



Management Discussion and Analysis

For the first quarter ended March 31, 2020

(Reviewed)

This report discusses the principal changes in the reviewed consolidated financial statement for the quarter ended March 31, 2020. There were no restatement of the Bank and its subsidiaries' historical financial statements given the change in financial reporting standards.

Significant Events

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

On January 1, 2020, TFRS 9 re: Financial Instruments had become effective. Upon the adoption, certain accounting standards had been cancelled, in which key changes are as follows:

Changes under TFRS 9	Previous TFRS
<p>1. Financial Assets Classification into 3 categories according to cash flow characteristics and management of financial assets</p> <p>1.1 Amortized cost: with objective to receive cash flow per contract, having receipts on principal and interest based on the outstanding principal balance, such as loan to customers, interbank and money market items and certain investment in debt instruments</p> <p>Recognition at initiation will include addition/ reduction of fee and direct transaction costs as well as adjustments such as loss from loan of below-market rate, loss from debt restructuring, and gain (loss) from change on cash flow, together with expected credit losses deduction</p> <p>1.2 Fair value to other comprehensive income (FVOCI): with objective to receive cash flow per contract and to sell financial assets, having receipts on principal and interest based on the outstanding principal balance; mainly consisted of investment in debt instruments</p> <p>1.3 Fair value to profit or loss (FVTPL): mainly consisted on previously trading securities category and securities designated to measure at fair value through profit or loss</p>	<p>Classification of held-to-maturity debt securities, trading securities, available-for-sale securities and general investments</p>
<p>2. Measurement at Amortized Cost (financial assets)</p> <p>Recognition of interest income, interest expense and relevant fee under Effective Interest Rate (EIR) approach</p>	<p>Recognition of interest income and interest expense under contract rate approach and recognition of relevant fee in whole amount at initiation</p>
<p>3. Impairment of Financial Assets</p> <p>3.1 Consider expected credit losses throughout the lifetime of financial instruments, taking into account the forward-looking on economic factors</p>	<p>3.1 Estimated allowance for doubtful accounts based on analysis of customers' historical and expected future payment in accordance with BOT's relevant regulations</p>

Changes under TFRS 9	Previous TFRS
<p>3.2 Consider impairment for financial instruments that are not measured under FVTPL</p> <ul style="list-style-type: none"> - Financial assets that are debt instruments - Lease receivables - Loan commitments and financial guarantees <p>No recognition of impairment loss on equity investments</p> <p>3.3 Three stage approach</p> <p>Consider changes of loan quality since initiation as follows:</p> <p>3.3.1 <u>Stage 1</u> (Performing) 12 months ECL : No significant increase in credit risk (interest income calculated from gross carrying amount without any ECL deduction)</p> <p>3.3.2 <u>Stage 2</u> (Under – performing) Lifetime ECL : having significant increase in credit risk with no credit impairment (interest income calculated similarly as stage 1)</p> <p>3.3.3 <u>Stage 3</u> (Non – performing) Lifetime ECL with Credit Impairment : having credit impairment (interest income calculated from net carrying amount)</p>	
<p>4. Financial liabilities consisting of amortized costs and fair value to profit or loss approaches</p>	Using amortized costs
<p>5. Derivatives and Hedge accounting on:</p> <ul style="list-style-type: none"> 5.1 Fair value exposure 5.2 Cash flow exposure 5.3 Net investment in foreign operation 	Having derivatives on foreign currency and interest in banking book, in which interest recognized on accrual basis while foreign currency recognized the translation rate at the reporting date

Additionally, there was an adoption of TFRS 16 : Leases with recognition as follows:

- Previously classified as operating leases: recognized in liabilities with present value of the remaining lease payments discounted with the Group's incremental borrowing rate as at January 1, 2020
- Previously classified as financial leases: recognized the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately prior to the TFRS 16 adoption

Cummulative effects of changes in accounting policies due to the adoption of new financial reporting standards

Impact from changes in accounting standards on key items under the statements of financial position as at January 1, 2020 is as follows.

Unit : Million Baht

Consolidated Financial Statements Statements of financial position	31 Dec 2019	The impact from		1 Jan 2020
		TFRS 9	TFRS 16	
Assets				
Interbank and money market items, net	338,771	(400)	-	338,371
Financial assets measured at fair value				
through profit or loss	-	53,695	-	53,695
Claims on securities	67,350	(67,350)	-	-
Derivatives assets	55,811	947	-	56,758
Investments, net	395,228	(50,828)	-	344,400
Loans to customers and accrued interest receivables, net	1,959,765	(4,030)	-	1,955,735
Customers' liabilities under acceptances	133	(133)	-	-
Right-of-use assets	-	-	3,895	3,895
Deffered tax assets	8,165	(1,778)	-	6,387
Accrued income	3,487	(712)	-	2,775
Other assets, net	23,842	5,576	-	29,418
Others	159,664	-	-	159,664
Total assets	3,012,216	(65,013)	3,895	2,951,098
Liabilities and Equity				
Interbank and money market items, net	215,823	167	-	215,990
Liabilities to deliver securities	67,350	(67,350)	-	-
Derivatives liabilities	51,869	(623)	-	51,246
Debt issued and borrowings	96,841	216	-	97,057
Bank's liabilities under acceptances	133	(133)	-	-
Lease liabilities	-	-	3,895	3,895
Provisions	15,240	1,514	-	16,754
Other liabilities	56,025	(127)	-	55,898
Others	2,160,609	-	-	2,160,609
Total liabilities	2,663,890	(66,336)	3,895	2,601,449
Equity				
Other components of equity	33,006	2,284	-	35,290
Retained earnings - unappropriated	212,443	(961)	-	211,482
Others	102,877	-	-	102,877
Total equity	348,326	1,323	-	349,649

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

In addition, investment items as at December 31, 2019 had been reclassified under financial assets measured at fair value through profit or loss and investments, net as at January 1, 2020 as follows.

Unit : Million Baht

Consolidated Financial Statements	1 Jan 2020
1. Financial assets measured at fair value through profit or loss	53,695
2. Investment, net	344,400
- Financial instruments measured at amortized cost	1,080
- Financial instruments designated to be measured at fair value through other comprehensive income	327,288
- Investment in equity securities designated to be measured at fair value through other comprehensive income	16,032
Total financial assets and investments, net	398,094

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

1. Recognition of interest income and relevant fee of financial assets and financial liabilities will be under Effective Interest Rate (EIR) approach and interest income will be amortized throughout the lifetime of each financial assets. Previously, recognition of interest income will be under contract rate approach and recognition of relevant fee will be in whole amount at initiation. For loan under stage 3, interest income will be calculated based on net carrying amount. These would mainly affect ratios such as earning asset yield, NIM as well as fee income.

Recognition of interest income from investment in debt instruments will be under straight-line approach throughout the investment period, which will be varied insignificantly from effective interest rate approach. For investment under stage 3, interest income will be calculated based on net carrying amount.

2. Value measurement on financial instruments will be shown under gain (loss) on financial instrument measured at fair value through profit or loss, net, which consisted of gain (loss) from disposal, fair value measurement or reclassification of financial assets including trading and translating assets and liabilities in foreign currencies; and of net gain (loss) from changes in fair value or adjustments on financial assets designated to measure at fair value through profit or loss; whereas, previously showed as part of gain (loss) on investments, net under other operating income.

3. Expected credit losses of financial assets will considerably be classified into 3 stages from previously 5 classifications of allowance for doubtful accounts under BOT's regulation. Additionally, the new expected credit losses of financial assets will extend to include items such as loan commitments & financial guarantees and etc. from previously on loans to customers. Any bad debt recovery will be recognized as income.

II. The COVID-19 Pandemic Impacts and KTB's Corresponding Relief Measures

Overall Economic Impact

Given the COVID-19 pandemic worldwide and in Thailand affecting operating environment and the likelihood of economic recession globally, IMF had forecasted the world economy in 2020 to contract by 3.0% YoY, the highest contraction since Great Depression. Such world economic slowdown significantly affected Thai economy whose ecosystem has high dependencies on foreign countries; therefore, the Bank had forecasted Thai economy in 2020 to contract by 4.6% (Krungthai Compass as of March 26, 2020).

Hence, the government had urgently issued the relief measures in terms of financial, health and other aspects for business and households who are being affected. In addition, the Bank of Thailand (BOT) had continuously issued financial measures to provide various assistance such as policy rate cut to the lowest level at 0.75%, guidance for commercial banks to support customers, soft loan and liquidity enhancement for corporate bond market to uphold the overall economy. Commercial banks realized the importance in providing such support and collaborating on measures issuance to help their customers.

KTB's Corresponding 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 be 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 in 1Q2020 till April 10, 2020 on a cumulative of -0.525% to -0.65%

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 future plan on financial restructuring in order to assist them for getting through this crisis.

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.

As the duration of the pandemic remains ambiguity, the Bank together with the customers are in the assessment process on such assistance.

The Bank and Its Subsidiaries' Overview Performance for the Quarter 1/2020

The continuation of trade war, drought and COVID-19 pandemic since the end of last year affected Thai economy; consequently, there were policy rate cuts by the Bank of Thailand (BOT) and relief measures by the government and BOT in the beginning of this year. Realizing its role as an important part to uphold the economy and to support government mechanisms, the Bank responded via lending rates cuts and corresponding relief measures issuance to provide assistance for the affected customers. Given the aforementioned situations, KTB's consolidated net profit attributable to equity holders of the Bank in 1Q2020 was Baht 6,467 million, or a decrease of 11.4% YoY, mainly from lower net interest income, mainly due to continual interest rate cuts YoY and interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q2019, despite lower cost of fund from improving fund management. Additionally, operating expenses were decreased mainly from provision for impairment of properties for sale in 1Q2019.

Consolidated total operating income registered at Baht 30,963 million, contracting 7.8% YoY (if excluding interest income from the auction in 1Q2019, total operating income would increase 4.3% YoY) with key changes as shown below:

- Net interest income decreased by 6.8% YoY (if excluding interest income received from the auction in 1Q2019, net interest income would grow 10.7% YoY) and NIM stood at 3.14%, decreased from 3.71% in 1Q2019 (NIM excluding interest income received from the auction in 1Q2019 of 3.13%). The Bank continuously improved cost of fund management and has benefits from the lower contributions to BOT announcement despite policy rate cuts of 25 bps for 4 times YoY and, consequently, the lending rate cuts. Meanwhile, loan grew 2.0% from end-2019.
- Non-interest income decreased by 10.4% YoY, which mainly due to the contraction of net fee and service income by 12.1% together with the contraction of other operating income by 7.4%, mainly from gain on financial instruments measured at fair value through profit or loss per TFRS 9.

Consolidated operating expenses decreased by 16.9% YoY from impairment loss of properties for sale in 1Q2019 (if excluding such item, operating expenses increased by 8.6% YoY), contributing to consolidated cost to income ratio of 43.49%, decreasing from 48.24% in the same period of 2019 (cost to income ratio excluding interest income received from the auction and impairment loss of properties for sale of 41.78%).

The Bank and its subsidiaries' expected credit losses amounted Baht 8,524 million, based on thorough consideration of impacts from economic slowdown and uncertainty on loans quality. The coverage ratio decreased to 126.5% as at 31 March 2020 from 131.8% as at 31 December 2019. The NPLs Ratio-Gross stood at 4.36%, an increase from 4.33% as at 31 December 2019, in which such NPL increase was an impact from weaker economy and per TFRS 9. The Bank and the Financial Business Group's Tier 1 and Total Capital ratios were 15.03% and 18.71% respectively.

The Bank and Its Subsidiaries' Performance for the Quarter Ended March 31, 2020

Overview Operating Income and Net Profit

Unit : Million Baht

	1/2020 (TFRS 9)	4/2019 (Pre-TFRS 9)	Change %	1/2019 (Pre-TFRS 9)	Change %
Net interest income	22,961	20,709	10.9	24,641	(6.8)
Net fee and service income	4,951	6,004	(17.5)	5,635	(12.1)
Other operating income	3,051	4,915	(37.9)	3,296	(7.4)
Total operating income	30,963	31,628	(2.1)	33,572	(7.8)
Total other operating expenses	13,467	16,617	(19.0)	16,196	(16.9)
Pre-provision profit ⁽¹⁾	17,496	15,011	16.6	17,376	0.7
Impairment loss of loans and debt securities	-	4,824	N/A	7,330	N/A
Expected credit losses	8,524	N/A	N/A	N/A	N/A
Operating profit before income tax expenses	8,972	10,187	(11.9)	10,046	(10.7)
Income tax expenses	1,680	2,057	(18.3)	1,941	(13.5)
Net Profit	7,292	8,130	(10.3)	8,105	(10.0)
Net profit (attributable to equity holders of the Bank)	6,467	7,459	(13.3)	7,301	(11.4)
ROA (%) ⁽²⁾	0.84	1.00 ⁽³⁾		1.05 ⁽³⁾	
ROE (%) ⁽²⁾	7.81	8.78 ⁽³⁾		9.54 ⁽³⁾	

(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.

(3) If excluding interest income received from the auction and impairment loss of properties for sale items, ROA for 1Q2019 and 4Q2019 would be 1.04% and 1.24% respectively, whilst ROE for 1Q2019 and 4Q2019 would be 9.44% and 10.88% respectively.

In 1Q2020, KTB's consolidated net profit attributable to equity holders of the Bank amounted to Baht 6,467 million, decreased by 11.4% compared to same period of last year. This is due to lower net interest income, net fee and service income and other operating income, despite lower operating expenses from impairment loss of properties for sale in 1Q2019. Compared to 4Q2019, KTB's consolidated net profit attributable to equity holders of the Bank declined by 13.3%, mainly due to other operating income.

Net Interest Income

Unit : Million Baht

	1/2020	4/2019	Change	1/2019	Change
	(TFRS 9)	(Pre-TFRS 9)	%	(Pre-TFRS 9)	%
Interest income	30,216	29,505	2.4	33,377	(9.5)
- Interbank and money market items	1,141	1,567	(27.2)	2,199	(48.1)
- Investments and trading transactions	161	159	1.4	99	62.0
- Investment in debt securities	1,300	1,360	(4.3)	853	52.6
- Loans	27,501	26,246	4.8	30,085	(8.6)
- Hire purchase and financial lease	80	80	(0.6)	138	(41.8)
- Others	33	93	(64.9)	3	972.3
Less Interest expense	7,255	8,796	(17.5)	8,736	(17.0)
- Deposits	4,105	4,417	(7.1)	4,668	(12.1)
- Interbank and money market items	685	597	14.7	640	7.1
- Contributions to BOT and DPA	1,420	2,598	(45.4)	2,484	(42.9)
- Debts issued	1,007	1,093	(7.9)	934	7.8
- Others	38	91	(57.7)	10	291.2
Net interest income	22,961	20,709	10.9	24,641	(6.8)
Earning Asset Yiled (%) ⁽¹⁾	4.13	4.15		5.03 ⁽²⁾	
Cost of Fund (%) ⁽¹⁾	1.15	1.44		1.52	
Net interest margin [based on earning assets](%) ⁽¹⁾	3.14	2.91		3.71 ⁽²⁾	

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

(2) If excluding interest income received from the auction, earning asset yield would be 4.44% and net interest margin would be 3.13% for 1Q2019.

KTB's consolidated net interest income in 1Q2020 amounted Baht 22,961 million, decreased by 6.8% YoY. This is the impact from policy rate cuts for 4 times YoY and, consequently, the lending rate cuts by the Bank as well as from interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q2019 (if excluding such item, net interest income would grow 10.7% YoY). However, the Bank continuously improved cost of fund management and has benefits from the lower contributions to BOT announcement. Net Interest Margin (NIM) registered at 3.14%, decreased from 3.71% in 1Q2019 (NIM excluding interest income received from the auction in 1Q2019 of 3.13%). Meanwhile, loan grew 2.0% from end of last year. Compared to 4Q2019, net interest income increased by 10.9% from improving cost of fund management and TFRS 9 impact.

Change of interest rate

	10 Apr 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Policy Interest Rate (%)	0.75%	0.75%	1.25%	1.50%	1.75%	1.75%	1.75%
Deposit Rate (%) ⁽¹⁾							
- Savings Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
- 3 Months Fixed Rate	0.60% - 0.70%	0.60% - 0.70%	0.90%	0.90%	0.90%	0.90%	0.90%
- 6 Months Fixed Rate	0.80% - 0.90%	0.80% - 0.90%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%	1.15%-1.35%
- 12 Months Fixed Rate	0.90% - 1.00%	0.90% - 1.00%	1.30%	1.30%	1.30%	1.30%	1.30%
Loan Rate (%)							
- MLR	5.375% ⁽²⁾	5.775%	6.025%	6.275%	6.275%	6.275%	6.275%
- MOR	6.220% ⁽²⁾	6.620%	6.870%	6.870%	7.120%	7.120%	7.120%
- MRR	6.345% ⁽²⁾	6.745%	6.870%	6.870%	7.120%	7.120%	7.120%

(1) Standard deposit rate for individuals.

(2) The Bank announced the lending rate cuts effective on April 10, 2020.

In 1Q2020, the Monetary Policy Committee, Bank of Thailand announced the policy rate cuts for 2 times in February and March (previously, rate cuts for 2 times in August and November 2019 from 1Q2019) based on the assessment that Thai economy would likely expand at a much lower rate than previously forecasted and might deteriorate further below its potential due to COVID-19 pandemic, the delay of the Annual Budget Expenditure Act, and the drought, which will affect the liquidity in Thai financial market.

Realizing its role as an important part to uphold the economy and to support government mechanisms during this economic crisis, the Bank had gradually been cutting lending rates of MLR, MOR and MRR in February and March. In April, the Bank recently had a 40-bps cut on MLR, MOR and MRR effective April 10, 2020 in order to ease burden for corporate and retail customers. This is also the result from corresponding to the FIDF fee reduction measure regarding lower contribution from financial institutions to the FIDF, BOT from 0.46% to 0.23% as announced on April 7, 2020.

Net Fee and Service Income

	1/2020	4/2019	Change	1/2019	Change
	(TFRS 9)	(Pre-TFRS 9)	%	(Pre-TFRS 9)	%
Fee and service income	6,753	7,744	(12.8)	7,077	(4.6)
Less Fee and service expense	1,802	1,740	3.6	1,442	24.9
Net fee and service income	4,951	6,004	(17.5)	5,635	(12.1)

Unit : Million Baht

KTB's consolidated net fee and service income in 1Q2020 was Baht 4,951 million, decreased by 12.1% YoY from other fees and lower loan related fees due to fee amortization per TFRS 9, together with higher fee expenses from increasing transfer transactions via digital channel whilst improving banassurance fee. Compared to 4Q2019, KTB's consolidated net fee and service income decreased 17.5% with similar reasons as compared to 1Q2019.

Fee and service income breakdown

Unit : %

	1/2020 (TFRS 9)	4/2019 (Restated) (Pre-TFRS 9)	1/2019 (Restated) (Pre-TFRS 9)
Loan related fee	5%	8%	9%
Card business and electronic services	55%	54%	53%
Cash management	5%	4%	5%
Bancassurance	11%	9%	8%
Other fees ⁽¹⁾	24%	25%	25%
Total Fee and service income	100%	100%	100%

(1) Fees from Mutual fund, Global Market, and other services

Total Other Operating Income

Unit : Million Baht

	1/2020 (TFRS 9)	4/2019 (Pre-TFRS 9)	Change %	1/2019 (Pre-TFRS 9)	Change %
Gains (loss) on financial instruments measured at fair value through profit or loss	692	N/A	N/A	N/A	N/A
Gain (loss) on trading and foreign exchange transactions, net	-	1,057	N/A	995	N/A
Gain (loss) on investments, net	347	2,546	(86.4)	336	3.4
Share of profit (loss) from investments for using equity method	293	185	58.6	318	(7.6)
Dividend income	118	37	214.6	116	1.2
Other income	1,601	1,090	46.8	1,531	4.6
Total other operating income	3,051	4,915	(37.9)	3,296	(7.4)

KTB's consolidated total other operating income in 1Q2020 was Baht 3,051 million, decreased by 7.4% YoY, mainly due to gain on financial instruments measured at fair value through profit or loss per TFRS 9. Compared to 4Q2019, KTB's consolidated total other operating income decreased by 37.9%, mainly from lower gain on investments, net.

Other Operating Expenses

Unit : Million Baht

	1/2020	4/2019	Change	1/2019	Change
	(TFRS 9)	(Pre-TFRS 9)	%	(Pre-TFRS 9)	%
Employees' expenses	7,768	7,089	9.6	7,137	8.8
Premises and equipment expenses	2,085	2,304	(9.5)	2,195	(5.0)
Taxes and duties	1,047	1,023	2.3	1,117	(6.3)
Impairment loss of properties for sale	218	2,405	(91.0)	3,769	(94.2)
Others ⁽¹⁾	2,349	3,796	(38.1)	1,978	18.8
Total other operating expenses	13,467	16,617	(19.0)	16,196	(16.9)
Cost to income ratio (%)	43.49	52.54 ⁽²⁾		48.24 ⁽²⁾	

(1) Including Directors' remuneration

(2) If excluding interest income received from the auction and impairment loss of properties for sale items, cost to income ratio for 1Q2019 and 4Q2019 would be 41.78% and 45.48% respectively.

KTB's consolidated other operating expenses in 1Q2020 was Baht 13,467 million, declined by 16.9% YoY and 19.0% QoQ, mainly due to provision for impairment of properties for sale (if excluding such provision for impairment item, other operating expenses increased by 8.6% YoY and decreased by 6.4% QoQ).

Impairment Loss of Loans

Unit : Million Baht

	1/2020	4/2019	Change	1/2019	Change
	(TFRS 9)	(Pre-TFRS 9)	%	(Pre-TFRS 9)	%
Impairment loss of loans ⁽¹⁾	N/A	4,824	N/A	7,330	N/A
Expected credit losses ⁽²⁾	8,524	N/A	N/A	N/A	N/A

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

(2) 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

In 1Q2020, the Bank and its subsidiaries' expected credit losses amounted Baht 8,524 million, based on thorough consideration of impacts from economic slowdown and uncertainty on loans. The expense for impairment loss of loans amounted Baht 7,330 million in the same period of last year. As at March 31, 2020, the Bank's consolidated coverage ratio was 126.5% as compared to 131.8% as at December 31, 2019 and 126.9% as at March 31, 2019.

The Bank and Its Subsidiaries' Financial Status as at March 31, 2020

Financial Assets and Investments, Net

The Bank's consolidated financial assets measured at fair value through profit or loss and investments, net per TFRS 9 were Baht 407,603 million as at March 31, 2020, in which financial assets measured at fair value through profit or loss comprised of private enterprise and foreign debt securities 56%, government and SOE securities 41%, and unit trust 3%. Investments, net amounted Baht 395,228 million as at December 31, 2019.

Classifications of financial assets and investments, net

Unit : Million Baht

Consolidated Financial Statements	31 Mar 2020
Financial assets measured at fair value through profit or loss	45,217
Investment, net	362,386
- Investment in debt securities measured at amortized cost	1,729
- Investment in debt securities designated to be measured at fair value through other comprehensive income	347,846
- Investment in equity securities designated to be measured at fair value through other comprehensive income	12,811
Total financial assets and investments, net	407,603

Unit : Million Baht

Consolidated Financial Statements	31 Dec 2019
Investments, net	
- Trading securities	48,252
- Available-for-sale securities	344,198
- Held-to-maturity debt securities	1,737
- General investments	1,041
Total investments, net	395,228

Loans to Customers

The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,131,887 million, increased by 2.0% compared to the end of last year, mainly derived from private corporate loans.

Unit : Million Baht

Consolidated Financial Statements	31 Mar 2020 (IFRS 9)		31 Dec 2019 (Pre-IFRS 9)	Change
	Amount	%	Amount	%
Loans to customers	2,132,315		2,090,342	2.0
Less Deferred revenue	428		469	
Add Accrued interest receivables	5,794		5,160	
Less Allowance for expected credit losses ⁽¹⁾	142,158		135,268	
Loans to customers and accrued interest receivables, net	1,995,523		1,959,765	1.8

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

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

Unit : Million Baht

Consolidated Financial Statements	31 Mar 2020 (IFRS 9)		31 Dec 2019 (Pre-IFRS 9)		Change
	Amount	(%)	Amount	(%)	%
	Private Corporate	706,891	33.2	650,266	31.1
Government and State Enterprise	160,940	7.5	182,986	8.8	(12.0)
SMEs ⁽¹⁾	335,051	15.7	332,447	16.0	0.8
Retail	929,055	43.6	924,268	44.2	0.5
- Housing	400,147	18.8	396,035	18.9	1.0
- Personal	470,366	22.1	464,138	22.2	1.3
- Credit card	51,893	2.4	56,653	2.7	(8.4)
- KTB Leasing	6,649	0.3	7,442	0.4	(10.7)
Others	378	0.0	375	0.0	1.0
Total loans (per F/S)	2,132,315	100.0	2,090,342	100.0	2.0

(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 allowance for expected credit losses

Unit : Million Baht

Consolidated Financial Statement	31 Mar 2020	
	Loans and Accrued Interest Receivables ⁽¹⁾	Allowance for Expected Credit Losses ⁽²⁾
1. Loan Classification		
Performing	1,747,267	28,339
Under - performing	276,511	38,493
Non - performing	113,903	75,326
Total	2,137,681	142,158
2. Gross NPLs ⁽³⁾	112,377	4.36%
3. Coverage Ratio ⁽⁴⁾		126.5%

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

(4) Coverage Ratio = Allowance for loans' expected credit losses / Gross NPLs

Unit : Million Baht

Consolidated Financial Statement	31 Dec 2019		
	Loan and Accrued Interest Receivables	Net Amount Used for Set aside the Allowance for Doubtful Account	Allowance for Doubtful Accounts
1. Loan Classification			
Normal	1,923,616	883,841	13,908
Special mention	68,696	30,545	8,478
Substandard	12,780	6,429	6,433
Doubtful	12,647	4,527	4,547
Doubtful of loss	77,294	37,398	37,403
Total	2,095,033	962,740	70,769
Excess allowance			64,459
2. Actual provisioning for loan loss ⁽¹⁾			135,268
3. Gross NPLs ⁽²⁾	102,659		4.33%
4. Coverage Ratio ⁽³⁾			131.8%

(1) Allowance for doubtful accounts and allowance for debt restructuring revaluation per financial statement

(2) NPLs Ratio-Gross was calculated according to BOT definition

(3) Coverage Ratio = Actual provisioning for loan loss / Gross NPLs

The Bank's consolidated NPLs Ratio-Gross as at March 31, 2020 was 4.36%, increased from 4.33% as at December 31, 2019. As at March 31, 2020, the Bank's consolidated coverage ratio was 126.5% as compared to 131.8% as at December 31, 2019 and 126.9% as at March 31, 2019.

Deposits

The Bank's consolidated deposits was Baht 2,352,523 million, increased by 9.1% from December 31, 2019, increasing from all types of deposits especially saving deposits.

The Bank's consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) of 90.62% decreased from 96.94% as at December 31, 2019.

Sources and Uses of Funds

Unit : Million Baht

	31 Mar 2019 (TFRS 9)		31 Dec 2019 (Pre-TFRS 9)		Change (%)
	Amount	(%)	Amount	(%)	
Net Interbank and money market items (asset)	470,362	14.9	338,771	11.2	38.8
Financial assets measured at fair value through profit or loss	45,217	1.4	N/A	N/A	N/A
Net investments and net investments in associates	388,818	12.3	426,174	14.2	(8.8)
Loans to customers (less deferred revenue)	2,131,887	67.4	2,089,874	69.4	2.0
Less Allowance for expected credit losses ⁽¹⁾	(142,158)	(4.5)	(135,268)	(4.5)	5.1
Other assets	268,934	8.5	292,665	9.7	(8.1)
Total Asset	3,163,060	100.0	3,012,216	100.0	5.0
Deposits	2,352,523	74.4	2,155,865	71.6	9.1
Net Interbank and money market items (liabilities)	177,063	5.6	215,823	7.2	(18.0)
Debt issued and borrowings	98,379	3.1	96,841	3.2	1.6
Other liabilities	196,485	6.2	195,361	6.5	0.6
Total equity	338,610	10.7	348,326	11.5	(2.8)
- Equity holders of the Bank	327,784	10.4	338,287	11.2	(3.1)
- Non-controlling interest	10,826	0.3	10,039	0.3	7.8
Total liabilities and equity	3,163,060	100.0	3,012,216	100.0	5.0
Loans to customers (less deferred revenue)-to-deposits ratio (%)	90.62		96.94		

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

As at March 31, 2020, the Bank's consolidated major source of funds was 74.4% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings. The Bank's consolidated use of funds comprised of 67.4% loans to customers (less deferred revenue), 14.9% net interbank and money market items, and 12.3 % net investments and net investments in associates.

Equity

The total equity (equity holders of the Bank) as at March 31, 2020 was Baht 327,784 million, decreased by 3.1% compared to December 31, 2019.

Book value per share (equity holders of the Bank) was Baht 23.44 per share decreased from Baht 24.20 per share at December 31, 2019.

Statutory Capital Fund

Statutory Capital Fund (Bank and the Financial Business Group)

Unit : Million Baht

Bank and the Financial Business Group ⁽¹⁾	31 Mar 2020 ⁽³⁾		The minimum rate required by the BOT for 2020 (%) ⁽²⁾	31 Dec 2019 ⁽³⁾		The minimum rate required by the BOT for 2019 (%) ⁽²⁾
	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	309,373	14.97	>8.000	304,705	15.19	>7.500
Tier 1 capital	310,447	15.03	>9.500	305,805	15.24	>9.000
Tier 2 capital	76,170			75,534		
Total capital fund	386,617	18.71	>12.000	381,339	19.01	>11.500
Risk-weighted assets	2,066,182			2,006,423		

(1) Balance sheet as under regulatory scope of the financial business group means financial statement for consolidated basis under BOT's regulation which does not include non-life and life insurance companies, and companies held less than 50 percent of paid-up shares capital by the Bank.

(2) According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb Capital conversation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.5% 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 absorbcency 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)

(3) Capital fund and capital adequacy ratio as at March 31, 2020 and December 31, 2019 are preliminary information prepared accordance with BOT guidelines.

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	31 Mar 2020		The minimum rate required by the BOT for 2020 (%) ⁽¹⁾	31 Dec 2019		The minimum rate required by the BOT for 2019 (%) ⁽¹⁾
	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	288,254	14.43	>8.000	285,462	14.80	>7.500
Tier 1 capital	288,254	14.43	>9.500	285,462	14.80	>9.000
Tier 2 capital	75,364			74,616		
Total capital fund	363,618	18.20	>12.000	360,078	18.66	>11.500
Risk-weighted assets	1,997,962			1,929,176		

(1) According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb capital conversation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.50% is reached on January 1, 2019. Moreover, KTB was named as the one of the Domestic Systemically Important Banks (D-SIBs) requiring to hold all capital ratios to absorb higher loss absorbcency 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)

As at March 31, 2020, the Bank and the Financial Business Group's Common Equity Tier 1 was Baht 309,373 million (14.97% of its RWA) and Tier 1 capital was Baht 310,447 million (15.03% of its RWA). Total capital was Baht 386,617 million (18.71% of its RWA).

As at March 31, 2020, the Bank's Common Equity Tier 1 and Tier 1 capital (bank only) were Baht 288,254 million (14.43 % of its RWA). Total capital was Baht 363,618 million (18.20 % of its RWA).

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 as well as with any foreseeable risk to ensure the capital adequacy.

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 2020	December 2019
■ Long-term/ Short-term	BBB / A-2	BBB / A-2
■ Outlook	Stable	Stable
■ Stand-Alone Credit Profile (SACP)	bb+	bb+
■ Moody's Investors Service	March 2020	December 2019
■ Long-term/ Short-term	Baa1 / P-2	Baa1 / P-2
■ Outlook	Stable ⁽³⁾	Positive
■ Baseline Credit Assessment (BCA)	baa3	baa3
■ Fitch Ratings	March 2020	December 2019
Foreign Currency Credit Ratings		
■ Long-term/ Short-term	BBB / F2	BBB / F2
■ Outlook	Stable	Positive
■ Viability Rating	bbb-	bbb-
■ Subordinated Debt (USD)	-- ⁽¹⁾	BBB-
National Credit Ratings		
■ Long-term/ Short-term	AA+(tha) / F1+ (tha)	AA+(tha) / F1+ (tha)
■ Outlook	Stable	Stable
■ THB-denominated Senior unsecured debentures	AA+(tha)	AA+(tha)
■ Subordinated Debt (Baht)	AA-(tha) ⁽²⁾	AA(th)

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

(2) On April 2, 2020, Fitch Ratings had downgraded the rating from AA(th).

(3) On April 22, 2020, Moody's Investors Service had revised ratings on Thailand's outlook from Positive to Stable; consequently, Thai banks' outlook had been revised on April 22, 2020.

On March 23, 2020, Fitch Ratings had revised the Bank's outlook on Foreign Currency Credit Ratings to Stable from Positive in alignment with the revised outlook on Thailand's Long-term Foreign Currency Credit Ratings to reflect the impact from COVID-19 pandemic globally, including such impact on Thai economy.

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

one-notch to AA-(tha) from AA(thu) in accordance with Fitch's revised criteria, thus, affecting the ratings for domestic subordinated debts.

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.