



# Bangkok Bank Public Company Limited

## Management Discussion and Analysis

for the Quarter and Six-month Period Ended June 30, 2019

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## Management Discussion and Analysis

### Overview of the Economy and Banking Industry

#### *Thai Economy in the Second Quarter of 2019*

The Thai economy in the second quarter of 2019 was expected to expand at a slower pace compared with the same period last year due to a contraction in merchandise exports and a slowdown in tourism growth resulting from uncertainty about the trade policies of major countries and the Baht's ongoing appreciation. However, the Thai economy has been supported by the expansion of private consumption, due to an increase in auto sales in the first half of the year and from additional government measures to support low-income households, although these may gradually decrease. Private investment was also expected to slow down due partly to a decline in capacity utilization following a steady contraction in export value. Meanwhile, public investment expanded as a result of an acceleration in disbursements by the government.

Headline inflation in the second quarter of 2019 was 1.08 percent, down from 1.31 percent in the same quarter last year, and up from 0.74 percent in the previous quarter. It remained within the Bank of Thailand's (BOT) target range of 1-4 percent. At the same time, core inflation was 0.54 percent, down from 0.76 percent in the same quarter last year and 0.62 percent in the previous quarter. The Baht appreciated with an average exchange rate of 31.59 THB/USD compared to 31.92 THB/USD in the same quarter last year and 31.62 THB/USD in the previous quarter.

During the first seven months of 2019, the BOT's Monetary Policy Committee (MPC) retained the policy interest rate at 1.75 percent, with a view that the accommodative monetary policy would contribute to the continuation of economic growth and achievement of the inflation target. However, on August 7, 2019, the MPC cut the policy interest rate by 25 basis points to 1.50 percent, projecting that the Thai economy would expand at a lower rate than previously forecast, due to a contraction in merchandise exports, which started to impact domestic demand. Going forward, the risks to financial system stability need to be managed cautiously through both microprudential and macroprudential measures.

Thailand's economy in 2019 is likely to expand at a slower pace than the previous year. The BOT has forecast a growth rate of 3.3 percent as merchandise exports have contracted and revenue from the tourism sector has grown at a slower rate in response to the weakening global economy and the stronger Baht. In addition, private consumption grew at a slower pace and private investment shrank as a result of declines in exports and confidence. Meanwhile, the full impact of government spending on the economy cannot be fully realized due to the delay in the enactment of the Annual Budget Expenditures Act B.E. 2020. For the rest of the year, the global economic slowdown, the prolonged US-China trade conflict and the uncertainty of Brexit negotiations, as well as the Baht's appreciation will continue to pose major downside risks for the Thai economy. However, various measures by the government and the BOT's policy rate cut are factors that would help support the country's economy.

#### *Thai Banking Industry*

The commercial banking sector in Thailand continues to face challenges from the business environment and ongoing changes in regulations. However, operating results in the second quarter of 2019 improved with net profit rising by 7.8 percent from the same quarter last year and 6.6 percent from the previous quarter. As of June 30, 2019, loans grew at a lower rate than deposits, with the ratio of loans to deposits declining from the end of last year as a result. Regarding the quality of loans, the ratio of non-performing loan (NPL) to total loans slightly increased from the end of 2018 to 3.0 percent.

The BOT's Senior Loan Officer Survey indicated that in the second quarter of 2019, credit demand from the business sector improved from the previous quarter, due to loan demand from large corporates, particularly in the telecommunications sector, as well as from small and medium sized businesses for fixed investment and working capital purposes. There was a notable decrease in demand for housing loans as most borrowers rushed to submit their loan applications before the effective date of the revised Loan-to-Value (LTV) measures on April 1, 2019. Demand for auto-leasing declined in line with a contraction in overall vehicle sales. Other personal loans and credit card loans decreased in tandem with a decline in private consumption growth. Looking forward, financial institutions expect increasing demand for business credit, especially from large corporates in the food and beverage, petroleum and transportation sectors, as well as from small and medium sized businesses in food and beverage, trading and construction. Demand for consumer loans is likely to increase in the credit card sector, while demand for housing loans and other personal loans will be stable. Demand for auto-leasing will tend to decline.

For deposits, commercial banks have placed greater emphasis on adjusting their deposit portfolio structure to increase the proportion of CASA while managing liquidity appropriate to the changing environment and in compliance with the BOT regulations on Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The preparation for TFRS 9 adoption, which will come into effect in 2020, and managing loan quality and NPL continue to be major challenges. However, with a relatively high level of capital and the regular setting aside of additional provisions, commercial banks can still maintain an adequate cushion for NPL in the banking system.

## Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2019	1/2019	2/2018	1/2019	2/2018	2019	2018	
Net profit *	<b>9,347</b>	9,028	9,194	3.5%	1.7%	<b>18,375</b>	18,199	1.0%
Earnings per share (Baht)	<b>4.90</b>	4.73	4.82	3.5%	1.7%	<b>9.63</b>	9.53	1.0%
Net interest margin	<b>2.36%</b>	2.48%	2.33%	(0.12)%	0.03%	<b>2.42%</b>	2.34%	0.08%
Net fees and service income to operating income ratio	<b>21.2%</b>	23.9%	21.3%	(2.7)%	(0.1)%	<b>22.5%</b>	22.7%	(0.2)%
Expense to operating income ratio	<b>45.3%</b>	42.6%	42.8%	2.6%	2.4%	<b>44.0%</b>	41.4%	2.6%
Return on average assets *	<b>1.19%</b>	1.17%	1.16%	0.02%	0.03%	<b>1.18%</b>	1.17%	0.01%
Return on average equity *	<b>8.84%</b>	8.74%	9.16%	0.10%	(0.32)%	<b>8.81%</b>	9.12%	(0.31)%

\* Attributable to owners of the Bank

Million Baht

Item	June 2019	March 2019	December 2018	Change (%)	
				March 2019	December 2018
Loans **	<b>2,017,314</b>	2,029,810	2,083,160	(0.6)%	(3.2)%
Deposits	<b>2,352,679</b>	2,340,979	2,326,470	0.5%	1.1%
Loan to deposit ratio	<b>85.7%</b>	86.7%	89.5%	(1.0)%	(3.8)%
Non-performing loan (NPL)	<b>82,148</b>	83,668	80,137	(1.8)%	2.5%
Ratio of NPL to total loans	<b>3.5%</b>	3.5%	3.4%	-	0.1%
Ratio of loan loss reserves to NPL	<b>185.8%</b>	189.0%	190.9%	(3.2)%	(5.1)%
Total capital adequacy ratio	<b>18.28%</b>	18.12%	17.96%	0.16%	0.32%

\*\* Less deferred revenue

Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9,347 million for the second quarter of 2019, an increase of 1.7 percent from the second quarter of 2018. Net interest income increased by 0.4 percent and the net interest margin improved slightly to 2.36 percent. Non-interest income decreased by 1.0 percent as a result of lower gains on tradings and foreign exchange transactions and a minimal decline in net fees and service income. The decline in net fees and service income was caused by lower fees from securities business in line with the capital market situation, while fees from bancassurance and mutual funds increased. Consequently, the ratios of net interest income and non-interest income to operating income continued to stand at about 57 percent and 43 percent, respectively, and were at similar levels to the same period last year, as a result of the Bank's intention to diversify its source of income. The ratio of expense to operating income stood at 45.3 percent.

At the end of June 2019, the Bank's loans amounted to Baht 2,017,314 million, a slight decrease from the previous quarter, owing to a decline in loans to businesses and loans made through the Bank's international network. The ratio of non-performing loan (NPL) to total loans was 3.5 percent, the same level as the previous quarter. The Bank continued to focus on prudent control over credit underwriting and to ensure loan quality and the allowance for doubtful accounts to maintain at the appropriate level. The ratio of loan loss reserves to NPL was 185.8 percent.

The Bank continues to maintain liquidity and capital at a sufficient level to support future business expansion, at the end of June 2019, total deposits amounting to Baht 2,352,679 million, an increase of 0.5 percent. Meanwhile the loan to deposit ratio stood at 85.7 percent. In terms of capital, with the inclusion of net profit for the six months ending June 30, 2019 minus the September 2019 dividend payment, the total capital adequacy ratio, the Common Equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio of the Bank and its subsidiaries were 18.91 percent, 17.42 percent and 17.42 percent, respectively. These capital adequacy ratios are above the Bank of Thailand's minimum capital requirements.

## Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

	Quarter		Change (%)		H1		Change	
	2/2019	1/2019	2/2018	1/2019	2/2018	2019	2018	(%)
Net interest income	<b>17,635</b>	18,299	17,573	(3.6)%	0.4%	<b>35,935</b>	34,696	3.6%
Non-interest income	<b>13,534</b>	10,328	13,667	31.0%	(1.0)%	<b>23,861</b>	28,081	(15.0)%
Operating expenses	<b>14,108</b>	12,201	13,376	15.6%	5.5%	<b>26,310</b>	25,970	1.3%
Impairment loss of loans and debt securities	<b>5,549</b>	5,078	6,533	9.3%	(15.1)%	<b>10,627</b>	13,854	(23.3)%
Operating profit before tax	<b>11,512</b>	11,348	11,331	1.4%	1.6%	<b>22,859</b>	22,953	(0.4)%
Income tax expenses	<b>2,065</b>	2,225	2,041	(7.2)%	1.2%	<b>4,289</b>	4,563	(6.0)%
Net profit	<b>9,447</b>	9,123	9,290	3.6%	1.7%	<b>18,570</b>	18,390	1.0%
Net profit *	<b>9,347</b>	9,028	9,194	3.5%	1.7%	<b>18,375</b>	18,199	1.0%
Total comprehensive income *	<b>6,276</b>	12,442	2,738	(49.6)%	129.2%	<b>18,717</b>	6,476	189.0%

\* Attributable to owners of the Bank

For the second quarter of 2019, Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9,347 million, an increase of Baht 319 million from the first quarter of 2019. Non-interest income rose by Baht 3,206 million or 31.0 percent, due mainly to increases in gains on investments and dividend income, while net interest income fell by Baht 664 million or 3.6 percent. Operating expenses rose by Baht 1,907 million or 15.6 percent. Impairment loss on loans and debt securities rose by Baht 471 million.

Compared with the second quarter of 2019, net profit attributable to owners of the Bank rose by Baht 153 million. Net interest income increased by Baht 62 million or 0.4 percent. Non-interest income fell by Baht 133 million or 1.0 percent, mainly due to lower gains on tradings and foreign exchange and a minimal decline in net fees and service income. Operating expenses rose by Baht 732 million or 5.5 percent. Impairment loss on loans and debt securities fell by Baht 984 million.

In the first half of 2019, net profit attributable to owners of the Bank amounted to Baht 18,375 million, an increase of Baht 176 million from the first half of 2018. Net interest income rose by Baht 1,239 million or 3.6 percent predominantly on improved yield on earning assets. Non-interest income fell by Baht 4,220 million or 15.0 percent, mainly driven by lower gains on investments and net fees and service income. The decrease in net fees and service income was due to lower fees from securities business, in line with the capital market situation as well as a decline in transaction services resulting from the exemption of transaction fees via digital channels. Impairment loss on loans and debt securities fell by Baht 3,227 million.

## Net Interest Income

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2019	1/2019	2/2018	1/2019	2/2018	2019	2018	
<b>Interest Income</b>								
Loans	<b>22,964</b>	23,696	23,012	(3.1)%	(0.2)%	<b>46,660</b>	45,378	2.8%
Interbank and money market items	<b>2,429</b>	2,321	2,306	4.7%	5.3%	<b>4,751</b>	4,363	8.9%
Investments	<b>2,621</b>	2,348	2,150	11.6%	21.9%	<b>4,969</b>	4,310	15.3%
<b>Total interest income</b>	<b>28,014</b>	28,365	27,468	(1.2)%	2.0%	<b>56,380</b>	54,051	4.3%
<b>Interest expenses</b>								
Deposits	<b>5,769</b>	5,526	5,442	4.4%	6.0%	<b>11,296</b>	10,730	5.3%
Interbank and money market items	<b>573</b>	557	676	2.9%	(15.2)%	<b>1,130</b>	1,080	4.6%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	<b>2,504</b>	2,453	2,498	2.1%	0.2%	<b>4,956</b>	4,939	0.3%
Debt issued and borrowings	<b>1,533</b>	1,530	1,279	0.2%	19.9%	<b>3,063</b>	2,606	17.5%
<b>Total interest expenses</b>	<b>10,379</b>	10,066	9,895	3.1%	4.9%	<b>20,445</b>	19,355	5.6%
<b>Net interest income</b>	<b>17,635</b>	18,299	17,573	(3.6)%	0.4%	<b>35,935</b>	34,696	3.6%
Yield on earning assets	<b>3.74%</b>	3.84%	3.64%	(0.10)%	0.10%	<b>3.80%</b>	3.65%	0.15%
Cost of funds	<b>1.61%</b>	1.58%	1.50%	0.03%	0.11%	<b>1.59%</b>	1.49%	0.10%
Net interest margin	<b>2.36%</b>	2.48%	2.33%	(0.12)%	0.03%	<b>2.42%</b>	2.34%	0.08%

In the second quarter of 2019, net interest income fell by Baht 664 million or 3.6 percent from the previous quarter due to a decrease of Baht 732 million in interest income from loans resulting from contracting loan volume, while interest expenses from deposits rose by Baht 243 million in line with an increase in deposits volume. Net interest margin stood at 2.36 percent.

Compared with the second quarter of 2018, net interest income rose by Baht 62 million. Interest income rose by Baht 546 million, predominantly from an increase in interest income from investments, due to higher yield. Interest expenses rose by Baht 484 million mostly from higher deposits and borrowing volume. Net interest margin rose by 0.03 percent from the same quarter last year.

In the first half of 2019, net interest margin rose by 0.08 percent from the same period last year to 2.42 percent due mainly to an increase in yield on earning assets in all categories, combined with an increase in average loan volume. Consequently, interest income rose by Baht 2,329 million which was attributable to interest income from loans of Baht 1,282 million. Interest expenses rose by Baht 1,090 million due to an increase in deposit volume and the issuance of debentures.



Bangkok Bank Interest Rate	Jun'19	Mar'19	Dec'18	Sep'18	Jun'18	Mar'18
<b>Loans (%)</b>						
MOR	7.125	7.125	7.125	7.125	7.125	7.125
MRR	7.125	7.125	7.125	7.125	7.125	7.125
MLR	6.250	6.250	6.250	6.250	6.250	6.250
<b>Deposits (%)</b>						
Savings	0.500-0.625	0.500-0.625	0.500-0.625	0.500-0.625	0.500-0.625	0.500-0.625
3-month Fixed	1.000	1.000	1.000	1.000	1.000	1.000
6-month Fixed	1.250	1.250	1.250	1.250	1.250	1.250
12-month Fixed	1.500	1.500	1.500	1.500	1.500	1.500
<b>Bank of Thailand Policy Rate (%)</b>	1.750	1.750	1.750	1.500	1.500	1.500

### Non-Interest Income

Item	Quarter		Change (%)		H1		Change (%)	
	2/2019	1/2019	2/2018	1/2019	2/2018	2019		2018
Fees and service income	9,140	9,587	8,994	(4.7)%	1.6%	18,727	19,007	(1.5)%
<u>Less</u> Fees and service expenses	2,525	2,747	2,339	(8.1)%	8.0%	5,272	4,750	11.0%
<b>Net fees and service income</b>	<b>6,615</b>	<b>6,840</b>	<b>6,655</b>	<b>(3.3)%</b>	<b>(0.6)%</b>	<b>13,455</b>	<b>14,257</b>	<b>(5.6)%</b>
Gains on tradings and foreign exchange transactions	1,865	1,759	2,187	6.0%	(14.7)%	3,623	3,841	(5.7)%
Gains on investments	2,471	775	2,309	218.8%	7.0%	3,245	5,836	(44.4)%
Share of profit from investment for using equity method	46	44	45	4.5%	2.2%	90	80	12.5%
Gains on disposal of assets	522	156	339	234.6%	54.0%	679	688	(1.3)%
Dividend income	1,849	637	1,857	190.3%	(0.4)%	2,486	2,449	1.5%
Other operating income	166	117	275	41.9%	(39.6)%	283	930	(69.6)%
<b>Total other operating income</b>	<b>6,919</b>	<b>3,488</b>	<b>7,012</b>	<b>98.4%</b>	<b>(1.3)%</b>	<b>10,406</b>	<b>13,824</b>	<b>(24.7)%</b>
<b>Total non-interest income</b>	<b>13,534</b>	<b>10,328</b>	<b>13,667</b>	<b>31.0%</b>	<b>(1.0)%</b>	<b>23,861</b>	<b>28,081</b>	<b>(15.0)%</b>
Net fees and service income to operating income ratio	21.2%	23.9%	21.3%	(2.7)%	(0.1)%	22.5%	22.7%	(0.2)%

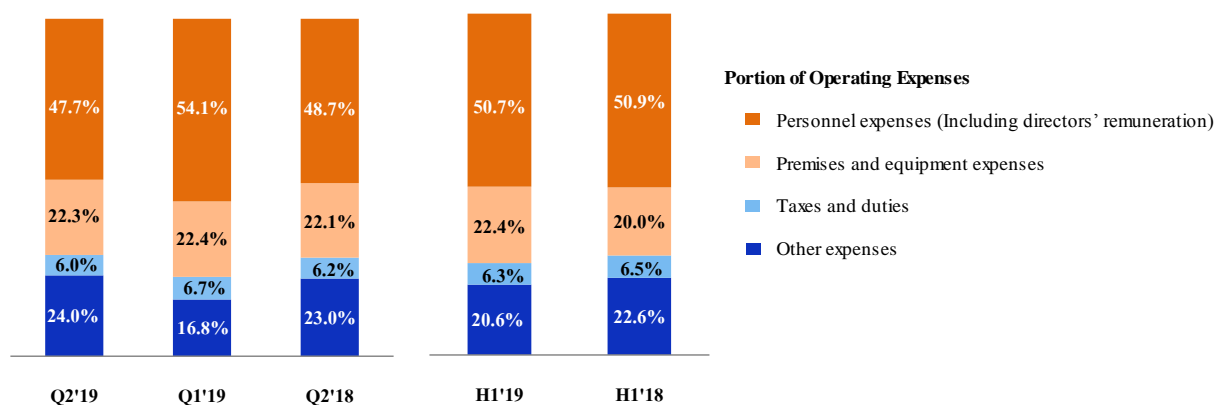
Non-interest income in the second quarter of 2019 amounted to Baht 13,534 million, an increase of Baht 3,206 million or 31.0 percent from the first quarter of 2019, due mainly to increases in gains on investments and dividend income. Net fees and service income declined due partly to lower fees from bancassurance and mutual funds in line with seasonality decline.

Compared with the second quarter of 2018, non-interest income fell by Baht 133 million or 1.0 percent due largely to lower gains on tradings and foreign exchange transactions and net fees and service income. The decrease in net fees and service income was mainly due to lower fees from securities business, following the capital market situation, while fees from bancassurance and mutual fund services increased.

In the first half of 2019, non-interest income amounted to Baht 23,861 million, a decrease of Baht 4,220 million from the first half of 2018, due to lower gains on investments and other operating income, mainly from the recognition of profit sharing from the management of impaired assets by Thai Asset Management Corporation (TAMC). Net fees and service income decreased as a result of the exemption of transaction fees via digital channels and a decrease in fees from securities business in line with the capital market situation, while fees from bancassurance and mutual fund services increased.

### Operating Expenses

Item	Million Baht							
	Quarter			Change (%)		H1		Change (%)
	2/2019	1/2019	2/2018	1/2019	2/2018	2019	2018	
Personnel expenses	<b>6,676</b>	6,563	6,463	1.7%	3.3%	<b>13,239</b>	13,133	0.8%
Directors' remuneration	<b>54</b>	34	46	58.8%	17.4%	<b>89</b>	81	9.9%
Premises and equipment expenses	<b>3,147</b>	2,738	2,960	14.9%	6.3%	<b>5,885</b>	5,183	13.5%
Taxes and duties	<b>850</b>	816	833	4.2%	2.0%	<b>1,666</b>	1,694	(1.7)%
Other expenses	<b>3,381</b>	2,050	3,074	64.9%	10.0%	<b>5,431</b>	5,879	(7.6)%
<b>Total operating expenses</b>	<b>14,108</b>	12,201	13,376	15.6%	5.5%	<b>26,310</b>	25,970	1.3%
Expense to operating income ratio	<b>45.3%</b>	42.6%	42.8%	2.7%	2.5%	<b>44.0%</b>	41.4%	2.6%



In the second quarter of 2019, operating expenses amounted to Baht 14,108 million, an increase of Baht 1,907 million or 15.6 percent from the first quarter of 2019, due to seasonality of expenses.

Compared with the second quarter of 2018, operating expenses rose by Baht 732 million or 5.5 percent, due predominantly to increases in premises and equipment expenses and other expenses, which mainly from expenses for developing working systems and improving efficiency of business operations, and marketing expenses.

In the first half of 2019, operating expenses amounted to Baht 26,310 million, an increase of Baht 340 million or 1.3 percent from the first half of 2018, due to an increase of premises and equipment expenses, mainly from developing working systems and improving efficiency of business operations.



### Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)		H1		Change (%)
	2/2019	1/2019	2/2018	1/2019	2/2018	2019	2018	
Bad debt and doubtful accounts	4,857	4,437	2,846	9.5%	70.7%	9,294	10,214	(9.0)%
Loss on debt restructuring (reversal)	692	641	3,687	8.0%	(81.2)%	1,333	3,640	(63.4)%
<b>Total</b>	<b>5,549</b>	<b>5,078</b>	<b>6,533</b>	<b>9.3%</b>	<b>(15.1)%</b>	<b>10,627</b>	<b>13,854</b>	<b>(23.3)%</b>

Impairment loss of loans and debt securities in the second quarter of 2019 was Baht 5,549 million, compared to Baht 5,078 million in the first quarter of 2019 and Baht 6,533 million in the second quarter of 2018. In the first half of 2019, impairment loss of loans and debt securities amounted to Baht 10,627 million, compared to Baht 13,854 million in the first half of the previous year.

### Significant Items in the Financial Position

#### Assets

Million Baht

Item	June 2019	March 2019	December 2018	Change (%)	
				March 2019	December 2018
Net interbank and money market items	505,175	520,967	450,700	(3.0)%	12.1%
Net investments	584,481	575,605	556,788	1.5%	5.0%
Net investments in associates	1,727	1,652	1,608	4.5%	7.4%
Loans *	2,017,314	2,029,810	2,083,160	(0.6)%	(3.2)%
Net properties for sale	10,341	10,613	10,604	(2.6)%	(2.5)%
<b>Total assets</b>	<b>3,146,109</b>	<b>3,148,836</b>	<b>3,116,750</b>	<b>(0.1)%</b>	<b>0.9%</b>

\* Less deferred revenue

Total assets as of June 30, 2019 amounted to Baht 3,146,109 million, a decrease of Baht 2,727 million from the end of March 2019. Significant items included net interbank and money market items of Baht 505,175 million, a decrease of Baht 15,792 million or 3.0 percent mainly due to a decrease in lending volume and loans of Baht 2,017,314 million, a decrease of Baht 12,496 million or 0.6 percent. While net investments of Baht 584,481 million, increased of Baht 8,876 million or 1.5 percent, mainly due to increases in held-to-maturity debt securities and trading securities.

Compared with the end of December 2018, total assets rose by Baht 29,359 million. Significant items included an increase of Baht 54,475 million or 12.1 percent in net interbank and money market items due to higher loans to repurchase agreements, and an increase of Baht 27,693 million or 5.0 percent in net investments due to higher investments in all categories. Loans decreased by Baht 65,846 million or 3.2 percent.

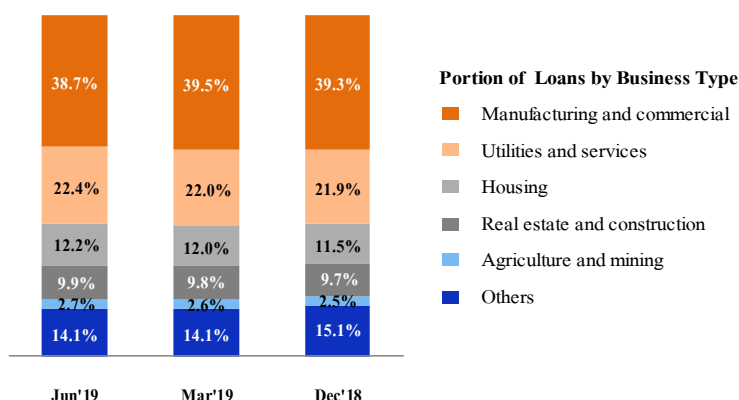
#### Loans

Loans as of June 30, 2019, amounted to Baht 2,017,314 million, a decrease of Baht 12,496 million or 0.6 percent from the end of March 2019 and a decrease of Baht 65,846 million or 3.2 percent from the end of December 2018, due to a decrease in loans to businesses and loans made through the Bank's international network.

Million Baht

Loans by Business Type *	June 2019	March 2019	December 2018	Change (%)	
				March 2019	December 2018
Manufacturing and commercial	780,297	801,647	819,481	(2.7)%	(4.8)%
Utilities and services	451,557	446,513	455,969	1.1%	(1.0)%
Housing	244,951	243,754	240,047	0.5%	2.0%
Real estate and construction	200,467	199,224	202,600	0.6%	(1.1)%
Agriculture and mining	55,228	53,134	51,498	3.9%	7.2%
Others	284,814	285,538	313,565	(0.3)%	(9.2)%
<b>Total</b>	<b>2,017,314</b>	<b>2,029,810</b>	<b>2,083,160</b>	<b>(0.6)%</b>	<b>(3.2)%</b>

\* Less deferred revenue



The Bank and its subsidiaries had loans that are distributed across business sectors. With a portion of 38.7 percent in the manufacturing and commercial sector, 22.4 percent in the utilities and services sector, 12.2 percent in the housing sector, and 9.9 percent in the real estate and construction sector. The decrease in loans from the end of March 2019 was mainly driven by the manufacturing and commercial sector, and the decrease from the end of December 2018 was mainly due to the manufacturing and commercial sector, and the “others” sector.

### Classified Loans and Allowance for Doubtful Accounts

Million Baht

Item	Loans & Accrued Interest Receivables *			Allowance for Doubtful Accounts Classified to Bank of Thailand Criteria		
	June 2019	March 2019	December 2018	June 2019	March 2019	December 2018
Normal	1,892,343	1,901,489	1,962,102	15,547	15,567	16,215
Special mentioned	48,013	50,516	46,501	596	623	591
Substandard	15,259	11,044	5,460	3,503	4,121	1,018
Doubtful	15,881	19,035	20,884	5,597	9,296	10,608
Doubtful of loss	51,083	53,718	53,837	26,828	28,969	30,188
<b>Total</b>	<b>2,022,579</b>	<b>2,035,802</b>	<b>2,088,784</b>	<b>52,071</b>	<b>58,576</b>	<b>58,620</b>
<u>Add</u> Excess allowance for doubtful accounts				<b>93,818</b>	93,476	88,968
<b>Total allowance for doubtful accounts from loan classification</b>				<b>145,889</b>	152,052	147,588
<u>Add</u> Revaluation allowance for debt restructuring				<b>6,733</b>	6,042	5,415
<b>Total allowance for doubtful accounts</b>				<b>152,622</b>	158,094	153,003

\* Less deferred revenue

Million Baht

Item	June 2019	March 2019	December 2018	Change (%)	
				March 2019	December 2018
NPL before allowance for doubtful accounts	<b>82,148</b>	83,668	80,137	(1.8)%	2.5%
Ratio of NPL to total loans	<b>3.5%</b>	3.5%	3.4%	-	0.1%
NPL after allowance for doubtful accounts (net NPL)	<b>30,783</b>	28,512	26,412	8.0%	16.5%
Ratio of net NPL to net total loans	<b>1.3%</b>	1.2%	1.2%	0.1%	0.1%
Ratio of loan loss reserves to minimum required provisioning	<b>259.5%</b>	244.7%	238.9%	14.8%	20.6%
Ratio of loan loss reserves to NPL	<b>185.8%</b>	189.0%	190.9%	(3.2)%	(5.1)%

Non-performing loan (NPL) at the end of June 2019 amounted to Baht 82,148 million, an increase of Baht 2,011 million or 2.5 percent from the end of December 2018. The ratio of NPL to total loans stood at 3.5 percent.

Total allowance for doubtful accounts at the end of June 2019 was Baht 152,622 million or 259.5 percent of the minimum amount of Baht 58,804 million required by the Bank of Thailand. The ratio of loan loss reserves to NPL at the end of June 2019 was 185.8 percent.

#### *Net Investments*

Net investments as of June 30, 2019 amounted to Baht 584,481 million, an increase of Baht 8,876 million or 1.5 percent from the end of March 2019, due largely to held-to-maturity debt securities and trading securities whilst available-for-sale securities decreased. Net investment increased by Baht 27,693 million from the end of December 2018 or 5.0 percent due to increases in investments in all categories.

Million Baht

Investments by Investment Holding	June 2019	March 2019	December 2018	Change (%)	
				March 2019	December 2018
Trading securities	<b>18,788</b>	12,746	7,516	47.4%	150.0%
Available-for-sale securities	<b>503,092</b>	508,813	497,838	(1.1)%	1.1%
Held-to-maturity debt securities	<b>28,123</b>	20,904	19,849	34.5%	41.7%
General investments	<b>34,478</b>	33,142	31,585	4.0%	9.2%
<b>Total net investments</b>	<b>584,481</b>	575,605	556,788	1.5%	5.0%

Most of the net investments were in government and state-enterprise securities. As of June 30, 2019, these amounted to Baht 294,742 million, accounting for 50.4 percent of total investments. The remaining net investments were foreign debt securities of Baht 105,882 million, private enterprise debt securities of Baht 61,645 million, and net investment in equity securities of Baht 114,475 million.

Million Baht

Investments by Maturity *	June 2019		March 2019		December 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2019	December 2018
Up to one year	161,744	27.6%	120,165	20.8%	145,295	26.0%	34.6%	11.3%
Between one and five years	273,420	46.6%	303,766	52.6%	284,505	51.0%	(10.0)%	(3.9)%
Over five years	34,469	5.9%	25,241	4.4%	18,037	3.2%	36.6%	91.1%
No maturity	116,575	19.9%	128,085	22.2%	110,559	19.8%	(9.0)%	5.4%
<b>Total net investments</b>	<b>586,208</b>	<b>100.0%</b>	<b>577,257</b>	<b>100.0%</b>	<b>558,396</b>	<b>100.0%</b>	<b>1.6%</b>	<b>5.0%</b>

\* Including net investments in associates

The remaining maturity of net investments (including net investments in associates) as of June 30, 2019 were categorized into securities with remaining maturity of one year or less of Baht 161,744 million, securities with remaining maturity of more than one year to five years of Baht 273,420 million, securities with remaining maturity of more than five years of Baht 34,469 million, and securities with no maturity of Baht 116,575 million.

### *Liabilities and Shareholders' Equity*

Million Baht

Item	June 2019	March 2019	December 2018	Change (%)	
				March 2019	December 2018
Deposits	2,352,679	2,340,979	2,326,470	0.5%	1.1%
Interbank and money market items	119,903	146,232	136,862	(18.0)%	(12.4)%
Debt issued and borrowings	111,103	114,172	116,348	(2.7)%	(4.5)%
<b>Total liabilities</b>	<b>2,722,609</b>	<b>2,723,141</b>	<b>2,703,591</b>	<b>(0.0)%</b>	<b>0.7%</b>
<b>Shareholders' equity *</b>	<b>423,161</b>	<b>425,256</b>	<b>412,814</b>	<b>(0.5)%</b>	<b>2.5%</b>

\* Attributable to owners of the Bank

Total liabilities as of June 30, 2019 amounted to Baht 2,722,609 million, a decrease of Baht 532 million from the end of March 2019. Interbank and money market items amounted to 119,903 million, a decrease of Baht 26,329 million or 18.0 percent, due largely to borrowings under repurchase agreements. Deposits amounted to Baht 2,352,679 million, an increase of Baht 11,700 million or 0.5 percent.

Compared with the end of December 2018, total liabilities rose by Baht 19,018 million or 0.7 percent, mostly from an increase of Baht 26,209 million or 1.1 percent in deposits whereas interbank and money market items fell by Baht 16,959 million or 12.4 percent due mainly to declines in borrowing transactions.

### Deposits

Million Baht

Deposits Classified by Product Type	June 2019		March 2019		December 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2019	December 2018
Current	106,039	4.5%	107,105	4.6%	101,557	4.4%	(1.0)%	4.4%
Savings	1,121,466	47.7%	1,113,948	47.6%	1,117,522	48.0%	0.7%	0.4%
Fixed *	1,125,174	47.8%	1,119,926	47.8%	1,107,391	47.6%	0.5%	1.6%
<b>Total</b>	<b>2,352,679</b>	<b>100.0%</b>	<b>2,340,979</b>	<b>100.0%</b>	<b>2,326,470</b>	<b>100.0%</b>	<b>0.5%</b>	<b>1.1%</b>
Loan to deposit ratio		<b>85.7%</b>		<b>86.7%</b>		<b>89.5%</b>	<b>(1.0)%</b>	<b>(3.8)%</b>

\* Including negotiable certificates of deposit

Total deposits as of June 30, 2019 amounted to Baht 2,352,679 million, an increase of Baht 11,700 million or 0.5 percent from the end of March 2019 due to increases in savings and fixed deposits, and an increase of 26,209 million from the end of December 2018 due to increases in all types of deposits.

### Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	June 2019		March 2019		December 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	March 2019	December 2018
Senior unsecured notes	101,474	86.9%	104,994	87.6%	107,027	87.6%	(3.4)%	(5.2)%
Unsecured subordinated notes	13,831	11.8%	14,310	11.9%	14,587	11.9%	(3.3)%	(5.2)%
Bills of exchange	8	0.1%	8	0.1%	23	0.1%	-	(65.2)%
Others	1,390	1.2%	535	0.4%	456	0.4%	159.8%	204.8%
<b>Total (before less discount on borrowings)</b>	<b>116,703</b>	<b>100.0%</b>	<b>119,847</b>	<b>100.0%</b>	<b>122,093</b>	<b>100.0%</b>	<b>(2.6)%</b>	<b>(4.4)%</b>
<u>Less</u> Discount on borrowings	<b>5,600</b>		<b>5,675</b>		<b>5,745</b>		<b>(1.3)%</b>	<b>(2.5)%</b>
<b>Total</b>	<b>111,103</b>		<b>114,172</b>		<b>116,348</b>		<b>(2.7)%</b>	<b>(4.5)%</b>

Total debt issued and borrowings as of June 30, 2019 amounted to Baht 111,103 million, a decrease of Baht 3,069 million from the end of March 2019, and a decrease of Baht 5,245 million from the end of December 2018 due to the effect of the Baht's appreciation on the Bank's senior unsecured debentures issued in foreign countries.

### Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of June 30, 2019 amounted to Baht 423,161 million, an increase of Baht 10,347 million or 2.5 percent from the end of 2018. The increase was mainly due to net profit attributable to owners of the Bank for the first half of 2019 of Baht 18,375 million net of dividend payment of Baht 8,371 million (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 12, 2019, and revaluation gains on available-for-sale investments increased by Baht 4,397 million while losses on translation of the financial statements of foreign operations rose by Baht 4,058 million.

### Contingent Liabilities

Million Baht

Item	June 2019	March 2019	December 2018	Change (%)	
				March 2019	December 2018
Avals to bills	6,856	6,876	5,800	(0.3)%	18.2%
Guarantees of loans	30,577	31,489	32,236	(2.9)%	(5.1)%
Liability under unmatured import bills	22,278	19,122	19,041	16.5%	17.0%
Letters of credit	32,500	38,166	35,822	(14.8)%	(9.3)%
Other commitments					
Underwriting commitments	149	-	-	100.0%	100.0%
Amount of unused bank overdrafts	170,491	171,623	170,329	(0.7)%	0.1%
Other guarantees	265,071	264,096	270,320	0.4%	(1.9)%
Others	150,683	139,160	120,182	8.3%	25.4%
<b>Total</b>	<b>678,605</b>	<b>670,532</b>	<b>653,730</b>	<b>1.2%</b>	<b>3.8%</b>

Contingent liabilities as of June 30, 2019 amounted to Baht 678,605 million, an increase of Baht 8,073 million or 1.2 percent from the end of March 2019, and an increase of Baht 24,875 million or 3.8 percent from the end of December 2018, due predominantly to an increase in others (under other commitments).

### Sources and Utilization of Funds

The primary sources of funds as of June 30, 2019 were Baht 2,352,679 million or 74.8 percent in deposits, Baht 423,161 million or 13.5 percent in shareholders' equity attributable to owners of the Bank, Baht 119,903 million or 3.8 percent in interbank and money market liabilities, and Baht 111,103 million or 3.5 percent in debt issued and borrowings.

The utilization of funds comprised Baht 2,017,314 million or 64.1 percent in loans, Baht 586,208 million or 18.6 percent in net investments (including net investments in associates), and Baht 505,175 million or 16.1 percent in net interbank and money market assets.

### Capital Reserves and Capital Adequacy Ratio

#### Consolidated

Million Baht

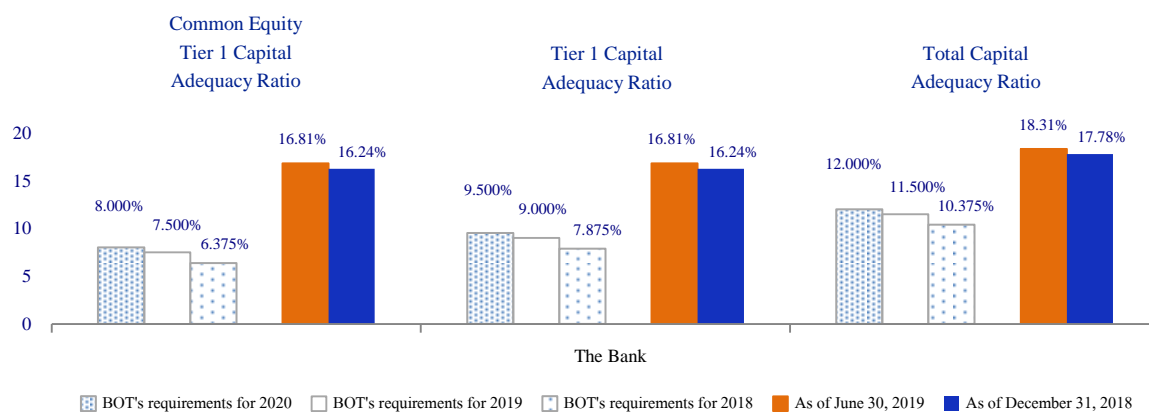
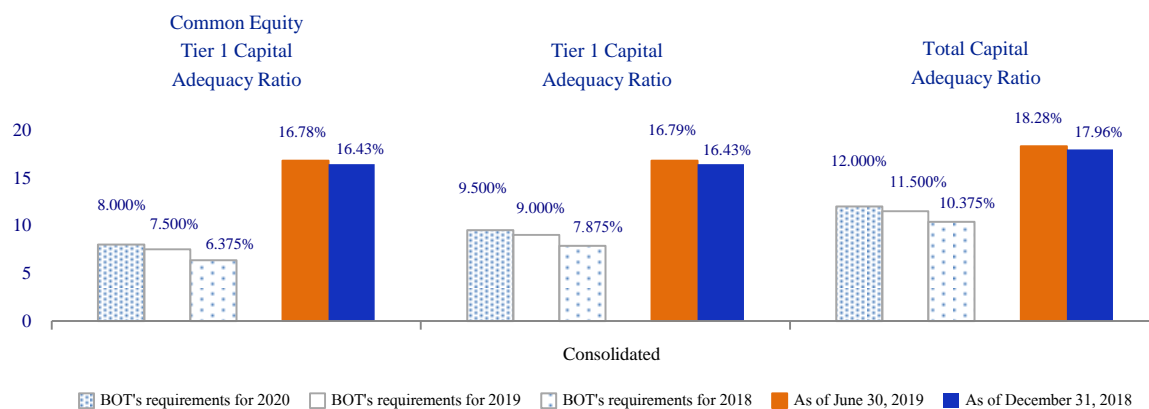
Item	Capital			Capital Adequacy Ratio		
	June 2019	March 2019	December 2018	June 2019	March 2019	December 2018
<b>Total capital</b>	<b>434,708</b>	429,548	426,563	<b>18.28%</b>	18.12%	17.96%
Tier 1 capital	399,263	394,189	390,369	<b>16.79%</b>	16.63%	16.43%
Common Equity Tier 1 capital	<b>399,202</b>	394,128	390,309	<b>16.78%</b>	16.63%	16.43%



*The Bank*

Million Baht

Item	Capital			Capital Adequacy Ratio		
	June 2019	March 2019	December 2018	June 2019	March 2019	December 2018
<b>Total capital</b>	<b>426,095</b>	413,127	409,945	<b>18.31%</b>	17.90%	17.78%
Tier 1 capital	<b>391,162</b>	378,459	374,633	<b>16.81%</b>	16.40%	16.24%
Common Equity Tier 1 capital	<b>391,162</b>	378,459	374,633	<b>16.81%</b>	16.40%	16.24%



Under the principles of Basel III, the Bank of Thailand (BOT) requires commercial banks registered in Thailand and members of their financial groups to maintain minimum levels of capital adequacy as measured by three ratios, including the Common Equity Tier 1 ratio at no less than 4.50 percent, the Tier 1 ratio at no less than 6.00 percent, and the total capital 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, phasing in an additional capital ratio of more than 0.625 percent p.a. starting January 1, 2016 until completion of the increment to more than 2.50 percent from January 1, 2019 onwards. It also 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, beginning with a 0.50 percent increase from January 1, 2019, rising to 1.00 percent from January 1, 2020 onwards. To satisfy the minimum levels and capital buffer requirements of the BOT, in 2019 the Bank is required to maintain the Common Equity Tier 1 ratio at more than 7.50 percent, the Tier 1 ratio at more than 9.00 percent, and the total capital ratio at more than 11.50 percent – measured as percentages of total risk-weighted assets.

As of June 30, 2019, regulatory capital position was Baht 434,708 million, Common Equity Tier 1 capital was Baht 399,202 million, and Tier 1 capital was Baht 399,263 million. The total capital adequacy ratio was 18.28 percent, the Common Equity Tier 1 capital adequacy ratio was 16.78 percent, and the Tier 1 capital adequacy ratio was 16.79 percent. With the inclusion of net profit from January to June 2019 minus the September 2019 dividend payment, the total capital adequacy ratio, the Common Equity Tier 1 capital adequacy ratio and the Tier 1 capital adequacy ratio would be 18.91 percent, 17.42 percent and 17.42 percent, respectively.

### Liquid Assets

Item	June 2019	March 2019	December 2018
Liquid assets (Million Baht)	1,082,206	1,101,178	1,018,448
Liquid assets/Total assets (%)	34.4	35.0	32.7
Liquid assets/Deposits (%)	46.0	47.0	43.8

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of June 30, 2019, liquid assets totaled Baht 1,082,206 million, a decrease of Baht 18,972 million or 1.7 percent from the end of March 2019, due largely to decreases of Baht 15,792 million in net interbank and money market items and Baht 5,721 million in available-for-sale securities whereas trading securities increased by Baht 6,042 million.

Compared with the end of December 2018, liquid assets rose by Baht 63,758 million or 6.3 percent. Significant items included an increase of Baht 54,475 million in interbank and money market items and an increase of Baht 11,272 million in trading securities, while cash decreased by Baht 7,243 million.

### Credit Ratings

Details of the Bank's credit ratings as of June 30, 2019 are as follows:

Credit Rating Agency *	June 2019	March 2019	December 2018
<b>Moody's Investors Service</b>			
Long-term Deposit	<b>Baa1</b>	Baa1	Baa1
Short-term Deposit	<b>P-2</b>	P-2	P-2
Senior Unsecured Debt Instrument	<b>Baa1</b>	Baa1	Baa1
Subordinated Debt Instrument	<b>Baa3</b>	Baa3	Baa3
Financial Strength (BCA)	<b>baa2</b>	baa2	baa2
Outlook	<b>Stable</b>	Stable	Stable
<b>S&amp;P Global Ratings</b>			
Long-term Issuer Credit Rating	<b>BBB+</b>	BBB+	BBB+
Short-term Issuer Credit Rating	<b>A-2</b>	A-2	A-2
Senior Unsecured Debt Instrument	<b>BBB+</b>	BBB+	BBB+
Subordinated Debt Instrument	<b>BBB</b>	BBB	BBB
Financial Strength (SACP)	<b>bbb</b>	bbb	bbb
Outlook	<b>Stable</b>	Stable	Stable

Credit Rating Agency *	June 2019	March 2019	December 2018
<b>Fitch Ratings</b>			
<b>International Rating</b>			
Long-term Issuer Default Rating	<b>BBB+</b>	BBB+	BBB+
Short-term Issuer Default Rating	<b>F2</b>	F2	F2
Senior Unsecured Debt Instrument	<b>BBB+</b>	BBB+	BBB+
Subordinated Debt Instrument	<b>BBB</b>	BBB	BBB
Financial Strength (VR)	<b>bbb+</b>	bbb+	bbb+
Outlook	<b>Stable</b>	Stable	Stable
<b>National Rating</b>			
Long-term	<b>AA+(tha)</b>	AA+(tha)	AA+(tha)
Short-term	<b>F1+(tha)</b>	F1+(tha)	F1+(tha)
Outlook	<b>Stable</b>	Stable	Stable

\* Long-term credit ratings classified as investment grade by Moody's Investors Service, S&P Global Ratings and Fitch Ratings are Baa3, BBB- and BBB-, or higher, respectively. Short-term credit ratings classified as investment grade by Moody's Investors Service, S&P Global Ratings and Fitch Ratings are P-3, A-3 and F3, or higher, respectively.