



Management Discussion and Analysis

For the Year ended December 31, 2020

(Unaudited)

This report discusses the principal changes in the unaudited consolidated financial statement for the year ended December 31, 2020. There were no restatement of the Bank and its subsidiaries' prior year financial statements given the change in financial reporting standards.

The Bank and Its Subsidiaries' Overview Performance

The Bank and Its Subsidiaries' Performance for 4Q2020

Comparing 4Q2020 to the same period of last year, the Bank and its subsidiaries' pre-provision profit was Baht 14,634 million, a decrease of 2.5% YoY. This was mainly derived from the decrease in total operating income, whilst the decrease in total other operating expenses. Such decrease of total operating income was mainly due to the decrease in non-interest income while having a slight decrease in net interest income given the impact from series of policy rate and loan rate cuts. However, a precautious loan growth together with lower cost of fund had lessen the impact of such interest rate cuts. NIM resulted at 2.59%, down from 2.91% in 4Q2019, mainly due to the impact from interest rate cuts.

Other operating expenses decreased from special transactions on impairment loss of properties for sale in 4Q2019. Cost to income ratio resulted at 48.78%, down from 52.54% in 4Q2019.

The Bank and its subsidiaries had set aside the expected credit losses of Baht 9,254 million, increasing 91.8% from impairment loss of loans in the same quarter of last year given thorough considerations on various factors in the continuously changing business environment under this economic slowdown with high uncertainties that could impact loan quality. This led to higher coverage ratio as at December 31, 2020 at 147.3%, increasing from 135.6% as at September 30, 2020. Given the management on the Bank's asset quality, the NPLs Ratio-Gross decreased to 3.81% from 4.21% as at September 30, 2020.

From the aforementioned performance with high level of expected credit losses, the Bank and its subsidiaries' consolidated net profit attributable to equity holders of the Bank amounted Baht 3,453 million or a decline of 53.7% YoY.

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

The Bank and Its Subsidiaries' Performance for Year of 2020

The Bank and its subsidiaries' pre-provision profit in 2020 was Baht 68,783 million, an increase of 8.9% YoY. Such increase was mainly derived stable net interest income as 2019 level during this operating environment with series of policy rate and loan rate cuts while having higher special interest income ("special interest income" interest income received from the auction of mortgaged guarantee assets) and precautionous loan growth together with the cost of fund reduction, which had lessened the impact of such interest rate cuts. NIM resulted at 2.91%, down from 3.22% YoY, mainly due to the impact from interest rate cuts. Furthermore, other operating expenses also declined 14.4%; whilst non-interest income declined. Cost to income ratio resulted at 43.73%, down from 49.72% in 2019.

The Bank and its subsidiaries had gradually set aside the expected credit losses at the high level of Baht 44,903 million, a 88.6% increase from impairment loss of loans in 2019 given thorough considerations on various factors in the continuously changing business environment under this economic slowdown with high uncertainties which could impact loan quality. This led to higher coverage ratio as at December 31, 2020 of 147.3%, increasing from 131.8% as at December 31, 2019. Given the management on the Bank's asset quality, the NPLs Ratio-Gross decreased to 3.81% from 4.33% as at December 31, 2019.

The aforementioned performance with high level of expected credit losses resulted in the Bank and its subsidiaries' net profit attributable to equity holders of the Bank of Baht 16,732 million, a decrease of 42.9% YoY.

The Bank's Tier 1 and Total Capital ratios were 15.35% and 18.76% respectively, maintaining at a strong level as compared to BOT's requirement.

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

Overview Operating Income and Net Profit

Unit : Million Baht

	4/2020	3/2020	Change	4/2019	Change	2020	2019	Change
	(TFRS 9)	(TFRS 9)	%		%	(TFRS 9)		%
Net interest income	20,320	21,602	(5.9)	20,709	(1.9)	88,343	88,316	0.0
Net fee and service income	5,283	5,025	5.1	6,004	(12.0)	20,528	23,237	(11.7)
Other non-interest income	2,967	3,647	(18.7)	4,915	(39.6)	13,377	14,105	(5.2)
Total operating income	28,570	30,274	(5.6)	31,628	(9.7)	122,248	125,658	(2.7)
Total other operating expenses	13,936	13,702	1.7	16,617	(16.1)	53,465	62,474	(14.4)
Pre-provision profit ⁽¹⁾	14,634	16,572	(11.7)	15,011	(2.5)	68,783	63,184	8.9
Expected credit losses / impairment loss of loans and debt securities	9,254	12,414	(25.5)	4,824	91.8	44,903	23,814	88.6
Operating profit before income tax expenses	5,380	4,158	29.4	10,187	(47.2)	23,880	39,370	(39.3)
Income tax expenses	1,257	482	160.8	2,057	(38.9)	4,441	7,232	(38.6)
Net Profit	4,123	3,676	12.1	8,130	(49.3)	19,439	32,138	(39.5)
Net profit (attributable to equity holders of the Bank)	3,453	3,057	12.9	7,459	(53.7)	16,732	29,284	(42.9)
ROA (%) ⁽²⁾	0.43	0.39		1.00		0.53	1.02	
ROE (%) ⁽²⁾	4.03	3.59		8.78		4.91	9.09	

(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 4Q2020, KTB's consolidated pre-provision profit was Baht 14,634 million, a decrease of 2.5% YoY. This was the result of the decrease in total operating income, whilst the decrease in total other operating expenses. Such decrease of total operating income was mainly due to the decrease in non-interest income while having a slight decrease in net interest income given the impact from series of policy rate and loan rate cuts. However, a pre-cautious loan growth together with lower cost of fund had lessen the impact of such interest rate cuts. Moreover, other operating expenses decreased from special transactions on impairment loss of properties for sale in 4Q2019. The Bank and its subsidiaries had set aside the allowance for expected credit losses with prudence for the amount of Baht 9,254 million, an increase by 91.8% YoY; hence, consolidated net profit attributable to equity holders of the Bank amounted to Baht 3,453 million, a decrease by 53.7% YoY.

Compared to 3Q2020, KTB's consolidated pre-provision profit declined 11.7% YoY, mainly from decreased net interest income due to special interest income in 3Q2020 as well as from decreased non-interest income, while

being able to control other operating expenses with a slight increase. However, the allowance for expected credit losses remained at high level though partially decreased from previous quarter; consequently, consolidated net profit attributable to equity holders of the Bank improved by 12.9%.

In 2020, KTB's consolidated pre-provision profit was Baht 68,783 million, an increase of 8.9% YoY. This was mainly due to stable net interest income as 2019 level and sharp decrease of other operating expenses; whilst non-interest income declined. The Bank and its subsidiaries had set aside the allowance for expected credit losses amounted Baht 44,903 million, an increase of 88.6% YoY. Hence, consolidated net profit attributable to equity holders of the Bank was Baht 16,732 million, a decrease by 42.9% YoY.

Net Interest Income

Unit : Million Baht

	4/2020	3/2020	Change	4/2019	Change	2020	2019	Change
	(TFRS 9)	(TFRS 9)	%		%	(TFRS 9)		%
Interest income	25,843	27,212	(5.0)	29,505	(12.4)	112,837	122,971	(8.2)
- Interbank and money market items	802	793	1.1	1,567	(48.8)	3,653	7,113	(48.6)
- Investments and trading transactions	64	107	(39.6)	159	(59.6)	435	482	(9.8)
- Investment in debt securities	990	1,340	(26.1)	1,360	(27.2)	4,251	4,943	(14.0)
- Loans	23,944	24,929	(4.0)	26,246	(8.8)	104,248	109,784	(5.0)
- Hire purchase and financial lease	22	39	(42.7)	80	(72.4)	184	428	(57.1)
- Others	21	4	355.3	93	(78.0)	66	221	(70.3)
Less Interest expense	5,523	5,610	(1.6)	8,796	(37.2)	24,494	34,655	(29.3)
- Deposits	2,902	2,979	(2.6)	4,417	(34.3)	13,765	17,861	(22.9)
- Interbank and money market items	437	441	(0.9)	597	(26.8)	1,860	2,532	(26.5)
- Contributions to BOT and DPA	1,476	1,440	2.6	2,598	(43.2)	5,687	9,978	(43.0)
- Debts issued	687	730	(6.0)	1,093	(37.2)	3,080	4,085	(24.6)
- Others	21	20	8.4	91	(77.0)	102	199	(48.5)
Net interest income	20,320	21,602	(5.9)	20,709	(1.9)	88,343	88,316	0.0
Earning Asset Yield (%)⁽¹⁾	3.30	3.55⁽²⁾		4.15		3.72⁽²⁾	4.48⁽²⁾	
Cost of Fund (%)⁽¹⁾	0.81	0.84		1.44		0.93	1.46	
Net interest margin [based on earning assets] (%)⁽¹⁾	2.59	2.82⁽²⁾		2.91		2.91⁽²⁾	3.22⁽²⁾	

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

(2) If excluding interest income received from the auction, earning asset yield for 3Q2020 would be 3.39%; hence, NIM for 3Q2020 would be 2.66%. If excluding interest income received from the auction, earning asset yield for 2019 and 2020 would be 4.34% and 3.56% respectively; hence, NIM for 2019 and 2020 would be 3.07% and 2.76% respectively.

KTB's consolidated net interest income in 4Q2020 amounted Baht 20,320 million, decreased by 1.9% YoY as a result from the impact series of policy rate and loan rate cuts. However, a precautionous loan growth together with lower cost of fund had lessen the impact of such interest rate cuts. Hence, NIM resulted at 2.59%, down from 2.91% in 4Q2019, mainly due to the impact from interest rate cuts.

Compared to 3Q2020, net interest income decreased by 5.9% due to special interest income in 3Q2020 while controlling cost of fund at a decreasing trend. Hence, NIM registered at 2.59%, decreased from 2.82% in 3Q2020 (NIM excluding special transactions in 3Q2020 down from 2.66%).

KTB's consolidated net interest income in 2020 amounted Baht 88,343 million, a same level as 2019. During this operating environment with series of policy rate and loan rate cuts, KTB had higher special interest income ("special interest income" interest income received from the auction of mortgaged guarantee assets) and precautionous loan growth together with the cost of fund reduction, which had lessened the impact of such interest rate cuts. Hence, NIM of 2.91%, down from 3.22% YoY, mainly due to the impact from interest rate cuts.

Additionally, the Bank had special transactions on interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 1,223 million in 3Q2020, Baht 3,524 million in 2Q2020 and Baht 3,899 million in 1Q2019 (if excluding such special transactions, NIM stood at 2.76%, down from 3.07% in 2019).

Change of interest rate

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

(1) Standard deposit rate for individuals.

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

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

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

Net Fee and Service Income

Unit : Million Baht

	4/2020 (TFRS 9)	3/2020 (TFRS 9)	Change %	4/2019	Change %	2020 (TFRS 9)	2019	Change %
Fee and service income	7,217	6,632	8.8	7,744	(6.8)	27,690	29,596	(6.4)
Less Fee and service expense	1,934	1,607	20.3	1,740	11.1	7,162	6,359	12.6
Net fee and service income	5,283	5,025	5.1	6,004	(12.0)	20,528	23,237	(11.7)

KTB's consolidated net fee and service income in 4Q2020 was Baht 5,283 million, a decrease by 12.0% YoY, mainly due to customers' shift in service channel toward digital transactions during COVID-19 pandemic as well as lower transactions volume, whilst expansion on management fee. Compared to 3Q2020, KTB's consolidated net fee and service income increased 5.1%, mainly from continual expansion on management fee and higher card related fee.

KTB's consolidated net fee and service income in 2020 was Baht 20,528 million, compressed by 11.7% YoY, mainly due to customers' shift in service channel toward digital transactions during COVID-19 pandemic as well as lower transactions volume, whilst expansion on management fee and bancassurance fee.

Total Other Operating Income

Unit : Million Baht

	4/2020 (TFRS 9)	3/2020 (TFRS 9)	Change %	4/2019	Change %	2020 (TFRS 9)	2019	Change %
Gains (loss) on financial instruments measured at fair value through profit or loss	750	962	(22.1)	-	N/A	3,135	-	N/A
Gain (loss) on trading and foreign exchange transactions, net	-	-	N/A	1,057	N/A	-	3,197	N/A
Gain (loss) on investments, net	56	148	(62.2)	2,546	(97.8)	951	4,372	(78.2)
Share of profit (loss) from investments for using equity method	492	1,014	(51.5)	185	165.7	2,060	1,425	44.6
Dividend income	46	82	(43.5)	37	23.9	376	496	(24.1)
Other income	1,623	1,441	12.6	1,090	48.9	6,855	4,615	48.5
Total other operating income	2,967	3,647	(18.7)	4,915	(39.6)	13,377	14,105	(5.2)

KTB's consolidated total other operating income in 4Q2020 was Baht 2,967 million, a decrease by 39.6% YoY, mainly due to gain on investments, net in 4Q2019. Compared to 3Q2020, KTB's consolidated total other operating income decreased by 18.7%, mainly due to lower share of profit from investments for using equity method and gains on financial instruments measured at fair value through profit or loss.

KTB's consolidated total other operating income in 2020 was Baht 13,377 million, a decrease by 5.2% YoY, mainly due to gain on investments, net despite the increases in other income on gain from sale of properties for sale and in share of profit from investments for using equity method.

Other Operating Expenses

	Unit : Million Baht							
	4/2020	3/2020	Change	4/2019	Change	2020	2019	Change
	(TFRS 9)	(TFRS 9)	%		%	(TFRS 9)		%
Employees' expenses	6,844	7,226	(5.3)	7,089	(3.5)	28,466	31,390	(9.3)
Premises and equipment expenses	2,377	2,321	2.4	2,304	3.2	8,896	8,942	(0.5)
Taxes and duties	916	859	6.7	1,023	(10.5)	3,798	4,363	(13.0)
Impairment loss of properties for sale	427	618	(30.8)	2,405	(82.2)	1,538	7,219	(78.7)
Others ⁽¹⁾	3,372	2,678	25.9	3,796	(11.2)	10,767	10,560	2.0
Total other operating expenses	13,936	13,702	1.7	16,617	(16.1)	53,465	62,474	(14.4)
Cost to income ratio (%)	48.78	45.26 ⁽²⁾		52.54 ⁽²⁾		43.73 ⁽²⁾	49.72 ⁽²⁾	

(1) Including Directors' remuneration

(2) If excluding interest income received from the auction, provision expense on employees' benefits and impairment loss of properties for sale items, cost to income ratio for 4Q2019 and 3Q2020 would be 45.48% and 47.16% respectively. If excluding interest income received from the auction, provision expense on employees' benefits and impairment loss of properties for sale items, cost to income ratio for 2019 and 2020 would be 43.58% and 45.50% respectively.

KTB's consolidated other operating expenses in 4Q2020 was Baht 13,936 million, declined by 16.1% YoY, mainly from special transactions on impairment loss of properties for sale in 4Q2019 and lower employees' expenses. Hence, cost to income ratio stood at 48.78%, down from 52.54% in 4Q2019 (if excluding special transaction in 4Q2019, cost to income increased from 45.48%). Compared to 3Q2020, KTB's consolidated other operating expenses increased 1.7% QoQ, mainly from other expenses; therefore, cost to income ratio stood at 48.78%.

KTB's consolidated other operating expenses in 2020 was Baht 53,465 million, a decrease by 14.4% YoY due to special transactions on impairment loss of properties for sale and provision expense on employees' benefits in 2019. This resulted in cost to income ratio of 43.73%, down from 49.72% in 2019 (if excluding special transactions, cost to income stood at 45.50%, an increase from 43.58% in 2019).

Expected credit losses / Impairment Loss of Loans

Unit : Million Baht

	4/2020 (IFRS 9)	3/2020 (IFRS 9)	Change %	4/2019	Change %	2020 (IFRS 9)	2019	Change %
Expected credit losses ⁽¹⁾ / Impairment loss of loans ⁽²⁾	9,254	12,414	(25.5)	4,824	91.8	44,903	23,814	88.6

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

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

In 4Q2020, the Bank and its subsidiaries thoroughly considered various factors in the continuously changing business environment and in this economic situation of high uncertainties that could impact loan quality; hence, the expected credit losses amounted Baht 9,254 million, increasing 91.8% from impairment loss of loans in the same quarter of last year. Compared to 3Q2020, the expected credit losses decreased 25.5%.

In 2020, the Bank and its subsidiaries' expected credit losses amounted Baht 44,903 million, increasing 88.6% YoY given thorough considerations of various factors in the continuously changing business environment and in this economic situation of high uncertainties. The Bank's consolidated coverage ratio increased to 147.3% from 135.6% as at September 30, 2020 and from 131.8% as at December 31, 2019, though having an improvement in NPL ratio.

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

Loans to Customers

The Bank's consolidated loans to customers (less deferred revenue) was Baht 2,331,998 million, increased by 11.6% compared to the end of 2019, mainly from government and retail customers while also increased by 2.2% from September 30, 2020 from all types of borrowers.

Unit : Million Baht

Consolidated Financial Statements	31 Dec 2020		30 Sep 2020		Change	31 Dec 2019		Change
	(TFRS 9)		(TFRS 9)					
					%			%
Loans to customers	2,332,376		2,281,882		2.2	2,090,342		11.6
Less Deferred revenue	378		399		(5.4)	469		(19.5)
Add Accrued interest receivables	16,199		13,358		21.3	5,160		214.0
Less Allowance for expected credit losses ⁽¹⁾	150,523		145,221		3.7	135,268		11.3
Loans to customers and accrued interest receivables, net	2,197,674		2,149,620		2.2	1,959,765		12.1

(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 : Billion Baht

Consolidated Financial Statement	31 Dec 2020		30 Sep 2020		Change	31 Dec 2019		Change
	(TFRS 9)		(TFRS 9)					
	Amount	(%)	Amount	(%)	%	Amount	(%)	%
Private Corporate	637	27.3	634	27.8	0.5	650	31.1	(2.0)
Government and State Enterprise	367	15.8	358	15.7	2.5	183	8.8	100.7
SMEs ⁽¹⁾	336	14.4	321	14.1	4.6	333	16.0	1.0
Retail	992	42.5	968	42.4	2.4	924	44.2	7.3
- Housing	430	18.4	424	18.6	1.6	396	18.9	8.6
- Personal	497	21.3	484	21.2	2.5	464	22.2	7.0
- Credit card	60	2.6	54	2.4	10.1	57	2.7	5.9
- KTB Leasing	5	0.2	6	0.2	(11.0)	7	0.4	(31.6)
Others	0	0.0	1	0.0	(4.1)	0	0.0	(4.7)
Total loans (per F/S)	2,332	100.0	2,282	100.0	2.2	2,090	100.0	11.6

(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 Dec 2020 (IFRS 9)	30 Sep 2020 (IFRS 9)	31 Dec 2019
Gross NPL ⁽¹⁾	107,138	110,662	102,659
Gross NPL Ratio	3.81%	4.21%	4.33%
Allowance for Expected Credit Losses (total) ⁽²⁾	157,854	150,102	135,268
Coverage Ratio ⁽³⁾	147.3%	135.6%	131.8%

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

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

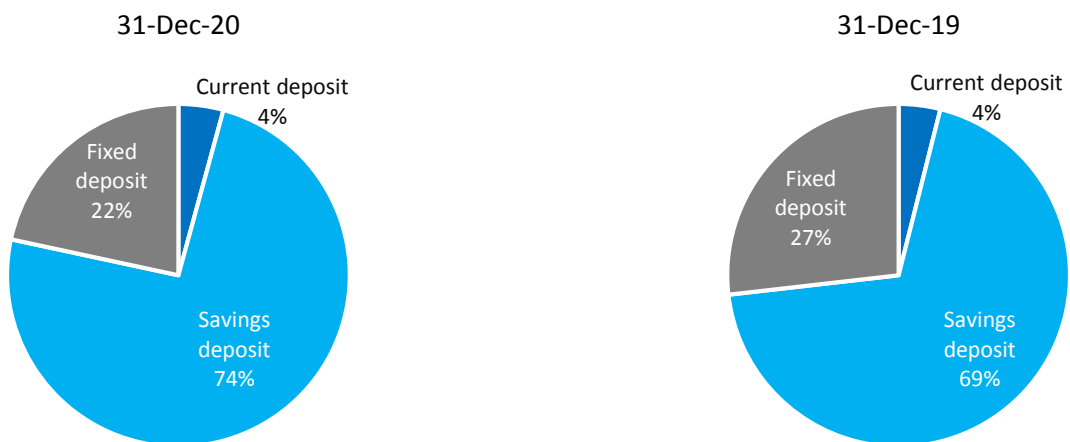
As at December 31, 2019, Allowance for expected credit loss (total) = Allowance for expected credit losses for loans to customers (including allowance for debt restructuring revaluation)

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

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

The Bank's consolidated NPLs-Gross as at December 31, 2020 amounted Baht 107,138 million, having NPLs Ratio-Gross continuously improved to 3.81% from 4.21% as at September 30, 2020 and from 4.33% as at December 31, 2019. Given thorough considerations on various factors in the continuously changing business environment and in this economic situation of high uncertainties that could impact loan quality, the allowance for expected credit losses was set aside to remain at high level. Consequently, the Bank's consolidated coverage ratio as at December 31, 2020 increased to 147.3% from 135.6% as at September 30, 2020 and from 131.8% as at December 31, 2019.

Deposits



The Bank’s consolidated deposits was Baht 2,463,225 million, increased by 14.3% from December 31, 2019 with an uplift in saving deposits as well as increased by 6.5% from September 30, 2020 with increases in saving and current deposits. Hence, the portion of current deposit and savings deposit to total deposit (CASA) accounted at 78%.

The Bank’s consolidated loans to customers (less deferred revenue)-to-deposits ratio (L/D ratio) of 94.67% decreased from 98.66% as at September 30, 2020 and from 96.94% as at December 31, 2019.

Sources and Uses of Funds

Unit : Million Baht

	31 Dec 2020 (IFRS 9)		30 Sep 2020 (IFRS 9)		Change	31 Dec 2019		Change
	Amount	(%)	Amount	(%)	%	Amount	(%)	%
Net Interbank and money market items (asset)	519,631	15.6	378,050	12.2	37.5	338,771	11.2	53.4
Financial assets measured at fair value through profit or loss	13,724	0.4	20,216	0.6	(32.1)	N/A	N/A	N/A
Net investments and net investments in associates	346,388	10.4	341,357	11.0	1.5	426,174	14.2	(18.7)
Loans to customers (less deferred revenue)	2,331,998	70.1	2,281,483	73.5	2.2	2,089,873	69.4	11.6
Less Allowance for expected credit losses ⁽¹⁾	150,523	(4.5)	145,221	(4.7)	3.7	135,268	(4.5)	11.3
Other assets	266,562	8.0	228,590	7.4	16.6	292,666	9.7	(8.9)
Total Asset	3,327,780	100.0	3,104,475	100.0	7.2	3,012,216	100.0	10.5
Deposits	2,463,225	74.0	2,312,538	74.5	6.5	2,155,865	71.6	14.3
Net Interbank and money market items (liabilities)	274,566	8.3	221,601	7.1	23.9	215,823	7.2	27.2
Debt issued and borrowings	86,564	2.6	88,631	2.9	(2.3)	96,841	3.2	(10.6)
Other liabilities	148,361	4.4	131,955	4.2	12.4	195,361	6.5	(24.1)
Total equity	355,064	10.7	349,750	11.3	1.5	348,326	11.5	1.9
- Equity holders of the Bank	343,503	10.3	338,873	10.9	1.4	338,287	11.2	1.5
- Non-controlling interest	11,561	0.4	10,877	0.4	6.3	10,039	0.3	15.2
Total liabilities and equity	3,327,780	100.0	3,104,475	100.0	7.2	3,012,216	100.0	10.5
Loans to customers (less deferred revenue)-to-deposits ratio (%)	94.67		98.66			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 December 31, 2020, the Bank's consolidated major source of funds was 74.0% deposits; and the other source of funds as equity, interbank borrowings, and debt issued and borrowings, in which the latter decreased from the end of 2019 due to the redemption on the Ringgit-Malaysia-denominated Subordinated Notes in an amount of MYR 1,000,000,000. The Bank's consolidated use of funds comprised of 70.1% loans to customers (less deferred revenue), 15.6% net interbank and money market items, and 10.4% net investments and net investments in associates.

Equity

The total equity (equity holders of the Bank) as at December 31, 2020 was Baht 343,503 million, an increase by 1.5% as compared to December 31, 2019 and increased by 1.4% compared to September 30, 2020.

Book value per share (equity holders of the Bank) was Baht 24.57 per share increased from Baht 24.20 per share at December 31, 2019 and from Baht 24.24 per share at September 30, 2020.

Statutory Capital Fund

Statutory Capital Fund (The Bank's Financial Statements)

Unit : Million Baht

The Bank's Financial Statements	31 Dec 2020 ⁽²⁾ (TFRS 9)		30 Sep 2020 ⁽²⁾ (TFRS 9)		The minimum rate required by the BOT for 2020 (%) ⁽¹⁾	31 Dec 2019 ⁽²⁾		The minimum rate required by the BOT for 2019 (%) ⁽¹⁾
	Amount	(%)	Amount	(%)		Amount	(%)	
Common Equity Tier 1 capital	293,684	15.35	286,893	15.01	>8.000	285,462	14.80	>7.500
Tier 1 capital	293,684	15.35	286,893	15.01	>9.500	285,462	14.80	>9.000
Tier 2 capital	65,332		65,167			74,616		
Total capital fund	359,016	18.76	352,060	18.42	>12.000	360,078	18.66	>11.500
Risk-weighted assets	1,913,807		1,910,976			1,929,176		

(1) According to BOT's regulation, the minimum capital ratios of Commercial Banks in Thailand will be increased to absorb capital conversation buffer more than 0.625% a year starting from January 1, 2016 until the capital buffer ratio of more than 2.50% is reached on January 1, 2019. Moreover, KTB was named as the one of the Domestic Systemically Important Banks (D-SIBs) requiring to hold all capital ratios to absorb higher loss absorbency of additional 0.5% of risk-weight assets from January 1, 2019 and 1% of risk-weight assets from January 1, 2020 onwards (reference to the BOT Notification Sor.Nor.Sor. 16/2560 and 17/2560)

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

As at December 31, 2020, the Bank's Common Equity Tier 1 and Tier 1 capital (bank only) were Baht 293,684 million (15.35% of its RWA). Total capital was Baht 359,016 million (18.76% of its RWA).

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

The Bank possesses healthy capital ratios compared to BOT's requirement. Moreover, the Bank regularly reassesses the capital level to be in accordance with the BOT's requirement.

Appendix

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

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

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

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

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

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

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

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

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

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

KTB's Relief Measures

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

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

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

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

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

BOT's Relief Measures Phase 2

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

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

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

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

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

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

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

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

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

BOT's 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.
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.

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

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

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

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

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

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

Disclaimer

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