



Management Discussion and Analysis

For the first quarter ended March 31, 2021

(Unreviewed)

This report discusses the principal changes in the unreviewed consolidated financial statement for the year ended March 31, 2021.

The Bank and Its Subsidiaries' Overview Performance for the Quarter 1/2021

The Bank and Its Subsidiaries' Performance for 1Q2021

Amid challenges to the Thai economy since early 2020 until early of 2021 from COVID-19 pandemic and the uneven business recovery, the Bank and its subsidiaries' loan grew from end of last year. In addition, the Bank and its subsidiaries' continuingly set aside prudent expected credit loss. In 2020, the Bank and its subsidiaries set aside higher expected credit loss than estimated given the staggering economy of high uncertainties due to the pandemic. In 1Q2021, the Bank and its subsidiaries maintained such level of expected credit loss, resulting in its high coverage ratio.

In 1Q2021, the Bank and its subsidiaries' pre-provision profit was Baht 15,984 million, an increase of 9.2% QoQ. This was driven by the increase in total operating income of 0.4% QoQ, mainly owing to higher non interest income from fee and service income and other operating income. Net interest income decreased by 1.7% QoQ despite a good loan growth of 1.1% due to lower NIM to 2.50% from 2.59% in 4Q2020. Other operating expenses decreased by 9.0% QoQ from marketing expenses. Cost to income ratio resulted at 44.25%, down from 48.78% in 4Q2020.

From the aforementioned performance, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank amounted Baht 5,578 million or an increase of 61.6%. Given the high level of expected credit losses in 4Q2020, the Bank and its subsidiaries had set aside the expected credit losses of Baht 8,058 million in 1Q2021, decreasing 12.9% QoQ. This led to higher coverage ratio as at March 31, 2021 of 153.9%, increasing from 147.3%, as at December 31, 2020. The NPLs Ratio-Gross decreased to 3.66% from 3.81% as at December 31, 2020.

Comparing 1Q2021 to the same period of last year, the Bank and its subsidiaries' pre-provision profit declined 8.6% YoY, due to a decrease in net interest income of 13.0% from series of interest rate cuts during 2020. NIM resulted at 2.50%, down from 3.14% in 1Q2020. Non interest income expanded from both net fee and service income due to the expansion on management fee and acceptance, aval and guarantees fee and higher total other operating income. Other operating expenses decreased by 5.8% YoY. Cost to income ratio was 44.25%, slightly increased from 43.49% in 1Q2020.

The Bank and its subsidiaries had set aside the expected credit losses of Baht 8,058 million, decreasing 5.5% YoY, hence, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank decreased 13.7% YoY.

The Bank's Tier 1 capital was Baht 312,059 million (15.88% of its RWA). Total capital was Baht 377,966 million (19.23% of its RWA). The Bank issued Additional Tier I Subordinated Notes in amount of USD 600 million to overseas institutional investors in order to strengthen its Tier I capital and enhance its future investment prospect and growth opportunity.

Furthermore, the Bank had entered into an agreement with Krungthai Card Plc. to sell 75.05% of Krung Thai Leasing Co, Ltd., in which the closing is subjected to the customary conditions. Such partnership will strengthen the Bank and its subsidiaries in retail financial segment with full range of financial products.

The Bank and Its Subsidiaries' Performance for the Quarter Ended March 31, 2021

Overview Operating Income and Net Profit

Unit : Million Baht

	1/2021	4/2020	Change	1/2020	Change
			%		%
Net interest income	19,969	20,320	(1.7)	22,962	(13.0)
Net fee and service income	5,217	5,283	(1.3)	4,951	5.4
Other operating income	3,486	2,967	17.5	3,050	14.3
Total operating income	28,672	28,570	0.4	30,963	(7.4)
Total other operating expenses	12,688	13,936	(9.0)	13,467	(5.8)
Pre-provision profit ⁽¹⁾	15,984	14,634	9.2	17,496	(8.6)
Expected credit losses securities	8,058	9,254	(12.9)	8,524	(5.5)
Operating profit before income tax expenses	7,926	5,380	47.3	8,972	(11.7)
Income tax expenses	1,519	1,257	20.8	1,680	(9.6)
Net Profit	6,407	4,123	55.4	7,292	(12.1)
Net profit (attributable to equity holders of the Bank)	5,578	3,453	61.6	6,467	(13.7)
ROA (%) ⁽²⁾	0.68	0.43		0.84	
ROE (%) ⁽²⁾	6.61	4.03		7.81	

(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 1Q2021, KTB's consolidated pre-provision profit was Baht 15,984 million, an increase of 9.2% QoQ. This was a result of the increase in total operating income, together with the decrease in total other operating expenses of 9.0% QoQ. In addition, the Bank and its subsidiaries had prudently set aside the allowance for expected credit losses in amount of Baht 8,058 million, decreased by 12.9% QoQ; hence, consolidated net profit attributable to equity holders of the Bank amounted to Baht 5,578 million, increased by 61.6% QoQ. Compared to 1Q2020, KTB's consolidated pre-provision profit declined 8.6% YoY, from a decrease in net interest income due to series of interest rate cuts during 2020. Meanwhile, non-interest income both net fee and service income and other operating income expanded while other operating expenses decreased. The prudence allowance for expected credit losses partially lowered by 5.5% YoY; consequently, consolidated net profit attributable to equity holders of the Bank decreased by 13.7% YoY.

Net Interest Income

Unit : Million Baht

	1/2021	4/2020	Change %	1/2020	Change %
Interest income	25,297	25,843	(2.1)	30,217	(16.3)
- Interbank and money market items	729	743	(1.9)	1,141	(36.1)
- Investments and trading transactions	61	64	(5.4)	161	(62.3)
- Investment in debt securities	917	990	(7.4)	1,301	(29.5)
- Loans	23,545	24,003	(1.9)	27,501	(14.4)
- Hire purchase and financial lease	29	22	29.7	80	(63.9)
- Others	16	21	(19.9)	33	(49.8)
Less Interest expense	5,328	5,523	(3.5)	7,255	(26.6)
- Deposits	2,706	2,902	(6.8)	4,105	(34.1)
- Interbank and money market items	404	437	(7.6)	685	(41.1)
- Contributions to BOT and DPA	1,493	1,476	1.2	1,420	5.2
- Debts issued	704	687	2.5	1,007	(30.1)
- Others	21	21	(1.0)	38	(46.2)
Net interest income	19,969	20,320	(1.7)	22,962	(13.0)
Earning Asset Yiled (%) ⁽¹⁾	3.17	3.30		4.13	
Cost of Fund (%) ⁽¹⁾	0.76	0.81		1.15	
Net interest margin [based on earning assets](%) ⁽¹⁾	2.50	2.59		3.14	

(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..

KTB's consolidated net interest income in 1Q2021, amounted Baht 19,969 million, decreased by 1.7% QoQ. Net Interest Margin (NIM) registered at 2.50%, down from 2.59% in 4Q2020. Compared to 1Q2020, KTB's consolidated net interest income decreased by 13.0% YoY mainly due to series of interest rate cuts during 2020. Consequently, NIM registered at 2.50%, decreased from 3.14% in 1Q2020.

Change of interest rate

	31 Mar 2021	30 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Policy Interest Rate (%)	0.50%	0.50%	0.50%	0.50%	0.75%	1.25%
Deposit Rate (%) ⁽¹⁾						
- Savings Rate	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%
- 3 Months Fixed Rate	0.375%	0.375%	0.375%	0.375%	0.60% - 0.70%	0.90%
- 6 Months Fixed Rate	0.50%	0.50%	0.50%	0.50%	0.80% - 0.90%	1.15%-1.35%
- 12 Months Fixed Rate	0.50%	0.50%	0.50%	0.50%	0.90% - 1.00%	1.30%
Loan Rate (%)						
- MLR	5.250%	5.250%	5.250%	5.250%	5.775%	6.025%
- MOR	5.820%	5.820%	5.820%	5.820%	6.620%	6.870%
- MRR	6.220%	6.220%	6.220%	6.220%	6.745%	6.870%

(1) Standard deposit rate for individuals.

In 2020, 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 3 times cut in February, March and May of 2020 to 0.50%. 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. The Bank had gradually been cutting lending rates of MLR, MOR and MRR until the latest cut in May 2020 to help business operators and retail customers.

Net Fee and Service Income

	1/2021	4/2020	Change	1/2020	Change
			%		%
Fee and service income	7,520	7,217	4.2	6,753	11.4
Less Fee and service expense	2,303	1,934	19.1	1,802	27.8
Net fee and service income	5,217	5,283	(1.3)	4,951	5.4

KTB's consolidated net fee and service income in 1Q2021 was Baht 5,217 million, a decrease by 1.3 % QoQ, with a continual expansion of management fee. Compared to 1Q2020, KTB's consolidated net fee and service income increased 5.4% YoY, mainly from the expansion on management fee and higher acceptance, aval and guarantees fee.

Total Other Operating Income

Unit : Million Baht

	1/2021	4/2020	Change %	1/2020	Change %
Gains (loss) on financial instruments measured at fair value through profit or loss	1,053	750	40.5	692	52.1
Gain (loss) on investments, net	317	56	464.9	347	(8.6)
Share of profit (loss) from investments for using equity method	299	492	(39.2)	293	1.9
Dividend income	127	46	174.1	118	7.9
Other income	1,690	1,623	4.2	1,600	5.6
Total other operating income	3,486	2,967	17.5	3,050	14.3

KTB's consolidated total other operating income in 1Q2021 was Baht 3,486 million, an increase of 17.5% QoQ, mainly due to gains on financial instruments measured at fair value through profit or loss, gain on investments, net and dividend income. Compared to 1Q2020, KTB's consolidated total other operating income increased by 14.3% YoY, mainly due to higher gains on financial instruments measured at fair value through profit or loss relating to derivative transactions.

Other Operating Expenses

Unit : Million Baht

	1/2021	4/2020	Change %	1/2020	Change %
Employees' expenses	7,097	6,844	3.7	7,768	(8.6)
Premises and equipment expenses	2,132	2,377	(10.3)	2,085	2.2
Taxes and duties	978	916	6.8	1,047	(6.5)
Impairment loss of properties for sale	302	427	(29.4)	218	38.6
Others ⁽¹⁾	2,179	3,372	(35.4)	2,349	(7.3)
Total other operating expenses	12,688	13,936	(9.0)	13,467	(5.8)
Cost to income ratio (%)	44.25	48.78		43.49	

(1) Including Directors' remuneration

KTB's consolidated other operating expenses in 1Q2021 was Baht 12,688 million, declined by 9.0% QoQ, mainly from other expenses on marketing activities. Hence, cost to income ratio stood at 44.25%, down from 48.78% in 4Q2020. Compared to 1Q2020, KTB's consolidated other operating expenses decreased 5.8% YoY, mainly from employees' expenses and other expenses. Cost to income ratio slightly increased from 43.49% in 1Q2020.

Expected credit losses

	1/2021	4/2020	Change	1/2020	Change
			_____ %		_____ %
Expected credit losses ⁽¹⁾	8,058	9,254	(12.9)	8,524	(5.5)

Unit : Million Baht

(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

Expected credit losses in 1Q2021, the Bank and its subsidiaries thoroughly considered various factors in the continuously changing business environment in this economic situation of high uncertainties that could impact loan quality. The expected credit losses amounted Baht 8,058 million, decreasing 12.9% QoQ. **Compared to 1Q2020**, the expected credit losses decreased 5.5% YoY.

The Bank and Its Subsidiaries' Financial Status as at March 31, 2021

Loans to Customers

The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,360,013 million, increased by 1.1% compared to the end of 2020, mainly from corporate and retail customers

Unit : Million Baht

Consolidated Financial Statements	31 Mar 2021		31 Dec 2020		Change
	Amount	%	Amount	%	%
Loans to customers	2,360,407		2,335,241		1.1
<u>Less</u> Deferred revenue	394		399		(1.1)
<u>Add</u> Accrued interest receivables	16,085		16,199		(0.7)
<u>Less</u> Allowance for expected credit losses ⁽¹⁾	155,827		150,528		3.5
Loans to customers and accrued interest receivables, net	2,220,271		2,200,513		0.9

(1) Allowance for expected credit losses for loans to customers (including loss from criteria change) per financial statements

Unit : Million Baht

Consolidated Financial Statements	31 Mar 2021		31 Dec 2020		Change
	Amount	%	Amount	%	%
Private Corporate	660,304	28.0	639,930	27.4	3.2
Government and State Enterprise	362,762	15.4	367,293	15.7	(1.2)
SMEs ⁽¹⁾	334,219	14.2	335,857	14.4	(0.5)
Retail	1,002,776	42.4	991,804	42.5	1.1
- Housing	434,572	18.4	430,281	18.4	1.0
- Personal	506,250	21.4	496,443	21.3	2.0
- Credit card	57,159	2.4	59,990	2.6	(4.7)
- KTB Leasing	4,795	0.2	5,090	0.2	(5.8)
Others	346	0.0	357	0.0	(3.2)
Total loans (per F/S)	2,360,407	100.0	2,335,241	100.0	1.1

(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	31 Mar 2021	31 Dec 2020
Gross NPL ⁽¹⁾	105,981	107,138
Gross NPL Ratio	3.66%	3.81%
Allowance for Expected Credit Losses (total) ⁽²⁾	163,156	157,854
Coverage Ratio ⁽³⁾	153.9%	147.3%

(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

(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

Unit : Million Baht

Consolidated Financial Statement	31 Mar 2021		31 Dec 2020	
	Loans and Accrued Interest Receivables ⁽¹⁾	Allowance for Expected Credit Losses ⁽²⁾	Loans and Accrued Interest Receivables ⁽¹⁾	Allowance for Expected Credit Losses ⁽²⁾
1. Loan Classification				
Performing	2,037,028	34,902	2,013,375	32,093
Under - performing	225,476	42,849	223,501	41,627
Non - performing	109,111	75,496	109,407	74,204
Lifetime ECL - simplified approach ⁽³⁾	4,483	2,580	4,758	2,604
Total	2,376,098	155,827	2,351,041	150,528

(1) Loan less deferred revenue while including accrued interest receivables and undue interest receivables

(2) Allowance for expected credit losses for loans to customers (including loss from criteria change) per financial statements

(3) Lifetime ECL – simplified approach is the approach of the Bank's subsidiary to recognize the allowance for expected credit losses on lifetime of finance lease receivables

The Bank's consolidated NPLs-Gross as at March 31, 2021 amounted Baht 105,981 million, lowering NPLs Ratio-Gross to 3.66% from 3.81% as at December 31, 2020. Given thorough considerations on various factors in the continuously changing business environment in this economic situation of high uncertainties that could impact loan quality, the Bank's consolidated coverage ratio as at March 31, 2021 increased to 153.9% from 147.3% as at December 31, 2020.

Sources and Uses of Funds

Unit : Million Baht

	31 Mar 2021		31 Dec 2020		Change
	Amount	%	Amount	%	%
Net Interbank and money market items (asset)	590,082	17.5	516,792	15.5	14.2
Financial assets measured at fair value through profit or loss	18,620	0.5	13,724	0.4	35.7
Net investments and net investments in associates	298,860	8.9	346,388	10.4	(13.7)
Loans to customers (less deferred revenue)	2,360,013	70.0	2,334,842	70.2	1.1
Less Allowance for expected credit losses ⁽¹⁾	155,827	4.6	150,528	4.5	3.5
Other assets	259,918	7.7	266,562	8.0	(2.5)
Total Asset	3,371,666	100.0	3,327,780	100.0	1.3
Deposits	2,438,992	72.3	2,463,225	74.0	(1.0)
Net Interbank and money market items (liabilities)	294,859	8.8	274,566	8.2	7.4
Debt issued and borrowings	131,697	3.9	86,564	2.6	52.1
Other liabilities	152,422	4.5	148,361	4.5	2.7
Total equity	353,696	10.5	355,064	10.7	(0.4)
- Equity holders of the Bank	341,270	10.1	343,466	10.3	(0.6)
- Non-controlling interest	12,426	0.4	11,598	0.4	7.1
Total liabilities and equity	3,371,666	100.0	3,327,780	100.0	1.3
Loans to customers (less deferred revenue)-to-deposits ratio (%)	96.76		94.79		

(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 March 31, 2021, the Bank's consolidated major source of funds was 72.3% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. Debt issued and borrowings increased from the end of 2020 due to the issuance of Additional Tier I Subordinated Notes in amount of USD 600 million to overseas institutional investors. The Bank's consolidated use of funds comprised of 70.0% loans to customers (less deferred revenue), 17.5% net interbank and money market items, and 8.9% net investments and net investments in associates.

Equity

The total equity (equity holders of the Bank) as at March 31, 2021 was Baht 341,270 million, a decrease by 0.6% as compared to December 31, 2020

Book value per share (equity holders of the Bank) was Baht 24.41 per share decreased from Baht 24.57 per share at December 31, 2020.

Statutory Capital Fund

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	31 Mar 2021 ⁽²⁾		31 Dec 2020 ⁽²⁾		The minimum rate required % ⁽¹⁾
	Amount	%	Amount	%	
Common Equity Tier 1 capital	293,412	14.93	293,683	15.01	>8.000
Tier 1 capital	312,059	15.88	293,683	15.01	>9.500
Tier 2 capital	65,907		65,332		
Total capital fund	377,966	19.23	359,015	18.76	>12.000
Risk-weighted assets	1,965,554		1,913,769		

(1) According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb Capital conservation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.5% is reached on January 1, 2019. Moreover, KTB was named as the one of the Domestic Systemically Important Banks (D-SIBs) requiring to hold all capital ratios to absorb higher loss absorbency of additional 0.5% of risk-weight assets from January 1, 2019 and 1% of risk-weight assets from January 1, 2020 onwards (reference to the BOT Notification Sor.Nor.Sor. 16/2560 and 17/2560)

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

As at March 31, 2021, the Bank's Common Equity Tier 1 was Baht 293,412 million (14.93% of its RWA) and Tier 1 capital was Baht 312,059 million (15.88% of its RWA). Total capital was Baht 377,966 million (19.23% of its RWA).

In March 2021, the Bank issued Additional Tier I Subordinated Notes in amount of USD 600 million to overseas institutional investors in order to strengthen its Tier I capital and enhance its future investment prospect and growth opportunity.

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

Relief Measures in Response to the Impacts of the COVID-19 Pandemic

Relief Measures in 2020

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 Guideline on Assistance for SME Post Relief Program under the Royal Decree

Given the Emergency Decree on Financial Assistance to SME affected by Coronavirus Pandemic B. E. 2563 (2020) with measure on loan payment holiday ending October 22, 2020, BOT had additionally announced on October 16, 2020 the guideline on continual assistance for debtors, taking into consideration on previous assistance by financial institution to SME during this uncertain situation of the pandemic. Guideline included:

1. To consider debt restructuring for SME based on their repayment capability. In the case of financial institution undergoes debtor's evaluation process on debt restructuring, it is allowed for financial institution to maintain debtor's asset classification till December 31, 2020 as prior to pre-relief measure.
2. In the case of financial institution was unable to clearly evaluate the debtor's cash flow, it is allowed for financial institution to provide assistance in the form of payment holiday on principal and/ or interest based on each debtor's repayment capability for up to 6 month from end-2020.

The period of standstill on debtor's asset classification and of payment holiday shall not be considered as part of the contract's default terms and conditions.

Additionally, BOT had extended the soft loan application period of financial institution to BOT for another 6 month in conjunction with extending the qualification of eligible soft loan borrower to include company in MAI.

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.

On October 29, 2020, BOT had announced guidelines regarding the interest calculation on amount overdue, the sequence of debt repayment in reducing NPL as well as debt burden, and the support on debt restructuring negotiation per 3 important topics as follows:

Guideline	Financial service provider	Effective Date
1. Interest calculation on amount overdue based on only the overdue principal excluding the principal of future installments not yet due	<ul style="list-style-type: none"> ▪ Financial institution and the Financial Business Group ▪ SFI ▪ Non-bank entity operating personal loan business under supervision 	April 1, 2021
2. Interest rate on amount overdue based on contractual interest plus no more than 3% per annum	<ul style="list-style-type: none"> ▪ Non- bank entity operating retail loan business under supervision ▪ Asset management company 	July 1, 2021
3. The sequence of debt repayment by first repaying the fee, interest and principal of longest overdue	<ul style="list-style-type: none"> ▪ All financial service provider 	July 1, 2021

Additionally, the waive or leniency of overdue interest could be considered for the overdue prior to April 1, 2021.

On December 22, 2020, the BOT had updated the guideline on SME affected by COVID-19 (soft loan) for flexibility. This included the adjusted definition of “Business Group” to separately consider the relationship of individual from corporate entity, in which only one-level of corporate entity relationship shall be considered. The additional adjustment also included the increased frequency for SME soft loan application to no more 2 times instead of only once.

On January 12, 2021, the BOT had assessed the domestic pandemic of the new waves of COVID-19 to be widespread in many regions, affecting debtors directly and indirectly. Therefore, the BOT had requested financial institutions, SFIs and non-financial institutions operators (non-bank companies) to quickly and continually provide financial assistance to debtors who effected from such situation per additional relief guidelines as follows:

1. To extend the filing period for retail debts’ relief request till June 30, 2021 from previous timeframe of July 1 2020 till December 31, 2020. In the case of lenders providing credit to employees or operational workers, debtors could file for relief request directly as well as employers or business owners could also file for such request on their behalf; for instance, employee welfare loan or other retail loans given the consent of debtors who are employees or operational workers, in order to facilitate the efficiency and timeliness on the relief request.

The extended relief measures for retail customers impacted from COVID-19 are as follows.

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

Type	Minimum Relief Measures
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 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

2. For SMEs, financial institutions and SFIs shall provide financial assistance to qualified SMEs through payment deferment according to the Royal Decree Re: Financial Assistance to SME affected by Coronavirus Pandemic. This included payment deferment on principal and/ or interest depending on debtor capability on a case-by-case basis given appropriate timeline but not exceeding end of June 2021.
3. Financial assistance guideline for all types of debtors (i.e. retails, SMEs and corporate clients with potentials) shall be considered appropriately on loan types, debtors' risk level, nature of business and impact regions for:
 - 3.1. Debt restructuring. For example, lower installment, payment extension, credit limits extension or maintenance, loan conversion from short-term to long-term, temporary payment holiday on principal and/ or interest, lower interest rate than market rate, appropriate reduction on principal prior to interest upon repayment, and etc.
 - 3.2. Additional working capital and liquidity enhancement
 - 3.3. Consideration on payment deferment for SMEs with loans not exceeding Baht 100 million under the Emergency Royal Decree on Soft Loan
 - 3.4. Leniency on other terms and conditions as appropriate

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.

Relief Measures in 2021

On March 23, 2021, The Bank of Thailand, the Ministry of Finance, and related parties recognized a number of challenges from the COVID-19 pandemic faced to the Thai economy since early 2020. Moreover, the business recovery is likely to be uneven, especially for SMEs with limited access to capital, as well as businesses that are hard-hit by the pandemic. Under such circumstances, the existing short-term relief measure is insufficient to handle the prolonged nature of the situation. BOT and the Ministry of Finance, then, proposed two new measures include **1) Soft loan facility for businesses** (totaling 250 billion baht) to support viable small and medium enterprises (SMEs) affected by the COVID-19 crisis and **2) Debt restructuring through Asset Warehousing with Buy-Back options** (totaling 100 billion baht) provides standardized debt restructuring program for adversely affected borrowers whose businesses require prolonged recovery period, while possessing viable business models and collaterals. The details are as follows

Measures	Soft Loan Facility for Businesses	Debt Restructuring through Asset Warehousing with Buy-Back options
Total Credit Line	THB 250 billion	THB 100 billion
Period	2-year loan withdrawal period from the BOT, maximum 5-year term loan	
Objectives	Provide liquidity for business operations as well as for business recovery	Financial relief for affected businesses with prolonged recovery period
Target Groups	<ol style="list-style-type: none"> Existing borrowers with existing credit line not exceeding THB 500 million as of 28 February 2021 and whose loan statuses are not NPL as of 31 December 2019 New borrowers with no existing credit line with financial institutions (FIs) as of 28 February 2021 	Borrowers with collaterals prior to 28 February 2021 whose loan statuses are not NPL as of 31 December 2019
Conditions	<p>Loan offer</p> <ol style="list-style-type: none"> Credit limits per borrower <ol style="list-style-type: none"> Existing borrower: not exceeding 30% of credit line as of 31 December 2019 or 28 February 2021, whichever is greater, but not exceeding THB 150 million New borrower: not exceeding THB 20 million Interest rate: FIs will provide loan with interest rate not exceed an average of 5% per annum for 5 years, and at 2% in the first 2 years. The government will subsidize interest for the first 6 months. <p>Loan guarantee</p> <ol style="list-style-type: none"> Guarantee period: 10 years Compensation rate: not exceeding 40% of loan portfolio Fee: average at 1.75% per annum, which the government will compensate in total of 3.5% through government guarantee mechanisms by the Thai Credit Guarantee Corporation (TCG) 	<p>Both FIs and borrowers mutually agree to transfer collaterals for debt repayment purpose. Additional conditions include:</p> <ul style="list-style-type: none"> A borrower has the first rights to repurchase collaterals back within 5 years. <p>The repurchase price should not be higher than the transfer price plus carrying cost (1% per annum of the transfer price) as well as incurred asset maintenance costs and other relevant fees.</p> A borrower has the first rights to rent the collateral asset. Rents received by FI will be deducted from the repurchase price. No additional maintenance costs shall be incurred if the borrower rents the asset.

<p>Government support</p>	<p>BOT: liquidity support at 0.01% interest rate for FIs in providing loan.</p> <p>Government:</p> <ol style="list-style-type: none"> 1. MOF: support loan guarantee mechanisms 2. MOF, the Ministry of Interior, and the Ministry of Commerce: will reduce fees related to asset transfers to 0.01% and exempt mortgage registration and business collateral registration fees. 	<p>BOT: liquidity support at 0.01% to FIs for the value of asset transfers.</p> <p>Government: MOF, the Ministry of Interior, and the Ministry of Commerce: reduce or exempt taxes and relevant fees for both the transfers and the repurchase of the assets for original owners.</p>
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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	March 2021	December 2020	September 2020
■ Long-term/ Short-term	BBB / A-2	BBB / A-2	BBB / A-2
■ Outlook	Watch Negative	Watch Negative	Watch Negative ⁽¹⁾
■ Stand-Alone Credit Profile (SACP)	bb+	bb+	bb+
■ Moody's Investors Service	March 2021	December 2020	September 2020
■ Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2	Baa1 / P-2
■ Outlook	Stable	Stable	Stable
■ Baseline Credit Assessment (BCA)	baa3	baa3	baa3
■ Additional Tier I Subordinated Notes (USD) ⁽²⁾	Ba3	--	--
■ Fitch Ratings	March 2021⁽³⁾	December 2020	September 2020
Foreign Currency Credit Ratings			
■ Long-term/ Short-term	BBB / F2	BBB / F2	BBB / F2
■ Outlook	Stable	Stable	Stable
■ Viability Rating	bbb-	bbb-	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-(tha)

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

(2) On March 25, 2021, the Bank issued Additional Tier I Subordinated Notes to overseas institutional investors

(3) On March 26, 2021, Fitch Ratings has affirmed the Bank's credit ratings.

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.