                                   |                                                |                                                                                          | 54,459                                   |                                                |                                                                                          | 36,426                                   |
| Allowance for<br>doubtful account                             |                                                |                                                                                          | 133,488                                  |                                                |                                                                                          | 129,542                                  |                                                |                                                                                          | 125,364                                  |
| Revaluation<br>allowance for<br>debt restructuring            |                                                |                                                                                          | -                                        |                                                |                                                                                          | -                                        |                                                |                                                                                          | 17                                       |
| <b>2. Actual provisioning<br/>for loan loss<sup>(1)</sup></b> |                                                |                                                                                          | <b>133,488</b>                           |                                                |                                                                                          | <b>129,542</b>                           |                                                |                                                                                          | <b>125,381</b>                           |
| <b>1. Gross NPLs<sup>(2)</sup></b>                            | <b>106,104</b>                                 |                                                                                          | <b>4.52%</b>                             | <b>105,675</b>                                 |                                                                                          | <b>4.42%</b>                             | <b>103,020</b>                                 |                                                                                          | <b>4.19%</b>                             |
| <b>Net NPLs<sup>(2)</sup></b>                                 | <b>44,396</b>                                  |                                                                                          | <b>1.94%</b>                             | <b>45,554</b>                                  |                                                                                          | <b>1.95%</b>                             | <b>42,506</b>                                  |                                                                                          | <b>1.77%</b>                             |
| <b>2. Coverage Ratio<sup>(3)</sup></b>                        |                                                |                                                                                          | <b>125.81%</b>                           |                                                |                                                                                          | <b>122.59%</b>                           |                                                |                                                                                          | <b>121.71%</b>                           |

#### Bank's Financial Statement

|                                                     |         |       |         |       |        |         |
|-----------------------------------------------------|---------|-------|---------|-------|--------|---------|
| Actual provisioning<br>for loan loss <sup>(4)</sup> | 127,704 |       | 123,389 |       |        | 121,376 |
| Gross NPLs                                          | 102,367 | 4.50% | 101,103 | 4.36% | 98,637 | 4.14%   |
| Net NPLs                                            | 43,943  | 1.98% | 44,686  | 1.98% | 41,532 | 1.78%   |
| Coverage Ratio <sup>(3)</sup>                       | 124.75% |       | 122.04% |       |        | 123.05% |

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

<sup>(2)</sup> Restructuring NPLs Ratio-Gross and NPLs Ratio-Net were calculated according to BOT definition

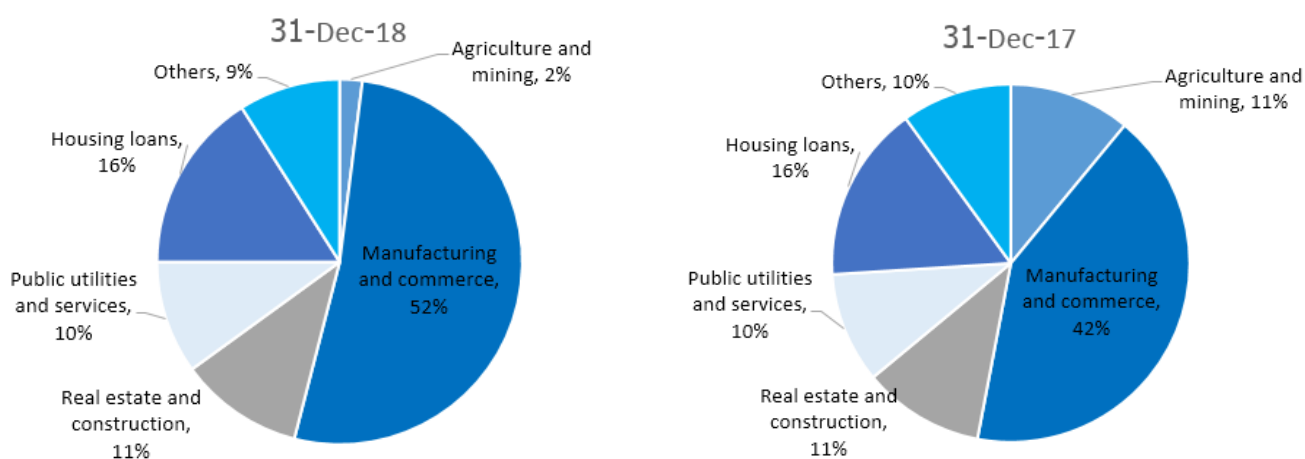
<sup>(3)</sup> Coverage Ratio = Actual provisioning for loan loss / Gross NPLs

<sup>(4)</sup> Actual provisioning for loan loss (according to C.B.1.1)

The Bank's consolidated NPLs Ratio-Gross as at December 31, 2018 was 4.52%, rose from 4.19% and 4.42% as at December 31, 2017 and September 30, 2018 respectively. This is partially due to the strengthen of qualitative loan assessment by the Bank. NPLs Ratio-Net was 1.94 % increased from 1.77% as at December 31, 2017 and slightly decreased from 1.95% as at September 30, 2018.

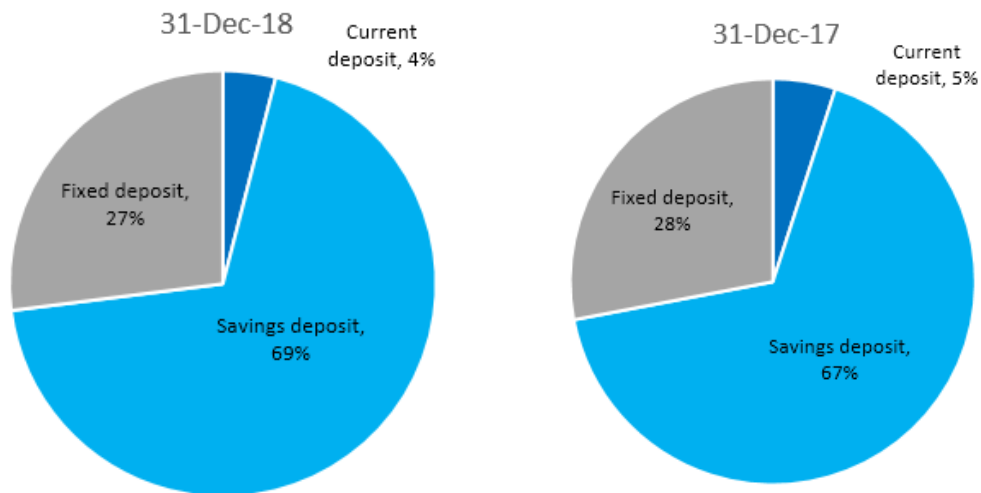
However, the Bank and its subsidiaries consistently conform to provision policy with prudent practice. As at December 31, 2018, the Bank's consolidated coverage ratio was gradually increased to 125.81% from 121.71% and 122.59% as at December 31, 2017 and September 30, 2018 respectively.

#### Gross NPLs breakdown by type of business



## Deposits

Deposits breakdown by types



The Bank's consolidated deposits was Baht 2,039,602 million, decreased by 1.5%, mainly from demand and time deposits. However, the Bank's consolidated deposits increased by 1.6% from Baht 2,007,392 million as at September 30, 2018 because of saving deposits.

Given the contraction of deposits and the growth of loans as compared to the end of last year, the Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) as at December 31, 2018 of 99.23% increased from 93.59% and 98.68% as at December 31, 2017 and September 30, 2018 respectively. L/D ratio for the Bank Only at December 31, 2018 registered at 95.37%, increased from 89.96% as at December 31, 2017.

## Sources and Uses of Funds

Unit : Million Baht

|                                                                                              | 31 Dec 2018      |              | 30 Sep 2018      |              | Change     | 31 Dec 2017      |              | Change       |
|----------------------------------------------------------------------------------------------|------------------|--------------|------------------|--------------|------------|------------------|--------------|--------------|
|                                                                                              | Amount           | (%)          | Amount           | (%)          | (%)        | Amount           | (%)          | (%)          |
| Net Interbank and money market items (Asset)                                                 | 372,514          | 13.6         | 441,906          | 16.2         | (15.7)     | 549,670          | 19.3         | (32.2)       |
| Net investments and net investments in subsidiaries and associates                           | 240,167          | 8.8          | 208,882          | 7.6          | 15.0       | 228,240          | 8.0          | 5.2          |
| Loans to customers (less deferred revenues)                                                  | 2,023,938        | 73.9         | 1,980,974        | 72.4         | 2.2        | 1,938,082        | 67.9         | 4.4          |
| <u>Less</u> Allowance for doubtful accounts and revaluation allowance for debt restructuring | (133,488)        | (4.9)        | (129,542)        | (4.7)        | 3.0        | (125,381)        | (4.4)        | 6.5          |
| Other assets                                                                                 | 236,072          | 8.6          | 233,728          | 8.5          | 1.0        | 263,599          | 9.2          | (10.4)       |
| <b>Total Asset</b>                                                                           | <b>2,739,203</b> | <b>100.0</b> | <b>2,735,948</b> | <b>100.0</b> | <b>0.1</b> | <b>2,854,210</b> | <b>100.0</b> | <b>(4.0)</b> |
| Deposits                                                                                     | 2,039,602        | 74.5         | 2,007,392        | 73.4         | 1.6        | 2,070,875        | 72.6         | (1.5)        |
| Net Interbank and money market items (liabilities)                                           | 157,396          | 5.7          | 178,429          | 6.5          | (11.8)     | 228,691          | 8.0          | (31.2)       |
| Debt issued and borrowings                                                                   | 95,205           | 3.5          | 95,744           | 3.5          | (0.6)      | 110,626          | 3.9          | (13.9)       |
| Others                                                                                       | 132,859          | 4.8          | 149,061          | 5.4          | (10.9)     | 149,799          | 5.2          | (11.3)       |
| Total equity                                                                                 |                  |              |                  |              |            |                  |              |              |
| - Equity holders of the Bank                                                                 | 305,875          | 11.2         | 297,678          | 10.9         | 2.8        | 287,861          | 10.1         | 6.3          |
| - Non-controlling interest                                                                   | 8,266            | 0.3          | 7,644            | 0.3          | 8.1        | 6,358            | 0.2          | 30.0         |
| <b>Total liabilities and equity</b>                                                          | <b>2,739,203</b> | <b>100.0</b> | <b>2,735,948</b> | <b>100.0</b> | <b>0.1</b> | <b>2,854,210</b> | <b>100.0</b> | <b>(4.0)</b> |
| Loans to customers (less deferred revenue)-to-deposits ratio (%)                             | 99.23            |              | 98.68            |              |            | 93.59            |              |              |

As at December 31, 2018, the Bank's major source of funds was 74.5% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. The Bank's use of funds comprised of 73.9% loans to customers (less deferred revenue), 13.6% net interbank and money market items, and 8.8% net investments and net investments in associates.

## Equity

The total equity (equity holders of the Bank) as at December 31, 2018 was Baht 305,875 million, increased by 2.8% and 6.3% compared to September 30, 2018 and December 31, 2017 respectively.

Book value per share (equity holders of the Bank) was Baht 21.88 per share increased from Baht 21.29 per share and Baht 20.59 per share at September 30, 2018 and December 31, 2017 respectively.

## Statutory Capital Fund

### Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

| The Bank's Financial Statements | 31 Dec 2018 |        | 30 Sep 2018 |       | The minimum rate required by the BOT for 2018 (%) <sup>(1)</sup> | 31 Dec 2017 (Restated) |       | The minimum rate required by the BOT for 2017 (%) <sup>(1)</sup> |
|---------------------------------|-------------|--------|-------------|-------|------------------------------------------------------------------|------------------------|-------|------------------------------------------------------------------|
|                                 | Amount      | Amount | Amount      | (%)   |                                                                  | Amount                 | (%)   |                                                                  |
| Common Equity Tier 1 capital    | 272,015     | 14.35  | 257,038     | 13.92 | >6.375                                                           | 256,428                | 13.59 | >5.750                                                           |
| Tier 1 capital                  | 272,015     | 14.35  | 257,038     | 13.92 | >7.875                                                           | 256,428                | 13.59 | >7.250                                                           |
| Tier 2 capital                  | 72,856      |        | 72,155      |       |                                                                  | 72,883                 |       |                                                                  |
| Total capital fund              | 344,871     | 18.19  | 329,193     | 17.82 | >10.375                                                          | 329,311                | 17.45 | >9.750                                                           |
| Risk-weighted assets            | 1,895,879   |        | 1,847,075   |       |                                                                  | 1,887,433              |       |                                                                  |

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

As at December 31, 2018, the Bank's Common Equity Tier 1 and Tier 1 capital were Baht 272,015 million (14.35% of its RWA). Total capital was Baht 344,871 million (18.19% of its RWA). Such an increase was due to the appropriation of net profit in 1H18 into the capital fund.

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

## Credit Ratings

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

|                                                                    |                      |                       |                      |
|--------------------------------------------------------------------|----------------------|-----------------------|----------------------|
| <b>■ S&amp;P Global Ratings</b>                                    | <b>December 2018</b> | <b>September 2018</b> | <b>December 2017</b> |
| ■ Long-term/ Short-term                                            | BBB / A-2            | BBB / A-2             | BBB / A-2            |
| ■ Outlook                                                          | Stable               | Stable                | Stable               |
| ■ Stand-Alone Credit Profile(SACP)                                 | bb+                  | bb+                   | bb+                  |
| <b>■ Moody's Investors Service</b>                                 | <b>December 2018</b> | <b>September 2018</b> | <b>December 2017</b> |
| ■ Long-term/ Short-term                                            | Baa1 / P-2           | Baa1 / P-2            | Baa1 / P-2           |
| ■ Outlook                                                          | Stable               | Stable                | Stable               |
| ■ Baseline Credit Assessment (BCA)                                 | ba1                  | ba1                   | ba1                  |
| <b>■ Fitch Ratings</b>                                             | <b>December 2018</b> | <b>September 2018</b> | <b>December 2017</b> |
| <b>Foreign Currency Credit Ratings</b>                             |                      |                       |                      |
| ■ Long-term/ Short-term                                            | BBB / F2             | BBB / F2              | BBB / F3             |
| ■ Outlook                                                          | Stable               | Stable                | Stable               |
| ■ Viability Rating                                                 | bbb-                 | bbb-                  | bbb-                 |
| ■ Subordinated Debt (USD)                                          | BBB-                 | BBB-                  | BBB-                 |
| <b>National Credit Ratings</b>                                     |                      |                       |                      |
| ■ Long-term/ Short-term                                            | AA+(tha) / F1+       | AA+(tha) / F1+        | AA+(tha) / F1+ (tha) |
| ■ Outlook                                                          | Stable               | Stable                | Stable               |
| ■ US dollar-denominated Senior unsecured debentures <sup>(1)</sup> | AA+(tha)             | AA+(tha)              | --                   |
| ■ Subordinated Debt (Baht)                                         | AA(tha)              | AA(tha)               | AA(tha)              |

<sup>(1)</sup> The Bank was first assigned the US dollar-denominated Senior unsecured debentures rating by Fitch Rating on May 23, 2018

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

### Disclaimer

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