



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and Six-month Period Ended June 30, 2022



Management Discussion and Analysis

Overview of the Economy and Banking Industry

Thai Economy in the Second Quarter of 2022

The Thai economy in the second quarter of 2022 faced challenges from rapidly accelerating domestic inflation in response to global energy and commodity prices. This, coupled with the continuing problem of global supply disruption and the sharp decline in the baht against the US dollar, pushed up the costs of importing raw materials and transport. However, the recovery of the tourism sector and the resumption of normal economic activity meant there was an improvement in private consumption, especially in the service sector. Private investment improved along with the economic recovery. Exports continued to expand, albeit at a slower pace due to lower demand from trading partners. Industrial production slightly declined partly due to a shortage of manufacturing parts. Against this backdrop, the government sector continued to play an important role in supporting the Thai economy to overcome the challenges from the global economic situation with the launch of assistance measures to alleviate the cost of living and accelerate investment expenditures of state-owned enterprises to stimulate the Thai economy.

Thailand's headline inflation in the second quarter of 2022 stood at 6.46 percent, accelerating from 4.75 percent and 2.36 percent in the previous quarter and the second quarter of last year respectively, which was higher than the Bank of Thailand's (BOT) target range of 1-3 percent. Core inflation averaged 2.27 percent, up from 1.43 percent and 0.43 percent from the previous quarter and the same quarter of last year respectively. In June 2022, headline inflation was 7.66 percent, the highest since September 1998, while core inflation was 2.51 percent, the highest since April 2012. The average exchange rate was 34.40 THB/USD, depreciating from 33.05 and 31.36 THB/USD in the previous quarter and in the same quarter last year. In June 2022, the average exchange rate was 34.97 THB/USD, the weakest level of the baht since February 2017.

The Monetary Policy Committee (MPC) increased the policy interest rate by 0.25 percentage points to 0.75 percent at their last meeting on August 10, 2022, the committee voted 6 to 1 to raise the policy interest rate by 0.25 percentage points while one member voted to increase it by 0.50 percentage points. The MPC assesses that the Thai economy is likely to recover more decisively and is expected to return to pre-Covid levels by the end of this year. It will continue to recover with strong momentum from larger-than-expected number of foreign tourist-arrivals and private consumption which is likely to continue to recover. However, the risk of a global economic slowdown has heightened and the increases in production costs and cost of living are major risk factors for the recovery of the Thai economy going forward. Headline inflation will remain at a high level throughout 2022, largely unchanged from the previous forecast, before gradually falling into the target range in 2023. The Committee assesses that the Thai economic recovery will continue to gain traction, and thus the extraordinarily accommodative monetary policy will become less necessary. Monetary policy normalization should be done in a gradual and measured manner consistent with the growth and inflation outlook in the period ahead.

The Thai economy faces an uncertain recovery in 2022 due to geopolitical and geoeconomic factors, inflationary pressures from high global energy and commodity prices, global supply disruptions in major industries and the volatility of Thai baht against the US dollar, as well as the slowdown in exports due to the economic conditions of major trading partners. In addition, there are risk factors that need to be monitored, including problems in China's real estate sector, Thailand's political instability and the impact of interest rate hikes on vulnerable households and businesses. However, the recovery of domestic economic activities, tourism revenue, along with government investment expenditure and measures to stimulate the economy to alleviate cost of living problems will be key factors to help support the ongoing recovery of the Thai economy for the second half of the year.

Thai Banking Industry

In the second quarter of 2022, the business operations of commercial banks in Thailand were supported by the recovery of economic activities and the tourism sector, as well as the continuous expansion of exports. At the same time, an acceleration in production costs and inflation began to have a greater impact on household and business customers. At the end of June 2022, loans grew by less than deposits so the ratio of loans to deposits decreased from the end of last year. The ratio of non-performing loan (NPL) to total loans also decreased from the end of last year.

The BOT's Senior Loan Officer Survey indicated that in the second quarter of 2022, business loan demand increased from the previous quarter across all business size and sectors, mainly from requirements for working capital for business operations. This was in line with the improvement in economic activities, especially in the manufacturing sector where loan demand for inventory build-up rose to cope with increasing production costs and to export goods. Moreover, large corporates demanded more loans for refinancing, following the high interest rate trend. Household loan demand increased across all types of loans, especially other personal and credit card loans. The higher loan demand was predominantly to provide liquidity to cope with rising living costs, particularly for households with limited savings. Demand for home loans increased from developers' promotional campaigns, coupled with the high interest rate trend. Going forward, business loan demand from all types of businesses is expected to increase for working capital and production of inventory. Some large corporates may need more loans for business mergers and investments, mainly in government projects. Some SME may require refinancing as interest rates are expected to rise. Consumer loan demand is expected to increase in all categories and demand for other consumer loans as well as credit card loans will rise to provide liquidity for general spending. Promotional campaigns from automobile manufacturers and home developers will stimulate more demand for auto-leasing and home loans.

Commercial banks continued to support customers affected by the Covid-19 pandemic in line with the BOT's assistance measures including rehabilitation loans, asset warehousing, and debt consolidation as well as sustainable debt restructuring in line with the debtor's ability to repay in the long term. In addition, the Thai Bankers' Association (TBA), the Federation of Thai Industries (FTI), the Board of Trade of Thailand and related government agencies have initiated the Digital Supply Chain Finance program to provide SME with easier access to bank loans.

Commercial banks will continue to place great emphasis on managing their liquidity by focusing on improving the structure of deposits and appropriately managing costs, while maintaining their Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in line with the BOT's regulations. The adoption of TFRS 9 requires financial institutions to set aside provisions or expected credit losses by considering economic conditions in the past, present, and future under various assumptions and circumstances that might affect the commercial banking system's loan quality. As a result, commercial banks will continue to focus on appropriately managing loan quality and risk management. Due to high levels of capital and the regular increase in loan loss reserves, the commercial banking system is able to support credit demand and manage economic volatility going forward.

Overall Picture of the Bank and its Subsidiaries

Million Baht								
Item	Q2/22	Q1/22	Q2/21	%QoQ	%YoY	H1/22	H1/21	%YoY
Net profit ^{/1}	6,961	7,118	6,357	(2.2)%	9.5%	14,079	13,280	6.0%
Earnings per share (Baht)	3.65	3.73	3.33	(2.2)%	9.5%	7.38	6.96	6.0%
Net interest margin	2.24%	2.11%	2.08%	0.13%	0.16%	2.18%	2.12%	0.06%
Net fees and service income to operating income ratio	19.7%	22.4%	20.4%	(2.7)%	(0.7)%	21.0%	22.0%	(1.0)%
Cost to income ratio	51.0%	49.8%	48.2%	1.2%	2.8%	50.4%	49.5%	0.9%
Return on average assets ^{/1}	0.64%	0.67%	0.63%	(0.03)%	0.01%	0.65%	0.68%	(0.03)%
Return on average equity ^{/1}	5.63%	5.83%	5.49%	(0.20)%	0.14%	5.74%	5.83%	(0.09)%

^{/1} Attributable to owners of the Bank

Million Baht					
Item	Jun'22	Mar'22	Dec'21	%QoQ	%YTD
Loans	2,652,872	2,587,534	2,588,339	2.5%	2.5%
Deposits	3,147,149	3,194,460	3,156,940	(1.5)%	(0.3)%
Loan to deposit ratio	84.3%	81.0%	82.0%	3.3%	2.3%
Non-performing loan (Gross NPL) ^{/1}	105,046	102,342	101,103	2.6%	3.9%
Gross NPL to total loans ratio ^{/1}	3.4%	3.3%	3.2%	0.1%	0.2%
Allowance for expected credit losses to NPL ratio ^{/1}	232.5%	229.0%	225.8%	3.5%	6.7%
Total capital adequacy ratio	18.93%	19.54%	19.57%	(0.61)%	(0.64)%

^{/1} Including interbank and money market lending

The Bank and its subsidiaries reported a net profit for the first half of 2022 of Baht 14,079 million, an increase of 6.0 percent from the first half of 2021. Net interest income rose by 13.9 percent on higher loan volume, while the net interest margin stood at 2.18 percent. Non-interest income decreased by 19.8 percent, mainly from lower gains on financial instruments measured at fair value through profit or loss (FVTPL) in line with the market environment. Net fees and service income declined from securities business, while fee income from loan related services increased in line with higher loan volume. Operating expenses rose by 2.8 percent largely due to higher expenses to develop and improve working systems. As a result, the cost to income ratio remained at 50.4 percent. The Bank set aside Baht 14,843 million in expected credit losses, a decrease from the same period last year, and continued its reserves under a prudent approach by taking into account global economic volatility and the impact of the ongoing Covid-19 situation.

At the end of June 2022, the Bank's total loans amounted to Baht 2,652,872 million, a rise of 2.5 percent from the end of last year, mainly due to an increase in loans to large corporate customers and loans made through the Bank's international network. The non-performing loan to total loans ratio was 3.4 percent. The Bank continues to set aside expected credit losses in line with its prudent approach, leading to the strong ratio of allowance for expected credit losses to non-performing loan of 232.5 percent.

As of June 30, 2022, the Bank's deposits amounted to Baht 3,147,149 million, a similar level compared to the end of December 2021. The loan to deposit ratio stood at 84.3 percent. In terms of capital, the Bank's total capital adequacy ratio, Tier 1 capital adequacy ratio, and Common Equity Tier 1 capital adequacy ratio of the Bank and its subsidiaries stood at 18.93 percent, 15.44 percent and 14.64 percent respectively, comfortably above the Bank of Thailand's minimum capital requirements.

Operating Income and Expenses of the Bank and its Subsidiaries

	Million Baht							
Item	Q2/22	Q1/22	Q2/21	%QoQ	%YoY	H1/22	H1/21	%YoY
Net interest income	23,526	21,747	20,027	8.2%	17.5%	45,273	39,734	13.9%
Non-interest income	10,666	9,363	13,796	13.9%	(22.7)%	20,029	24,963	(19.8)%
Operating expenses	17,435	15,507	16,289	12.4%	7.0%	32,941	32,050	2.8%
Expected credit loss	8,354	6,489	9,810	28.7%	(14.8)%	14,843	16,137	(8.0)%
Operating profit before tax	8,403	9,114	7,724	(7.8)%	8.8%	17,518	16,510	6.1%
Income tax expenses	1,319	1,875	1,263	(29.7)%	4.4%	3,195	3,010	6.1%
Net profit	7,084	7,239	6,461	(2.1)%	9.6%	14,323	13,500	6.1%
Net profit ^{/1}	6,961	7,118	6,357	(2.2)%	9.5%	14,079	13,280	6.0%
Total comprehensive income ^{/1}	1,671	4,906	12,400	(65.9)%	(86.5)%	6,578	23,595	(72.1)%

^{/1} Attributable to owners of the Bank

Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank in the second quarter of 2022 of Baht 6,961 million, a decrease of 2.2 percent from the previous quarter due to an increase in operating expenses from higher seasonality of expenses. Net interest income increased from higher loan volume. Non-interest income increased from gains on financial instruments measured at fair value through profit or loss (FVTPL) in line with the market environment. The Bank set aside higher expected credit losses by taking into account the slow pace of local economic recovery, global economic volatility and the impact of the ongoing Covid-19 situation.

Compared with the second quarter of 2021, net profit attributable to owners of the Bank in the second quarter of 2022 rose by 9.5 percent. In the first half of 2022, net profit attributable to owners of the Bank amounted to Baht 14,079 million, an increase of 6.0 percent from the first half of last year, due mainly to an increase in net interest income from higher loan volume. Non-interest income decreased, mainly from lower gains on financial instruments measured at FVTPL. Operating expenses increased, partly from rising expenses to develop and improve working systems. Expected credit losses declined while the Bank continued to set aside the reserves under its prudent approach.

Non-Interest Income

Non-interest income for the second quarter of 2022 amounted to Baht 10,666 million, an increase of 13.9 percent from the previous quarter due to higher gains on financial instruments measured at FVTPL, following the market environment. Net fees and service income declined from securities business, bancassurance and mutual funds.

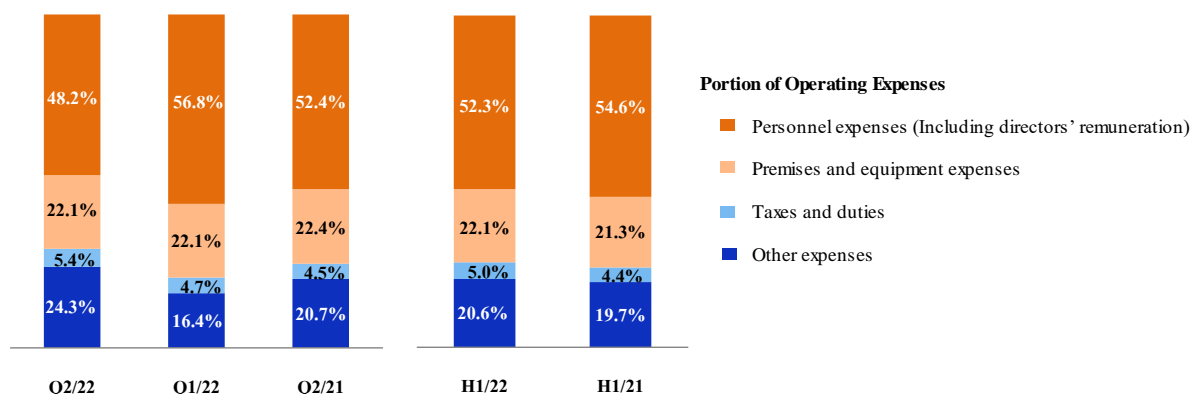
Compared with the second quarter and the first half of 2021, non-interest income decreased from declines in gains on financial instruments measured at FVTPL and gains on investments. Net fees and service income declined from securities business while fees from loan-related services increased in line with higher loan volume.

Million Baht								
Item	Q2/22	Q1/22	Q2/21	%QoQ	%YoY	H1/22	H1/21	%YoY
Fees and service income	9,966	10,089	9,322	(1.2)%	6.9%	20,056	18,959	5.8%
<u>Less</u> fees and service expenses	3,240	3,132	2,426	3.4%	33.6%	6,372	4,729	34.7%
Net fees and service income	6,726	6,957	6,896	(3.3)%	(2.5)%	13,684	14,230	(3.8)%
Gains on financial instruments measured at FVTPL	3,435	1,346	5,954	155.2%	(42.3)%	4,781	8,042	(40.5)%
Gains (losses) on investments	(823)	71	(240)	(1,259.2)%	(242.9)%	(752)	601	(225.1)%
Share of profit from investment for using equity method	41	50	24	(18.0)%	70.8%	91	57	59.6%
Gains on disposal of assets	99	64	90	54.7%	10.0%	162	169	(4.1)%
Dividend income	910	611	806	48.9%	12.9%	1,521	1,331	14.3%
Other operating income	278	264	266	5.3%	4.5%	542	533	1.7%
Total other operating income	3,940	2,406	6,900	63.8%	(42.9)%	6,345	10,733	(40.9)%
Total non-interest income	10,666	9,363	13,796	13.9%	(22.7)%	20,029	24,963	(19.8)%
Net fees and service income to operating income ratio	19.7%	22.4%	20.4%	(2.7)%	(0.7)%	21.0%	22.0%	(1.0)%

Operating Expenses

Operating expenses for the second quarter of 2022 amounted to Baht 17,435 million, increasing by 12.4 percent from the previous quarter, due to seasonality of expenses. Compared with the second quarter and the first half of 2021, operating expenses increased from higher expenses to develop and improve working systems.

Million Baht								
Item	Q2/22	Q1/22	Q2/21	%QoQ	%YoY	H1/22	H1/21	%YoY
Personnel expenses	8,312	8,735	8,455	(4.8)%	(1.7)%	17,046	17,357	(1.8)%
Directors' remuneration	94	81	88	16.0%	6.8%	175	130	34.6%
Premises and equipment expenses	3,847	3,420	3,645	12.5%	5.5%	7,267	6,843	6.2%
Taxes and duties	935	731	731	27.9%	27.9%	1,666	1,410	18.2%
Other expenses	4,247	2,540	3,370	67.2%	26.0%	6,787	6,310	7.6%
Total operating expenses	17,435	15,507	16,289	12.4%	7.0%	32,941	32,050	2.8%
Cost to income ratio	51.0%	49.8%	48.2%	1.2%	2.8%	50.4%	49.5%	0.9%



Expected Credit Losses

The Bank set aside Baht 8,354 million in expected credit losses in the second quarter of 2022, higher than the previous quarter. The Bank maintained its prudent approach to set aside reserves to manage loan quality during a slow economic recovery by closely monitoring global economic volatility, the prolonged geopolitical conflict between Russia and Ukraine and the impact of the ongoing Covid-19 situation. Expected credit losses covered loans, interbank and money market items, and debt securities, which are not measured at FVTPL, as well as loan commitments and financial guarantee contracts.

Significant Items in the Financial Position

Assets

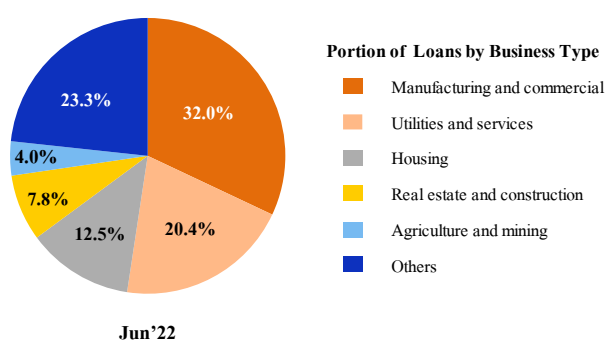
As of June 30, 2022, total assets amounted to Baht 4,356,018 million, increasing by 0.3 percent from the end of the previous quarter and 0.5 percent from the end of last year, mainly from an increase in loans.

	Million Baht				
Item	Jun'22	Mar'22	Dec'21	%QoQ	%YTD
Net interbank and money market items	729,943	768,421	801,212	(5.0)%	(8.9)%
Financial assets measured at FVTPL	84,339	88,150	84,341	(4.3)%	(0.0)%
Net investments	846,117	875,378	803,637	(3.3)%	5.3%
Net investments in associates	1,329	1,378	1,329	(3.6)%	-
Loans	2,652,872	2,587,534	2,588,339	2.5%	2.5%
Net properties for sale	11,168	9,749	9,496	14.6%	17.6%
Total assets	4,356,018	4,343,930	4,333,281	0.3%	0.5%

Loans

As of June 30, 2022, loans amounted to Baht 2,652,872 million, rising by 2.5 percent from the end of the previous quarter and the end of last year due mainly to increases in loans to large corporate customers and loans made through the Bank's international network.

	Million Baht				
Loans by Business Type	Jun'22	Mar'22	Dec'21	%QoQ	%YTD
Manufacturing and commercial	847,529	839,754	839,469	0.9%	1.0%
Utilities and services	540,610	579,940	574,485	(6.8)%	(5.9)%
Housing	331,585	327,432	324,546	1.3%	2.2%
Real estate and construction	207,903	203,091	211,647	2.4%	(1.8)%
Agriculture and mining	107,387	101,726	101,487	5.6%	5.8%
Others	617,858	535,591	536,705	15.4%	15.1%
Total loans	2,652,872	2,587,534	2,588,339	2.5%	2.5%



The Bank and its subsidiaries had loans distributed across business sectors, with 32.0 percent in the manufacturing and commercial sector, 20.4 percent in the utilities and services sector, 12.5 percent in the housing sector, and 7.8 percent in the real estate and construction sector. Loans increased from the end of March 2022 and December 2021 mainly driven by the others sector.

Classified Loans and Allowance for Expected Credit Losses

Non-performing loan (Gross NPL) at the end of June 2022 was Baht 105,046 million. The gross NPL to total loans ratio was 3.4 percent.

The allowance for expected credit losses was Baht 244,198 million. The allowance for expected credit losses to NPL ratio was 232.5 percent.

	Million Baht				
Item	Jun'22	Mar'22	Dec'21	%QoQ	%YTD
Consolidated					
Non-performing loan (Gross NPL) ^{/1}	105,046	102,342	101,103	2.6%	3.9%
Gross NPL to total loans ratio ^{/1}	3.4%	3.3%	3.2%	0.1%	0.2%
Net NPL to net total loans ratio ^{/1}	0.9%	0.9%	1.0%	-	(0.1)%
Allowance for expected credit losses to NPL ratio	232.5%	229.0%	225.8%	3.5%	6.7%
The Bank					
Non-performing loan (Gross NPL) ^{/1}	83,489	83,441	82,820	0.1%	0.8%
Gross NPL to total loans ratio ^{/1}	3.1%	3.1%	3.0%	-	0.1%

^{/1} Including interbank and money market lending

Million Baht

Item	Loans and Interbank & Money Market			Allowance for Expected Credit Losses ^{/1}		
	Jun'22	Mar'22	Dec'21	Jun'22	Mar'22	Dec'21
	Non-credit-impaired	3,278,111	3,254,160	3,289,055	163,997	156,247
Credit-impaired	105,046	102,342	101,103	80,201	78,164	74,943
Total	3,383,157	3,356,502	3,390,158	244,198	234,411	228,285

^{/1} Including allowance for expected credit losses of loans, interbank and money market items, loan commitments and financial guarantee contracts

Investments

As of June 30, 2022, investments amounted to Baht 930,456 million, decreasing by Baht 33,072 million or 3.4 percent from the end of the previous quarter. Compared to the end of last year, investments increased by 4.8 percent mostly from investments in Thai government and state enterprise securities.

A significant proportion of investments were in Thai government and state enterprise securities. As of June 30, 2022, these amounted to Baht 515,615 million, accounting for 55.4 percent of total investments. Foreign debt securities amounted to Baht 219,654 million, private enterprise debt securities to Baht 19,471 million, and net investment in equity securities to Baht 107,605 million.

Million Baht

Investments by Investment Holding	Jun'22	Mar'22	Dec'21	%QoQ	%YTD
Trading securities	9,332	16,698	13,104	(44.1)%	(28.8)%
Securities measured at FVTPL	75,007	71,452	71,237	5.0%	5.3%
Debt securities measured at amortized cost	75,786	45,637	46,053	66.1%	64.6%
Debt securities measured at FVOCI	678,758	734,269	667,473	(7.6)%	1.7%
Equity securities measured at FVOCI	91,573	95,472	90,111	(4.1)%	1.6%
Total investments	930,456	963,528	887,978	(3.4)%	4.8%

Liabilities and Shareholders' Equity

Total liabilities as of June 30, 2022, amounted to Baht 3,859,591 million, an increase of 0.4 percent from the end of the previous quarter and 0.5 percent from the end of last year, mainly due to higher debt issued and borrowings.

Million Baht

Item	Jun'22	Mar'22	Dec'21	%QoQ	%YTD
Deposits	3,147,149	3,194,460	3,156,940	(1.5)%	(0.3)%
Interbank and money market items	250,539	265,243	288,709	(5.5)%	(13.2)%
Financial liabilities measured at FVTPL	19,845	19,299	20,833	2.8%	(4.7)%
Debt issued and borrowings	220,396	182,843	183,239	20.5%	20.3%
Total liabilities	3,859,591	3,844,329	3,838,688	0.4%	0.5%
Shareholders' equity ^{/1}	494,535	497,633	492,727	(0.6)%	0.4%

^{/1} Attributable to owners of the Bank

Deposits

Total deposits as of June 30, 2022, amounted to Baht 3,147,149 million, at the similar level to the end of last year and dropping by 1.5 percent from the end of March 2022.

Million Baht

Deposits Classified by Product Type	Jun'22		Mar'22		Dec'21		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
Current	276,301	8.8%	284,322	8.9%	273,597	8.7%	(2.8)%	1.0%
Savings	1,683,671	53.5%	1,672,825	52.4%	1,613,777	51.1%	0.6%	4.3%
Fixed	1,187,177	37.7%	1,237,313	38.7%	1,269,566	40.2%	(4.1)%	(6.5)%
Total deposits	3,147,149	100.0%	3,194,460	100.0%	3,156,940	100.0%	(1.5)%	(0.3)%
Loan to deposit ratio		84.3%		81.0%		82.0%	3.3%	2.3%

Debt Issued and Borrowings

Total debt issued and borrowings as of June 30, 2022, amounted to Baht 220,396 million, increasing from the end of March 2022 and December 2021 due predominantly to the issuance of 5-year senior unsecured debentures of USD 750 million in June 2022.

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	Jun'22		Mar'22		Dec'21		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
Senior unsecured notes	114,759	52.1%	83,280	45.5%	83,594	45.6%	37.8%	37.3%
Subordinated notes	104,143	47.2%	98,271	53.7%	98,640	53.8%	6.0%	5.6%
Bills of exchange	607	0.3%	519	0.3%	516	0.3%	17.0%	17.6%
Others	971	0.4%	826	0.5%	549	0.3%	17.6%	76.9%
Total (before less discount on borrowings)	220,480	100.0%	182,896	100.0%	183,299	100.0%	20.5%	20.3%
<u>Less</u> discount on borrowings	84		53		60		58.5%	40.0%
Total debt issued and borrowings	220,396		182,843		183,239		20.5%	20.3%

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of June 30, 2022, amounted to Baht 494,535 million, an increase of Baht 1,808 million or 0.4 percent from the end of 2021. This was due to net profit attributable to owners of the Bank for the first half of 2022 of Baht 14,079 million, net of a dividend payment of Baht 4,769 million (2.50 baht per share) according to a resolution of the shareholders' meeting on April 12, 2022, together with a decrease in gains on investments measured at FVOCI.

Sources and Utilization of Funds

As of June 30, 2022, the primary sources of funds were Baht 3,147,149 million or 72.2 percent in deposits, Baht 494,535 million or 11.4 percent in shareholders' equity attributable to owners of the Bank, Baht 250,539 million or 5.8 percent in interbank and money market liabilities, and Baht 240,241 million or 5.5 percent in debt issued and borrowings including financial liabilities measured at FVTPL.

The utilization of funds comprised Baht 2,652,872 million or 60.9 percent in loans, Baht 931,785 million or 21.4 percent in net investments including financial assets measured at FVTPL and net investments in associates and Baht 729,943 million or 16.8 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

Under the principles of Basel III, the Bank of Thailand (BOT) currently requires commercial banks registered in Thailand and members of their financial groups to maintain minimum levels of capital adequacy as measured by three ratios: the Common Equity Tier 1 capital adequacy ratio at no less than 4.50 percent, the Tier 1 capital adequacy ratio at no less than 6.00 percent, and the Total Capital Adequacy ratio at no less than 8.50 percent – measured as a percentage of total risk-weighted assets. The BOT also requires a capital conservation buffer of more than 2.50 percent. It requires the Bank, which is identified as a Domestic Systemically Important Bank (D-SIB), to have additional capital to meet the Higher Loss Absorbency (HLA) requirement, which gradually raised the Common Equity Tier 1 ratio by 1.00 percent. Consequently, the Bank is required to maintain the Common Equity Tier 1 capital adequacy ratio at more than 8.00 percent, the Tier 1 capital adequacy ratio at more than 9.50 percent, and the total capital adequacy ratio at more than 12.00 percent – measured as percentages of total risk-weighted assets.

As of June 30, 2022, the Bank's Common Equity Tier 1 capital adequacy ratio was 14.64 percent, the Tier 1 capital adequacy ratio was 15.44 percent, and the total capital adequacy ratio was 18.93 percent. Consequently, the Bank's capital is at a level that provides such additional buffers.

Consolidated

Million Baht

Item	Jun'22		Mar'22		Dec'21		BOT's requirements
	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	
Common Equity Tier 1 capital	434,683	14.64%	430,538	15.18%	433,699	15.15%	> 8.00%
Tier 1 capital	458,464	15.44%	454,319	16.02%	457,469	15.98%	> 9.50%
Tier 2 capital	103,485	3.49%	99,812	3.52%	102,957	3.59%	
Total capital	561,949	18.93%	554,131	19.54%	560,426	19.57%	> 12.00%

The Bank

Million Baht

Item	Jun'22		Mar'22		Dec'21		BOT's requirements
	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	
Common Equity Tier 1 capital	423,129	16.07%	423,793	16.64%	425,758	16.47%	> 8.00%
Tier 1 capital	446,721	16.96%	447,385	17.57%	449,350	17.38%	> 9.50%
Tier 2 capital	99,645	3.79%	98,873	3.88%	101,989	3.95%	
Total capital	546,366	20.75%	546,258	21.45%	551,339	21.33%	> 12.00%

Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, debt securities, and marketable equity securities. As of June 30, 2022, the ratio of liquid assets to total assets and liquid assets to deposits were 37.3 percent and 51.7 percent respectively.

Item	Jun'22	Mar'22	Dec'21
Liquid assets/Total assets (%)	37.3	39.2	38.6
Liquid assets/Deposits (%)	51.7	53.3	53.0

Credit Ratings

Details of the Bank's credit ratings are as follows:

Credit Rating Agency	Jun'22	Mar'22	Dec'21
Moody's Investors Service			
Long-term Deposit	Baa1	Baa1	Baa1
Short-term Deposit	P-2	P-2	P-2
Senior Unsecured Debt Instrument	Baa1	Baa1	Baa1
Subordinated Debt Instrument	Baa2	Baa2	Baa2
Subordinated Debt (Basel III-compliant Tier 2 securities)	Baa3	Baa3	Baa3
Subordinated Debt (Basel III-compliant Tier 1 securities)	Ba1	Ba1	Ba1
Financial Strength (BCA)	baa1	baa1	baa1
Outlook	Stable	Stable	Stable
S&P Global Ratings			
Long-term Issuer Credit Rating	BBB+	BBB+	BBB+
Short-term Issuer Credit Rating	A-2	A-2	A-2
Senior Unsecured Debt Instrument	BBB+	BBB+	BBB+
Subordinated Debt Instrument	BBB	BBB	BBB
Financial Strength (SACP)	bbb-	bbb-	bbb
Outlook	Stable	Stable	Stable
Fitch Ratings			
International Rating			
Long-term Issuer Default Rating	BBB	BBB	BBB
Short-term Issuer Default Rating	F2	F2	F2
Senior Unsecured Debt Instrument	BBB	BBB	BBB
Subordinated Debt Instrument	BB+	BB+	BB+
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+	BB+	BB+
Financial Strength (VR)	bbb	bbb	bbb
Outlook	Stable	Stable	Stable
National Rating			
Long-term	AA+(tha)	AA+(tha)	AA+(tha)
Short-term	F1+(tha)	F1+(tha)	F1+(tha)
Outlook	Stable	Stable	Stable