



Ref. KTB.FIS. 210 /2018

January 23 , 2018

Singapore Exchange Securities Trading Limited

2 Shenton Way

#19-00 SGX Centre 1

Singapore 068804

Attn: Market Control Department

Dear Sir,

Re : Submission of the Unaudited Financial Statements

Krung Thai Bank Public Company Limited hereby submits the unaudited financial statements for the year ended December 31, 2017 compared with various time intervals of the financial statements previously reported.

1. Consolidated and the Bank's statements of financial position as of 31 December 2017, compared with as of 31 December 2016.
2. Consolidated and the Bank's statements of profit or loss and other comprehensive income for the year ended 31 December 2017, compared with 2016.
3. Management Discussion and Analysis for the year ended 31 December 2017.

Please be informed accordingly.

Sincerely yours,

Payong Srivanich

President

Financial Institutions & Investor Relations Department Tel. +66 2 208 3668-9

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2017

(Thousand Baht)

	CONSOLIDATED			THE BANK'S		
	FINANCIAL STATEMENTS			FINANCIAL STATEMENTS		
	DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016	DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016
	(UNAUDITED)	(RESTATED)	(BROUGHT FORWARD) (RESTATED)	(UNAUDITED)	(RESTATED)	(BROUGHT FORWARD) (RESTATED)
ASSETS						
CASH	73,572,868	72,106,416	71,470,113	73,334,740	71,929,866	71,294,408
INTERBANK AND MONEY MARKET ITEMS, NET	559,827,153	431,638,413	397,357,971	559,337,649	431,350,214	397,061,378
CLAIMS ON SECURITIES	58,521,800	21,421,700	13,494,400	58,521,800	21,421,700	13,494,400
DERIVATIVES ASSETS	33,833,398	30,063,046	34,039,142	33,842,515	30,084,832	34,088,515
INVESTMENTS, NET	209,514,534	226,931,461	247,058,553	209,311,887	226,670,035	246,787,948
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET	18,731,049	15,591,453	14,910,552	10,697,950	10,687,703	10,687,703
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET						
LOANS TO CUSTOMERS	1,939,927,818	1,907,821,949	2,033,250,476	1,865,483,424	1,837,243,223	1,969,827,420
ACCRUED INTEREST RECEIVABLES	5,211,737	5,270,682	5,900,902	4,691,079	4,774,560	5,462,813
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES	1,945,139,555	1,913,092,631	2,039,151,378	1,870,174,503	1,842,017,783	1,975,290,233
LESS DEFERRED REVENUE	(1,846,301)	(3,733,253)	(5,810,002)	(87,092)	(122,922)	(165,766)
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	(125,363,725)	(110,719,616)	(85,823,934)	(116,726,345)	(102,859,894)	(77,221,061)
LESS REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING	(17,264)	(61,619)	(132,627)	(17,264)	(61,619)	(132,627)
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET	1,817,912,265	1,798,578,143	1,947,384,815	1,753,343,802	1,738,973,348	1,897,770,779
CUSTOMERS' LIABILITIES UNDER ACCEPTANCES	152,852	45,949	1,567,806	152,852	45,949	1,567,806
PROPERTIES FOR SALE, NET	35,509,936	35,743,634	30,008,144	35,486,341	35,668,551	29,909,856
PREMISES AND EQUIPMENT, NET	26,019,406	27,312,663	26,354,526	24,413,806	25,239,008	21,376,845
OTHER INTANGIBLE ASSETS, NET	3,906,494	4,210,901	4,571,604	895,359	870,720	897,367
DEFERRED TAX ASSETS	4,592,766	4,496,456	6,996,109	2,130,345	2,321,669	5,020,583
ACCRUED INCOME	3,478,048	2,853,937	3,788,212	3,188,162	2,589,233	3,578,869
OTHER ASSETS, NET	18,800,731	18,709,178	16,564,767	17,082,987	16,945,112	15,071,377
TOTAL ASSETS	2,864,373,300	2,689,703,350	2,815,566,714	2,781,740,195	2,614,797,940	2,748,607,834
LIABILITIES AND EQUITY						
DEPOSITS	2,070,874,680	1,972,403,532	2,135,498,511	2,073,594,012	1,975,157,675	2,137,446,488
INTERBANK AND MONEY MARKET ITEMS, NET	228,691,395	211,171,312	200,897,842	219,066,748	201,716,003	184,356,199
LIABILITIES PAYABLE ON DEMAND	5,291,692	5,082,471	6,121,116	5,291,692	5,082,471	6,121,116
LIABILITIES TO DELIVER SECURITIES	58,521,804	21,421,700	13,494,400	58,521,804	21,421,700	13,494,400
DERIVATIVES LIABILITIES	30,284,422	31,516,693	37,232,572	30,284,422	31,516,693	37,234,793
DEBT ISSUED AND BORROWINGS	110,626,429	112,685,859	109,585,463	67,271,429	71,262,859	80,282,975
BANK'S LIABILITIES UNDER ACCEPTANCES	152,852	45,949	1,567,806	152,852	45,949	1,567,806
PROVISIONS	12,647,217	11,152,279	14,424,688	11,546,114	10,163,418	13,634,737
OTHER LIABILITIES	53,058,474	44,818,915	46,209,922	45,881,971	37,976,431	39,997,788
TOTAL LIABILITIES	2,570,148,965	2,410,298,710	2,565,032,320	2,511,611,044	2,354,343,199	2,514,136,302

KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER, 2017

(Thousand Baht)

	CONSOLIDATED			THE BANK'S		
	FINANCIAL STATEMENTS			FINANCIAL STATEMENTS		
	DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016	DECEMBER 31, 2017	DECEMBER 31, 2016	JANUARY 1, 2016
	(UNAUDITED)	(RESTATED)	(BROUGHT FORWARD) (RESTATED)	(UNAUDITED)	(RESTATED)	(BROUGHT FORWARD) (RESTATED)
LIABILITIES AND EQUITY (CONTINUED)						
EQUITY						
SHARE CAPITAL						
AUTHORIZED SHARE CAPITAL						
5,500,000 PREFERRED SHARES OF BAHT 5.15 EACH	28,325	28,325	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	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	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	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	20,833,734	20,833,734
OTHER COMPONENTS OF EQUITY	21,918,741	17,748,818	10,643,441	15,015,969	13,729,430	6,407,413
RETAINED EARNINGS						
APPROPRIATED						
LEGAL RESERVE	7,200,504	7,200,504	7,200,504	7,200,504	7,200,504	7,200,504
UNAPPROPRIATED	165,908,628	156,398,935	135,437,101	155,073,904	146,686,033	128,024,841
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	287,866,647	274,187,031	246,119,820	270,129,151	260,454,741	234,471,532
NON-CONTROLLING INTEREST	6,357,688	5,217,609	4,414,574			
TOTAL EQUITY	294,224,335	279,404,640	250,534,394	270,129,151	260,454,741	234,471,532
TOTAL LIABILITIES AND EQUITY	2,864,373,300	2,689,703,350	2,815,566,714	2,781,740,195	2,614,797,940	2,748,607,834

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	(Thousand Baht)			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
	2017	2016	2017	2016
	(UNAUDITED)	(RESTATED)	(UNAUDITED)	(AUDITED)
INTEREST INCOME	122,507,449	129,229,887	108,995,574	116,257,345
INTEREST EXPENSES	36,729,477	42,264,056	35,132,892	40,784,204
INTEREST INCOME, NET	85,777,972	86,965,831	73,862,682	75,473,141
FEES AND SERVICE INCOME	28,638,517	25,931,448	23,357,785	21,260,651
FEES AND SERVICE EXPENSES	4,617,113	3,889,459	3,094,940	2,482,700
FEES AND SERVICE INCOME, NET	24,021,404	22,041,989	20,262,845	18,777,951
GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS, NET	4,316,920	6,827,507	4,305,798	6,802,133
GAINS (LOSSES) ON INVESTMENTS, NET	928,661	694,573	924,966	694,573
SHARE OF PROFIT FROM INVESTMENTS FOR USING EQUITY METHOD	2,269,914	3,104,873	-	-
DIVIDEND INCOME	415,452	481,744	3,435,393	3,561,154
OTHER OPERATING INCOME	5,423,088	4,573,025	2,544,117	1,626,956
TOTAL OPERATING INCOME	123,153,411	124,689,542	105,335,801	106,935,908
OTHER OPERATING EXPENSES				
EMPLOYEES' EXPENSES	27,439,448	27,946,699	21,996,338	22,726,102
DIRECTORS' REMUNERATION	99,238	105,924	71,983	78,196
PREMISES AND EQUIPMENT EXPENSES	8,560,676	8,829,528	4,971,059	5,101,364
TAXES AND DUTIES	4,364,252	4,526,003	3,878,956	4,072,890
OTHERS	8,943,976	9,223,322	11,785,667	11,714,621
TOTAL OTHER OPERATING EXPENSES	49,407,590	50,631,476	42,704,003	43,693,173
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES	44,833,016	33,429,379	37,499,849	26,996,155
OPERATING PROFIT BEFORE INCOME TAX EXPENSES	28,912,805	40,628,687	25,131,949	36,246,580
INCOME TAX EXPENSES	4,797,135	7,063,097	3,819,483	6,278,794
NET PROFIT	24,115,670	33,565,590	21,312,466	29,967,786

(TRANSLATION)

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KRUNG THAI BANK PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	(Thousand Baht)			
	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
	2017	2016	2017	2016
	(UNAUDITED)	(RESTATED)	(UNAUDITED)	(AUDITED)
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
GAINS ON REMEASURING AVAILABLE-FOR-SALE INVESTMENTS	574,929	6,724,383	574,929	6,724,383
GAINS FROM RECLASSIFICATION OF INVESTMENTS	805,442	-	805,442	-
GAINS (LOSSES) ARISING FROM TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS	192,586	(79,909)	192,586	(79,909)
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES (EQUITY METHOD)				
FOR ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	2,883,383	(216,640)	-	-
RELATED INCOME TAX EXPENSES				
FOR ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(276,074)	(1,344,876)	(276,074)	(1,344,876)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
CHANGES IN REVALUATION SURPLUS ON ASSETS	(12,928)	2,528,024	(12,928)	2,528,024
ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS	(1,149,468)	(936,608)	(1,124,505)	(849,697)
RELATED INCOME TAX EXPENSES				
FOR ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	232,478	(318,284)	227,486	(335,665)
OTHER COMPREHENSIVE INCOME, NET	3,250,348	6,356,090	386,936	6,642,260
TOTAL COMPREHENSIVE INCOME	27,366,018	39,921,680	21,699,402	36,610,046
NET PROFIT ATTRIBUTABLE				
EQUITY HOLDERS OF THE BANK	22,445,401	32,304,752	21,312,466	29,967,786
NON-CONTROLLING INTEREST	1,670,269	1,260,838		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
EQUITY HOLDERS OF THE BANK	25,704,608	38,695,145	21,699,402	36,610,046
NON-CONTROLLING INTEREST	1,661,410	1,226,535		
EARNINGS PER SHARE OF PARENT COMPANY				
BASIC EARNINGS PER SHARE (BAHT)	1.61	2.31	1.52	2.14

(Signed) Payong Srivanich
PAYONG SRIVANICH
PRESIDENT

Management Discussion and Analysis for the year 2017

This report discusses the principal changes in the unaudited consolidated financial statements for the year ended December 31, 2017. In June 2017, the Bank has combined National ITMX Co., Ltd to the Bank's associate company in accordance with Thai Accounting Standard 28 (TAS 28): Investments in Associates and Joint Ventures. The Bank considered its shareholding together with its power to participate in the company's operating policy through its representatives in the position of the company's board of directors as significant influence to the company. The Bank also restated the consolidated financial statements for Statements of Financial Position as at December 31, 2016 and Statements of Comprehensive Income for the year ended December 31, 2016. However, the above change had insignificant impact to financial position and performance of the Bank.

I. The Bank and Its Subsidiaries' Overview for the year 2017

In 2017, the Thai economy continued to expand due mainly to exports and tourism sectors. Merchandise exports continued to grow in all major export destinations and most product categories. Meanwhile, the tourism sector expanded significantly due to increased foreign tourists especially Chinese and ASEAN tourists. However, the growth in the private investment sector remained relatively low and concentrated only in a few business sectors. In addition, the expansion of private consumption was suppressed by the decreased in farm income during the second half of the year and the high household debt problem, which lowered purchasing power of low-income households.

For the year 2017, KTB's consolidated pre-provision profit was Bt 73,746 m, decreased by Bt 312 m (0.42%). Fee and service income and operating expenses improved and offset the slight decrease in net interest income. In summary, the key changes of the Bank and its subsidiaries' financial result compared to last year are as shown below:

- 1) Net interest income declined by Bt 1,188 m (1.37%) due mainly to the impact of the lending rate cut on Minimum Retail Rate (MRR) at 0.50% in mid of May 2017. Despite the mentioned impact on yield, the Bank has continued to actively manage funding cost, resulting in the slight decrease on Net Interest Margin (NIM) by 0.07% to 3.23%, compared to 3.30% at the year 2016.
- 2) Net fee and service income increased by Bt 1,979 (8.98%) as a result of the expansion of fee from ATM card business, electronic banking service fees and Bancassurance. Meanwhile, KTB's consolidated total other operating income decreased by Bt 2,327 m (14.84%) from the year 2016 because of the lessening of net gain on trading and foreign exchange transactions as well as the decelerating of share of profit from investments on equity method from the Bank's associated company from insurance sector.
- 3) Other operating expenses reduced by Bt 1,224 m (2.42%) as the Bank continues its cost management policy resulting in the slight reduction of the Cost-to-income compared to last year, from 40.61% to 40.12%.
- 4) The Bank and its subsidiaries continue to maintain a prudent coverage ratio. As at the end of December 2017, coverage ratio was 121.71%. Provision expenses increased by Bt 11,404m (34.11%) from 2016, due to the preparation to comply with IFRS9 standard.

In 2017, The Bank and its subsidiaries' net profit was Bt 24,116 m, showing a decline of Bt 9,450 m (28.15%) and the Net Profit Attributable to Equity Holders of the Bank was Bt 22,446 m, decreased by Bt 9,859 m (30.52%), mainly due to the increase of provision expense.

The Bank's consolidated total loan to customers (less deferred revenue) was Bt 1,938,082 m, rose by Bt 33,993 m (1.79%) from year 2016. The Bank focused on quality of loan growth as the loans to government and state enterprise sector were well expanded. The Bank's consolidated deposits increased by Bt 98,471 m (4.99%) from saving and current deposits while time deposits decreased as the Bank's funding cost management policy and brought about loans to customers (less deferred revenue) -to-deposits ratio at 93.59%.

The Bank' consolidated NPLs as at December 31, 2017 was Bt 103,020 m, and gross NPLs ratio was 4.19% rose from 3.97% as at December 31, 2016. The Bank has continued to improve its strategies and business operating process emphasizing on quality of loan portfolio along with enhancing efficiency of monitoring and restructuring process. The Bank will maintain its coverage ratio at the appropriate level.

Overall, the Bank and its subsidiaries have strong financial position, solid capital level and effective business operation to cope with any uncertainty in the future.

II. The Bank and Its Subsidiaries' performance for the year ended December 31, 2017

A) Operating Profit before Tax and Net Profit

In 2017, KTB's consolidated pre-provision profit was Bt 73,746 m, decreased by Bt 312 m (0.42%) compared to the year 2016. After deducting Bt 44,833 m impairment loss on loans and debt securities (Further information was showed in part F) impairment loss on loans and debt securities) and Bt 4,797 m income tax expense, net profit for the year 2017 was Bt 24,116 m, showing the decrease of Bt 9,450 m (28.15%) compared to the year 2016. Net profit, attributable to equity holders of the Bank, was Bt 22,446 m, showing the decrease of Bt 9,859 m (30.52%) because of the addition of Impairment loss of loans and debt securities

Unit : Million Baht

	Y2017	Y2016 ⁽²⁾	Change	
			Amount	(%)
Pre-provision profit ⁽¹⁾	73,746	74,058	(312)	(0.42)
Operating profit before tax	28,913	40,629	(11,716)	(28.84)
Income tax expense	4,797	7,063	(2,266)	(32.08)
Net profit	24,116	33,566	(9,450)	(28.15)
Net profit (attributable to equity holders of the Bank)	22,446	32,305	(9,859)	(30.52)

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

⁽²⁾ The bank's consolidated financial statements for Statements of Comprehensive Income for the year ended December 31, 2016 was restated by combining National ITMX Co., Ltd to the Bank's associate company in accordance with Thai Accounting Standard

B) Net Interest Income

In 2017, KTB's consolidated net interest income equaled Bt 85,778 m, showing the decrease of Bt 1,188 m (1.37%) from 2016. Most of impacts were from the lending rate cut on Minimum Retail Rate (MRR) at 0.50% since mid of May 2017. Despite the mentioned impact on yield, the Bank has continued to actively manage funding cost, resulting in the slight decrease on Net Interest Margin (NIM) by 0.07% to 3.23%, compared to 3.30% at the year 2016.

Unit : Million Baht

	Y2017	Y2016	Change	
			Amount	(%)
Interest income	122,507	129,230	(6,723)	(5.20)
- Interbank and money market items	10,420	11,213	(793)	(7.07)
- Investments and trading transactions	281	137	144	105.11
- Investment in debt securities	3,750	4,585	(835)	(18.21)
- Loans	106,186	110,298	(4,112)	(3.73)
- Hire purchase and financial lease	1,808	2,957	(1,149)	(38.86)
- Others	62	40	22	55.00
Less Interest expense	36,729	42,264	(5,535)	(13.10)
- Deposits	20,142	24,770	(4,628)	(18.68)
- Interbank and money market items	3,004	3,053	(49)	(1.60)
- Contributions to BOT and DPA	9,372	9,658	(286)	(2.96)
- Debts issued	4,135	4,727	(592)	(12.52)
Debenture	4,238	4,726	(488)	(10.33)
B/E	(103)	1	(104)	(10,400.00)
- Borrowings	26	29	(3)	(10.34)
- Others	50	27	23	85.19
Net interest income	85,778	86,966	(1,188)	(1.37)
Net interest margin [based on earning assets] (%)	3.23	3.30		

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016
Policy Interest Rate (%)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Deposit Rate (%)						
- Saving 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% ⁽¹⁾	7.120%	7.620%	7.620%

⁽¹⁾ Minimum Retail Rate (MRR) was cut at 0.50% effective mid of May 2017 onwards.

C) Net Fee and Service Income

In 2017, KTB's consolidated net fee and service income amounted to Bt 24,021 m, rose by Bt 1,979 m (8.98%) from the year 2016 in response to the expansion of fee from ATM card business, electronic banking service fees and Bancassurance.

Unit : Million Baht

	Y2017	Y2016	Change	
			Amount	(%)
Fee and service income	28,638	25,931	2,707	10.44
Less Fee and service expense	4,617	3,889	728	18.72
Net fee and service income	24,021	22,042	1,979	8.98

D) Total Other Operating Income

In 2017, KTB's consolidated total other operating income amounted to Bt 13,354 m, decreased by Bt 2,327 m (14.84%) from the year 2016 because of the lessening of net gain on trading and foreign exchange transactions by Bt 2,510 m (36.77%) as well as the decelerating of share of profit from investments on equity method from the Bank's associated company from insurance sector.

Unit : Million Baht

	Y2017	Y2016 ⁽¹⁾	Change	
			Amount	(%)
Gain (loss) on trading and foreign exchange transactions, net	4,317	6,827	(2,510)	(36.77)
Gain (loss) on investments, net	929	694	235	33.86
Share of profit (loss) from investments on equity method	2,270	3,105	(835)	(26.89)
Dividend income	415	482	(67)	(13.90)
Other income	5,423	4,573	850	18.59
Total other operating income	13,354	15,681	(2,327)	(14.84)

⁽¹⁾ The bank's consolidated financial statements for Statements of Comprehensive Income for the year ended December 31, 2016 was restated by combining National ITMX Co., Ltd to the Bank's associate company in accordance with Thai Accounting Standard 28 (TAS 28): Investments in Associates and Joint Ventures.

E) Other Operating Expenses

Bank and its subsidiaries have continued to control operating expense. Total other operating expenses declined by Bt 1,224m (2.42%) to Bt 49,407m. The downward trend of the operating expenses brought about slight change of the Cost-to-income from 40.61% in 2016 to 40.12% in 2017.

Unit : Million Baht

	Y2017	Y2016	Change	
			Amount	(%)
Personnel expenses	27,439	27,947	(508)	(1.82)
Directors' remuneration	99	106	(7)	(6.60)
Premises and equipment expenses	8,561	8,829	(268)	(3.04)
Taxes and duties	4,364	4,526	(162)	(3.58)
Others	8,944	9,223	(279)	(3.03)
Total other operating expenses	49,407	50,631	(1,224)	(2.42)
Cost-to-income ratio (%)	40.12	40.61		

F) Impairment Loss of Loans and Debt Securities

In 2017, the Bank and its subsidiaries set aside provision for impairment loss of loans and debt securities amounted to Bt 44,833 m, increased by Bt 11,404 m (34.11%) compared to the year 2016. The bank set aside more provision to be a buffer for the increased NPLs, maintain its coverage ratio and prepare to comply with IFRS9 standard. Thus, the Banks and its subsidiaries' coverage ratio was 121.71% slightly changed from 121.57% as at December 31, 2016 and also increased from 115.37% as at September 30, 2017.

In 2017 and 2016, the Banks wrote off NPLs in amount of Bt 23,739 m and Bt 1,509 m respectively.

Unit : Million Baht

	Y2017	Y2016	Change	
			Amount	(%)
Impairment loss of loans and debt securities	44,833	33,429	11,404	34.11

III. The Bank and Its Subsidiaries' Financial Status – as at the year ended December 31, 2017

A) Loans to Customers

The Bank's consolidated total loans to customers (less deferred revenue) was Bt 1,938,082 m, rose by Bt 33,993 m (1.79%) as at December 31, 2016, as a consequence of the loan expansion from government and state enterprise sector, in line with the Bank policy focusing on loan quality, and the slight growth of loan from retail sector.

■ Loan portfolio breakdown by borrowers (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	31 Dec 2017		31 Dec 2016		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Private Corporate ⁽¹⁾	671,345	35.99	681,858	37.11	(10,513)	(1.54)
Government and State Enterprise	129,623	6.95	81,513	4.44	48,110	59.02
SMEs ^{(1),(2)}	347,698	18.64	363,772	19.80	(16,074)	(4.42)
Retail	716,431	38.40	709,642	38.63	6,789	0.96
Others	386	0.02	458	0.02	(72)	(15.72)
Total loans	1,865,483	100.00	1,837,243	100.00	28,240	1.54
Less Deferred revenue	87		123			
Total	1,865,396		1,837,120			

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

⁽²⁾ As at December 31, 2017, the Bank re-categorized some clients from SMEs sector to private corporate sector and also restated loan portfolio breakdown by borrowers as at December 31, 2016 for comparison. Consequently, SMEs loans dropped by Bt 8,641 m interchanged with private corporate loans that increased at the same amount.

■ Loan portfolio breakdown by industry (The Consolidated Financial Statements)

Unit : Million Baht

	31 Dec 2017		31 Dec 2016		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Agriculture and mining	39,196	2.02	40,799	2.14	(1,603)	(3.93)
Manufacturing and commerce	551,567	28.46	574,205	30.16	(22,638)	(3.94)
Real estate and construction	105,597	5.45	127,181	6.68	(21,584)	(16.97)
Public utilities and services	320,350	16.53	264,001	13.86	56,349	21.34
Housing loans	349,923	18.05	361,770	19.00	(11,847)	(3.27)
Others	571,449	29.49	536,133	28.16	35,136	6.59
Total loans⁽¹⁾	1,938,082	100.00	1,904,089	100.00	33,993	1.79

⁽¹⁾ Less deferred revenue

B) Investments

KTB's consolidated net investments as of December 31, 2017 totaled Bt 228,246 m, reduced by Bt 14,277 m (5.89%) from the end of last year 2016 because of the downsizing of investment in debt securities.

Unit : Million Baht

	31 Dec 2017		31 Dec 2016 ⁽¹⁾		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Investments, net	209,515	91.79	226,932	93.57	(17,417)	(7.67)
Investments in associates, net	18,731	8.21	15,591	6.43	3,140	20.14
Total investments, net	228,246	100.00	242,523	100.00	(14,277)	(5.89)

⁽¹⁾The bank's consolidated financial statements for Statements of Financial Position as at December 31, 2016 was restated by combining National ITMX Co., Ltd to the Bank's associate company in accordance with Thai Accounting Standard 28 (TAS 28): Investments in Associates and Joint Ventures.

C) Total Assets

KTB's consolidated total assets as at December 31, 2017 was Bt 2,864,373 m, increased by Bt 174,670 m (6.49%) from December 31, 2016, most from the acceleration of the net interbank and money market items.

D) Liabilities

The Bank's consolidated deposits as at December 31, 2017 were Bt 2,070,875 m, enlarged by Bt 98,471 m (4.99%) from December 31, 2016 due to the growth of savings and demand deposits, despite some contraction of time deposits. The Bank's consolidated loans to customers (less deferred revenue) -to-deposits ratio was 93.59%, decreased from the end of the year 2016 at 96.54%. Meanwhile, the net interbank and money market items were Bt 228,691 m; increased by Bt 17,520 m (8.30%), boosting up the Bank's consolidated total liabilities by Bt 159,850 m (6.63%) to Bt 2,570,149 m.

In March and November 2017, the Bank redeemed two sets of Thai Baht subordinated debentures in full, amounted to Bt 5,155 m and Bt 15,133 m respectively and also issued a set of Thai Baht subordinated debenture as the replacement, amounted to Bt 20,000m in November 2017.

Unit : Million Baht

	31 Dec 2017		31 Dec 2016		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Demand deposits	95,462	4.61	92,574	4.69	2,888	3.12
Savings deposits	1,387,165	66.98	1,221,292	61.92	165,873	13.58
Time deposits	588,248	28.41	658,538	33.39	(70,290)	(10.67)
Total Deposits	2,070,875	100.00	1,972,404	100.00	98,471	4.99
B/E / Promissory Note	9,614		8,006		1,608	20.08

E) Equity

The total equity (Equity holders of the Bank) as at December 31, 2017 amounted to Bt 287,866 m, showing an increase of Bt 13,679 m (4.99%) from December 31, 2016.

Book value per share (Equity holders of the Bank) was Bt 20.59, increased from Bt 19.61 at the end of the year 2016.

F) Sources and Uses of Funds

As at December 31, 2017, 72.30% of the Bank's source of funds was deposits; the rests were interbank borrowings, debt issued and borrowings, and equity. The Bank's use of funds comprised of 67.66% loans to customers (less deferred revenue), 19.54% net interbank and money market items, and 7.97% net investments and net investments in subsidiaries and associates.

Unit : Million Baht

	31 Dec 2017		31 Dec 2016 ⁽¹⁾		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Deposits	2,070,875	72.30	1,972,404	73.33	98,471	4.99
Interbank and money market items, net	228,691	7.98	211,171 ⁽²⁾	7.85	17,520	8.30
Debt issued and borrowings	110,626	3.86	112,686 ⁽²⁾	4.19	(2,060)	(1.83)
Others	159,957	5.59	114,038	4.24	45,919	40.27
Total equity						
- Equity holders of the Bank	287,866	10.05	274,187	10.19	13,679	4.99
- Non-controlling interest	6,358	0.22	5,217	0.20	1,141	21.87
Total	2,864,373	100.00	2,689,703	100.00	174,670	6.49

⁽¹⁾ The bank's consolidated financial statements for Statements of Financial Position as at December 31, 2016 was restated by combining National ITMX Co., Ltd to the Bank's associate company in accordance with Thai Accounting Standard 28 (TAS 28): Investments in Associates and Joint Ventures.

⁽²⁾ The Bank re-categorized some financial institutional B/Es from debt issued and borrowings to net Interbank and money market items

- Loans and deposits classified by remaining maturity

Unit : Million Baht

The Bank's Financial Statements	31 Dec 2017		31 Dec 2016		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Loans						
- ≤ 1 year	621,159	33.30	621,906	33.85	(747)	(0.12)
- > 1 year	1,244,324	66.71	1,215,337	66.16	28,987	2.39
Less Deferred Revenue	87	0.01	123	0.01	(36)	(29.27)
Total loans ⁽¹⁾	1,865,396	100.00	1,837,120	100.00	28,276	1.54
Deposits						
- ≤ 1 year	1,944,758	93.79	1,831,142	92.71	113,616	6.20
- > 1 year	128,836	6.21	144,016	7.29	(15,180)	(10.54)
Total deposits	2,073,594	100.00	1,975,158	100.00	98,436	4.98

⁽¹⁾ Excluding accrued interest receivable and interbank loans and money market item.

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

As of December 31, 2017, the Bank's Common Equity Tier 1 and Tier I capital was Bt 256,428m (13.59% of its RWA). Total capital was Bt 329,311 m (17.45% of its RWA), increased from 16.85% as at December 31, 2016. As the Bank issued its subordinated debentures, as Tier 2 capital, of Bt 20,000 m to replace the redeemed debentures of Bt 20,288m as well as the growth of Government and State Enterprise loans in 2017 led to slight change of Risk-weighted assets.

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.

Unit : Million Baht

The Bank's Financial Statements	31 Dec 2017			31 Dec 2016		
	Amount	(%)	The minimum rate required by the BOT (%) ⁽¹⁾	Amount	(%)	The minimum rate required by the BOT (%)
Common Equity Tier 1 capital	256,428	13.59	More than 5.750	243,254	12.96	More than 5.125
Tier 1 capital	256,428	13.59	More than 7.250	243,254	12.96	More than 6.625
Tier 2 capital	72,883			73,094		
Total capital fund	329,311	17.45	More than 9.750	316,348	16.85	More than 9.125
Risk-weighted assets	1,887,433			1,877,670		

⁽¹⁾ According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb Capital conversation buffer more than 0.625 percent a year starting from January 1, 2016 until the capital buffer ratio of more than 2.5 percent 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, announced on September 25, 2017)

H) Asset Quality - Non-Performing Loans (NPLs)

The Bank's consolidated NPLs as at December 31, 2017 was Bt 103,020 m, rose by Bt 11,892 m (13.05%) from December 31, 2016 as a consequence of the increase of NPLs from one large corporate client group. The gross NPLs ratio was 4.19% increased from 3.97% as at December 31, 2016. However, NPLs decreased by Bt 689 m (0.66%) compared to NPLs as at September 30, 2017

In 2017, The Bank improved its strategies and business operating process emphasizing on quality of loan portfolio along with enhancing efficiency of monitoring and restructuring process as well as remaining the healthy coverage ratio.

Unit : Million Baht

	31 Dec 2017		31 Dec 2016		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
1. Loans						
Pass	1,765,969	91.12	1,742,882	91.53	23,087	1.32
Special Mention	69,093	3.57	70,079	3.68	(986)	(1.41)
Sub-Standard	12,241	0.63	14,152	0.74	(1,911)	(13.50)
Doubtful	35,890	1.85	17,017	0.90	18,873	110.91
Doubtful of loss	54,889	2.83	59,959	3.15	(5,070)	(8.46)
Total Loans	1,938,082	100.00	1,904,089	100.00	33,993	1.79
2. NPLs gross ⁽¹⁾	103,020	4.19	91,128	3.97	11,892	13.05
NPLs net ⁽¹⁾	42,506	1.77	40,758	1.81		
3. Actual provisioning for loan loss ⁽²⁾	125,382		110,782		14,600	13.18
Coverage Ratio		121.71		121.57		

⁽¹⁾ NPLs Ratio (gross) and NPLs Ratio (net) were calculated according to BOT definition

⁽²⁾ Allowance for doubtful accounts and revaluation allowance for debt restructuring

Unit: Million Baht

	31 Dec 2017		31 Dec 2016		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Agriculture and mining	11,304	10.97	1,590	1.74	9,714	610.94
Manufacturing and commerce	42,758	41.51	39,276	43.10	3,482	8.87
Real estate and construction	11,285	10.95	10,988	12.06	297	2.70
Public utilities and services	10,777	10.46	11,335	12.44	(558)	(4.92)
Housing loans	16,618	16.13	17,236	18.91	(618)	(3.59)
Others	10,278	9.98	10,703	11.75	(425)	(3.97)
Total Non-Performing Loans	103,020	100.00	91,128	100.00	11,892	13.05

IV. Credit Ratings

Bank's credit ratings rated by Standard and Poor's, Moody's Investors Service and Fitch Ratings were as follows:

Standard & Poor's		December 2017	December 2016
▪ Long-term/ Short-term	Long-term/ Short-term	BBB / A-2	BBB / A-2
▪ Outlook		Stable	Stable
▪ Stand-Alone Credit Profile (SACP)		bb+	bb+
Moody's Investors Service		December 2017	December 2016
▪ Long-term/ Short-term		Baa1 / P-2	Baa1 / P-2
▪ Outlook		Stable	Stable
▪ Baseline Credit Assessment (BCA)		ba1	ba1
Fitch Ratings		December 2017	December 2016
Foreign Currency Credit Ratings			
▪ Long-term/ Short-term		BBB / F3	BBB / F3
▪ Outlook		Stable	Stable
▪ Viability Rating		bbb-	bbb-
▪ Subordinated Debt (USD)		BBB-	BBB-
National Credit Ratings			
▪ Long-term/ Short-term		AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)
▪ Outlook		Stable	Stable
▪ Subordinated Debt (Baht)		AA(tha)	AA(tha)