



Management Discussion and Analysis

For the year ended December 31, 2018

(Audited)

This report discusses the principal changes in the audited 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 after the government's first-car scheme restriction continued to mature. 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 125.74%. The NPLs Ratio-Gross stood at 4.53%, 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 and the Financial Business Group's Tier 1 and Total Capital ratios were 14.47% and 18.21% 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 125.74%.

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 ⁽¹⁾	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 (%) ⁽²⁾	0.89	1.12		0.69		1.02	0.81	
ROE (%) ⁽²⁾	8.10	10.61		6.67		9.60	7.99	

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

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

In 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		4/2017 (restated)	Change		Y2018	Y2017 (restated)	Change	
				%			%				%
Interest income	30,394	29,994		1.3	30,403		(0.0)	119,770	122,886		(2.5)
- 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
Less Interest expense	(8,934)	(9,104)		(1.9)	(9,010)		(0.8)	(36,081)	(36,023)		0.2
- 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
Net interest income	21,460	20,890		2.7	21,393		0.3	83,689	86,863		(3.7)
Earning Asset Yiled (%)	4.58	4.49			4.57			4.47	4.64		
Cost of Fund (%)	1.55	1.56			1.53			1.53	1.53		
Net interest margin [based on earning assets](%)	3.23	3.12			3.21			3.13	3.28		

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 (%)	1.75%	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	4/2017	Change	Y2018	Y2017	Change
			%	(restated)	%		(restated)	%
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 ⁽¹⁾	28%	24%	28%	25%	25%
Total Fee and service income	100%	100%	100%	100%	100%

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

Total Other Operating Income

Unit : Million Baht

	4/2018	3/2018	Change	4/2017	Change	Y2018	Y2017	Change
			%	(restated)	%		(restated)	%
Gain (loss) on trading and foreign exchange transactions, net ⁽¹⁾	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	(100.0)	-	1,636	(100.0)
Other income	1,248	1,098	13.6	1,089	14.5	4,352	3,864	12.6
Total other operating income	1,932	2,340	(17.5)	4,132	(53.3)	9,870	12,340	(20.0)

⁽¹⁾ 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	4/2017	Change	Y2018	Y2017	Change
			%	(restated)	%		(restated)	%
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 ⁽¹⁾	3,775	2,494	51.3	3,470	8.8	10,767	9,119	18.1
Total other operating expenses	14,633	12,738	14.9	12,798	14.3	53,088	49,483	7.3
Cost-to-income ratio (%)	49.77	44.10		39.67		45.29	40.16	

⁽¹⁾ 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, premises and equipment expenses 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 ⁽¹⁾	6,430	6,084	5.7	13,578	(52.6)	26,192	44,833	(41.6)

⁽¹⁾ Impairment loss of loans and debt securities

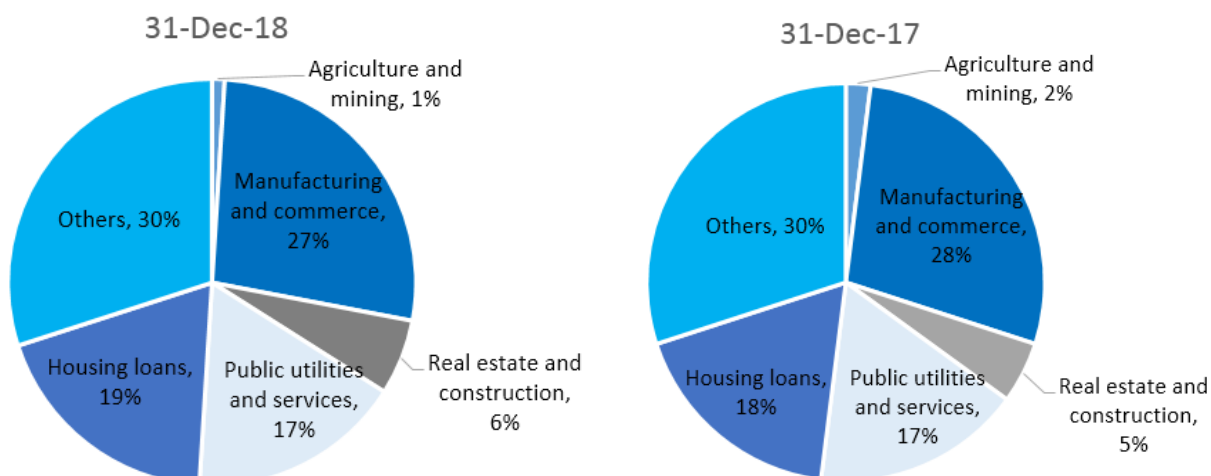
In 2018, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 26,192 million decreased by 41.6% YoY pursuant to compliance of provision policy with prudent practice. The Bank's consolidated coverage ratio was gradually increased to 125.74% as at December 31, 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 18,330 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 2,024,205 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 ⁽¹⁾	344,197	17.7	337,487	17.7	2.0	347,698	18.6	(1.0)
Retail	778,262	39.9	758,719	39.8	2.6	716,431	38.4	8.6
- Housing	376,734	19.3	365,973	19.2	2.9	349,923	18.8	7.7
- Personal	401,528	20.6	392,746	20.6	2.2	366,508	19.6	9.6
Others	370	0.0	372	0.0	(0.8)	386	0.0	(4.3)
Total loans	1,948,748	100.0	1,907,596	100.0	2.2	1,865,483	100.0	4.5
Less Deferred revenue	46		102			87		
Total	1,948,702		1,907,494			1,865,396		

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

Asset Quality

Loan Classification and Allowance for Doubtful Accounts

Unit : Million Baht

Consolidated Financial Statement	31 Dec 2018			30 Sep 2018			31 Dec 2017		
	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts ⁽⁷⁾	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts
1. Loan Classification									
Normal	1,858,757	872,884	13,399	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	74,080	31,511	33,008	69,828	29,996	30,285	54,982	19,924	28,247
Total	2,029,629	947,045	75,087	1,986,182	930,153	75,083	1,943,293	963,232	88,938
Excess allowance			58,668			54,459			36,426
Allowance for doubtful account			133,755			129,542			125,364
Revaluation allowance for debt restructuring			-			-			17
2. Actual provisioning for loan loss⁽¹⁾			133,755			129,542			125,381
1. Gross NPLs⁽²⁾	106,370		4.53%	105,675		4.42%	103,020		4.19%
Net NPLs⁽²⁾	44,396		1.94%	45,554		1.95%	42,506		1.77%
2. Coverage Ratio⁽³⁾			125.74%			122.59%			121.71%

Bank's Financial Statement

Actual provisioning for loan loss ⁽⁴⁾		127,970			123,389		121,376
Gross NPLs	102,634	4.52%	101,103	4.36%	98,637	4.14%	
Net NPLs	43,943	1.98%	44,686	1.98%	41,532	1.78%	
Coverage Ratio ⁽³⁾		124.69%		122.04%		123.05%	

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

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

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

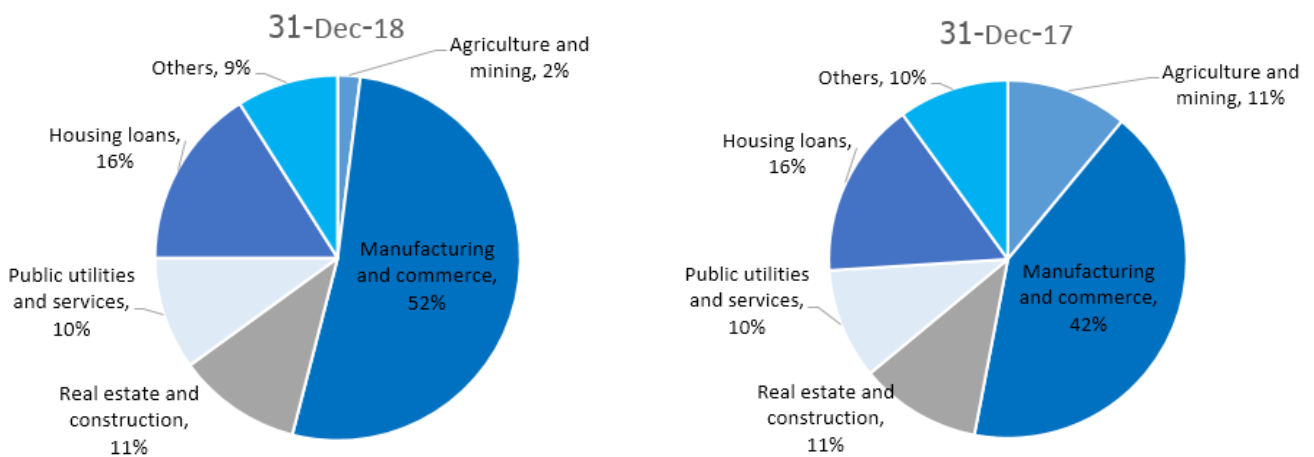
⁽⁴⁾ Actual provisioning for loan loss (according to C.B.1.1)

⁽⁷⁾ Classification on allowance for doubtful accounts is in accordance to the report submitted to BoT. The Bank classified certain reserve under minimum reserve under BoT's regulations into excess allowance per report as at December 31, 2018 in alignment with relevant regulation..

The Bank's consolidated NPLs Ratio-Gross as at December 31, 2018 was 4.53%, 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.

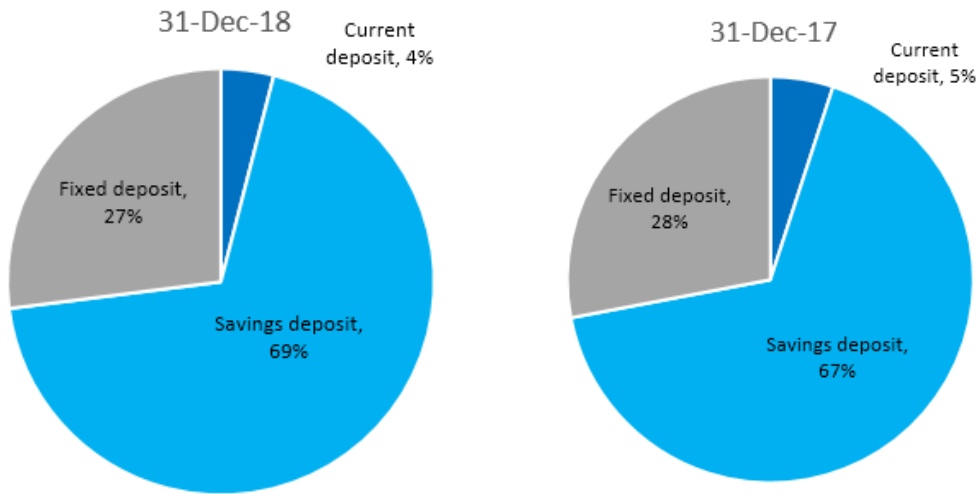
However, the Bank and its subsidiaries consistently conform to provision policy with prudent practice. As at December 31, 2018, the Bank's consolidated coverage ratio was gradually increased to 125.74% from 121.71% and 122.59% as at December 31, 2017 and September 30, 2018 respectively.

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% from December 31, 2017, 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 99.25% 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 95.39%, 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)	2,024,205	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	(133,755)	(4.9)	(129,542)	(4.7)	3.3	(125,381)	(4.4)	6.7
Other assets	236,072	8.6	233,728	8.5	1.0	263,599	9.2	(10.4)
Total Asset	2,739,203	100.0	2,735,948	100.0	0.1	2,854,210	100.0	(4.0)
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
Total liabilities and equity	2,739,203	100.0	2,735,948	100.0	0.1	2,854,210	100.0	(4.0)
Loans to customers (less deferred revenue)-to-deposits ratio (%)	99.25		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 (Bank and the Financial Business Group)

Unit : Million Baht

Bank and the Financial Business Group ⁽¹⁾	31 Dec 2018		30 Sep 2018		The minimum rate required by the BOT for 2018 (%) ⁽²⁾	31 Dec 2017 (Restated)		The minimum rate required by the BOT for 2017 (%) ⁽²⁾
	Amount	Amount	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	284,017	14.42	267,442	13.93	>6.375	267,381	13.38	>5.750
Tier 1 capital	285,002	14.47	268,484	13.98	>7.875	268,517	13.44	>7.250
Tier 2 capital	73,724		73,011			74,205		
Total capital fund	358,726	18.21	341,495	17.78	>10.375	342,722	17.15	>9.750
Risk-weighted assets	1,969,705		1,920,413			1,998,423		

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

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

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 (%) ⁽¹⁾	31 Dec 2017 (Restated)		The minimum rate required by the BOT for 2017 (%) ⁽¹⁾
	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		

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

As at December 31, 2018, the Bank and the Financial Business Group Common Equity Tier 1 was Baht 284,017 million (14.42% of its Risk-weighted assets (RWA)). The Tier 1 capital was Baht 285,002 million 14.47% of its RWA). Total capital was Baht 358,726 million (18.21% of its RWA). Such an increase was due to the propriation of net profit in 1H18 into the capital fund.

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 propriation 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:

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

⁽¹⁾ 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.