



Management Discussion and Analysis

For the Quarter ended September 30, 2020

(Unreviewed)

This report discusses the principal changes in the unreviewed consolidated financial statement for the quarter ended September 30, 2020. There were no restatement of the Bank and its subsidiaries' prior year financial statements given the change in financial reporting standards.

The Bank and Its Subsidiaries' Overview Performance

The Bank and Its Subsidiaries' Performance for 3Q2020

Comparing 3Q2020 to the same period of last year, the Bank and its subsidiaries' pre-provision profit was Baht 16,572 million, an increase of 16.0% YoY. This was mainly derived from higher net interest income from interest income received from the auction of mortgaged guarantee assets (special interest income) apart from cost of fund reduction during this downward trend of policy rate at a record-low of 0.5%. Additionally, loan growth had created a shift in portfolio mix, resulting in NIM of 2.82%, down from 3.08% in 3Q2019.

Other operating income (non-interest income) increased from share of profit from investments for using equity method and other income. Furthermore, other operating expenses decreased from employees' expenses due to provision expense on employees' benefits in accordance to the State Enterprise Labor Relations Committee's notice in 3Q2019; hence, cost to income ratio resulted at 45.26%, down from 53.03% in 3Q2019.

As the Bank and its subsidiaries thoroughly considered various factors in the forecasts during this economic slowdown and uncertainties which could impact loan quality, the expected credit losses amounted Baht 12,414 million, increasing 103.6% from impairment loss of loans in the same quarter of last year. Hence, consolidated net profit attributable to equity holders of the Bank decreased to Baht 3,057 million or a decline of 51.9% YoY.

Coverage ratio as at September 30, 2020 increased to 135.6% from 126.5% as at June 30, 2020. The NPLs Ratio-Gross decreased to 4.21% from 4.35% as at June 30, 2020.

In October 2020, the Bank and its subsidiaries had incorporated Infinitas By Krungthai Co., Ltd. as a new subsidiary with the vision of Infinity as a Service. This new establishment will be R&D hub for newly digitized financial products, becoming a service provider for various Innovation & Digital Platform, moving toward Open Banking, Virtual Digital Banking Service and new business model opportunities as well as strengthening mega platform such as Pao Tang Application as the country's digital infrastructure.

The Bank and Its Subsidiaries' Performance for the Nine-month of 2020

The Bank and its subsidiaries' pre-provision profit in 9M2020 was Baht 54,149 million, an increase of 12.4% YoY. Such increase was mainly derived from higher net interest income year-on-year due to interest income received from the auction of mortgaged guarantee assets (special interest income) apart from cost of fund reduction during this downward trend of policy rate at a record-low of 0.5%. Additionally, loan growth had created a shift in portfolio mix, resulting in NIM of 3.09%, down from 3.33% YoY. Furthermore, other operating income (non-interest income) continued to expand while other operating expenses also declined 13.8% YoY; hence, cost to income ratio resulted at 42.20%, down from 48.77% in same period of 2019.

As the Bank and its subsidiaries thoroughly considered various factors in the forecasts during this economic slowdown and uncertainties which could impact loan quality, the expected credit losses amounted Baht 35,649 million, including full provision on one of large corporate customers in the public utilities and services – transportation business in order to reflect its credit risk in 2Q2020. This was a 87.7% increase from impairment loss of loans in the same period of 2019. The coverage ratio as at September 30, 2020 increased to 135.6% from 131.8% as at December 31, 2019. The NPLs Ratio-Gross decreased to 4.21% from 4.33% as at December 31, 2019.

The aforementioned performance resulted in the Bank and its subsidiaries' net profit attributable to equity holders of the Bank of Baht 13,279 million, a decrease of 39.2% YoY.

The Bank's Tier 1 and Total Capital ratios were 15.01% and 18.42% respectively, maintaining at a strong level as compared to BOT's requirement.

The Bank and Its Subsidiaries' Performance for the Quarter and Nine-Month Ended September 30, 2020

Overview Operating Income and Net Profit

Unit : Million Baht

	3/2020	2/2020	Change	3/2019	Change	9M2020	9M2019	Change
	(TFRS 9)	(TFRS 9)	%		%	(TFRS 9)		%
Net interest income	21,602	23,460	(7.9)	21,161	2.1	68,023	67,607	0.6
Net fee and service income	5,025	5,269	(4.6)	5,949	(15.5)	15,245	17,234	(11.5)
Other non-interest income	3,647	3,712	(1.7)	3,318	9.9	10,410	9,188	13.3
Total operating income	30,274	32,441	(6.7)	30,428	(0.5)	93,678	94,029	(0.4)
Total other operating expenses	13,702	12,361	10.8	16,137	(15.1)	39,529	45,857	(13.8)
Pre-provision profit ⁽¹⁾	16,572	20,080	(17.5)	14,291	16.0	54,149	48,172	12.4
Expected credit losses / impairment loss of loans and debt securities	12,414	14,710	(15.6)	6,098	103.6	35,649	18,989	87.7
Operating profit before income tax expenses	4,158	5,370	(22.6)	8,193	(49.2)	18,500	29,183	(36.6)
Income tax expenses	482	1,022	(52.8)	1,154	(58.2)	3,184	5,176	(38.5)
Net Profit	3,676	4,348	(15.5)	7,039	(47.8)	15,316	24,007	(36.2)
Net profit (attributable to equity holders of the Bank)	3,057	3,755	(18.6)	6,355	(51.9)	13,279	21,825	(39.2)
ROA (%) ⁽²⁾	0.39	0.48		0.89		0.58	1.03	
ROE (%) ⁽²⁾	3.59	4.54		7.71		5.24	9.10	

(1) Pre-provision profit before provision (expected credit losses or impairment loss of loans and debt securities) and income tax expense

(2) ROA and ROE calculated from net income (attributable to equity holders of the bank) divided by average assets and average equity attributable to equity holders of the bank respectively.

In 3Q2020, KTB's consolidated pre-provision profit was Baht 16,572 million, an increase of 16.0% YoY. This was due to higher net interest income from special interest income of Baht 1,223 million apart from cost of fund reduction, lessening the impact of interest rate cuts. Moreover, other operating income (non-interest income) continued to expand while other operating expenses also decreased. The Bank and its subsidiaries had set aside the allowance for expected credit losses amounted Baht 12,414 million, an increase by 103.6% YoY; hence, consolidated net profit attributable to equity holders of the Bank amounted to Baht 3,057 million, a decrease by 51.9% YoY.

Compared to 2Q2020, KTB's consolidated pre-provision profit declined 17.5% YoY, mainly from decreased net interest income due to lower special interest income from previous quarter and to additional interest rate cut in 2Q2020, resulting in full quarter impact from 3Q2020 onwards. Additionally, other non-interest income decreased and other operating expenses increased, mainly due to impairment loss of properties for sale. However, the allowance

for expected credit losses decreased; consequently, consolidated net profit attributable to equity holders of the Bank declined by 18.6%.

In 9M2020, KTB's consolidated pre-provision profit was Baht 54,149 million, an increase of 12.4% YoY. This was due to expansion of net interest income and other operating income (non-interest income) together with contraction of other operating expenses. The Bank and its subsidiaries had set aside the allowance for expected credit losses amounted Baht 35,649 million, an increase of 87.7% YoY. Hence, consolidated net profit attributable to equity holders of the Bank was Baht 13,279 million, a decrease by 39.2% YoY.

Net Interest Income

Unit : Million Baht

	3/2020	2/2020	Change	3/2019	Change	9M2020	9M2019	Change
	(TFRS 9)	(TFRS 9)	%		%	(TFRS 9)		%
Interest income	27,212	29,566	(8.0)	29,844	(8.8)	86,994	93,466	(6.9)
- Interbank and money market items	793	917	(13.5)	1,552	(48.9)	2,851	5,546	(48.6)
- Investments and trading transactions	107	103	2.9	120	(11.1)	371	324	14.7
- Investment in debt securities	1,340	621	115.9	1,243	7.8	3,261	3,583	(9.0)
- Loans	24,929	27,875	(10.6)	26,770	(6.9)	80,305	83,538	(3.9)
- Hire purchase and financial lease	39	42	(8.0)	96	(59.5)	161	347	(53.5)
- Others	4	8	(44.5)	63	(92.9)	45	128	(64.7)
Less Interest expense	5,610	6,106	(8.1)	8,683	(35.4)	18,971	25,859	(26.6)
- Deposits	2,979	3,778	(21.1)	4,422	(32.6)	10,862	13,444	(19.2)
- Interbank and money market items	441	297	48.5	644	(31.4)	1,423	1,935	(26.4)
- Contributions to BOT and DPA	1,440	1,351	6.5	2,443	(41.1)	4,211	7,380	(42.9)
- Debts issued	730	656	11.5	1,118	(34.7)	2,393	2,992	(20.0)
- Others	20	24	(19.6)	56	(65.4)	82	108	(24.4)
Net interest income	21,602	23,460	(7.9)	21,161	2.1	68,023	67,607	0.6
Earning Asset Yield (%)⁽¹⁾	3.55⁽²⁾	3.89⁽²⁾		4.35		3.96⁽²⁾	4.60⁽²⁾	
Cost of Fund (%)⁽¹⁾	0.84	0.93		1.48		1.00	1.48	
Net interest margin [based on earning assets] (%)⁽¹⁾	2.82⁽²⁾	3.09⁽²⁾		3.08		3.09⁽²⁾	3.33⁽²⁾	

(1) Earning assets include financial assets measured at fair value through profit or loss; Interest bearing debts include financial liabilities measured at fair value through profit or loss from 1Q2020 onwards.

(2) If excluding interest income received from the auction, earning asset yield for 2Q2020 and 3Q2020 would be 3.43% and 3.39% respectively. NIM for 2Q2020 and 3Q2020 would be 2.62% and 2.66% respectively. And if excluding interest income received from the auction, earning asset yield for 9M2019 and 9M2020 would be 4.41% and 3.74% respectively; hence, NIM for 9M2019 and 9M2020 would be 3.14% and 2.88% respectively.

KTB's consolidated net interest income in 3Q2020 amounted Baht 21,602 million, increased by 2.1% YoY due to special interest income of Baht 1,223 million and cost of fund reduction. All of which had lessened the impact

from the 5 times policy rate cuts YoY and consequently, the lending rate cuts by the Bank. Additionally, loan growth had created a shift in portfolio mix, resulting in NIM of 2.82%, down from 3.08% in 3Q2019 (NIM excluding special transaction in 3Q2020 of 2.66%).

Compared to 2Q2020, net interest income decreased by 7.9% whilst the Bank's control on cost of fund, which had lessened the full quarter impact from policy rate cut in 2Q2020. Additionally, special interest income was lower as compared to previous quarter. Hence, NIM registered at 2.82%, decreased from 3.09% in 2Q2020 (NIM excluding special transactions in both quarters stood at 2.66%, higher from 2.62% from 2Q2020).

KTB's consolidated net interest income in 9M2020 amounted Baht 68,023 million, increasing year-on-year. This was the result of special interest income apart from cost of fund reduction, given the downward trend of policy rate. Additionally, loan growth, which created a shift in portfolio mix, and the interest rate cuts resulted in NIM of 3.09%, down from 3.33% YoY.

Additionally, the Bank had special transactions on interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 1,223 million in 3Q2020, Baht 3,524 million in 2Q2020 and Baht 3,899 million in 1Q2019 (if excluding such special transactions, NIM stood at 2.88%, down from 3.14% in the same period of 2019).

Change of interest rate

	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
Policy Interest Rate (%)	0.50%	0.50%	0.75%	1.25%	1.50%	1.75%
Deposit Rate (%) ⁽¹⁾						
- Savings Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%
- 3 Months Fixed Rate	0.375%	0.375%	0.60% - 0.70%	0.90%	0.90%	0.90%
- 6 Months Fixed Rate	0.50%	0.50%	0.80% - 0.90%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%
- 12 Months Fixed Rate	0.50%	0.50%	0.90% - 1.00%	1.30%	1.30%	1.30%
Loan Rate (%)						
- MLR	5.250%	5.250%	5.775%	6.025%	6.275%	6.275%
- MOR	5.820%	5.820%	6.620%	6.870%	6.870%	7.120%
- MRR	6.220%	6.220%	6.745%	6.870%	6.870%	7.120%

(1) Standard deposit rate for individuals.

Given the assessment on Thai economy's higher contraction than previously forecasted from global economic depression trend and impact of global pandemic, the Monetary Policy Committee, Bank of Thailand had announced series of policy rate cuts, having the 2 times cut in 2019 (August and November), and 3 times cut in 2020 (February, March and May) to 0.50%.

Realizing its role as an important part to uphold the economy, to support government mechanisms and to help business operators and retail customers, the Bank had gradually been cutting lending rates of MLR, MOR and MRR in

February, March, April and May recently, being the cuts on MLR of 1.025%, MOR of 1.30% and MRR of 0.90%. Furthermore, the Bank of Thailand announced the measure on lower contribution from financial institutions to the FIDF (FIDF fee) from 0.46% to 0.23% as announced on April 7, 2020.

Net Fee and Service Income

Unit : Million Baht

	3/2020 (TFRS 9)	2/2020 (TFRS 9)	Change %	3/2019	Change %	9M2020 (TFRS 9)	9M2019	Change %
Fee and service income	6,632	7,089	(6.4)	7,523	(11.8)	20,474	21,852	(6.3)
Less Fee and service expense	1,607	1,820	(11.7)	1,574	2.1	5,229	4,618	13.2
Net fee and service income	5,025	5,269	(4.6)	5,949	(15.5)	15,245	17,234	(11.5)

KTB's consolidated net fee and service income in 3Q2020 was Baht 5,025 million, a decrease by 15.5% YoY, mainly due to a shift in service channel toward digital transactions during COVID-19 pandemic, whilst expansion on management fee. Compared to 2Q2020, KTB's consolidated net fee and service income decreased 4.6%, whilst continual expansion on management fee.

KTB's consolidated net fee and service income in 9M2020 was Baht 15,245 million, compressed by 11.5% YoY, mainly due to a shift in service channel toward digital transactions during COVID-19 pandemic, whilst expansion on management fee and bancassurance fee.

Total Other Operating Income

Unit : Million Baht

	3/2020 (TFRS 9)	2/2020 (TFRS 9)	Change %	3/2019	Change %	9M2020 (TFRS 9)	9M2019	Change %
Gains (loss) on financial instruments measured at fair value through profit or loss	962	730	31.8	-	N/A	2,384	N/A	N/A
Gain (loss) on trading and foreign exchange transactions, net	-	-	N/A	474	N/A	-	2,139	N/A
Gain (loss) on investments, net	148	400	(62.9)	1,154	(87.1)	895	1,826	(51.0)
Share of profit (loss) from investments for using equity method	1,014	262	286.9	458	121.1	1,569	1,240	26.6
Dividend income	82	130	(37.0)	154	(46.7)	330	458	(28.1)
Other income	1,441	2,190	(34.2)	1,078	33.7	5,232	3,525	48.4
Total other operating income	3,647	3,712	(1.7)	3,318	9.9	10,410	9,188	13.3

KTB's consolidated total other operating income in 3Q2020 was Baht 3,647 million, an increase by 9.9% YoY, mainly due to share of profit from investments for using equity method and other income. Compared to 2Q2020, KTB's consolidated total other operating income decreased by 1.7%, mainly due to other income on gain from sale of properties for sale in 2Q2020.

KTB's consolidated total other operating income in 9M2020 was Baht 10,410 million, an increase by 13.3% YoY, mainly due to other income on gain from sale of properties for sale and to share of profit from investments for using equity method.

Other Operating Expenses

	Unit : Million Baht							
	3/2020	2/2020	Change	3/2019	Change	9M2020	9M2019	Change
	(TFRS 9)	(TFRS 9)	%		%	(TFRS 9)		%
Employees' expenses	7,226	6,629	9.0	10,013	(27.8)	21,623	24,301	(11.0)
Premises and equipment expenses	2,321	2,112	9.9	2,229	4.1	6,518	6,638	(1.8)
Taxes and duties	859	976	(12.0)	1,146	(25.0)	2,881	3,340	(13.7)
Impairment loss of properties for sale	618	276	123.4	-	N/A	1,111	4,814	(76.9)
Others ⁽¹⁾	2,678	2,368	13.1	2,749	(2.6)	7,396	6,764	9.3
Total other operating expenses	13,702	12,361	10.8	16,137	(15.1)	39,529	45,857	(13.8)
Cost to income ratio (%)	45.26 ⁽²⁾	38.10 ⁽²⁾		53.03 ⁽²⁾		42.20 ⁽²⁾	48.77 ⁽²⁾	

(1) Including Directors' remuneration

(2) If excluding interest income received from the auction, provision expense on employees' benefits and impairment loss of properties for sale items, cost to income ratio for 2Q2019, 2Q2020 and 3Q2020 would be 45.23%, 42.75% and 47.16% respectively. If excluding interest income received from the auction, provision expense on employees' benefits and impairment loss of properties for sale items, cost to income ratio for 9M2019 and 9M2020 would be 42.92% and 44.45% respectively.

KTB's consolidated other operating expenses in 3Q2020 was Baht 13,702 million, declined by 15.1% YoY, mainly from employees' expenses due to provision expense on employees' benefits in accordance to the State Enterprise Labor Relations Committee's notice in 3Q2019. Hence, cost to income ratio stood at 45.26%, down from 53.03% in 3Q2019 (if excluding special transactions, cost to income stood at 47.16%, an increase from 45.23% in 3Q2019). Compared to 2Q2020, KTB's consolidated other operating expenses increased 10.8% QoQ, mainly from impairment loss of properties for sale and other expenses; therefore, cost to income ratio stood at 45.26%.

KTB's consolidated other operating expenses in 9M2020 was Baht 39,529 million, a decrease by 13.8% YoY due to special transactions on impairment loss of properties for sale and provision expense on employees' benefits in 9M2019. This resulted in cost to income ratio of 42.20%.

Expected credit losses / Impairment Loss of Loans

Unit : Million Baht

	3/2020 (IFRS 9)	2/2020 (IFRS 9)	Change %	3/2019	Change %	9M2020 (IFRS 9)	9M2019	Change %
Expected credit losses ⁽¹⁾	12,414	14,710	(15.6)	6,098	103.6	35,649	18,989	87.7
Impairment loss of loans ⁽²⁾								

(1) Expected credit losses for interbank and money market items, investments in debt securities, loans to customers (including loss from criteria change) and loan commitments & financial guarantee contracts

(2) Impairment loss of loans and debt securities (for loans to customers)

In 3Q2020, the Bank and its subsidiaries thoroughly considered various factors in the forecasts during this economic slowdown and uncertainties that could impact loan quality; hence, the expected credit losses amounted Baht 12,414 million, increasing 103.6% from impairment loss of loans in the same quarter of last year. Compared to 2Q2020, the expected credit losses decreased 15.6%.

In 9M2020, the Bank and its subsidiaries' expected credit losses amounted Baht 35,649 million, increasing 87.7% YoY, which included full provision on one of large corporate customers in the public utilities and services – transportation business in order to reflect its credit risk in 2Q2020. The Bank's consolidated coverage ratio increased to 135.6% from 126.5% as at June 30, 2020 and from 131.8% as at December 31, 2019.

The Bank and Its Subsidiaries' Financial Status as at September 30, 2020

Loans to Customers

The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,281,483 million, increased by 9.2% compared to the end of last year, mainly from government and retail customers though slightly decreased by 0.2% from June 30, 2020.

Unit : Million Baht

Consolidated Financial Statements	30 Sep 2020	30 Jun 2020	Change	31 Dec 2019	Change
	(IFRS 9)	(IFRS 9)	%		%
Loans to customers	2,281,882	2,286,001	(0.2)	2,090,342	9.2
<u>Less</u> Deferred revenue	399	440	(9.2)	469	(15.0)
<u>Add</u> Accrued interest receivables	13,358	9,015	48.2	5,160	158.9
<u>Less</u> Allowance for expected credit losses ⁽¹⁾	145,221	142,819	1.7	135,268	7.4
Loans to customers and accrued interest receivables, net	2,149,620	2,151,757	(0.1)	1,959,765	9.7

(1) Allowance for expected credit losses for loans to customers (including loss from criteria change) or allowance for doubtful accounts and allowance for debt restructuring revaluation per financial statements

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

Unit : Million Baht

Consolidated Financial Statement	30 Sep 2020 (TFRS 9)		30 Jun 2020 (TFRS 9)		Change	31 Dec 2019		Change
	Amount	(%)	Amount	(%)	%	Amount	(%)	%
Private Corporate	633,977	27.8	642,152	28.1	(1.3)	650,266	31.1	(2.5)
Government and State Enterprise	358,227	15.7	367,070	16.1	(2.4)	182,986	8.8	95.8
SMEs ⁽¹⁾	321,172	14.1	326,978	14.3	(1.8)	332,447	16.0	(3.4)
Retail	968,134	42.4	949,426	41.5	2.0	924,268	44.2	4.7
- Housing	423,690	18.6	413,813	18.1	2.4	396,035	18.9	7.0
- Personal	484,257	21.2	476,470	20.8	1.6	464,138	22.2	4.3
- Credit card	54,464	2.4	53,013	2.3	2.7	56,653	2.7	(3.9)
- KTB Leasing	5,723	0.2	6,130	0.3	(6.7)	7,442	0.4	(23.1)
Others	372	0.0	375	0.0	(0.6)	375	0.0	(0.6)
Total loans (per F/S)	2,281,882	100.0	2,286,001	100.0	(0.2)	2,090,342	100.0	9.2

(1) SMEs were private companies that have employee no. less than/ equal to 200 people and fixed asset (excluding land) less than/ equal to Bath 200 million.

Asset Quality

Loan classification and expected credit loss

Unit : Million Baht

Consolidated Financial Statement	30 Sep 2020 (TFRS 9)	30 Jun 2020 (TFRS 9)	31 Dec 2019
Gross NPL ⁽¹⁾	110,662	115,037	102,659
Gross NPL Ratio	4.21%	4.35%	4.33%
Allowance for Expected Credit Losses (total) ⁽²⁾	150,102	145,577	135,268
Coverage Ratio ⁽³⁾	135.6%	126.5%	131.8%

(1) Gross NPLs based on principal less deferred revenue while including interbank and money market items

(2) Allowance for expected credit loss (total) = Allowance for expected credit losses for interbank and money market items, loans to customers and loan commitments & financial guarantee contracts

As at December 31, 2019, Allowance for expected credit loss (total) = Allowance for expected credit losses for loans to customers (including allowance for debt restructuring revaluation)

(3) Coverage Ratio = Allowance for expected credit losses for interbank and money market items, loans to customers and loan commitments & financial guarantee contracts / Gross NPLs

As at December 31, 2019, Coverage Ratio = Actual provisioning for loan loss / Gross NPLs

The Bank's consolidated NPLs-Gross as at September 30, 2020 amounted Baht 110,662 million, having NPLs Ratio-Gross decreased to 4.21% from 4.35% as at June 30, 2020 and from 4.33% as at December 31, 2019. As at September 30, 2020, the Bank's consolidated coverage ratio increased to 135.6% from 126.5% as at June 30, 2020 and from 131.8% as at December 31, 2019.

Deposits

The Bank's consolidated deposits was Baht 2,312,538 million, increased by 7.3% from December 31, 2019 with an uplift in saving deposits. However, the Bank's consolidated deposits decreased by 1.6% from June 30, 2020 from maturity of fixed deposits.

The Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) of 98.66% increased from 96.94% as at December 31, 2019 and from 97.23% as at June 30, 2020.

Sources and Uses of Funds

Unit : Million Baht

	30 Sep 2020 (TFRS 9)		30 Jun 2020 (TFRS 9)		Change	31 Dec 2019		Change
	Amount	(%)	Amount	(%)	%	Amount	(%)	%
Net Interbank and money market items (asset)	378,050	12.0	423,452	13.4	(10.7)	338,771	11.2	11.6
Financial assets measured at fair value through profit or loss	20,216	0.6	35,635	1.1	(43.3)	N/A	N/A	N/A
Net investments and net investments in associates	341,357	10.9	334,367	10.5	2.1	426,174	14.2	(19.9)
Loans to customers (less deferred revenue)	2,281,483	72.7	2,285,561	72.1	(0.2)	2,089,873	69.4	9.2
Less Allowance for expected credit losses ⁽¹⁾	145,221	(4.6)	142,819	(4.5)	1.7	135,268	(4.5)	7.4
Other assets	262,029	8.4	235,127	7.4	11.4	292,666	9.7	(10.5)
Total Asset	3,137,914	100.0	3,171,323	100.0	(1.1)	3,012,216	100.0	4.2
Deposits	2,312,538	73.7	2,350,764	74.1	(1.6)	2,155,865	71.6	7.3
Net Interbank and money market items (liabilities)	221,601	7.1	228,376	7.2	(3.0)	215,823	7.2	2.7
Debt issued and borrowings	88,631	2.8	97,837	3.1	(9.4)	96,841	3.2	(8.5)
Other liabilities	165,394	5.3	146,052	4.6	13.2	195,361	6.5	(15.3)
Total equity	349,750	11.1	348,294	11.0	0.4	348,326	11.5	0.4
- Equity holders of the Bank	338,873	10.8	338,036	10.7	0.2	338,287	11.2	0.2
- Non-controlling interest	10,877	0.3	10,258	0.3	6.0	10,039	0.3	8.3
Total liabilities and equity	3,137,914	100.0	3,171,323	100.0	(1.1)	3,012,216	100.0	4.2
Loans to customers (less deferred revenue)-to-deposits ratio (%)	98.66		97.23			96.94		

(1) Allowance for expected credit losses for loans to customers (including loss from criteria change) or allowance for doubtful accounts and allowance for debt restructuring revaluation per financial statements

As at September 30, 2020, the Bank's consolidated major source of funds was 73.7% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings, in which the latter decreased from previous quarter due to the redemption on the Ringgit-Malaysia-denominated Subordinated Notes in an amount of MYR 1,000,000,000. The Bank's consolidated use of funds comprised of 72.7% loans to customers (less deferred revenue), 12.0% net interbank and money market items, and 10.9% net investments and net investments in associates.

Equity

The total equity (equity holders of the Bank) as at September 30, 2020 was Baht 338,873 million, an increase by 0.2% as compared to December 31, 2019 and increased by 0.2% compared to June 30, 2020.

Book value per share (equity holders of the Bank) was Baht 24.24 per share increased from Baht 24.20 per share at December 31, 2019 and from Baht 24.18 per share at June 30, 2020.

Statutory Capital Fund

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	30 Sep 2020 ⁽²⁾ (TFRS 9)		30 Jun 2020 ⁽²⁾ (TFRS 9)		The minimum rate required by the BOT for 2020 (%) ⁽¹⁾	31 Dec 2019 ⁽²⁾		The minimum rate required by the BOT for 2019 (%) ⁽¹⁾
	Amount	(%)	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	286,893	15.01	287,700	14.88	>8.000	285,462	14.80	>7.500
Tier 1 capital	286,893	15.01	287,700	14.88	>9.500	285,462	14.80	>9.000
Tier 2 capital	65,167		74,539			74,616		
Total capital fund	352,060	18.42	362,239	18.73	>12.000	360,078	18.66	>11.500
Risk-weighted assets	1,910,976		1,933,666			1,929,176		

(1) According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb capital conversation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.50% 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)

(2) Capital fund and capital adequacy ratio are preliminary information prepared accordance with BOT guidelines.

As at September 30, 2020, the Bank's Common Equity Tier 1 and Tier 1 capital (bank only) were Baht 286,893 million (15.01% of its RWA). Total capital was Baht 352,060 million (18.42% of its RWA).

On July 6, 2020, the Bank redeemed the Ringgit-Malaysia-denominated Subordinated Notes in an amount of MYR 1,000,000,000, exercising a call option in whole amount. Such notes was considered as part of Tier 2 capital.

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.

Appendix

I. The Effective of Thai Financial Reporting Standard and its Impact

On January 1, 2020, TFRS 9 re: Financial Instruments had become effective. Upon the adoption, the Bank had key changes as follows:

Changes under TFRS 9	Previous TFRS
<p>1. Financial Assets Classification into 3 categories according to the business model for managing the financial assets and the contractual cash flows characteristics of financial assets as follows:</p> <p>1.1 Amortized cost: with objective to receive contractual cash flows, having the receipts of principal and interest based on the principal amount outstanding at a specific date; such as loan to customers, interbank and money market items and mainly on previously classified as investment on held-to-maturity debt instruments</p> <p>Recognition will be initially measured at fair value on the trade date and will be subsequently measured at amortized cost net of allowance for expected credit losses (if any).</p> <p>1.2 Fair value through other comprehensive income (FVOCI): with objectives to receive contractual cash flows and to sell financial assets, having the receipts on principal and interest based on the principal amount outstanding at a specific date; mainly consisted of previously classified as investment on debt instruments as well as of equity instruments</p> <p>Recognition will be initially and subsequently measured at fair value; unrealized gain or loss from changes in fair value will be reported as a component of shareholders' equity through other comprehensive income until disposal.</p> <p>1.3 Fair value through profit or loss (FVTPL): no objective to receive contractual cash flows; having the cash flows not generating from the receipts on principal and interest based on the principal amount outstanding at a specific date.</p> <p>Recognition will be initially and subsequently measured at fair value; unrealized gain or loss from changes in fair value and gain or loss on disposal of instruments will be recognized as gain (loss) on financial instruments measured at fair value through profit or loss.</p>	<p>Classification of held-to-maturity debt securities, trading securities, available-for-sale securities and general investments</p>

Changes under TFRS 9	Previous TFRS
<p>2. Revenue Recognition (financial assets)</p> <p>Recognition of interest income by using the Effective Interest Rate (EIR) method, by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate.</p>	<p>Recognition of interest income and interest expense under contract rate method and recognition of relevant fees in whole amount at initiation</p>
<p>3. Allowance for Expected Credit Losses on Financial Assets</p> <p>3.1 Consider expected credit losses throughout the lifetime of financial instruments, taking into account the forward-looking on economic factors</p> <p>3.2 Recognize expected credit losses of financial asset – debt instruments, which are measured at mortised cost or fair value through other comprehensive income, for:</p> <ul style="list-style-type: none"> - Interbank and money market (assets) - Loans to customers - Investments in debt securities - Loan commitments and financial guarantee contracts <p>3.3 Three stage approach</p> <p>Consider changes of loan quality since initiation as follows:</p> <p>3.3.1 <u>Stage 1</u> (Performing) 12 months ECL : No significant increase in credit risk (interest income calculated from gross carrying amount without any ECL deduction)</p> <p>3.3.2 <u>Stage 2</u> (Under – performing) Lifetime ECL : having significant increase in credit risk with no credit impairment (interest income calculated similarly as Stage 1)</p> <p>3.3.3 <u>Stage 3</u> (Non – performing) Lifetime ECL with Credit Impairment : having credit impairment (interest income calculated from net carrying amount)</p>	<p>3.1 Estimated allowance for doubtful accounts based on analysis of customers’ historical and expected future payment in accordance with BOT’s relevant regulations</p>
<p>4. Derivatives and Hedge Accounting consisting of:</p> <p>4.1 Fair value hedge</p> <p>4.2 Cash flow hedge</p>	<p>Having derivatives on foreign currency and interest in banking book, in which interest recognized on accrual basis while foreign currency recognized the translation rate at the reporting date</p>

The adoption of new Thai Financial Reporting Standards related to financial instruments and TFRS 16 Leases had no significant impact to the consolidated financial statements. The consolidated cumulative change from such accounting standards adoptions had been adjusted under retained earnings as at January 1, 2020, in which TFRS 16 had not impact on retained earnings.

Upon the above changes, there would be no restatement of historical financial statements for comparison, in which the financial analysis might be affected as follows:

1. Recognition of interest income by taking into account any discount or premium on acquisition, relevant fee and costs of financial assets will be under Effective Interest Rate (EIR) approach and interest income will be amortized throughout the lifetime of each financial assets. Previously, recognition of interest income will be under contract rate approach and recognition of relevant fee will be in whole amount at initiation. These would mainly affect ratios such as earning asset yield, NIM as well as fee income.

Recognition of interest income from investment in debt instruments will be under straight-line approach throughout the investment period, which will be varied insignificantly from effective interest rate approach.

2. Value measurement on financial instruments will be shown under gain (loss) on financial instrument measured at fair value through profit or loss, which consisted of gain (loss) from disposal, fair value measurement or reclassification of financial assets including trading and translating assets and liabilities in foreign currencies; and of net gain (loss) from changes in fair value or adjustments on financial assets designated to measure at fair value through profit or loss; whereas, previously showed as part of gain (loss) on investments, net under other operating income.
3. Expected credit losses of financial assets will considerably be classified into 3 stages from previously 5 classifications of allowance for doubtful accounts under BOT's regulation. Additionally, the new expected credit losses of financial assets will extend to include items such as loan commitments & financial guarantees and etc. from previously on loans to customers. Any bad debt recovery will be recognized as income.

II. KTB's Relief Measures in Response to the Impacts of the COVID-19 Pandemic

KTB's Relief Measures

Realizing the importance to uphold the economy, the Bank had issued relief measures to help customers (updated April 27, 2020) as follows:

- Retail loan on both personal loan under supervision (such as Smart Money loan, Multi-purpose loan 5 Plus) and housing loan (such as Home Easy Cash loan) (not exceeding Baht 3 million): 4-month debt payment holiday on principal and interest together with 4-month lower interest rate of 0.25% per annum on existing loan agreement.

In addition, personal and housing loans with document proof of reduced income shall have 6-month debt payment holiday on principal (payment on interest only) together with 6-month lower interest rate of 0.25% per annum on existing loan agreement.

- Business loan (not exceeding Baht 100 million): 6-month debt payment holiday on principal and interest automatically
- Business loan of medium-size or higher with document proof of reduced income: up to 12-month debt payment holiday on principal for term loan together with up to 6-month debt payment extension for P/N and trade finance
- Supporting soft loans for liquidity on business loan (not exceed Baht 500 million): up to 20% credit limit of outstanding loan as at December 31, 2019 for up to 5-year tenure with first 2-year interest rate of 2.0% per annum, together with up to 12-month debt payment holiday on principal and first 6-month of no interest payment; participating in SFIs' supporting soft loans based on the stated criteria.
- Continual lending rate cuts on MLR, MOR and MRR since end of last year till 2Q2020 (latest lending rate cut effective on May 22, 2020) on a cumulative of -0.65% to -1.05%

These measures will ease loan burden and increase liquidity at present while the Bank will closely work with customers to consider the financial structure for their businesses in conjunction with the pre-emptive financial restructuring in order to provide additional assistance.

BOT's Relief Measures Phase 2

BOT had announced relief measure phase 2 for retail customers impacted from COVID-19 on the following:

1. Reduction on interest rate ceilings, service fee, and penalty (interest) for credit cards and personal loan under supervision (effective August 1, 2020 onwards) on the following details:

Type	Prevision ceiling (% per annum)	New ceiling (% per annum)
1. Credit card	18	16
2. Personal loan under supervision		
- Revolving credit	28	25
- Installment payment	28	25
- Auto title loan	28	24

2. Credit limit extension on credit card and personal loan under supervision (effective August 1, 2020 onwards)

For customers who are in need of additional credit limit and continuously pay on time with average income less than Baht 30,000 per month, temporary extending credit limit from 1.5 times to 2 times of average monthly income till December 31, 2021.

3. Additional relief measures phase 2 for retail customers (effective July 1, 2020 onwards)

The scope and period of such relief measures for retail customers impacted from COVID-19 and not considered as NPLs as at March 1, 2020 are detailed below given options of minimum assistance by type of credit available to the impacted customers.

Type	Minimum Relief Measures
1. Credit card	Convert into loan of 48 installment or extend payment period according to debtor's payment ability with interest rate \leq 12% per annum
2. Personal loan under supervision: revolving loan such as cash loan card	1. Reduce minimum installment payment according to payment ability or 2. Convert into loan of 48 installment or extend payment period according to debtor's payment ability with interest rate \leq 22% per annum
3. Personal loan: installment payments and hire purchase (automotive)	Reduce installment: at least 30% of previous installment with interest rate \leq 22%
4. Hire purchase	1. Debt payment holiday (principal and interest): 3-month or 2. Reduce installment by extending payment period
5. Home loan or Home for Cash	1. Debt payment holiday (principal and interest): 3-month or 2. Debt payment holiday (principal): 3-month and reconsider interest rate as appropriate or 3. Reduce installment by extending payment period

Customer who would like to request for assistance could contact the Bank through various channels such as application, website, call center or SMS channel.

BOT's Additional Measures

Given the ongoing COVID-19 pandemic situation far from recovery with high uncertainty, BOT had requested commercial banks on no interim dividend payment based on 2020 performance and no share repurchase, effective on June 18, 2020. In addition, commercial banks shall have capital management plan for the next 1-3 years in order to maintain strong capital level and to continuously support business operation.

Additionally, BOT had launched DR BIZ program as the mechanism for multi-creditors businesses to manage debt restructuring according to the debtor's capability under a one stop service. Furthermore, debt consolidation practice helped debtors with repayment potentials by consolidating loans on housing and other retail loans, such as credit card, personal loan under supervision and hire purchase, utilizing the remaining value of collateral under housing loans.

Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy

On February 28, 2020, the BOT had revised the regulations for commercial banks to support customers under pre-emptive measures. For Non-NPL customer as at January 1, 2020, bank could classify such loan as Stage 1 with no identification as troubled debt restructuring: TDR given that if it is foreseen that debt restructuring agreement could be complied by customer; moreover, bank could classify loan in performing stage if NPL customer could make payment for 3 consecutive months or installments under the new debt restructuring agreement. This is applicable for debt restructuring during January 1, 2020 till December 31, 2021.

Another measure involved provisioning, in which expected credit losses shall be calculated only for the drawn portion.

Credit Ratings

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

■ S&P Global Ratings	September 2020	June 2020	December 2019
■ Long-term/ Short-term	BBB / A-2	BBB / A-2	BBB / A-2
■ Outlook	Stable ⁽²⁾	Stable	Stable
■ Stand-Alone Credit Profile (SACP)	bb+	bb+	bb+
■ Moody's Investors Service	September 2020	June 2020	December 2019
■ Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2	Baa1 / P-2
■ Outlook	Stable	Stable	Positive
■ Baseline Credit Assessment (BCA)	baa3	baa3	baa3
■ Fitch Ratings	September 2020	June 2020	December 2019
Foreign Currency Credit Ratings			
■ Long-term/ Short-term	BBB / F2	BBB / F2	BBB / F2
■ Outlook	Stable	Stable	Positive
■ Viability Rating	bbb-	bbb-	bbb-
■ Subordinated Debt (USD)	--	-- ⁽¹⁾	BBB-
National Credit Ratings			
■ Long-term/ Short-term	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)
■ Outlook	Stable	Stable	Stable
■ THB-denominated Senior unsecured debentures	AA+(tha)	AA+(tha)	AA+(tha)
■ Subordinated Debt (Baht)	AA-(tha)	AA-(tha)	AA(th)

(1) The Bank had redeemed subordinated debt USD in December 2019.

(2) On August 24, 2020, S&P Global Ratings had placed ratings on the Bank and Senior Unsecured as CreditWatch with negative implications.

On April 2, 2020, Fitch Ratings affirmed the Bank's Foreign Currency Credit Ratings and National Credit Ratings given the challenging operating environment and economic disruptions from COVID-19 pandemic. Additionally, the Bank has been considered as one of the five domestic systemically important banks (D-SIBs) in Thailand and is strategically important to the government. Nonetheless, the Bank's subordinated debt (Baht) was downgraded by one-notch to AA-(tha) from AA(th) in accordance with Fitch's revised criteria, thus, affecting the ratings for domestic subordinated debts.

On August 24, 2020, S&P Global Ratings viewed that COVID-19 pandemic negatively impacted Thailand's overall economy, including higher credit risks for Thai banks; hence, ratings was placed on the Bank and Senior Unsecured as CreditWatch placement with negative implications.

Note :The percentage change stated in this document was calculated from the financial statement figures.

Disclaimer

This document contained information regarding the Bank's financial performance and business operations, macro-economic data and other relevant information which some parts of such information are forward-looking statements based on the view or assumptions of the Bank on current information. In case of changing in such information, the Bank reserves the right to change any information herein without prior notice. As the actual results in the future may differ materially from those anticipated in this document and this document shall not be deemed to be a guarantee of the Bank's financial performance and business operations in the future, investors, therefore, should exercise individual judgment when considering the Bank's information for any purpose.