



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and Nine-month Period Ended September 30, 2019



Management Discussion and Analysis

Overview of the Economy and Banking Industry

Thai Economy in the Third Quarter of 2019

The Thai economy in the third quarter of 2019 expanded at a slower pace compared with the same period last year due to a contraction in merchandise exports resulting from uncertainty in the trade policies of major countries and the Baht's ongoing appreciation. Private consumption grew at a slower rate than in the first half of the year, especially spending on durable goods in line with a contraction in domestic vehicle sales. In response, the government has deployed measures to stimulate short-term spending. Private investment also slowed due to a decline in the real estate sector. Meanwhile, the need for machinery investment was subdued due to lower production.

Headline inflation in the third quarter of 2019 was 0.61 percent on average. During the first nine months of 2019, headline inflation averaged at 0.81 percent, which is lower than the Bank of Thailand's (BOT) target range of 1-4 percent. At the same time, core inflation was 0.45 percent. The Baht appreciated with an average exchange rate of 30.70 THB/USD compared with 31.58 THB/USD in the previous quarter.

In 2019, the BOT's Monetary Policy Committee (MPC) has cut the policy interest rate twice, at its meetings on August 7 and November 6, lowering the rate each time by 25 basis points to its current level of 1.25 percent while projecting the Thai economy would expand at a lower rate than previously forecast and further below its potential due to declining exports which have affected domestic demand. Headline inflation was expected to fall below the lower limit of the inflation target. Therefore, the accommodative monetary policy will help meet the inflation target and support economic growth amidst higher uncertainty, especially from foreign countries. In addition, the MPC raised concerns over the Baht's increasing strength compared with the currencies of trading partners and competitors saying exchange rates and capital inflows should be closely monitored. Going forward, risks to financial system stability need to be more closely monitored and managed appropriately through the combination of microprudential and macroprudential measures.

Thailand's economy in 2019 is likely to expand at a slower pace than in the previous year. The BOT lowered its growth forecast to 2.8 percent from 3.3 percent as merchandise exports contracted in response to the weakening global economy and sustained Baht appreciation. In addition, the contraction in merchandise exports has affected private consumption and investment. Meanwhile, government spending has expanded at a lower rate due partly to the delayed enactment of the Annual Budget Expenditures Act B.E. 2020. For the Thai economy, key factors such as the global economic slowdown, uncertainty surrounding international trade policies and the Baht's ongoing appreciation, will continue to pose major downside risks. Consequently, the government has rolled out various fiscal stimulus measures to support the economy while the BOT has reduced the policy interest rate.

Thai Banking Industry

The commercial banking sector in Thailand continues to face challenges from changes in the business environment and ongoing changes in regulations. As of September 30, 2019, deposits grew at a higher rate than loans, 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 third quarter of 2019, credit demand from the business sector improved from the previous quarter, due to loan demand from large corporates, particularly for working capital in the agricultural industry and investment projects in electricity production from renewable energy. Moreover, small and medium sized businesses' loan demand also slightly increased due to the need for working capital, particularly in the retail and wholesale, and tourism sectors. There was slightly higher demand for consumer loans from the previous quarter from credit card loans resulting from sales promotions and new products launched by some financial institutions as well as from auto-leasing. Meanwhile, demand for housing loans continued to decline after the implementation of the revised Loan-to-Value (LTV) measures. Demand for other personal loans also decreased. Going forward, financial institutions expect increasing demand for business credit, especially from small and medium sized businesses in construction materials, transportation and warehousing, electricity production and sectors supported by government stimulus measures, as well as large corporates investing in renewable energy projects to generate electricity. Demand for consumer loans is likely to increase for auto-leasing, credit cards and other personal loans, while demand for housing loans is expected to decline.

Moreover, 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 BOT regulations for Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements. 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

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change
	3/2019	2/2019	3/2018	2/2019	3/2018	2019	2018	(%)
Net profit *	9,438	9,347	9,030	1.0%	4.5%	27,814	27,229	2.1%
Earnings per share (Baht)	4.94	4.90	4.73	1.0%	4.5%	14.57	14.26	2.1%
Net interest margin	2.35%	2.36%	2.42%	(0.01)%	(0.07)%	2.39%	2.38%	0.01%
Net fees and service income to operating income ratio	22.7%	21.2%	21.2%	1.5%	1.5%	22.6%	22.2%	0.4%
Cost to income ratio	41.9%	45.3%	43.5%	(3.3)%	(1.6)%	43.3%	42.1%	1.2%
Return on average assets *	1.17%	1.19%	1.14%	(0.02)%	0.03%	1.18%	1.16%	0.02%
Return on average equity *	8.78%	8.84%	8.91%	(0.06)%	(0.13)%	8.79%	9.04%	(0.25)%

* Attributable to owners of the Bank

Million Baht

Item	September 2019	June 2019	December 2018	Change (%)	
				June 2019	December 2018
Loans **	2,001,445	2,017,314	2,083,160	(0.8)%	(3.9)%
Deposits	2,362,766	2,352,679	2,326,470	0.4%	1.6%
Loan to deposit ratio	84.7%	85.7%	89.5%	(1.0)%	(4.8)%
Non-performing loan (NPL)	86,221	82,148	80,137	5.0%	7.6%
Ratio of NPL to total loans	3.6%	3.5%	3.4%	0.1%	0.2%
Ratio of loan loss reserves to NPL	183.4%	185.8%	190.9%	(2.4)%	(7.5)%
Total capital adequacy ratio	20.71%	18.28%	17.96%	2.43%	2.75%

** Less deferred revenue

Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9,438 million for the third quarter of 2019, an increase of 4.5 percent from the third quarter of 2018. It was mainly from an increase of 9.6 percent in net fees and service income, driven by higher fee from bancassurance and mutual funds according to the Bank's strategic intent. Net interest income decreased slightly by 1.7 percent as a result of loan contraction and the net interest margin stood at 2.35 percent.

Operating expense decreased marginally by 1.5 percent from the same quarter last year reflecting the well-disciplined on cost management. The cost to income ratio was 41.9 percent.

At the end of September 2019, loan amounted to Baht 2,001,445 million, moderately decreased of 0.8 percent from the previous quarter, owing to a decline in loan to business in line with economic slowdown, coupled with some loan repayments by large corporate. The non-performing loan (NPL) ratio was at 3.6 percent with strong loan loss reserves to NPL at 183.4 percent. The Bank continued to focus on prudent control over credit underwriting and risk management to ensure loan quality and maintain the allowance for doubtful accounts at the appropriate level.

The Bank's balance sheet remained healthy with robust capital and liquidity positions. At the end of third quarter 2019, loan to deposit ratio was at 84.7 percent. On September 25, 2019, the Bank issued 15-year Subordinated Notes qualified as Basel III-complaint Tier 2 capital amounted to USD 1,200 million, which supported the Bank's well mixed of capital structure to be even stronger. As of September 30, 2019, total capital adequacy ratio, Common Equity Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio of the Bank and its subsidiaries were 20.71 percent, 17.66 percent and 17.66 percent respectively, which are comfortably above the Bank of Thailand's minimum capital requirements.

Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

	Quarter			Change (%)		9 Months		Change
	3/2019	2/2019	3/2018	2/2019	3/2018	2019	2018	(%)
Net interest income	17,944	17,635	18,256	1.8%	(1.7)%	53,878	52,953	1.7%
Non-interest income	12,295	13,534	11,321	(9.2)%	8.6%	36,145	39,385	(8.2)%
Operating expenses	12,679	14,108	12,878	(10.1)%	(1.5)%	38,975	38,832	0.4%
Impairment loss of loans and debt securities	5,381	5,549	5,346	(3.0)%	0.7%	16,009	19,200	(16.6)%
Operating profit before tax	12,179	11,512	11,353	5.8%	7.3%	35,039	34,306	2.1%
Income tax expenses	2,639	2,065	2,224	27.8%	18.7%	6,929	6,787	2.1%
Net profit	9,540	9,447	9,129	1.0%	4.5%	28,110	27,519	2.1%
Net profit *	9,438	9,347	9,030	1.0%	4.5%	27,814	27,229	2.1%
Total comprehensive income *	10,739	6,276	8,440	71.1%	27.2%	29,456	14,917	97.5%

* Attributable to owners of the Bank

For the third quarter of 2019, Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9,438 million, an increase of Baht 91 million from the second quarter of 2019. Net interest income increased by Baht 309 million due mainly to an increase in interest income from loans. Non-interest income fell by Baht 1,239 million from lower dividend income, while net fees and service income increased, mainly due to an increase in fees from securities business. Operating expenses decreased by Baht 1,429 million or 10.1 percent due to seasonality of expenses.

Compared with the third quarter of 2018, net profit attributable to owners of the Bank rose by Baht 408 million due to an increase in non-interest income of Baht 974 million or 8.6 percent. The key factors were an increase in net fees and service income from bancassurance and mutual fund services, and loan-related services, as well as higher gains on disposal of assets. Net interest income fell by Baht 312 million or 1.7 percent as a result of loan contraction.

In the first nine months of 2019, net profit attributable to owners of the Bank amounted to Baht 27,814 million, an increase of Baht 585 million from the same period last year. Net interest income rose by Baht 925 million predominantly due to improved yield on earning assets and an expansion of average loans. Non-interest income fell by Baht 3,240 million mainly from decreases in gains on investments, and gains on tradings and foreign exchange transactions. Impairment loss on loans and debt securities fell by Baht 3,191 million.

Net Interest Income

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2019	2/2019	3/2018	2/2019	3/2018	2019	2018	
Interest Income								
Loans	23,480	22,964	23,727	2.2%	(1.0)%	70,140	69,105	1.5%
Interbank and money market items	2,380	2,429	2,039	(2.0)%	16.7%	7,130	6,403	11.4%
Investments	2,611	2,621	2,454	(0.4)%	6.4%	7,580	6,764	12.1%
Total interest income	28,471	28,014	28,220	1.6%	0.9%	84,850	82,272	3.1%
Interest expenses								
Deposits	5,938	5,769	5,534	2.9%	7.3%	17,234	16,264	6.0%
Interbank and money market items	574	573	593	0.2%	(3.2)%	1,704	1,673	1.9%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,496	2,504	2,479	(0.3)%	0.7%	7,452	7,417	0.5%
Debt issued and borrowings	1,519	1,533	1,358	(0.9)%	11.9%	4,582	3,965	15.6%
Total interest expenses	10,527	10,379	9,964	1.4%	5.7%	30,972	29,319	5.6%
Net interest income	17,944	17,635	18,256	1.8%	(1.7)%	53,878	52,953	1.7%
Yield on earning assets	3.72%	3.74%	3.74%	(0.02)%	(0.02)%	3.76%	3.69%	0.07%
Cost of funds	1.59%	1.61%	1.52%	(0.02)%	0.07%	1.59%	1.51%	0.08%
Net interest margin	2.35%	2.36%	2.42%	(0.01)%	(0.07)%	2.39%	2.38%	0.01%

In the third quarter of 2019, net interest income rose by Baht 309 million or 1.8 percent from the previous quarter due mainly to an increase of Baht 516 million in interest income from loans resulting from higher yield, while interest expenses from deposits rose by Baht 169 million from an increase in deposits volume.

Compared with the third quarter of 2018, net interest income fell by Baht 312 million. Interest income rose by Baht 251 million on higher interest income from interbank and money market items and an increase in interest income from investments, in line with an increase in transaction volume and improved yield. Interest expenses rose by Baht 563 million due to the expansion in deposits and borrowings.

In the first nine months of 2019, net interest income rose by Baht 925 million from the same period last year as a result of higher yield and volume of average earning assets in all categories. Consequently, interest income rose by Baht 2,578 million, mainly due to an increase in interest income from loans of Baht 1,035 million, while interest expenses rose by Baht 1,653 million due to the expansion in deposits and borrowings. The net interest margin slightly increased to 2.39 percent.

Bangkok Bank Interest Rate	Sep'19	Jun'19	Mar'19	Dec'18	Sep'18	Jun'18
Loans (%)						
MOR	6.875	7.125	7.125	7.125	7.125	7.125
MRR	6.875	7.125	7.125	7.125	7.125	7.125
MLR	6.250	6.250	6.250	6.250	6.250	6.250
Deposits (%)						
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
Bank of Thailand Policy Rate (%)	1.500	1.750	1.750	1.750	1.500	1.500

Non-Interest Income

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2019	2/2019	3/2018	2/2019	3/2018	2019	2018	
Fees and service income	9,478	9,140	8,723	3.7%	8.7%	28,204	27,730	1.7%
<u>Less</u> Fees and service expenses	2,614	2,525	2,460	3.5%	6.3%	7,885	7,210	9.4%
Net fees and service income	6,864	6,615	6,263	3.8%	9.6%	20,319	20,520	(1.0)%
Gains on tradings and foreign exchange transactions	2,052	1,865	2,386	10.0%	(14.0)%	5,675	6,226	(8.8)%
Gains on investments	1,531	2,471	1,709	(38.0)%	(10.4)%	4,777	7,545	(36.7)%
Share of profit (losses) from investment for using equity method	(2)	46	(22)	(104.3)%	90.9%	88	57	54.4%
Gains on disposal of assets	1,021	522	195	95.6%	423.6%	1,700	883	92.5%
Dividend income	667	1,849	642	(63.9)%	3.9%	3,153	3,091	2.0%
Other operating income	162	166	148	(2.4)%	9.5%	433	1,063	(59.3)%
Total other operating income	5,431	6,919	5,058	(21.5)%	7.4%	15,826	18,865	(16.1)%
Total non-interest income	12,295	13,534	11,321	(9.2)%	8.6%	36,145	39,385	(8.2)%
Net fees and service income to operating income ratio	22.7%	21.2%	21.2%	1.5%	1.5%	22.6%	22.2%	0.4%

Non-interest income in the third quarter of 2019 was Baht 12,295 million, a decrease of Baht 1,239 million or 9.2 percent from the second quarter of 2019 resulting from decreases in dividend income and gains on investments. Net fees and service income increased mainly from higher fees from securities business in line with the capital market situation.

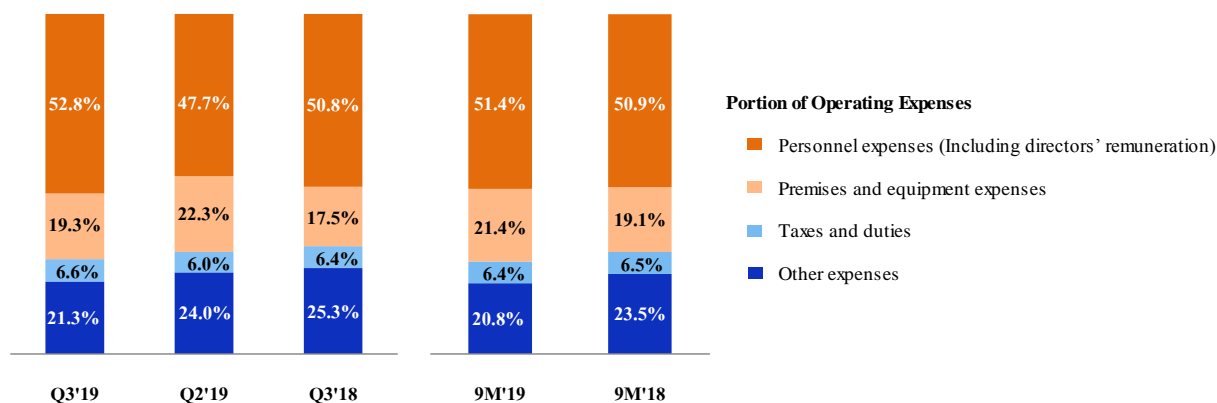
Compared with the third quarter of 2018, non-interest income rose by Baht 974 million or 8.6 percent from higher net fees and service income due to increases in fee income from bancassurance and mutual fund services, and loan-related services as well as an increase in gains on disposal of assets.

In the first nine months of 2019, non-interest income amounted to Baht 36,145 million, a decrease of Baht 3,240 million from the first nine months of 2018, due to lower gains on investments, gains on tradings and foreign exchange transactions and other operating income, mainly from the recognition of profit sharing from the management of impaired assets by Thai Asset Management Corporation (TAMC) in the previous year, while this year gains on disposal of assets increased. 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 grew well.

Operating Expenses

Million Baht

Item	Quarter			Change (%)		9 Months		Change (%)
	3/2019	2/2019	3/2018	2/2019	3/2018	2019	2018	
Personnel expenses	6,670	6,676	6,529	(0.1)%	2.2%	19,908	19,662	1.3%
Directors' remuneration	22	54	21	(59.3)%	4.8%	111	101	9.9%
Premises and equipment expenses	2,441	3,147	2,254	(22.4)%	8.3%	8,326	7,438	11.9%
Taxes and duties	843	850	820	(0.8)%	2.8%	2,509	2,514	(0.2)%
Other expenses	2,703	3,381	3,254	(20.1)%	(16.9)%	8,121	9,117	(10.9)%
Total operating expenses	12,679	14,108	12,878	(10.1)%	(1.5)%	38,975	38,832	0.4%
Cost to income ratio	41.9%	45.3%	43.5%	(3.4)%	(1.6)%	43.3%	42.1%	1.2%



In the third quarter of 2019, operating expenses amounted to Baht 12,679 million, a decrease of Baht 1,429 million or 10.1 percent from previous quarter, due to seasonality of expenses. Compared with the third quarter of 2018, operating expenses fell by Baht 199 million or 1.5 percent, predominantly from a decrease in other expenses, while premises and equipment expenses increased due to technology expenses. In the first nine months of 2019, operating expenses amounted to Baht 38,975 million, a slight increase of 0.4 percent from the same period last year.

Impairment Loss of Loans and Debt Securities

Item	Million Baht							
	Quarter			Change (%)		9 Months		Change (%)
	3/2019	2/2019	3/2018	2/2019	3/2018	2019	2018	
Bad debt and doubtful accounts	5,387	4,857	5,236	10.9%	2.9%	14,682	15,450	(5.0)%
Loss on debt restructuring (reversal)	(6)	692	110	(100.9)%	(105.5)%	1,327	3,750	(64.6)%
Total	5,381	5,549	5,346	(3.0)%	0.7%	16,009	19,200	(16.6)%

Impairment loss of loans and debt securities in the third quarter of 2019 was Baht 5,381 million, compared to Baht 5,549 million in the second quarter of 2019 and Baht 5,346 million in the third quarter of 2018. In the first nine months of 2019, impairment loss of loans and debt securities was Baht 16,009 million, compared to Baht 19,200 million in the same period last year.

Significant Items in the Financial Position

Assets

Item	Million Baht				
	September 2019	June 2019	December 2018	Change (%)	
				June 2019	December 2018
Net interbank and money market items	575,970	505,175	450,700	14.0%	27.8%
Net investments	614,339	584,481	556,788	5.1%	10.3%
Net investments in associates	1,732	1,727	1,608	0.3%	7.7%
Loans *	2,001,445	2,017,314	2,083,160	(0.8)%	(3.9)%
Net properties for sale	9,890	10,341	10,604	(4.4)%	(6.7)%
Total assets	3,228,092	3,146,109	3,116,750	2.6%	3.6%

* Less deferred revenue

Total assets as of September 30, 2019 amounted to Baht 3,228,092 million, an increase of Baht 81,983 million from the end of June 2019. Significant items included net interbank and money market items of Baht 575,970 million, an increase of Baht 70,795 million or 14.0 percent mainly due to an increase in lending volume. Net investments amounted to Baht 614,339 million, an increase of Baht 29,858 million or 5.1 percent, mainly due to an increase in available-for-sale securities. Loans amounted to Baht 2,001,445 million, a decrease of Baht 15,869 million or 0.8 percent.

Compared with the end of December 2018, total assets rose by Baht 111,342 million. Significant items included an increase of Baht 125,270 million or 27.8 percent in net interbank and money market items due mainly to higher lending volume and loans to repurchase agreements, and an increase of Baht 57,551 million or 10.3 percent in net investments from higher investments in all categories. Meanwhile, loans decreased by Baht 81,715 million or 3.9 percent.

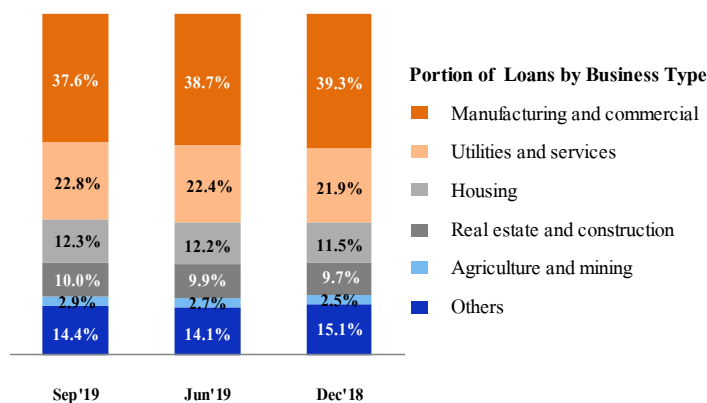
Loans

Loans as of September 30, 2019, amounted to Baht 2,001,445 million, a decrease of Baht 15,869 million or 0.8 percent from the end of June 2019 due to a decrease in loans to businesses, and a decrease of Baht 81,715 million or 3.9 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 *	September 2019	June 2019	December 2018	Change (%)	
				June 2019	December 2018
Manufacturing and commercial	751,584	780,297	819,481	(3.7)%	(8.3)%
Utilities and services	455,288	451,557	455,969	0.8%	(0.1)%
Housing	246,986	244,951	240,047	0.8%	2.9%
Real estate and construction	200,942	200,467	202,600	0.2%	(0.8)%
Agriculture and mining	58,757	55,228	51,498	6.4%	14.1%
Others	287,888	284,814	313,565	1.1%	(8.2)%
Total	2,001,445	2,017,314	2,083,160	(0.8)%	(3.9)%

* Less deferred revenue



The Bank and its subsidiaries had loans which were distributed across business sectors. With a portion of 37.6 percent in the manufacturing and commercial sector, 22.8 percent in the utilities and services sector, 12.3 percent in the housing sector, and 10.0 percent in the real estate and construction sector. The decrease in loans from the end of June 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		
	September 2019	June 2019	December 2018	September 2019	June 2019	December 2018
Normal	1,871,968	1,892,343	1,962,102	15,412	15,547	16,215
Special mentioned	47,660	48,013	46,501	558	596	591
Substandard	11,901	15,259	5,460	4,498	3,503	1,018
Doubtful	22,016	15,881	20,884	9,319	5,597	10,608
Doubtful of loss	52,371	51,083	53,837	27,566	26,828	30,188
Total	2,005,916	2,022,579	2,088,784	57,353	52,071	58,620
<u>Add</u> Excess allowance for doubtful accounts				94,047	93,818	88,968
Total allowance for doubtful accounts from loan classification				151,400	145,889	147,588
<u>Add</u> Revaluation allowance for debt restructuring				6,695	6,733	5,415
Total allowance for doubtful accounts				158,095	152,622	153,003

* Less deferred revenue

Million Baht

Item	September 2019	June 2019	December 2018	Change (%)	
				June 2019	December 2018
NPL before allowance for doubtful accounts	86,221	82,148	80,137	5.0%	7.6%
Ratio of NPL to total loans	3.6%	3.5%	3.4%	0.1%	0.2%
NPL after allowance for doubtful accounts (net NPL)	30,128	30,783	26,412	(2.1)%	14.1%
Ratio of net NPL to net total loans	1.3%	1.3%	1.2%	-	0.1%
Ratio of loan loss reserves to minimum required provisioning	246.8%	259.5%	238.9%	(12.7)%	7.9%
Ratio of loan loss reserves to NPL	183.4%	185.8%	190.9%	(2.4)%	(7.5)%

Non-performing loan (NPL) at the end of September 2019 amounted to Baht 86,221 million, an increase of Baht 6,084 million or 7.6 percent from the end of December 2018. The ratio of NPL to total loans stood at 3.6 percent.

Total allowance for doubtful accounts at the end of September 2019 was Baht 158,095 million or 246.8 percent of the minimum amount of Baht 64,048 million required by the Bank of Thailand. The ratio of loan loss reserves to NPL at the end of September 2019 was 183.4 percent.

Net Investments

Net investments as of September 30, 2019 amounted to Baht 614,339 million, an increase of Baht 29,858 million or 5.1 percent from the end of June 2019, due largely to an increase in available-for-sale securities whilst held-to-maturity debt securities and trading securities decreased. Net investments increased by Baht 57,551 million from the end of December 2018 or 10.3 percent due to increases in investments in all categories.

Investments by Investment Holding	September 2019	June 2019	December 2018	Change (%)	
				June 2019	December 2018
Trading securities	16,120	18,788	7,516	(14.2)%	114.5%
Available-for-sale securities	536,746	503,092	497,838	6.7%	7.8%
Held-to-maturity debt securities	25,400	28,123	19,849	(9.7)%	28.0%
General investments	36,073	34,478	31,585	4.6%	14.2%
Total net investments	614,339	584,481	556,788	5.1%	10.3%

Investments by Maturity *	September 2019		June 2019		December 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2019	December 2018
Up to one year	183,959	29.9%	161,744	27.6%	145,295	26.0%	13.7%	26.6%
Between one and five years	259,772	42.2%	273,420	46.6%	284,505	51.0%	(5.0)%	(8.7)%
Over five years	54,581	8.8%	34,469	5.9%	18,037	3.2%	58.3%	202.6%
No maturity	117,759	19.1%	116,575	19.9%	110,559	19.8%	1.0%	6.5%
Total net investments	616,071	100.0%	586,208	100.0%	558,396	100.0%	5.1%	10.3%

* Including net investments in associates

Most of the net investments were in government and state-enterprise securities. As of September 30, 2019, these amounted to Baht 301,320 million, accounting for 49.0 percent of total investments. The remaining net investments were foreign debt securities of Baht 119,598 million, private enterprise debt securities of Baht 69,559 million, and net investment in equity securities of Baht 116,027 million.

Liabilities and Shareholders' Equity

Million Baht

Item	September 2019	June 2019	December 2018	Change (%)	
				June 2019	December 2018
Deposits	2,362,766	2,352,679	2,326,470	0.4%	1.6%
Interbank and money market items	148,575	119,903	136,862	23.9%	8.6%
Debt issued and borrowings	147,375	111,103	116,348	32.6%	26.7%
Total liabilities	2,797,654	2,722,609	2,703,591	2.8%	3.5%
Shareholders' equity *	430,178	423,161	412,814	1.7%	4.2%

* Attributable to owners of the Bank

Total liabilities as of September 30, 2019 amounted to Baht 2,797,654 million, an increase of Baht 75,045 million from the end of June 2019. Debt issued and borrowings amounted to Baht 147,375 million rose by Baht 36,272 million or 32.6 percent. Interbank and money market items amounted to Baht 148,575 million, an increase of Baht 28,672 million or 23.9 percent, due largely to borrowing transactions and borrowings under repurchase agreements. Deposits amounted to Baht 2,362,766 million, an increase of Baht 10,087 million or 0.4 percent.

Compared with the end of December 2018, total liabilities rose by Baht 94,063 million or 3.5 percent, mostly from an increase of Baht 36,296 million or 1.6 percent in deposits and an increase of Baht 31,027 million or 26.7 percent in debt issued and borrowings.

Deposits

Million Baht

Deposits Classified by Product Type	September 2019		June 2019		December 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2019	December 2018
Current	114,430	4.8%	106,039	4.5%	101,557	4.4%	7.9%	12.7%
Savings	1,114,977	47.2%	1,121,466	47.7%	1,117,522	48.0%	(0.6)%	(0.2)%
Fixed *	1,133,359	48.0%	1,125,174	47.8%	1,107,391	47.6%	0.7%	2.3%
Total	2,362,766	100.0%	2,352,679	100.0%	2,326,470	100.0%	0.4%	1.6%
Loan to deposit ratio		84.7%		85.7%		89.5%	(1.0)%	(4.8)%

* Including negotiable certificates of deposit

Total deposits as of September 30, 2019 amounted to Baht 2,362,766 million, an increase of Baht 10,087 million or 0.4 percent from the end of June 2019, and an increase of Baht 36,296 million or 1.6 percent from the end of December 2018 due to increases in current and fixed deposits.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	September 2019		June 2019		December 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	June 2019	December 2018
Senior unsecured notes	101,007	66.0%	101,474	86.9%	107,027	87.6%	(0.5)%	(5.6)%
Subordinated notes	50,495	33.0%	13,831	11.8%	14,587	11.9%	265.1%	246.2%
Bills of exchange	8	0.1%	8	0.1%	23	0.1%	-	(65.2)%
Others	1,394	0.9%	1,390	1.2%	456	0.4%	0.3%	205.7%
Total (before less discount on borrowings)	152,904	100.0%	116,703	100.0%	122,093	100.0%	31.0%	25.2%
Less Discount on borrowings	5,529		5,600		5,745		(1.3)%	(3.8)%
Total	147,375		111,103		116,348		32.6%	26.7%

Total debt issued and borrowings as of September 30, 2019 amounted to Baht 147,375 million, an increase of Baht 36,272 million from the end of June 2019 and an increase of Baht 31,027 million from the end of December 2018, due mainly to the issuing of 15-year subordinated notes qualified as Tier 2 capital of USD 1,200 million in September 2019.

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of September 30, 2019 amounted to Baht 430,178 million, an increase of Baht 17,364 million or 4.2 percent from the end of 2018. The increase was mainly due to net profit attributable to owners of the Bank for the first nine months of 2019 of Baht 27,814 million net of dividend payments in 2019 totaling Baht 12,093 million. The payments consisted of the final dividend payment for the 2018 performance of Baht 8,371 million (Baht 4.50 per share) following the resolution of the shareholders' meeting dated April 12, 2019, and the interim dividend payment from net profit from operations in the first half of 2019 of Baht 3,722 million (Baht 2.00 per share). At the same time, revaluation gains on available-for-sale investments increased by Baht 7,099 million while losses on translation of the financial statements of foreign operations rose by Baht 5,459 million.

Contingent Liabilities

Million Baht

Item	September 2019	June 2019	December 2018	Change (%)	
				June 2019	December 2018
Avals to bills	7,259	6,856	5,800	5.9%	25.2%
Guarantees of loans	28,774	30,577	32,236	(5.9)%	(10.7)%
Liability under unmatured import bills	20,510	22,278	19,041	(7.9)%	7.7%
Letters of credit	27,006	32,500	35,822	(16.9)%	(24.6)%
Other commitments					
Underwriting commitments	324	149	-	117.4%	100.0%
Amount of unused bank overdrafts	167,906	170,491	170,329	(1.5)%	(1.4)%
Other guarantees	261,309	265,071	270,320	(1.4)%	(3.3)%
Others	147,021	150,683	120,182	(2.4)%	22.3%
Total	660,109	678,605	653,730	(2.7)%	1.0%

Contingent liabilities as of September 30, 2019 amounted to Baht 660,109 million, a decrease of Baht 18,496 million from the end of June 2019 due to decreases in letters of credit, other guarantees and others (under other commitments). Compared with the end of December 2018, contingent liabilities rose by Baht 6,379 million, due predominantly to an increase in others (under other commitments), while other guarantees and letters of credit decreased.

Sources and Utilization of Funds

The primary sources of funds as of September 30, 2019 were Baht 2,362,766 million or 73.2 percent in deposits, Baht 430,178 million or 13.3 percent in shareholders' equity attributable to owners of the Bank, Baht 148,575 million or 4.6 percent in interbank and money market liabilities, and Baht 147,375 million or 4.6 percent in debt issued and borrowings.

The utilization of funds comprised Baht 2,001,445 million or 62.0 percent in loans, Baht 616,071 million or 19.1 percent in net investments (including net investments in associates), and Baht 575,970 million or 17.8 percent in net interbank and money market assets.

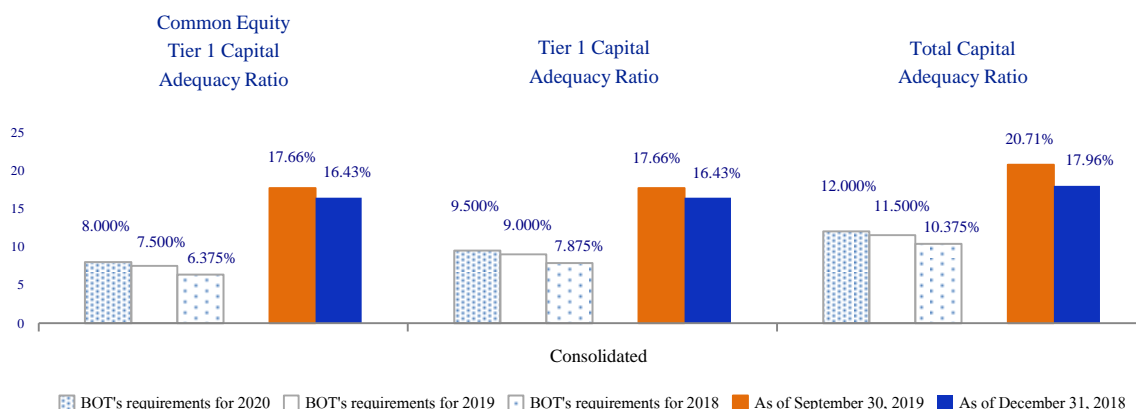
Capital Reserves and Capital Adequacy Ratio

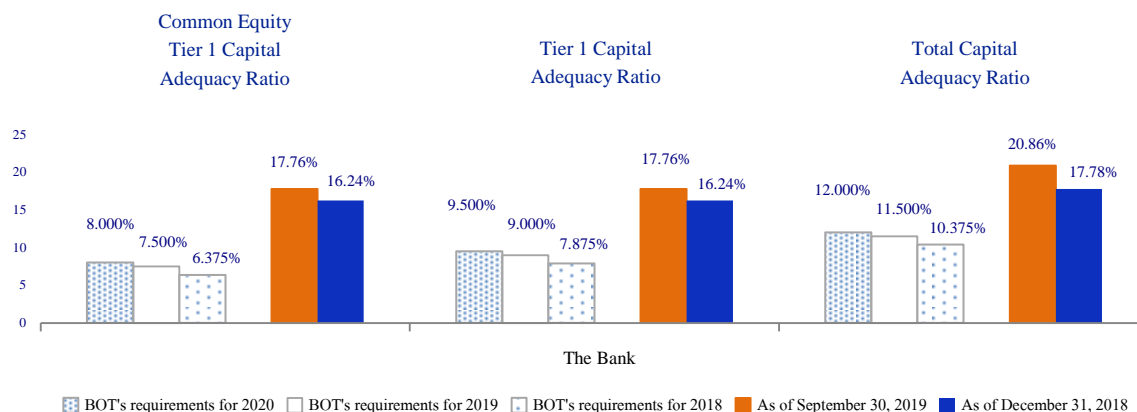
Consolidated

Item	Million Baht					
	Capital			Capital Adequacy Ratio		
	September 2019	June 2019	December 2018	September 2019	June 2019	December 2018
Total capital	487,730	434,708	426,563	20.71%	18.28%	17.96%
Tier 1 capital	415,837	399,263	390,369	17.66%	16.79%	16.43%
Common Equity Tier 1 capital	415,774	399,202	390,309	17.66%	16.78%	16.43%

The Bank

Item	Million Baht					
	Capital			Capital Adequacy Ratio		
	September 2019	June 2019	December 2018	September 2019	June 2019	December 2018
Total capital	480,531	426,095	409,945	20.86%	18.31%	17.78%
Tier 1 capital	409,166	391,162	374,633	17.76%	16.81%	16.24%
Common Equity Tier 1 capital	409,166	391,162	374,633	17.76%	16.81%	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 September 30, 2019, regulatory capital position was Baht 487,730 million, Common Equity Tier 1 capital was Baht 415,774 million, and Tier 1 capital was Baht 415,837 million. The total capital adequacy ratio was 20.71 percent, the Common Equity Tier 1 capital adequacy ratio was 17.66 percent, and the Tier 1 capital adequacy ratio was 17.66 percent. This regulatory capital has already included subordinated notes qualified as Basel III-complaint Tier 2 capital of USD 1,200 million.

Liquid Assets

Item	September 2019	June 2019	December 2018
Liquid assets (Million Baht)	1,180,661	1,082,206	1,018,448
Liquid assets/Total assets (%)	36.6	34.4	32.7
Liquid assets/Deposits (%)	50.0	46.0	43.8

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of September 30, 2019, liquid assets totaled Baht 1,180,661 million, an increase of Baht 98,455 million or 9.1 percent from the end of June 2019, due largely to increases of Baht 70,795 million in net interbank and money market items and Baht 33,654 million in available-for-sale securities.

Compared with the end of December 2018, liquid assets rose by Baht 162,213 million or 15.9 percent. Significant items included an increase of Baht 125,270 million in interbank and money market items and an increase of Baht 38,908 million in available-for-sale securities.

Credit Ratings

As of September 30, 2019, Moody's Investors Service, S&P Global Ratings and Fitch Ratings maintained the Bank's credit ratings from the end of June 2019 and the end of 2018. In July 2019, Moody's Investors Service upgraded the Bank's subordinated debt instrument rating to Baa2 from Baa3 and the Bank's Baseline Credit Assessment (BCA) to baa1 from baa2 and changed the outlook to positive from stable. Details of the Bank's credit ratings are as follows:

Credit Rating Agency *	September 2019	June 2019	December 2018
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	Baa3	Baa3
Subordinated Debt (Basel III-compliant Tier 2 securities)	Baa3	-	-
Financial Strength (BCA)	baa1	baa2	baa2
Outlook	Positive	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	BBB	BBB	BBB
Subordinated Debt (Basel III-compliant Tier 2 securities)	BBB	-	-
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

* 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.