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Management Discussion and Analysis

For the quarter and nine-month period ended
September 30, 2020

Environmental, Social and Governance Division

Email: irgroup@krungsri.com

Tel: +66 2 296-2977

Fax: +66 2 683-1341

Executive Summary:

Following the relaxation of the domestic COVID-19 containment measures in the third quarter, recent economic and business activities showed signs of improvement. Yet, the recovery thus far remained modest and overall economic activities remained at the level significantly lower than the pre-pandemic period.

As a Domestic Systemically Important Bank (D-SIB), Krungsri has continued to implement preemptive measures in alleviating financial burdens for both commercial and retail customers facing financial distress. Key priorities in 3Q/20 comprised expediting liquidity support and debt restructuring for affected businesses and households in light of the expiration of debt repayment holiday programs during the quarter.

Echoing the aforementioned development, **net profit for 9M/20 was Baht 19,655 million**, representing a decrease of 25.3%, or Baht 6,656 million from 9M/19. The acute contraction was also attributed to the absence of extraordinary one-time gains on investment from the sale of 50% of share in Ngern Tid Lor Company Limited (NTL) and the provision for compensation in personnel expenses relating to severance payment in accordance with the amended Labor Protection Act in 9M/19.

Excluding the aforementioned one-off items in 9M/19, the net profit for 9M/20 decreased by 4.1%, or Baht 848 million from 9M/19, mainly caused by higher provision expenses, corresponding to a prudential safeguard to cushion against loan quality deterioration together with lower operating profits.

Total loans outstanding stood at Baht 1,843,620 million, an increase of Baht 25,743 million, or 1.4% from December 2019. Krungsri's credit assistance and liquidity measures in part contributed to the growth observed in 9M/20. Corporate loans grew by 1.6%, while SME and retail loans grew by 2.6% and 0.9%, respectively.

Deposits totaled Baht 1,729,141 million, a notable increase of Baht 162,256 million, or 10.4%, from December 2019, largely driven by savings deposits.

Compared to 9M/19, **non-interest income** significantly decreased by 32.9%, or Baht 11,735 million, mainly driven by the absence of one-time gains on investments recorded in 9M/19, and a decrease in net fees and service income, resulting from a sharp slowdown in economic activities.

Upon adjusting the aforementioned one-time gains on investments in 9M/19, non-interest income decreased by Baht 3,110 million, or 11.5%, from 9M/19.

The non-performing loan (NPL) ratio stood at 2.24% at the end of September 2020, compared to 1.98% at the end of 2019.

Total loan loss reserves remained high at Baht 78,229 million.

The coverage ratio moderated to 160.6% from 163.8% at the end of 2019.

Earnings per share (EPS) consequently decreased to Baht 2.67 in 9M/20, from Baht 3.58 in 9M/19.

Key Developments in 3Q/20

Revision of 2020 Financial Targets

In alignment with changing economic conditions and the business environment, on August 26, 2020, the Bank announced the revision of three financial targets for 2020 as follows:

- Loan growth (net) from 5-7% to 3-5%
- Non-interest income growth* from the range of -3% to 3% to that of -15% to -10%, and
- Provisions from 130 - 150 bps to 180 - 200 bps

**Calculated from the normalized base, which excluded the one-off transaction in 1Q/2019, namely the recognition of gains on investment from the Ngern Tid Lor Company Limited (NTL) transaction.*

Hattha Bank Plc.

Hattha Kaksekar Limited, Krungsri's wholly-owned leading deposit-taking microfinance institution in Cambodia, has successfully obtained regulatory approvals to operate as a commercial bank, under the name Hattha Bank Plc. with effect from August 26, 2020 onwards. This development marks another key milestone for Krungsri's regional business expansion strategy to effectively capture growth opportunities in CLMV countries. Through the synergy of Krungsri's financial strengths and Hattha Bank's local business know-how and franchises, Hattha Bank will play an important role in driving the Cambodian economy on a sustainable growth path, while providing its people with access to quality financial products and services.

SB Finance Company, Inc. (SBF)

On October 20, 2020, Krungsri announced the successful acquisition of a 50% stake of ownership in SB Finance Company, Inc. (SBF), a consumer finance subsidiary of Security Bank Corporation (SBC). This transaction completion followed the share purchase agreement announced on August 8, 2019. The partnership with SBC provides us not only a new geographical coverage beyond CLMV, but also a new opportunity to contribute in a meaningful manner in the consumer finance space in the Philippines. Krungsri will support SBF through its expertise in consumer finance encompassing product development, marketing and sales channel enhancement as well as risk management.

Thai economic outlook

Supported by a continued accommodative monetary policy, as well as the fiscal, financial, and credit measures, the Thai economy would continue to recover in the fourth quarter. Nevertheless, vulnerabilities remain high given the recent global intensification of the COVID-19 outbreak that could lead to the reimposition of lockdown measures, as well as an increased risk of the deteriorating debt servicing capability of domestic businesses and households against the backdrop of weak private consumption and investment.

Krungsri stays focused on priorities in alleviating adverse impacts for customers, and supporting the economic recovery through both credit and debt restructuring measures as well as additional liquidity support. The asset quality will be vigilantly monitored and managed in ensuring both safety and soundness, while prudential oversights will also be strictly imposed to ensure high levels of capital fund and loan loss provision in withstanding further financial and economic challenges.

The progress of Krungsri's measures to assist customers impacted by the coronavirus pandemic

In light of the fact that continuing relief measures for all customer segments namely the debt payment holiday program would come to completion during the third quarter and the coming period, Krungsri continues to be proactive through assessing and analyzing customers' needs at an individual basis to effectively identify and assist impacted customers.

In addition to the aforementioned proactive approach, strong support under collective frameworks in accordance with the Bank of Thailand's measures announced in the third quarter also has been concurrently pursued, namely:

1) The ceiling interest rate reductions for credit card and personal loans in the range of 2% to 4%, effective from August 1, 2020 onward.

2) The debt consolidation measure to support retail customers through consolidating and restructuring retail loans while offering interest rate reductions, effective from September 1, 2020 onward.

3) The DR BIZ Program to support corporate customers with aggregated credit lines of Baht 50 to 500 million. The program provides a mechanism for multi-creditors businesses to lessen their debt burdens, while ensuring that an effective coordination framework is in place among multiple creditors. The program is effective from September 1, 2020.

As of September 30, 2020, total loans outstanding under Krungsri's customer relief programs accounted for approximately 29% of total loans outstanding, representing 1,634,183 retail customer accounts and 38,184 commercial customers. For SMEs, additional credit lines of Baht 20,080 million were offered to 6,464 SME customers to boost their liquidity under the Bank of Thailand (BOT)'s and the Government Savings Bank's soft loan programs.

NIM: 3.63%

**Net Profit:
Baht 19.7 billion**

Coverage Ratio: 160.6%

NPL Ratio: 2.24%

Summary of Financial Performance and Status:

Key 9M/20 deliverables:

- **Net Profit:**

Recorded at Baht 19,655 million for 9M/20, representing a 25.3% decrease over 9M/19. The acute contraction was attributed to the extraordinary one-time gains on investment from the sale of 50% of shares in Ngern Tid Lor Company Limited (NTL) recorded in 9M/19 as well as a severe economic contraction due to the coronavirus pandemic.

(Upon adjusting the one-time items in 9M/19, the net profit for 9M/20 decreased by Baht 848 million, or 4.1%, from 9M/19.)

- **Loan Growth:**

Total loans outstanding stood at Baht 1,843,620 million, an increase of Baht 25,743 million, or 1.4% from December 2019. Krungsri's credit assistance and liquidity measures in part contributed to the growth observed in 9M/20. Corporate loans grew by 1.6%, while SME and retail loans grew by 2.6% and 0.9%, respectively.

- **Deposit Growth:**

Increased by 10.4%, or Baht 162,256 million, compared to December 2019, driven by savings deposits.

- **Net Interest Margin (NIM):**

Moderated to 3.63% from 3.68% in 9M/19, driven by a decrease in yield on earning assets, corresponding to the policy rate cuts and reduced lending rates.

- **Non-Interest Income:**

Non-interest income decreased by Baht 11,735 million, or 32.9%, from 9M/19, mainly caused by the absence of one-time gains on investments in 9M/19, and a decrease in net fees and service income, resulting from a sharp slowdown in economic activities.

(Upon adjusting the aforementioned one-time gains on investments in 9M/19, non-interest income decreased by Baht 3,110 million, or 11.5%, from 9M/19.)

- **Cost to Income Ratio:**

With effective expense management amid the ongoing economic contraction, the cost to income ratio in 9M/20 was at 41.2%, improving from normalized cost to income ratio of 45.6% in 9M/19.

(Incorporating the one-time gains on investments from the NTL transaction and provision in accordance with the amended Labor Protection Act, the cost to income ratio was recorded at 42.6% in 9M/19.)

- **Non-Performing Loan (NPL) Ratio:**

Recorded at 2.24%, compared to 2.20% at the end of June 2020, and 1.98% in December 2019.

- **Coverage Ratio:**

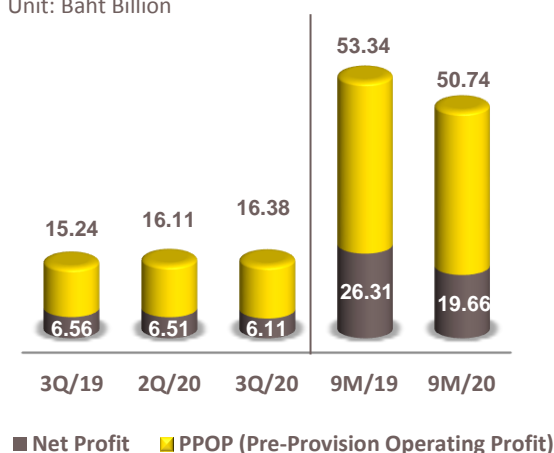
Continued to be strong at 160.6%, compared to 163.8% in December 2019.

- **Capital Adequacy Ratio:**

Recorded at 17.13%, compared to 16.56% in December 2019.

PPOP & Net Profit

Unit: Baht Billion



For the third quarter ended September 30, 2020

In 3Q/20, the operating profit was Baht 16,381 million, an increase of Baht 271 million, or 1.7% from 2Q/20, driven by higher non-interest income, mirroring improved economic activities, offset by a decrease in net interest income, corresponding to the full quarter impact of the lending rate cuts.

The net profit in 3Q/20 registered Baht 6,115 million, a decrease of Baht 393 million, or 6.0% from 2Q/20, mainly resulting from an increase in provisioning expenses, corresponding to a prudential safeguard to cushion against loan quality deterioration.

On a year-on-year basis, the operating profit increased by Baht 1,146 million, or 7.5% from 3Q/19, mainly driven by lower operating expenses from effective expense management amid a sharp slowdown in business activities, together with an improvement in net interest income.

The net profit decreased by Baht 449 million, or 6.8%, from 3Q/19, mainly resulting from a decrease in net fees and service income and higher provisioning expenses corresponding to an acute economic slowdown.

For the nine-month period ended September 30, 2020

For 9M/20, the operating profit was Baht 50,744 million, representing a decrease of Baht 2,596 million, or 4.9% compared to 9M/19, driven largely by the absence of one-time gains on investments in 9M/19, and a decrease in net fees and service income, offset by an increase in net interest income.

The net profit registered Baht 19,655 million, a decrease of Baht 6,656 million, or 25.3% year-on-year, driven by a lower operating profit and higher provision corresponding to a sharp economic contraction.

Excluding the one-off items in 9M/19 (the recognition of gains on investment from the NTL transaction and the provision for compensation in personnel expenses relating to severance payment in accordance with the amended Labor Protection Act), a net profit in 9M/20 decreased by 4.1% or Baht 848 million from 9M/19.

1. Statements of Profit or Loss and Other Comprehensive Income

Consolidated	3Q/20	2Q/20	3Q/19	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	26,034	27,271	27,775	(1,237)	(4.5)	(1,741)	(6.3)
Interest Expenses	6,405	6,853	8,654	(448)	(6.5)	(2,249)	(26.0)
Interest Income, Net	19,629	20,418	19,121	(789)	(3.9)	508	2.7
Fees and Service Income	5,989	5,580	7,238	409	7.3	(1,249)	(17.3)
Fees and Service Expense	1,807	1,649	1,964	158	9.6	(157)	(8.0)
Fees and Service Income, Net	4,182	3,931	5,274	251	6.4	(1,092)	(20.7)
Non-interest and Non-fees Income	3,912	3,338	3,821	574	17.2	91	2.4
Other Operating Expenses	11,342	11,577	12,981	(235)	(2.0)	(1,639)	(12.6)
Pre-Provision Operating Profit (PPOP)	16,381	16,110	15,235	271	1.7	1,146	7.5
Expected Credit Loss	8,734	7,845	-	889	11.3	8,734	-
Impairment Loss of Loan and Debt Securities	-	-	6,942	-	-	(6,942)	(100.0)
Income Tax Expense	1,448	1,675	1,623	(227)	(13.6)	(175)	(10.8)
Net Profit	6,199	6,590	6,670	(391)	(5.9)	(471)	(7.1)
Other Comprehensive Income, Net	(29)	254	(229)	(283)	(111.4)	200	87.3
Total Comprehensive Income	6,170	6,844	6,441	(674)	(9.8)	(271)	(4.2)
Net Profit Attributable To							
Owners of the Bank	6,115	6,508	6,564	(393)	(6.0)	(449)	(6.8)
Non-Controlling Interest	84	82	106	2	2.4	(22)	(20.8)
Net Profit	6,199	6,590	6,670	(391)	(5.9)	(471)	(7.1)
Total Comprehensive Income Attributable To							
Owners of the Bank	6,083	6,763	6,335	(680)	(10.1)	(252)	(4.0)
Non-Controlling Interest	87	81	106	6	7.4	(19)	(17.9)
Total Comprehensive Income	6,170	6,844	6,441	(674)	(9.8)	(271)	(4.2)
Earning Per Share (Baht)	0.83	0.88	0.89	(0.05)	(5.7)	(0.06)	(6.7)

Consolidated	9M/20	9M/19	Change YoY	
			Baht mn	%
Interest Income	83,123	82,709	414	0.5
Interest Expense	20,742	25,414	(4,672)	(18.4)
Interest Income, Net	62,381	57,295	5,086	8.9
Fees and Service Income	18,094	21,857	(3,763)	(17.2)
Fees and Service Expense	5,427	5,876	(449)	(7.6)
Fees and Service Income, Net	12,667	15,981	(3,314)	(20.7)
Non-interest and Non-fees Income	11,305	19,726	(8,421)	(42.7)
Other Operating Expenses	35,609	39,662	(4,053)	(10.2)
Pre-Provision Operating Profit (PPOP)	50,744	53,340	(2,596)	(4.9)
Expected Credit Loss	26,089	-	26,089	-
Impairment Loss of Loan and Debt Securities	-	20,016	(20,016)	(100.0)
Income Tax Expense	4,776	6,722	(1,946)	(28.9)
Net Profit	19,879	26,602	(6,723)	(25.3)
Other Comprehensive Income, Net	(346)	(263)	(83)	(31.6)
Total Comprehensive Income	19,533	26,339	(6,806)	(25.8)
Net Profit Attributable To				
Owners of the Bank	19,655	26,311	(6,656)	(25.3)
Non-Controlling Interest	224	291	(67)	(23.0)
Net Profit	19,879	26,602	(6,723)	(25.3)
Total Comprehensive Income Attributable To				
Owners of the Bank	19,308	26,048	(6,740)	(25.9)
Non-Controlling Interest	225	291	(66)	(22.7)
Total Comprehensive Income	19,533	26,339	(6,806)	(25.8)
Earning Per Share (Baht)	2.67	3.58	(0.91)	(25.4)

2. Financial Performance

2.1 Net Interest Income

Consolidated	3Q/20	2Q/20	3Q/19	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	16,450	17,570	18,121	(1,120)	(6.4)	(1,671)	(9.2)
Interest on interbank and money market items	576	612	1,187	(36)	(5.9)	(611)	(51.5)
Hire purchase and financial lease income	8,620	8,654	7,829	(34)	(0.4)	791	10.1
Investments and trading transactions	16	17	24	(1)	(5.9)	(8)	(33.3)
Investments in debt securities	368	411	584	(43)	(10.5)	(216)	(37.0)
Other interest income	4	7	30	(3)	(42.9)	(26)	(86.7)
Total Interest Income	26,034	27,271	27,775	(1,237)	(4.5)	(1,741)	(6.3)
INTEREST EXPENSE							
Interest on deposits	3,718	3,933	4,726	(215)	(5.5)	(1,008)	(21.3)
Interest on interbank and money market items	549	744	973	(195)	(26.2)	(424)	(43.6)
Interest on borrowings	1,089	1,156	1,159	(67)	(5.8)	(70)	(6.0)
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,027	995	1,776	32	3.2	(749)	(42.2)
Borrowing fee expenses	-	-	11	-	-	(11)	(100.0)
Other interest expenses	22	25	9	(3)	(12.0)	13	144.4
Total Interest Expenses	6,405	6,853	8,654	(448)	(6.5)	(2,249)	(26.0)
Interest Income, Net	19,629	20,418	19,121	(789)	(3.9)	508	2.7
Net Interest Margin	3.34%	3.51%	3.61%				
Yield on Earning Assets	4.42%	4.69%	5.24%				
Cost of Funds	1.20%	1.28%	1.82%				

Consolidated	9M/20	9M/19	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	52,896	54,186	(1,290)	(2.4)
Interest on interbank and money market items	2,155	3,623	(1,468)	(40.5)
Hire purchase and financial lease income	26,780	22,994	3,786	16.5
Investments and trading transactions	53	65	(12)	(18.5)
Investments in debt securities	1,206	1,776	(570)	(32.1)
Other Interest Income	33	65	(32)	(49.2)
Total Interest Income	83,123	82,709	414	0.5
INTEREST EXPENSE				
Interest on deposits	12,072	13,621	(1,549)	(11.4)
Interest on interbank and money market items	2,168	3,166	(998)	(31.5)
Interest on borrowings	3,458	3,233	225	7.0
Contributions to Financial Institution Development				
Fund and Deposit Protection Agency	2,968	5,308	(2,340)	(44.1)
Borrowing fee expenses	-	36	(36)	(100.0)
Other interest expenses	76	50	26	52.0
Total Interest Expenses	20,742	25,414	(4,672)	(18.4)
Interest Income, Net	62,381	57,295	5,086	8.9
Net Interest Margin	3.63%	3.68%		
Yield on Earning Assets	4.84%	5.32%		
Cost of Funds	1.34%	1.81%		

For the third quarter ended September 30, 2020

Interest income in 3Q/20 was recorded at Baht 26,034 million, a decrease of Baht 1,237 million, or 4.5%, compared to 2Q/20, driven by a decrease in interest on loans of Baht 1,120 million, or 6.4%, largely reflecting the full quarter impact of the lending rate cuts and the ceiling interest rate reduction for consumer finance loans effective from August 1, 2020 onward.

Interest expenses were recorded at Baht 6,405 million, decreasing by Baht 448 million, or 6.5% from 2Q/20, mainly caused by a decrease in interest on deposits of Baht 215 million, or 5.5%, together with a decrease in interest on interbank and money market items of Baht 195 million, or 26.2%, mainly due to a lower volume of loans from financial institutions.

Consequently, net interest income was recorded at Baht 19,629 million, representing a decrease of Baht 789 million, or 3.9% from 2Q/20.

On a year-on-year basis, interest income decreased by Baht 1,741 million, or 6.3%, driven by a decrease in interest on loans of Baht 1,671 million, or 9.2%, largely reflecting the reduced lending rates and the ceiling interest rate reduction for consumer finance loans.

Interest expenses significantly reduced by Baht 2,249 million, or 26.0% from 3Q/19. Key items are as follows:

- Interest on deposits decreased by Baht 1,008 million, or 21.3%, mainly resulting from the reduction of time deposit interest rates.
- Contributions to the Financial Institutions Development Fund (FIDF) and Deposit Protection Agency (DPA) decreased by Baht 749 million, or 42.2%, corresponding to the reduced rate of contribution to the FIDF.
- Interest on interbank and money market items decreased by Baht 424 million, or 43.6%, mainly due to decreased loans from financial institutions.

Consequently, net interest income increased by Baht 508 million, or 2.7% from 3Q/19.

For the nine-month period ended September 30, 2020

In the first nine months of 2020, interest income was recorded at Baht 83,123 million, an increase of Baht 414 million, or 0.5%, compared to the same period last year. Key items are as follows:

- Interest on hire purchase and financial lease income increased by Baht 3,786 million, or 16.5%, resulting from an auto hire purchase portfolio expansion and higher effective interest rates calculated under the TFRS 9 framework.
- Interest on interbank and money market items decreased by Baht 1,468 million, or 40.5%, mainly due to lower repurchase agreement rates, reflecting the policy rate cuts of 1.0%.
- Interest on loans decreased by Baht 1,290 million, or 2.4%, largely reflecting the reduced lending rates and the ceiling interest rate reduction for consumer finance loans.

Meanwhile, interest expenses decreased by Baht 4,672 million, or 18.4% from 9M/19. Key items are as follows:

- Contributions to the FIDF and the DPA decreased Baht 2,340 million, or 44.1%, corresponding to the reduced rate of contribution to the FIDF.
- Interest on deposits decreased by Baht 1,549 million, or 11.4%, mainly reflecting the reduction of time deposit interest rates.
- Interest on interbank and money market items decreased by Baht 998 million, or 31.5%, mainly resulting from decreased loans from financial institutions and lower repurchase agreement rates.

Consequently, net interest income increased by Baht 5,086 million, or 8.9%, compared to the same period last year.

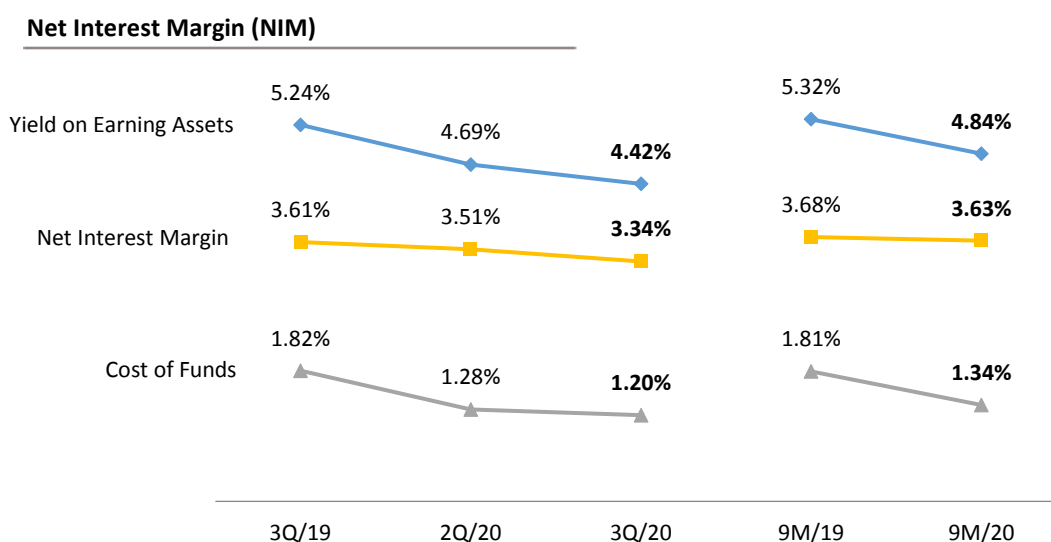
In 3Q/20, yield on earning assets decreased to 4.42% from 4.69% in 2Q/20, mainly driven by a decrease in yield on loans from the full quarter impact of lending rate cuts in the range of 0.65% to 0.75% in May 2020 and the ceiling interest rate reduction for consumer finance loans. Meanwhile, cost of funds improved to 1.20% from 1.28% in 2Q/20, mainly due to the lowered cost of deposits.

Consequently, NIM moderated to 3.34% from 3.51% in 2Q/20.

In 9M/20, NIM moderated to 3.63% from 3.68% registered in 9M/19, mainly due to a decrease in yield on earning assets to 4.84% from 5.32%, driven by the policy rate cuts by 1.0% and key lending rate cuts in the range of 0.9% to 1.02% and the ceiling interest rate reduction for consumer finance loans. Meanwhile, cost of funds improved to 1.34% from 1.81%, mainly from the reduced contribution rate to FIDF, the broad-based reductions of deposit rates, and higher proportion of low-cost deposits.

Key interest rate movement in 3Q/20:

Effective from August 1, 2020, corresponding to the Bank of Thailand's notifications, Krungsri reduced interest rate ceiling of credit cards and personal loans in the range of 2% to 4% to assist retail customers impacted by the sharp economic contraction.



	3Q/19	2Q/20	3Q/20	9M/19	9M/20
Yield on Loans	5.87%	5.71%	5.42%	5.90%	5.80%
Cost of Deposits	1.72%	1.16%	1.10%	1.70%	1.21%

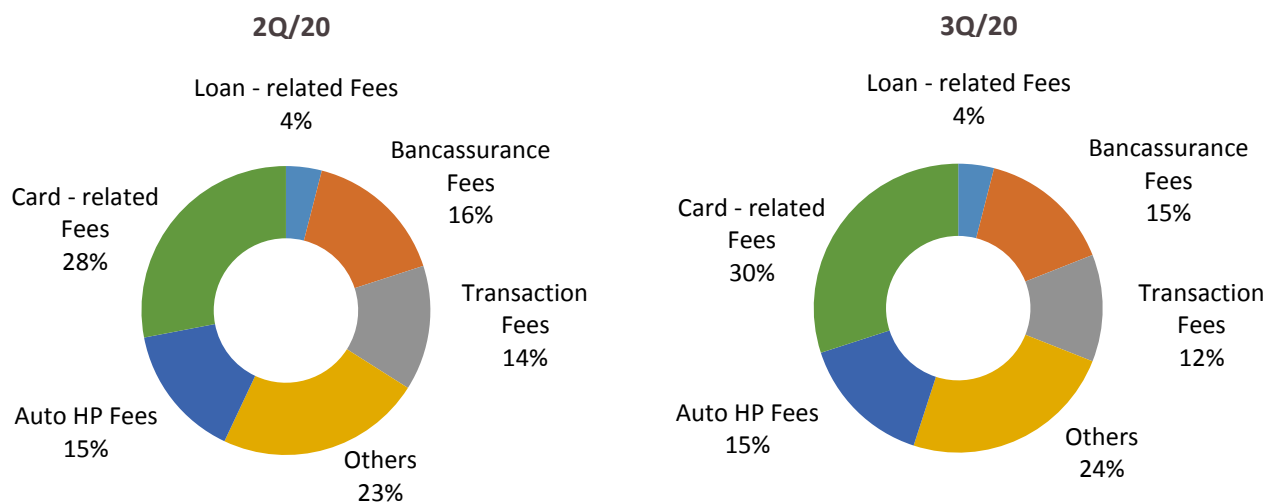
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Policy Rate	1.75%	1.75%	1.75%	1.50%	1.25%	0.75%	0.50%	0.50%
Krungsri Lending Rate (MLR)	6.60%	6.60%	6.60%	6.60%	6.35%	6.23%	5.58%	5.58%
Krungsri Lending Rate (MOR)	7.20%	7.20%	7.20%	6.95%	6.95%	6.70%	5.95%	5.95%
Krungsri Lending Rate (MRR)	7.20%	7.20%	7.20%	6.95%	6.95%	6.70%	6.05%	6.05%
Savings Rate	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.25%	0.25%
3 - month deposits	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.60-1.00%	0.35-0.90%	0.25-0.375%	0.25-0.375%
6 - month deposits	0.90-1.20%	0.90-1.20%	0.90-1.40%	0.90-1.40%	0.65-1.40%	0.35-1.00%	0.25-0.50%	0.25-0.50%
12 - month deposits	1.10-1.35%	1.10-1.35%	1.10-1.55%	1.10-1.55%	0.75-1.55%	0.40-1.10%	0.30-0.50%	0.30-0.50%

2.2 Non-Interest Income

Consolidated	3Q/20	2Q/20	3Q/19	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	122	125	129	(3)	(2.4)	(7)	(5.4)
Other fees and service income	5,867	5,455	7,109	412	7.6	(1,242)	(17.5)
Fees and service income	5,989	5,580	7,238	409	7.3	(1,249)	(17.3)
Fees and service expense	1,807	1,649	1,964	158	9.6	(157)	(8.0)
Net fees and Service Income	4,182	3,931	5,274	251	6.4	(1,092)	(20.7)
Gains (losses) on financial instrument measured at fair value through profit or loss (FVTPL)	881	886	1,021	(5)	(0.6)	(140)	(13.7)
Gains (losses) on investments	27	12	115	15	125.0	(88)	(76.5)
Share of profit (loss) from investment for using equity method	510	310	397	200	64.5	113	28.5
Bad debt recoveries	1,849	1,622	1,595	227	14.0	254	15.9
Other operating income	645	508	693	137	27.0	(48)	(6.9)
Total Non-interest and Non-fees Income	3,912	3,338	3,821	574	17.2	91	2.4
Non-Interest Income	8,094	7,269	9,095	825	11.3	(1,001)	(11.0)

Consolidated	9M/20	9M/19	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	372	389	(17)	(4.4)
Other fees and service income	17,722	21,468	(3,746)	(17.4)
Fees and service income	18,094	21,857	(3,763)	(17.2)
Fees and service expense	5,427	5,876	(449)	(7.6)
Net fees and Service Income	12,667	15,981	(3,314)	(20.7)
Gains (losses) on financial instrument measured at fair value through profit or loss (FVTPL)	3,366	3,226	140	4.3
Gains (losses) on investments	75	9,188	(9,113)	(99.2)
Share of profit (loss) from investment for using equity method	1,214	1,000	214	21.4
Bad debt recoveries	5,130	4,725	405	8.6
Other operating income	1,520	1,587	(67)	(4.2)
Total Non-interest and Non-fees Income	11,305	19,726	(8,421)	(42.7)
Non-Interest Income	23,972	35,707	(11,735)	(32.9)

Fees & Service Income Breakdown



For the third quarter ended September 30, 2020

Total non-interest income in 3Q/20 was Baht 8,094 million, increasing by Baht 825 million, or 11.3% from 2Q/20. Details are as follows:

- Following the relaxation of the domestic COVID-19 containment measures in the third quarter, net fees and service income was Baht 4,182 million, increasing by Baht 251 million, or 6.4%.

Key factors are:

- Fees and service income increased by Baht 409 million, or 7.3%, mainly resulting from:
 - Card-related fees increased by Baht 247 million, or 16.0%, corresponding to improved economic activities observed during the quarter.
 - Wealth & fund management and securities-related fees increased by Baht 103 million, or 9.9%.
 - Collection fees increased by Baht 78 million, or 93.1%.
 - Auto hire purchase fees increased by Baht 41 million, or 4.9%, corresponding to the loan growth during the period.
 - Loan-related fees increased by Baht 11 million, or 4.7%.
 - Bancassurance fees increased by Baht 11 million, or 1.2%.
 - Meanwhile, transaction fees decreased by Baht 61 million, or 7.9%.
- Correspondingly, fees and service expenses increased by 9.6%, or Baht 158 million, mainly resulting from ATM and card network fees.
- Bad debt recoveries increased by Baht 227 million, or 14.0%.
- Share of profit from investment using the equity method increased by Baht 200 million, or 64.5%.
- Other operating income increased by Baht 137 million, or 27.0%, mainly driven by gain on sales of properties for sale.

On a year-on-year basis, total non-interest income decreased by Baht 1,001 million, or 11.0%, corresponding to a sharp economic slowdown.

Details are as follows:

- Net fees and service income decreased by Baht 1,092 million, or 20.7%. Key factors are:
 - Fees and service income decreased by Baht 1,249 million, or 17.3%, driven by:
 - Card-related fees decreased by Baht 720 million, or 28.6%.
 - Auto hire purchase fees decreased by Baht 434 million, or 33.0%.
 - Loan-related fees decreased by Baht 58 million, or 18.9%.
 - Transaction fees decreased by Baht 39 million, or 5.2%.
 - Meanwhile, bancassurance fees increased by Baht 36 million, or 4.2% and collection fees increased by Baht 17 million, or 11.9%.

- Fees and service expenses decreased by 8.0%, or Baht 157 million, mainly from ATM and card network fees.
- Bad debt recoveries increased by Baht 254 million, or 15.9%.
- Gains on financial instruments measured at FVTPL decreased by Baht 140 million, or 13.7%, mainly driven by trading and FX transactions.
- Share of profit from investment using the equity method increased by Baht 113 million, or 28.5%.
- Gains on investments decreased by Baht 88 million, or 76.5%.
- Other operating income decreased by Baht 48 million, or 6.9%.

For the nine-month period ended September 30, 2020

For 9M/20, non-interest income was Baht 23,972 million, decreasing by Baht 11,735 million, or 32.9% year-on-year. Details are as follows:

- Corresponding to a sharp contraction in business and economic activities caused by the coronavirus pandemic, net fees and service income was Baht 12,667 million, decreasing by Baht 3,314 million, or 20.7%. Key factors are:
 - Fees and service income decreased by Baht 3,763 million, or 17.2%, mainly resulting from:
 - Card-related fees decreased by Baht 2,548 million, or 31.9%, due to both income shocks and tapering consumer confidence resulting from severe economic ramifications from the coronavirus outbreak.
 - Auto hire purchase fees decreased by Baht 1,031 million, or 26.3%, following weaker purchasing power and a significant decline in domestic car sales.
 - Loan-related fees decreased by Baht 163 million, or 17.8%.
 - Collection fees decreased by Baht 137 million, or 25.0%, driven partly by Krungsri's measures to alleviate impacts on borrowers.
 - Wealth & fund management and securities-related fees decreased by Baht 46 million, or 1.4%.
 - Meanwhile, bancassurance fees increased by Baht 108 million, or 4.3% and transaction fees increased by Baht 91 million, or 4.3%.
 - Fees and service expenses decreased by 7.6%, or Baht 449 million, mainly from ATM and card network fees.
- Bad debt recoveries increased by Baht 405 million, or 8.6%.
- Share of profit from investment using the equity method increased by Baht 214 million, or 21.4%.
- Gains on financial instruments measured at FVTPL increased by Baht 140 million, or 4.3%. mainly driven by the gains on trading and FX transactions.
- Meanwhile, gains on investments significantly decreased by Baht 9,113 million, or 99.2% mainly due to the absence of the one-time gains on investments from the NTL transaction in 9M/19.

2.3 Other Operating Expenses

Consolidated	3Q/20	2Q/20	3Q/19	Change QoQ		Change YoY	
	(TFRS 9)	(TFRS 9)		Baht mn	%	Baht mn	%
Employee expenses	5,927	6,396	6,670	(469)	(7.3)	(743)	(11.1)
Premises and equipment expenses	1,881	1,919	1,905	(38)	(2.0)	(24)	(1.3)
Taxes and duties	600	633	703	(33)	(5.2)	(103)	(14.7)
Directors' remuneration	16	16	15	0	0.0	1	6.7
Other expenses	2,918	2,613	3,688	305	11.7	(770)	(20.9)
Total Other Operating Expenses	11,342	11,577	12,981	(235)	(2.0)	(1,639)	(12.6)

Consolidated	9M/20	9M/19	Change YoY	
	(TFRS 9)		Baht mn	%
Employee expenses	18,635	21,134	(2,499)	(11.8)
Premises and equipment expenses	5,777	5,909	(132)	(2.2)
Taxes and duties	1,947	2,162	(215)	(9.9)
Directors' remuneration	48	44	4	9.1
Other expenses	9,202	10,413	(1,211)	(11.6)
Total Other Operating Expenses	35,609	39,662	(4,053)	(10.2)

For the third quarter ended September 30, 2020

For 3Q/20, total other operating expenses were Baht 11,342 million, decreasing by Baht 235 million, or 2.0%, from 2Q/20, driven by a decrease in employee expenses of Baht 469 million, offset by an increase in other expenses of Baht 305 million, mainly from the marketing promotion expenses following the resumption of economic activities from the domestic COVID-19 lockdown measures in the prior quarter.

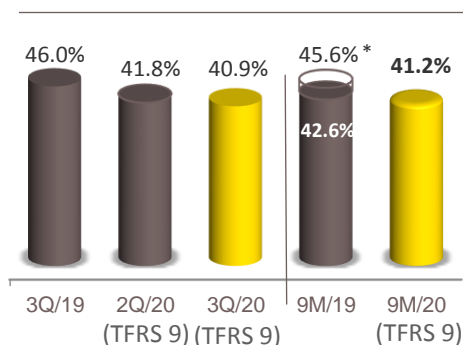
On a year-on-year basis, total other operating expenses decreased by Baht 1,639 million, or 12.6%. Key items are as follows:

- Other expenses decreased by Baht 770 million, or 20.9%, driven by a decrease in marketing promotion expenses, corresponding to a slowdown in business volume, and a decrease in impairment of non-performing assets (NPA).
- Employee expenses decreased by Baht 743 million, or 11.1%.

For the nine-month period ended September 30, 2020

For 9M/20, total other operating expenses were Baht 35,609 million, decreasing by Baht 4,053 million, or 10.2%, driven by a decrease in employee expenses of Baht 2,499 million, or 11.8%, partly from the absence of the provision for compensation in personnel expenses relating to severance payment in accordance with the amended Labor Protection Act which was recorded in 9M/19. Other expenses decreased by Baht 1,211 million, or 11.6%, largely driven by a decrease in marketing promotion expenses, corresponding to a sharp economic contraction observed in 2020.

Cost to income Ratio



Remark: Normalized cost-to-income ratio, (excluding one-time gains on investments from the NTL transaction and provision in accordance with the amended Labor Protection Act.).*

With effective cost control amid the ongoing economic challenges, the cost to income ratio continued to improve and was recorded at 40.9% in 3Q/20.

Reflecting Krungsri's continuous focus on cost management and productivity improvement, the cost to income ratio in 9M/20 significantly improved and stood at 41.2%, compared to the normalized cost to income ratio of 45.6% in 9M/19.

2.4 Expected credit loss (ECL)

Consolidated	3Q/20	2Q/20	3Q/19	Change QoQ		Change YoY	
	(TFRS 9)	(TFRS 9)		Baht mn	%	Baht mn	%
Expected credit loss	8,734	7,845	-	889	11.3	8,734	-
Impairment loss of loan and debt securities	-	-	6,942	-	-	(6,942)	(100.0)
Total	8,734	7,845	6,942	889	11.3	1,792	25.8

Consolidated	9M/20	9M/19	Change YoY	
	(TFRS 9)		Baht mn	%
Expected credit loss	26,089	-	26,089	-
Impairment loss of loan and debt securities	-	20,016	(20,016)	(100.0)
Total	26,089	20,016	6,073	30.3

The expected credit loss in 3Q/20 amounted to Baht 8,734 million, an increase of Baht 1,792 million, or 25.8%, from 2Q/20, corresponding to an increase in stage 3 (non-performing loans), mainly from the retail segment, and the management overlay which reflects a forward-looking assumption to take into account the macro-economic outlook and potential impacts on our loan portfolio after the expiration of a debt payment holiday program.

In 9M/20, the expected credit loss was recorded at Baht 26,089 million, representing an increase of Baht 6,073 million, or 30.3%, on a year-on-year basis, mirroring both strict adherence to TFRS 9 requirements and a prudential safeguard to cushion against loan quality deterioration from the severe economic contraction.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at	As at	As at	Change from		Change from	
	Sep. 30, 20	Jun. 30, 20	Dec. 31, 19	Jun. 30, 20	%	Dec. 31, 19	%
				Baht mn		Baht mn	
ASSETS							
Cash	28,088	29,212	33,831	(1,124)	(3.8)	(5,743)	(17.0)
Interbank and money market items, net	391,068	418,338	331,431	(27,270)	(6.5)	59,637	18.0
Financial assets measured at FVTPL	7,184	2,807	-	4,377	155.9	7,184	100.0
Investments, net	167,027	144,714	118,340	22,313	15.4	48,687	41.1
Investments in subsidiaries and joint ventures, net	13,111	12,601	11,952	510	4.0	1,159	9.7
Loans to customers and accrued interest receivable, net	1,778,340	1,791,063	1,754,976	(12,723)	(0.7)	23,364	1.3
Properties for sale, net	2,913	3,108	3,500	(195)	(6.3)	(587)	(16.8)
Others	104,399	108,065	105,562	(3,666)	(3.4)	(1,163)	(1.1)
TOTAL ASSETS	2,492,130	2,509,908	2,359,592	(17,778)	(0.7)	132,538	5.6
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,729,141	1,698,706	1,566,885	30,435	1.8	162,256	10.4
Interbank and money market items	243,502	275,742	252,121	(32,240)	(11.7)	(8,619)	(3.4)
Debt issued and borrowings	157,003	167,345	175,667	(10,342)	(6.2)	(18,664)	(10.6)
Others	76,521	88,112	92,803	(11,591)	(13.2)	(16,282)	(17.5)
TOTAL LIABILITIES	2,206,167	2,229,905	2,087,476	(23,738)	(1.1)	118,691	5.7
Issued and paid-up share capital	73,558	73,558	73,558	0	0.0	0	0.0
Retained earning	154,017	148,059	140,041	5,958	4.0	13,976	10.0
Others	58,388	58,386	58,517	2	0.0	(129)	(0.2)
TOTAL SHAREHOLDERS' EQUITY	285,963	280,003	272,116	5,960	2.1	13,847	5.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,492,130	2,509,908	2,359,592	(17,778)	(0.7)	132,538	5.6
Book value per share (Baht)	38.88	38.07	36.99	0.81	2.1	1.89	5.1

As of September 30, 2020, total assets stood at Baht 2,492,130 million, representing an increase of Baht 132,538 million, or 5.6%, from December 2019. Key items are as follows:

- Net interbank and money market items increased by Baht 59,637 million, or 18.0%, mainly resulting from an increase in repurchase agreements of Baht 59,760 million and deposit to financial institutions of Baht 4,055 million, offset by a decrease in loans to financial institutions of Baht 4,179 million.
- Net investments increased by Baht 48,687 million, or 41.1%, mainly resulting from an increase in fair value through other comprehensive income (FVOCI).
- Loans to customers increased by Baht 25,743 million, or 1.4%. Krungsri's credit assistance and liquidity measures in part contributed to the growth observed for 9M/20.

Compared to 2Q/20, total assets decreased by Baht 17,778 million, or 0.7%. Key items are as follows:

- Net interbank and money market items decreased by Baht 27,270 million, or 6.5%, mainly resulting from a decrease in deposits to financial institutions of Baht 25,464 million.
- Loans to customers decreased by Baht 11,118 million, or 0.6%.
- Net investments increased by Baht 22,313 million, or 15.4%, mainly resulting from an increase in FVOCI.

As of September 30, 2020, total liabilities stood at Baht 2,206,167 million, representing an increase of Baht 118,691 million, or 5.7%, from December 2019. Key items are as follows:

- Deposits increased by Baht 162,256 million, or 10.4%, largely driven by savings deposits.
- Debts issued and borrowings decreased by Baht 18,664 million, or 10.6%, driven mainly by a decrease in debentures of Baht 19,208 million.
- Other liabilities decreased by Baht 16,282 million, or 17.5%, driven by a decrease in derivative liabilities.

Compared to 2Q/20, total liabilities decreased by Baht 23,738 million, or 1.1%. Key items are as follows:

- Interbank and money market items decreased by Baht 32,240 million, or 11.7%, mainly due to a decrease in loans from financial institutions of Baht 39,562 million and deposit from financial institutions of Baht 4,266 million, offset by an increase in repurchase agreement of Baht 11,589 million.
- Other liabilities decreased by Baht 11,591 million, or 13.2%, driven by a decrease in derivative liabilities.
- Debts issued and borrowings decreased by Baht 10,342 million, or 6.2%, driven mainly by a decrease in debentures of Baht 9,311 million.
- Deposits increased by Baht 30,435 million, or 1.8%, mainly resulting from an increase in savings deposits.

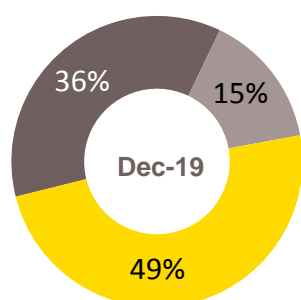
As of September 30, 2020, total shareholders' equity stood at Baht 285,963 million, an increase of Baht 13,847 million, or 5.1%, from December 2019 due to an increase in equity holders' net profit of Baht 19,655 million in 9M/20, which was partially offset by dividends paid of Baht 3,310 million and the impact of the TFRS 9 first-time adoption recorded in 1Q/20.

Book value per share as of September 30, 2020 increased by 5.1% to Baht 38.88 from Baht 36.99 at the end of 2019.

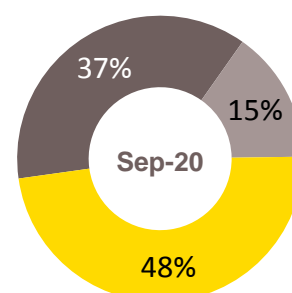
3.2 Loans to customers

3.2.1 Loans by segment

Consolidated	Sep. 30, 20	Jun. 30, 20	Dec. 31, 19	Change from Jun. 30, 20		Change from Dec. 31, 19	
				Baht mn	%	Baht mn	%
Corporate	671,847	689,841	661,147	(17,994)	(2.6)	10,700	1.6
- Thai Corporate	416,381	429,633	427,197	(13,252)	(3.1)	(10,816)	(2.5)
- International Corporate (JPC/MNC)	255,466	260,208	233,950	(4,742)	(1.8)	21,516	9.2
SMEs	280,437	282,320	273,224	(1,883)	(0.7)	7,213	2.6
Retail	891,336	882,577	883,506	8,759	1.0	7,830	0.9
- Hire purchase	429,062	427,568	414,192	1,494	0.3	14,870	3.6
- Mortgage	280,218	273,876	270,112	6,342	2.3	10,106	3.7
- Credit cards, personal loans and others	182,056	181,133	199,202	923	0.5	(17,146)	(8.6)
Total	1,843,620	1,854,738	1,817,877	(11,118)	(0.6)	25,743	1.4



■ Corporate
■ SMEs
■ Retail



Auto HP 23%
Mortgage 15%
Credit card, Personal Loans and others 11%

Auto HP 23%
Mortgage 15%
Credit card, Personal Loans and others 10%

Notwithstanding the unfavorable business environment, as of September 30, 2020, total outstanding loans stood at Baht 1,843,620 million, an increase of Baht 25,743 million, or 1.4% from December 2019.

Compared to 2Q/20, loans contracted by 0.6%, or Baht 11,118 million, mainly from a decrease in corporate and SME loans due to commercial segments' working capital loan repayment as liquidity support requirements lessened.

At the end of September 2020, commercial loans, comprising corporate and SME customers were maintained at 52% of the total loan portfolio, while retail lending represented the remaining 48%.

Details of loan performance by segment are as follows:

Corporate loans grew by 1.6%, or Baht 10,700 million from December 2019, of which International Corporate (JPC/MNC) loans increased by 9.2%, or Baht 21,516 million, meanwhile Thai corporate loans contracted by 2.5%, or Baht 10,816 million.

Compared to 2Q/20, corporate loans decreased by 2.6%, or Baht 17,994 million, mainly from a decrease in Thai corporate loans by 3.1%, or Baht 13,252 million and international Corporate (JPC/MNC) loans by 1.8%, or Baht 4,742 million. The decreasing demand reflected more favorable liquidity in the capital market observed during the period.

SME loans grew by 2.6%, or Baht 7,213 million from December 2019, driven partly by our liquidity support under the soft loan program and credit measures for SME customers. Meanwhile, SME loans decreased by 0.7% or Baht 1,883 million, from 2Q/20.

The **retail loan segment** increased by 0.9%, or Baht 7,830 million, from December 2019, and by 1.0%, or Baht 8,759 million, from 2Q/20. The growth observed during the quarter was largely driven by pent-up demand due to the economic lockdown imposed during the second quarter.

- **Auto hire purchase loans** grew by 3.6%, or Baht 14,870 million, from December 2019, and by 0.3%, or Baht 1,494 million, from 2Q/20. Amid a sharp deceleration from the normalized growth pattern, the growth of auto hire purchase loans in 9M/20 was largely in line with the tepid domestic car sales during the period.
- **Mortgage loans** increased by 3.7%, or Baht 10,106 million, from December 2019, and grew by 2.3%, or Baht 6,342 million, from 2Q/20. The growth observed in 3Q/20 reflected the pent-up demand from the 2Q/20 lockdown together with the seasonal business drive.
- **Credit card and personal loans** contracted by 8.6%, or Baht 17,146 million, from December 2019, driven by both income shocks and tapering consumer confidence, resulting from economic and business lockdowns in the first half of the year. For the third quarter, credit card and personal loans slightly increased by 0.5% or Baht 923 million from 2Q/20, corresponding to the pent-up demand from 2Q/20.

Krungsri remains committed to supporting customers through credit and liquidity assistance as well as other aid measures to businesses and households impacted from the severe economic contraction.

3.2.2 Loan classification

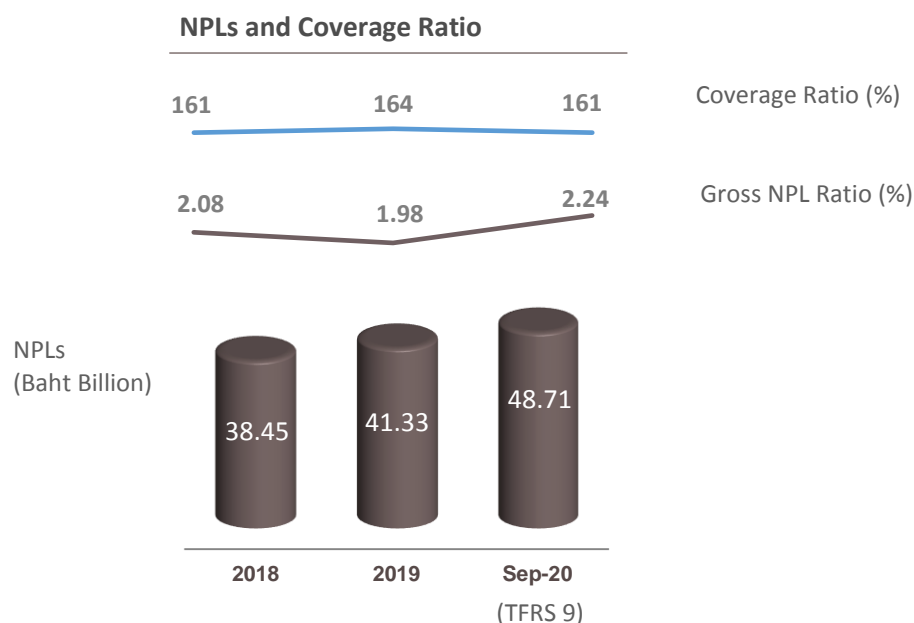
Loan classifications as of September 30, 2020, compared to June 30, 2020, and December 31, 2019 (prior to the adoption of TFRS 9) are as follows:

Consolidated	Sep. 30, 20		Unit : Baht mn Jun. 30, 20	
	Loan to Customers and Accrued Interest Receivable	Allowance for Expected Credit Loss	Loan to Customers and Accrued Interest Receivable	Allowance for Expected Credit Loss
Stage 1 (Performing)	1,662,104	28,875	1,669,146	26,102
Stage 2 (Under-performing)	141,182	18,533	144,750	19,192
Stage 3 (Non-performing)	49,676	27,214	48,712	26,251
Total	1,852,962	74,622	1,862,608	71,545

Consolidated	Unit : Baht mn Dec. 31, 19	
	Loans and Accrued Interest Receivable	Provision
Normal	1,718,385	13,758
Special mention	62,641	7,799
Substandard	12,257	6,306
Doubtful	6,531	3,217
Doubtful of loss	22,546	11,871
Total	1,822,360	42,951
Surplus Reserve		22,759
Total	1,822,360	65,710

Stage 3 (non-performing loans) at the end of September 2020 was Baht 49,676 million, an increase of Baht 964 million or 1.98% from June 2020. As a prudential safeguard to cushion against loan quality deterioration, allowance for expected credit loss was at Baht 74,622 million, an increase of Baht 3,077 million from the prior quarter.

3.2.3 Non-performing loans



Stage 3 (non-performing)* by Segment

Consolidated	Sep. 30, 20 (TFRS 9)	Jun. 30, 20 (TFRS 9)	Mar. 31, 20 (TFRS 9)	Dec. 31, 19	Sep. 30, 19
Corporate	1.2%	1.1%	0.9%	1.0%	1.1%
SME	4.9%	5.0%	5.6%	5.4%	5.5%
Retail	3.0%	3.0%	2.9%	2.3%	2.1%
Hire Purchase	1.9%	1.9%	2.0%	1.9%	1.8%
Mortgage	4.2%	4.3%	4.0%	3.4%	2.9%
Personal Loans, Credit Cards, and Others	3.9%	3.4%	3.1%	1.6%	1.7%

Remark*: Excluding accrued interest in accordance with the BOT's guideline.

As of September 30, 2020, gross NPLs stood at Baht 48,711 million, an increase of Baht 7,377 million, or 17.8%, from Baht 41,334 million at the end of December 2019, mainly due to the adoption of TFRS 9 and the unfavorable business environment. Compared to the end of June 2020, gross NPLs increased by Baht 697 million, or 1.45%, mainly from credit card and personal loans due to unemployment and income shocks from the severe economic contraction.

The ratio of gross NPLs as of September 30, 2020 was at 2.24%, compared to 2.20% at the end of June 2020, and 1.98% at the end of December 2019.

As of September 30, 2020, total loan loss reserves stood at Baht 78,229 million. The coverage ratio remained high at 160.6%, compared to 163.8% at the end of December 2019.

Krungsri stays focused on priorities in alleviating adverse impacts for customers, and supporting the economic recovery through both credit and debt restructuring measures as well as additional liquidity support. The asset quality will be vigilantly monitored and managed in ensuring both safety and soundness, while prudential oversights will also be strictly imposed to ensure high levels of capital fund and loan loss provision in withstanding further financial and economic challenges.

3.3 Funding Structure

Deposits

Consolidated	Sep. 30, 20	Jun. 30, 20	Dec. 31, 19	Change from Jun. 30, 20		Change from Dec. 31, 19	
				Baht mn	%	Baht mn	%
Current	42,999	41,817	37,336	1,182	2.8	5,663	15.2
Savings	777,711	703,857	599,989	73,854	10.5	177,722	29.6
Time	908,431	953,032	929,560	(44,601)	(4.7)	(21,129)	(2.3)
< 6 Months	326,667	359,745	370,607	(33,078)	(9.2)	(43,940)	(11.9)
6 Months and < 1 Year	96,358	106,783	88,673	(10,425)	(9.8)	7,685	8.7
1 Year and over 1 Year	485,406	486,504	470,280	(1,098)	(0.2)	15,126	3.2
Total Deposit	1,729,141	1,698,706	1,566,885	30,435	1.8	162,256	10.4

Borrowing

Consolidated	Sep. 30, 20	Jun. 30, 20	Dec. 31, 19	Change from Jun. 30, 20		Change from Dec. 31, 19	
				Baht mn	%	Baht mn	%
Debenture	91,322	100,633	110,530	(9,311)	(9.3)	(19,208)	(17.4)
Subordinated debenture	61,040	61,067	61,168	(27)	(0.0)	(128)	(0.2)
Other	4,641	5,645	3,969	(1,004)	(17.8)	672	16.9
Total Borrowing	157,003	167,345	175,667	(10,342)	(6.2)	(18,664)	(10.6)

The Bank's funding continued to be underpinned by deposits. As of September 30, 2020, deposits totaled Baht 1,729,141 million, an increase of Baht 162,256 million, or 10.4% from December 2019, attributed to an increase in savings deposits of Baht 177,722 million, offset by a decrease in time deposits of Baht 21,129 million.

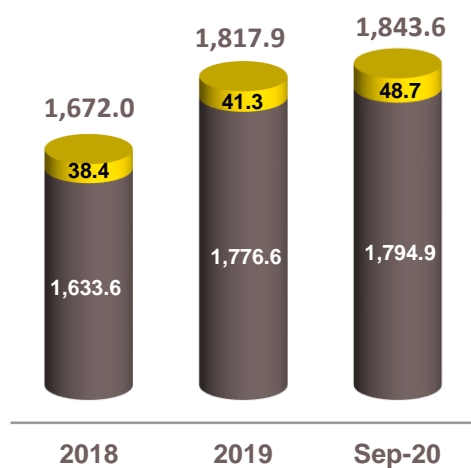
As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits improved to 47.5%, compared to 40.7% in December 2019.

As of September 30, 2020, total borrowing stood at Baht 157,003 million, decreasing by Baht 18,664 million, or 10.6% from December 2019, mainly driven by matured debentures of Baht 29,384 million, offset by the issuance of long-term debentures amounting to Baht 10,000 million.

Consequently, the loan to deposit ratio and the loan to deposit plus debentures ratio improved to 107% and 101%, respectively, compared to 116% and 108% at the end of December 2019.

Loans

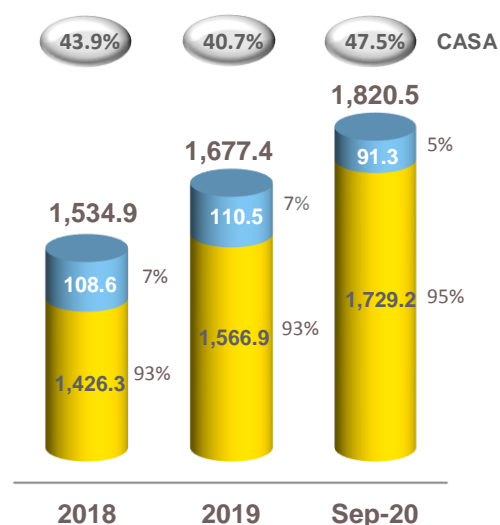
Unit: Baht Billion



■ Performing Loan (PL) ■ Non-Performing Loan (NPL)

Deposits + Debenture

Unit: Baht Billion



■ Deposit ■ Debenture

	2018	2019	Sep-20
L/D	117%	116%	107%
L/D + Debentures	109%	108%	101%

3.4 Contingencies

Consolidated	Sep. 30, 20	Jun. 30, 20	Dec. 31, 19	Change from Jun. 30, 20		Change from Dec. 31, 19	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	3,681	3,514	5,947	167	4.8	(2,266)	(38.1)
Liability under unmatured import bills	935	1,205	1,217	(270)	(22.4)	(282)	(23.2)
Letters of credit	3,863	4,336	3,965	(473)	(10.9)	(102)	(2.6)
Other contingencies	124,757	118,203	98,094	6,554	5.5	26,663	27.2
Total	133,236	127,258	109,223	5,978	4.7	24,013	22.0

Krungsri Group's contingencies as of September 30, 2020 totaled Baht 133,236 million, an increase of Baht 24,013 million, or 22.0%, from December 31, 2019. The increase was mainly caused by an increase in repurchase transactions of Baht 18,184 million and unused credit line of Baht 6,806 million.

3.5 Statutory Capital

As of September 30, 2020, the Bank's capital was recorded at Baht 276,536 million, equivalent to 17.13% of risk-weighted assets, comprising Common Equity Tier 1 (CET 1) capital of 12.24% and Tier 2 capital of 4.89%.

The current level of capital remains adequate to cope with current economic uncertainty, and well above the minimum regulatory capital requirements which include the capital conservation buffer and the additional CET1 requirement for Domestic Systemically Important Banks (D-SIBs), and sufficient to provide Krungsri with flexibility to both continue growing business and support customers impacted by both financial and economic challenges.

Unit: Baht Billion

Bank Only	Sep. 30, 20	Jun. 30, 20	Dec. 31, 19
Capital Fund			
Common Equity Tier 1 Capital	197.61	192.72	191.67
Tier 2 Capital	78.93	79.19	75.34
Total Capital Fund	276.54	271.91	267.01
Capital Adequacy Ratio			
Common Equity Tier 1 Ratio	12.24%	11.77%	11.89%
Tier 2 Capital Ratio	4.89%	4.84%	4.67%
Capital Adequacy Ratio	17.13%	16.61%	16.56%

Remark:

Under the principles of Basel III, the Bank of Thailand requires all Thai commercial banks to maintain a minimum total capital ratio at 8.50% and gradually increase the conservation buffer by 0.625% per year from January 1, 2016 until reaching 2.50% by January 1, 2019.

The Bank of Thailand has adopted a supervisory framework for Domestic Systemically Important Banks (D-SIBs) by requiring qualified banks to maintain an additional Common Equity Tier 1 from the current minimum requirement, starting with 0.50% from January 1, 2019 and 1.00% from January 1, 2020 onwards.

Starting January 1, 2020, the minimum regulatory capital requirements comprise the Common Equity Tier 1 ratio at 8.00%, the Tier 1 ratio at 9.50%, and the capital adequacy ratio at 12.00%.

4. Credit Ratings

On August 13, 2020, Fitch Ratings revised Krungsri's rating outlook from stable to negative, following MUFG Bank's outlook revision from stable to negative on August 4, 2020, corresponding to the revision of the outlook on Japan's sovereign rating from stable to negative due the severe impacts of the coronavirus outbreak.

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's, Fitch Ratings and TRIS Rating as of September 30, 2020 are shown in the table below.

Moody's Investors Service	
Bank Deposit – Long Term	Baa1
Bank Deposit – Short Term	P-2
Long-term Senior Debt	Baa1
Baseline Credit Assessment (BCA)	baa3
Outlook	Stable
Standard and Poor's	
Long-term Issuer Credit Rating	BBB+
Short-term Issuer Credit Rating	A-2
Long-term Senior Debt	BBB+
Stand-alone Credit Profile (SACP)	bb+
Outlook	Stable
Fitch Ratings	
<u>International Ratings</u>	
Long-term Issuer Default Rating	BBB+
Short-term Issuer Default Rating	F1
Subordinated Debt	BBB+
Viability Rating	bbb
Support	2
Outlook	Negative
<u>National Ratings</u>	
Long-term Rating	AAA (tha)
Long-term Debenture	AAA (tha)
Short-term	F1+(tha)
Subordinated Debt	AA (tha)
Outlook	Negative
TRIS Rating	
Company Rating	AAA
Issue Rating – Senior Unsecured	AAA
Outlook	Stable