



**Krungthai**

## Management Discussion and Analysis for 2Q2018

This report discusses the principal changes in the audited consolidated financial statement for the quarter ended June 30, 2018.

### The Bank and Its Subsidiaries' Overview for the First Half of 2018

In the first half of the year 2018, the Thai economy continued to gain further traction as the GDP in 1Q2018 grew at 4.9% and followed by 4.6% in 2Q2018. The merchandise exports from most product groups remained the key growth driver for Thai economy. Private consumption improved further, supported by the upward trend of the farm income. The expansion in merchandise exports and private consumption contributed to the growth of manufacturing production. Private investment gradually expanded in accordance with the growth of machinery and equipment investment. Public spending, both current and capital spending, continued to increase. Meanwhile, tourism sectors continued to expand.

For the first half of the year 2018, KTB's consolidated net profit was Baht 15,766 million, showing an increase of Baht 3,238 million (25.85%) and the Net Profit Attributable to Equity Holders of the Bank was Baht 14,495 million, increased by Baht 2,735 million (23.26%) compare to the same period of last year. Pre-provision profit was Baht 33,214 million, decreased by Baht 3,406 million (9.30%) from the same period of last year. In summary, the key changes of the Bank and its subsidiaries' financial result compared to the same period of last year are as shown below:

1) Net interest income declined by Baht 2,636 million (5.99%) due to the impact of the lending rate cut on Minimum Retail Rate (MRR) at 0.50% in mid of May 2017 as well as the loans recently began to show the upward trend. Consequently, Net Interest Margin (NIM) decreased by 0.36% to 3.09%, compared to 3.45% on the same period of last year. NIM in 2Q2018 slightly expanded from 3.07% in 1Q2018 to 3.10%.

2) Net fee and service income increased by Baht 518 million (4.51%). Nevertheless, fee and service income growth slowed down in 2Q2018 due to the impact of fee waiver for inter-region and inter-bank money transfer, bill payment and top up made on internet banking platform (KTB Netbank).

3) Other operating expenses expanded by Baht 1,460 million (6.02%) as a result of an increase of the other expenses such as marketing expenses and allowance for impairment for its asset, bringing about the escalation of the cost-to-income from 39.85% to 43.64% compared to the same period of last year.

4) The Bank and its subsidiaries continue to maintain a prudent coverage ratio. As at the end of June 2018, coverage ratio was 123.54%. Comparing to the same period of last year, provision expenses decreased as the Bank set aside the large amount of provision for a large client group last year. The gross NPLs ratio was 4.52%, increased from 4.19% and the net NPLs ratio was 1.88%, slightly increased from 1.77% as at December

31, 2017, due to the escalation of SMEs sectors in some industries, together with the qualitative assessment on NPLs for prudent practice.

The Bank's consolidated total loans to customers (less deferred revenue) was Baht 1,959,549 million, increased by Baht 21,467 million (1.11%) from the end of 2017. In 2Q2018, loans well expanded compare to 1Q2018 from private corporate, retail, and government and state enterprise sectors.

In May 2018, Fitch Ratings has upgraded KTB's Short-Term Issuer Default Ratings to "F2" from "F3", given its sustained improvement in the key liquidity ratios and Fitch also affirmed KTB's Long-Term Foreign Currency Issuer Default Ratings at BBB and KTB's National Long-Term Ratings at AA+ (tha). Moreover, in June 2018, Moody's Investor Services has affirmed KTB's foreign currency deposit ratings at Baa1, which to reflects the expectation of its stable credit profile. In addition, Moody's has raised Thailand's year 2018 GDP forecast and expects the positive prospect for Thai banking system.

However, the rating affirmations of Fitch and Moody's reflect financial stability, strength and importance of the Bank to the economy.

## **The Bank and Its Subsidiaries' performance**

### **Performance for the Quarter Ended June 30, 2018**

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#### **Operating Profit before Tax and Net Profit**

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In 2Q2018, KTB's consolidated net profit and net profit attributable to equity holders of the Bank, were Baht 8,368 million and Baht 7,708 million respectively, showing the increase of Baht 4,748 million (131.16%) and Baht 4,486 million (139.23%) respectively compared to 2Q2017. Moreover, the net profit and the net profit attributable to equity holders of the Bank also expanded compared to 1Q2018. KTB's consolidated pre-provision profit was Baht 17,219 million, decreased by Baht 991 million (5.44%) compared to 2Q2017. The impairment loss on loans and debt securities (further information was shown in part F) impairment loss on loans and debt securities) and income tax expense in 2Q2018 were Baht 6,769 million and Baht 2,082 million respectively.

Unit : Million Baht

	2Q2018	1Q2018	Change		2Q2017	Change	
			Amount	(%)		Amount	(%)
Pre-provision profit <sup>(1)</sup>	17,219	15,995	1,224	7.65	18,210	(991)	(5.44)
Operating profit before tax	10,450	9,087	1,363	15.00	4,332	6,118	141.23
Income tax expense	(2,082)	(1,689)	393	23.27	(712)	1,370	192.42
Net profit	8,368	7,398	970	13.11	3,620	4,748	131.16
Net profit (attributable to equity holders of the Bank)	7,708	6,787	921	13.57	3,222	4,486	139.23

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

## Net Interest Income

In 2Q2018, KTB's consolidated net interest income equaled to Baht 20,799 million, showing the decrease of Baht 1,048 million (4.80%) from 2Q2017 as the lending rate cut on Minimum Retail Rate (MRR) at 0.50% on May 2017 and overall loans recently began showing the upward trend. KTB's consolidated Net Interest Margin (NIM) was 3.10%, decreased by 0.29% from 3.39% in 2Q2017. However, NIM slightly expanded compared to 1Q2018.

Unit : Million Baht

	2Q2018	1Q2018	Change		2Q2017	Change	
			Amount	(%)		Amount	(%)
Interest income	29,878	29,505	373	1.26	30,773	(895)	(2.91)
- Interbank and money market items	2,671	2,708	(37)	(1.37)	2,537	134	5.28
- Investments and trading transactions	83	78	5	6.41	88	(5)	(5.68)
- Investment in debt securities	848	848	0	0.00	927	(79)	(8.52)
- Loans	25,984	25,552	432	1.69	26,734	(750)	(2.81)
- Hire purchase and financial lease	253	300	(47)	(15.67)	473	(220)	(46.51)
- Others	39	19	20	105.26	14	25	178.57
<b>Less Interest expense</b>	<b>(9,079)</b>	<b>(8,965)</b>	<b>114</b>	<b>1.27</b>	<b>(8,926)</b>	<b>153</b>	<b>1.71</b>
- Deposits	(4,844)	(4,831)	13	0.27	(4,921)	(77)	(1.56)
- Interbank and money market items	(709)	(668)	41	6.14	(606)	103	17.00
- Contributions to BOT and DPA	(2,415)	(2,441)	(26)	(1.07)	(2,336)	79	3.38
- Debts issued	(1,077)	(1,007)	70	6.95	(1,056)	21	1.99
- Others	(34)	(18)	16	88.89	(7)	27	385.71
<b>Net interest income</b>	<b>20,799</b>	<b>20,540</b>	<b>259</b>	<b>1.26</b>	<b>21,847</b>	<b>(1,048)</b>	<b>(4.80)</b>
Net interest margin [based on earning assets] (%)	3.10	3.07			3.39		

The Bank re-categorized some items in the Statements of Comprehensive Income – interest income, interest expense, and net gain on trading and foreign exchange transactions items since 1Q2018 by reporting the gain/loss from derivatives in banking book for hedging purpose together with the interest income and interest expenses instead of the net gain on trading and foreign exchange transactions item. Related data of 2Q2017 was restated accordingly

**Management Discussion and Analysis 2Q2018**

	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Policy Interest Rate (%)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Deposit Rate (%)						
- Savings Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
- 3 Months Fixed Rate	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
- 6 Months Fixed Rate	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%
- 12 Months Fixed	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Loan Rate (%)						
- MLR	6.275%	6.275%	6.275%	6.275%	6.275%	6.275%
- MOR	7.120%	7.120%	7.120%	7.120%	7.120%	7.120%
- MRR	7.120%	7.120%	7.120%	7.120%	7.120% <sup>(1)</sup>	7.620%

<sup>(1)</sup> Minimum Retail Rate (MRR) was cut at 0.50% effective May 16, 2017 onwards.

## Net Fee and Service Income

KTB's consolidated net fee and service income in 2Q2018 amounted to Baht 5,835 million, rose by Baht 74 million (1.28%) from 2Q2017. Nevertheless, fee and service income compressed from previous quarter due to the impact of fee waiver for inter-region and inter-bank money transfer, bill payment and top up made on internet banking platform (KTB Netbank) as well as the loan related fee.

Unit : Million Baht

	2Q2018	1Q2018	Change		2Q2017	Change	
			Amount	(%)		Amount	(%)
Fee and service income	7,270	7,590	(320)	(4.22)	6,758	512	7.58
Less Fee and service expense	(1,435)	(1,431)	4	0.28	(997)	438	43.93
Net fee and service income	5,835	6,159	(324)	(5.26)	5,761	74	1.28

■ Fee and service income breakdown

Unit : %

	2Q2018	1Q2018	2Q2017	1H2018	1H2017
Loan related fee	8%	10%	9%	9%	10%
Card Business and electronic services	50%	49%	52%	49%	52%
Cash management	7%	6%	7%	7%	7%
Bancassurance and mutual fund	10%	11%	9%	11%	8%
Other fees <sup>(1)</sup>	25%	24%	23%	24%	23%
Fee and service income	100%	100%	100%	100%	100%

<sup>(1)</sup> Fees from Global Market and other services

## Total Other Operating Income

In 2Q2018, KTB's consolidated total other operating income amounted to Baht 2,844 million, increased by Baht 555 million (24.25%) from 2Q2017 owing to the increase of gain on trading and foreign exchange transactions by Baht 790 million (182.87%). However, the share of profit from investments on equity method from the Bank's associated company from insurance sector declined by Baht 250 million (43.55%).

	2Q2018	1Q2018	Change		2Q2017	Change	
			Amount	(%)		Amount	(%)
			Unit : Million Baht				
Gain (loss) on trading and foreign exchange transactions, net <sup>(1)</sup>	1,222	910	312	34.29	432	790	182.87
Gain (loss) on investments, net	189	115	74	64.35	151	38	25.17
Share of profit (loss) from investments on equity method <sup>(2)</sup>	324	584	(260)	(44.52)	574	(250)	(43.55)
Dividend income	147	101	46	45.54	129	18	13.95
Other income	962	1,111	(149)	(13.41)	1,003	(41)	(4.09)
<b>Total other operating income</b>	<b>2,844</b>	<b>2,821</b>	<b>23</b>	<b>0.82</b>	<b>2,289</b>	<b>555</b>	<b>24.25</b>

<sup>(1)</sup> The Bank re-categorized some items in the Statements of Comprehensive Income – interest income, interest expense, and net gain on trading and foreign exchange transactions items since 1Q2018 by reporting the gain/loss from derivatives in banking book for hedging purpose together with the interest income and interest expenses instead of the net gain on trading and foreign exchange transactions item. Related data of 2Q2017 was restated accordingly

## Other Operating Expenses

In 2Q2018, the Bank's consolidated other operating expenses was Baht 12,259 million, increased by Baht 572 million (4.89%) from 2Q2017 as a result of the other expenses such as marketing expenses. Conversely, other operating expenses reduced from 1Q2018.

Unit : Million Baht

	2Q2018	1Q2018	Change		2Q2017	Change	
			Amount	(%)		Amount	(%)
Personnel expenses	6,729	8,021	(1,292)	(16.11)	6,810	(81)	(1.19)
Directors' remuneration	62	10	52	520.00	70	(8)	(11.43)
Premises and equipment expenses	2,133	2,170	(37)	(1.71)	2,161	(28)	(1.30)
Taxes and duties	1,121	1,047	74	7.07	1,094	27	2.47
Others	2,214	2,277	(63)	(2.77)	1,552	662	42.65
Total other operating expenses	12,259	13,525	(1,266)	(9.36)	11,687	572	4.89
Cost-to-income ratio (%)	41.59	45.82			39.09		

### Impairment Loss of Loans

In 2Q2018, the Bank and its subsidiaries set aside provision for impairment loss of loans amounted to Baht 6,769 million, decreased by Baht 7,109 million (51.22%) compared to 2Q2017 since the previous year the bank had to set aside large amount of provision for a group of corporate customers. However, 2Q2018 provision slightly reduced compared to 1Q2018.

The Bank and its subsidiaries continue to maintain a prudent coverage ratio. In 2Q2018, the Bank's coverage ratio was 123.54%, marginally increased from 121.71% as at December 31, 2017

In 2Q2018 and 2Q2017, the Bank wrote off NPLs in amount of Baht 760 million and Baht 13,784 million respectively.

Unit : Million Baht

	2Q2018	1Q2018	Change		2Q2017	Change	
			Amount	(%)		Amount	(%)
Impairment loss of loans <sup>(1)</sup>	6,769	6,908	(139)	(2.01)	13,878	(7,109)	(51.22)

<sup>(1)</sup> Impairment loss of loans and debt securities



## The Bank and Its Subsidiaries' Financial Status as at June 30, 2018

### Loans to Customers

The Bank consolidated total loans to customers (less deferred revenue) was Baht 1,959,549 million. In 2Q2018, the loans to customers, compared to the previous quarter, well escalated from various sectors especially retail, and government and state enterprise sectors. Consequently, loans to customers was enlarged by Baht 21,467 million (1.11%) compared to the end of 2017.

- Loan Classified by Type of Borrower (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	30 Jun 2018		31 Dec 2017		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Private Corporate	651,555	34.51	671,345	35.99	(19,790)	(2.95)
Government and State Enterprise	156,083	8.27	129,623	6.95	26,460	20.41
SMEs <sup>(1)</sup>	337,082	17.85	347,698	18.64	(10,616)	(3.05)
Retail	742,912	39.35	716,431	38.40	26,481	3.70
Others	367	0.02	386	0.02	(19)	(4.92)
<b>Total loans</b>	<b>1,887,999</b>	<b>100.00</b>	<b>1,865,483</b>	<b>100.00</b>	<b>22,516</b>	<b>1.21</b>
<b>Less Deferred revenue</b>	<b>121</b>		<b>87</b>			
<b>Total</b>	<b>1,887,878</b>		<b>1,865,396</b>			

<sup>(1)</sup>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

- Loan Classified by Type of Business

Unit : Million Baht

	30 Jun 2018		31 Dec 2017		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Agriculture and mining	41,321	2.11	39,196	2.02	2,125	5.42
Manufacturing and commerce	534,946	27.30	551,567	28.46	(16,621)	(3.01)
Real estate and construction	114,585	5.85	105,597	5.45	8,988	8.51
Public utilities and services	336,885	17.19	320,350	16.53	16,535	5.16
Housing loans	358,374	18.29	349,923	18.05	8,451	2.42
Others	573,438	29.26	571,449	29.49	1,989	0.35
<b>Total loans<sup>(1)</sup></b>	<b>1,959,549</b>	<b>100.00</b>	<b>1,938,082</b>	<b>100.00</b>	<b>21,467</b>	<b>1.11</b>

<sup>(1)</sup> Less deferred revenue

## Investments

KTB's consolidated net investments as at June 30, 2018 totaled Baht 191,816 million, reduced by Baht 36,424 million (15.96%) as at December 31, 2017 because of the reduction of investment in government bond and the unrealized losses on associate companies' investments.

Unit : Million Baht

	30 Jun 2018		31 Dec 2017		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Investments, net <sup>(1)</sup>	175,762	91.63	209,515	91.80	(33,753)	(16.11)
Investments in associates, net	16,054	8.37	18,725	8.20	(2,671)	(14.26)
Total investments, net	191,816	100.00	228,240	100.00	(36,424)	(15.96)

<sup>(1)</sup> On March 28, 2018, the Bank had acquired shares in Sahaviriya Steel Industries Public Company Limited (SSI) consequent to its Business Rehabilitation Plan, equivalent to 40.49% of the total issues shares. However, according to Thai Accounting Standard 28 (TAS 28) regarding the Investments in Associates and Joint Venture, the Bank had no "significant influence" to SSI, the Bank recoded such items as Investments which had no significant impact to total investment.

## Total Assets

KTB's consolidated total assets as at June 30, 2018 was Baht 2,804,772 million, decreased by Baht 49,438 million (1.73%) from December 31, 2017, mostly from the deceleration of the net investment and net interbank and money market items.

## Liabilities

The Bank's consolidated deposits as at June 30, 2018 were Baht 2,040,349 million, dropped by Baht 30,526 million (1.47%) from December 31, 2017 because of the contraction of time and demand deposits, while, savings deposits showed a slight increase. Therefore, the Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio was 96.04%, compared to 93.59% as at December 31, 2017. Meanwhile, net interbank and money market decreased by Baht 34,988 million (15.30%) as a result of its liquidity management, the liabilities to deliver securities increased by Baht 16,521 million (54.55%), as a consequence of the lessening in the Bank's consolidated total liabilities by Baht 50,897 million (1.99%) to Baht 2,509,094 million.

- Deposits Classified by Types

Unit : Million Baht

	30 Jun 2018		31 Dec 2017		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Demand deposits	85,989	4.21	95,462	4.61	(9,473)	(9.92)
Savings deposits	1,391,735	68.21	1,387,165	66.98	4,570	0.33
Time deposits	562,625	27.58	588,248	28.41	(25,623)	(4.36)
Total Deposits	2,040,349	100.00	2,070,875	100.00	(30,526)	(1.47)

## Equity

The total equity (equity holders of the Bank) as at June 30, 2018 amounted to Baht 288,740 million, showing an increase of Baht 879 million (0.31%) from December 31, 2017.

Book value per share (equity holders of the Bank) was Baht 20.65, increased from Baht 20.59 at the end of the year 2017.

## Sources and Uses of Funds

As at June 30, 2018, the Bank's major source of funds was deposits amounting to 72.74%; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. The Bank's use of funds comprised of 69.86% loans to customers (less deferred revenue), 18.58% net interbank and money market items, and 6.84% net investments and net investments in associates.

- Source of funds

Unit : Million Baht

	30 Jun 2018		31 Dec 2017		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Deposits	2,040,349	72.75	2,070,875	72.56	(30,526)	(1.47)
Interbank and money market items, net	193,703	6.91	228,691	8.01	(34,988)	(15.30)
Debt issued and borrowings	112,169	4.00	110,626	3.88	1,543	1.39
Others	162,873	5.80	149,799	5.24	13,074	8.73
Total equity						
- Equity holders of the Bank	288,740	10.29	287,861	10.09	879	0.31
- Non-controlling interest	6,938	0.25	6,358	0.22	580	9.12
Total	2,804,772	100.00	2,854,210	100.00	(49,438)	(1.73)

- Loans and Deposits Classified by Remaining Maturity

Unit : Million Baht

The Bank's Financial Statements	30 Jun 2018		31 Dec 2017		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Loans						
- ≤ 1 year	614,635	32.56	621,159	33.30	(6,524)	(1.05)
- > 1 year	1,273,364	67.45	1,244,324	66.71	29,040	2.33
Less Deferred revenue	(121)	(0.01)	(87)	(0.01)	34	39.08
Total loans *	1,887,878	100.00	1,865,396	100.00	22,482	1.21
Deposits						
- ≤ 1 year	1,973,196	96.59	1,944,758	93.79	28,438	1.46
- > 1 year	69,625	3.41	128,836	6.21	(59,211)	(45.96)
Total deposits	2,042,821	100.00	2,073,594	100.00	(30,773)	(1.48)

\* Excluding accrued interest receivable and interbank loans and money market item.

### Statutory Capital Fund

As of June, 2018, the Bank and the Financial Business Group Common Equity Tier 1 was Baht 266,358 million (13.74% of its Risk-weighted assets (RWA)). The Tier I capital was Baht 267,342 million (13.79% of its RWA). Total capital was Baht 340,620 million (17.57% of its RWA), increased from 17.20% as at December 31, 2017.

Currently, the bank possesses healthy capital ratios compared to BOT's requirement. Moreover, the bank regularly reassesses the capital level to be in accordance with the BOT's requirement as well as any foreseeable risk to ensure the adequate capital.

Unit : Million Baht

Bank and the Financial Business Group <sup>(1)</sup>	30 June 2018			31 Dec 2017		
	Amount	(%)	The minimum rate required by the BOT (%) <sup>(2)</sup>	Amount	(%)	The minimum rate required by the BOT (%) <sup>(2)</sup>
Common Equity Tier 1 capital	266,358	13.74	More than 6.375	276,456	13.42	More than 5.750
Tier 1 capital	267,342	13.79	More than 7.875	268,606	13.48	More than 7.250
Tier 2 capital	73,278			74,142		
Total capital fund	340,620	17.57	More than 10.375	342,748	17.20	More than 9.750
Risk-weighted assets	1,938,629			1,993,163		

<sup>(1)</sup> 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.

<sup>(2)</sup> 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)

## Asset Quality

### Non-Performing Loans

The Bank's consolidated NPLs as at June 30, 2018 was Baht 110,563 million, rose by Baht 7,543 million (7.32%) from December 31, 2017. The raised NPLs were mostly relate to SMEs in some industries, together with the qualitative assessment on NPLs for prudent practice. The gross NPLs ratio was 4.52%, increased from 4.19% and the net NPLs ratio was 1.88%, slightly increased from 1.77% as at December 31, 2017

● Loan Classification and Allowance for Doubtful Accounts

Unit : Million Baht

	30 Jun 2018			31 Dec 2017		
	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	1,785,322	858,798	11,630	1,770,816	884,655	11,067
Special mention	68,616	27,617	15,779	69,362	28,189	17,305
Substandard	11,235	4,425	4,437	12,243	7,266	7,290
Doubtful	23,230	12,026	13,434	35,890	23,198	25,029
Doubtful of loss	76,133	37,093	42,963	54,982	19,924	28,247
Total	1,964,536	939,959	88,243	1,943,293	963,232	88,938
Excess allowance			48,334			36,426
Allowance for doubtful account			136,577			125,364
Revaluation allowance for debt restructuring			10			17
2. Actual provisioning for loan loss <sup>(1)</sup>			136,587			125,381
3. NPLs gross <sup>(2)</sup>	110,563		4.52%	103,020		4.19%
NPLs net <sup>(2)</sup>	44,691		1.88%	42,506		1.77%
4. Coverage Ratio			123.54%			121.71%

<sup>(1)</sup> Allowance for doubtful accounts and revaluation allowance for debt

<sup>(2)</sup> Restructuring NPLs Ratio (gross) and NPLs Ratio (net) were calculated according to BOT definition

- NPLs (gross) Classified by Type of Business

Unit : Million Baht

	30 Jun 2018		31 Dec 2017		Change	
	Amount	(%)	Amount	(%)	Amount	(%)
Agriculture and mining	11,890	10.75	11,304	10.97	586	5.18
Manufacturing and commerce	50,227	45.43	42,758	41.51	7,469	17.47
Real estate and construction	11,590	10.48	11,285	10.95	305	2.70
Public utilities and services	10,106	9.14	10,777	10.46	(671)	(6.23)
Housing loans	16,616	15.03	16,618	16.13	(2)	(0.01)
Others	10,134	9.17	10,278	9.98	(144)	(1.40)
<b>Total NPLs (gross)</b>	<b>110,563</b>	<b>100.00</b>	<b>103,020</b>	<b>100.00</b>	<b>7,543</b>	<b>7.32</b>

## Credit Ratings

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

■ S&P Global Ratings	June 2018	December 2017
■ Long-term/ Short-term	BBB / A-2	BBB / A-2
■ Outlook	Stable	Stable
■ Stand-Alone Credit Profile (SACP)	bb+	bb+
■ Moody's Investors Service	June 2018	December 2017
■ Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2
■ Outlook	Stable	Stable
■ Baseline Credit Assessment (BCA)	ba1	ba1
■ Fitch Ratings	June 2018	December 2017
<b>Foreign Currency Credit Ratings</b>		
■ Long-term/ Short-term	BBB / F2	BBB / F3
■ Outlook	Stable	Stable
■ Viability Rating	bbb-	bbb-
■ Subordinated Debt (USD)	BBB-	BBB-
<b>National Credit Ratings</b>		
■ Long-term/ Short-term	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)
■ Outlook	Stable	Stable
■ US dollar-denominated Senior unsecured debentures <sup>(1)</sup>	AA+(tha)	--
■ Subordinated Debt (Baht)	AA(tha)	AA(tha)

<sup>(1)</sup> The Bank was first assigned the US dollar-denominated Senior unsecured debentures rating by Fitch Rating on May 23, 2018

In May 2018, Fitch Ratings has upgraded KTB's Short-Term Issuer Default Ratings to "F2" from "F3", given its sustained improvement in the key liquidity ratios and Fitch also affirmed KTB's Long-Term Foreign Currency Issuer Default Ratings at BBB and KTB's National Long-Term Ratings at AA+(tha). Moreover, in June 2018, Moody's Investor Services has affirmed KTB's foreign currency deposit ratings at Baa1, which to reflects the expectation of its stable credit profile. In addition, Moody's has raised Thailand's year 2018 GDP forecast and expects the positive prospect for Thai banking system.