



# Bangkok Bank Public Company Limited

## Management Discussion and Analysis

for the Quarter and Nine-month Period Ended September 30, 2020

---

---

## Management Discussion and Analysis

### Overview of the Economy and Banking Industry

#### *Thai Economy in the Third Quarter of 2020*

The Thai economy in the third quarter of 2020 improved from the previous quarter due to the relaxation of lockdown to limit the spread of the Covid-19 pandemic at both domestic and international levels. This has led some economic activities return to normal. However, the tourism sector and related businesses continued to be affected by restrictions barring foreign tourist arrivals. As a result, economic activity in provinces highly reliant on inbound tourism remained sluggish. Merchandise exports saw signs of recovery as they contracted by a slower pace than the previous quarter. Private consumption also rebounded due to the easing of pandemic control measures but remained subdued in line with lower household income and higher household debt. Manufacturing production and private investment shrank due to low business confidence, delayed investments to maintain liquidity and high excess production capacity. Government spending on current and capital expenditures helped mitigate some of the impact of the pandemic on the Thai economy.

Headline inflation in the third quarter of 2020 was -0.73 percent, down from 0.61 percent in the same quarter last year and below the Bank of Thailand's (BOT) target range of 1-3 percent. Core inflation was 0.31 percent, down from 0.45 percent in the same quarter last year. The average exchange rate was 31.33 THB/USD, weaker than the 30.71 THB/USD from the same period last year but stronger than the 31.94 THB/USD from the previous quarter.

Since the beginning of 2020, the Monetary Policy Committee (MPC) has lowered the policy interest rate three times from 1.25 percent at the end of 2019 to 0.50 percent due to the impact of the Covid-19 pandemic on the Thai economy in 2020 leading to a severe contraction that has particularly affected employment and vulnerability of the financial stability. At its September 23, 2020 meeting, the MPC maintained the policy interest rate based on the fact that the Thai economy has started to recover and is expected to take at least two years to return to a position similar to that before the pandemic. The rate of recovery will differ between economic sectors and individual businesses. Moreover, the MPC said the continued relaxed monetary policy since the beginning of the year combined with additional financial and credit measures will help mitigate the impact of the pandemic and support post-Covid-19 economic recovery. The MPC has urged financial institutions to accelerate debt restructuring for households and businesses and to expedite credit provision of various measures to effectively solve liquidity problems in a timely manner in line with business restructuring.

The BOT forecast economic growth of -7.8 percent this year in line with the sharp contraction in the second quarter. However, it expects the economy will gradually recover during the final months of the year in line with recovery in private consumption after the easing of pandemic control measures and the government's stimulus measures: "Khon La Khrueng" (Let's Go Halves) and "Shop Dee Mee Kuen" program (Shop and Payback). Exports, while expected to improve, will likely contract due to the subdued economic activities of our trading partners. Even though the government started to allow entry to foreign tourists under the Special Tourist Visa (STV) scheme in October, the ongoing transmission of Covid-19 in the US, Europe and India will likely limit the number of foreign visitors. Major risks to economic recovery for the rest of the year are a conflict between the US and China on both trade and geopolitics, flooding in many areas and domestic political issues.

---

*Thai Banking Industry*

In the third quarter, the commercial banking system in Thailand faced challenges from the Covid-19 outbreak. At the end of September, deposits grew at a higher rate than loans and, as a result, the ratio of loans to deposits declined from the end of last year. The ratio of non-performing loans (NPL) to total loans is likely to increase from the end of last year and will continue to grow. Consequently, commercial banks will have to set aside substantial provisions to accommodate uncertainties caused by the Covid-19 pandemic.

The BOT's Senior Loan Officer Survey indicated that in the third quarter of 2020, credit demand from business sectors improved from the previous quarter, due mainly to loan demand for working capital. Small and medium sized enterprises (SME) continued to demand more loans to enhance liquidity as internal sources of funds have been affected by the Covid-19 situation and they have been benefited from government measures to increase their access to affordable credit. However, credit demand for exports and investment in fixed assets continued to decline from the beginning of the year. Meanwhile, demand for loans from large corporates slowed down due to unclear investment trends as some businesses accelerated loan applications to maintain liquidity during the first half of the year. Demand for consumer loans increased from the previous quarter, especially auto-leasing and credit card loans. This was in line with an increase in automobile sales volumes and a gradual pickup in consumer spending after the easing of pandemic control measures. Looking forward, financial institutions expect increasing demand for loans from large corporates and SME, mainly for working capital. Demand for loans will likely increase from large corporates for export purposes, while loan demand from SME will also rise, especially in the tourism sector, due to support from loan measures to assist specific groups of businesses issued by specialized financial institutions. Demand for consumer loans is likely to increase in all categories, particularly auto-leasing. Low household savings, improved economic activity and government stimulus measures will help drive demand for credit card loans and other consumer loans, while demand for home loans will increase slightly.

Commercial banks continued to focus on supporting debtors after the SME loan payment holiday measures ended on October 22, 2020. The BOT is taking a proactive and more targeted approach to allowing a standstill for financial institutions to maintain asset classification and provisioning for borrowers who are in process of debt restructuring in order to help debtors from becoming NPL. This is to encourage financial institutions to accelerate the adjustment of debt repayment terms. Additionally, soft loan options were given to SME with a credit line not exceeding Baht 500 million from each commercial bank, with an interest rate of not more than 2.00 percent annually for two years and being interest-free for the first six months.

Commercial banks continued to place greater emphasis on liquidity management with a focus on restructuring deposits and appropriately managing costs by increasing the proportion of CASA and maintaining liquid assets to cope with severe liquidity situations in compliance with BOT guidelines, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The BOT temporarily relaxed liquidity requirements, adjusting the LCR and NSFR to lower than 100 percent until December 31, 2021 in order to reduce the burden on commercial banks when assisting customers during the Covid-19 pandemic.

The adoption of TFRS 9 since January 2020 requires financial institutions to set aside provisions or expected credit losses by considering economic conditions in the past, present and future under various assumptions and circumstances. Meanwhile, the Covid-19 outbreak has caused a dramatic slowdown in economic activities across many sectors in the Thai and global economies and may lead to an economic recession. These conditions may impact the commercial banking system's loan quality, so commercial banks will continue to focus on managing loan quality. However, with a relatively high level of capital and the regular setting aside of additional provisions, commercial banks will be able to handle credit demand and the economic volatility caused by Covid-19.

## Overall Picture of the Bank and its Subsidiaries

Million Baht								
Item	3Q20	2Q20	3Q19	%QoQ	%YoY	9M20	9M19	%YoY
Net profit <sup>/1</sup>	<b>4,017</b>	3,095	9,438	29.8%	(57.4)%	<b>14,783</b>	27,814	(46.9)%
Earnings per share (Baht)	<b>2.10</b>	1.62	4.94	29.8%	(57.4)%	<b>7.74</b>	14.57	(46.9)%
Net interest margin	<b>2.18%</b>	2.13%	2.35%	0.05%	(0.17)%	<b>2.28%</b>	2.39%	(0.11)%
Net fees and service income to operating income ratio	<b>21.7%</b>	17.4%	22.7%	4.3%	(1.0)%	<b>20.8%</b>	22.6%	(1.8)%
Cost to income ratio	<b>66.0%</b>	46.5%	41.9%	19.5%	24.1%	<b>52.0%</b>	43.3%	8.7%
Return on average assets <sup>/1</sup>	<b>0.42%</b>	0.35%	1.17%	0.07%	(0.75)%	<b>0.56%</b>	1.18%	(0.62)%
Return on average equity <sup>/1</sup>	<b>3.64%</b>	2.92%	8.78%	0.72%	(5.14)%	<b>4.59%</b>	8.79%	(4.20)%

<sup>/1</sup> Attributable to owners of the Bank

Million Baht					
Item	Sep'20	Jun'20	Dec'19	%QoQ	%YTD
Loans	<b>2,367,296</b>	2,353,848	2,061,309	0.6%	14.8%
Deposits	<b>2,821,883</b>	2,852,295	2,370,792	(1.1)%	19.0%
Loan to deposit ratio	<b>83.9%</b>	82.5%	86.9%	1.4%	(3.0)%
Non-performing loan (Gross NPL) <sup>/1</sup>	<b>107,743</b>	108,604	79,149	(0.8)%	36.1%
Gross NPL to total loans ratio <sup>/1</sup>	<b>4.1%</b>	4.1%	3.4%	-	0.7%
Allowance for expected credit losses to NPL ratio <sup>/1</sup>	<b>178.0%</b>	170.5%	220.2%	7.5%	(42.2)%
Total capital adequacy ratio	<b>17.64%</b>	16.55%	20.04%	1.09%	(2.40)%

<sup>/1</sup> Including interbank and money market lending

In the nine months of 2020, Bangkok Bank and its subsidiaries reported a net profit of Baht 14,783 million including the net profit of PT Bank Permata Tbk (Permata) since the date of its acquisition on May 20, 2020. The Bank's net profit decreased from the same period last year primarily due to additional reserves set aside for expected credit losses in line with prudent management. The reserves are to provide a cushion against uncertainty from the economic contraction resulting from the impacts of the Covid-19 pandemic.

Net interest income rose by 7.2 percent resulting from the addition of Permata's net interest income. The net interest margin stood at 2.28 percent. Non-interest income decreased mainly due to lower net fees and service income and revenue from investments. Operating expenses increased by 17.6 percent from the same period last year due to the consolidation of Permata's operating expenses and the provision expenses related to Indonesia branches integration. The cost to income ratio was 52.0 percent.

At the end of September 2020, the Bank's loans amounted to Baht 2,367,296 million, an increase of 0.6 percent from the end of June 2020, due to an increase in loans to businesses and consumer loans. The ratio of non-performing loans to total loans was 4.1 percent while the ratio of loan loss reserves to non-performing loans was at a strong level of 178.0 percent. The Bank continues to maintain close control of credit underwriting and risk management and has set aside an appropriate level of provisions against expected credit loss.

In terms of capital and liquidity, as of September 30, 2020, the Bank's deposits amounted to Baht 2,821,883 million, a decrease of 1.1 percent from the end of June 2020. The loan to deposit ratio was 83.9 percent, reflecting an adequate liquidity position to cushion against economic uncertainties. Furthermore, the Bank issued USD 750 million in additional Tier 1 Subordinated Notes under Basel III regulations on September 23, 2020, to strengthen the Bank's capital structure. At the end of September 2020, the total capital adequacy ratio, Tier 1 capital adequacy ratio and Common Equity Tier 1 capital adequacy ratio of the Bank and its subsidiaries were 17.64 percent, 15.07 percent, and 14.21 percent respectively, comfortably above the BOT's minimum capital requirements.

### **The acquisition and additional investments of Bangkok Bank**

Bangkok Bank conducted a mandatory tender offer (MTO) for the remaining shares in Permata in accordance with the applicable laws and regulations of Indonesia, which was completed on October 7, 2020. The Bank owns 98.71 percent of the total issued and paid-up shares in Permata. On September 17, 2020, Bangkok Bank purchased additional ordinary shares in BSL Leasing Company Limited (the Company), increasing shareholding proportion from 35.9 percent to 90.0 percent, which has made the Company a subsidiary company of the Bank.

### **Implementation of new financial reporting standards (group of financial instruments)**

The Bank and its subsidiaries adopted the TFRS 9 from January 1, 2020 onwards, without restating previous financial statements. The principal changes can be summarized into classification and measurement of financial assets and liabilities, calculation of impairment using the concept of expected credit loss, hedge accounting, and the change in recognition of interest income from loans using the effective interest rate (EIR) method.

### **Operating Income and Expenses of the Bank and its Subsidiaries**

	Million Baht							
Item	3Q20	2Q20	3Q19	%QoQ	%YoY	9M20	9M19	%YoY
Net interest income	<b>19,852</b>	18,110	17,944	9.6%	10.6%	<b>57,782</b>	53,878	7.2%
Non-interest income	<b>9,569</b>	14,175	12,295	(32.5)%	(22.2)%	<b>30,319</b>	36,145	(16.1)%
Operating expenses	<b>19,427</b>	15,026	12,679	29.3%	53.2%	<b>45,830</b>	38,975	17.6%
Expected credit losses	<b>5,668</b>	13,238	-	(57.2)%	N/A	<b>23,993</b>	-	N/A
Impairment loss of loans and debt securities	-	-	5,381	-	N/A	-	16,009	N/A
Operating profit before tax	<b>4,326</b>	4,021	12,179	7.6%	(64.5)%	<b>18,278</b>	35,039	(47.8)%
Income tax expenses	<b>212</b>	834	2,639	(74.6)%	(92.0)%	<b>3,215</b>	6,929	(53.6)%
Net profit	<b>4,114</b>	3,187	9,540	29.1%	(56.9)%	<b>15,063</b>	28,110	(46.4)%
Net profit <sup>/1</sup>	<b>4,017</b>	3,095	9,438	29.8%	(57.4)%	<b>14,783</b>	27,814	(46.9)%
Total comprehensive income <sup>/1</sup>	<b>1,169</b>	23,662	10,739	(95.1)%	(89.1)%	<b>19,315</b>	29,456	(34.4)%

<sup>/1</sup> Attributable to owners of the Bank

In the third quarter of 2020, Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 4,017 million, an increase of Baht 922 million from the second quarter of 2020. This was mainly due to a decrease of Baht 7,570 million in expected credit losses as the Bank had appropriately set aside additional expected credit losses to accommodate global economic uncertainty from the impact of Covid-19. Net interest income rose by Baht 1,742 million, due to the consolidation of Permata's net interest income. Non-interest income fell by Baht 4,606 million predominantly from a decrease in gains on financial instruments measured at Fair Value Through Profit or Loss (FVTPL)



in line with the market situation. However, net fees and service income increased due to growth in fee income from investment banking, loan related, and bancassurance and mutual fund services. Meanwhile, operating expenses increased due to Permata's operating expenses and the provision expenses related to Indonesia branches integration.

Compared with the third quarter of 2019, net profit attributable to owners of the Bank declined by Baht 5,421 million mainly due to increase in the aforementioned operating expenses. However, net interest income continued to grow, increasing by Baht 1,908 million within a low interest rate environment, due to the consolidation of Permata's net interest income.

For the first nine months of 2020, net profit attributable to owners of the Bank amounted to Baht 14,783 million, down from the same period last year, predominantly due to an increase of Baht 7,984 million in expected credit losses, so that the Bank will be able to cope with risks that are expected to increase as a result of the Covid-19 pandemic. Operating expenses increased while non-interest income declined by Baht 5,826 million, due mainly to declines in revenue from investments and disposal of assets. There was also a decline in net fees and service income mainly from the change in recognition of loan related fees according to TFRS 9. Net interest income rose by Baht 3,904 million due to the acquisition of Permata in the second quarter of 2020, net of the gradual cuts in loan interest rates made by the Bank as well as further interest rate reduction to assist some customers affected by the Covid-19 situation.

### *Net Interest Income*

Under a persistently low interest rate environment, while cooperating with the authorities to cut loan interest rates to mitigate the impact of Covid-19 on customers, the Bank's net interest income continued to increase as a result of the acquisition of Permata. Net interest income rose by 9.6 percent when compared with the second quarter of 2020, and by 7.2 percent when compared with the first nine months of last year.

	Million Baht							
Item	3Q20	2Q20	3Q19	%QoQ	%YoY	9M20	9M19	%YoY
<b>Interest Income</b>								
Loans	24,945	23,226	23,480	7.4%	6.2%	72,540	70,140	3.4%
Interbank and money market items	1,226	1,371	2,380	(10.6)%	(48.5)%	4,325	7,130	(39.3)%
Investments	3,075	2,603	2,611	18.1%	17.8%	8,206	7,580	8.3%
<b>Total interest income</b>	<b>29,246</b>	<b>27,200</b>	<b>28,471</b>	<b>7.5%</b>	<b>2.7%</b>	<b>85,071</b>	<b>84,850</b>	<b>0.3%</b>
<b>Interest expenses</b>								
Deposits	6,106	5,832	5,938	4.7%	2.8%	17,535	17,234	1.7%
Interbank and money market items	167	237	574	(29.5)%	(70.9)%	778	1,704	(54.3)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	1,536	1,469	2,496	4.6%	(38.5)%	4,318	7,452	(42.1)%
Debt issued and borrowings	1,585	1,552	1,519	2.1%	4.3%	4,658	4,582	1.7%
<b>Total interest expenses</b>	<b>9,394</b>	<b>9,090</b>	<b>10,527</b>	<b>3.3%</b>	<b>(10.8)%</b>	<b>27,289</b>	<b>30,972</b>	<b>(11.9)%</b>
<b>Net interest income</b>	<b>19,852</b>	<b>18,110</b>	<b>17,944</b>	<b>9.6%</b>	<b>10.6%</b>	<b>57,782</b>	<b>53,878</b>	<b>7.2%</b>
Yield on earning assets	3.22%	3.20%	3.72%	0.02%	(0.50)%	3.35%	3.76%	(0.41)%
Cost of funds	1.18%	1.23%	1.59%	(0.05)%	(0.41)%	1.24%	1.59%	(0.35)%
Net interest margin	2.18%	2.13%	2.35%	0.05%	(0.17)%	2.28%	2.39%	(0.11)%

Bangkok Bank Interest Rate	Sep'20	May'20	Apr'20	Mar'20	Feb'20	Dec'19	Sep'19	Jun'19
<b>Loans (%)</b>								
MOR	5.875	5.875	6.100	6.500	6.750	6.875	6.875	7.125
MRR	5.750	5.750	6.100	6.500	6.625	6.875	6.875	7.125
MLR	5.250	5.250	5.475	5.875	6.000	6.000	6.250	6.250
<b>Deposits (%)</b>								
Savings	0.250	0.250	0.375	0.375	0.500	0.500-0.625	0.500-0.625	0.500-0.625
3-month Fixed	0.375	0.375	0.500	0.500	0.625	1.000	1.000	1.000
6-month Fixed	0.500	0.500	0.625	0.625	0.875	1.250	1.250	1.250
12-month Fixed	0.500	0.500	0.750	0.750	1.000	1.375-1.500	1.500	1.500
	Sep'20	May'20	Mar'20	Feb'20	Dec'19	Sep'19	Jun'19	
<b>Bank of Thailand Policy Rate (%)</b>	0.500	0.500	0.750	1.000	1.250	1.500	1.750	

### Non-Interest Income

In the third quarter of 2020, non-interest income amounted to Baht 9,569 million, a decrease of Baht 4,606 million or 32.5 percent from the previous quarter, due predominantly to a decrease in gains on financial instruments measured at FVTPL, in line with market conditions. Net fees and service income rose by Baht 759 million, due to increases in fees from investment banking, as well as loan related, bancassurance and mutual fund services, in line with the revival in economic activities after the Covid-19 lockdown measures were eased.

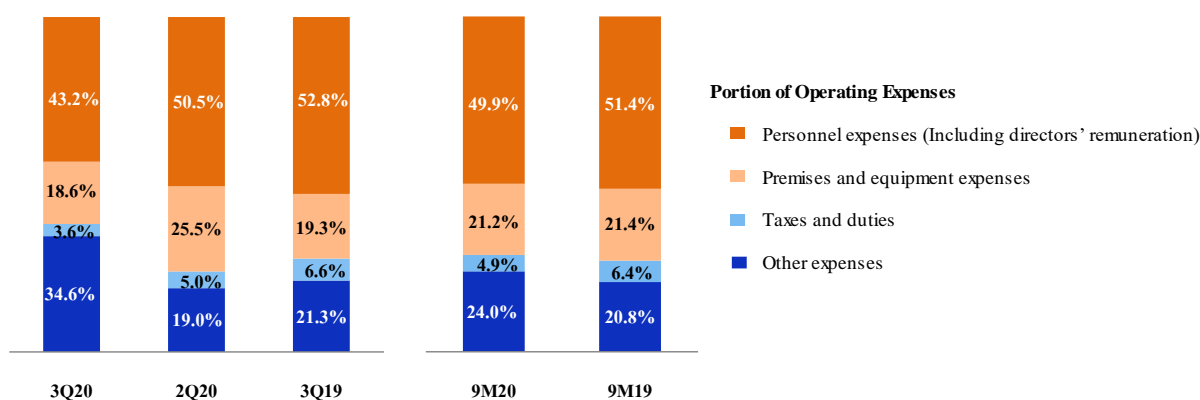
Non-interest income declined by Baht 2,726 million from the third quarter of 2019 due mainly to decreases in revenue from investments and net fees and service income from the implementation of TFRS 9 together with a decline in transaction volume, as consumers are using more digital channels as part of their new normal lifestyle.

	Million Baht							
Item	3Q20	2Q20	3Q19	%QoQ	%YoY	9M20	9M19	%YoY
Fees and service income	8,531	7,434	9,478	14.8%	(10.0)%	25,048	28,204	(11.2)%
<u>Less fees and service expenses</u>	2,151	1,813	2,614	18.6%	(17.7)%	6,693	7,885	(15.1)%
<b>Net fees and service income</b>	<b>6,380</b>	5,621	6,864	13.5%	(7.1)%	18,355	20,319	(9.7)%
Gains on financial instruments measured at FVTPL	1,983	7,062	-	(71.9)%	N/A	7,356	-	N/A
Gains on tradings and foreign exchange transactions	-	-	2,052	-	N/A	-	5,675	N/A
Gains on investments	565	317	1,531	78.2%	(63.1)%	2,032	4,777	(57.5)%
Share of profit (losses) from investment for using equity method	(70)	36	(2)	(294.4)%	(3,400.0)%	(22)	88	(125.0)%
Gains on disposal of assets	78	45	1,021	73.3%	(92.4)%	181	1,700	(89.4)%
Dividend income	457	882	667	(48.2)%	(31.5)%	1,825	3,153	(42.1)%
Other operating income	176	212	162	(17.0)%	8.6%	592	433	36.7%
<b>Total other operating income</b>	<b>3,189</b>	8,554	5,431	(62.7)%	(41.3)%	11,964	15,826	(24.4)%
<b>Total non-interest income</b>	<b>9,569</b>	14,175	12,295	(32.5)%	(22.2)%	30,319	36,145	(16.1)%
Net fees and service income to operating income ratio	21.7%	17.4%	22.7%	4.3%	(1.0)%	20.8%	22.6%	(1.8)%

### Operating Expenses

Operating expenses increased in the third quarter and for the first nine months of 2020 mainly due to the consolidation of Permata's operating expenses and the provision expenses related to Indonesia branches integration.

Million Baht									
Item	3Q20	2Q20	3Q19	%QoQ	%YoY	9M20	9M19	%YoY	
Personnel expenses	8,356	7,519	6,670	11.1%	25.3%	22,711	19,908	14.1%	
Directors' remuneration	42	66	22	(36.4)%	90.9%	142	111	27.9%	
Premises and equipment expenses	3,619	3,829	2,441	(5.5)%	48.3%	9,743	8,326	17.0%	
Taxes and duties	687	763	843	(10.0)%	(18.5)%	2,230	2,509	(11.1)%	
Other expenses	6,723	2,849	2,703	136.0%	148.7%	11,004	8,121	35.5%	
<b>Total operating expenses</b>	<b>19,427</b>	<b>15,026</b>	<b>12,679</b>	<b>29.3%</b>	<b>53.2%</b>	<b>45,830</b>	<b>38,975</b>	<b>17.6%</b>	
Cost to income ratio	66.0%	46.5%	41.9%	19.5%	24.1%	52.0%	43.3%	8.7%	



### Expected Credit Losses

In 2020, the Bank's expected credit losses cover loans, interbank and money market items, and debt securities, which are not measured at fair value through profit or loss, loan commitments, and financial guarantee contracts. The Bank and its subsidiaries have set aside provisions for expected credit losses by taking into consideration future economic factors that reflect the impact of the Covid-19 pandemic.

Million Baht									
Item	3Q20	2Q20	3Q19	%QoQ	%YoY	9M20	9M19	%YoY	
Expected credit losses	5,668	13,238	-	(57.2)%	N/A	23,993	-	N/A	
Impairment loss of loans and debt securities	-	-	5,381	-	N/A	-	16,009	N/A	



## Significant Items in the Financial Position

### Assets

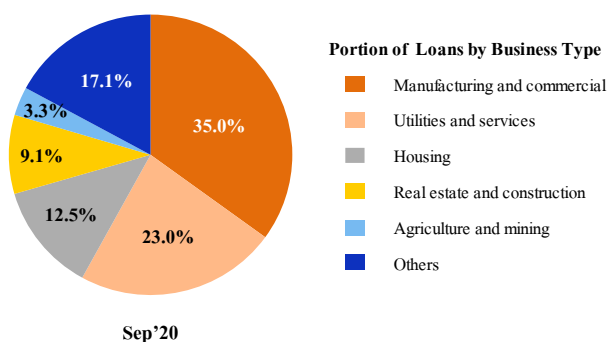
Total assets as of September 30, 2020 amounted to Baht 3,810,591 million, a similar level as at the end of the previous quarter, with an increase in investments, while net interbank and money market items declined due to liquidity management. Compared with the end of December 2019, total assets increased considerably from the consolidation of Permata's assets.

	Million Baht				
Item	Sep'20	Jun'20	Dec'19	%QoQ	%YTD
Net interbank and money market items	531,391	586,911	472,349	(9.5)%	12.5%
Financial assets measured at FVTPL	65,472	65,168	-	0.5%	N/A
Net investments	749,649	683,587	647,697	9.7%	15.7%
Net investments in associates	903	1,745	1,737	(48.3)%	(48.0)%
Loans	2,367,296	2,353,848	2,061,309	0.6%	14.8%
Net properties for sale	10,293	10,315	9,363	(0.2)%	9.9%
<b>Total assets</b>	<b>3,810,591</b>	<b>3,806,363</b>	<b>3,216,743</b>	<b>0.1%</b>	<b>18.5%</b>

### Loans

As of September 30, 2020, loans increased under a prudent management approach. When excluding Permata, loans rose by 0.9 percent from the end of June 2020 due to increases in loans to businesses and consumer loans. Compared with the end of December 2019, loans increased by 4.3 percent due to increases in loans to large corporate customers and loans made through the international network.

	Million Baht				
Loans by Business Type	Sep'20	Jun'20	Dec'19	%QoQ	%YTD
Manufacturing and commercial	828,942	862,124	755,979	(3.8)%	9.7%
Utilities and services	545,764	528,731	470,159	3.2%	16.1%
Housing	296,202	290,133	251,197	2.1%	17.9%
Real estate and construction	215,048	216,516	200,736	(0.7)%	7.1%
Agriculture and mining	77,338	76,307	61,569	1.4%	25.6%
Others	404,002	380,037	321,669	6.3%	25.6%
<b>Total</b>	<b>2,367,296</b>	<b>2,353,848</b>	<b>2,061,309</b>	<b>0.6%</b>	<b>14.8%</b>



The Bank and its subsidiaries had loans distributed across business sectors, with 35.0 percent in the manufacturing and commercial sector, 23.0 percent in the utilities and services sector, 12.5 percent in the housing sector, and 9.1 percent in the real estate and construction sector. The increase in loans from the end of June 2020 and December 2019 was mainly driven by other sectors, and the utilities and services sector.

### Classified Loans and Allowance for Expected Credit Losses

Non-performing loan (Gross NPL) at the end of September 2020 was Baht 107,743 million. The gross NPL to total loans ratio was 4.1 percent.

The allowance for expected credit losses was Baht 191,762 million and the allowance for expected credit losses to NPL ratio was 178.0 percent.

	Million Baht				
Item	Sep'20	Jun'20	Dec'19	%QoQ	%YTD
<b>Consolidated</b>					
Non-performing loan (Gross NPL) <sup>/1</sup>	107,743	108,604	79,149	(0.8)%	36.1%
Gross NPL to total loans ratio <sup>/1</sup>	4.1%	4.1%	3.4%	-	0.7%
Net NPL to net total loans ratio <sup>/1</sup>	1.5%	1.5%	1.2%	-	0.3%
Allowance for expected credit losses to NPL ratio <sup>/2</sup>	178.0%	170.5%	220.2%	7.5%	(42.2)%
<b>The Bank</b>					
Non-performing loan (Gross NPL) <sup>/1</sup>	94,244	96,524	78,093	(2.4)%	20.7%
Gross NPL to total loans ratio <sup>/1</sup>	4.0%	4.0%	3.4%	-	0.6%

<sup>/1</sup> Including interbank and money market lending

<sup>/2</sup> Before the adoption of the TFRS 9, calculating from allowance for expected credit losses of loans

	Million Baht			
Item	Loans and		Allowance for	
	Interbank & Money Market		Expected Credit Losses <sup>/1</sup>	
	Sep'20	Jun'20	Sep'20	Jun'20
Non credit-impaired	2,791,328	2,832,464	116,626	113,956
Credit-impaired	107,743	108,604	75,136	71,206
<b>Total</b>	<b>2,899,071</b>	<b>2,941,068</b>	<b>191,762</b>	<b>185,162</b>

<sup>/1</sup> Including allowance for expected credit losses of loans, interbank and money market items, loan commitments and financial guarantee contracts

	Million Baht	
Item	Loans & Accrued Interest Receivables	Allowance for Doubtful Accounts
	Dec'19	Classified to Bank of Thailand Criteria Dec'19
Normal	1,918,520	16,119
Special mentioned	67,596	848
Substandard	9,783	1,359
Doubtful	14,522	6,259
Doubtful of loss	54,901	30,087
<b>Total</b>	<b>2,065,322</b>	<b>54,672</b>
<u>Add</u> Excess allowance for doubtful accounts		113,094
<b>Total allowance for doubtful accounts from loan classification</b>		<b>167,766</b>
<u>Add</u> Revaluation allowance for debt restructuring		6,510
<b>Total allowance for doubtful accounts</b>		<b>174,276</b>

### Investments

Investments as of September 30, 2020 amounted to Baht 815,115 million, increasing from the end of June 2020 and the end of December 2019 due mainly to higher investment in Thai government and state enterprise securities.

Most investments were in Thai government and state enterprise securities. As of September 30, 2020, these amounted to Baht 444,079 million, accounting for 54.5 percent of total investments. The remaining investments were foreign debt securities of Baht 204,597 million, private enterprise debt securities of Baht 41,541 million, and net investment in equity securities of Baht 80,173 million.

Million Baht			
Investments by Investment Holding	Sep'20	Jun'20	%QoQ
Trading securities	17,450	20,485	(14.8)%
Securities measured at FVTPL	48,016	44,683	7.5%
Debt securities measured at amortized cost	51,829	27,157	90.8%
Debt securities measured at FVOCI	629,227	578,630	8.7%
Equity securities measured at FVOCI	68,593	77,800	(11.8)%
<b>Total investments</b>	<b>815,115</b>	<b>748,755</b>	<b>8.9%</b>

Million Baht	
Investments by Investment Holding	Dec'19
Trading securities	13,613
Available-for-sale securities	574,720
Held-to-maturity debt securities	23,257
General investments	36,107
<b>Total investments</b>	<b>647,697</b>

### Liabilities and Shareholders' Equity

Total liabilities as of September 30, 2020 amounted to Baht 3,369,926 million, an increase of Baht 2,276 million from the end of June 2020 because of increases in debt issued and borrowings and interbank and money market items, due largely to an increase in borrowing transactions.

Compared with the end of December 2019, total liabilities increased from the consolidation of Permata's liabilities. When excluding Permata, total liabilities increased mainly from increases of 7.0 percent in deposits, 16.1 percent in debt issued and borrowings, and 25.8 percent in interbank and money market items, due predominantly to an increase in borrowing transactions.

Million Baht					
Item	Sep'20	Jun'20	Dec'19	%QoQ	%YTD
Deposits	2,821,883	2,852,295	2,370,792	(1.1)%	19.0%
Interbank and money market items	174,840	167,336	134,346	4.5%	30.1%
Financial liabilities measured at FVTPL	20,295	19,204	-	5.7%	N/A
Debt issued and borrowings	171,140	142,657	144,681	20.0%	18.3%
<b>Total liabilities</b>	<b>3,369,926</b>	<b>3,367,650</b>	<b>2,788,627</b>	<b>0.1%</b>	<b>20.8%</b>
<b>Shareholders' equity</b> <sup>/1</sup>	<b>439,508</b>	<b>438,340</b>	<b>427,751</b>	<b>0.3%</b>	<b>2.7%</b>

<sup>/1</sup> Attributable to owners of the Bank

### Deposits

Total deposits at the end of September 2020 amounted to Baht 2,821,883 million. When excluding Permata, deposits fell by 1.7 percent from the end of June 2020, due to decreases in savings and fixed deposits, and rose by 7.0 percent from the end of December 2019, owing to increases in all types of deposits.

Million Baht								
Deposits Classified by Product Type	Sep'20		Jun'20		Dec'19		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
Current	199,484	7.1%	188,577	6.6%	113,067	4.8%	5.8%	76.4%
Savings	1,365,835	48.4%	1,398,148	49.0%	1,145,106	48.3%	(2.3)%	19.3%
Fixed	1,256,564	44.5%	1,265,570	44.4%	1,112,619	46.9%	(0.7)%	12.9%
<b>Total</b>	<b>2,821,883</b>	<b>100.0%</b>	<b>2,852,295</b>	<b>100.0%</b>	<b>2,370,792</b>	<b>100.0%</b>	<b>(1.1)%</b>	<b>19.0%</b>
Loan to deposit ratio		<b>83.9%</b>		82.5%		86.9%	1.4%	(3.0)%

### Debt Issued and Borrowings

Total debt issued and borrowings as of September 30, 2020 amounted to Baht 171,140 million, increasing Baht 28,483 million from the end of June 2020 and Baht 26,459 million from the end of December 2019, due mainly to the issuance of subordinated notes qualified as Basel III compliant Tier 1 capital amounting to USD 750 million in September 2020.

Million Baht								
Debt Issued and Borrowings Classified by Type of Instruments	Sep'20		Jun'20		Dec'19		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
Senior unsecured notes	105,181	61.4%	101,989	71.4%	99,530	66.3%	3.1%	5.7%
Subordinated notes	64,913	37.9%	40,294	28.2%	49,757	33.1%	61.1%	30.5%
Bills of exchange	624	0.4%	7	0.1%	8	0.1%	8,814.3%	7,700.0%
Others	512	0.3%	464	0.3%	838	0.5%	10.3%	(38.9)%
Total (before less discount on borrowings)	171,230	100.0%	142,754	100.0%	150,133	100.0%	19.9%	14.1%
<u>Less</u> Discount on borrowings	90		97		5,452		(7.2)%	(98.3)%
<b>Total</b>	<b>171,140</b>		<b>142,657</b>		<b>144,681</b>		<b>20.0%</b>	<b>18.3%</b>

### *Shareholders' Equity*

Shareholders' equity attributable to owners of the Bank as of September 30, 2020 amounted to Baht 439,508 million, an increase of Baht 11,757 million or 2.7 percent from the end of 2019. This is due to net profit attributable to owners of the Bank for the first nine months of 2020 of Baht 14,783 million, net of an interim dividend payment of Baht 9,544 million (Baht 5.00 per share) for the second half of 2019's operating performance according to a resolution from the Board of Directors' meeting on April 1, 2020, in combination with a surplus from the revaluation of land and buildings of Baht 10,751 million. Gains on investments measured at FVOCI declined by Baht 13,380 million.

### *Sources and Utilization of Funds*

The primary sources of funds as of September 30, 2020 were Baht 2,821,883 million or 74.1 percent in deposits, Baht 439,508 million or 11.5 percent in shareholders' equity attributable to owners of the Bank, Baht 174,840 million or 4.6 percent in interbank and money market liabilities, and Baht 191,435 million or 5.0 percent in debt issued and borrowings including financial liabilities measured at FVTPL.

The utilization of funds comprised Baht 2,367,296 million or 62.1 percent in loans, Baht 816,024 million or 21.4 percent in net investments including financial assets measured at FVTPL and net investments in associates, and Baht 531,391 million or 13.9 percent in net interbank and money market assets.

### *Capital Reserves and Capital Adequacy Ratio*

Under the principles of Basel III, the Bank of Thailand requires commercial banks registered in Thailand and members of their financial groups to maintain minimum levels of capital adequacy as measured by three ratios, including the Common Equity Tier 1 capital adequacy ratio at no less than 4.50 percent, the Tier 1 capital adequacy ratio at no less than 6.00 percent, and the Total capital adequacy ratio at no less than 8.50 percent – measured as a percentage of total risk-weighted assets. The Bank of Thailand also requires a capital conservation buffer of more than 2.50 percent. It requires the Bank, which is identified as a Domestic Systemically Important Bank (D-SIB), to have additional capital to meet the Higher Loss Absorbency (HLA) requirement, which gradually raised the Common Equity Tier 1 ratio by 1.00 percent, beginning with a 0.50 percent increase from January 1, 2019, rising to 1.00 percent from January 1, 2020 onwards. To satisfy the Bank of Thailand's minimum levels and capital buffer requirements, the Bank in 2020 is required to maintain the Common Equity Tier 1 capital adequacy ratio at more than 8.00 percent, the Tier 1 capital adequacy ratio at more than 9.50 percent, and the Total capital adequacy ratio at more than 12.00 percent – measured as percentages of total risk-weighted assets.

As of September 30, 2020, the regulatory capital position of the Bank's financial group according to the consolidated financial statements was Baht 485,980 million. The Common Equity Tier 1 capital adequacy ratio was 14.21 percent, the Tier 1 capital adequacy ratio was 15.07 percent and the total capital adequacy ratio was 17.64 percent.

### Consolidated

Million Baht

Item	Sep'20		Jun'20		BOT's requirements for 2020	Dec'19		BOT's requirements for 2019
	Capital		Capital			Capital		
	Capital	Adequacy Ratio	Capital	Adequacy Ratio		Capital	Adequacy Ratio	
Common Equity Tier 1 capital	<b>391,459</b>	<b>14.21%</b>	383,208	13.96%	> 8.00%	406,463	17.01%	> 7.50%
Tier 1 capital	<b>415,122</b>	<b>15.07%</b>	383,284	13.96%	> 9.50%	406,529	17.01%	> 9.00%
Tier 2 capital	<b>70,858</b>	<b>2.57%</b>	70,965	2.59%		72,211	3.03%	
<b>Total capital</b>	<b>485,980</b>	<b>17.64%</b>	454,249	16.55%	> 12.00%	478,740	20.04%	> 11.50%

### The Bank

Million Baht

Item	Sep'20		Jun'20		BOT's requirements for 2020	Dec'19		BOT's requirements for 2019
	Capital		Capital			Capital		
	Capital	Adequacy Ratio	Capital	Adequacy Ratio		Capital	Adequacy Ratio	
Common Equity Tier 1 capital	<b>386,642</b>	<b>15.45%</b>	379,103	15.23%	> 8.00%	399,842	17.14%	> 7.50%
Tier 1 capital	<b>410,234</b>	<b>16.39%</b>	379,103	15.23%	> 9.50%	399,842	17.14%	> 9.00%
Tier 2 capital	<b>69,943</b>	<b>2.80%</b>	70,349	2.83%		71,420	3.06%	
<b>Total capital</b>	<b>480,177</b>	<b>19.19%</b>	449,452	18.06%	> 12.00%	471,262	20.20%	> 11.50%

### Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, debt securities, and marketable equity securities. As of September 30, 2020, the ratio of liquid assets to total assets and liquid assets to deposits were 35.4 percent and 47.7 percent, respectively.

Item	Sep'20	Jun'20	Dec'19
Liquid assets/Total assets (%)	<b>35.4</b>	35.4	35.5
Liquid assets/Deposits (%)	<b>47.7</b>	47.2	48.2



## Credit Ratings

Details of the Bank's credit ratings are as follows:

Credit Rating Agency	Sep'20	Jun'20	Dec'19
<b>Moody's Investors Service</b>			
Long-term Deposit	<b>Baa1</b>	Baa1	Baa1
Short-term Deposit	<b>P-2</b>	P-2	P-2
Senior Unsecured Debt Instrument	<b>Baa1</b>	Baa1	Baa1
Subordinated Debt Instrument	<b>Baa2</b>	Baa2	Baa2
Subordinated Debt (Basel III-compliant Tier 2 securities)	<b>Baa3</b>	Baa3	Baa3
Subordinated Debt (Basel III-compliant Tier 1 securities)	<b>Ba1</b>	-	-
Financial Strength (BCA)	<b>baa1</b>	baa1	baa1
Outlook	<b>Stable</b>	Stable <sup>1</sup>	Positive
<b>S&amp;P Global Ratings</b>			
Long-term Issuer Credit Rating	<b>BBB+</b>	BBB+	BBB+
Short-term Issuer Credit Rating	<b>A-2</b>	A-2	A-2
Senior Unsecured Debt Instrument	<b>BBB+</b>	BBB+	BBB+
Subordinated Debt Instrument	<b>BBB</b>	BBB	BBB
Financial Strength (SACP)	<b>bbb</b>	bbb	bbb
Outlook	<b>Stable</b>	Stable <sup>1</sup>	Positive
<b>Fitch Ratings</b>			
<b>International Rating</b>			
Long-term Issuer Default Rating	<b>BBB</b>	BBB <sup>2</sup>	BBB+
Short-term Issuer Default Rating	<b>F2</b>	F2	F2
Senior Unsecured Debt Instrument	<b>BBB</b>	BBB	BBB+
Subordinated Debt Instrument	<b>BB+</b>	BB+	BBB
Subordinated Debt (Basel III-compliant Tier 2 securities)	<b>BB+</b>	BB+	BBB
Financial Strength (VR)	<b>bbb</b>	bbb	bbb+
Outlook	<b>Stable</b>	Stable	Stable
<b>National Rating</b>			
Long-term	<b>AA+(tha)</b>	AA+(tha)	AA+(tha)
Short-term	<b>F1+(tha)</b>	F1+(tha)	F1+(tha)
Outlook	<b>Stable</b>	Stable	Stable

<sup>1</sup> Changed the outlook to stable from positive following sovereign outlook in April 2020.

<sup>2</sup> Revised ratings due to large-scale economic disruptions from the Covid-19 pandemic in April 2020.