



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter Ended March 31, 2019

Management Discussion and Analysis

Overview of the Economy and Banking Industry

Thai Economy in the First Quarter of 2019

The Thai economy in the first quarter of 2019 expanded at a slower pace compared to the previous quarter, with merchandise exports contracting as global trade weakened, resulting in a decline in domestic industrial production. Meanwhile, tourism sector's growth slowed down and private investment slightly dropped. However, private consumption continued to hold up, partly due to improvements in non-farm income and government measures to support low-income households. Nevertheless, high levels of household debt continue to weigh on household purchasing power.

Headline inflation in the first quarter of 2019 was 1.2 percent, up from 0.4 percent in the previous quarter and above the lower bound of the Bank of Thailand's target range of 1-4 percent. At the same time, core inflation was 0.6 percent, down from 0.7 percent in the previous quarter. In the first quarter of 2019, Baht appreciated with the average exchange rate of 31.62 THB/USD, compared to 32.81 THB/USD in the previous quarter.

The Monetary Policy Committee (MPC) maintained the policy interest rate at 1.75 percent in the first quarter of 2019. The MPC opined that the Thai economy would expand at a slower pace than previously assessed due to merchandise exports and private investment, while headline inflation was projected to be around the lower bound of the inflation target. Overall financial conditions remained conducive to growth, despite pockets of risks to financial stability such as the accumulation of household debt. Therefore, the MPC viewed that the current accommodative monetary policy stance remained appropriate as it would contribute to the continuation of economic growth and correspond with the inflation target.

Thailand's economic growth in 2019 is expected to be 3.8 percent. Although merchandise exports and tourism revenue are expected to grow at a slower rate given weakening global demand, public policies, including those aiming to boost consumption and investment in transportation infrastructure, will support domestic demand. Nevertheless, downside risks to the growth of the Thai economy is greater given uncertainties in US trade policies towards China and other trading partners, political situations in Europe, and domestic political uncertainties which may lead to a delay in infrastructure investment and a slowdown in private investment.

Thai Banking Industry

The commercial banking sector in Thailand continued to face some uncertainties in the business environment and ongoing changes in the regulations but was able to maintain its good performance in the first quarter of 2019. Considering the Statement of Financial Position of the commercial banks registered in Thailand at the end of March 2019, deposits continued to expand while loans dropped slightly. Consequently, the ratio of loans to deposits declined from the end of 2018. However, loan quality was relatively stable as the ratio of gross non-performing loan (NPL) to total loans was at 2.9 percent, the same level as at the end of 2018.

The Bank of Thailand's Senior Loan Officer Survey indicated that in the first quarter of 2019, credit demand from the business sector improved from the previous quarter, due to demand for loans from large corporates, and small and medium sized businesses. Demand for home loans from the household sector increased due to the rush to transfer home ownership before the effective date of the revision of the housing loan regulation (LTV measure) on April 1, 2019, but demand for auto-leasing declined after accelerating in the previous quarter. Looking forward, financial institutions expect demand for business credit to increase, especially for large corporates to invest in fixed assets for electricity generation, export-oriented food and beverage production, and construction related to public investment projects. Meanwhile, demand for household credit is likely to decline, particularly in housing loans after the LTV measure takes effect.

For deposits, commercial banks have placed a greater emphasis on adjusting deposit portfolio structure to increase the proportion of CASA while managing liquidity appropriate to the changing environment and in compliance with Bank of Thailand's regulations on the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) requirements. They also have to prepare for the adoption of TFRS 9 which will come into effect in 2020. Managing loan quality and non-performing loans continues to be a major challenge. However, due to a relatively high level of capital and the regular setting aside of additional provision, commercial banks are able to continuously provide an adequate cushion for NPL in the banking system.

Overall Picture of the Bank and its Subsidiaries

Million Baht

Item	Quarter			Change (%)	
	1/2019	4/2018	1/2018	4/2018	1/2018
Net profit *	9,028	8,101	9,005	11.4%	0.3%
Earnings per share (Baht)	4.73	4.24	4.72	11.4%	0.3%
Net interest margin	2.48%	2.46%	2.34%	0.02%	0.14%
Net fees and service income to operating income ratio	23.9%	24.3%	24.1%	(0.4)%	(0.2)%
Expense to operating income ratio	42.6%	56.2%	39.9%	(13.6)%	2.7%
Return on average assets *	1.17%	1.04%	1.17%	0.13%	-
Return on average equity *	8.74%	7.86%	9.05%	0.88%	(0.31)%

* Attributable to owners of the Bank

Million Baht

Item	March 2019	December 2018	March 2018	Change (%)	
				December 2018	March 2018
Loans **	2,029,810	2,083,160	1,978,511	(2.6)%	2.6%
Deposits	2,340,979	2,326,470	2,334,078	0.6%	0.3%
Loan to deposit ratio	86.7%	89.5%	84.8%	(2.8)%	1.9%
Non-performing loan (NPL)	83,668	80,137	92,165	4.4%	(9.2)%
Ratio of NPL to total loans	3.5%	3.4%	3.8%	0.1%	(0.3)%
Ratio of loan loss reserves to NPL	189.0%	190.9%	159.3%	(1.9)%	29.7%
Total capital adequacy ratio	18.12%	17.96%	17.97%	0.16%	0.15%

** Less deferred revenue

Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9,028 million, a slight increase of 0.3 percent from the first quarter of 2018. Net interest income increased by 6.9 percent and net interest margin increased from 2.34 percent to 2.48 percent. Non-interest income decreased by 28.3 percent due mainly to declines in gains on investments and net fees and service income. The decrease in net fees and service income was due to the exemption of transaction fees via digital channels and lower fees from loan-related services. Operating expenses declined by 3.1 percent and the ratio of expense to operating income stood at 42.6 percent.

At the end of March 2019, the Bank's loans amounted to Baht 2,029,810 million, a decrease of 2.6 percent from the end of 2018 mainly due to the decline in loans to businesses and consumers. The ratio of non-performing loan (NPL) to total loans was 3.5 percent, while the ratio of loan loss reserves to NPL was 189.0 percent.

In terms of capital, as per the Bank of Thailand (BOT) announcement of the guidelines for identifying and regulating Domestic Systemically Important Banks (D-SIBs), Bangkok Bank, which is identified as a D-SIB, is required by the BOT to have additional capital to meet the Higher Loss Absorbency (HLA) requirement, which gradually raises the minimum Common Equity Tier 1 ratio by 1.0 percent in total, beginning with a 0.5 percent increase from January 1, 2019, rising to 1.0 percent from January 1, 2020 onwards. For the Bank, with the inclusion of net profit for the six months from July to December 2018 and net profit for the first quarter of 2019 minus the May 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 would be 18.91 percent, 17.41 percent and 17.41 percent, respectively. These capital adequacy ratios are above the Bank of Thailand's minimum capital requirements and satisfy capital buffer requirement as per the guidelines on D-SIBs.

Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht

Item	Quarter		Change (%)		
	1/2019	4/2018	1/2018	4/2018	1/2018
Net interest income	18,299	18,423	17,123	(0.7)%	6.9%
Non-interest income	10,328	10,651	14,414	(3.0)%	(28.3)%
Operating expenses	12,201	16,344	12,594	(25.3)%	(3.1)%
Impairment loss of loans and debt securities	5,078	2,765	7,322	83.7%	(30.6)%
Operating profit before tax	11,348	9,965	11,621	13.9%	(2.3)%
Income tax expenses	2,225	1,767	2,522	25.9%	(11.8)%
Net profit	9,123	8,198	9,099	11.3%	0.3%
Net profit *	9,028	8,101	9,005	11.4%	0.3%
Total comprehensive income *	12,442	8,240	3,738	51.0%	232.9%

* Attributable to owners of the Bank

For the first quarter of 2019, Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 9,028 million, an increase of Baht 927 million or 11.4 percent from the fourth quarter of 2018. The main reason was a decline of Baht 4,143 million or 25.3 percent in operating expenses, mainly because of the recognition of provision for post-employment benefits in the previous quarter for the compensation in lieu of notice in the case of retirement of employees according to the new Labor Protection Act (7) B.E. 2562 (2019). Net interest income fell slightly by Baht 124 million. Non-interest income fell by Baht 323 million, due to a decrease in gains on trading and foreign exchange transactions and a decrease in net fees and service income, mainly from loan-related fees, while gains on investments increased. Impairment loss on loans and debt securities rose by Baht 2,313 million.

Compared with the first quarter of 2018, net profit attributable to owners of the Bank rose slightly by Baht 23 million. Net interest income rose by Baht 1,176 million or 6.9 percent, due mainly to increases in yields on earning assets and loan volumes. Non-interest income fell by Baht 4,086 million or 28.3 percent, largely due to declines in gains on investments and net fees and service income. The decrease in net fees and service income was due to the exemption of transaction fees via digital channels and lower fees from loan-related services. Impairment loss on loans and debt securities fell by Baht 2,244 million.

Net Interest Income

Item	Quarter		Change (%)		
	1/2019	4/2018	1/2018	4/2018	1/2018
Million Baht					
Interest Income					
Loans	23,696	24,026	22,366	(1.4)%	5.9%
Interbank and money market items	2,321	2,048	2,057	13.3%	12.8%
Investments	2,348	2,435	2,160	(3.6)%	8.7%
Total interest income	28,365	28,509	26,583	(0.5)%	6.7%
Interest expenses					
Deposits	5,526	5,499	5,288	0.5%	4.5%
Interbank and money market items	557	545	405	2.2%	37.5%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	2,453	2,446	2,440	0.3%	0.5%
Debt issued and borrowings	1,530	1,596	1,327	(4.1)%	15.3%
Total interest expenses	10,066	10,086	9,460	(0.2)%	6.4%
Net interest income	18,299	18,423	17,123	(0.7)%	6.9%
Yield on earning assets	3.84%	3.81%	3.64%	0.03%	0.20%
Cost of funds	1.58%	1.56%	1.48%	0.02%	0.10%
Net interest margin	2.48%	2.46%	2.34%	0.02%	0.14%

In the first quarter of 2019, net interest margin rose by 0.02 percent from the previous quarter to 2.48 percent due to higher yield on earning assets in all categories.

Compared with the first quarter of 2018, net interest margin rose by 0.14 percent from an improvement in yield on earning assets in all categories, combined with an increase in loan volume. As a result, interest income rose by Baht 1,782 million from the same quarter last year. Interest income from loans rose by Baht 1,330 million, while interest expenses rose by Baht 606 million due to an increase in deposit volume and an increase in borrowings volume due to the issuance of debentures.

Bangkok Bank Interest Rate	Mar'19	Dec'18	Sep'18	Jun'18	Mar'18	Dec'17
Loans (%)						
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
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 (%)	1.750	1.750	1.500	1.500	1.500	1.500

Non-Interest Income

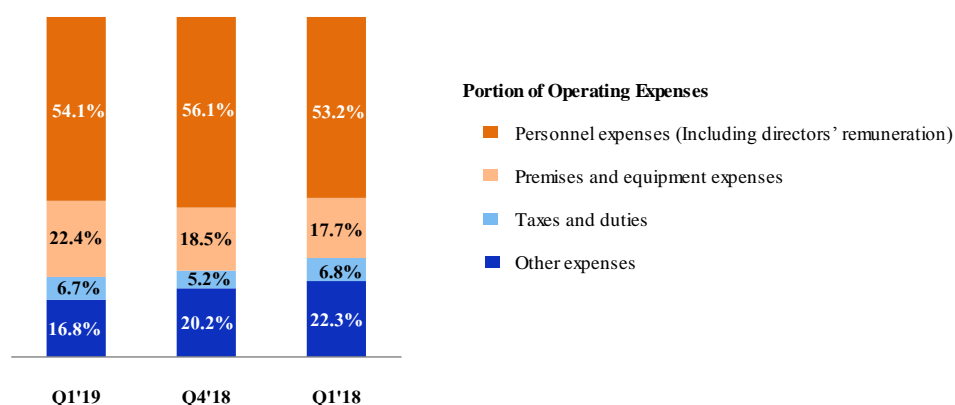
Item	Quarter		Change (%)		
	1/2019	4/2018	1/2018	4/2018	1/2018
Fees and service income	9,587	9,707	10,013	(1.2)%	(4.3)%
<u>Less Fees and service expenses</u>	2,747	2,637	2,411	4.2%	13.9%
Net fees and service income	6,840	7,070	7,602	(3.3)%	(10.0)%
Gains on trading and foreign exchange transactions	1,759	2,074	1,654	(15.2)%	6.3%
Gains on investments	775	463	3,527	67.4%	(78.0)%
Share of profit from investment for using equity method	44	21	35	109.5%	25.7%
Gains on disposal of assets	156	165	349	(5.5)%	(55.3)%
Dividend income	637	691	592	(7.8)%	7.6%
Other operating income	117	167	655	(29.9)%	(82.1)%
Total other operating income	3,488	3,581	6,812	(2.6)%	(48.8)%
Total non-interest income	10,328	10,651	14,414	(3.0)%	(28.3)%
Net fees and service income to operating income ratio	23.9%	24.3%	24.1%	(0.4)%	(0.2)%

Non-interest income in the first quarter of 2019 amounted to Baht 10,328 million, a decrease of Baht 323 million or 3.0 percent from the fourth quarter of 2018, due mainly to a decrease in gains on trading and foreign exchange transactions and a decrease in net fees and service income, largely resulting from lower fees from loan-related services, while gains on investments increased.

Compared with the first quarter of 2018, non-interest income fell by Baht 4,086 million or 28.3 percent predominantly due to a decrease of Baht 2,752 million in gains on investments and a decrease of Baht 762 million in net fees and service income, mainly resulting from the exemption of transaction fees via digital channels from April 2018 onwards, lower fees from loan-related services and securities business, while fee income from bancassurance and mutual funds still grew well.

Operating Expenses

Item	Quarter			Change (%)	
	1/2019	4/2018	1/2018	4/2018	1/2018
Personnel expenses	6,563	9,111	6,670	(28.0)%	(1.6)%
Directors' remuneration	34	53	35	(35.8)%	(2.9)%
Premises and equipment expenses	2,738	3,029	2,223	(9.6)%	23.2%
Taxes and duties	816	853	862	(4.3)%	(5.3)%
Other expenses	2,050	3,298	2,804	(37.8)%	(26.9)%
Total operating expenses	12,201	16,344	12,594	(25.3)%	(3.1)%
Expense to operating income ratio	42.6%	56.2%	39.9%	(13.6)%	2.7%



In the first quarter of 2019, operating expenses amounted to Baht 12,201 million, a decrease of Baht 4,143 million or 25.3 percent from the fourth quarter of 2018. The main reason was in the previous quarter personnel expenses of Baht 2,523 million were recognized for the provision of post-employment benefits for the compensation in lieu of notice in the case of retirement of employees according to the new Labor Protection Act (7) B.E. 2562 (2019). Other expenses fell by Baht 1,248 million due to seasonality of expenses.

Compared with the first quarter of 2018, operating expenses fell by Baht 393 million or 3.1 percent, due to decreases in other expenses and personnel expenses while premises and equipment expenses increased, mainly from technology investments.

Impairment Loss of Loans and Debt Securities

Million Baht

Item	Quarter			Change (%)	
	1/2019	4/2018	1/2018	4/2018	1/2018
Bad debt and doubtful accounts	4,437	2,909	7,369	52.5%	(39.8)%
Loss on debt restructuring (reversal)	641	(144)	(47)	545.1%	1,463.8%
Total	5,078	2,765	7,322	83.7%	(30.6)%

Impairment loss of loans and debt securities in the first quarter of 2019 was Baht 5,078 million, compared to Baht 2,765 million in the fourth quarter of 2018 and Baht 7,322 million in the first quarter of 2018.

Significant Items in the Financial Position

Assets

Million Baht

Item	March 2019	December 2018	March 2018	Change (%)	
				December 2018	March 2018
Net interbank and money market items	520,967	450,700	634,237	15.6%	(17.9)%
Net investments	575,605	556,788	523,259	3.4%	10.0%
Net investments in associates	1,652	1,608	1,495	2.7%	10.5%
Loans *	2,029,810	2,083,160	1,978,511	(2.6)%	2.6%
Net properties for sale	10,613	10,604	10,546	0.1%	0.6%
Total assets	3,148,836	3,116,750	3,173,916	1.0%	(0.8)%

* Less deferred revenue

Total assets as of March 31, 2019 amounted to Baht 3,148,836 million, an increase of Baht 32,086 million from the end of December 2018. Significant items included net interbank and money market items of Baht 520,967 million, an increase of Baht 70,267 million mainly due to a rise in lending; net investments of Baht 575,605 million, an increase of Baht 18,817 million or 3.4 percent, mainly due to increases in available-for-sale securities and trading securities; and loans of Baht 2,029,810 million, a decrease of Baht 53,350 million or 2.6 percent.

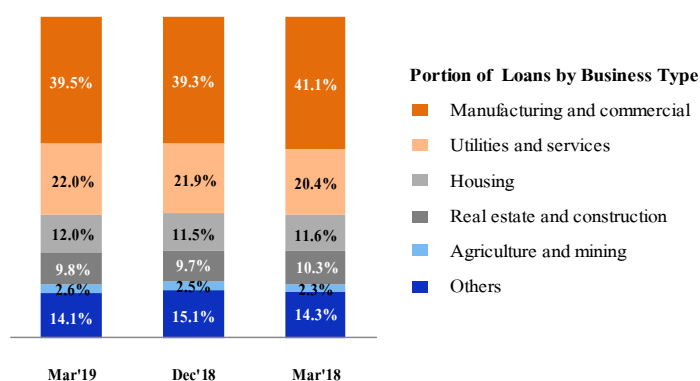
Loans

Loans as of March 31, 2019, amounted to Baht 2,029,810 million, a decrease of Baht 53,350 million or 2.6 percent from the end of December 2018, due to a decrease in loans to businesses and consumers.

Million Baht

Loans by Business Type *	March 2019	December 2018	March 2018	Change (%)	
				December 2018	March 2018
Manufacturing and commercial	801,647	819,481	813,319	(2.2)%	(1.4)%
Utilities and services	446,513	455,969	404,036	(2.1)%	10.5%
Housing	243,754	240,047	229,441	1.5%	6.2%
Real estate and construction	199,224	202,600	203,566	(1.7)%	(2.1)%
Agriculture and mining	53,134	51,498	46,242	3.2%	14.9%
Others	285,538	313,565	281,907	(8.9)%	1.3%
Total	2,029,810	2,083,160	1,978,511	(2.6)%	2.6%

* Less deferred revenue



The highest portion of lending was to the manufacturing and commercial sector, at 39.5 percent, followed by 22.0 percent to the utilities and services sector, 12.0 percent to the housing sector, and 9.8 percent to the real estate and construction sector. The decrease in loans from the end of December 2018, was mainly driven by the “others” sector and manufacturing and commercial 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		
	March 2019	December 2018	March 2018	March 2019	December 2018	March 2018
Normal	1,901,489	1,962,102	1,853,402	15,567	16,215	14,550
Special mentioned	50,516	46,501	37,711	623	591	452
Substandard	11,044	5,460	12,077	4,121	1,018	6,737
Doubtful	19,035	20,884	15,080	9,296	10,608	8,505
Doubtful of loss	53,718	53,837	65,092	28,969	30,188	41,044
Total	2,035,802	2,088,784	1,983,362	58,576	58,620	71,288
<u>Add</u> Excess allowance for doubtful accounts				93,476	88,968	73,268
Total allowance for doubtful accounts from loan classification				152,052	147,588	144,556
<u>Add</u> Revaluation allowance for debt restructuring				6,042	5,415	2,251
Total allowance for doubtful accounts				158,094	153,003	146,807

* Less deferred revenue

Million Baht

Item	March 2019	December 2018	March 2018	Change (%)	
				December 2018	March 2018
NPL before allowance for doubtful accounts	83,668	80,137	92,165	4.4%	(9.2)%
Ratio of NPL to total loans	3.5%	3.4%	3.8%	0.1%	(0.3)%
NPL after allowance for doubtful accounts (net NPL)	28,512	26,412	27,166	8.0%	5.0%
Ratio of net NPL to net total loans	1.2%	1.2%	1.2%	-	-
Ratio of loan loss reserves to minimum required provisioning	244.7%	238.9%	199.6%	5.8%	45.1%
Ratio of loan loss reserves to NPL	189.0%	190.9%	159.3%	(1.9)%	29.7%

Non-performing loan (NPL) at the end of March 2019 amounted to Baht 83,668 million, an increase of Baht 3,531 million or 4.4 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 March 2019 was Baht 158,094 million or 244.7 percent of the minimum amount of Baht 64,618 million required by the Bank of Thailand. The ratio of loan loss reserves to NPL at the end of March 2019 was 189.0 percent.

Net Investments

Net investments as of March 31, 2019 amounted to Baht 575,605 million, an increase of Baht 18,817 million or 3.4 percent from the end of December 2018, due mainly to increases in available-for-sale securities and trading securities.

Million Baht

Investments by Investment Holding	March 2019	December 2018	March 2018	Change (%)	
				December 2018	March 2018
Trading securities	12,746	7,516	17,880	69.6%	(28.7)%
Available-for-sale securities	508,813	497,838	463,842	2.2%	9.7%
Held-to-maturity debt securities	20,904	19,849	10,752	5.3%	94.4%
General investments	33,142	31,585	30,785	4.9%	7.7%
Total net investments	575,605	556,788	523,259	3.4%	10.0%

Most of the net investments were in government and state-enterprise securities. As of March 31, 2019, these amounted to Baht 296,755 million, accounting for 51.6 percent of total investments. The remaining net investments were foreign debt securities of Baht 98,912 million, private enterprise debt securities of Baht 56,788 million, and net investment in equity securities of Baht 115,641 million.

Million Baht

Investments by Maturity *	March 2019		December 2018		March 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2018	March 2018
Up to one year	120,165	20.8%	145,295	26.0%	81,259	15.5%	(17.3)%	47.9%
Between one and five years	303,766	52.6%	284,505	51.0%	307,531	58.6%	6.8%	(1.2)%
Over five years	25,241	4.4%	18,037	3.2%	23,531	4.5%	39.9%	7.3%
No maturity	128,085	22.2%	110,559	19.8%	112,433	21.4%	15.9%	13.9%
Total net investments	577,257	100.0%	558,396	100.0%	524,754	100.0%	3.4%	10.0%

* Including net investments in associates

The remaining maturity of net investments (including net investments in associates) as of March 31, 2019 were categorized into securities with remaining maturity of one year or less of Baht 120,165 million, securities with remaining maturity of more than one year to five years of Baht 303,766 million, securities with remaining maturity of more than five years of Baht 25,241 million, and securities with no maturity of Baht 128,085 million.

Liabilities and Shareholders' Equity

Million Baht

Item	March 2019	December 2018	March 2018	Change (%)	
				December 2018	March 2018
Deposits	2,340,979	2,326,470	2,334,078	0.6%	0.3%
Interbank and money market items	146,232	136,862	213,009	6.8%	(31.3)%
Debt issued and borrowings	114,172	116,348	89,777	(1.9)%	27.2%
Total liabilities	2,723,141	2,703,591	2,768,225	0.7%	(1.6)%
Shareholders' equity *	425,256	412,814	405,462	3.0%	4.9%

* Attributable to owners of the Bank

Total liabilities as of March 31, 2019 amounted to Baht 2,723,141 million, an increase of Baht 19,550 million or 0.7 percent from the end of December 2018, due largely to an increase of Baht 14,509 million or 0.6 percent in deposits, while debt issued and borrowings decreased by Baht 2,176 million or 1.9 percent.

Deposits

Million Baht

Deposits Classified by Product Type	March 2019		December 2018		March 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2018	March 2018
Current	107,105	4.6%	101,557	4.4%	110,531	4.7%	5.5%	(3.1)%
Savings	1,113,948	47.6%	1,117,522	48.0%	1,089,645	46.7%	(0.3)%	2.2%
Fixed *	1,119,926	47.8%	1,107,391	47.6%	1,133,902	48.6%	1.1%	(1.2)%
Total	2,340,979	100.0%	2,326,470	100.0%	2,334,078	100.0%	0.6%	0.3%
Loan to deposit ratio		86.7%		89.5%		84.8%	(2.8)%	1.9%

* Including negotiable certificates of deposit

Total deposits as of March 31, 2019 amounted to Baht 2,340,979 million, an increase of Baht 14,509 million or 0.6 percent from the end of December 2018, due to mobilizing of more fixed deposits.

Debt Issued and Borrowings

Million Baht

Debt Issued and Borrowings Classified by Type of Instruments	March 2019		December 2018		March 2018		Change (%)	
	Amount	Portion	Amount	Portion	Amount	Portion	December 2018	March 2018
Senior unsecured notes	104,994	87.6%	107,027	87.6%	81,219	84.9%	(1.9)%	29.3%
Unsecured subordinated notes	14,310	11.9%	14,587	11.9%	14,049	14.7%	(1.9)%	1.9%
Bills of exchange	8	0.1%	23	0.1%	26	0.1%	(65.2)%	(69.2)%
Others	535	0.4%	456	0.4%	334	0.3%	17.3%	60.2%
Total (before less discount on borrowings)	119,847	100.0%	122,093	100.0%	95,628	100.0%	(1.8)%	25.3%
<u>Less</u> Discount on borrowings	5,675		5,745		5,851		(1.2)%	(3.0)%
Total	114,172		116,348		89,777		(1.9)%	27.2%

Total debt issued and borrowings as of March 31, 2019 amounted to Baht 114,172 million, a decrease of Baht 2,176 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 March 31, 2019 amounted to Baht 425,256 million, an increase of Baht 12,442 million or 3.0 percent from the end of 2018. The increase was mainly due to the net profit attributable to owners of the Bank for the first quarter of 2019 of Baht 9,028 million. Revaluation gains on available-for-sale investments rose by Baht 4,213 million.

Contingent Liabilities

Million Baht

Item	March 2019	December 2018	March 2018	Change (%)	
				December 2018	March 2018
Avals to bills	6,876	5,800	8,169	18.6%	(15.8)%
Guarantees of loans	31,489	32,236	19,650	(2.3)%	60.2%
Liability under unmatured import bills	19,122	19,041	15,307	0.4%	24.9%
Letters of credit	38,166	35,822	34,226	6.5%	11.5%
Other commitments					
Underwriting commitments	-	-	1,199	-	(100.0)%
Amount of unused bank overdrafts	171,623	170,329	173,600	0.8%	(1.1)%
Other guarantees	264,096	270,320	261,731	(2.3)%	0.9%
Others	139,160	120,182	113,920	15.8%	22.2%
Total	670,532	653,730	627,802	2.6%	6.8%

Contingent liabilities as of March 31, 2019 amounted to Baht 670,532 million, an increase of Baht 16,802 million or 2.6 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 March 31, 2019 were Baht 2,340,979 million or 74.3 percent in deposits, Baht 425,256 million or 13.5 percent in shareholders' equity attributable to owners of the Bank, Baht 146,232 million or 4.6 percent in interbank and money market liabilities, and Baht 114,172 million or 3.6 percent in debt issued and borrowings.

The utilization of funds comprised Baht 2,029,810 million or 64.5 percent in loans, Baht 577,257 million or 18.3 percent in net investments (including net investments in associates), and Baht 520,967 million or 16.5 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

Consolidated

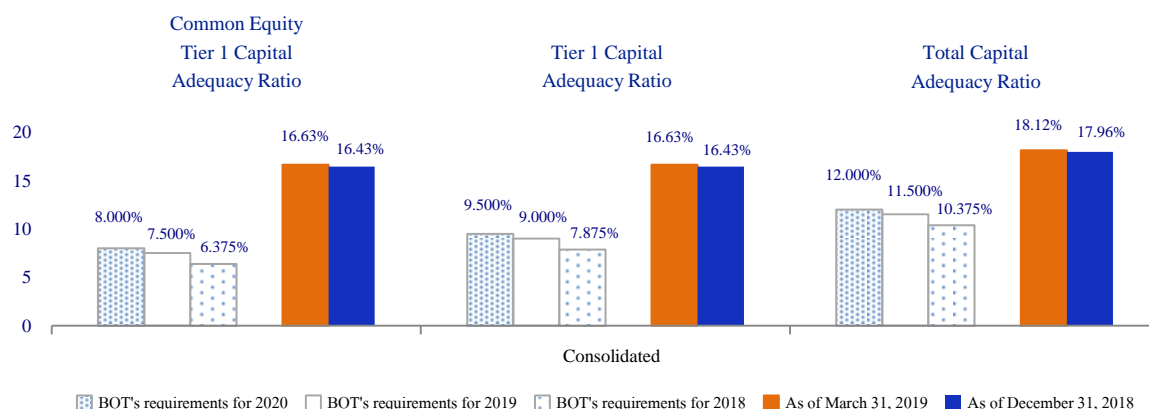
Million Baht

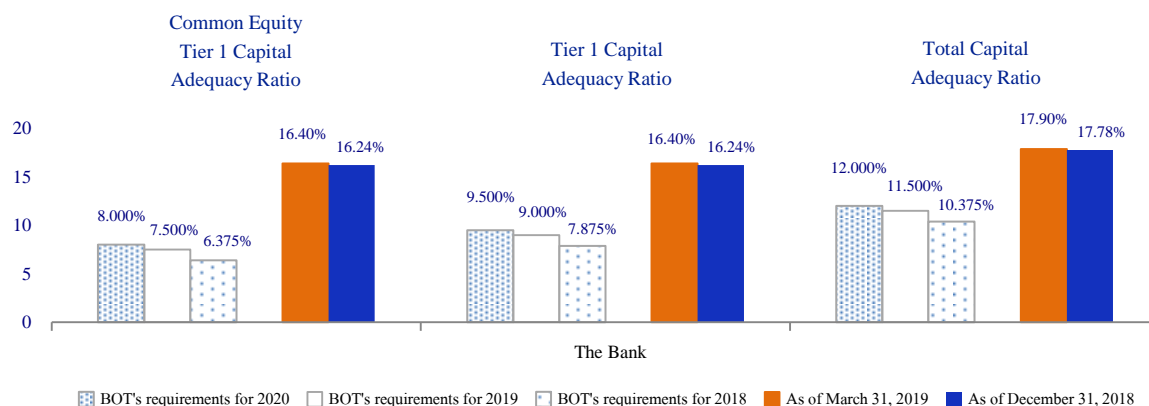
Item	Capital			Capital Adequacy Ratio		
	March 2019	December 2018	March 2018	March 2019	December 2018	March 2018
Total capital	429,548	426,563	412,920	18.12%	17.96%	17.97%
Tier 1 capital	394,189	390,369	377,563	16.63%	16.43%	16.43%
Common Equity Tier 1 capital	394,128	390,309	377,512	16.63%	16.43%	16.43%

The Bank

Million Baht

Item	Capital			Capital Adequacy Ratio		
	March 2019	December 2018	March 2018	March 2019	December 2018	March 2018
Total capital	413,127	409,945	398,084	17.90%	17.78%	17.86%
Tier 1 capital	378,459	374,633	363,436	16.40%	16.24%	16.30%
Common Equity Tier 1 capital	378,459	374,633	363,436	16.40%	16.24%	16.30%





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. It 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. The BOT also required 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 March 31, 2019, the regulatory capital position was Baht 429,548 million, Common Equity Tier 1 capital was Baht 394,128 million, and Tier 1 capital was Baht 394,189 million. The total capital adequacy ratio was 18.12 percent, the Common Equity Tier 1 capital adequacy ratio was 16.63 percent, and the Tier 1 capital adequacy ratio was 16.63 percent. With the inclusion of net profit from July to December 2018 and net profit for the first quarter of 2019 minus the dividend which will be paid in May 2019, 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, 17.41 percent and 17.41 percent, respectively.

Liquid Assets

Item	March 2019	December 2018	March 2018
Liquid assets (Million Baht)	1,101,178	1,018,448	1,173,939
Liquid assets/Total assets (%)	35.0	32.7	37.0
Liquid assets/Deposits (%)	47.0	43.8	50.3

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of March 31, 2019, liquid assets totaled Baht 1,101,178 million, an increase of Baht 82,730 million or 8.1 percent from the end of December 2018, due mainly to increases of Baht 70,267 million in net interbank and money market items and Baht 10,975 million in available-for-sale securities, whereas cash decreased by Baht 3,742 million.

Credit Ratings

Details of the Bank's credit ratings as of March 31, 2019 are as follows:

Credit Rating Agency *	March 2019	December 2018	March 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	Baa3	Baa3	Baa3
Financial Strength (BCA)	baa2	baa2	baa2
Outlook	Stable	Stable	Stable
Standard & Poor's			
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
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, Standard & Poor's and Fitch Ratings are Baa3, BBB- and BBB-, or higher, respectively. Short-term credit ratings classified as investment grade by Moody's Investors Service, Standard & Poor's and Fitch Ratings are P-3, A-3 and F3, or higher, respectively.