



Management Discussion and Analysis

For the Year ended December 31, 2019

(Audited)

This report discusses the principal changes in the audited consolidated financial statement for the year ended December 31, 2019.

Economic Overview

In 2019, Thai economic growth continued to expand at softer pace mainly due to softening external demand, which gradually impact domestic demand. Private consumption had been supported by the spending on services and non-durable goods, which offsetting softer growth of spending on semi-durable goods and durable goods. Meanwhile, private investment remained subdued in line with contraction on investment in machinery and equipment. Moreover, investment on construction continued to decline partly due to Bank of Thailand's new Loan-To-Value (LTV) measure, impacting the new investment in real estate. Manufacturing activities contracted in line with exports, which had been facing risks from a slowdown in trade partners' economy and trade tension between the US and China. Government consumption and investment decelerated amid the delay in annual budget for fiscal year 2020. Tourism sector remained sound partly due to the exemption of the visa on arrival fee in addition to the low base effect from the Phuket tour boat incident in 2018. With the slower than expected pace of economic growth, the Bank of Thailand decided to cut its key policy rate twice from 1.75% to 1.25% in 2019.

The Bank and Its Subsidiaries' Overview Performance for the year 2019

The Bank and Its Subsidiaries' Performance for the year 2019

In the year 2019, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 29,284 million, or an increase of 2.8% YoY, from higher total operating incomes from interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q2019 as well as from other non-interest income (gain on investments, net), despite higher operating expenses from provision for impairment of properties for sale and from provision expense on employees' benefits. If excluding such extraordinary items, net profit attributable to equity holders of the Bank increased by 18.2% YoY. Such interest income and operating expenses were considered as extraordinary items ("extraordinary items").

Consolidated total operating income registered at Baht 125,658 million, growing 7.2% YoY. If excluding income received from the auction of mortgaged guarantee asset of 1Q2019, total operating income would grow 3.9% YoY with key changes as shown below:

- Net interest income increased by 5.5% YoY. If excluding income received from the auction of mortgaged guarantee asset of 1Q2019, net interest income would grow 0.9% YoY and NIM stood at 3.07%, slightly decreased from 3.13% during the same period last year. This is a result from the recent policy rate cuts and lending rate cuts since August and November, despite continuously improving cost of fund management.
- Non-interest income increased by 11.4% YoY, which mainly due to the 42.9% growth of other non-interest income from gain on investments, net, from share of profit from investments for using equity method and from gain on selling properties for sale. However, net fee and service income contracted by 1.8%.

Consolidated operating expenses increased by 17.7% YoY from higher impairment loss of properties for sale in accordance with BOT's regulation as well as from one-time expense on employees' benefits provision effective in 3Q2019. If excluding such extraordinary items, other operating expenses were at a similar level to that of the same period last year together with an increase in total operating income, contributing to consolidated cost to income ratio of 43.58%, decreasing from 45.29% in the same period of 2018.

The Bank is consistently conforming to provision policy with prudent practice. As a consequence, coverage ratio increased to 131.76% as at 31 December 2019 from 125.74% as at 31 December 2018.

The NPLs Ratio-Gross stood at 4.33%, a decline from 4.53% as at 31 December 2018, given an improvement trend in NPLs. NPL Ratio-Net stood at 1.83%, a decline from as at 31 December 2018. The Bank and the Financial Business Group's Tier 1 and Total Capital ratios were 15.24% and 19.01% respectively.

The Bank and Its Subsidiaries' Performance for 4Q2019

Comparing 4Q2019 to the same period of last year, the Bank and its subsidiaries' net profit attributable to equity holders of the Bank was Baht 7,459 million, an increase of 21.1% due to higher total operating incomes from gain on investments, net and lower impairment loss of loans and debt securities, despite higher operating expenses from provision for impairment of properties for sale. If excluding such extraordinary expense, net profit attributable to equity holders of the Bank increased by 50.1% YoY.

Given the loan growth year-on-year, Net Interest Margin (NIM) registered at 2.91%, a decrease from 4Q2018 at 3.23% due to series of the Bank of Thailand's policy rate cut announcement, which led to the Bank's Minimum Retail Rate (MRR) and Minimum Overdraft Rate (MOR) rates cut equally by 0.25% effective from August 15, 2019 onwards and Minimum Loan Rate (MLR) rate cut by 0.25% effective November 11, 2019 onwards. Net fee and service income remained at similar level to that of the same period of last year. Other operating income was mainly increased from gain on investments, net and from gain on trading and foreign exchange transactions, net. Moreover, operating expenses continued to increase, mainly due to impairment loss of properties for sale. If excluding such item, consolidated Cost to Income ratio stood at 45.48%. The Bank and its subsidiaries set aside lower expense on impairment loss of loans compared to the same period of 2018.

The Bank and Its Subsidiaries' Performance for the Quarter and the year ended December 31, 2019

Overview Operating Income and Net Profit

	Unit : Million Baht							
	4/2019	3/2019	Change	4/2018	Change	2019	2018	Change
			%		%			%
Net interest income	20,709	21,161	(2.1)	21,460	(3.5)	88,316	83,689	5.5
Net fee and service income	6,004	5,949	0.9	6,011	(0.1)	23,237	23,662	(1.8)
Other non-interest income	4,915	3,318	48.2	1,932	154.5	14,105	9,870	42.9
Total operating income	31,628	30,428	3.9	29,403	7.6	125,658	117,221	7.2
Total other operating expenses	16,617	16,137	3.0	14,633	13.6	62,474	53,088	17.7
Pre-provision profit ⁽¹⁾	15,011	14,291	5.0	14,770	1.6	63,184	64,133	(1.5)
Impairment loss of loans and debt securities	4,824	6,098	(20.9)	6,430	(25.0)	23,814	26,192	(9.1)
Operating profit before income tax expenses	10,187	8,193	24.3	8,340	22.2	39,370	37,941	3.8
Income tax expenses	2,057	1,154	78.2	1,560	31.9	7,232	6,852	5.6
Net Profit	8,130	7,039	15.5	6,780	19.9	32,138	31,089	3.4
Net profit (attributable to equity holders of the Bank)	7,459	6,355	17.4	6,159	21.1	29,284	28,491	2.8
ROA (%) ⁽²⁾	1.00 ⁽³⁾	0.89 ⁽³⁾		0.89		1.02 ⁽³⁾	1.02	
ROE (%) ⁽²⁾	8.78 ⁽³⁾	7.71 ⁽³⁾		8.10		9.09 ⁽³⁾	9.60	

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

⁽²⁾ ROA and ROE calculated 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.

⁽³⁾ If excluding extraordinary items, ROA for 3Q2019, 4Q2019, and FY2019 would be 1.16%, 1.24% and 1.17% respectively whilst ROE for 3Q2019, 4Q2019, and FY2019 would be 10.01%, 10.88%, and 10.46% respectively.

In 4Q2019, KTB's consolidated net profit attributable to equity holders of the Bank amounted to Baht 7,459 million, increased by 21.1% compared to same period of last year. This is due to higher total operating income (gain from investments, net) and lower impairment loss of loans and debt securities despite higher operating expenses from provision for impairment of properties for sale. If excluding such expense, net profit attributable to equity holders of the Bank increased by 50.1% compared to same period of last year. Compared to 3Q2019, KTB's consolidated net profit attributable to equity holders of the Bank rose by 17.4% due to the higher other non-interest income from gain on investments, net as well as to lower impairment loss of loans and debt securities. Yet net interest income was decreased as the consequence from the Bank of Thailand's series of interest rate cut announcement, which led the Bank to cut MRR and MOR rates effective August 15, 2019 and MLR rate effective November 11, 2019 onwards. Additionally, operating expenses were increased due to provision for impairment of properties for sale.

If excluding extraordinary items on employees' benefits provision in 3Q2019 and provision for impairment of properties for sale in 4Q2019, net profit attributable to equity holders of the Bank increased by 12.0%.

In 2019, KTB's consolidated net profit attributable to equity holders of the Bank was Baht 29,284 million, a increase of 2.8% YoY from higher total operating incomes from interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q2019 as well as from other non-interest income (gain on investments, net), despite higher operating expenses from provision for impairment of properties for sale and from provision expense on employees' benefits. If excluding such extraordinary items, net profit attributable to equity holders of the Bank increased by 18.2% from 2018.

Net Interest Income

Unit : Million Baht

	4/2019	3/2019	Change	4/2018	Change	2019	2018	Change
			%		%			%
Interest income	29,505	29,844	(1.1)	30,394	(2.9)	122,971	119,770	2.7
- Interbank and money market items	1,567	1,552	1.0	2,119	(26.0)	7,113	9,882	(28.0)
- Investments and trading transactions	159	119	32.9	86	85.1	482	325	48.5
- Investment in debt securities	1,360	1,243	9.4	1,155	17.7	4,943	3,807	29.8
- Loans	26,246	26,770	(2.0)	26,818	(2.1)	109,784	104,681	4.9
- Hire purchase and financial lease	80	96	(16.0)	186	(56.8)	428	936	(54.3)
- Others	93	64	46.5	30	211.8	221	139	59.5
Less Interest expense	8,796	8,683	1.3	8,934	(1.5)	34,655	36,081	(4.0)
- Deposits	4,417	4,422	(0.1)	4,880	(9.5)	17,861	19,445	(8.1)
- Interbank and money market items	597	643	(7.2)	610	(2.1)	2,532	2,707	(6.5)
- Contributions to BOT and DPA	2,598	2,443	6.4	2,463	5.5	9,978	9,705	2.8
- Debts issued	1,093	1,119	(2.3)	945	15.7	4,085	4,093	(0.2)
- Others	91	56	63.5	36	150.9	199	131	51.5
Net interest income	20,709	21,161	(2.1)	21,460	(3.5)	88,316	83,689	5.5
Earning Asset Yield (%)	4.15	4.35		4.58		4.48⁽¹⁾	4.47	
Cost of Fund (%)	1.44	1.48		1.55		1.46	1.53	
Net interest margin [based on earning assets] (%)	2.91	3.08		3.23		3.22⁽¹⁾	3.13	

⁽¹⁾ If excluding interest income due to the partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million, Earning asset yield (%) and Net interest margin [based on earning assets] (%) for 2019 would be 4.34% and 3.07% respectively.

KTB's consolidated net interest income in 4Q2019 amounted Baht 20,709 million, decreased by 3.5% YoY. Though loans in 4Q2019 grew 3.2% YoY, interest income was partially affected by series of the Bank of Thailand's policy rate cut announcement; the first one being a 0.25% cut from 1.75% to 1.50% and the second one being a 0.25% cut from 1.50% to 1.25%. Consequently, the Bank had cut MRR and MOR rates equally by 0.25% from 7.120%

to 6.870% effective from August 15, 2019 onwards as well as had cut MLR rate by 0.25% from 6.275% to 6.025% effective from November 11, 2019 onwards. Yet, interest expense on deposits was reduced as a result from continuously improving cost of fund management. Net Interest Margin (NIM) registered at 2.91%, a decline YoY. **Compared to 3Q2019**, net interest income decreased by 2.1% from the impact of interest rates cuts. Hence, NIM was decreased from 3.08% in 3Q2019.

KTB's consolidated net interest income in 2019 amounted Baht 88,316 million, increased by 5.5% YoY from the interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million in 1Q2019 as well as from lower interest expense on deposits as a result from continuously improving cost of fund management. If excluding such item, net interest income rose 0.9% YoY while the Bank still focuses on portfolio management toward higher efficiency and risk management alignment as well as continuously improving cost of fund management. Yet, the Bank was affected from the lending rate cuts, NIM excluding income received from the auction of mortgaged guarantee asset of 1Q2019 registered at 3.07%, a decrease from 3.13% in 2018.

Change of interest rate

	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Policy Interest Rate (%)	1.25% ⁽¹⁾	1.50%	1.75%	1.75%	1.75%	1.50%
Deposit Rate ⁽²⁾ (%)						
- 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	6.025% ⁽¹⁾	6.275%	6.275%	6.275%	6.275%	6.275%
- MOR	6.870%	6.870%	7.120%	7.120%	7.120%	7.120%
- MRR	6.870%	6.870%	7.120%	7.120%	7.120%	7.120%

⁽¹⁾ The Monetary Policy Committee, Bank of Thailand announced the policy rate cut by 0.25% from 1.25% to 1.00%, effective on February 5, 2020. Consequently, the Bank announced the 0.25% cut of Minimum Loan Rate (MLR) from 6.025% to 5.775%, effective on February 7, 2020.

⁽²⁾ Standard deposit rate for individuals.

Net Fee and Service Income

	4/2019	3/2019	Change	4/2018	Change	2019	2018	Change
			%		%			%
Fee and service income	7,744	7,523	2.9	7,605	1.8	29,596	29,493	0.4
Less Fee and service expense	1,740	1,574	10.5	1,594	9.1	6,359	5,831	9.1
Net fee and service income	6,004	5,949	0.9	6,011	(0.1)	23,237	23,662	(1.8)

Unit : Million Baht

KTB's consolidated net fee and service income in 4Q2019 was Baht 6,004 million, a similar level YoY. Compared to 3Q2019, KTB's consolidated net fee and service income increased 0.9% due to higher bancassurance fee and fee from card business.

KTB's consolidated net fee and service income in 2019 was Baht 23,237 million, compressed by 1.8%.

Fee and service income breakdown

	Unit : %				
	4Q2019	3Q2019	4Q2018	2019	2018
Loan related fee	8%	10%	8%	8%	9%
Card Business and electronic services	52%	50%	50%	51%	50%
Cash management	6%	6%	6%	6%	7%
Bancassurance	9%	8%	8%	9%	9%
Other fees ⁽¹⁾	25%	26%	28%	26%	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							
	4/2019	3/2019	Change	4/2018	Change	2019	2018	Change
			%		%			%
Gain (loss) on trading and foreign exchange transactions, net	1,057	474	123.2	449	135.7	3,197	3,500	(8.7)
Gain (loss) on investments, net	2,546	1,154	120.6	90	2,724.8	4,372	435	906.2
Share of profit (loss) from investments for using equity method	185	458	(59.7)	81	128.5	1,425	1,130	26.1
Dividend income	37	154	(75.7)	64	(41.7)	496	453	9.3
Other income	1,090	1,078	1.1	1,248	(12.6)	4,615	4,352	6.0
Total other operating income	4,915	3,318	48.2	1,932	154.5	14,105	9,870	42.9

KTB's consolidated total other operating income in 4Q2019 was Baht 4,915 million, increased by 154.5% YoY, owing to improvement from gain on investments, net and gain on trading and foreign exchange transactions, net. Compared to 3Q2019, KTB's consolidated total other operating income increased by 48.2% from gain on investments, net and gain on trading and foreign exchange transactions, net.

KTB's consolidated total other operating income in 2019 was Baht 14,105 million, increased by 42.9% YoY due to gain on investments, net, share of profit from investments for using equity method, and gain from selling properties for sale (other income).

Other Operating Expenses

Unit : Million Baht

	4/2019	3/2019	Change	4/2018	Change	2019	2018	Change
			%		%			%
Employees' expenses	7,089	10,013	(29.2)	7,395	(4.1)	31,390	29,226	7.4
Premises and equipment expenses	2,304	2,229	3.3	2,380	(3.2)	8,942	8,792	1.7
Taxes and duties	1,023	1,146	(10.7)	1,083	(5.5)	4,363	4,303	1.4
Impairment loss of properties for sale	2,405	-	100.0	7	37,558.6	7,219	269	2,580.5
Others ⁽¹⁾	3,796	2,749	38.1	3,768	0.7	10,560	10,498	0.6
Total other operating expenses	16,617	16,137	3.0	14,633	13.6	62,474	53,088	17.7
Cost to income ratio (%)	52.54 ⁽²⁾	53.03 ⁽²⁾		49.77		49.72 ⁽²⁾	45.29	

⁽¹⁾ Including Directors' remuneration

⁽²⁾ If excluding extraordinary items, cost to income ratio for 3Q2019, 4Q2019 and FY2019 would be 45.23%, 45.48% and 43.58% respectively.

KTB's consolidated other operating expenses in 4Q2019 was Baht 16,617 million, rose by 13.6%YoY, mainly due to provision for impairment of properties for sale. If excluding such item, other operating expenses decreased by 1.7% together with an increase in total operating income; hence, cost to income excluding employees' benefits provision registered at 45.48%, declining from 49.77% in the same period of last year.

Compared to 3Q2019, other operating expenses increased 3.0% QoQ, mainly from provision for impairment of properties for sale in this quarter despite lower employees' expenses from employees' benefits provision in 3Q2019. If excluding extraordinary items, other operating expenses increased by 4.5%; cost to income excluding extraordinary items registered at 45.48% increased from 45.23% in 3Q2019.

KTB's consolidated other operating expenses in 2019 was Baht 62,474 million, increased by 17.7% YoY from provision for impairment of properties for sale and from provision expense on employees' benefits in 3Q2019. If excluding such extraordinary items, other operating expenses were at a similar level as the same period last year together with an increase in total operating income, which led to cost to income excluding such extraordinary items of 43.58%, declined from 45.29% in 2018.

Impairment Loss of Loans

Unit : Million Baht

	4/2019	3/2019	Change	4/2018	Change	2019	2018	Change
			%		%			%
Impairment loss of loans ⁽¹⁾	4,824	6,098	(20.9)	6,430	(25.0)	23,814	26,192	(9.1)

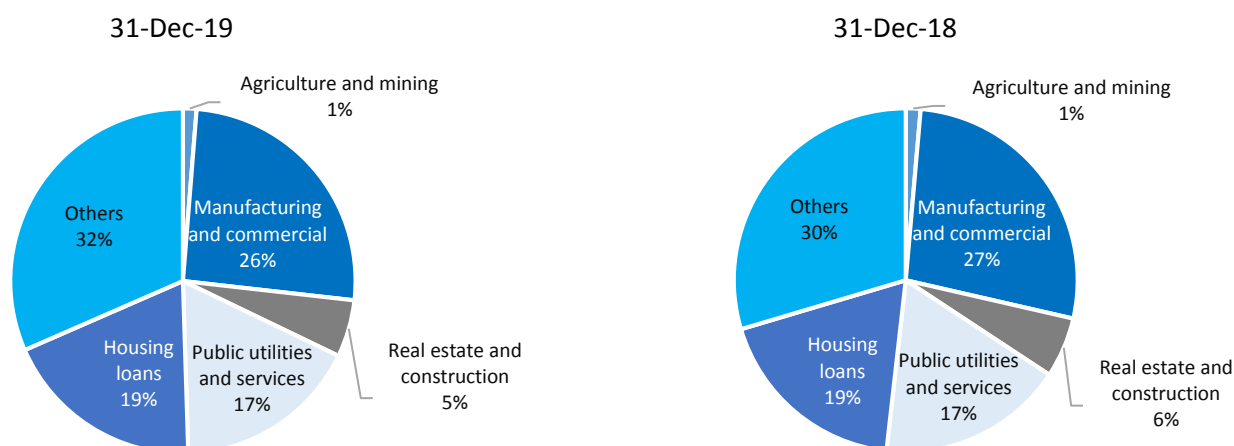
⁽¹⁾ Impairment loss of loans and debt securities

In 4Q2019, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 4,824 million, a decrease by 25.0% YoY and by 20.9% QoQ. In 2019, the Bank and its subsidiaries set aside the expense for impairment loss of loans amounted Baht 23,814 million, a decrease by 9.1% YoY given the consideration on an improving trend of NPLs and on the adequacy for TFRS 9 effective in 2020. The Bank and its subsidiaries consistently conform to provision policy with prudent practice while maintaining level of coverage ratio. As at December 31, 2019, the Bank's consolidated coverage ratio was increased to 131.76% from 125.74% as at December 31, 2018 and increased from 128.07% as at September 30, 2019.

The Bank and Its Subsidiaries' Financial Status as at December 31, 2019

Loans to Customers

Loan breakdown by type of business



The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,089,874 million, increased by 3.2% compared to the end of last year. Such growth was derived from the retail loans (from all key segments), private corporate loans and government & SoE loans. Loans to customers (less deferred revenue) were at similar level as at September 30, 2019.

Loan breakdown by type of borrowers (Consolidated's Financial Statements)

Unit : Million Baht

Consolidated Financial Statements	31 Dec 2019		30 Sep 2019		Change (%)	31 Dec 2018		Change (%)
	Amount	(%)	Amount	(%)		Amount	(%)	
Private Corporate	650,267	31.1	655,666	31.4	(0.8)	630,633	31.1	3.1
Government and State Enterprise	182,986	8.8	207,773	9.9	(11.9)	179,904	8.9	1.7
SMEs ⁽¹⁾	332,447	16.0	329,062	15.7	1.0	344,197	17.0	(3.4)
Retail	924,268	44.2	899,763	43.0	2.7	870,027	43.0	6.2
- Housing	396,035	18.9	388,197	18.6	2.0	376,734	18.6	5.1
- Personal	464,138	22.2	451,800	22.6	2.7	428,668	21.2	8.3
- Credit card	56,653	2.7	51,138	1.4	10.8	51,062	2.5	10.9
- KTB Leasing	7,442	0.4	8,628	0.4	(13.7)	13,563	0.7	(45.1)
Others	375	0.0	379	0.0	(1.0)	369	0.0	1.4
Total loans	2,090,343	100.0	2,092,643	100.0	(0.1)	2,025,130	100.0	3.2
Less Deferred revenue	469		586			925		
Total	2,089,874		2,092,057		(0.1)	2,024,205		3.2

⁽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 2019			30 Sep 2019			31 Dec 2018		
	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	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts
1. Loan Classification									
Normal	1,923,616	883,841	13,908	1,917,468	900,469	13,533	1,858,757	872,884	13,399
Special mention	68,696	30,545	8,478	68,363	31,827	14,191	64,465	25,555	11,585
Substandard	12,780	6,429	6,433	15,352	6,071	6,096	14,404	7,899	7,899
Doubtful	12,647	4,527	4,547	14,021	7,129	7,129	17,923	9,196	9,196
Doubtful of loss	77,294	37,398	37,403	80,499	35,296	36,622	74,080	31,511	33,008
Total	2,095,033	962,740	70,769	2,095,703	980,792	77,571	2,029,629	947,045	75,087
Excess allowance			64,459			63,074			58,668
2. Actual provisioning for loan loss⁽¹⁾			135,268			140,645			133,755
3. Gross NPLs⁽²⁾	102,659		4.33%	109,818		4.58%	106,370		4.53%
Net NPLs⁽²⁾	42,333		1.83%	44,910		1.92%	44,396		1.94%
4. Coverage Ratio⁽³⁾			131.76%			128.07%			125.74%

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

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

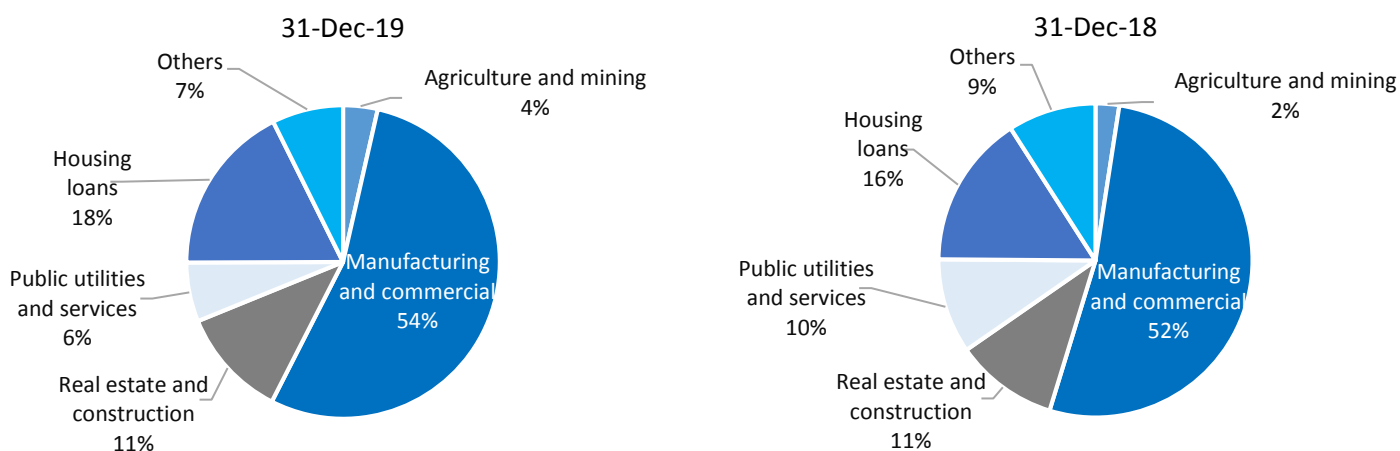
⁽³⁾ Coverage Ratio = Actual provisioning for loan loss / Gross NPLs

The Bank's consolidated NPLs Ratio-Gross as at December 31, 2019 was 4.33%, down from 4.53% as at December 31, 2018 and from 4.58% as at September 30, 2019.

NPLs Ratio-Net stood at 1.83%, a decrease from 1.94% as at December 31, 2018 and from 1.92% as at September 30, 2019.

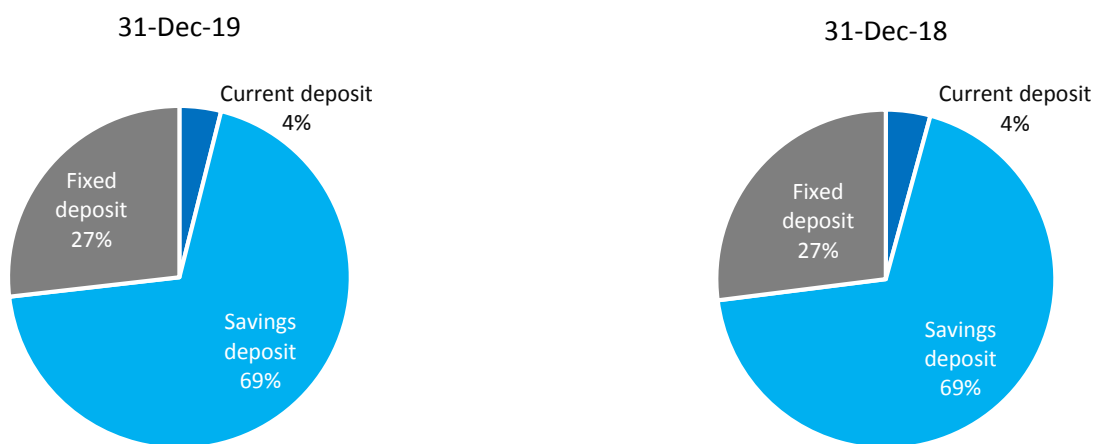
The Bank and its subsidiaries consistently conform to provision policy with prudent practice while maintaining level of coverage ratio. As at December 31, 2019, the Bank's consolidated coverage ratio was increased to 131.76% from 125.74% as at December 31, 2018 and increased from 128.07% as at September 30, 2019.

Gross NPLs breakdown by type of business



Deposits

Deposits breakdown by types



The Bank’s consolidated deposits was Baht 2,155,865 million, increased by 5.7% from December 31, 2018, mainly from the increase of saving and fixed deposits. However, the Bank’s consolidated deposits increased by 3.5% from September 30, 2019 from saving deposits.

The Bank’s consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) as at December 31, 2019 of 96.94% decreased from 99.25% as at December 31, 2018 and decreased from 100.46% as at September 30, 2019.

Sources and Uses of Funds

Unit : Million Baht

	31 Dec 2019		30 Sep 2019		Change (%)	31 Dec 2018		Change (%)
	Amount	(%)	Amount	(%)		Amount	(%)	
Net Interbank and money market items (asset)	338,771	11.2	338,731	11.6	0.0	372,514	13.6	(9.1)
Net investments and net investments in associates	426,174	14.2	360,246	12.4	18.3	240,167	8.8	77.4
Loans to customers (less deferred revenues)	2,089,874	69.4	2,092,057	71.8	(0.1)	2,024,205	73.9	3.2
Less Allowance for doubtful accounts and revaluation allowance for debt restructuring	(135,268)	(4.5)	(140,645)	(4.8)	(3.8)	(133,755)	(4.9)	1.1
Other assets	292,665	9.7	262,970	9.0	11.3	236,072	8.6	24.0
Total Asset	3,012,216	100.0	2,913,359	100.0	3.4	2,739,203	100.0	10.0
Deposits	2,155,865	71.6	2,082,509	71.5	3.5	2,039,602	74.5	5.7
Net Interbank and money market items (liabilities)	215,823	7.2	184,602	6.3	16.9	157,396	5.7	37.1
Debt issued and borrowings	96,841	3.2	116,126	4.0	(16.6)	95,205	3.5	1.7
Other liabilities	195,361	6.5	184,989	6.4	5.6	132,859	4.8	47.0
Total equity	348,326	11.5	345,133	11.8	0.9	314,141	11.5	10.9
- Equity holders of the Bank	338,287	11.2	335,738	11.5	0.8	305,875	11.2	10.6
- Non-controlling interest	10,039	0.3	9,395	0.3	6.9	8,266	0.3	21.5
Total liabilities and equity	3,012,216	100.0	2,913,359	100.0	3.4	2,739,203	100.0	10.0
Loans to customers (less deferred revenue)-to-deposits ratio (%)	96.94		100.46			99.25		

As at December 31, 2019, the Bank's consolidated major source of funds was 71.6% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. The Bank's consolidated use of funds comprised of 69.4% loans to customers (less deferred revenue), 14.2% net investments and net investments in associates, and 11.2% net interbank and money market items.

Equity

The total equity (equity holders of the Bank) as at December 31, 2019 was Baht 338,287 million, increased by 10.6% and 0.8% compared to December 31, 2018 and September 30, 2019 respectively.

Book value per share (equity holders of the Bank) was Baht 24.20 per share increased from Baht 21.88 per share and Baht 24.01 per share at December 31, 2018 and September 30, 2019 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 2019 ⁽³⁾		30 Sep 2019 ⁽³⁾		The minimum rate required by the BOT for 2019 (%) ⁽²⁾	31 Dec 2018 ⁽³⁾		The minimum rate required by the BOT for 2018 (%) ⁽²⁾
	Amount	Amount	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	304,705	15.19	294,986	14.91	>7.500	284,013	14.42	>6.375
Tier 1 capital	305,805	15.24	296,108	14.96	>9.000	284,982	14.47	>7.875
Tier 2 capital	75,534		97,764			73,718		
Total capital fund	381,339	19.01	393,872	19.91	>11.500	358,700	18.22	>10.375
Risk-weighted assets	2,006,423		1,978,702			1,969,203		

⁽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)

⁽³⁾ Capital fund and capital adequacy ratio as at December 31, 2019 and September 30, 2019 are preliminary information prepared accordance with BOT guidelines. However, the capital data as at December 31, 2018 has been updated in alignment with the report to BOT.

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	31 Dec 2019		30 Sep 2019		The minimum rate required by the BOT for 2019 (%) ⁽¹⁾	31 Dec 2018		The minimum rate required by the BOT for 2018 (%) ⁽¹⁾
	Amount	(%)	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	285,462	14.80	276,610	14.54	>7.500	272,015	14.35	>6.375
Tier 1 capital	285,462	14.80	276,610	14.54	>9.000	272,015	14.35	>7.875
Tier 2 capital	74,616		96,865			72,856		
Total capital fund	360,078	18.66	373,475	19.63	>11.500	344,871	18.19	>10.375
Risk-weighted assets	1,929,176		1,902,249			1,895,879		

⁽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, 2019, the Bank and the Financial Business Group's Common Equity Tier 1 were Baht 304,705 million (15.19% of its RWA), and Tier 1 capital were Baht 305,805 million (15.24% of its RWA). Total capital was Baht 381,339 million (19.01% of its RWA).

As at December 31, 2019, the Bank's Common Equity Tier 1 and Tier 1 capital were Baht 285,462 million (14.80% of its RWA). Total capital was Baht 360,078 million (18.66% of its RWA). Additionally, total capital increased Baht 15,207 million from as at December 31, 2018 as a result of the appropriation of 1H19 net profit 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 with any foreseeable risk to ensure the capital adequacy.

Credit Ratings

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

	December 2019	September 2019	December 2018
■ S&P Global Ratings			
■ 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			
■ Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2	Baa1 / P-2
■ Outlook	Positive	Positive	Stable
■ Baseline Credit Assessment (BCA)	baa3	baa3	ba1
■ Fitch Ratings			
Foreign Currency Credit Ratings			
■ Long-term/ Short-term	BBB / F2	BBB / F2	BBB / F2
■ Outlook	Positive	Positive	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	AA+(tha)	AA+(tha)	AA+(tha)
■ Subordinated Debt (Baht)	AA(tha)	AA(tha)	AA(tha)

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.