

Krung Thai Bank Public Company Limited  
and its subsidiaries  
Report and financial statements  
30 June 2020

## **Independent Auditor's Report**

To the Shareholders of Krung Thai Bank Public Company Limited

### **Report on Audit of Financial Statements**

#### **Opinion**

I have audited the accompanying consolidated financial statements of Krung Thai Bank Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Krung Thai Bank Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Krung Thai Bank Public Company Limited and its subsidiaries and of Krung Thai Bank Public Company Limited as at 30 June 2020, their financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand's regulations.

#### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Emphasis of matter**

I draw attention to Note 3 to the financial statements, the Bank and its subsidiaries have adopted new accounting policies in respect of the set of Thai Financial Reporting Standards related to financial instruments and Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy as announced by the Federation of Accounting Professions in preparation of the current period's financial statements. My opinion is not modified in respect of this matter.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond to each matter are described below.

### **Allowances for expected credit losses of loans to customers**

The Group have adopted the set of Thai Financial Reporting Standards related to financial instruments which are effective from 1 January 2020 onwards. The set of standards includes Thai Financial Reporting Standard No. 9 Financial Instruments which stipulates a basis for calculating impairment of financial instruments using the expected credit loss method. The basis involves complex calculation modelling and requires management to use significant judgements and estimates in developing expected credit loss models in compliance with Thai Financial Reporting Standards and the rules set by the Bank of Thailand. The areas of significant management judgement include the identification of criteria for assessment of a significant increase in credit risk since initial recognition, the selection of the future economic variables to be incorporated in the models and a management overlay used to adjust of the allowance for expected credit losses due to the limitations of the model.

As discussed in Note 9.8 to the consolidated financial statements, as at 30 June 2020, the Group had loans to customers of Baht 2,285,561 million (accounting for 72% of total assets) and allowances for expected credit losses amounting to Baht 142,819 million, which are material amounts to the financial statements.

Because of the materiality and the use of judgement and estimates mentioned above, I addressed the adequacy of allowances for expected credit losses of loans to customers as a key audit matter.

I gained an understanding of, assessed and tested the internal controls relating to the calculation of allowance for expected credit losses of loans to customers, taking into account the balance, complexity and credit risk of each portfolio. I compared the accounting policies of the Group with Thai Financial Reporting Standards and the regulations announced by the regulator. I considered and assessed the process governing model development, model development documentation and the model validation report prepared by the specialist employed by the management of the Group, and tested, on a sampling basis, the accuracy of the data used in model development. I also assessed the methods and assumptions applied by the Group in the calculation of the allowance for expected credit losses, including the method used to incorporate the management overlay to address the limitations of the model and the recording of allowance for expected credit losses. I tested the controls over the information technology systems relevant to the calculation of allowance for expected credit losses.

Moreover, I examined the allowances for expected credit losses by assessing the classification of loans to customers based on the change in credit risk since initial recognition and recalculating the allowance for expected credit losses as at the end of the accounting period, including testing the completeness of the data used in the calculation of allowance for expected credit losses.

I assessed the adequacy of disclosure in accordance with the relevant financial reporting standards, as well as notifications and guidelines announced by the Bank of Thailand.

## **Recognition of interest income on loans to customers**

For the six-month period ended 30 June 2020, the Group recognised interest income on loans to customers amounting to Baht 55,376 million (accounting for 87% of total income). The Group recognised interest income using the effective interest rate method, which involves the use of management judgement and estimates in estimating future cash flow receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period, taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate. Moreover, the interest income was generated from various type of loans provided to a large number of customers and each type of loan agreement had different terms and conditions. In addition, the recognition of interest income relies primarily on data processed by the information technology systems. I therefore addressed the measurement of interest income in accordance with Thai Financial Reporting Standards and the regulations announced by the Bank of Thailand as a key audit matter.

The audit procedures I performed were to gain an understanding of, assess and test, on a sampling basis, the Group's internal controls relevant to loan origination and interest income recognition, including related computer-based controls. I compared the accounting policies of the Group with Thai Financial Reporting Standards and the regulations announced by the regulatory agency. I also assessed the methods applied by the management to determine the future cash flow receipts and the expected life of the financial instruments used in calculating the effective interest rate, including testing, on a sampling basis, the accuracy of the data and the calculation. In addition, I applied a sampling method to select loan agreements to consider whether the recognition was consistent with the conditions of the relevant agreement and an adjustment was made to reflect effective interest rate. I also performed analytical procedures on interest income and examined, on a sampling basis, material adjustments made through journal vouchers.

## **Other Matter**

The consolidated statement of financial position of Krung Thai Bank Public Company Limited and its subsidiaries, and the separate statement of Krung Thai Bank Public Company Limited as at 31 December 2019, presented herein as comparative information, were audited by another auditor who expressed an unmodified opinion on those statements, under the report dated 26 February 2020. The consolidated statements of comprehensive income, changes in equity and cash flows of Krung Thai Bank Public Company Limited and its subsidiaries, and the separate statements of Krung Thai Bank Public Company Limited for the six-month period ended 30 June 2019, presented herein as comparative information, were also audited by the aforementioned auditor who expressed an unmodified opinion on those statements, under the report dated 28 August 2019.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

### **Review Report of Interim Financial Information**

I have reviewed the accompanying consolidated statement of comprehensive income and notes to the consolidated financial statements for the three-month period ended 30 June 2020 (Collectively "Interim Financial Information") of Krung Thai Bank Public Company Limited and its subsidiaries, and I also reviewed the interim separate financial information of Krung Thai Bank Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting and the Bank of Thailand's regulations. My responsibility is to express a conclusion on this interim financial information based on my review.

### **Scope of Review**

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### **Conclusion**

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting and the Bank of Thailand's regulations.



**Emphasis of matter**

I draw attention to Note 3 to the financial statements, the Bank and its subsidiaries have adopted new accounting policies in respect of the set of Thai Financial Reporting Standards related to financial instruments and Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy as announced by the Federation of Accounting Professions in preparation of the current period's financial statements. My conclusion is not modified in respect of this matter.

**Other Matter**

The consolidated statements of comprehensive income of Krung Thai Bank Public Company Limited and its subsidiaries, and the separate statements of Krung Thai Bank Public Company Limited for the three-month period ended 30 June 2019, presented herein as comparative information, were reviewed by another auditor who concluded, under the report dated 28 August 2019, that nothing had come to attention that caused them to believe that the interim financial information was not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 26 August 2020

**Krung Thai Bank Public Company Limited and its subsidiaries**

**Statement of financial position**

**As at 30 June 2020**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Assets</b>					
Cash		54,060,777	68,433,721	54,025,943	68,361,786
Interbank and money market items - net	9.3	423,451,753	338,770,589	423,133,714	338,273,821
Financial assets measured at fair value through profit or loss	9.4	35,635,274	-	35,941,064	-
Claims on securities		-	67,350,100	-	67,350,100
Derivatives assets	9.5	70,875,798	55,811,418	70,875,798	55,811,462
Investments - net	9.6	305,403,408	395,227,970	305,709,597	395,174,162
Investments in subsidiaries and associated companies - net	9.7	28,963,950	30,945,612	11,000,393	10,830,013
Loans to customers and accrued interest receivables - net	9.8	2,151,757,069	1,959,765,482	2,081,202,011	1,884,110,174
Customers' liability under acceptances		-	133,241	-	133,241
Properties for sale - net	9.11	32,699,762	32,182,562	32,695,325	32,175,895
Premises and equipment - net	9.12	24,516,924	24,200,896	22,345,142	22,293,897
Right-of-use assets	9.13	4,524,412	-	3,706,670	-
Other intangible assets - net	9.14	4,974,181	3,900,228	2,677,275	1,398,367
Deferred tax assets	9.15	5,753,292	8,164,563	3,325,804	5,697,176
Accrued income		2,574,690	3,487,317	2,318,778	3,193,301
Other assets - net	9.16	26,131,241	23,842,421	25,626,523	23,554,727
<b>Total assets</b>		<b>3,171,322,531</b>	<b>3,012,216,120</b>	<b>3,074,584,037</b>	<b>2,908,358,122</b>

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President

**Krung Thai Bank Public Company Limited and its subsidiaries**  
**Statement of financial position (continued)**  
**As at 30 June 2020**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Liabilities and equity</b>					
Deposits	9.17	2,350,763,636	2,155,864,986	2,353,362,603	2,158,459,942
Interbank and money market items	9.18	228,375,658	215,822,527	226,166,851	208,239,974
Liabilities payable on demand		5,836,255	4,744,254	5,836,255	4,744,254
Liabilities to deliver securities		-	67,350,100	-	67,350,100
Derivatives liabilities	9.5	65,809,841	51,868,539	65,809,841	51,868,539
Debt issued and borrowings	9.19	97,837,086	96,841,300	51,776,286	51,322,900
Banks' liability under acceptances		-	133,241	-	133,241
Lease liabilities	9.20	4,477,733	-	3,654,520	-
Provisions	9.21	16,358,566	15,239,758	14,864,582	13,776,104
Other liabilities	9.22	53,570,168	56,025,029	47,525,285	48,239,602
<b>Total liabilities</b>		<b>2,823,028,943</b>	<b>2,663,889,734</b>	<b>2,768,996,223</b>	<b>2,604,134,656</b>
<b>Equity</b>					
Share capital	9.23				
Authorised share capital					
5,500,000 preferred shares of Baht 5.15 each		28,325	28,325	28,325	28,325
13,976,061,250 ordinary shares of Baht 5.15 each		71,976,715	71,976,715	71,976,715	71,976,715
Issued and paid-up share capital					
5,500,000 preferred shares of Baht 5.15 each		28,325	28,325	28,325	28,325
13,976,061,250 ordinary shares of Baht 5.15 each		71,976,715	71,976,715	71,976,715	71,976,715
Premium on share capital					
Premium on ordinary share		20,833,734	20,833,734	20,833,734	20,833,734
Deficit from the change in the ownership interests in subsidiary		(128,341)	-	-	-
Other components of equity	9.24	32,000,439	33,006,142	17,144,372	16,094,673
Retained earnings					
Appropriated					
Legal reserve	9.25	7,200,504	7,200,504	7,200,504	7,200,504
Unappropriated		206,124,422	205,241,876	188,404,164	188,089,515
<b>Equity attributable to equity holders of the Bank</b>		<b>338,035,798</b>	<b>338,287,296</b>	<b>305,587,814</b>	<b>304,223,466</b>
Non-controlling interests		10,257,790	10,039,090	-	-
<b>Total equity</b>		<b>348,293,588</b>	<b>348,326,386</b>	<b>305,587,814</b>	<b>304,223,466</b>
<b>Total liabilities and equity</b>		<b>3,171,322,531</b>	<b>3,012,216,120</b>	<b>3,074,584,037</b>	<b>2,908,358,122</b>

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)  
Chairman

(Payong Srivanich)  
President

(Unaudited but reviewed)

**Krung Thai Bank Public Company Limited and its subsidiaries**  
**Statement of comprehensive income**  
**For the three-month period ended 30 June 2020**

(Unit: Thousand Baht except basic earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2020	2019	2020	2019
<b>Profit or loss</b>					
Interest income	9.32	29,565,708	30,244,692	25,752,270	26,653,330
Interest expenses	9.33	6,105,690	8,440,128	5,722,827	8,062,144
<b>Net interest income</b>		<u>23,460,018</u>	<u>21,804,564</u>	<u>20,029,443</u>	<u>18,591,186</u>
Fees and service income		7,089,062	7,252,032	5,655,458	5,716,483
Fees and service expenses		1,819,536	1,601,853	1,393,077	1,241,976
<b>Net fees and service income</b>	9.34	<u>5,269,526</u>	<u>5,650,179</u>	<u>4,262,381</u>	<u>4,474,507</u>
Gains on financial instruments measured at fair value					
through profit or loss	9.35	729,785	-	793,610	-
Gains on trading and foreign exchange transactions	9.36	-	670,478	-	670,100
Gains on investments	9.37	399,957	336,904	399,957	340,693
Share of profit from investments accounted for under equity method		261,967	463,583	-	-
Dividend income		130,001	188,202	1,335,943	1,412,837
Other operating income		2,189,769	949,865	1,564,891	74,600
<b>Total operating income</b>		<u>32,441,023</u>	<u>30,063,775</u>	<u>28,386,225</u>	<u>25,563,923</u>
<b>Other operating expenses</b>					
Employee's expenses		6,628,834	7,151,029	5,475,240	5,568,951
Directors' remuneration		147,621	72,212	47,900	45,912
Premises and equipment expenses		2,111,687	2,214,320	1,234,740	1,320,361
Taxes and duties		975,759	1,076,799	839,597	942,118
Impairment loss of properties for sale		276,306	1,078,672	279,519	1,085,297
Other expenses		2,220,759	1,964,592	2,950,264	2,833,098
<b>Total other operating expenses</b>		<u>12,360,966</u>	<u>13,557,624</u>	<u>10,827,260</u>	<u>11,795,737</u>
Expected credit losses	9.38	14,710,274	-	12,650,009	-
Impairment losses of loans and debt securities	9.39	-	5,561,552	-	4,002,975
<b>Profit before income tax</b>		<u>5,369,783</u>	<u>10,944,599</u>	<u>4,908,956</u>	<u>9,765,211</u>
Income tax	9.15	1,021,494	2,080,026	672,541	1,679,213
<b>Profit for the period</b>		<u><u>4,348,289</u></u>	<u><u>8,864,573</u></u>	<u><u>4,236,415</u></u>	<u><u>8,085,998</u></u>

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President

(Unaudited but reviewed)

**Krung Thai Bank Public Company Limited and its subsidiaries**  
**Statement of comprehensive income (continued)**  
**For the three-month period ended 30 June 2020**

(Unit: Thousand Baht except basic earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2020	2019	2020	2019
<b>Other comprehensive income (loss)</b>					
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on debt securities measured at fair value					
through other comprehensive income		(634,976)	-	(630,220)	-
Gains (losses) on changes in value of available-for-sale investments		-	2,802,076	-	2,817,808
Gains (losses) arising from translating the financial statements of					
foreign operations		(51,348)	(26,312)	(51,348)	(26,312)
Gains (losses) on cash flow hedges		193,843	-	193,843	-
Gains (losses) from deferred cost of hedging		(31,750)	-	(31,750)	-
Share of other comprehensive income (loss) of associate (equity method)					
for items that will be reclassified subsequently to profit or loss		1,567,478	3,375,003	-	-
Income tax relating to other comprehensive income (loss)					
for items that will be reclassified subsequently to profit a loss		107,553	(560,415)	105,274	(563,562)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Share of other comprehensive income of associate (equity method)					
for items that will never be reclassified subsequently to profit or loss		865,857	-	-	-
Gains (losses) on investments in equity designated to be measured					
at fair value through other comprehensive income		2,510,959	-	2,490,797	-
Actuarial gains (losses) on defined benefit plan		-	10,435	-	-
Income tax relating to other comprehensive income (losses)					
for items that will never be reclassified subsequently to profit to loss		(490,549)	(2,087)	(490,549)	-
<b>Other comprehensive income (loss) - net</b>		<b>4,037,067</b>	<b>5,598,700</b>	<b>1,586,047</b>	<b>2,227,934</b>
<b>Total comprehensive income (loss)</b>		<b>8,385,356</b>	<b>14,463,273</b>	<b>5,822,462</b>	<b>10,313,932</b>
<b>Total profit attributable to:</b>					
Equity holders of the Bank		3,755,492	8,169,676	4,236,415	8,085,998
Non-controlling interest		592,797	694,897		
		<u>4,348,289</u>	<u>8,864,573</u>		
<b>Total comprehensive income attributable</b>					
Equity holders of the Bank		7,792,559	13,768,376	5,822,462	10,313,932
Non-controlling interest		592,797	694,897		
		<u>8,385,356</u>	<u>14,463,273</u>		
<b>Earnings per share of the Bank</b>	9.40				
Basic earnings per share (Baht)		0.27	0.58	0.30	0.58

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President

**Krung Thai Bank Public Company Limited and its subsidiaries**

**Statement of comprehensive income**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht except basic earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2020	2019	2020	2019
<b>Profit or loss</b>					
Interest income	9.32	59,782,427	63,622,118	52,087,002	56,513,211
Interest expenses	9.33	13,361,080	17,176,415	12,595,472	16,430,858
<b>Net interest income</b>		<u>46,421,347</u>	<u>46,445,703</u>	<u>39,491,530</u>	<u>40,082,353</u>
Fees and service income		13,841,698	14,329,566	11,018,692	11,256,332
Fees and service expenses		3,621,505	3,044,129	2,795,722	2,239,020
<b>Net fees and service income</b>	9.34	<u>10,220,193</u>	<u>11,285,437</u>	<u>8,222,970</u>	<u>9,017,312</u>
Gains (loss) on financial instruments measured at fair value					
through profit or loss	9.35	1,422,281	-	1,485,007	-
Gains on trading and foreign exchange transactions	9.36	-	1,665,597	-	1,665,251
Gains on investments	9.37	746,496	672,204	746,496	675,993
Share of profit from investments accounted for under equity method		555,319	781,185	-	-
Dividend income		247,636	304,494	2,146,378	2,209,209
Other operating income		3,790,585	2,481,008	2,300,046	594,597
<b>Total operating income</b>		<u>63,403,857</u>	<u>63,635,628</u>	<u>54,392,427</u>	<u>54,244,715</u>
<b>Other operating expenses</b>					
Employee's expenses		14,396,447	14,288,052	11,778,806	11,282,552
Directors' remuneration		159,081	87,627	54,360	52,360
Premises and equipment expenses		4,197,049	4,408,854	2,465,323	2,565,317
Taxes and duties		2,022,402	2,194,024	1,789,872	1,926,079
Impairment loss of properties for sale		493,820	4,848,047	500,734	4,875,778
Other expenses		4,558,816	3,927,392	6,084,192	5,735,401
<b>Total other operating expenses</b>		<u>25,827,615</u>	<u>29,753,996</u>	<u>22,673,287</u>	<u>26,437,487</u>
Expected credit losses	9.38	23,234,685	-	19,850,385	-
Impairment losses of loans and debt securities	9.39	-	12,891,370	-	10,002,976
<b>Profit before income tax</b>		<u>14,341,557</u>	<u>20,990,262</u>	<u>11,868,755</u>	<u>17,804,252</u>
Income tax	9.15	2,701,443	4,021,164	1,885,490	3,139,821
<b>Profit for the period</b>		<u>11,640,114</u>	<u>16,969,098</u>	<u>9,983,265</u>	<u>14,664,431</u>

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President

**Krung Thai Bank Public Company Limited and its subsidiaries**

**Statement of comprehensive income (continued)**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht except basic earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2020	2019	2020	2019
<b>Other comprehensive income (loss)</b>					
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on debt securities measured at fair value through other comprehensive income		(387,433)	-	(382,677)	-
Gains (losses) on changes in value of available-for-sale investments		-	3,450,580	-	3,458,813
Gains (losses) arising from translating the financial statements of foreign operations		(3,442)	(10,142)	(3,442)	(10,142)
Gains (losses) on cash flow hedges		122,243	-	122,243	-
Gains (losses) from deferred cost of hedging		(56,451)	-	(56,451)	-
Share of other comprehensive income of associate (equity method) for items that will be reclassified subsequently to profit or loss		(2,012,704)	4,565,643	-	-
Income tax relating to other comprehensive income (loss) for items that will be reclassified subsequently to profit or loss		57,049	(690,116)	54,770	(691,763)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Share of other comprehensive income of associate (equity method) for items that will never be reclassified subsequently to profit or loss		(359,047)	-	-	-
Gains (losses) on investments in equity designated to be measured at fair value through other comprehensive income		(1,315,051)	-	(1,141,093)	-
Actuarial gains (losses) on defined benefit plan		-	10,435	-	-
Income tax relating to other comprehensive income (losses) for items that will never be reclassified subsequently to profit or loss		228,067	(2,087)	228,067	-
<b>Other comprehensive income (loss) - net</b>		<b>(3,726,769)</b>	<b>7,324,313</b>	<b>(1,178,583)</b>	<b>2,756,908</b>
<b>Total comprehensive income (loss)</b>		<b>7,913,345</b>	<b>24,293,411</b>	<b>8,804,682</b>	<b>17,421,339</b>
<b>Total profit attributable to:</b>					
Equity holders of the Bank		10,222,024	15,470,758	9,983,265	14,664,431
Non-controlling interest		1,418,090	1,498,340		
		<b>11,640,114</b>	<b>16,969,098</b>		
<b>Total comprehensive income attributable</b>					
Equity holders of the Bank		6,495,255	22,795,071	8,804,682	17,421,339
Non-controlling interest		1,418,090	1,498,340		
		<b>7,913,345</b>	<b>24,293,411</b>		
<b>Earnings per share of the Bank</b>	9.40				
Basic earnings per share (Baht)		0.73	1.11	0.71	1.05

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President

Krung Thai Bank Public Company Limited and its subsidiaries

Statement of changes in equity

For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

Consolidated financial statements													
Attributable to equity holder of the Bank													
	Issued and fully paid-up share capital	Premium on share capital	Surplus on revaluation of assets	Revaluation surplus (deficit) on investments	Other components of equity			Share of other comprehensive income of associates	Deficit from the change in the ownership interest in subsidiary	Retained earnings	Total equity attributable to equity holders		Total
					Gains (losses) from reclassification of investments	Hedge reserve (Note 9.5)	Gains (losses) from translating the financial statements				of the Bank	Non-controlling interests	
<b>Balance as at 1 January 2019</b>	72,005,040	20,833,734	8,350,437	6,265,396	644,353	-	(99,869)	3,914,071	-	193,962,287	305,875,449	8,265,654	314,141,103
Dividends (Note 9.26)	-	-	-	-	-	-	-	-	-	(10,039,611)	(10,039,611)	(1,068,730)	(11,108,341)
Total comprehensive income (loss)	-	-	-	2,760,464	-	-	(10,142)	4,565,643	-	15,479,106	22,795,071	1,498,340	24,293,411
Adjustment gains (losses) from reclassification of investments	-	-	-	610,918	(610,918)	-	-	-	-	-	-	-	-
Non-controlling interest increases from disposal of investments in subsidiary company	-	-	-	-	-	-	-	-	-	-	-	7,853	7,853
<b>Balance as at 30 June 2019</b>	<u>72,005,040</u>	<u>20,833,734</u>	<u>8,350,437</u>	<u>9,636,778</u>	<u>33,435</u>	<u>-</u>	<u>(110,011)</u>	<u>8,479,714</u>	<u>-</u>	<u>199,401,782</u>	<u>318,630,909</u>	<u>8,703,117</u>	<u>327,334,026</u>
<b>Balance as at 1 January 2020</b>	72,005,040	20,833,734	8,206,016	8,180,228	(1,877)	-	(115,736)	16,737,511	-	212,442,380	338,287,296	10,039,090	348,326,386
Cumulative effects of changes in accounting policies (Note 6)	-	-	-	2,129,230	1,877	(29,786)	-	129,137	-	1,019,741	3,250,199	-	3,250,199
<b>Balance as at 1 January 2020 - as restate</b>	<u>72,005,040</u>	<u>20,833,734</u>	<u>8,206,016</u>	<u>10,309,458</u>	<u>-</u>	<u>(29,786)</u>	<u>(115,736)</u>	<u>16,866,648</u>	<u>-</u>	<u>213,462,121</u>	<u>341,537,495</u>	<u>10,039,090</u>	<u>351,576,585</u>
Dividends (Note 9.26)	-	-	-	-	-	-	-	-	-	(10,528,965)	(10,528,965)	(1,150,528)	(11,679,493)
Change in the ownership interest in subsidiaries	-	-	-	-	-	-	-	-	(128,341)	169,746	41,405	(41,405)	-
Decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(7,457)	(7,457)
Surplus on revaluation of assets	-	-	490,608	-	-	-	-	-	-	-	490,608	-	490,608
Total comprehensive income (loss)	-	-	-	(1,404,209)	-	52,633	(3,442)	(2,371,751)	-	10,222,024	6,495,255	1,418,090	7,913,345
<b>Balance as at 30 June 2020</b>	<u>72,005,040</u>	<u>20,833,734</u>	<u>8,696,624</u>	<u>8,905,249</u>	<u>-</u>	<u>22,847</u>	<u>(119,178)</u>	<u>14,494,897</u>	<u>(128,341)</u>	<u>213,324,926</u>	<u>338,035,798</u>	<u>10,257,790</u>	<u>348,293,588</u>

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President



**Krung Thai Bank Public Company Limited and its subsidiaries**

**Statement of changes in equity**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	Separate financial statements								Total
	Issued and fully paid-up share capital	Premium on share capital	Other components of equity					Retained earnings	
			Surplus on revaluation of assets	Revaluation surplus (deficit) on investments	Gains (losses) from reclassification of investments	Hedge reserve (Note 9.5)	Gains (losses) from translating the financial statements		
<b>Balance as at 1 January 2019</b>	72,005,040	20,833,734	8,350,437	6,075,297	644,353	-	(99,869)	179,696,186	287,505,178
Dividends (Note 9.26)	-	-	-	-	-	-	-	(10,039,611)	(10,039,611)
Total comprehensive income (loss)	-	-	-	2,767,050	-	-	(10,142)	14,664,431	17,421,339
Adjustment gains (losses) from reclassification of investments	-	-	-	610,918	(610,918)	-	-	-	-
<b>Balance as at 30 June 2019</b>	<u>72,005,040</u>	<u>20,833,734</u>	<u>8,350,437</u>	<u>9,453,265</u>	<u>33,435</u>	<u>-</u>	<u>(110,011)</u>	<u>184,321,006</u>	<u>294,886,906</u>
<b>Balance as at 1 January 2020</b>	72,005,040	20,833,734	8,206,016	8,006,270	(1,877)	-	(115,736)	195,290,019	304,223,466
Cumulative effects of changes in accounting policies (Note 6)	-	-	-	2,129,230	1,877	(29,786)	-	860,349	2,961,670
<b>Balance as at 1 January 2020 - as restate</b>	<u>72,005,040</u>	<u>20,833,734</u>	<u>8,206,016</u>	<u>10,135,500</u>	<u>-</u>	<u>(29,786)</u>	<u>(115,736)</u>	<u>196,150,368</u>	<u>307,185,136</u>
Dividends payment (Note 9.26)	-	-	-	-	-	-	-	(10,528,965)	(10,528,965)
Surplus on revaluation of assets	-	-	126,961	-	-	-	-	-	126,961
Total comprehensive income (loss)	-	-	-	(1,227,774)	-	52,633	(3,442)	9,983,265	8,804,682
<b>Balance as at 30 June 2020</b>	<u>72,005,040</u>	<u>20,833,734</u>	<u>8,332,977</u>	<u>8,907,726</u>	<u>-</u>	<u>22,847</u>	<u>(119,178)</u>	<u>195,604,668</u>	<u>305,587,814</u>

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President

**Krung Thai Bank Public Company Limited and its subsidiaries**

**Statements of cash flows**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Cash flows from operating activities</b>				
Profit before income tax	14,341,557	20,990,262	11,868,755	17,804,252
Adjustments to reconcile profit before income tax to net cash received (paid) from operating activities:				
Depreciation and amortisation expenses	2,358,392	1,318,916	1,570,903	606,996
Expected credit losses	23,234,685	-	19,850,385	-
Impairment losses of loans and debt securities	-	12,891,370	-	10,002,976
Share of profit from investments accounted for under equity method	(948,067)	(781,185)	-	-
(Gains) losses on disposal of assets	(3,494)	(23)	(170)	(181)
(Gains) losses on disposal of investments	(746,496)	(715,494)	(746,496)	(715,494)
(Gains) losses on revaluation of investments	-	(264,149)	-	(264,149)
Unrealised (gains) losses on financial instruments measured at fair value through profit and loss	344,492	-	281,766	-
(Reversal) losses on impairment of properties for sale	493,820	4,848,047	500,734	4,875,778
(Reversal) losses on impairment of investment	-	43,290	-	39,500
(Reversal) losses on impairment of other assets	241,882	138,345	241,882	138,345
Amortisation of premium (discount) on investments	538,111	(12,520)	538,111	(8,127)
(Gains) losses on foreign currency translation	(2,674,354)	5,605,282	(2,674,354)	5,605,286
Increase (decrease) in provisions	205,996	650,983	129,869	499,969
(Increase) decrease in other accrued income	(684,790)	453,115	(722,894)	594,501
Increase (decrease) in other accrued expenses	2,032,231	(3,550,095)	1,197,944	(3,022,175)
	38,733,965	41,616,144	32,036,435	36,157,477
Net interest income	(46,421,347)	(46,445,703)	(39,491,530)	(40,082,353)
Dividend income	(247,636)	(304,494)	(2,146,378)	(2,209,209)
Proceeds from interest income	56,828,270	63,950,338	49,067,559	56,811,223
Cash paid on interest expenses	(16,356,413)	(17,389,798)	(15,641,614)	(16,649,736)
Proceeds from dividend income	248,540	484,160	2,147,282	2,209,740
Cash paid on income tax expenses	(5,975,504)	(3,893,703)	(4,370,427)	(3,016,641)
<b>Income from operating activities before changes in operating assets and liabilities</b>	26,809,875	38,016,944	21,601,327	33,220,501

The accompanying notes are an integral part of the financial statements.

(Prasong Poontaneat)

Chairman

(Payong Srivanich)

President

**Krung Thai Bank Public Company Limited and its subsidiaries**  
**Statements of cash flows (continued)**  
**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Cash flows from operating activities (continued)</b>				
(Increase) decrease in operating assets				
Interbank and money market items	(84,922,776)	95,909,788	(85,101,194)	95,800,871
Financial assets measured at fair value through profit or loss	11,895,075	-	11,652,012	-
Claims on securities	-	25,784,100	-	25,784,100
Derivatives assets	(10,256,544)	(19,384,758)	(10,256,500)	(19,383,739)
Investments in trading securities	-	(2,650,476)	-	(2,650,476)
Loans to customers	(215,484,221)	(47,910,016)	(217,378,892)	(45,000,753)
Properties for sale	1,413,109	702,556	1,401,862	614,492
Other assets	1,680,584	(8,014,201)	1,843,798	(7,928,693)
Increase (decrease) in operating liabilities				
Deposits	194,898,651	(54,826,142)	194,902,661	(54,261,091)
Interbank and money market items	12,385,765	24,993,362	17,759,511	23,671,533
Liabilities payable on demand	1,092,002	1,613,878	1,092,002	1,613,878
Liabilities to deliver securities	-	(25,784,100)	-	(25,784,100)
Derivatives liabilities	13,749,280	21,174,783	13,749,280	21,174,783
Debt issued and short-term borrowings	(700)	-	(700)	-
Other liabilities	4,443,056	9,816,620	5,995,567	12,038,185
<b>Net cash provided by (used in) operating activities</b>	<b>(42,296,844)</b>	<b>59,442,338</b>	<b>(42,739,266)</b>	<b>58,909,491</b>
<b>Cash flows from investing activities</b>				
Purchase of debt and equity securities measured at fair value through other comprehensive income	(148,210,064)	-	(148,058,464)	-
Proceeds from disposal of debt and equity securities measured at fair value through other comprehensive income	186,460,668	-	187,145,777	-
Purchase of debt securities measured at amortised cost	(470,652)	-	(470,652)	-
Proceeds from disposal of debt instruments measured at amortised cost	4,347,958	-	3,329,963	-
Purchase of available for sale securities	-	(117,718,784)	-	(118,365,384)
Proceeds from disposal of available for sale securities	-	54,830,620	-	55,474,195
Purchase of held to maturity debt securities	-	(1,621,218)	-	(1,181,324)
Proceeds from disposal of held to maturity debt securities	-	2,411,647	-	1,627,645
Purchase of general investments	-	(253,063)	-	(253,063)
Proceeds from disposal of general investments	-	124,785	-	124,785
Purchase of investments in subsidiaries and associates	392,113	-	(170,381)	(17,465)
Proceeds from disposal of investments in subsidiaries and associates	-	188,265	-	188,265
Purchase of intangible assets	(1,410,846)	(255,142)	(1,288,817)	(160,061)
Purchase of premises and equipment	(1,339,033)	(739,360)	(1,156,521)	(286,668)
Proceeds from disposal of premises and equipment	344,411	9,091	341,079	181
<b>Net cash provided by (used in) investing activities</b>	<b>40,114,555</b>	<b>(63,023,159)</b>	<b>39,671,984</b>	<b>(62,848,894)</b>

The accompanying notes are an integral part of the financial statements.

.....  
(Prasong Poontaneat)  
Chairman

.....  
(Payong Srivanich)  
President

**Krung Thai Bank Public Company Limited and its subsidiaries**

**Statements of cash flows (continued)**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Cash flows from financing activities</b>				
Proceeds from debt issued and long-term borrowings	789,524	2,500,000	247,124	-
Repayments of debt issued and long-term borrowings	-	(2,896,000)	-	-
Repayments of lease liabilities	(1,127,498)	-	(983,278)	-
Dividend paid for ordinary share	(10,523,974)	(10,034,812)	(10,523,974)	(10,034,812)
Dividend paid for preferred share	(4,991)	(4,799)	(4,991)	(4,799)
Dividend paid to non-controlling interest	(1,150,528)	(1,069)	-	-
Purchase shares from non-contradling interest	(169,746)	-	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>(12,187,213)</b>	<b>(10,436,680)</b>	<b>(11,265,119)</b>	<b>(10,039,611)</b>
Losses from translating the financial statements of foreign operations	(3,442)	(10,142)	(3,442)	(10,142)
<b>Decrease in cash and cash equivalents</b>	<b>(14,372,944)</b>	<b>(14,027,643)</b>	<b>(14,335,843)</b>	<b>(13,989,156)</b>
<b>Beginning balance of cash and cash equivalents</b>	<b>68,433,721</b>	<b>68,878,125</b>	<b>68,361,786</b>	<b>68,661,544</b>
<b>Ending balance of cash and cash equivalents</b>	<b>54,060,777</b>	<b>54,850,482</b>	<b>54,025,943</b>	<b>54,672,388</b>

The accompanying notes are an integral part of the financial statements.

.....  
(Prasong Poontaneat)

Chairman

.....  
(Payong Srivanich)

President

# Krung Thai Bank Public Company Limited and its subsidiaries

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For the six-month period ended 30 June 2020

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**Krung Thai Bank Public Company Limited and its subsidiaries**  
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**Krung Thai Bank Public Company Limited and its subsidiaries**  
**Notes to consolidated financial statements**  
**For the six-month period ended 30 June 2020**

**1. General information**

**1.1 Corporate information**

Krung Thai Bank Public Company Limited (“the Bank”) is a public company limited registered in Thailand with its head office located at 35 Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok. The Bank engages in commercial banking business and conducts its business through a nationwide branch network and in certain major centers of the world.

**1.2 Coronavirus disease 2019 (COVID-19) Pandemic**

The COVID-19 pandemic is continuing to evolve, resulting in an economic slowdown and impacting various businesses and industries, directly or indirectly. This situation may bring uncertainties and affect the Bank’s and its subsidiaries’ business activities which may impacting the Bank’s and its subsidiaries’ operating results and cash flows, at present and in the future. The impact cannot be reasonably estimated at this stage.

**2. Basis of preparation of the financial statements**

For the six-month period ended 30 June 2020, the financial statements are presented in accordance with the Notification of the Bank of Thailand (“BOT”) No. SOR NOR SOR. 21/2561 dated 31 October 2018, regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups, including any other supplementary BOT’s Notifications; and with the regulations of the Stock Exchange of Thailand (“SET”) dated 2 October 2017, regarding the Preparation and Submission of Financial Statements and Report on Financial Position and Results of Business Operations of Listed Companies, B.E. 2560 (2017). Moreover, these financial statements are prepared in conformity with generally accepted accounting principles, under the Accounting Act B.E. 2547 (2004).

The statement of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2020 are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting. The Bank chooses to present the statements of comprehensive income and notes to the financial statements in the same full format as that used for the annual financial statements.

### The consolidated financial statements

The consolidated financial statements comprise the accounts of the Bank and those of its subsidiaries in which the Bank has a controlling interest, after eliminating significant intercompany transactions and balances. The 7 subsidiaries are KTB Law Co., Ltd., KTB General Services and Security Co., Ltd., Krung Thai Asset Management Plc., KTB Computer Services Co., Ltd., KTB Leasing Co., Ltd., KTB Advisory Co., Ltd. and Krungthai Card Plc. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using the same significant accounting policies. In cases where there are different accounting policies, the Bank has adjusted the effect of these differences in the consolidated financial statements.

The percentages of shareholdings and investments in the Bank's subsidiaries and associates are shown in Note 9.7 to the financial statement.

Investments in associates are accounted in the consolidated financial statements using the equity method.

### The separate financial statements

Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The Bank's financial statements for the six-month periods ended 30 June 2020 and 2019 and for the year ended 31 December 2019 included the accounts of domestic and foreign branches, after eliminating the effects of all interbranch transactions.

### The English language financial statements

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language has been translated from the Thai language financial statements. In case of a conflict or a difference in interpretation between the two languages, the Thai language financial statements shall prevail.

## **3. New financial reporting standards**

### **3.1 Financial reporting standards that became effective in the current period**

During the period, the Bank and its subsidiaries have adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. However, the new financial reporting standards that involve changes to key principles are summarised below;



## **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments, consisting of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Entity's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

The impact of the adoption of these set of financial reporting standards on the Bank and its subsidiaries are as follows:

### **Classification and measurement of financial assets and financial liabilities**

#### **Financial assets - debt instruments**

The Bank and its subsidiaries classify their financial assets - debt instruments as subsequently measured at amortised cost or fair value in accordance with the Bank's and its subsidiaries' business model for managing the financial assets and the contractual cash flows characteristics of the financial assets as follows:

- Financial assets measured at amortised cost only if both following conditions are met: the financial assets is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets measured at fair value through other comprehensive income only if both following conditions are met: the financial assets is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial asset measured at fair value through profit or loss unless the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows or, the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Despite the foregoing, this financial asset - debt instruments may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

#### Investment in equity instruments

All equity investments are measured at fair value in the statement of financial position. The Bank and its subsidiaries have classified equity investments as the financial asset measured at fair value through other comprehensive income, except for those equity investments measured at fair value through profit or loss in accordance with the Bank's and its subsidiaries' Investment Policy.

The management of the Bank and its subsidiaries reviewed and assessed the Bank's and its subsidiaries' existing financial assets as at 1 January 2020 based on the facts and circumstances that existed at that date and concluded the following significant changes on the Bank's and its subsidiaries' financial assets as regards their classification and measurement:

- The held-to-maturity and available-for-sale investment in debt securities as well as available-for-sale and general investment in equity securities are removed.
- Classify almost held-to-maturity debt securities to be financial asset measured at amortised cost.
- Classify almost available-for-sale debt securities to be financial asset measured at fair value through other comprehensive income.
- Classify almost investment in equity securities to be financial asset measured at fair value through other comprehensive income except for some that are classified to be financial assets measured at fair value through profit or loss in accordance with the Bank's and its subsidiaries' Investment Policy, or some items that are classified as 'Debt' in accordance with the financial reporting standards and their contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.
- The investment in equity securities which are elected to be measured at fair value through other comprehensive income cannot be subsequently revoked. All gains and losses are presented in other comprehensive income except for dividend which is recognised in profit or loss.

- Initially recognise the whole derivatives for banking book at their fair value on the contract date and subsequently measure them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss. The Bank and its subsidiaries apply hedge accounting for certain derivatives.

### Financial liabilities

The adoption of these set of financial reporting standards does not impact to the Bank's and its subsidiaries' classification of financial liabilities. The Bank and its subsidiaries continue to be classified all financial liabilities as measured at amortised cost.

### ***Impairment of financial assets***

The TFRS 9 sets out an entity estimates the expected credit losses instead of recognising its incurred losses under previous accounting policy. This financial reporting standards requires to recognise impairment by based on an Expected Credit Losses model and management overlay for the factors which are not captured by the model and requires the Bank and its subsidiaries to recognise an allowance for expected credit losses for all loans to customers and investments in debt securities which are not measured at fair value through profit or loss, together with loan commitments and financial guarantee contracts. The allowance is measured at the amount equal to 12-month expected credit losses, except for the case that there has been a significant increase in credit risk since initial recognition and financial assets that are credit-impaired, the allowance is measured at the amount equal to the lifetime expected credit losses of financial instrument. In addition, TFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

### ***Hedge accounting***

The general hedge accounting requirements aim to align the accounting with risk management strategy, permitting to have a greater variety of hedging instruments and risks being hedged, however they do not explicitly address hedge accounting for Dynamic Risk Management, as a result included an accounting policy choice to remain with the existing accounting practice.

### ***Transition***

The Bank and its subsidiaries adopted a set of financial reporting standards related to financial instruments by recognising the cumulative effects of the first-time adoption of these set of financial reporting standards as an adjustment to the retained earnings or other components of shareholders' equity as at 1 January 2020. The comparative information was not restated; therefore, the presentation of the year 2019 is not comparable with the presentation of the year 2020.

The cumulative effect of the change is described in Note 6 to the financial statements.

## **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The financial reporting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

The Bank and its subsidiaries adopted this financial reporting standard using the modified retrospective method of initial adoption of which the cumulative effect is recognised as an adjustment to the retained earnings (if any) as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 6 to the financial statements.

### **3.2 Accounting Guidance**

#### **Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand No. BOT.RPD.(23)C. 276/2563 “Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy” and the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563 “Measures to provide additional assistance to debtors during the COVID-19 situation” or any other measures announced by the Bank of Thailand. Such entities include credit card businesses, businesses providing loans secured against vehicle registrations without collateral, personal loan businesses under the supervision of the Bank of Thailand and certain entities not under the supervision of the Bank of Thailand, such as leasing, hire-purchase, motorcycle hire-purchase and factoring businesses. Entities providing assistance to debtors in accordance with the Bank of Thailand’s measures and electing to apply this Accounting Guidance have to apply all temporary relief measures specified in this guidance.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy with the helping period during the period from 1 January 2020 to 31 December 2021 or until there are any changes from the Bank of Thailand, which require the compliance for such changes. The guidance applies to large-sized debtors, small and medium-sized debtors, and retail debtors who have the ability to run a business or to repay debts in the future and have been impacted directly or indirectly by such situations, considering the following guidelines.

- Debtors who were not yet non-performing (Stage 1 or Stage 2) on or after 1 January 2020
- Debtors who became non-performing (Stage 3) on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions

An entity provides assistance to affected debtors in accordance with the Bank of Thailand's guidelines applies these following procedures.

- Loans that are not yet non-performing (Non-NPL) are classified as loans where there has not been a significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring. Such debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563, stage classification of the debtor remains at the same stage as before.
- Non-performing loans (NPL) are classified as performing loans if the debtor is able to make repayment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- Additional working capital loans provided to a debtor in order to support liquidity and enable the debtor to continue run its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support its repayment or if, considering other factors, the debtor has ability to repay its debts.
- The guidelines specified in the appendix of the circular of the Bank of Thailand No. BOT.RPD.(23)C. 276/2563 relating to assessment of whether there has been a significant increase in credit risk are initially applied to assess whether a debtor is moving to Stage 2.
- Expected credit losses are determined based on the outstanding balance of the drawn down portion only.

- A newly calculated effective interest rate is applied to determine the present value of loans that have been restructured in accordance with guidelines to assist debtors specified in the circulars of the Bank of Thailand, if the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan. In addition, if it is a provision of assistance to debtors in accordance with the circular of the Bank of Thailand No. BOT.RPD.(01)C. 380/2563, an entity recognises its interest income during the repayment holiday using the new calculated effective interest rate, or set out by Bank of Thailand's guidelines if there are changes.
- Consideration is given to placing less weighted on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience, in cases where a general approach is used in determining expected credit losses.

During the six-month period ended 30 June 2020, the Bank has provided assistance to debtors impacted by situations that affect the Thai economy and elected to apply this accounting guidance for the affected debtors. As of 30 June 2020. The Bank has debtors participating in the program of relief measures total of 175,245 debtors with the outstanding balance of Baht 401,013 million.

#### **Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Bank and its subsidiaries have not adopted such accounting guidance in the preparation of the financial statements for the six-month period ended 30 June 2020.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### Interest income

###### Accounting policies that are effective since 1 January 2020

The Bank and its subsidiaries recognise interest income by using the Effective Interest Rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate.

The Bank and its subsidiaries calculate interest income by applying the effective interest rate to the gross carrying amount of financial assets. When a financial asset becomes credit-impaired, the Bank and its subsidiaries calculate interest income by applying the effective interest rate to the net carrying amount (gross carrying amount net of allowance for expected credit losses) of the financial asset. If the financial asset is no longer credit-impaired, the Bank and its subsidiaries revert to calculating interest income on a gross carrying amount.

###### Accounting policies that are applied before 1 January 2020

Interest income is recognised on an accrual basis, except for interest on loans classified as delinquent over 3 months and interest on loans under troubled debt restructuring contract which would be reversed. In accordance with the BOT's regulations, interest income on delinquent loans over 3 months from the due date that had been recognised as an income since 1 January 2000 would be reversed and recognised as income upon receipt.

###### Fee and service income

###### Accounting policies that are effective since 1 January 2020

Unless included in the effective interest rate calculation, the Bank and its subsidiaries recognise fee income on an accrual basis when the service has been provided or upon satisfaction of performance obligations.

###### Accounting policies that are applied before 1 January 2020

Fees and Service Income is recognised when the related services are performed.

###### Dividend Income

Dividend income from investments is recognised when declared.

## **4.2 Expenses recognition**

Interest expenses, fees and service expenses, and other operating expenses, are recognised on an accrual basis.

## **4.3 Net gains (losses) from financial instruments measured at fair value through profit or loss**

Net gains (losses) from financial instruments measured at fair value through profit or loss consist of gains (losses) on trading and foreign exchange transactions, gains (losses) from changes in the fair value of derivatives and financial assets designated at fair value through profit or loss, gains (losses) from sales of financial assets measured at fair value through profit or loss, and derivatives, and net gains (losses) from hedge accounting. The Bank and its subsidiaries recognise them as income or an expense on the transaction date.

## **4.4 Cash and Cash Equivalents**

Cash and cash equivalents represent cash in hand and cash on collection

## **4.5 Derivatives and hedge accounting**

### *Accounting policies that are effective since 1 January 2020*

Derivatives are initially recorded at fair value at the date on which a derivative contract is entered into (Trade Date) and are classified as trading, except for where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. Derivatives are subsequently measured at fair value. The change in fair value are recognised as gains (losses) on financial instrument measured at fair value through profit or loss unless hedge accounting is applied. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

### **Hedge accounting**

The Bank and its subsidiaries make use of derivatives to manage exposures arising from assets, liabilities, off-balance sheet items, net position or cash flow. Hedging accounting can be applied for hedged items and hedging instruments. Upon meeting specified criteria for hedge accounting, the Bank and its subsidiaries apply hedge accounting for the aforementioned derivatives. The Bank and its subsidiaries designate certain derivatives as follow:

- Fair value hedges
- Cash flow hedges



In hedging, the Bank and its subsidiaries take into consideration the relationship between hedging instruments and the hedged items, including the nature of the risk, the objective and strategy for undertaking the hedge as well as the effectiveness of the hedging relationship.

#### Fair value hedges

The Bank and its subsidiaries recognise the movement in fair value of the hedged item and of the hedging instrument in profit or loss, except for the hedging transaction of investments in equity securities designated at fair value through other comprehensive income which is recognised the movement in fair value in the other comprehensive income that will be recognised at fair value movement of the hedged item and of the hedging instrument in other comprehensive income. The cumulative changes in the fair value attributable to the hedged risk of hedged item is made as an adjustment to the carrying value of the hedged assets or liabilities.

The Bank adopts interest rate swap contract to hedge the risk from changes in fair value from interest rate of debt instruments issued and interbank and money market items (liabilities). The Bank performs hedge effectiveness test by comparing changes in fair value (only a portion of risk being hedged) of hedged items with changes in fair value of hedging instruments. In addition, the Bank has also considered a qualitative approach by comparing the critical terms of significant characteristics such as cash flow, interest rate, and the duration of hedged items and hedging instruments that make perfectly match from the designation date. Causes of ineffectiveness of hedging could be arisen from the differences in cash flow and the differences in time between hedged items and hedging instruments.

The Bank adopts foreign currency forward contract and foreign currency swap contract to hedge risk from changes in fair value of foreign exchange rate risk of equity securities designated at fair value through other comprehensive income. The Bank performs hedge effectiveness test by comparing changes in fair value (only a portion of risk being hedged) of hedged items with changes in fair value of hedging instruments by excluding cost of hedging in the effectiveness test. In addition, the Bank has also considered a qualitative approach by comparing the critical terms of significant characteristics such as cash flow, interest rate, and the duration of hedged items and hedging instruments that make perfectly match from the designation date. Causes of ineffectiveness of hedging could be arisen from the differences in cash flow and the differences in time between hedged items and hedging instruments.

When a hedging instrument expires, is sold, is terminated or is exercised, or when a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the statement of comprehensive income using effective interest rate. Where the hedged item is derecognised from the statement of financial position, the unamortised fair value adjustment is immediately recognised in the statement of comprehensive income.

### Cash flow hedges

The Bank and its subsidiaries recognise an effective portion of the cumulative changes in the fair value of hedging instrument in the cash flow hedge reserve within equity. The gains or losses relating to the ineffective portion is immediately recognised in the statement of comprehensive income. The cash flow hedges reserve in equity are transferred to the statement of comprehensive income in the period(s) in which the hedged item affects the statement of comprehensive income.

The Bank adopts cross currency interest rate swap contracts to hedge the risk of cash flows from interest rate and foreign exchange rate of debt securities investments that are not measured at fair value through profit or loss. The Bank performs effectiveness test by comparing changes in fair value between hedged items by creating hypothetical derivative and changes in fair value of hedging instrument by excluding cost of hedging in the effectiveness test. In addition, the Bank has also considered a qualitative approach by comparing critical terms of significant characteristics such as cash flow, interest rate, and the duration of hedged items and hedging instruments that make perfectly match from the transaction date. Causes of ineffectiveness of hedging could be arisen from the differences in cash flow and the differences in time between hedged items and hedging instruments.

When a hedging instrument expires, is sold, is terminated or is exercised, or when a hedge no longer meets the criteria for hedge accounting, the cash flow hedges reserve in equity at that time remains in equity and is recognised in the statement of comprehensive income when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gains or losses existing in equity at that time is immediately transferred to the statement of comprehensive income.

### Dynamic Risk Management

The Bank adopts interest rate swap contracts as hedging instruments for dynamic risk management, which is in accordance with the characteristics described in TFRS 9. Therefore, derivatives, which have the propose of dynamic risk management, are recorded as off-balance items and presented on an accrual method. Interest rate components are presented on an accrual basis, similar to hedged assets or liabilities, that are considered as part of interest income or interest expenses throughout the contract period. Receivables and payables under swap contracts are presented at the net amount in the statement of financial position.

### Embedded derivatives

Embedded derivatives are component of hybrid or combined instruments that consist of non-derivative host contracts.

For derivatives embedded in financial assets host contracts, the entire hybrid contract, including all embedded features, are classified in accordance with the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

For derivatives embeded in financial liabilities host contracts, embedded derivatives will be separated from the host contract and accounted for as derivatives if all of the following criterial are met:

- Their economic characteristics and risks are not closely related to those of the host contract
- When separated from the host contract would still meet the definition of derivative and
- The hybrid contract is not recognised and measured at fair value through profit or loss.

### Accounting policies that are effective before 1 January 2020

Accounting treatments for derivatives transactions depend on the purpose of the transactions as follows:

#### 1) Trading Derivatives

The Bank measure derivatives at fair value and recognises gains or losses arising from changes in fair value included in gains (losses) on tradings and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income along with assets or liabilities in the statements of financial position.

#### 2) Hedging Derivatives

The Bank manage its banking exposure to market rate movements through the use of derivatives and recognises gains or losses arising from changes in fair value of derivatives in accordance with the standard accounting treatment for income or expenses on hedged items.

## 4.6 Financial instruments

### Accounting policies that are effective since 1 January 2020

#### **Recognition of financial instruments**

The Bank and its subsidiaries recognise financial assets or financial liabilities when the Bank and its subsidiaries become a party to the contractual provisions of the financial instrument.

#### **Classification and measurement of financial assets and financial liabilities**

##### Financial assets - debt instruments

The Bank and its subsidiaries classify its financial assets - debt instruments as subsequently measured at amortised cost or fair value in accordance with the Bank's and its subsidiaries' business model for managing the financial assets and the contractual cash flows characteristics of the financial assets as follows:

- Financial assets measured at amortised cost only if both following conditions are met: the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value on trade date and subsequently measured at amortised cost net of allowance for expected credit losses (if any).
- Financial assets measured at fair value through other comprehensive income only if both following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset as well as the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and subsequently measured at fair value. The unrealised gains or losses from changes in their fair value are reported as a component of shareholders' equity through other comprehensive income until realised, after which such gains or losses on disposal of the instruments will be recognised as gain or losses in income statement. The gains or losses on foreign exchange, expected credit losses, and interest income which calculated using the effective interest rate method are recognised in profit or loss.

- Financial assets measured at fair value through profit or loss unless the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows or, the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and are subsequently measured at fair value. Unrealised gains and losses from change in fair value, and gains and losses on disposal of instruments are recognised as gains (losses) on financial instruments measured at fair value through profit or loss.

#### Investment in equity instruments

The Bank and its subsidiaries have classified investment in equity securities that not held for trading but held for strategic purposes or for securities with potential for high market volatility as the financial asset measured at fair value through other comprehensive income, where an irrevocable election has been made by the management. Such classification is determined on an instrument-by-instrument basis. Gains and losses arising from changes in fair value is recognised in other comprehensive income and not subsequently transferred to profit or loss when disposal, instead, it is transferred to retained earnings. Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### Financial liabilities

The Bank and its subsidiaries classify financial liabilities as measured at amortised cost. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

### **Modifications of financial instrument not measured at fair value**

#### Financial assets

If the terms of a financial asset are modified, the Bank and its subsidiaries evaluate whether the cash flows of the modified financial asset are different form the original financial assets significantly. The original financial asset is derecognised and a new financial asset is recognised at fair value. The difference between the carrying amount of the financial asset extinguished and the new financial asset is recognised in profit or loss as a part of impairment losses.

If the cash flows of the modified financial asset are not substantially different, the Bank and its subsidiaries recalculate the gross carrying amount of the financial asset and recognise the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss which is presented as impairment losses.

### Financial liabilities

The Bank and its subsidiaries derecognises a financial liability when its terms are modified, and the cash flows of the modified financial liability are substantially different. A new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability is recognised in profit or loss.

If the cash flows of the modified financial liability are not substantially different, the Bank and its subsidiaries adjust the carrying amount of the financial liability to reflect the net present value of the revised cash flows discounted at the original effective interest rate and recognises the amount arising from adjusting the carrying amount as a modification gains or losses.

### **Derecognition of financial instruments**

The Bank and its subsidiaries derecognise a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which all or substantially all the risks and rewards of ownership are transferred. Any interest from transferred financial assets, which is created or retained by the Bank and its subsidiaries, are recognised separately as asset or liability.

A financial liability is derecognised from the statement of financial position when the Bank and its subsidiaries have discharged its obligation, or the contract is cancelled or expires.

### **Write-off**

Debts that are determined to be irrecoverable are written off (either partially or in full) in the period in which the decision is taken. This is generally the case when the Bank and its subsidiaries determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Bank's and its subsidiaries' procedures for recovery of amount due.

## **4.7 Investments in subsidiaries and associates**

Investments in subsidiaries and associates in the separate financial statements are accounted for under the cost method net of allowance for impairment (if any). Loss on impairment is recognised as expenses in part of profit or loss in the statements of comprehensive income.

Investments in associates in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable shares of the net income from the operations of the associates, in proportion to the investment.

## 4.8 Investments

### Accounting policies that are applied before 1 January 2020

#### 4.8.1 Basis of Classification of Investments

The Bank and its subsidiaries classify their investments in debt securities and equity securities as trading securities, available-for-sale securities, held-to-maturity debt securities, or investments in subsidiaries and associates. Non-marketable equity securities are classified as general investments.

#### 4.8.2 Basis of Valuation of Investments

Investments in marketable debt or equity securities classified as trading securities are stated at fair value. Unrealised gains or losses arising from the revaluation are recorded through gains (losses) on tradings and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income.

Investments in marketable debt or equity securities classified as available-for-sale securities are stated at fair value, net of allowance for impairment (if any). Unrealised gains or losses arising from the revaluation are separately shown in other components of equity and realised gains or losses after the disposal.

Investments in debt securities classified as held-to-maturity are stated at the amortised cost, net of allowance for impairment (if any). Premiums or discounts on held-to-maturity debt securities are adjusted to interest income at the end of each month by using the straight-line method which is immaterially different from using the effective interest rate method.

General investments are stated at cost, net of allowance for impairment (if any). Losses on impairment are realised through gains (losses) on investments, net in the statements of profit or loss and other comprehensive income.

Investments in marketable unit trust classified as trading and available-for-sale securities are stated at fair value whereas investments in non-marketable unit trust are stated at net asset value.

Investments in foreign asset-backed debt securities classified as trading securities-current investments are stated at fair value.

The cost of disposed investments is calculated by the weighted-average method. Gains or losses on disposal of investments are presented in gains (losses) on investments, net in the statements of profit or loss and other comprehensive income, except for trading securities are presented in gains on tradings and foreign exchange transactions, net.

## 4.9 Loans

### Accounting policies that are applied before 1 January 2020

Loans represent the outstanding principal amounts, except for overdrafts including accrued interest receivables. Deferred revenue is presented as deduction from the loans.

Hire-purchase and financial lease receivables represent the outstanding amounts, less deferred interest receivables, and deferred commission, plus amortised direct expenses.

## 4.10 Allowance for expected credit losses on financial assets

### Accounting policies that are effective since 1 January 2020

The Bank and its subsidiaries recognise expected credit losses of financial asset - debt instruments which are interbank and money market (assets), loans to customers and investments in debt securities, together with loan commitments and financial guarantee contracts, which are measured at amortised cost or fair value through other comprehensive income using the General Approach. The Bank and its subsidiaries classify their financial assets into three stages based on the changes in credit risk since initial recognition as follow:

#### Stage 1: Financial assets where there has not been a significant increase in credit risk (Performing)

For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the Bank and its subsidiaries recognise allowance for expected credit losses at the amount equal to the expected credit losses in the next 12 months. The Bank and its subsidiaries will use a probability of default that corresponds to remaining maturity for financial assets with a remaining maturity of less than 12 months.

#### Stage 2: Financial assets where there has been a significant increase in credit risk (Under-Performing)

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the Bank and its subsidiaries recognise allowance for expected credit losses at the amount equal to the lifetime expected credit losses of financial assets.

#### Stage 3: Financial assets that are credit-impaired (Non-Performing)

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit-impaired, the Bank and its subsidiaries recognise allowance for expected credit losses at the amount equal to the lifetime expected credit losses of financial assets.



At every reporting date, the Bank and its subsidiaries assess whether there has been a significant increase in credit risk of financial assets since initial recognition by comparing the risk of default over the expected lifetime at the reporting date with the credit risk at the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Bank and its subsidiaries use internal quantitative and qualitative indicators, and forecasts information to assess the deterioration in credit quality of financial assets such as arrears of over 30 days past due, forbearance status for debt restructuring agreements, loans on the Early warning sign, loans that are classified as High Risk group and that are closely monitored by management, a changes of internal credit rating of the borrower since initial recognition, and issuer credit rating as either 'non-investment grade' or 'no rating' for investments in debt securities, etc.

The Bank and its subsidiaries assess whether the credit risk has increased significantly from the date of initial recognition on an individual or collective basis. In order to perform collective evaluation of impairment, the Bank and its subsidiaries classify financial assets on the basis of shared credit risk characteristics, taking into account type of instrument, internal credit ratings, overdue status, and other relevant factors.

Financial assets are assessed to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the counterparties have occurred. Evidence of credit-impaired financial assets includes arrears of over 90 days past due or having indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or distressed restructuring.

A loan to customer that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be significant increase in credit risk or credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

The Bank and its subsidiaries consider their historical loss experience, adjusts with the current observable data and add on the reasonable and supportable forecasts of future economic conditions, including appropriate use of judgement, to estimate the amount of an expected credit losses. The Bank and its subsidiaries determine both current and future economic scenario, and probability-weighted in each scenario (base scenario, upturn scenario and downturn scenario) for calculating expected credit losses. The use of macroeconomic factors which major are include, but is not limited to, unemployment rate and property price index, etc. The Bank and its subsidiaries have established the process to review and monitor methodologies, assumptions and forward-looking macroeconomics scenarios on a yearly basis.

In the case of investment in debt securities measured at fair value through other comprehensive income, the Bank and its subsidiaries recognise impairment charge in profit and loss as expected credit losses and the corresponding allowance for expected credit losses in other comprehensive income, whereas the carrying amount of the investment in debt securities in the statement of financial position still present at fair value.

The measurement of expected credit losses for loan commitments is the present value difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank and its subsidiaries expect to receive. The measurement of expected credit losses for financial guarantees is based on the expected payments to reimburse the holder less any amounts that the Bank and its subsidiaries expect to recover.

In addition, a subsidiary of the Bank recognises allowance for expected credit losses of finance lease receivables using Simplified Approach. The subsidiary recognises allowance for expected credit losses at an amount equal to lifetime expected credit losses.

Increase (decrease) in an allowance for expected credit losses is recognised as expenses during the period in profit or loss in the statements of comprehensive income.

#### Accounting policies that are effective before 1 January 2020

The Bank and its subsidiaries which operate the loan provider business recognise allowance for doubtful accounts compliance with the BOT's Notification No. SOR NOR SOR.5/2559 dated 10 June 2016, regarding Regulations on Assets Classification and Provision of Financial Institutions based on the BOT's Regulations on Valuation and Appraisal of Collateral and Immovable Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institution dated 10 June 2016, summarised as follows:

- 1) The Bank has set aside provision for normal and special mention categories at 1 percent and 2 percent, respectively, in accordance with the BOT's regulations. The Bank also applies collective approach to set aside provision for each debtor group, grouping by similar credit risk.
- 2) Provision for impaired-debtors is at 100 percent of the difference between the book value of loans and the present value of expected cash flows from the disposals of collateral as to the practice stipulated by the BOT.

- 3) Collateral used for calculating the present value of expected cash flows from disposals are such as immovable properties and leasehold rights (e.g. the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the litigation process equal to 62.03 percent of the appraisal value and the present value of the expected cash flows from disposals of immovable properties which are collateral of debtors under the public auction process equal to 66.38 percent of the appraisal value). Other types of collateral are calculated by using the valuation rate stipulated by the BOT.
- 4) Collateral valuation has been conducted according to the BOT's regulations relating to types of collateral, valuation methodology, valuation frequency, and values of collateral that could be deductible from loans balances before provisioning as follows:
- As for normal and special mention categories, the underlying collateral is required to reappraise or revalue on a 3-years basis excluding collateral of credit lines of housing loans and other loans in the charge of retail business and network support team, will be reappraised or revalued when changed to sub-standard, doubtful and doubtful of loss, as well as the collateral which have been reappraised or revalued over the past 3 years.
  - As for sub-standard, doubtful and doubtful of loss categories are required to reappraise or revalue collaterals by using the methods stipulated by the BOT. Immovable properties collaterals are required to reappraise or revalue on a 3-years basis as minimum. In case of near cash collateral such as marketable securities, is required to reappraise or revalue at the end of the accounting period.

Bad debts written-off and bad debts recovered are either deducted from or added to the allowance for doubtful accounts, whichever the case may be. The Bank defines debt write off guidelines which any debtors classified as doubtful of loss are written off at the underlying value of irrecoverable provision in line with the BOT's debt write off regulations. Bad debts recovered from subsidiary that operates credit cards business will recognise in other operating income.

#### 4.11 Trouble debt restructuring

##### Accounting policies that are effective since 1 January 2020

Debt restructuring of non-performing loans (Stage 3) is considered a troubled debt restructuring regardless of whether losses are incurred from the restructuring in accordance with the Bank of Thailand's guideline of debt restructuring. The Bank and its subsidiaries determine the present value of the expected future cash flows to be received based on the terms of the new debt restructuring agreement, discounted by the loan's original effective interest rate. The difference between the outstanding loan balance and the present value of the expected future cash flows is recognised under gains (losses) on term modifications of contracts and treated as expected credit losses in profit or loss on the debt restructuring date.

Such difference is gradually recognised over the remaining period by adjusting "gains (losses) on term modifications of contracts", as well as "accrued interest receivables and interest income which not yet due" in the statement of financial position.

##### Accounting policies that are effective before 1 January 2020

The Bank has a policy of managing weak or non-performing debt with the main focus on restoring the customer's business to be able to return to normal business first. But if unable to do so, there is a policy on debt restructuring by reducing the principal and/or accrued interest that has already been recorded as income, reducing interest rates, converting debt to equity or convertible debt, extending the repayment period, adjusting short-term debt to long term, providing grace period for principle and/or interest, accepting the transfer of assets as collateral, accepting the transfer of assets that are not assets as collateral, and accepting the transfer of assets by having the contract for right of the debtor to buy property back within the specified period or grant the debtor the right to buy property back before other persons (First Right of Refusal) or may be the deficiency transfer to the Bank in order to reduce the burden of the Bank and the customers' damages.

For calculating the debt restructuring losses are as the following procedures:

- 1) The consent to relaxation of debt settlement conditions to the debtor without reducing the principal and interest owed before debt restructuring, The Bank calculates the present value of the expected cash flow by using specified interest rate in the debt restructuring agreement as a discount rate. In case that the interest rate under debt restructuring agreement is lower than the finance cost, the Bank will use the finance cost rate as a discount rate instead. And when the present value of such calculated cash flows is lower than the book value (Principal including accrued interest recorded in the debtor's account), the Bank will record the reserve for loss from debt restructuring in the statement of income and other comprehensive income for that period.

The financial cost component is the weighted average cost of deposits and borrowings, Money remitted to the Bank of Thailand and the Deposit Protection Agency, including liquidity reserve expenses.

- 2) Agreement to reduce the principal and interest owed before debt restructuring or accepting debt repayment by accepting asset transfers, financial instruments or accepting capital from debtors which come from debt to equity conversion and relaxing conditions for repayment of the remaining debt to the debtor. The Bank will write-off the accounts receivable balance and immediately record the loss incurred in the statement of income and other comprehensive income after transferring has been accepted by concerning the initial allowance of doubtful accounts. The Bank will record the transferred assets in an amount not higher than the book value of the debtor, including the accrued interest receivables that the Bank is entitled to receive under the law.

In the case of receiving partial repayment by asset transferring of Debtor's financial instrument or equity received from debt to equity conversion for debt settlement under the debt restructuring agreement. The Bank will comply with number 2) first, for the remainder of the debt, if there is a relief in the payment terms, the Bank will follow number 1).

#### **4.12 Properties for sale**

Properties for sale are immovable and movable properties which are stated at lower of cost or market value less allowance for impairment (if any). The Bank recognises losses on impairment or reversal of losses on impairment as other operating expenses or income in the statements of comprehensive income. Gains or losses on disposals of those properties after deducting selling expenses are recognised as other operating income or expenses in the statements of comprehensive income, except for sales that allow buyer to borrow money which gains or losses on disposals will be recognised in accordance with the BOT's guideline.

According to the BOT's Policy No. THOR POR THOR. PHOR NOR SOR. (23) WOR.575/2562 dated 8 May 2019, regarding Delivery Policy of Appraisal Guarantee and Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institutions, all properties for sale are appraised by the external appraisers. Except for property for sale in risk areas in the southern region (Pattani, Yala, Narathiwat and Sadao District of Songkhla) with a book value of less than Baht 50 million, appraised by an internal appraiser or an external appraiser on a case-by-case basis.

#### **4.13 Land, premises and equipment and depreciation**

Land is presented at revalued amount. Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Land is revalued on a 3 - 5 years basis by independent appraisers in accordance with the BOT's regulations so that the book value at the end of the reporting period is not significantly different from fair value.

The Bank and its subsidiaries recognise the differences arising from the revaluation as follows:

- When an asset's carrying amount is increased as a result of the revaluation, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

The Bank and its subsidiaries write-off assets with additional appraisal when disposal or expected no future economic benefits from the use or disposal assets. The surplus from the revaluation of assets outstanding at the write-off date is transferred directly to retained earnings.

Depreciation of premises is calculated on the straight-line basis over their useful lives. Since 1 April 2012, depreciation of premises is calculated on the straight-line basis over their residual useful lives not over 50 years which appraised by independent expert appraisers. Before 1 April 2012, depreciation of premises is calculated on the straight-line basis over their useful lives of 20 years.

Depreciation of equipment is calculated on the straight-line basis over their useful lives of 5 years. Equipment with an acquisition cost not exceeding Baht 3,000 is charged directly to expense in the period of acquisition. The amounts of those transactions have no significant effect to the Bank's financial statements.

Depreciation method, useful lives, and residual value are annually reviewed.

No depreciation is provided on assets under installation.

#### **4.14 Intangible assets**

Intangible assets, comprising computer software, licenses and development costs are presented at cost net accumulated amortisation and allowance for impairment (if any). Amortisation is calculated by the straight-line basis over their useful lives and recognised as expenses in the statements of comprehensive income.

The Bank and its subsidiaries amortised intangible assets with finite lives on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The Bank and its subsidiaries will review amortisation period and the amortisation method of such intangible assets at least at each financial year end.

The intangible assets with finite useful lives have useful lives of approximately 3 - 10 years.

No amortisation for computer software under development.

#### **4.15 Securities purchased under resale agreements/securities sold under repurchase agreements**

The Bank enters into agreements with private entities to purchase/sell securities whereby there is an agreement to resell/repurchase the securities at certain dates and at fixed price. Amounts paid for the securities purchased under resale agreement are presented as assets under the caption of interbank and money market items or loans to customers, depending on the counterparty, and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement at the amounts received are presented as liabilities under the caption of interbank and money market items in the statement of financial position and the underlying securities are treated as collateral.

#### **4.16 Impairment of Assets**

For outstanding balances of assets as at the end of period, the Bank and its subsidiaries review the impairment of assets by items when there is an indication that the book value of those assets is higher than the expected recoverable amounts. As such, losses on impairment will be realised as other operating expenses. The reversal of losses on impairment will be recorded only when there is an indication that such impairment no longer exists or shown at a declining balance, if any, and reversed to other operating income in the statements of profit or loss and other comprehensive income. Except for the case that reversal of the revalued increased of the same assets that used to be recognised in equity, when impairment occurred latterly it will be recognised in equity.

#### **4.17 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank and its subsidiaries, whether directly or indirectly, or which are under common control with the Bank and its subsidiaries.

They also include associates and individuals which directly or indirectly own a voting interest in the Bank and its subsidiaries that give them significant influence over the Bank and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Bank's and its subsidiaries' operations.

#### **4.18 Foreign Currency Translation**

##### Presentation Currency

The consolidated and the separate financial statements are presented in Baht.

##### Foreign Currency Translation

Items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the transaction dates. Balances of monetary assets and liabilities are translated by using the reference exchange rates of BOT as at the reporting date. Balances of non-monetary assets and liabilities are translated by using the exchange rates prevailing at the transaction dates or exchange rates at the date when the fair value was measured.

Gains or losses on foreign currency translation are presented in the statements of comprehensive income as gains (losses) on financial instruments measured at fair value through profit or loss.

##### Foreign Currency Translation of Foreign Branches' Financial Statements

Items on the foreign branches' statements of financial position are translated into Baht by using the reference exchange rates of BOT as at the reporting date. The statements of comprehensive income are translated into Baht by using the exchange rate prevailing at the transaction dates or average exchange rates of that accounting period.

Gains or losses on translation of foreign branches' financial statements are presented in equity through other comprehensive income.



#### **4.19 Employees Benefit**

##### *Short-term employee benefits*

The Bank and its subsidiaries recognised short-term employee benefits such as salary, wages, bonuses and contributions to the social security fund as expenses when received the services.

##### *Post-employment benefits and other long-term employee benefits*

##### Employees Provident Fund

The Bank established a Provident Fund under the Provident Fund Act B.E. 2530 (1987) and entered to the registered fund approved by the Ministry of Finance in 25 June 1992. The Provident Fund is managed by an external fund manager.

Permanent employees and employees under employment contracts of the Bank are entitled to apply for membership according to the registered KTB Provident Fund regulations. Employees could opt to contribute to the Fund at the rate of either 3, 6, 10, 12 or 15 percent of their basic salaries while the Bank's supplemental contribution is at 10 percent of each employees' basic salary.

##### Post-employment benefits under defined benefit plans and other long-term employee benefit

The Bank and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Bank and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Bank and its subsidiaries have established other long-term employee benefit plans, which are the Employee Reward Program.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses for defined benefit plan are recognised immediately in other comprehensive income.

Actuarial gains and losses for other long-term employee benefit are recognised immediately in profit or loss.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Bank recognises restructuring-related costs.

#### **4.20 Income tax**

Income tax expense represents the sum of current income tax and deferred tax.

##### Current income tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Bank and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and unused tax losses can be utilised.

At each reporting date, the Bank and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Bank and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

Deferred income tax assets and deferred income tax liabilities must offset the transaction when the Bank has legal rights to offset current tax assets against current tax liabilities and this income tax is assessed by the same tax authority for the same tax unit.

#### **4.21 Earnings per share**

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the Bank after dividends on preferred share (if any) by the weighted average number of ordinary shares issued during the periods.

#### **4.22 Provisions**

Provisions are recognised when the Bank and subsidiaries have present legal or constructive obligations as a result of a past event, they are probable that an outflow of economic benefits will be required to settle the obligation, and the reliable estimate of the amounts can be made.

The Bank complies with the BOT's Notification No. SOR NOR SOR.23/2561 dated 31 October 2018, regarding Regulations on Assets Classification and Provision of Financial Institutions prescribed regulations to set aside provisions for commitment which is off-balance item.

#### **4.23 Customer Loyalty Programmes**

Subsidiary has customer loyalty programmes by offering reward points to customers together with services entitling customers to redeem those reward points to gifts or discount in the future. The Bank's subsidiaries also allocate rewards or accrued rewards to the points by referring from fair value of accumulated points. Then, they are recognised to deferred revenue under "other liabilities" in the statements of financial position and shall be recognised to fees and service income when customers redeem.

#### **4.24 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank and its subsidiaries have considered fair value of individual financial instrument. Fair value of financial instruments is quoted prices (unadjusted) for similar assets or liabilities in active markets that the Bank and its subsidiaries are able to access. In case of there is no quoted prices in active markets, the Bank and its subsidiaries will use general accepted valuation technique by maximising observable inputs and minimising unobservable inputs in commonly used models or the Bank's models. Those models are approved by the management and also regularly reviewed and updated.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices for the same assets or liabilities in an observable active market
- Level 2 - Use of other inputs that are observable for the assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Bank and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **4.25 Leases**

At the beginning of the contract the Bank and its subsidiaries assess whether a contract is a lease or consists of component of lease. The contract is classified as lease or consists of component of lease if that contract provides the right to control the use of the specified asset for a certain period in exchange for compensation.

## **The Bank and its subsidiaries as lessees**

The Bank and its subsidiaries recognise Right-of-use asset and liabilities under lease contracts for every lease contract with a lease term of more than 12 months, unless the underlying assets are low in value.

### **Right-of-use assets**

The Bank and its subsidiaries recognise right-of-use assets at the commencement date of the lease (The date that the underlying asset is ready for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities.

Depreciation of right-of-use assets is calculated by reference to their costs, on the straight-line basis over the shorter of the lease term and the estimated useful lives as follows:

Premises	1 - 35 years
Office equipment	2 - 5 years
Motor vehicles	1 - 5 years

If the ownership of the leased asset transfers to the Bank and its subsidiaries at the end of the lease term or the cost of such assets reflect the exercise of a purchase option, depreciation is calculated using the estimated useful lives of assets.

### **Lease liabilities**

At the commencement date of the lease, the Bank and its subsidiaries recognise lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Bank's and its subsidiaries' incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

### **Short-term leases and Leases of low-value assets**

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

## **The Bank and subsidiaries as lessor**

Lease agreements where the majority of the risks and rewards of ownership are transferred to lessees are considered as finance leases. An asset under a finance lease is recognised as a receivable at the amount equal to the net investment in the lease or the present value of the lease payments receivable and any unguaranteed residual value.

Leases in which the Bank and its subsidiaries do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Leased payment from operating leases are recognised as income in profit or loss on a straight-line basis over the lease term.

### **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

#### **5.1 Recognition and derecognise assets and liabilities**

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

#### **5.2 Consolidating the financial statements of subsidiaries in which the Bank has less than half of its shareholding**

The Bank's management considers that the Bank has control over Krungthai Card Public Company Limited, although the Bank holds 49.29 percent of the shares and voting rights in such company, which is less than half. The Bank is the shareholder with a majority of votes and can dictate the important activities of the company and other shareholders are only minor shareholders. Therefore, Krungthai Card Public Company Limited is considered as a subsidiary of the Group and must be included in the preparation of the consolidated financial statements from the date the Bank has control over such company.

### **5.3 Allowance for expected credit losses of loans to customers and accrued interest receivables, together with loan commitments and financial guarantee contracts**

The management is required to use judgement in estimation in determining the allowance for expected credit losses of loans to customers and accrued interest receivables, together with loan commitments and financial guarantee contracts. The calculation of allowance for expected credit losses of the Bank and its subsidiaries are based on the criteria of assessing if there has been a significant increase in credit risk, the development of complex expected credit losses model with a series of underlying assumptions, including the choice of inputs the forecasted macroeconomic variables in the model. This estimation has various relevant factors; therefore, the actual results may differ from estimates.

### **5.4 Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk of counterparty, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value and disclosures of fair value hierarchy.

### **5.5 Allowance for impairment of properties for sale**

The Bank and its subsidiaries assess allowance for impairment of properties for sale when net realisable value falls below the book value. The management uses the BOT's regulation and judgement to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

### **5.6 Land, premises and equipment and depreciation**

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and salvage values of the premises and equipment, and to review these estimated useful lives and salvage values when there are any changes.

The Bank measures land at revalued amounts. Such amounts are determined by the independent appraisers, using the market approach. The valuation involves certain assumptions and estimates as described in Note 9.12 to the financial statements.

In addition, The Bank and its subsidiaries determine allowance for impairment of land, premises and equipment when the management assesses whether there are indicators of the impairment of land, premises and equipment, and record impairment losses when the recoverable amounts are lower than the carrying amounts. This requires management judgements in terms of forecasting future revenues and expenses relating to the assets subject to the review.

## **5.7 Determining the lease term of contracts with renewal and termination options - as a lessee**

In determining the lease term, the management is required to use judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease, considering all relevant facts and circumstances that create incentives for it to exercise either the renewal or termination.

## **5.8 Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits.

## **5.9 Post-employment benefits under defined benefit plans and other long-term employee benefits**

Obligations under the defined benefit plan and other long-term employee benefits are determined by using actuarial technique. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, and mortality rate, based on their best knowledge of current situation.

## **5.10 Litigation and contingent liabilities**

The Bank and its subsidiaries have contingent liabilities as a result of litigation and contingent liabilities as a result of transfer of business and transfer of non-performing assets. The management has used judgement to assess of the results of such transactions, and in case where they believe that there will be no losses, no provisions are recorded as at the end of the reporting period.

## **6. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards**

As described in Note 3.1 to the financial statements, during the current period, the Bank and its subsidiaries have adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these financial reporting standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The changes in accounting policies due to the adoption of TFRS 16 does not impact to retained earnings as at 1 January 2020.

Amounts of the adjustment transactions that have an impact to the statement of financial position as at 1 January 2020, due to the changes in accounting policies by adopting these financial reporting standards, presented as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	The impacts of			1 January 2020
	31 December 2019	Financial reporting standards related to financial instruments		
		to financial instruments	TFRS 16	
<b>Statement of financial position</b>				
<b>Assets</b>				
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)	-	-
Derivative assets	55,811	1,663	-	57,474
Investments - net	395,228	(50,828)	-	344,400
Investment in subsidiary and associated companies - net	30,946	43	-	30,989
Loans to customers and accrued interest receivables - net	1,959,765	(4,030)	-	1,955,735
Customers' liability under acceptances	133	(133)	-	-
Right-of-use assets	-	-	3,895	3,895
Deferred tax assets	8,165	(730)	-	7,435
Accrued income	3,487	(712)	-	2,775
Other assets - net	23,842	5,822	-	29,664
<b>Liabilities and shareholders' equity</b>				
Interbank and money market items	215,823	167	-	215,990
Liabilities to deliver securities	67,350	(67,350)	-	-
Derivative liabilities	51,869	132	-	52,001
Debt issued and borrowings	96,841	216	-	97,057
Banks' liability under acceptances	133	(133)	-	-
Lease liabilities	-	-	3,895	3,895
Provisions	15,240	1,514	-	16,754
Other liabilities	56,025	(756)	-	55,269
<b>Shareholders' equity</b>				
Other components of equity	33,006	2,230	-	35,236
Retained earnings	212,443	1,020	-	213,463



(Unit: Million Baht)

	Separate financial statements			
	31 December 2019	The impacts of		
		Financial reporting standards related to financial instruments	TFRS 16	1 January 2020
<b>Statement of financial position</b>				
<b>Assets</b>				
Interbank and money market items - net	338,274	(400)	-	337,874
Financial assets measured at fair value				
through profit or loss	-	53,695	-	53,695
Claims on securities	67,350	(67,350)	-	-
Derivative assets	55,811	1,663	-	57,474
Investments - net	395,174	(50,828)	-	344,346
Loans to customers and accrued interest				
receivables - net	1,884,110	(4,030)	-	1,880,080
Customers' liability under acceptances	133	(133)	-	-
Right-of-use assets	-	-	3,434	3,434
Deferred tax assets	5,697	(730)	-	4,967
Accrued income	3,193	(712)	-	2,481
Other assets - net	23,555	5,576	-	29,131
<b>Liabilities and shareholders' equity</b>				
Interbank and money market items	208,240	167	-	208,407
Liabilities to deliver securities	67,350	(67,350)	-	-
Derivative liabilities	51,869	132	-	52,001
Debt issued and borrowings	51,323	216	-	51,539
Banks' liability under acceptances	133	(133)	-	-
Lease liabilities	-	-	3,434	3,434
Provisions	13,776	1,514	-	15,290
Other liabilities	48,240	(756)	-	47,484
<b>Shareholders' equity</b>				
Other components of equity	16,095	2,101	-	18,196
Retained earnings	195,290	860	-	196,150

## 6.1 Financial instruments

Details of the impact on retained earnings as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Recognition of losses from below-market interest rate loans	-	(246)
Recognition of expected credit losses of financial asset - debt instruments that are not measured at fair value through profit and loss	(141)	(141)
Reclassification of available-for-sale equity investments to financial asset measured at fair value through profit and loss	35	35
Fair value measurement of investment in non-listed equity securities	104	104
Reclassification of available-for-sale debt securities investments to financial asset measured at fair value through profit or loss	98	98
Recognition of derivatives at fair value through profit and loss	1,607	1,607
Recognition of adjusted values due to fair value hedge, which included in hedged item's book value	(383)	(383)
Recognition of the impact from the change in accounting policy of associates	(86)	-
Relevant deferred tax assets	(214)	(214)
The impact to retained earnings due to the adoption of financial reporting standards related to financial instruments	<u>1,020</u>	<u>860</u>

As at 1 January 2020, the classification and measurement of financial assets and financial liabilities in accordance with TFRS 9 comparing with the former classification and measurement are as follow:

(Unit: Million Baht)

Value according to former accounting policy	Consolidated financial statements					Total
	The classification and measurement in accordance with TFRS 9					
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost		
<b>Financial assets as at 1 January 2020</b>						
Cash	68,434	-	-	-	68,434	68,434
Interbank and money market items - net	338,771	-	-	-	338,371	338,371
Financial asset measured at fair value through profit or loss	-	53,695	-	-	-	53,695
Claims on securities	67,350	-	-	-	-	-
Derivatives assets	55,811	57,474	-	-	-	57,474
Investments - net	395,228	-	327,288	16,032	1,080	344,400
Loans to customers and accrued interest receivables - net	1,959,765	-	-	-	1,955,735	1,955,735
Customers' liability under acceptances	133	-	-	-	-	-
Accrued income	3,487	-	-	-	2,775	2,775
Other assets - net	23,842	-	-	-	29,664	29,664
<b>Total financial assets</b>	<b>2,912,821</b>	<b>111,169</b>	<b>327,288</b>	<b>16,032</b>	<b>2,396,059</b>	<b>2,850,548</b>

## Consolidated financial statements

Value according to former accounting policy	The classification and measurement in accordance with TFRS 9					Total
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost		
<b>Financial liabilities as at 1 January 2020</b>						
Deposits	2,155,865	-	-	-	2,155,865	2,155,865
Interbank and money market items - net	215,823	-	-	-	215,990	215,990
Liabilities payable on demand	4,744	-	-	-	4,744	4,744
Liabilities to deliver securities	67,350	-	-	-	-	-
Derivatives liabilities	51,869	52,001	-	-	-	52,001
Debt issued and borrowings	96,841	-	-	-	97,057	97,057
Banks' liability under acceptances	133	-	-	-	-	-
Provisions	15,240	-	-	-	16,754	16,754
Other liabilities	56,025	-	-	-	55,269	55,269
<b>Total financial liabilities</b>	<b>2,663,890</b>	<b>52,001</b>	<b>-</b>	<b>-</b>	<b>2,545,679</b>	<b>2,597,680</b>

## Separate financial statements

Value according to former accounting policy	The classification and measurement in accordance with TFRS 9					Total
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost		
<b>Financial assets as at 1 January 2020</b>						
Cash	68,362	-	-	-	68,362	68,362
Interbank and money market items - net	338,274	-	-	-	337,874	337,874
Financial asset measured at fair value through profit or loss	-	53,695	-	-	-	53,695
Claims on securities	67,350	-	-	-	-	-
Derivatives assets	55,811	57,474	-	-	-	57,474
Investments - net	395,174	-	327,288	16,032	1,026	344,346
Loans to customers and accrued interest receivables - net	1,884,110	-	-	-	1,880,080	1,880,080
Customers' liability under acceptances	133	-	-	-	-	-
Accrued income	3,193	-	-	-	2,481	2,481
Other assets - net	23,555	-	-	-	29,131	29,131
<b>Total financial assets</b>	<b>2,835,962</b>	<b>111,169</b>	<b>327,288</b>	<b>16,032</b>	<b>2,318,954</b>	<b>2,773,443</b>

Separate financial statements						
Value according to former accounting policy	The classification and measurement in accordance with TFRS 9					Total
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost		
<b>Financial liabilities as at 1 January 2020</b>						
Deposits	2,158,460	-	-	-	2,158,460	2,158,460
Interbank and money market items - net	208,240	-	-	-	208,407	208,407
Liabilities payable on demand	4,744	-	-	-	4,744	4,744
Liabilities to deliver securities	67,350	-	-	-	-	-
Derivatives liabilities	51,869	52,001	-	-	-	52,001
Debt issued and borrowings	51,323	-	-	-	51,539	51,539
Banks' liability under acceptances	133	-	-	-	-	-
Provisions	13,776	-	-	-	15,290	15,290
Other liabilities	48,240	-	-	-	47,484	47,484
<b>Total financial liabilities</b>	<b>2,604,135</b>	<b>52,001</b>	<b>-</b>	<b>-</b>	<b>2,485,924</b>	<b>2,537,925</b>

The following table shows a reconciliation of the closing allowance for impairment as at 31 December 2019, recognised in accordance with BOT regulations and TAS 105 Accounting for Investments in Debt and Equity Securities and the provision for contingent liabilities, recognised in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets to the opening allowance for expected credit losses as at 1 January 2020, determined in accordance with TFRS 9. Such changes are due to remeasurement of allowance for expected credit losses under requirement of this financial reporting standard.

(Unit: Million Baht)

Consolidated financial statements			
	31 December 2019	Remeasurement	1 January 2020
Allowance for expected credit losses - interbank and money market items - net (assets)	1,235	400	1,635
Allowance for expected credit losses - held-to-maturity debt securities investments, which are reclassified to be measured at amortised cost	36	2	38
Allowance for expected credit losses - investments in debt securities measured at fair value through other comprehensive income	79	20	99
Allowance for expected credit losses - loans to customers and accrued interest receivables	135,268	(1,795)	133,473
Allowance for expected credit losses - loan commitments and financial guarantee contracts	116	1,514	1,630
<b>Total</b>	<b>136,734</b>	<b>141</b>	<b>136,875</b>

(Unit: Million Baht)

Separate financial statements			
	31 December 2019	Remeasurement	1 January 2020
Allowance for expected credit losses - interbank and money market items - net (assets)	1,235	400	1,635
Allowance for expected credit losses - held-to-maturity debt securities investments, which are reclassified to be measured at amortised cost	36	2	38
Allowance for expected credit losses - investments in debt securities measured at fair value through other comprehensive income	79	20	99
Allowance for expected credit losses - loans to customers and accrued interest receivables	126,772	(1,795)	124,977
Allowance for expected credit losses - loan commitments and financial guarantee contracts	116	1,514	1,630
<b>Total</b>	<b>128,238</b>	<b>141</b>	<b>128,379</b>

## 6.2 Leases

Upon initial application of TFRS 16 the Bank and its subsidiaries recognised lease liabilities that were previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's and its subsidiaries' incremental borrowing rate at 1 January 2020 in percentage of 1.41 to 6.25 per annum (Separate financial statements: 1.41 to 3.14 per annum). For leases previously classified as finance leases, the Bank and its subsidiaries recognised 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 before the date of initial application of TFRS 16.

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
Operating lease commitments as at 31 December 2019	3,238	2,349
Less: Short-term leases and leases of low-value assets	(243)	(6)
Add: Option to extend or terminate lease term	296	296
Less: Contracts reassessed as service agreements	(101)	-
Add: Lease agreements that are additionally determined	977	977
Less: Others	(137)	(86)
Less: Deferred interest expenses	(135)	(96)
Increase in lease liabilities due to TFRS 16 adoption	3,895	3,434
Liabilities under finance lease agreements as at		
31 December 2019	-	-
Lease liabilities as at 1 January 2020	<u>3,895</u>	<u>3,434</u>

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
Building and building improvement	2,518	2,346
Furniture, fixtures and office equipment	231	-
Motor vehicles	1,146	1,088
<b>Total right-of-use assets</b>	<u>3,895</u>	<u>3,434</u>



## 7. Risk Management

### Credit Risk

Credit risk is the risk that a counterparty or a borrower fails to comply with conditions and covenants stated in the agreement or the deterioration of assets' quality resulting in non-performing debt and adverse effect over the Bank's income and capital. The assets on the statements of financial position, net of allowance for doubtful accounts, represent the Bank's credit risk exposure.

The Bank concerns about the contingent credit risk at all time. The Bank also inputs economic and business from the research in loan portfolio management, including set the Industry Direction, stress testing and Industry Indicators in order to monitor and manage over all loan portfolio efficiently. The Bank continually evaluates and follows up both inside and outside country situation in order to assess the risk that may impact on solvency of the debtors and the Bank's loan portfolio.

The Bank focuses on a credit expansion to both existing and new customers with high potentiality and high yield. The Bank highly concentrates on customer evaluation, business potential, ability to repay debt, and obvious objective of loan purpose. The Bank develops not only risk management tool to rank credit rating in order to be an element to estimate risk of large and middle size of loans, but also develops Credit Scoring tool in order to consider retail loan debtors including the Early Warning System that notices credit departments and set the loan policy guideline to prevent debtors becoming NPLs. Moreover, the Bank also has regularly improved credit risk management by reviewing/ revising credit policies and other policies related to the credit risk management for the purpose of complying with economic situation and the Bank's business operation as well as being in consonant with risk management guidance prescribed by the BOT and The credit risk management policies and guidelines are reviewed/improved at least once a year in order to match with current situation.

The Bank manages credit risk management of the companies in financial business group under the BOT's regulations. The credit risk management policies and guidelines of those companies are also reviewed/improved on a yearly basis and/or when significantly changed event occurs and affects credit risk management.

The Bank monitors and reports risk management results with the intention to control credit risk to be in compliance with the Bank's risk management plan, the BOT's supervision policy and other regulators' rules. The risk management results reports are normally submitted to the Risk Oversight Committee on a monthly basis and reports to the Audit Committee and the Board of Directors on a quarterly basis.

To follow up and manage the quality of credit, the Bank closely monitors the customers whose credits are approved in order to ensure that they are in comply with the terms and conditions of loan agreements by carrying out NPLs reduction project. The watch list debtors with weak performance will be monitored and controlled to prevent such loans becomes NPLs. However, in case those debtors become NPLs, the measure for debt restructuring shall be set up together with legal process. With this regards, the NPLs reduction project shall help stipulating the implementation plan to become clearer and more effective for the NPLs problem solving. Thus, the regular progress shall be reported regularly in order to expedite debt repayment with minimum loss.

In assessing the adequacy of provision as prescribed by the BOT, the Bank is required to examine the accuracy and completeness of loan classification, debt- restructuring and collateral data as type and value of collateral. Such associated data potentially has significant impacts on the allowance for doubtful accounts of the Bank.

According to assets written-off, the Bank has policy to write off any assets classified as doubtful of loss with 100 percent provision; however, the Bank still closely follow up uncollectible amounts or taken legal proceedings to the final action.

The credit review is established to ensure the compliance with standard operation procedures in relation to credit approval and debt restructuring. In addition, the qualitative assessment for loan and other related assets are conducted for loan classification as prescribed by the BOT.

### **The maximum exposure to credit risk**

The table below shows the maximum exposure to credit risk for recognised and unrecognised financial instruments. The maximum exposure is shown gross carrying amounts before both the effect of mitigation through use of master netting and collateral arrangements.

- For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their gross carrying amounts before deducting allowance for expected credit losses.
- For financial guarantees contracts, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees are called upon.
- For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 30 June 2020, The maximum exposure to credit risk are as follow:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	30 June 2020	30 June 2020
Interbank and money market items (assets)	424,916	424,598
Investments in debt securities measured at amortised cost	1,565	1,071
Investments in debt securities measured at fair value through other comprehensive income	288,735	289,538
Loans to customers and accrued interest receivables	2,294,576	2,212,501
Other accrued interest receivables	1,079	1,079
Total financial assets	3,010,871	2,928,787
Loan commitments	1,158,456	1,158,456
Financial guarantee contracts	63,644	63,644
Total	1,222,100	1,222,100
Total maximum exposure to credit risk	4,232,971	4,150,887

The Bank determined that above disclosure will disclose from year 2020 onwards, due to the financial reporting standard effective from 1 January 2020.

### **Credit quality analysis**

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank has adopted the policy to prevent this risk by performing credit analysis from customers' information and follow-up on customer status consistently.

The table below shows the credit quality of financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented for financial assets are gross carrying amount (before deducting allowance for expected credit losses). For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of 12-months expected credit losses, lifetime expected credit losses - not credit impaired, and lifetime expected credit losses-credit impaired are included in Note 4.10 to the financial statements.

(Unit: Million Baht)

## Consolidated financial statements

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Financial assets where applied simplified approach to calculated expected credit losses (Lifetime ECL - simplified approach)	Total
<b>Interbank and money market items (assets)</b>					
Investment grade	63,228	11	-	-	63,239
Non-investment grade	-	2,987	-	-	2,987
Not yet due	355,314	3,374	-	-	358,688
Overdue 1 - 30 days	2	-	-	-	2
<b>Total</b>	<b>418,544</b>	<b>6,372</b>	<b>-</b>	<b>-</b>	<b>424,916</b>
<u>Less</u> Allowance for expected credit losses	(364)	(1,100)	-	-	(1,464)
<b>Net book value</b>	<b>418,180</b>	<b>5,272</b>	<b>-</b>	<b>-</b>	<b>423,452</b>
<b>Investments in debt securities measured at amortised cost</b>					
Investment grade	1,159	-	-	-	1,159
Non-investment grade	370	-	36	-	406
<b>Total</b>	<b>1,529</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>1,565</b>
<u>Less</u> Allowance for expected credit losses	(4)	-	(36)	-	(40)
<b>Net book value</b>	<b>1,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,525</b>

(Unit: Million Baht)

## Consolidated financial statements

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Financial assets where applied simplified approach to calculated expected credit losses (Lifetime ECL - simplified approach)	Total
<b>Investments in debt securities measured at fair value through other comprehensive income</b>					
Investment grade	288,735	-	-	-	288,735
Total	288,735	-	-	-	288,735
Allowance for expected credit losses	(17)	-	(921)	-	(938)
<b>Loans to customers and accrued interest receivables - net</b>					
Not yet due	1,606,715	207,037	7,105	1,585	1,822,442
Overdue 1 - 30 days	299,819	29,137	8,098	849	337,903
Overdue 31 - 60 days	-	9,272	885	272	10,429
Overdue 61 - 90 days	-	22,566	1,560	88	24,214
More than 90 days	-	-	96,602	2,986	99,588
Total	1,906,534	268,012	114,250	5,780	2,294,576
<u>Less</u> Allowance for expected credit losses	(26,768)	(39,779)	(73,366)	(2,906)	(142,819)
Net book value	1,879,766	228,233	40,884	2,874	2,151,757

(Unit: Million Baht)

## Consolidated financial statements

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Financial assets where applied simplified approach to calculated expected credit losses (Lifetime ECL - simplified approach)	Total
<b>Loan commitments</b>					
Loan commitments	1,037,599	113,258	7,599	-	1,158,456
<u>Less</u> Allowance for expected credit losses	(504)	(385)	(345)	-	(1,234)
Net book value	<u>1,037,095</u>	<u>112,873</u>	<u>7,254</u>	<u>-</u>	<u>1,157,222</u>
<b>Financial guarantee contracts</b>					
Financial guarantee contracts	56,678	6,762	204	-	63,644
<u>Less</u> Allowance for expected credit losses	(5)	(44)	(11)	-	(60)
Net book value	<u>56,673</u>	<u>6,718</u>	<u>193</u>	<u>-</u>	<u>63,584</u>

(Unit: Million Baht)

Separate financial statements				
30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
<b>Interbank and money market items (assets)</b>				
Investment grade	62,910	11	-	62,921
Non-investment grade	-	2,987	-	2,987
Not yet due	355,314	3,374	-	358,688
Overdue 1 - 30 days	2	-	-	2
<b>Total</b>	<b>418,226</b>	<b>6,372</b>	<b>-</b>	<b>424,598</b>
<u>Less</u> Allowance for expected credit losses	(364)	(1,100)	-	(1,464)
<b>Net book value</b>	<b>417,862</b>	<b>5,272</b>	<b>-</b>	<b>423,134</b>
<b>Investments in debt securities measured at amortised cost</b>				
Investment grade	665	-	-	665
Non-investment grade	370	-	36	406
<b>Total</b>	<b>1,035</b>	<b>-</b>	<b>36</b>	<b>1,071</b>
<u>Less</u> Allowance for expected credit losses	(4)	-	(36)	(40)
<b>Net book value</b>	<b>1,031</b>	<b>-</b>	<b>-</b>	<b>1,031</b>
<b>Investments in debt securities measured at fair value through other comprehensive income</b>				
Investment grade	289,538	-	-	289,538
<b>Total</b>	<b>289,538</b>	<b>-</b>	<b>-</b>	<b>289,538</b>
Allowance for expected credit losses	(17)	-	(921)	(938)

(Unit: Million Baht)

## Separate financial statements

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
<b>Loans to customers and accrued interest receivables - net</b>				
Not yet due	1,613,902	207,037	7,105	1,828,044
Overdue 1 - 30 days	235,102	16,682	8,098	259,882
Overdue 31 - 60 days	-	8,649	885	9,534
Overdue 61 - 90 days	-	22,405	1,560	23,965
More than 90 days	-	-	91,076	91,076
<b>Total</b>	<b>1,849,004</b>	<b>254,773</b>	<b>108,724</b>	<b>2,212,501</b>
<u>Less</u> Allowance for expected credit losses	(23,943)	(37,539)	(69,817)	(131,299)
<b>Net book value</b>	<b>1,825,061</b>	<b>217,234</b>	<b>38,907</b>	<b>2,081,202</b>
<b>Loan commitments</b>				
Loan commitments	1,037,599	113,258	7,599	1,158,456
<u>Less</u> Allowance for expected credit losses	(504)	(385)	(345)	(1,234)
<b>Net book value</b>	<b>1,037,095</b>	<b>112,873</b>	<b>7,254</b>	<b>1,157,222</b>
<b>Financial guarantee contracts</b>				
Financial guarantee contracts	56,678	6,762	204	63,644
<u>Less</u> Allowance for expected credit losses	(5)	(44)	(11)	(60)
<b>Net book value</b>	<b>56,673</b>	<b>6,718</b>	<b>193</b>	<b>63,584</b>



## Collateral and any operations to increase creditability

The Bank has held collateral and any operations to increase creditability of exposure to credit risk. The details of the collateral held by the Bank for each type of financial assets are as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements		
	Exposure to credit risk with collateral		
	30 June 2020	31 December 2019	Type of major collateral
Interbank and money market items	342,492	258,707	Bonds
Loans to customers and accrued interest receivables	1,542,126	1,505,396	Lands and buildings

## **Market Risk**

Market risk is the risk that the Bank may be affected by changes in value of position on the statements of financial position and off-the statements of financial position which is caused by fluctuation of interest rate, foreign exchange rate, equity securities price and commodity price resulting in negative impact on income and capital. The Bank monitors and controls the market risk in the trading book and banking book portfolios by comparing the existing risks with the approved risk limits/indicators, conducting the approval processes for the breach of the limits/ indicators and reporting to the executives and the Risk Oversight Committee regularly.

## **Interest Rate Risk**

Interest rate risk is the risk that income or capital is adversely affected by changes in interest rates which affect the value of all assets, liabilities and off-balances items which are rate sensitive items which may affect to net interest income, economic value, trading accounts and other income and expenses that relate to the interest rate.

Significant financial assets and liabilities of the Bank and subsidiaries classified by periods of interest rate change are as follows:

(Unit: Million Baht)

## Consolidated financial statements

30 June 2020

	At call to 1 Month	1 - 3 Months	3 - 12 Months	Over 1 year	Non- interest Bearing	Non- performing loan	Total
<b>Financial assets</b>							
Cash	-	-	-	-	54,061	-	54,061
Interbank and money							
market items	350,284	9,269	2,908	118	62,179	-	424,758
Investments	8,896	65,794	19,235	196,339	15,143	36	305,443
Loans to customers	<u>1,379,584</u>	<u>595,870</u>	<u>98,136</u>	<u>77,656</u>	<u>19,600</u>	<u>114,715</u>	<u>2,285,561</u>
Total financial assets	<u>1,738,764</u>	<u>670,933</u>	<u>120,279</u>	<u>274,113</u>	<u>150,983</u>	<u>114,751</u>	<u>3,069,823</u>
<b>Financial liabilities</b>							
Deposits	1,751,441	277,885	189,350	50,033	82,055	-	2,350,764
Interbank and money							
market items	137,244	39,429	7,882	37,914	5,907	-	228,376
Liabilities repayable							
on demand	-	-	-	-	5,836	-	5,836
Debt issued and							
borrowings	7,461	4,101	8,042	78,233	-	-	97,837
Lease liabilities	-	47	262	514	3,655	-	4,478
Total financial liabilities	<u>1,896,146</u>	<u>321,462</u>	<u>205,536</u>	<u>166,694</u>	<u>97,453</u>	<u>-</u>	<u>2,687,291</u>

(Unit: Million Baht)

## Consolidated financial statements

31 December 2019

	At call to 1 Month	1 - 3 Months	3 - 12 Months	Over 1 year	Non- interest Bearing	Non- performing loan	Total
<b>Financial assets</b>							
Cash	-	-	-	-	68,434	-	68,434
Interbank and money							
market items	289,469	8,155	3,563	1	38,640	4	339,832
Investments	11,745	128,578	62,618	178,132	15,360	36	396,469
Loans to customers	1,338,994	289,944	229,593	109,243	19,444	102,655	2,089,873
Total financial assets	<u>1,640,208</u>	<u>426,677</u>	<u>295,774</u>	<u>287,376</u>	<u>141,878</u>	<u>102,695</u>	<u>2,894,608</u>
<b>Financial liabilities</b>							
Deposits	1,569,871	121,186	246,914	133,958	83,936	-	2,155,865
Interbank and money							
market items	152,039	19,627	1,543	27,948	14,666	-	215,823
Liabilities repayable							
on demand	-	-	-	-	4,744	-	4,744
Debt issued and							
borrowings	108	-	16,007	80,726	-	-	96,841
Total financial liabilities	<u>1,722,018</u>	<u>140,813</u>	<u>264,464</u>	<u>242,632</u>	<u>103,346</u>	<u>-</u>	<u>2,473,273</u>

(Unit: Million Baht)

## Separate financial statements

30 June 2020

	At call to 1 Month	1 - 3 Months	3 - 12 Months	Over 1 year	Non- interest Bearing	Non- performing loan	Total
<b>Financial assets</b>							
Cash	-	-	-	-	54,026	-	54,026
Interbank and money							
market items	350,203	9,268	2,908	118	61,943	-	424,440
Investments	8,896	65,604	19,022	197,051	15,141	36	305,750
Loans to customers	1,385,656	534,915	96,344	75,556	5,004	106,537	2,204,012
Total financial assets	<u>1,744,755</u>	<u>609,787</u>	<u>118,274</u>	<u>272,725</u>	<u>136,114</u>	<u>106,573</u>	<u>2,988,228</u>
<b>Financial liabilities</b>							
Deposits	1,753,015	277,983	189,893	50,189	82,283	-	2,353,363
Interbank and money							
market items	135,034	39,430	7,882	37,914	5,907	-	226,167
Liabilities repayable on							
demand	-	-	-	-	5,836	-	5,836
Debt issued and							
borrowings	7,461	-	-	44,315	-	-	51,776
Lease liabilities	-	-	-	-	3,655	-	3,655
Total financial liabilities	<u>1,895,510</u>	<u>317,413</u>	<u>197,775</u>	<u>132,418</u>	<u>97,681</u>	<u>-</u>	<u>2,640,797</u>

(Unit: Million Baht)

Separate financial statements							
31 December 2019							
	At call to 1 Month	1 -3 Months	3 - 12 Months	Over 1 year	Non- interest Bearing	Non- performing loan	Total
<b>Financial assets</b>							
Cash	-	-	-	-	68,362	-	68,362
Interbank and money market items	288,902	8,155	3,224	1	39,049	4	339,335
Investments	11,745	127,962	62,529	178,783	15,360	36	396,415
Loans to customers	1,345,205	224,636	227,562	108,650	1,040	99,220	2,006,313
<b>Total financial assets</b>	<b>1,645,852</b>	<b>360,753</b>	<b>293,315</b>	<b>287,434</b>	<b>123,811</b>	<b>99,260</b>	<b>2,810,425</b>
<b>Financial liabilities</b>							
Deposits	1,571,307	121,187	247,084	134,113	84,769	-	2,158,460
Interbank and money market items	144,649	19,627	1,042	27,948	14,974	-	208,240
Liabilities repayable on demand	-	-	-	-	4,744	-	4,744
Debt issued and borrowings	1	-	7,322	44,000	-	-	51,323
<b>Total financial liabilities</b>	<b>1,715,957</b>	<b>140,814</b>	<b>255,448</b>	<b>206,061</b>	<b>104,487</b>	<b>-</b>	<b>2,422,767</b>

### Interest rate sensitivity analysis

Analysis of sensitivity to changes in interest rates shows the potential change in interest rates on the statement of comprehensive income and the equity of the Bank by setting constant to other variables.

The sensitivity of the statement of comprehensive income is the effect of changing interest rates on profit or loss for the year. For financial assets and financial liabilities at the end of the reporting period, the Bank estimates sensitivity analysis from net interest income change for 12 months in advance under the assumption of changing interest rates of 1.00 percent of all types of financial assets and financial liabilities according to the period of interest rate adjustment in each.

The effect of changes in interest rates on profit or loss and equity as of 30 June 2020 can be summarised as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	Effect of		Effect of	
	Profit or loss	Equity	Profit or loss	Equity
Interest increase 1%	441	441	29	29
Interest decrease 1%	(9,935)	(9,935)	(9,522)	(9,522)

## Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that foreign exchange rate volatility gives the adverse impact on income or capital due to foreign currency transactions or having assets or liabilities in foreign currency, when converting all items on the Bank's financial statements to local currency, the book values decrease including decline of income or loss incurred from foreign exchange trading.

The Bank has foreign exchange transactions, resulting in risk from changes in foreign exchange rates. However, the Bank has policy to hedge foreign exchange risk by following up regularly the risk and control the risk under ceiling the risk the Bank set.

The status of the Bank and its subsidiaries' foreign currency balances as at 30 June 2020 and 31 December 2019 are as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	30 June 2020				
	US Dollar	Euro	Yen	Australian Dollar	Others
<b><u>Foreign currency in the statement of financial position</u></b>					
Cash	139	10	6	8	46
Interbank and money market items	13,110	1,350	691	359	5,063
Derivative assets	282,786	53,921	13,572	-	11,293
Investments	17,662	1,611	21,540	319	1,972
Loans to customers	61,373	1,117	353	12	46
Total assets	375,070	58,009	36,162	698	18,420
Deposits	18,901	1,571	28	264	2,815
Interbank and money market items	9,091	361	-	-	139
Derivative liabilities	342,529	53,329	35,338	322	3,905
Debt issued and borrowings	247	-	-	-	7,214
Total liabilities	370,768	55,261	35,366	586	14,073
Net	4,302	2,748	796	112	4,347
<b><u>Foreign currency of contingent liabilities</u></b>					
Loan commitments	59,776	1,416	333	-	258
Liabilities under unmatured import bills	786	12	128	-	-
Letter of credit	29,934	4,154	2,571	-	5,101
Other contingencies	21,614	2,815	121	-	241

(Unit: Million Baht)

## Consolidated financial statements

31 December 2019

<b><u>Foreign currency in the statement of financial position</u></b>	Australian				
	US Dollar	Euro	Yen	Dollar	Others
Cash	2,245	925	56	200	801
Interbank and money market items	21,138	1,406	2,562	129	3,360
Derivative assets	258,220	37,320	8,056	-	4,510
Investments	18,279	1,738	33,671	317	2,347
Loans to customers	55,892	747	291	19	42
<b>Total assets</b>	<b>355,774</b>	<b>42,136</b>	<b>44,636</b>	<b>665</b>	<b>11,060</b>
Deposits	21,041	1,614	31	261	3,083
Interbank and money market items	12,701	630	-	-	160
Derivative liabilities	281,451	36,080	14,369	-	4,613
Debt issued and borrowings	-	-	-	-	7,322
<b>Total liabilities</b>	<b>315,193</b>	<b>38,324</b>	<b>14,400</b>	<b>261</b>	<b>15,178</b>
<b>Net</b>	<b>40,581</b>	<b>3,812</b>	<b>30,236</b>	<b>404</b>	<b>(4,118)</b>
<b><u>Foreign currency of contingent liabilities</u></b>					
Loan commitments <sup>(1)</sup>	-	-	-	-	-
Liabilities under unmatured import bills	1,012	38	113	-	19
Letter of credit	33,719	6,479	3,429	-	5,146
Other contingencies	23,257	2,987	19	-	260

<sup>(1)</sup> The Bank determined that such disclosure will disclose from year 2020 onwards, due to the financial reporting standards, set of financial instruments, effective from 1 January 2020.

(Unit: Million Baht)

## Separate financial statements

30 June 2020

	Australian				
	US Dollar	Euro	Yen	Dollar	Others
<b><u>Foreign currency in the statement of financial position</u></b>					
Cash	139	10	6	8	46
Interbank and money market items	13,110	1,350	691	359	5,063
Derivative assets	282,786	53,921	13,572	-	11,293
Investments	17,662	1,611	21,540	319	1,972
Loans to customers	61,373	1,117	353	12	46
<b>Total assets</b>	<b>375,070</b>	<b>58,009</b>	<b>36,162</b>	<b>698</b>	<b>18,420</b>
Deposits	18,901	1,571	28	264	2,815
Interbank and money market items	9,091	361	-	-	139
Derivative liabilities	342,529	53,329	35,338	322	3,905
Debt issued and borrowings	247	-	-	-	7,214
<b>Total liabilities</b>	<b>370,768</b>	<b>55,261</b>	<b>35,366</b>	<b>586</b>	<b>14,073</b>
<b>Net</b>	<b>4,302</b>	<b>2,748</b>	<b>796</b>	<b>112</b>	<b>4,347</b>
<b><u>Foreign currency of contingent liabilities</u></b>					
Loan commitments	59,776	1,416	333	-	258
Liabilities under unmatured import bills	786	12	128	-	-
Letter of credit	29,934	4,154	2,571	-	5,101
Other contingencies	21,614	2,815	121	-	241



(Unit: Million Baht)

<b><u>Foreign currency in the statement of financial position</u></b>	Separate financial statements				
	31 December 2019				
	US Dollar	Euro	Yen	Australian Dollar	Others
Cash	2,245	925	56	200	801
Interbank and money market items	21,138	1,406	2,562	129	3,360
Derivative assets	258,220	37,320	8,056	-	4,510
Investments	18,279	1,738	33,671	317	2,347
Loans to customers	55,892	747	291	19	42
<b>Total assets</b>	<b>355,774</b>	<b>42,136</b>	<b>44,636</b>	<b>665</b>	<b>11,060</b>
Deposits	21,041	1,614	31	261	3,083
Interbank and money market items	12,701	630	-	-	160
Derivative liabilities	281,451	36,080	14,369	-	4,613
Debt issued and borrowings	-	-	-	-	7,322
<b>Total liabilities</b>	<b>315,193</b>	<b>38,324</b>	<b>14,400</b>	<b>261</b>	<b>15,178</b>
<b>Net</b>	<b>40,581</b>	<b>3,812</b>	<b>30,236</b>	<b>404</b>	<b>(4,118)</b>
<b><u>Foreign currency of contingent liabilities</u></b>					
Loan commitments <sup>(1)</sup>	-	-	-	-	-
Liabilities under unmatured import bills	1,012	38	113	-	19
Letter of credit	33,719	6,479	3,429	-	5,146
Other contingencies	23,257	2,987	19	-	260

<sup>(1)</sup> The Bank determined that such disclosure will disclose from year 2020 onwards, due to the financial reporting standards, set of financial instruments, effective from 1 January 2020.

#### Foreign exchange rate sensitivity analysis

Analysis of sensitivity to changes in foreign exchange rate shows the potential change in exchange rates on the income statement and the equity of the bank by setting constant to other variables. Risks and methods used in sensitivity analysis does not change from the previous period.

The Effect of change in exchange rate on profit or loss and equity as of 30 June 2020 can be summarised as follows:

	(Unit: Million Baht)	
	Consolidated and separate financial statements	
	Effect of	
	Profit or loss	Equity
10% increase	190	1,245
10% decrease	(190)	(1,245)

### Commodity Price Risk

This is the risk that income or capital is adversely affected by changes in commodity price. The Bank conducts commodity derivative transactions to accommodate customer hedging of risk. The Bank eliminates those risk exposures by doing back-to-back transactions.

### Liquidity Risk

Liquidity risk is the risk that the Bank fails to repay liabilities or contingencies on due date because of inability to liquidate assets into cash or having insufficient funds or acquiring funds at a higher unacceptable cost thus affecting income and capital funds at present and in the future.

### Structure of Sources and Uses of Funds

Liquidity risk is the significant risk of commercial banks. The Bank's liquidity risk factors are the structure of sources and uses of funds. The Bank's sources of funds are from short-term deposits mostly less than one year including saving deposits, while uses of funds for lending mostly have maturity date longer than the deposits. Therefore, the Bank's liquidity risk stems from asset to cash turning period not matching with liability's maturity date. Besides, cost of fund that higher than acceptable limit could affect to the Bank's income and capital at present and in the future.

Thus, the Bank has liquidity risk management process through variety of tools. The Bank also assigns the indicator to control liquidity risk such as high-quality liquid assets to net cash outflow ratio etc. In addition, the Bank also monitors structure of sources and uses of funds and funding concentration to monitor important sources of funds then consistently report the risk to the Asset and Liability Management Committee (ALCO), the Risk Oversight Committee (ROC) and other related parties.

### Liquidity Risk Management Tools

Liquidity risk management tools are presented in several reports related to the Bank's liquidity to top-level executives and relating departments in order to efficiently apply to use of liquidity risk management. The Bank prepares liquidity risk report to determine liquidity risk on a daily and monthly basis by comparing with the approved risk limit/indicators to manage and control the risk level to the prescribed limit. There are liquidity risk reports as follows;

- Net liquidity position report is prepared on a daily basis in the first 14 calendar days to present daily details by showing estimated cash inflow and outflow information adjusted

according to customer behavior, preceding cash flow model together with future trend considerations adhere to realistic and conservative principles.

- Liquidity gap report presents estimates of future cash flows determined in accordance with the customer behavior assumptions in normal situation.
- Daily financial position report presents the Bank's liquid assets in terms of balance amount of daily average deposits with the BOT. The BOT's regulation requires maintaining sum of the average daily deposit balance and the average daily cash balance at the cash inventory management center not less than 1 percent of total customers' deposit and other specified borrowings. Moreover, the report demonstrates high quality liquid assets in each asset category reserved as an operating liquidity for the Bank's normal operations.
- Liquidity Coverage Ratio (LCR) Report is reported to the Risk Oversight Committee and the Assets and Liabilities Management Committee on a monthly basis in accordance with BOT's regulations. LCR is the liquidity risk measurement standard that aims to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) which consists of cash or assets that can be converted into cash at little or no loss of value in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario.
- Net Stable Funding Ratio (NSFR) Report is reported to BOT on a quarterly basis and the Risk Oversight Committee and the Assets and Liabilities Management Committee on a monthly basis. NSFR is the liquidity risk measurement standard that aims to promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis.
- Simulation liquidity risk stress testing report is submitted to the Risk Oversight Committee on a quarterly basis.

#### Liquidity Risk Stress Testing

The Bank sets quarterly liquidity risk stress testing in conformity with the Bank's stress testing policy by using the 3 situations which are (1) Institution-specific crisis (2) Market-wide crisis and (3) Combination of both. Each situation is based on assumptions such as withdrawing customers' deposit in different proportion, declining in the market liquidity of assets, decreasing in ability to reach large-sized sources of funds. The Bank also prepares contingency plan to support crisis by considering to stress test result of each model situation. The contingency plan is set warning triggers of liquidity crisis in order that the Bank can reduce negative impact from liquidity problems that may occur with reasonable expenses/costs.

The Bank also discloses information about Liquidity Coverage Ratio (LCR) in order to ensure that the Bank has sufficient manage liquidity to support liquidity stress situation under the BOT's notifications regarding the Disclosure of Liquidity Coverage Ratio Disclosure Standards.

Channel of disclosure [www.krungthai.com](http://www.krungthai.com)>Investor Relations>Financial Information>LCR Disclosures

Date of disclosure Within 4 months after the end of period.

Information as at 30 June 2020

#### Liquidity Assets Ratio

The Bank has average fortnightly liquid assets not less than 1 percent of deposits and borrowings as prescribed by the BOT. As at 30 June 2020 and 31 December 2019, the Bank has deposits at the BOT and cash at the Cash Center of Baht 53,339 million and Baht 36,767 million, respectively.

#### Sources and Uses of Funds

Sources and uses of funds as at 30 June 2020, the Bank and its subsidiaries' major sources of funds were deposits accounting for 74.13 percent of total funds. Other significant sources of funds included net interbank and money market items (liabilities) of 7.20 percent, debt issued and borrowings of 3.09 percent, and equity of 10.98 percent.

The Bank and its subsidiaries' uses of funds were loans to customers 72.07 percent of total uses of funds. Other significant uses of funds included net interbank and money market items (assets) of 13.35 percent and net investments of 10.54 percent.

	30 June 2020	31 December 2019
	(%)	(%)
<b>Sources of Funds</b>		
Deposits	74.13	71.57
Interbank and money market items,net	7.20	7.16
Debt issued and borrowings	3.09	3.21
Equity	10.98	11.56
<b>Uses of Funds</b>		
Loans to customers	72.07	69.38
Interbank and money market items,net	13.35	11.25
Investments,net	10.54	14.15

## Loans to deposits ratio

	30 June 2020	31 December 2019
	(%)	(%)
Loans to deposits ratio (Consolidated financial statements)	97.23	96.94
Loans to deposits ratio (Separate financial statements)	93.65	92.95

On the consolidated financial statements as at 30 June 2020, the Bank has loans to deposits ratio of 97.23 percent which has increased from 96.94 percent as at 31 December 2019.

Loan to deposits ratio on the Bank's financial statements as at 30 June 2020 is 93.65 percent which has increased from 92.95 percent as at 31 December 2019. As a result of loan increased 9.85 percent and the reduction of deposits increased 9.03 percent from the end of the year 2019.

These above ratios have no significant impact to the liquidities of the Bank and its subsidiaries.

As at 30 June 2020 and 31 December 2019, the Bank's financial assets and liabilities are classified by remaining maturity as follows:

(Unit: Million Baht)

	Consolidated financial statements					Total
	30 June 2020					
	At call	Up to 1 years	1 - 5 years	Over 5 years	No Maturity	
<b>Financial assets</b>						
Cash	-	-	-	-	54,061	54,061
Interbank and money market items	62,965	359,804	1,989	-	-	424,758
Financial assets measured at fair value through profit or loss	-	29,992	-	4,482	1,161	35,635
Derivative assets	-	25,471	26,223	19,182	-	70,876
Investments	36	26,287	240,087	23,890	15,143	305,443
Loans to customers	213,942	535,131	514,512	1,021,976	-	2,285,561
<b>Total financial assets</b>	<b>276,943</b>	<b>976,685</b>	<b>782,811</b>	<b>1,069,530</b>	<b>70,365</b>	<b>3,176,334</b>
<b>Financial liabilities</b>						
Deposits	1,764,230	530,253	56,281	-	-	2,350,764
Interbank and money market items	44,121	146,195	31,373	6,687	-	228,376
Derivative liabilities	-	24,770	24,022	17,018	-	65,810
Debt issued and borrowings	-	9,890	15,563	72,384	-	97,837
<b>Total financial liabilities</b>	<b>1,808,351</b>	<b>711,108</b>	<b>127,239</b>	<b>96,089</b>	<b>-</b>	<b>2,742,787</b>

(Unit: Million Baht)

## Consolidated financial statements

	31 December 2019					Total
	At call	Up to 1 years	1 - 5 years	Over 5 years	No Maturity	
	<b>Financial assets</b>					
Cash	-	-	-	-	68,434	68,434
Interbank and money market items	54,414	285,384	1	-	33	339,832
Derivative assets	-	20,843	21,232	13,736	-	55,811
Investments	36	185,281	161,488	34,302	15,362	396,469
Loans to customers	221,297	527,111	377,770	963,695	-	2,089,873
<b>Total financial assets</b>	<b>275,747</b>	<b>1,018,619</b>	<b>560,491</b>	<b>1,011,733</b>	<b>83,829</b>	<b>2,950,419</b>
<b>Financial liabilities</b>						
Deposits	1,577,854	438,787	137,628	1,596	-	2,155,865
Interbank and money market items	45,907	141,442	21,922	6,552	-	215,823
Derivative liabilities	-	21,485	16,841	13,543	-	51,869
Debt issued and borrowings	-	6,186	19,088	71,567	-	96,841
<b>Total financial liabilities</b>	<b>1,623,761</b>	<b>607,900</b>	<b>195,479</b>	<b>93,258</b>	<b>-</b>	<b>2,520,398</b>

(Unit: Million Baht)

## Separate financial statements

	30 June 2020					Total
	At call	Up to 1 years	1 - 5 years	Over 5 years	No Maturity	
	<b>Financial assets</b>					
Cash	-	-	-	-	54,026	54,026
Interbank and money market items	62,647	359,804	1,989	-	-	424,440
Financial assets measured at fair value through profit or loss	-	30,298	-	4,482	1,161	35,941
Derivative assets	-	25,471	26,223	19,182	-	70,876
Investments	36	25,884	240,801	23,888	15,141	305,750
Loans to customers	213,979	479,921	488,151	1,021,961	-	2,204,012
<b>Total financial assets</b>	<b>276,662</b>	<b>921,378</b>	<b>757,164</b>	<b>1,069,513</b>	<b>70,328</b>	<b>3,095,045</b>
<b>Financial liabilities</b>						
Deposits	1,766,131	530,796	56,436	-	-	2,353,363
Interbank and money market items	41,912	146,195	31,373	6,687	-	226,167
Derivative liabilities	-	24,770	24,022	17,018	-	65,810
Debt issued and borrowings	-	247	-	51,529	-	51,776
<b>Total financial liabilities</b>	<b>1,808,043</b>	<b>702,008</b>	<b>111,831</b>	<b>75,234</b>	<b>-</b>	<b>2,697,116</b>

(Unit: Million Baht)

Separate financial statements						
31 December 2019						
	At call	Up to 1 years	1 - 5 years	Over 5 years	No Maturity	Total
<b>Financial assets</b>						
Cash	-	-	-	-	68,362	68,362
Interbank and money market items	54,012	285,322	1	-	-	339,335
Derivative assets	-	20,843	21,232	13,736	-	55,811
Investments	36	184,577	162,141	34,302	15,359	396,415
Loans to customers	222,110	464,363	356,133	963,707	-	2,006,313
Total financial assets	276,158	955,105	539,507	1,011,745	83,721	2,866,236
<b>Financial liabilities</b>						
Deposits	1,579,785	439,295	137,783	1,597	-	2,158,460
Interbank and money market items	43,820	135,946	21,922	6,552	-	208,240
Derivative liabilities	-	21,485	16,841	13,543	-	51,869
Debt issued and borrowings	-	1	-	51,322	-	51,323
Total financial liabilities	1,623,605	596,727	176,546	73,014	-	2,469,892

## 8. Capital funds

As at 30 June 2020 and 31 December 2019, the Bank has calculated capital funds in accordance with the BOT's Basel III Framework. Since 2016, BOT has required commercial banks that are registered in Thailand to maintain the additional common equity Tier 1 ratio that exceeds the minimum capital funds by more than 2.5 percent of total Risk-Weighted Assets, by gradually increasing the excess over the minimum capital funds by 0.625 percent each year, beginning from 1 January 2016 until the full amount was maintained on 1 January 2019.

The BOT added a rule requiring those commercial banks that have been identified as commercial banks with systematic country risk to maintain an additional capital adequacy ratio equal to 0.5 percent of risk assets from 1 January 2019 and increasing in to be 1 percent of total risk assets from 1 January 2020 onwards.

### Capital adequacy ratios

	2020	2019
	More than %	More than %
Common equity Tier 1 ratio	8.00	7.50
Tier 1 capital fund ratio	9.50	9.00
Capital adequacy ratio	12.00	11.50

The capital fund and capital adequacy ratio information as at 30 June 2020, is preliminary information prepared using the criteria and methods prescribed by the BOT, which requires the Bank to prepare and submit such information to the BOT within 3 months from the end of the quarter, and to disclose such information as at 30 June and 31 December of each year via the Bank's website. Comparative information as at 31 December 2019, already submitted to the BOT, is as follow:

	(Unit: Million Baht)	
	Financial business group	
	30 June 2020	31 December 2019
Common equity Tier 1		
Paid-up share capital	72,005	72,005
Premium on share capital	20,834	20,834
Legal reserve	7,201	7,201
Net income after appropriation	197,266	193,994
Other components of equity	30,629	33,011
Capital deduction items on common equity Tier 1	(18,714)	(22,340)
Tier 1 capital funds - financial instruments	1,069	1,100
Total Tier 1 capital funds	310,290	305,805
Tier 2 capital funds		
Long-term subordinated debt	53,091	53,091
Allowance for assets classified as normal	22,388	22,443
Total Tier 2 capital funds	75,479	75,534
Total capital funds	385,769	381,339
		(Unit: Million Baht)
	Separate financial statements	
	30 June 2020	31 December 2019
Common equity Tier 1		
Paid-up share capital	72,005	72,005
Premium on share capital	20,834	20,834
Legal reserve	7,201	7,201
Net income after appropriation	180,442	179,309
Other components of equity	16,103	16,090
Capital deduction items on common equity Tier 1	(8,885)	(9,977)
Total tier 1 capital funds	287,700	285,462
Tier 2 capital funds		
Long-term subordinated debt	53,091	53,091
Allowance for assets classified as normal	21,448	21,525
Total Tier 2 capital funds	74,539	74,616
Total capital funds	362,239	360,078



	Capital adequacy ratio			
	Financial business group		Separate financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
	(%)	(%)	(%)	(%)
Common equity Tier 1 ratio	15.36	15.19	14.88	14.80
Tier 1 capital fund ratio	15.42	15.24	14.88	14.80
Capital adequacy ratio	19.17	19.01	18.73	18.66

The Bank discloses information about the capital requirements of the Bank and the financial business group in accordance with the BOT's Notification regarding the Disclosure of Capital Requirements of Commercial Banks and Notification regarding the Disclosure of Capital Requirement of Financial Business Groups.

Channel of disclosure	<a href="http://www.krungthai.com">www. krungthai.com</a> >Investor Relations>Financial Information> Pillar III disclosures
Date of disclosure	Within 4 months after the end of period.
Information as at	30 June 2020

## 9. Supplementary information

### 9.1 Supplementary information of cash flows

#### 9.1.1 Cash

Cash as at 30 June 2020 and 31 December 2019 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Cash	46,701	62,717	46,666	62,645
Cash received in advance from electronic money transactions and electronic money transfer services	7,360	5,717	7,360	5,717
Total	54,061	68,434	54,026	68,362

9.1.2 Significant non-cash items for the six-month periods ended 30 June 2020 and 2019 are as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Increase in revaluation surplus on available-for-sale investments, net of income tax expenses	-	2,760	-	2,767
Increase in revaluation surplus on investments measured at fair value through other comprehensive income, net of income tax expenses	1,404	-	1,228	-
Increase in right-of-use assets	1,956	-	1,440	-
Increase in properties for sale from loans repayment	660	1,554	658	1,554

9.1.3 Disclosures of related changes in liabilities from financing activities

(Unit: Million Baht)

Item	Consolidated financial statements			
	Cash flows from financing			
	1 January 2020	activities	Non-cash item	30 June 2020
Debt issued and borrowings	96,841	789	207	97,837
<b>Total</b>	<b>96,841</b>	<b>789</b>	<b>207</b>	<b>97,837</b>

(Unit: Million Baht)

Item	Separate financial statements			
	Cash flows from financing			
	1 January 2020	activities	Non-cash item	30 June 2020
Debt issued and borrowings	51,322	247	207	51,776
<b>Total</b>	<b>51,322</b>	<b>247</b>	<b>207</b>	<b>51,776</b>

## 9.2 Classification of financial assets and liabilities

(Unit: Million Baht)

Consolidated financial statements					
30 June 2020					
	Financial instruments measured at fair value through profit and loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets</b>					
Cash	-	-	-	54,061	54,061
Interbank and money market items - net	-	-	-	423,452	423,452
Financial assets measured at fair value through profit and loss	35,635	-	-	-	35,635
Derivatives assets	70,876	-	-	-	70,876
Investments - net	-	288,735	15,143	1,525	305,403
Loans to customers and accrued interest receivables - net	-	-	-	2,151,757	2,151,757
<b>Total financial assets</b>	<b>106,511</b>	<b>288,735</b>	<b>15,143</b>	<b>2,630,795</b>	<b>3,041,184</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	2,350,764	2,350,764
Interbank and money market items - net	-	-	-	228,376	228,376
Liabilities payable on demand	-	-	-	5,836	5,836
Derivatives liabilities	65,810	-	-	-	65,810
Debt issued and borrowings	-	-	-	97,837	97,837
Lease liabilities	-	-	-	4,478	4,478
Provisions	-	-	-	16,359	16,359
<b>Total financial liabilities</b>	<b>65,810</b>	<b>-</b>	<b>-</b>	<b>2,703,650</b>	<b>2,769,460</b>

The beginning balance of financial assets and financial liabilities classified in accordance with TFRS 9 are presented in Note 6.1 to the financial statements.

(Unit: Million Baht)

Separate financial statement					
30 June 2020					
	Financial instruments measured at fair value through profit and loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity securities designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets</b>					
Cash	-	-	-	54,026	54,026
Interbank and money market items - net	-	-	-	423,134	423,134
Financial assets measured at fair value through profit and loss	35,941	-	-	-	35,941
Derivatives assets	70,876	-	-	-	70,876
Investments - net	-	289,538	15,141	1,031	305,710
Loans to customers and accrued interest receivables - net	-	-	-	2,081,202	2,081,202
<b>Total financial assets</b>	<b>106,817</b>	<b>289,538</b>	<b>15,141</b>	<b>2,559,393</b>	<b>2,970,889</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	2,353,363	2,353,363
Interbank and money market items - net	-	-	-	226,167	226,167
Liabilities payable on demand	-	-	-	5,836	5,836
Derivatives liabilities	65,810	-	-	-	65,810
Debt issued and borrowings	-	-	-	51,776	51,776
Lease liabilities	-	-	-	3,655	3,655
Provisions	-	-	-	14,865	14,865
<b>Total financial liabilities</b>	<b>65,810</b>	<b>-</b>	<b>-</b>	<b>2,655,662</b>	<b>2,721,472</b>

The beginning balance of financial assets and financial liabilities classified in accordance with TFRS 9 are presented in Note 6.1 to the financial statements.

### 9.3 Interbank and money market items (assets)

(Unit: Million Baht)

Consolidated financial statements						
	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	48,065	277,785	325,850	32,135	221,061	253,196
Commercial banks	85	10,718	10,803	475	22,532	23,007
Specialised financial institutions	10	19,748	19,758	23	6,126	6,149
Other financial institutions	15	47,877	47,892	40	28,993	29,033
<b>Total</b>	<b>48,175</b>	<b>356,128</b>	<b>404,303</b>	<b>32,673</b>	<b>278,712</b>	<b>311,385</b>
Add: Accrued interest receivables	-	120	120	-	117	117
Less: Deferred revenue	-	(20)	(20)	-	(22)	(22)
Less: Allowance for doubtful account	-	-	-	(1)	(1,149)	(1,150)
Less: Allowance for expected credit losses	(1)	(1,139)	(1,140)	-	-	-
<b>Total domestic items</b>	<b>48,174</b>	<b>355,089</b>	<b>403,263</b>	<b>32,672</b>	<b>277,658</b>	<b>310,330</b>
<b>Foreign</b>						
US Dollar	9,349	3,729	13,078	15,328	5,775	21,103
Yen	691	-	691	2,562	-	2,562
Euro	1,350	-	1,350	1,406	-	1,406
Others	3,172	2,184	5,356	2,224	1,176	3,400
<b>Total</b>	<b>14,562</b>	<b>5,913</b>	<b>20,475</b>	<b>21,520</b>	<b>6,951</b>	<b>28,471</b>
Add: Accrued interest receivables	-	38	38	-	57	57
Less: Deferred revenue	-	-	-	-	(2)	(2)
Less: Allowance for doubtful account	-	-	-	(1)	(84)	(85)
Less: Allowance for expected credit losses	(62)	(262)	(324)	-	-	-
<b>Total foreign items</b>	<b>14,500</b>	<b>5,689</b>	<b>20,189</b>	<b>21,519</b>	<b>6,922</b>	<b>28,441</b>
<b>Total</b>	<b>62,674</b>	<b>360,778</b>	<b>423,452</b>	<b>54,191</b>	<b>284,580</b>	<b>338,771</b>

(Unit: Million Baht)

## Separate financial statements

	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial						
Institutions Development Fund	48,065	277,785	325,850	32,135	221,061	253,196
Commercial banks	2	10,493	10,495	1	22,532	22,533
Specialised financial institutions	-	19,748	19,748	-	6,126	6,126
Other financial institutions	15	47,877	47,892	40	28,993	29,033
<b>Total</b>	<b>48,082</b>	<b>355,903</b>	<b>403,985</b>	<b>32,176</b>	<b>278,712</b>	<b>310,888</b>
Add: Accrued interest receivables	-	120	120	-	117	117
Less: Deferred revenue	-	(20)	(20)	-	(22)	(22)
Less: Allowance for doubtful account	-	-	-	(1)	(1,149)	(1,150)
Less: Allowance for expected credit losses	(1)	(1,139)	(1,140)	-	-	-
<b>Total domestic items</b>	<b>48,081</b>	<b>354,864</b>	<b>402,945</b>	<b>32,175</b>	<b>277,658</b>	<b>309,833</b>
<b>Foreign</b>						
US Dollar	9,349	3,729	13,078	15,328	5,775	21,103
Yen	691	-	691	2,562	-	2,562
Euro	1,350	-	1,350	1,406	-	1,406
Others	3,172	2,184	5,356	2,224	1,176	3,400
<b>Total</b>	<b>14,562</b>	<b>5,913</b>	<b>20,475</b>	<b>21,520</b>	<b>6,951</b>	<b>28,471</b>
Add: Accrued interest receivables	-	38	38	-	57	57
Less: Deferred revenue	-	-	-	-	(2)	(2)
Less: Allowance for doubtful account	-	-	-	(1)	(84)	(85)
Less: Allowance for expected credit losses	(62)	(262)	(324)	-	-	-
<b>Total foreign items</b>	<b>14,500</b>	<b>5,689</b>	<b>20,189</b>	<b>21,519</b>	<b>6,922</b>	<b>28,441</b>
<b>Total</b>	<b>62,581</b>	<b>360,553</b>	<b>423,134</b>	<b>53,694</b>	<b>284,580</b>	<b>338,274</b>

As at 30 June 2020, the Bank has no loan to a subsidiary company, which was a financial institution.

## 9.4 Financial assets measured at fair value through profit and loss

(Unit: Million Baht)

Investments	Consolidated	Separate
	financial statements	financial statements
	30 June 2020	30 June 2020
<b>Financial assets held for trading</b>		
Government and state enterprises securities	27,773	27,773
Private enterprises debt securities	2,219	2,525
Total	29,992	30,298
<b>Others</b>		
Private enterprises debt securities	4,482	4,482
Marketable unit trust	1,161	1,161
Total	5,643	5,643
Total financial assets measured at fair value through profit and loss	35,635	35,941

## 9.5 Derivatives

### 9.5.1 Derivatives held for trading

Fair value and notional amount classified by type of risk are as follows.

(Unit: Million Baht)

Type of risk	Consolidated financial statements					
	30 June 2020			31 December 2019		
	Fair value		Notional amounts	Fair value		Notional amounts
Assets	Liabilities	Assets		Liabilities		
Exchange rate	27,492	25,886	1,835,269	31,047	27,323	2,083,533
Interest rate	36,079	32,633	2,374,503	18,789	17,215	2,177,441
Others	6,205	6,986	163,007	5,975	7,331	163,262
Total	69,776	65,505	4,372,779	55,811	51,869	4,424,236

(Unit: Million Baht)

Type of risk	Separate financial statements					
	30 June 2020			31 December 2019		
	Fair value		Notional amounts	Fair value		Notional amounts
Assets	Liabilities	Assets		Liabilities		
Exchange rate	27,492	25,886	1,835,269	31,047	27,323	2,083,533
Interest rate	36,079	32,633	2,374,503	18,789	17,215	2,177,469
Others	6,205	6,986	163,007	5,975	7,331	163,262
Total	69,776	65,505	4,372,779	55,811	51,869	4,424,264

## 9.5.2 Derivative for hedging

As at 30 June 2020, hedging instrument classified by type of hedge accounting and risk are detailed as follow.

### Dynamic hedging

Fair value and notional amount classified by type of risk are as follows.

(Unit: Million Baht)

Type of risk	Consolidated and separate financial statements		
	30 June 2020		
	Notional amounts	Carrying amount	
		Assets	Liabilities
<b><u>Interest rate risk</u></b>			
Interest rate swap	4,315	-	-
Total	4,315	-	-

### Fair value hedges

The amounts relating to items designated as hedged items under fair value hedges are as follow.

(Unit: Million Baht)

Type of risk		Consolidated and separate financial statements			
		30 June 2020			
		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
		Assets	Liabilities	Assets	Liabilities
<b><u>Interest rate risk</u></b>					
THB fixed-rate borrowings	A	-	3,521	-	171
THB fixed-rate debt issued	B	-	10,316	-	316
Total interest rate risk		-	13,837	-	487
<b><u>Foreign exchange rate risk</u></b>					
USD investments in equity securities, designated at fair value through other comprehensive income	C	2,709	-	125	-
EUR investments in equity securities, designated at fair value through other comprehensive income	C	6	-	-	-
Total foreign exchange rate risk		2,715	-	125	-
Total		2,715	13,837	125	487



The item in the statement of financial position, where the hedged item and the cumulative fair value changes are recorded, include:

- A. Interbank and money market items, net (Liabilities)
- B. Debt issued and borrowings
- C. Investment, net

The amounts relating to items designated as hedging instruments under fair value hedges are as follow.

(Unit: Million Baht)

Type of risk	Consolidated and separate financial statements		
	30 June 2020		
	Notional amounts	Carrying amount of hedging instruments	
Assets		Liabilities	
<b><u>Interest rate risk</u></b>			
Interest rate swap	13,350	535	-
Total interest rate risk	13,350	535	-
<b><u>Foreign exchange rate risk</u></b>			
Foreign currency forward contract	37	1	-
Foreign currency swap contract	2,718	124	-
Total foreign exchange rate risk	2,755	125	-
Total	16,105	660	-

The below table sets out the outcome of the Bank's hedging strategy, set out in Note 4.5, in particular, to changes in the fair value of the hedged items and hedging instruments in the current period, used as the basis for recognising ineffectiveness:

(Unit: Million Baht)

Type of risk		Consolidated and separate financial statements		
		For the six-month period ended 30 June 2020		
Hedged items	Hedging instruments	Gains / (losses) attributable to the hedged risk		Change in fair value used for measuring ineffectiveness
		Hedged items	Hedging instruments	
<b><u>Interest rate risk</u></b>				
THB fixed-rate borrowings	Interest rate swap	(4)	6	2
THB fixed-rate debt issued	Interest rate swap	(99)	99	-
Total interest rate risk		(103)	105	2

(Unit: Million Baht)

		Consolidated and separate financial statements		
		For the six-month period ended 30 June 2020		
Type of risk		Gains / (losses) attributable to the hedged risk		Change in fair value used for measuring ineffectiveness
Hedged items	Hedging instruments	Hedged items	Hedging instruments	
<b>Foreign exchange rate risk</b>				
USD investments in equity securities, designated at fair value through other comprehensive income	Foreign currency forward contract / Foreign currency swap contract	(125)	125	-
EUR investments in equity securities, designated at fair value through other comprehensive income	Foreign currency swap contract	-	-	-
Total foreign exchange rate risk		(125)	125	-
Total		(228)	230	2

**Cash flow hedges**

The amounts relating to items designated as hedged items under cash flow hedges are as follow.

(Unit: Million Baht)

		Consolidated and separate financial statements		
		30 June 2020		
Type of risk		Change in fair value measuring used for ineffectiveness	Cash flow hedge reserve	
			Continuing hedges	Discontinued hedges
<b>Interest rate and foreign exchange rate risk</b>				
Investment in debt securities, measured at fair value through other comprehensive income				
USD fixed-rate		21	(33)	-
USD floating rate		(62)	39	-
YEN fixed-rate		(161)	103	-
EUR fixed-rate		14	12	-
EUR floating rate		6	14	-
AUD fixed-rate		(2)	(1)	-
Total		(184)	134	-

The corresponding items in the statement of financial position, where the hedged items are recorded is Investment, net.

The below table sets out the outcome of the Bank's hedging strategy, set out in Note 4.5, in particular, the notional and the carrying amounts of the derivatives the Bank uses as cash flow hedging instruments and the changes in fair value used for measuring ineffectiveness of the cash flow hedges as follows:

(Unit: Million Baht)

Consolidated and separate financial statements							
30 June 2020							
Type of risk	Notional amounts	Carrying amount of hedging instruments		Changes in fair value used for measuring ineffectiveness			Amount reclassified from the cash flow hedge reserve to profit or loss
		Assets	Liabilities	Total changes in fair value	Effective portion recognised in other comprehensive income	Ineffective portion recognised in profit or loss	
<b>Interest rate and foreign exchange rate risk</b>							
Cross currency swap (THB:USD) - hedge the risk of USD fixed-rate investments in debt securities	2,070	35	51	(21)	(21)	-	(7)
Cross currency swap (THB:USD) - hedge the risk of USD floating rate investments in debt securities	6,277	107	30	62	62	-	(23)
Cross currency swap (THB:YEN) - hedge the risk of YEN fixed-rate investments in debt securities	17,577	298	194	161	161	-	(73)
Cross currency swap (THB:EUR) - hedge the risk of EUR fixed-rate investments in debt securities	749	-	16	(14)	(14)	-	20
Cross currency swap (THB:EUR) - hedge the risk of EUR floating rate investments in debt securities	868	-	8	(6)	(6)	-	20
Cross currency swap (THB:AUD) - hedge the risk of AUD fixed-rate investments in debt securities	318	-	6	2	2	-	1
<b>Total</b>	<b>27,859</b>	<b>440</b>	<b>305</b>	<b>184</b>	<b>184</b>	<b>-</b>	<b>(62)</b>

The corresponding line item in profit or loss that includes hedge ineffectiveness is "Net gains on financial instruments measured at fair value through profit or loss".

The corresponding line items in profit or loss that affected by the reclassification of the cash flow hedge reserve are "Net gains on financial instruments measured at fair value through profit or loss" and "Interest income".

As at 30 June 2020, the Bank has hedging instruments used to hedge interest rate risk and foreign exchange rate risk, classified by the maturity as follows.

Type of risk	Consolidated and separate financial statements					
	30 June 2020					
	Remaining time to maturity					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Fair value hedges - interest rate risk</b>						
Interest rate swap - hedge of THB fixed-rate borrowings						
Notional amount (Unit: Million Baht)	-	-	2,050	10,500	800	13,350
Average fixed rate (%)	-	-	4.37	3.45	3.41	3.59
Average floating rate (%)	-	-	0.60	1.83	1.00	1.59
<b>Fair value hedges - foreign exchange rate risk</b>						
Foreign currency forward contract - hedge USD investments in equity securities						
Notional amount (Unit: Million Baht)	-	31	-	-	-	31
Average foreign exchange rate (THB:USD)	-	30.90	-	-	-	30.90
Foreign currency forward contract - hedge EUR investments in equity securities						
Notional amount (Unit: Million Baht)	-	6	-	-	-	6
Average foreign exchange rate (THB:EUR)	-	35.18	-	-	-	35.18
Foreign currency swap contract - hedge USD investments in equity securities						
Notional amount (Unit: Million Baht)	-	2,718	-	-	-	2,718
Average foreign exchange rate (THB:USD)	-	32.31	-	-	-	32.31
<b>Cash flow hedges – interest rate and foreign exchange rate risk</b>						
Cross currency swap (THB:USD) - hedge the risk of USD fixed-rate investments in debt securities						
Notional amount (Unit: Million Baht)	-	-	-	2,070	-	2,070
Average foreign exchange rate (THB:USD)	-	-	-	31.11	-	31.11
Average fixed rate (%)	-	-	-	2.92	-	2.92
Cross currency swap (THB:USD) - hedge the risk of USD floating rate investments in debt securities						
Notional amount (Unit: Million Baht)	-	-	778	5,499	-	6,277
Average foreign exchange rate (THB:USD)	-	-	30.26	31.09	-	30.99
Average fixed rate (%)	-	-	1.48	1.46	-	1.46

Consolidated and separate financial statements						
30 June 2020						
Remaining time to maturity						
Type of risk	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cross currency swap (THB:YEN) - hedge the risk of YEN fixed-rate investments in debt securities						
Notional amount (Unit: Million Baht)	-	-	-	17,577	-	17,577
Average foreign exchange rate (THB:YEN)	-	-	-	0.29	-	0.29
Average fixed rate (%)	-	-	-	1.19	-	1.19
Cross currency swap (THB:EUR) - hedge the risk of EUR fixed-rate investments in debt securities						
Notional amount (Unit: Million Baht)	-	-	-	749	-	749
Average foreign exchange rate (THB:EUR)	-	-	-	33.43	-	33.43
Average fixed rate (%)	-	-	-	1.76	-	1.76
Cross currency swap (THB:EUR) - hedge the risk of EUR floating rate investments in debt securities						
Notional amount (Unit: Million Baht)	-	-	-	868	-	868
Average foreign exchange rate (THB:EUR)	-	-	-	33.69	-	33.69
Average fixed rate (%)	-	-	-	1.73	-	1.73
Cross currency swap (THB:AUD) - hedge the risk of AUD fixed-rate investments in debt securities						
Notional amount (Unit: Million Baht)	-	-	318	-	-	318
Average foreign exchange rate (THB:AUD)	-	-	20.79	-	-	20.79
Average fixed rate (%)	-	-	1.50	-	-	1.50

During the six-month period ended 30 June 2020, there were no forecast transactions that are expected to be discontinued hedge as they were not expected to occur in the current period.

The following table provides a reconciliation by risk categories of other components of equity, resulting from hedge accounting.

(Unit: Million Baht)

	Consolidated and separate financial statements		
	Cash flow	Gains / (losses)	Total
	hedge reserve	from deferred cost of hedging	
Balance as at 1 January 2020 - net income tax	9	(39)	(30)
Effective portion of changes in fair value:			
Interest rate and foreign exchange rate risk	184	-	184
Net amount reclassified to profit or loss:			
Interest rate and foreign exchange rate risk	(62)	-	(62)
Changes in deferred cost of hedging	-	(56)	(56)
Related income taxes	(24)	11	(13)
Balance as at 30 June 2020 - net income tax	<u>107</u>	<u>(84)</u>	<u>23</u>

## 9.6 Investment - net

The detail of investments of the Bank and its subsidiaries as of 30 June 2020 and 31 December 2019 are as follows:

(Unit: Million Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Debt securities measured at amortised cost	1,525	-	1,031	-
Debt securities measured at fair value through other comprehensive income	288,735	-	289,538	-
Investments in equity designated to be measured at fair value through other comprehensive income	15,143	-	15,141	-
Trading investments	-	48,252	-	48,252
Available-for-sale investments	-	344,198	-	344,856
Held-to-maturity investments	-	1,737	-	1,028
General investments	-	1,041	-	1,038
	<u>305,403</u>	<u>395,228</u>	<u>305,710</u>	<u>395,174</u>

### 9.6.1 Debt securities measured at amortised cost

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
	30 June 2020	30 June 2020
	Amortised cost	Amortised cost
Government and state enterprise securities	494	-
Private enterprise debt securities	473	473
Foreign debt securities	598	598
Total	1,565	1,071
<u>Less</u> Allowance for expected credit loss	(40)	(40)
Total	1,525	1,031

### 9.6.2 Debt securities measured at fair value through other comprehensive income

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
	30 June 2020	30 June 2020
	Fair value	Fair value
Government and state enterprise securities	238,791	238,791
Private enterprise debt securities	11,005	11,808
Foreign debt securities	38,939	38,939
Total	288,735	289,538
Allowance for expected credit loss	(938)	(938)

### 9.6.3 Investments in equity designated to be measured at fair value through other comprehensive income

	(Unit: Million Baht)	
	Consolidated financial statements	
	30 June 2020	
	Fair value	Dividend income
Domestic marketable equity securities	11,312	203
Foreign marketable equity securities	2,918	7
Domestic non-marketable equity securities	907	12
Foreign non-marketable equity securities	6	1
Total	15,143	223

(Unit: Million Baht)

	Separate financial statements	
	30 June 2020	
	Fair value	Dividend income
Domestic marketable equity securities	11,312	203
Foreign marketable equity securities	2,918	7
Domestic non-marketable equity securities	905	12
Foreign non-marketable equity securities	6	1
<b>Total</b>	<b>15,141</b>	<b>223</b>

#### 9.6.4 Trading securities

(Unit: Million Baht)

	Consolidated	Separate
	financial statements	financial statements
	31 December 2019	31 December 2019
	Fair value	Fair value
Government and state enterprise securities	29,737	29,737
Private enterprise debt securities	26	26
Foreign debt securities	18,489	18,489
<b>Total</b>	<b>48,252</b>	<b>48,252</b>

#### 9.6.5 Available-for-sale securities

(Unit: Million Baht)

	Consolidated	Separate
	financial statements	financial statements
	31 December 2019	31 December 2019
	Fair value	Fair value
Government and state enterprise securities	278,825	278,825
Private debt securities	15,730	16,388
Foreign debt securities	36,527	36,527
Domestic marketable equity securities	12,849	12,849
Foreign marketable equity securities	267	267
<b>Total</b>	<b>344,198</b>	<b>344,856</b>



### 9.6.6 Held-to-maturity debt securities

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	31 December 2019	31 December 2019
	Cost/Amortised cost	Cost/Amortised cost
Government and state enterprise securities	709	-
Private debt securities	605	605
Foreign debt securities	459	459
Total	1,773	1,064
<u>Less</u> Allowance for impairment	(36)	(36)
Total	1,737	1,028

### 9.6.7 General investments

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	31 December 2019	31 December 2019
	Cost/Amortised cost	Cost/Amortised cost
Domestic non-marketable equity securities	2,242	2,239
Foreign non-marketable equity securities	3	3
Others	1	1
Total	2,246	2,243
<u>Less</u> Allowance for impairment	(1,205)	(1,205)
Total	1,041	1,038

During the six-month period ended 30 June 2020, the Bank and its subsidiaries have no disposal on equity investments designated at fair value through other comprehensive income.

9.6.8 The Bank and its subsidiaries have investments in securities which the Bank hold not less than 10 percent of the equity of the investee, classified by industrial sector and represented at their fair value as follows:

	(Unit: Million Baht)	
	Consolidated and	
	separate financial statements	
	30 June 2020	31 December 2019
Public utilities and services	1,472	1,538
Mutual funds and REIT	656	545

9.6.9 As at 30 June 2020, the Bank has investments in ordinary shares in 2 listed companies that are subject to delisting from SET, their cost are Baht 0.1 million and their fair value are Baht 32 million.

9.6.10 As at 30 June 2020, the Bank has investments in debt securities in 3 companies that are subject to uncertainty in settlement or in default, their book value are Baht 948 million which the allowance for expected credit losses are fully set aside.

## 9.7 Investments in subsidiaries and associates - net

### 9.7.1 Separate financial statements

Name of company	Type of business	Type of shares	Percentages of shareholdings		Investments (Cost method)		(Unit: Million Baht) Dividend for the six- month period ended	
			30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	30 June 2019
<b>Subsidiaries</b>								
<b>Directly held</b>								
KTB Law Co., Ltd.	Legal services	Ordinary	100.00	100.00	30	30	13	27
KTB General Services and Security Co., Ltd.	General services	Ordinary	100.00	100.00	140	140	59	119
Krung Thai Asset Management Plc.	Securities business	Ordinary	100.00	100.00	211	211	500	455
KTB Computer Services Co., Ltd.	IT services	Ordinary	100.00	100.00	1,300	1,300	-	79
KTB Leasing Co., Ltd. *	Hire purchase	Ordinary	100.00	100.00	1,000	1,000	-	-
KTB Advisory Co., Ltd.**	Financial counseling & advisory services	Ordinary	100.00	100.00	40	40	-	-
Krungthai Card Plc.	Credit card business	Ordinary	49.29	49.10	2,150	1,980	1,118	1,046
KTC Nano Co., Ltd. ****	Nano finance	Ordinary	24.95	24.95	13	13	-	-
KTC Pico (Bangkok) Co., Ltd. ****	Personal loan	Ordinary	24.95	24.95	15	15	-	-
<b>Indirect held</b>								
KTC Pico (Chonburi) Co., Ltd. ****	Personal loan				-	-	-	-
KTC Pico (Pathum Thani) Co., Ltd. ****	Personal loan				-	-	-	-
KTC Pico (Samut Prakan) Co., Ltd. ****	Personal loan				-	-	-	-
KTC Pico (Samut Sakhon) Co., Ltd. ****	Personal loan				-	-	-	-
Total					4,899	4,729	1,690	1,726
<u>Less</u> Allowance for impairment***					(799)	(799)	-	-
Total					4,100	3,930	1,690	1,726

(Unit: Million Baht)

Name of company	Type of business	Type of shares	Percentages of shareholdings		Investments (Cost method)		Dividend for the six- month periods ended	
			30	31	30	31	30	30
			June	December	June	December	June	June
			2020	2019	2020	2019	2020	2019
<b>Associates</b>								
Krungthai-AXA Life Insurance Plc.	Life insurance	Ordinary	50.00	50.00	4,072	4,072	-	-
Krungthai Panich Insurance Plc.	Non-life insurance	Ordinary	45.00	45.00	1,519	1,519	134	119
Krung Thai IBJ Leasing Co., Ltd.	Hire purchase	Ordinary	49.00	49.00	87	87	40	43
Krungthai Zmico Securities Co., Ltd.	Securities business	Ordinary	50.00	50.00	1,069	1,069	-	-
National ITMX Co., Ltd.	Service	Ordinary	19.86	19.82	36	36	35	17
BCI (Thailand) Co., Ltd.	Service	Ordinary	22.17	22.17	117	117	-	-
Total					6,900	6,900	209	179
Investments in subsidiaries and associates - net					11,000	10,830	1,899	1,905

\* Under considering of business restructuring plan.

\*\* Under operation of business plan preparation.

\*\*\* Allowance for impairment in subsidiaries occurs from cost higher than book value.

\*\*\*\* The Bank has 24.95 percent shareholding in KTC Nano Co., Ltd. and KTC Pico (Bangkok) Co., Ltd. and has indirect holdings of 49.29 percent in Krungthai Card Plc. through Krungthai Card Plc., and which KTC held 75.055 percent in KTC Nano Co., Ltd. and KTC Pico (Bangkok) Co., Ltd.

\*\*\*\*\* The Bank, indirectly invested by KTC Pico (Bangkok) Co., Ltd., which invested in the 100% shareholdings of KTC Pico (Chonburi) Co., Ltd., KTC Pico (Pathum Thani) Co., Ltd., KTC Pico (Samut Prakan) Co., Ltd. and KTC Pico (Samut Sakhon) Co., Ltd.

### Details of investments in subsidiaries that have significant non-controlling interests

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Dividend paid to non-controlling interests during the six-month periods ended 30 June		Profit allocated to non-controlling interests during the six-month periods ended 30 June		Other comprehensive income allocated to non-controlling interests during the six-month periods ended 30 June		Share of surplus from the change in the ownership interests in subsidiaries 30 June	
	30	31	30	31	ended 30 June		ended 30 June		30 June		30 June	
	June	December	June	December	2020	2019	2020	2019	2020	2019	2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Krungthai Card Plc.	50.71	50.90	10,258	10,039	1,150	1,069	1,418	1,498	-	-	(41)	-

Summarised financial information, before eliminating intercompany transactions, of subsidiaries that have non-controlling interests are as follows:

(Unit: Million Baht)

Krungthai Card Plc.<sup>(1)</sup>

	30 June 2020	31 December 2019
<u>Summarised information about financial position</u>		
Total assets	79,285	85,409
Total liabilities	59,029	65,674
<u>Summarise information about comprehensive income</u>		
Net operating income	9,615	5,127
Profit for the period	2,790	1,319
Other comprehensive income	-	-
Total comprehensive income	2,790	1,319
<u>Summarised information about cash flow</u>		
Cash flow from (used in) operating activities	7,337	(2,211)
Cash flow from (used in) investing activities	(94)	(487)
Cash flow from (used in) financing activities	(7,465)	1,325

<sup>(1)</sup> Presents in the amount after adjustment for the effect of differences in accounting policies.

## 9.7.2 Consolidated financial statements

As at 30 June 2020 and 31 December 2019, investment in the associated companies, which presented under the equity method, in the consolidated financial statements consists of investment in ordinary shares of the following companies which operate in Thailand:

(Unit: Million Baht)

Name of company	Type of business	30 June 2020			31 December 2019		
		Percentages of shareholdings	Investments (cost method)	Investment (equity method)	Percentages of shareholdings	Investments (cost method)	Investment (equity method)
<b>Associates</b>							
Krungthai-AXA Life Insurance Plc.	Life insurance	50.00	594	23,676	50.00	594	25,663
Krungthai Panich Insurance Plc.	Non-life insurance	45.00	971	2,895	45.00	971	2,952
Krung Thai IBJ Leasing Co., Ltd.	Hire purchase	49.00	87	727	49.00	87	695
Krungthai Zmico Securities Co., Ltd.	Securities business	50.00	1,069	1,170	50.00	1,069	1,148
National ITMX Co., Ltd.	Service	19.86	36	394	19.82	36	379
BCI (Thailand) Co., Ltd.	Service	22.17	117	102	22.17	117	109
Total investments in associates - net			<u>2,874</u>	<u>28,964</u>		<u>2,874</u>	<u>30,946</u>

(Unit: Million Baht)

		For the six-month periods ended 30 June					
		2020			2019		
Name of company	Type of business	Dividend income	Share of profit	Share of other comprehensive income	Dividend income	Share of profit	Share of other comprehensive income
<b>Associates</b>							
Krungthai-AXA Life Insurance Plc.	Life insurance	-	221	(2,208)	-	511	4,491
Krungthai Panich Insurance Plc.	Non-life insurance	134	177	(145)	119	185	93
Krung Thai IBJ Leasing Co., Ltd.	Hire purchase	40	72	-	43	55	-
Krungthai Zmico Securities Co., Ltd.	Securities business	-	43	(19)	-	(22)	(18)
National ITMX Co., Ltd.	Service	35	49	-	17	52	-
BCI (Thailand) Co., Ltd.	Service	-	(7)	-	-	-	-
Total investments in associates - net		209	555	(2,372)	179	781	4,566

Investments in associates are accounted in the consolidated financial statements by using the equity method based on financial information from unaudited/ unreviewed financial statements of the associates.

### 9.7.3 Significant financial information of the associated company

#### Summarised information about financial position

		(Unit: Million Baht)					
		Krungthai-AXA Life Insurance Plc.		Krungthai Panich Insurance Plc.		Krung Thai IBJ Leasing Co., Ltd.	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Total assets		337,096	334,284	10,566	10,506	12,410	12,908
Total Liabilities		289,745	282,958	4,133	3,946	10,926	11,490
<b>Net assets</b>		47,351	51,326	6,433	6,560	1,484	1,418
Shareholding percentage (%)		50.00	50.00	45.00	45.00	49.00	49.00
<b>Carrying amounts of the associate based on equity method</b>		23,676	25,663	2,895	2,952	727	695

		(Unit: Million Baht)					
		Krungthai Zmico Securities Co., Ltd.		National ITMX Co., Ltd.		BCI (Thailand) Co., Ltd.	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Total assets		5,469	6,182	2,351	2,267	499	526
Total Liabilities		3,129	3,886	364	348	39	36
<b>Net assets</b>		2,340	2,296	1,987	1,919	460	490
Shareholding percentage (%)		50.00	50.00	19.86	19.82	22.17	22.17
<b>Carrying amounts of the associate based on equity method</b>		1,170	1,148	394	379	102	109

## Summarised information about comprehensive income

(Unit: Million Baht)

	For the six-month periods ended 30 June					
	Krungthai-AXA Life Insurance Plc.		Krungthai Panich Insurance Plc.		Krung Thai IBJ Leasing Co., Ltd.	
	2020	2019	2020	2019	2020	2019
Revenue	31,251	34,470	1,423	1,480	506	473
Profit (loss)	443	1,023	393	411	146	113
Other comprehensive income	(4,417)	8,982	(321)	207	-	-
Total comprehensive income	(3,974)	10,005	72	618	146	113

(Unit: Million Baht)

	For the six-month periods ended 30 June					
	Krungthai Zmico Securities Co., Ltd.		National ITMX Co., Ltd.		BCI (Thailand) Co., Ltd.	
	2020	2019	2020	2019	2020	2019
Revenue	688	537	631	605	17	-
Profit (loss)	86	(45)	246	247	(29)	-
Other comprehensive income	(38)	(37)	-	-	-	-
Total comprehensive income	48	(82)	246	247	(29)	-

## 9.8 Loans to customers and accrued interest receivables - net

### 9.8.1 Classified by type of loan

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Overdrafts	153,010	168,673	153,010	168,673
Loans	1,515,324	1,407,818	1,434,225	1,324,106
Bills	610,755	505,162	616,085	512,322
Hire purchase receivables	2,449	3,599	1	1
Finance lease receivables	1,019	1,165	-	-
Others	3,444	3,925	781	1,247
<u>Less</u> Deferred revenue	(440)	(469)	(90)	(36)
Total loans to customers net of deferred revenue	2,285,561	2,089,873	2,204,012	2,006,313
<u>Add</u> Accrued interest receivables	9,015	5,160	8,489	4,569
Total loans to customers net of deferred revenue, plus accrued interest receivables	2,294,576	2,095,033	2,212,501	2,010,882

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
<u>Less</u> Allowance for doubtful accounts				
1. Minimum reserve under BOT's regulations				
Individual approach	-	(66,723)	-	(64,394)
Collective approach	-	(4,046)	-	-
2. Excess allowance	-	(64,459)	-	(62,338)
<u>Less</u> Revaluation allowance for debt restructuring	-	(40)	-	(40)
<u>Less</u> Allowance for expected credit losses	(142,819)	-	(131,299)	-
Total loans to customers and accrued interest receivables - net	<u>2,151,757</u>	<u>1,959,765</u>	<u>2,081,202</u>	<u>1,884,110</u>

As at 30 June 2020, the Bank has interbank and money market loans made under programs rolled out in accordance with government policy. These consist of a soft loan program to provide working capital for SMEs, a soft loan program for replacement and improvement of machinery and increased productivity for SMEs, a program to provide financial support for entrepreneurs in the three Southern border provinces, a phase 6 of a program for financial institutions to provide revolving funds for energy conservation, a project to provide loans for the environment and COVID-19 soft loan for personal loan and SMEs, together totalled Baht 42,426 million.

As at 30 June 2020 and 31 December 2019, the Bank's other loans of Baht 781 million and Baht 1,247 million, respectively, included debts of Baht 747 million and Baht 1,198 million, respectively, resulting from the Bank's settlement of liabilities on behalf of customers who had defaulted on agreements, for which the Bank was guarantor.

#### 9.8.2 Classified by loan currency and customer's residence

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	2,195,787	26,873	2,222,660	2,005,481	27,401	2,032,882
US Dollar	26,917	34,455	61,372	30,570	25,322	55,892
Other currencies	1,518	11	1,529	1,069	30	1,099
Total*	<u>2,224,222</u>	<u>61,339</u>	<u>2,285,561</u>	<u>2,037,120</u>	<u>52,753</u>	<u>2,089,873</u>

\* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	2,114,238	26,873	2,141,111	1,921,921	27,401	1,949,322
US Dollar	26,917	34,455	61,372	30,570	25,322	55,892
Other currencies	1,518	11	1,529	1,069	30	1,099
Total*	<u>2,142,673</u>	<u>61,339</u>	<u>2,204,012</u>	<u>1,953,560</u>	<u>52,753</u>	<u>2,006,313</u>

\* Total loans net of deferred revenues

## 9.8.3 Classified by business type of customer

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Agriculture and mining	26,958	26,521	26,892	26,389
Manufacturing and trading	485,567	533,198	484,890	532,322
Real estate and construction	123,527	111,959	124,648	113,021
Public utilities and services	579,087	362,951	578,220	361,774
Housing loans	413,813	396,036	413,813	396,036
Others	656,609	659,208	575,549	576,771
Total *	<u>2,285,561</u>	<u>2,089,873</u>	<u>2,204,012</u>	<u>2,006,313</u>

\* Total loans net of deferred revenues

## 9.8.4 Classified by loan classification

(Unit: Million Baht)

	Consolidated financial statements	
	30 June 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	1,906,534	26,768
Financial assets where there has been a significant increase in credit risk (Under-Performing)	268,012	39,779
Financial assets that are credit-impaired (Non-Performing)	114,250	73,366
Financial assets where applied simplified approach to calculated expected credit losses (Lifetime ECL - simplified approach)	5,780	2,906
Total	<u>2,294,576</u>	<u>142,819</u>



(Unit: Million Baht)

Consolidated financial statements				
31 December 2019				
		Net amount used in setting the allowance for doubtful accounts <sup>(1)</sup>	% Rate used in setting allowance for doubtful accounts <sup>(2)</sup>	Allowance for doubtful accounts
	Loans and accrued interest receivables			
1. Minimum reserve under BOT's regulations				
Normal	1,923,616	883,841	1	13,908
Special mention	68,696	30,545	2	8,478
Substandard	12,780	6,429	100	6,433
Doubtful	12,647	4,527	100	4,547
Doubtful of loss	77,294	37,398	100	37,403
2. Excess allowance				64,459
Total	2,095,033	962,740		135,228

<sup>(1)</sup> Net amount used in setting the allowance for doubtful accounts represents the outstanding amount of principal, excluding accrued interest receivables, after deducting collateral, or debts after deducting the present value of expected cash flows from debtors, or the present value of expected cash flows from the sale of collateral.

<sup>(2)</sup> Included loss rate net of recovery.

(Unit: Million Baht)

Separate financial statements		
30 June 2020		
	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	1,849,004	23,943
Financial assets where there has been a significant increase in credit risk (Under-Performing)	254,773	37,539
Financial assets that are credit-impaired (Non-Performing)	108,724	69,817
Total	2,212,501	131,299

(Unit: Million Baht)

Separate financial statements				
31 December 2019				
		Net amount used in setting the allowance for doubtful accounts <sup>(1)</sup>	% Rate used in setting allowance for doubtful accounts <sup>(2)</sup>	Allowance for doubtful accounts
	Loans and accrued interest receivables			
1. Minimum reserve under BOT's regulations				
Normal	1,844,573	808,034	1	11,391
Special mention	67,026	29,098	2	7,942
Substandard	12,528	6,200	100	6,204
Doubtful	12,494	4,388	100	4,409
Doubtful of loss	74,261	34,444	100	34,448
2. Excess allowance				62,338
Total	2,010,882	882,164		126,732

<sup>(1)</sup> Net amount used in setting the allowance for doubtful accounts represents the outstanding amount of principal, excluding accrued interest receivables, after deducting collateral, or debts after deducting the present value of expected cash flows from debtors, or the present value of expected cash flows from the sale of collateral.

<sup>(2)</sup> Included loss rate net of recovery.

#### 9.8.5 Loans to listed companies possible to delisting from the SET

As at 30 June 2020, the Bank and its subsidiaries have loans and accrued interest receivables to the company which have a problem regarding weak financial position and poor operating performance which is one listed companies possible to delisting from the SET, amounting to Baht 10 million. Allowance for expected credit loss has already recorded (as at 31 December 2019: there are 2 companies possible to delisting from the SET with loans of Baht 8,501 million for which allowance for doubtful accounts is Baht 3,141 million).

## 9.8.6 Finance lease receivables (including hire-purchase receivables and finance lease receivables)

(Unit: Million Baht)

	Consolidated financial statements							
	30 June 2020				31 December 2019			
	Amount due per the contract				Amount due per the contract			
	Not over 1 year	Over 1 - 5 years	Over 5 years	Total	Not over 1 year	Over 1 - 5 years	Over 5 years	Total
Gross investment of leases	1,792	1,623	53	3,468	2,532	2,169	63	4,764
<u>Less</u> Unearned financial income				(350)				(433)
Present value of minimum lease payments				3,118				4,331
<u>Less</u> Allowance for doubtful accounts				-				(515)
<u>Less</u> Allowance for expected credit loss				(363)				-
Finance lease receivables - net				<u>2,755</u>				<u>3,816</u>

(Unit: Million Baht)

	Separate financial statements							
	30 June 2020				31 December 2019			
	Amount due of the contract				Amount due of the contract			
	Not over 1 year	Over 1 - 5 years	Over 5 years	Total	Not over 1 year	Over 1 - 5 years	Over 5 years	Total
Gross investment of leases	1	-	-	1	1	-	-	1
<u>Less</u> Unearned financial income				-				-
Present value of minimum leases payments				1				1
<u>Less</u> Allowance for doubtful accounts				-				(1)
<u>Less</u> Allowance for expected credit loss				(1)				-
Finance lease receivables - net				<u>-</u>				<u>-</u>

## 9.9 Allowance for expected credit losses/Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements						
30 June 2020						
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Financial assets where simplified approach to calculate expected credit losses (Lifetime ECL - simplified approach)	Allowance for doubtful accounts	Total
<b>Interbank and money market items (assets)</b>						
Beginning balance	-	-	-	-	1,235	1,235
Changes due to the adoption of new accounting standards <sup>(1)</sup>	505	1,126	4	-	(1,235)	400
	505	1,126	4	-	-	1,635
Changes due to staging of financial assets	16	(16)	-	-	-	-
Changes due to measurement of loss allowance	(241)	(30)	-	-	-	(271)
New financial assets purchased or acquired	104	38	-	-	-	142
Derecognition financial assets	(20)	(18)	(4)	-	-	(42)
Ending balance	364	1,100	-	-	-	1,464

(Unit: Million Baht)

## Consolidated financial statements

30 June 2020

	Financial assets where applied simplified approach to calculated expected credit losses (Lifetime ECL - simplified approach)	Financial assets where there has been a significant increase in (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Financial assets where applied simplified approach to calculated expected credit losses (Lifetime ECL - simplified approach)	Allowance for doubtful accounts	Total
<b>Investments in debt securities measured at amortised cost</b>						
Beginning balance	-	-	-	-	36	36
Changes due to the adoption of new accounting standards <sup>(1)</sup>	1	1	36	-	(36)	2
	1	1	36	-	-	38
Changes due to staging of financial assets	1	(1)	-	-	-	-
Changes due to remeasurement of loss allowance	1	-	-	-	-	1
New financial assets purchased or acquired	1	-	-	-	-	1
Ending balance	4	-	36	-	-	40

(Unit: Million Baht)

## Consolidated financial statements

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Financial assets where applied simplified approach to calculate expected credit losses (Lifetime ECL - simplified approach)	Allowance for doubtful accounts	Total
<b>Investments in debt securities measured at fair value through other comprehensive income</b>						
Beginning balance	-	-	-	-	79	79
Changes due to the adoption of new accounting standards <sup>(1)</sup>	12	8	79	-	(79)	20
	12	8	79	-	-	99
Changes due to remeasurement of loss allowance	(3)	-	842	-	-	839
New financial assets purchased or acquired	9	-	-	-	-	9
Derecognition financial assets	(1)	(8)	-	-	-	(9)
Ending balance	17	-	921	-	-	938

(Unit: Million Baht)

## Consolidated financial statements

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - simplified approach)	Allowance for doubtful accounts	Total
<b>Loans to customers and accrued interest receivables</b>						
Beginning balance	-	-	-	-	135,228	135,228
Changes due to the adoption of new accounting standards <sup>(1)</sup>	24,530	43,954	62,070	2,919	(135,228)	(1,755)
	24,530	43,954	62,070	2,919	-	133,473
Changes due to staging of financial assets	(1,851)	(486)	2,337	-	-	-
Changes due to remeasurement of loss allowance	3,196	(3,727)	21,035	(27)	-	20,477
New financial assets purchased or acquired	2,450	511	3,184	-	-	6,145
Derecognition financial assets	(1,550)	(213)	(936)	-	-	(2,699)
Bad debt written-off	(7)	(260)	(14,324)	(23)	-	(14,614)
Bad debt recovery	-	-	-	37	-	37
Ending balance	26,768	39,779	73,366	2,906	-	142,819

<sup>(1)</sup> Allowance for doubtful accounts at the beginning of the period is determined in accordance with the Bank of Thailand's regulations. Currently, they are shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 3 to the financial statements.

(Unit: Million Baht)

## Consolidated financial statements

31 December 2019

	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Allowance in excess of BOT's requirement	Total
Beginning balance	13,399	11,585	7,899	9,196	33,008	58,667	133,754
Doubtful accounts	648	(1,942)	3,285	(4,571)	21,181	5,239	23,840
Allowance for doubtful accounts transferred to allowance for debt restructuring revaluation	-	(40)	-	-	-	-	(40)
Bad debt recovery	-	-	-	-	2,320	-	2,320
Bad debt written-off	(144)	(1,126)	(4,751)	(101)	(19,054)	-	(25,176)
Others	5	1	-	23	(52)	553	530
Ending balance	<u>13,908</u>	<u>8,478</u>	<u>6,433</u>	<u>4,547</u>	<u>37,403</u>	<u>64,459</u>	<u>135,228</u>

(Unit: Million Baht)

## Separate financial statements

30 June 2020

	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
<b>Interbank and money market items (assets)</b>					
Beginning balance	-	-	-	1,235	1,235
Changes due to the adoption of new accounting standards <sup>(1)</sup>	505	1,126	4	(1,235)	400
	505	1,126	4	-	1,635
Changes due to staging of financial assets	16	(16)	-	-	-
Changes due to remeasurement of loss allowance	(241)	(30)	-	-	(271)
New financial assets purchased or acquired	104	38	-	-	142
Derecognition financial assets	(20)	(18)	(4)	-	(42)
Ending balance	<u>364</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>1,464</u>



(Unit: Million Baht)

	Separate financial statements				
	30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
<b>Investments in debt securities measured at amortised cost</b>					
Beginning balance	-	-	-	36	36
Changes due to the adoption of new accounting standards <sup>(1)</sup>	1	1	36	(36)	2
	1	1	36	-	38
Changes due to staging of financial assets	1	(1)	-	-	-
Changes due to remeasurement of loss allowance	1	-	-	-	1
New financial assets purchased or acquired	1	-	-	-	1
Ending balance	4	-	36	-	40
<b>Investments in debt securities measured at fair value through other comprehensive income</b>					
Beginning balance	-	-	-	79	79
Changes due to the adoption of new accounting standards <sup>(1)</sup>	12	8	79	(79)	20
	12	8	79	-	99
Changes due to staging of financial assets	(3)	-	842	-	839
Changes due to remeasurement of loss allowance	9	-	-	-	9
New financial assets purchased or acquired	(1)	(8)	-	-	(9)
Ending balance	17	-	921	-	938

<sup>(1)</sup> Allowance for doubtful accounts at the beginning of the period is determined in accordance with the Bank of Thailand's regulations. Currently, they are shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 3 to the financial statements.

(Unit: Million Baht)

## Separate financial statements

30 June 2020

	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	Total
<b>Loans to customers and accrued interest receivables</b>					
Beginning balance	-	-	-	126,732	126,732
Changes due to the adoption of new accounting standards <sup>(1)</sup>	22,204	41,956	60,817	(126,732)	(1,755)
	22,204	41,956	60,817	-	124,977
Changes due to staging of financial assets	(2,019)	238	1,781	-	-
Changes due to remeasurement of loss allowance	3,053	(4,756)	18,688	-	16,985
New financial assets purchased or acquired	2,214	511	3,183	-	5,908
Derecognition financial assets	(1,502)	(150)	(704)	-	(2,356)
Bad debt written-off	(7)	(260)	(13,948)	-	(14,215)
Ending balance	23,943	37,539	69,817	-	131,299

<sup>(1)</sup> Allowance for doubtful accounts at the beginning of the period is determined in accordance with the Bank of Thailand's regulations. Currently, they are shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 3 to the financial statements.

(Unit: Million Baht)

Separate financial statements							
31 December 2019							
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Allowance in excess of BOT's requirement	Total
Beginning balance	11,143	11,091	7,689	9,020	30,109	56,288	125,340
Doubtful accounts	243	(3,110)	(1,485)	(4,634)	20,989	5,497	17,500
Allowance for doubtful accounts transferred allowance for debt restructuring revaluation	-	(40)	-	-	-	-	(40)
Bad debt recovery	-	-	-	-	2,236	-	2,236
Bad debt written-off	-	-	-	-	(18,834)	-	(18,834)
Others	5	1	-	23	(52)	553	530
Ending balance	11,391	7,942	6,204	4,409	34,448	62,338	126,732

### 9.10 Revaluation allowance for debt restructuring

(Unit: Million Baht)

Consolidated and separate financial statements		
	30 June 2020	31 December 2019
Beginning balance	40	-
Changes due to the adoption of new accounting standards <sup>(1)</sup>	(40)	-
	-	-
Transfer from allowance for doubtful accounts	-	40
Ending balance	-	40

<sup>(1)</sup> Allowance for doubtful accounts at the beginning of the period is determined in accordance with the Bank of Thailand's regulations. Currently, they are shown as 12-month ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 3 to the financial statements.

The revaluation allowance for debt restructuring is transferred from allowance for doubtful accounts for restructured debtors and is transferred to allowance for doubtful accounts when the debtors default on the new troubled debt restructuring agreement.

The revaluation allowance for debt restructuring is not amortised and recognised as income upon receipt of debt repayment but is instead transferred to allowance for doubtful accounts as the restructured debts may become non-performing.

## 9.11 Properties for sale

Properties for sale as of 30 June 2020 and 31 December 2019 are summarised as follows:

(Unit: Million Baht)

Type of property for sale	Consolidated financial statements							
	30 June 2020				31 December 2019			
	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance
Assets from debt repayment								
Immovable properties	40,136	2,492	(3,108)	39,520	36,799	8,018	(4,681)	40,136
Movable assets	192	2	(124)	70	297	41	(146)	192
Total	40,328	2,494	(3,232)	39,590	37,096	8,059	(4,827)	40,328
Others (closed branches)	69	470	(97)	442	69	-	-	69
Properties for sale in transit	986	303	(885)	404	902	986	(902)	986
Total	41,383	3,267	(4,214)	40,436	38,067	9,045	(5,729)	41,383
<u>Less</u> Allowance for impairment	(9,201)	(503)	1,968	(7,736)	(2,084)	(7,117)	-	(9,201)
Properties for sale - net	<u>32,182</u>	<u>2,764</u>	<u>(2,246)</u>	<u>32,700</u>	<u>35,983</u>	<u>1,928</u>	<u>(5,729)</u>	<u>32,182</u>

(Unit: Million Baht)

Type of property for sale	Separate financial statements							
	30 June 2020				31 December 2019			
	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Increase	Decrease	Ending balance
Assets from debt repayment								
Immovable properties	40,136	2,492	(3,108)	39,520	36,799	8,018	(4,681)	40,136
Movable assets	111	-	(111)	-	111	-	-	111
Total	40,247	2,492	(3,219)	39,520	36,910	8,018	(4,681)	40,247
Others (closed branches)	69	470	(97)	442	69	-	-	69
Properties for sale in transit	986	299	(883)	402	902	986	(902)	986
Total	41,302	3,261	(4,199)	40,364	37,881	9,004	(5,583)	41,302
<u>Less</u> Allowance for impairment	(9,126)	(501)	1,958	(7,669)	(1,967)	(7,159)	-	(9,126)
Properties for sale - net	<u>32,176</u>	<u>2,760</u>	<u>(2,241)</u>	<u>32,695</u>	<u>35,914</u>	<u>1,845</u>	<u>(5,583)</u>	<u>32,176</u>

During the six-month periods ended 30 June 2020 and 2019, the Bank had losses on sales of properties for sale totaling Baht 614 million and Baht 548 million, respectively (excluding revenue from ownership transfer fees paid by customers totaling Baht 17 million and Baht 17 million, respectively and selling expenses of Baht 74 million and Baht 92 million, respectively).

Immovable assets for sale classified by external and internal appraisers as at 30 June 2020 and 31 December 2019 consist of the following:

(Unit: Million Baht)

	Consolidated and separate financial statements	
	30 June 2020	31 December 2019
Immovable assets for sale - assets from debt repayment		
Appraised by external appraisers	37,785	31,675
Appraised by internal appraisers	1,735	8,461
Total	39,520	40,136

## 9.12 Land, premises and equipment

Land, premises and equipment as of 30 June 2020 and 31 December 2019 are summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2020					
	Land		Premises	Equipment	Others	Total
Cost	Revaluation*					
<u>Cost</u>						
1 January 2020	5,848	10,258	12,375	22,990	896	52,367
Additions/transfers-in	3	364	80	892	1,181	2,520
Disposals/transfers-out	(14)	(40)	(27)	(745)	(962)	(1,788)
30 June 2020	5,837	10,582	12,428	23,137	1,115	53,099
<u>Accumulated depreciation</u>						
1 January 2020	-	-	8,724	18,653	724	28,101
Depreciation	-	-	124	693	31	848
Disposals	-	-	(25)	(404)	(3)	(432)
30 June 2020	-	-	8,823	18,942	752	28,517
<u>Allowance for impairment</u>						
1 January 2020	49	-	16	-	-	65
30 June 2020	49	-	16	-	-	65
<u>Net book value</u>						
30 June 2020	5,788	10,582	3,589	4,195	363	24,517
Depreciation for the six-month periods ended 30 June						
2019						891
2020						848

\* The Bank has revaluation in 2016

(Unit: Million Baht)

## Consolidated financial statements

31 December 2019

	Land		Premises	Equipment	Others	Total
	Cost	Revaluation*				
<u>Cost</u>						
1 January 2019	9,522	10,438	12,272	20,676	1,354	54,262
Additions/transfers-in	3	-	300	2,783	630	3,716
Disposals/transfers-out	(3,677)	(180)	(197)	(469)	(1,088)	(5,611)
31 December 2019	5,848	10,258	12,375	22,990	896	52,367
<u>Accumulated depreciation</u>						
1 January 2019	-	-	8,642	17,531	653	26,826
Depreciation	-	-	255	1,543	74	1,872
Disposals/transfers-out	-	-	(173)	(421)	(3)	(597)
31 December 2019	-	-	8,724	18,653	724	28,101
<u>Allowance for impairment</u>						
1 January 2019	49	-	16	-	-	65
31 December 2019	49	-	16	-	-	65
<u>Net book value</u>						
31 December 2019	5,799	10,258	3,635	4,337	172	24,201

\* The Bank has revaluation in 2016

(Unit: Million Baht)

## Separate financial statements

30 June 2020

	Land		Premises	Equipment	Others	Total
	Cost	Revaluation*				
<u>Cost</u>						
1 January 2020	6,065	10,258	11,455	12,837	873	41,488
Additions/transfers-in	3	-	35	698	1,169	1,905
Disposals/transfers-out	(14)	(40)	(24)	(325)	(954)	(1,357)
30 June 2020	6,054	10,218	11,466	13,210	1,088	42,036
<u>Accumulated depreciation</u>						
1 January 2020	-	-	8,028	10,377	724	19,129
Depreciation	-	-	106	408	31	545
Disposals	-	-	(22)	(23)	(3)	(48)
30 June 2020	-	-	8,112	10,762	752	19,626
<u>Allowance for impairment</u>						
1 January 2020	49	-	16	-	-	65
30 June 2020	49	-	16	-	-	65
<u>Net book value</u>						
30 June 2020	6,005	10,218	3,338	2,448	336	22,345
Depreciation charged for the six-month periods ended 30 June						
2019						505
2020						545

\* The Bank has revaluation in 2016

(Unit: Million Baht)

	Separate financial statements					
	31 December 2019					
	Land		Premises	Equipment	Others	Total
	Cost	Revaluation*				
<u>Cost</u>						
1 January 2019	9,739	10,438	11,367	11,279	1,062	43,885
Additions/transfers-in	3	-	241	1,773	178	2,195
Disposals/transfers-out	(3,677)	(180)	(153)	(215)	(367)	(4,592)
31 December 2019	6,065	10,258	11,455	12,837	873	41,488
<u>Accumulated depreciation</u>						
1 January 2019	-	-	7,941	9,762	653	18,356
Depreciation	-	-	217	819	74	1,110
Disposals	-	-	(130)	(204)	(3)	(337)
31 December 2019	-	-	8,028	10,377	724	19,129
<u>Allowance for impairment</u>						
1 January 2019	49	-	16	-	-	65
31 December 2019	49	-	16	-	-	65
<u>Net book value</u>						
31 December 2019	6,016	10,258	3,411	2,460	149	22,294

\* The Bank has revaluation in 2016

As at 30 June 2020 and 31 December 2019, the Bank and its subsidiaries have buildings and equipment which have been fully depreciated but are still in use, with gross carrying amounts before deducting accumulated depreciation and allowance for impairment approximately Baht 19,392 million and Baht 18,733 million, respectively (separate financial statements: Baht 11,984 million and Baht 11,177 million, respectively).

The Bank arranged for an independent professional appraiser to appraise the value of land in 2016. The basis of the revaluation was market approach.

Assumptions used in the valuation are summarised below:

	Consolidated and separate financial statements	Result to fair value where as an increase in assumption value
Price per square wah (Baht)	2,800 - 1,566,352	Increase in fair value



### **Surplus on revaluation of assets**

Movements in surplus on revaluation of assets arising from revaluation of land of the Bank and its subsidiaries for the six-month period ended 30 June 2020 and for the year ended 31 December 2019 are summarised below:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Balance - beginning of the period/year	8,206	8,350	8,206	8,350
Increased during the period/year <sup>(1)</sup>	491	-	127	-
Transfer out during the period/year <sup>(1)</sup>	-	(144)	-	(144)
Balance - end of the period/year	<u>8,697</u>	<u>8,206</u>	<u>8,333</u>	<u>8,206</u>

<sup>(1)</sup> Include the adjustment for the transfer of land of closed branches to properties for sale.

Surplus on revaluation of assets can neither be offset against deficit nor used for dividend distribution.

### **9.13 Right-of-use assets**

(Unit: Million Baht)

	Consolidated financial statements			
	30 June 2020			
	Premises	Equipment	Vehicles	Total
<u>Cost</u>				
1 January 2020 <sup>(1)</sup>	2,518	231	1,146	3,895
Additions/transfers-in	1,630	87	239	1,956
Disposals/transfers-out	(235)	-	(21)	(256)
30 June 2020	<u>3,913</u>	<u>318</u>	<u>1,364</u>	<u>5,595</u>
<u>Accumulated depreciation</u>				
1 January 2020 <sup>(1)</sup>	-	-	-	-
Depreciation	796	45	231	1,072
Disposals	(1)	-	-	(1)
30 June 2020	<u>795</u>	<u>45</u>	<u>231</u>	<u>1,071</u>
<u>Net book value</u>				
30 June 2020	<u>3,118</u>	<u>273</u>	<u>1,133</u>	<u>4,524</u>

<sup>(1)</sup> The beginning balance is presented in accordance with the adjustment of rights-of-use assets from the first-time adoption of TFRS16 as presented in Note 6.2 to the financial statements.

(Unit: Million Baht)

	Separate financial statements			
	30 June 2020			
	Premises	Equipment	Vehicles	Total
<u>Cost</u>				
1 January 2020 <sup>(1)</sup>	2,346	-	1,088	3,434
Additions/transfers-in	1,276	-	164	1,440
Disposals/transfers-out	(234)	-	(20)	(254)
30 June 2020	3,388	-	1,232	4,620
<u>Accumulated depreciation</u>				
1 January 2020 <sup>(1)</sup>	-	-	-	-
Depreciation	720	-	193	913
30 June 2020	720	-	193	913
<u>Net book value</u>				
30 June 2020	2,668	-	1,039	3,707

<sup>(1)</sup> The beginning balance is presented in accordance with the adjustment of rights-of-use assets from the first-time adoption of TFRS16 as presented in Note 6.2 to the financial statements.

## 9.14 Intangible assets

Intangible assets as of 30 June 2020 and 31 December 2019 are summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	30 June 2020				
	Computer software	Other licenses	Development cost	Intangible assets under development	Total
<u>Cost</u>					
1 January 2020	7,225	14	4,286	468	11,993
Additions/transfers-in	523	-	35	1,265	1,823
Disposals/transfers-out	(2)	-	-	(309)	(311)
30 June 2020	7,746	14	4,321	1,424	13,505
<u>Accumulated amortisation</u>					
1 January 2020	4,742	11	3,340	-	8,093
Amortisation for the period	323	-	117	-	440
Disposal	(2)	-	-	-	(2)
30 June 2020	5,063	11	3,457	-	8,531
<u>Net book value</u>					
30 June 2020	2,683	3	864	1,424	4,974
Amortisation expenses for the six-month periods ended 30 June					
2019					432
2020					440

(Unit: Million Baht)

## Consolidated financial statements

31 December 2019

	Computer software	Other licenses	Development cost	Intangible assets under development	Total
<u>Cost</u>					
1 January 2019	6,849	11	4,262	508	11,630
Additions/transfers-in	858	3	24	775	1,660
Disposals/transfers-out	(482)	-	-	(815)	(1,297)
31 December 2019	7,225	14	4,286	468	11,993
<u>Accumulated amortisation</u>					
1 January 2019	4,307	10	3,096	-	7,413
Amortisation for the period	633	1	244	-	878
Disposal	(198)	-	-	-	(198)
31 December 2019	4,742	11	3,340	-	8,093
<u>Net book value</u>					
31 December 2019	2,483	3	946	468	3,900

(Unit: Million Baht)

## Separate financial statements

30 June 2020

	Computer software	Other licenses	Development cost	Intangible assets under development	Total
<u>Cost</u>					
1 January 2020	1,494	7	735	392	2,628
Additions/transfers-in	484	-	26	1,177	1,687
Disposals/transfers-out	-	-	-	(295)	(295)
30 June 2020	1,978	7	761	1,274	4,020
<u>Accumulated amortisation</u>					
1 January 2020	776	5	449	-	1,230
Amortisation for the period	84	-	29	-	113
30 June 2020	860	5	478	-	1,343
<u>Net book value</u>					
30 June 2020	1,118	2	283	1,274	2,677
Amortisation expenses for the six-month periods ended 30 June					
2019					87
2020					113

(Unit: Million Baht)

Serperated financial statements					
31 December 2019					
	Computer software	Other licenses	Development cost	Intangible assets under development	Total
<u>Cost</u>					
1 January 2019	1,173	5	735	130	2,043
Additions/transfers-in	606	2	-	615	1,223
Disposals/transfers-out	(285)	-	-	(353)	(638)
31 December 2019	1,494	7	735	392	2,628
<u>Accumulated amortisation</u>					
1 January 2019	650	5	393	-	1,048
Amortisation for the period	126	-	56	-	182
31 December 2019	776	5	449	-	1,230
<u>Net book value</u>					
31 December 2019	718	2	286	392	1,398

As at 30 June 2020 and 31 December 2019, the Bank and its subsidiaries have intangible assets which have been fully amortised but are still in use, with gross carrying amounts before deducting accumulated amortisation and allowance for impairment of approximately Baht 4,140 million and Baht 3,370 million, respectively (separate financial statements: Baht 387 million and Baht 304 million, respectively).

## 9.15 Deferred tax assets/liabilities and income tax

### 9.15.1 Deferred tax assets/liabilities

As at 30 June 2020 and 31 December 2019, deferred tax assets and liabilities are as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Deferred tax assets	12,020	13,117	8,674	10,387
Deferred tax liabilities	(6,267)	(4,953)	(5,348)	(4,690)
Net	5,753	8,164	3,326	5,697

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	30 June	31 December	Changes of deferred tax for the six-month periods ended	
			30 June	
	2020	2019	2020	2019
<b>Deferred tax assets:</b>				
Investments	848	426	422	(177)
Investment in subsidiaries and associates	160	160	-	(1)
Loans to customers and accrued interest receivables	3,353	5,451	(2,098)	726
Properties for sales	1,534	1,825	(291)	824
Land, premises and equipment	17	18	(1)	-
Provisions	3,860	3,509	351	141
Unused tax loss	502	-	502	-
Others	1,746	1,728	18	(404)
<b>Total</b>	<b>12,020</b>	<b>13,117</b>	<b>(1,097)</b>	<b>1,109</b>
<b>Deferred tax liabilities:</b>				
Investments	(2,637)	(2,161)	(476)	(556)
Land, premises and equipment	(2,476)	(2,482)	6	(11)
Others	(1,154)	(310)	(844)	28
<b>Total</b>	<b>(6,267)</b>	<b>(4,953)</b>	<b>(1,314)</b>	<b>(539)</b>
<b>Net</b>	<b>5,753</b>	<b>8,164</b>	<b>(2,411)</b>	<b>570</b>
<b>Changes of deferred tax:</b>				
Recognised in retained earning as of 1 January 2020 <sup>(1)</sup>			(214)	-
Recognised in other components of shareholders' equity as of 1 January 2020 <sup>(1)</sup>			(516)	-
Recognised in profit or loss			(1,930)	1,262
Recognised in other comprehensive income			249	(692)
<b>Total</b>			<b>(2,411)</b>	<b>570</b>

<sup>(1)</sup> The effect of changes in accounting policies due to the adoption of new financial reporting standards as described in Note 6 to the financial statements.

(Unit: Million Baht)

	Separate financial statements			
			Changes of deferred tax for the six-month periods ended	
	30 June	31 December	30 June	
	2020	2019	2020	2019
Deferred tax assets:				
Investments	848	426	422	(179)
Investment in subsidiaries and associates	160	160	-	(1)
Loans to customers and accrued interest receivables	855	3,541	(2,686)	769
Properties for sales	1,534	1,825	(291)	829
Land, premises and equipment	13	13	-	-
Provisions	3,076	2,755	321	129
Unused tax loss	502	-	502	-
Others	1,686	1,667	19	(390)
Total	8,674	10,387	(1,713)	1,157
Deferred tax liabilities:				
Investments	(2,638)	(2,163)	(475)	(556)
Land, premises and equipment	(2,418)	(2,422)	4	(10)
Others	(292)	(105)	(187)	-
Total	(5,348)	(4,690)	(658)	(566)
Net	3,326	5,697	(2,371)	591
Changes of deferred tax:				
Recognised in retained earning as of 1 January 2020 <sup>(1)</sup>			(214)	-
Recognised in other components of shareholders' equity as of 1 January 2020 <sup>(1)</sup>			(516)	-
Recognised in profit or loss			(1,892)	1,282
Recognised in other comprehensive income			251	(691)
Total			(2,371)	591

<sup>(1)</sup> The effect of changes in accounting policies due to the adoption of new financial reporting standards as described in Note 6 to the financial statements.

## 9.15.2 Income tax

The Bank has complied with its tax management policy to correctly operate tax payment, tax filing and tax benefit utilization according to the legal regulations.

The Bank has considered tax effects both current and future of benefit from carrying amount of assets or settlement of carrying amount of liabilities. If there is probable that the Bank will get benefits from carrying amount of assets or settlement of carrying amount of liabilities, the Bank will pay higher future income tax (or lower) on the basis of amounts expected to be paid. Such the consideration is based on estimations, assumptions, regulation changes that may occur, legal interpretation and historical experience. In the future, if events change, which resulted in Bank to change its decision on the sufficiency of accrued income tax, any changes in accrued income tax will affect to income tax in the period that the changes occur.

Income tax expenses for the three-month and six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Million Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Current income tax:</b>				
Interim corporate income tax	(161)	3,348	(553)	2,900
Adjustment in respect of income tax	(7)	-	(7)	-
<b>Deferred tax:</b>				
Relating to temporary differences and reversal				
of temporary differences	1,190	(1,268)	1,232	(1,221)
<b>Income tax expenses reported in statements</b>				
<b>of comprehensive income</b>	<u>1,022</u>	<u>2,080</u>	<u>672</u>	<u>1,679</u>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Current income tax:</b>				
Interim corporate income tax	778	5,283	-	4,422
Adjustment in respect of income tax	(7)	-	(7)	-
<b>Deferred tax:</b>				
Relating to temporary differences and reversal of temporary differences	1,930	(1,262)	1,892	(1,282)
<b>Income tax expenses reported in statements of comprehensive income</b>				
	<u>2,701</u>	<u>4,021</u>	<u>1,885</u>	<u>3,140</u>

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Deferred tax on surplus from revaluation of assets	32	-	32	-
Deferred tax on gains (losses) from hedge accounting	13	-	13	-
Deferred tax on gains (losses) from the change in value of investment in debt instruments measured at fair value through other comprehensive income	(116)	-	(118)	-
Deferred tax on gains (losses) from the change in value of investment in equity instruments measured at fair value through other comprehensive income	490	-	490	-
Deferred tax relating to gains (losses) on changes in value of available-for-sale investments	-	560	-	564
Deferred tax on actuarial gains and losses	-	2	-	-
	<u>419</u>	<u>562</u>	<u>417</u>	<u>564</u>



(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Deferred tax on surplus from revaluation of assets	32	-	32	-
Deferred tax on gains (losses) from hedge accounting	13	-	13	-
Deferred tax on gains (losses) from the change in value of investment in debt instruments measured at fair value through other comprehensive income	(66)	-	(68)	-
Deferred tax on gains (losses) from the change in value of investment in equity instruments measured at fair value through other comprehensive income	(228)	-	(228)	-
Deferred tax relating to gains (losses) on changes in value of available-for-sale investments	-	690	-	692
Deferred tax on actuarial gains and losses	-	2	-	-
	<u>(249)</u>	<u>692</u>	<u>(251)</u>	<u>692</u>

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the three-month and six-month periods ended 30 June 2020 and 2019 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Accounting profit before tax	5,370	10,945	4,909	9,765
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,074	2,189	982	1,953
Effects of non-taxable revenue and non-deductible expenses - net	(52)	(109)	(310)	(274)
Income tax expenses reported in statements of comprehensive income	1,022	2,080	672	1,679

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Accounting profit before tax	14,342	20,990	11,869	17,804
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	2,868	4,198	2,374	3,561
Effects of non-taxable revenue and non-deductible expenses - net	(167)	(177)	(489)	(421)
Income tax expenses reported in statements of comprehensive income	2,701	4,021	1,885	3,140

## 9.16 Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Prepaid expenses	1,427	1,332	1,149	1,118
Account receivables - Revenue Department	138	357	7	4
Leaseholds	-	51	-	51
Suspense debtors	4,710	5,906	4,695	5,896
Collateral under Credit Support Annex				
Contract and Cash Margin Debtors	9,720	6,975	9,720	6,975
Settlement account between the Bank and other financial institutions	341	968	341	968
Other assets	13,227	11,426	13,114	11,699
<b>Total</b>	<b>29,563</b>	<b>27,015</b>	<b>29,026</b>	<b>26,711</b>
Less: Allowance for impairment	(3,432)	(3,173)	(3,399)	(3,156)
<b>Other assets - net</b>	<b>26,131</b>	<b>23,842</b>	<b>25,627</b>	<b>23,555</b>

As at 30 June 2020 and 31 December 2019, other assets are included default debtors from convertible preferred shares contracts of Baht 998 million and Baht 998 million, respectively. The Bank has set up full with the same amounts of allowance for impairment (Note 9.44.1 to the financial statements).

## 9.17 Deposits

### 9.17.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Demand deposits	82,282	84,692	82,283	84,705
Saving deposits	1,681,948	1,493,162	1,683,848	1,495,080
Time of deposits	586,534	578,011	587,232	578,675
<b>Total</b>	<b>2,350,764</b>	<b>2,155,865</b>	<b>2,353,363</b>	<b>2,158,460</b>

## 9.17.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	2,310,207	16,978	2,327,185	2,112,824	17,011	2,129,835
US Dollar	13,815	5,086	18,901	14,217	6,824	21,041
Other currencies	2,422	2,256	4,678	2,621	2,368	4,989
<b>Total</b>	<b>2,326,444</b>	<b>24,320</b>	<b>2,350,764</b>	<b>2,129,662</b>	<b>26,203</b>	<b>2,155,865</b>

(Unit: Million Baht)

	Separate financial statements					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	2,312,806	16,978	2,329,784	2,115,419	17,011	2,132,430
US Dollar	13,815	5,086	18,901	14,217	6,824	21,041
Other currencies	2,422	2,256	4,678	2,621	2,368	4,989
<b>Total</b>	<b>2,329,043</b>	<b>24,320</b>	<b>2,353,363</b>	<b>2,132,257</b>	<b>26,203</b>	<b>2,158,460</b>

## 9.18 Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial						
Institutions Development Fund	414	14,702	15,116	598	24,156	24,754
Commercial banks	5,517	91,423	96,940	383	92,620	93,003
Specialised financial institutions	1,141	56,365	57,506	3,565	29,964	33,529
Other financial institutions	39,470	17,180	56,650	38,443	20,138	58,581
<b>Total domestic items</b>	<b>46,542</b>	<b>179,670</b>	<b>226,212</b>	<b>42,989</b>	<b>166,878</b>	<b>209,867</b>
<b>Foreign</b>						
US Dollar	381	1,554	1,935	289	5,428	5,717
Euro	90	-	90	79	-	79
Other currencies	139	-	139	160	-	160
<b>Total foreign items</b>	<b>610</b>	<b>1,554</b>	<b>2,164</b>	<b>528</b>	<b>5,428</b>	<b>5,956</b>
<b>Total</b>	<b>47,152</b>	<b>181,224</b>	<b>228,376</b>	<b>43,517</b>	<b>172,306</b>	<b>215,823</b>

(Unit: Million Baht)

Separate financial statements						
	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial						
Institutions Development Fund	414	14,702	15,116	598	24,156	24,754
Commercial banks	277	94,454	94,731	686	86,633	87,319
Specialised financial institutions	1,141	56,365	57,506	3,565	29,964	33,529
Other financial institutions	39,470	17,180	56,650	38,443	18,239	56,682
<b>Total domestic items</b>	<b>41,302</b>	<b>182,701</b>	<b>224,003</b>	<b>43,292</b>	<b>158,992</b>	<b>202,284</b>
<b>Foreign</b>						
US Dollar	381	1,554	1,935	289	5,428	5,717
Euro	90	-	90	79	-	79
Other currencies	139	-	139	160	-	160
<b>Total foreign items</b>	<b>610</b>	<b>1,554</b>	<b>2,164</b>	<b>528</b>	<b>5,428</b>	<b>5,956</b>
<b>Total</b>	<b>41,912</b>	<b>184,255</b>	<b>226,167</b>	<b>43,820</b>	<b>164,420</b>	<b>208,240</b>

## 9.19 Debt issued and borrowings

As at 30 June 2020 and 31 December 2019, debt issued and borrowings are classified as follows:

(Unit: Million Baht)

Consolidated financial statements									
	Currency	Interest rate (%)	Maturity date	30 June 2020			31 December 2019		
				Domestic	Foreign	Total	Domestic	Foreign	Total
<u>Long term bonds</u>									
2015	Baht	3.14 - 4.00	2020 - 2025	4,593	-	4,593	4,695	-	4,695
2016	Baht	2.12 - 4.00	2020 - 2026	14,419	-	14,419	14,600	-	14,600
2017	Baht	2.46 - 3.80	2022 - 2027	11,041	-	11,041	11,043	-	11,043
2018	Baht	2.20 - 3.83	2020 - 2028	8,980	-	8,980	9,065	-	9,065
2019	Baht	2.40 - 3.20	2021 - 2029	6,028	-	6,028	6,115	-	6,115
2020	Baht	2.65	2030	1,000	-	1,000	-	-	-
<u>KTB subordinated debentures</u>									
No.1/2015	MYR	5.10	2025	-	7,214	7,214	-	7,322	7,322
No.1/2017	Baht	3.40	2027	20,315	-	20,315	20,000	-	20,000
No.1/2019	Baht	3.70	2029	24,000	-	24,000	24,000	-	24,000
<u>Other</u>									
Structured notes	USD	1.50	2020	247	-	247	-	-	-
Short-term bills of exchange (B/E) *	Baht			-	-	-	1	-	1
<b>Total</b>				<b>90,623</b>	<b>7,214</b>	<b>97,837</b>	<b>89,519</b>	<b>7,322</b>	<b>96,841</b>

(Unit: Million Baht)

	Currency	Interest rate (%)	Maturity date	Separate financial statements					
				30 June 2020			31 December 2019		
				Domestic	Foreign	Total	Domestic	Foreign	Total
<u>KTB subordinated debentures</u>									
No.1/2015	MYR	5.10	2025	-	7,214	7,214	-	7,322	7,322
No.1/2017	Baht	3.40	2027	20,315	-	20,315	20,000	-	20,000
No.1/2019	Baht	3.70	2029	24,000	-	24,000	24,000	-	24,000
<u>Others</u>									
Structured notes	USD	1.50	2020	247	-	247	-	-	-
Short-term bills of exchange (B/E) *	Baht			-	-	-	1	-	1
Total				44,562	7,214	51,776	44,001	7,322	51,323

\* Include matured bills of exchange that its holder is still not redeemable.

### Subordinated debentures pursuant to Malaysian Ringgit Medium Term Note Programme amounting to MYR 5,000 million

On 6 July 2015, the Bank issued and offered MYR 1,000 million of subordinated debentures pursuant to Basel III (Tier 2 subordinated debentures). The debenture has a tenor of 10 years and a fixed interest rate of 5.10 percent per annum, and there is an option to early redeem the debentures after 5 years or after that subject to the conditions of the Bank, without the holder's consent. The Bank redeemed the debentures on 6 July 2020.

### Subordinated debentures

The Bank issued Baht 20,000 million of subordinated debenture No. 1/2017, comprising 20 million units of Baht 1,000 each. The debenture has a fixed interest rate of 3.40 percent per annum, with payment of interest to be made every three months until maturity, and a tenor of 10 years, maturing in 2027. There is an option to early redeem the debentures after 5 years, or after that subject to the conditions of the Bank, without the holder's consent.

The Bank issued Baht 24,000 million of subordinated debenture No. 1/2019, comprising 24 million units of Baht 1,000 each. The debenture has a fixed interest rate of 3.70 percent per annum, with payment of interest to be made every three months until maturity, and a tenor of 10 years, maturing in 2029. There is an option to early redeem the debentures after 5 years, or after that subject to the conditions of the Bank, without the holder's consent.

### Redemption of subordinated debentures

There are rights to early redeem debentures after 5 years or on any scheduled interest payment date after 5 years, or in accordance with the conditions of the agreement.

## 9.20 Lease liabilities

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	30 June 2020	30 June 2020
Lease Liabilities	4,648	3,769
Less: Deferred interest expenses	(170)	(114)
Total	<u>4,478</u>	<u>3,655</u>

The Bank and its subsidiaries have entered into lease agreements for rental of buildings and buildings improvement, furniture and fixture, office equipment and vehicles for use in its operation, whereby it is committed to pay rental on a period basis. The terms of the agreements are generally between 1 and 50 years.

Lease expense recognised in profit or loss for the six-month period ended 30 June 2020 are as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
Depreciation of right of use assets	1,072	913
Interest expenses on lease liabilities	47	30
Expenses of short-term lease	226	158
Expenses relating to leases of low - value assets	91	9
Total	<u>1,436</u>	<u>1,110</u>

Future minimum lease payments under non-cancellable operating lease were as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	30 June 2020	30 June 2020
Less than 1 year	1,926	1,576
1 - 5 years	2,623	2,094
Over 5 years	99	99
Total	<u>4,648</u>	<u>3,769</u>

The Bank and its subsidiaries had total cash outflows for leases for the six-month period ended 30 June 2020 of Baht 1,444 million (separate financial statements: Baht 1,150 million).

## 9.21 Provisions

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Allowance for expected credit losses on loan commitments and financial guarantee contracts	1,294	-	1,294	-
Provisions for employee benefits	14,516	14,419	13,036	12,973
Provisions for contingent loss from legal case	546	698	535	687
Other provisions	3	123	-	116
<b>Total provisions</b>	<b>16,359</b>	<b>15,240</b>	<b>14,865</b>	<b>13,776</b>

### 9.21.1 Allowance for expected credit losses on loan commitments and financial guarantee contracts

As at 30 June 2020, allowance for expected credit losses on loan commitments and financial guarantee contracts classified by classification are as follows:

(Unit: Million Baht)

	Consolidated and separate	
	financial statements	
	30 June 2020	
	Loan commitments and financial guarantee contracts	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	1,094,277	509
Financial assets where there has been a significant increase in credit risk (Under-Performing)	120,020	429
Financial assets that are credit-impaired (Non-Performing)	7,803	356
<b>Total</b>	<b>1,222,100</b>	<b>1,294</b>



The changes in the allowance for expected credit losses on loan commitments and financial guarantees are as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements				Total
	30 June 2020				
	Financial assets where there has not been a significant increase in credit risk (12-mth ECL)	Financial assets where there has been a significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts	
Beginning balance	-	-	-	116	116
Changes due to the adoption of new accounting standards <sup>(1)</sup>	744	663	223	(116)	1,514
	744	663	223	-	1,630
Changes due to staging of financial assets	31	(40)	9	-	-
Changes due to remeasurement of loss allowance	(269)	(186)	143	-	(312)
Issued obligations to grant credit/ guarantees	19	7	19	-	45
Bad debt/ written-off	(16)	(15)	(38)	-	(69)
Ending balance	509	429	356	-	1,294

<sup>(1)</sup> The beginning of the period for calculating allowance for doubtful accounts is determined in accordance with the Bank of Thailand's regulation. Currently shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment, as described in Note 3 to the financial statements.

## 9.21.2 Provisions for employee benefits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Defined benefit obligation at the beginning				
of the period/year	14,419	10,988	12,973	9,904
Current service cost	459	742	396	643
Interest cost	135	393	122	351
Past service cost	(424)	2,116	(424)	1,949
Benefits paid during the period	(73)	(809)	(31)	(740)
Actuarial (gain) loss arising from:				
- Demographic assumptions changes	-	1,404	-	1,098
- Financial assumptions changes	-	2,011	-	1,844
- Experience adjustments	-	(2,426)	-	(2,076)
Defined benefit obligation at the end of the period/year	<u>14,516</u>	<u>14,419</u>	<u>13,036</u>	<u>12,973</u>

The principal actuarial assumptions used to calculate the defined benefit obligations are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Discount rate (Percent per annum)	1.63 - 1.96	1.63 - 1.96	1.88	1.88
Future salary increase rate (Percent per annum)	3.00 - 6.00	3.00 - 6.00	6.00	6.00
Average staff turnover rate (Percent per annum)	0.57 - 45.84	0.57 - 45.84	0.57 - 6.88	0.57 - 6.88
Age of retirement (Year)	55 - 60 years	55 - 60 years	60 years	60 years

### Sensitivity Analysis of Principal Actuarial Assumptions

Defined benefit plan of the Bank and its subsidiaries are sensitive to changes in assumptions used for calculation. The actuarial assumptions may change based on changes in market conditions, changed in inflation condition, including demographic changes in the defined benefit plan. The following table shows the effect of changes in key assumptions. The change in assumptions occur separately.

(Unit: Million Baht)

	Increase (decrease) in present value of the provisions			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Discount rate				
Increase 1%	(1,543)	(1,808)	(1,317)	(1,307)
Decrease 1%	2,207	2,191	1,575	1,563
Future salary increase rate				
Increase 1%	1,762	1,689	1,149	1,084
Decrease 1%	(1,503)	(1,443)	(987)	(934)

### Maturity Profile of Defined Benefit Plan

The following table provides information on the weighted average duration of the defined benefit plan and the maturity analysis of benefit payments calculated based on the defined benefit plan expected to be paid in the future in the undiscounted form.

	(Unit: Year)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Weighted average duration of the defined benefit plan	8.5 - 17	8.5 - 17	16	16

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Weighted average duration of the defined benefit plan:				
Amount expected to be paid within 12 months	652	700	596	627
Amount expected to be paid between 1 to 2 years	697	675	636	636
Amount expected to be paid between 2 to 5 years	3,348	3,357	3,109	3,109
Amount expected to be paid between 5 to 10 years	6,749	6,734	6,145	6,145
Amount expected to be paid between 10 to 15 years	5,410	5,412	4,629	4,629
Amount expected to be paid between 15 to 25 years	9,417	9,430	8,189	8,189
Amount expected to be paid over 25 years	12,482	12,497	12,206	12,206

### 9.21.3 Provisions for litigation

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Balance at the beginning of the period/year	698	685	687	685
Increase during the period	36	293	36	282
Utilised	(132)	(115)	(132)	(115)
Reversal of provisions	(56)	(165)	(56)	(165)
Balance at the end of the period/year	546	698	535	687

### 9.22 Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Accrued interest expenses	3,821	4,611	3,466	4,269
Accrued expenses	8,675	13,958	7,572	12,020
Interbranch account	979	911	979	911
Suspense account creditors	6,511	2,627	5,543	3,587
Tax payables	1,273	5,713	386	4,863
Deferred revenue for reward points	2,361	2,277	-	-
Settle account between the Bank and other financial institutions	164	132	164	132
Advanced account	4,970	5,651	4,878	5,651
Cheque in transit	3,738	1,745	3,738	1,745
Payables from trading securities	6,360	2,555	6,360	2,555
Other liabilities	14,718	15,845	14,439	12,507
Total	53,570	56,025	47,525	48,240

## 9.23 Share capital

### 9.23.1 Ordinary shares

As at 30 June 2020 and 31 December 2019, the Bank's authorised share capital and issued and paid-up share capital - ordinary shares was 13,976,061,250 shares.

### 9.23.2 Preferred shares

The 5.5 million of preferred shares are fully paid-up. Preferred share has more preference over the ordinary share. Apart from entitling to the same voting rights and claims on dividends as ordinary shares, it may enjoy preferential rights to a special dividend at a 3 percent fixed rate per annum prior to the ordinary shares when paid.

9.23.3 The Bank is a state enterprise and its major shareholder is the Financial Institutions Development Fund (FIDF). As at 30 June 2020, FIDF holds 7,696,248,833 shares or 55.05 percent of paid-up ordinary and preferred shares.

## 9.24 Other components of equity

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Surplus on revaluation of assets</b>	10,780	10,258	10,416	10,258
Less: The effect of deferred tax liabilities	(2,083)	(2,052)	(2,083)	(2,052)
<b>Net surplus on revaluation of assets</b>	8,697	8,206	8,333	8,206
<b>Revaluation surplus on investments</b>				
Debt securities	385	1,921	389	1,747
Equity securities	9,807	8,260	9,807	8,260
Expected credit loss	938	-	938	-
<b>Total revaluation surplus (deficit) on investments</b>	11,130	10,181	11,134	10,007
Add (less): The effect of deferred tax liabilities	(2,225)	(2,001)	(2,227)	(2,001)
<b>Net revaluation surplus (deficit) on investments</b>	8,905	8,180	8,907	8,006
<b>Gains (losses) from reclassification of investments</b>	-	(2)	-	(2)
Less: The effect of deferred tax liabilities	-	-	-	-
<b>Net gains (losses) from reclassification of investments</b>	-	(2)	-	(2)
<b>Hedge reserves</b>	29	-	29	-
Less: The effect of deferred tax liabilities	(6)	-	(6)	-
<b>Net hedge reserves</b>	23	-	23	-
<b>Losses from translating the financial statements</b>	(119)	(116)	(119)	(116)
<b>Share of other comprehensive income of associates</b>	14,495	16,738	-	-
Less: The effect of deferred tax liabilities	-	-	-	-
<b>Net share of other comprehensive income of associates</b>	14,495	16,738	-	-
<b>Total</b>	32,001	33,006	17,144	16,094

## 9.25 Legal reserve

In accordance with the Public Limited Company Act, the Bank is required to appropriate to its legal reserve not less than 5 percent of its net profit after deducting accumulated losses brought forward (if any), until the legal reserve reaches an amount not less than 10 percent of authorised share capital. The Bank has already set aside the full amount of its legal reserve.

## 9.26 Dividends

During the six-month periods ended 30 June 2020 and 2019, the Bank has dividends payments as follow:

(Unit: Million Baht)

Dividends	Approved by	Total dividends		Dividend per share		Payment date
		Preferred stock	Common stock	Preferred stock	Common stock	
Interim dividends for the year 2020	Board of Directors Meeting on 25 March 2020	5	10,524	0.9075	0.753	23 April 2020
Total dividends for the year 2020		<u>5</u>	<u>10,524</u>	<u>0.9075</u>	<u>0.753</u>	
Dividends for the year 2018	Annual General Meeting of the Shareholders on 12 April 2019	5	10,035	0.8725	0.718	10 May 2019
Total dividends for the year 2019		<u>5</u>	<u>10,035</u>	<u>0.8725</u>	<u>0.718</u>	

## 9.27 Contingent liabilities

(Unit: Million Baht)

	Consolidated and separate financial statements	
	30 June 2020	31 December 2019
Avals to bills	6,865	8,128
Guarantees of loans	9	3,544
Liabilities under unmatured import bills	4,389	6,589
Letters of credit	45,311	53,244
Banks' liability under acceptances	128	-
Other contingencies		
Unused overdraft credit lines	168,674	153,649
Other guarantees	182,437	180,861
Others	6,668	6,417
Total	<u>414,481</u>	<u>412,432</u>

As at 30 June 2020 and 31 December 2019, the Bank has contingent liabilities relating to significant lawsuits brought against the Bank of Baht 14,729 million and Baht 13,349 million, respectively. These included lawsuits in which the Court of First Instance has already ruled and that are being appealed in the Appeal Court and the Supreme Court.

As at 30 June 2020 and 31 December 2019, the Bank has guarantees for transactions of the Bank of Baht 5,285 million and Baht 5,161 million, respectively.

## 9.28 Assets with obligations and restrictions

	(Unit: Million Baht)	
	Consolidated and separate financial statements	
	30 June 2020	31 December 2019
Government and state enterprise bonds pledged as collateral		
Court collateral	411	498
Repurchase agreements	38,228	26,051
Collateral for Student Loan Fund	54	54
Private bonds used as collateral		
Repurchase agreements	3,307	-
Properties for sale (debtor is granted the right to buy back or first right for this portion)	8,616	8,435
Total	<u>50,616</u>	<u>35,038</u>

## 9.29 Related party transactions

9.29.1 As at 30 June 2020 and 31 December 2019, loans to the Bank's executives (First Vice President and above) are Baht 116 million and Baht 121 million, respectively. The average outstanding balances of such loans at month-ended were Baht 114 million and Baht 119 million, respectively.

The Bank has loans and obligations outstanding to family relatives of the Bank's executives as defined above as at 30 June 2020 and 31 December 2019, totaled Baht 7 million and Baht 6 million, respectively.

## 9.29.2 Loans, obligations, derivatives, and other assets

The balances of loans and obligations to related parties, under normal bank pricing policies, were as follows as at 30 June 2020 and 31 December 2019:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Loans</b>				
Related parties in which the Bank held from 10 to 20 percent of paid-up capital in total	-	1	-	1
Related parties in which the Bank acquired 10 percent or more of paid-up capital from TDR	8,411	8,490	8,411	8,490
<u>Less</u> Allowance for doubtful accounts	-	(3,141)	-	(3,141)
<u>Less</u> Allowance for expected credit losses	(4,291)	-	(4,291)	-
<b>Total</b>	<b>4,120</b>	<b>5,350</b>	<b>4,120</b>	<b>5,350</b>
<b>Subsidiaries</b>				
KTB General Services and Security Co., Ltd.	-	-	6	8
KTB Computer Services Co., Ltd.	-	-	1,904	2,089
KTB Leasing Co., Ltd.	-	-	2,580	3,693
Krungthai Card Plc.	-	-	2,700	3,491
<u>Less</u> Allowance for doubtful accounts	-	-	-	(93)
<u>Less</u> Allowance for expected credit losses	-	-	(72)	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7,118</b>	<b>9,188</b>
<b>Associates</b>				
Krung Thai IBJ Leasing Co., Ltd.	4,741	5,739	4,741	5,738
Krungthai-AXA Life insurance Plc.	1	-	1	-
Krungthai Zmico Securities Co., Ltd	550	605	550	605
Krungthai Panich Insurance Plc.	1	1	1	1
<u>Less</u> Allowance for doubtful account	-	(63)	-	(63)
<u>Less</u> Allowance for expected credit losses	(48)	-	(48)	-
<b>Total</b>	<b>5,245</b>	<b>6,282</b>	<b>5,245</b>	<b>6,281</b>



(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Related parties with common directors or key management personnel	8,799	30,620	8,799	30,620
<u>Less</u> Allowance for doubtful accounts	-	(170)	-	(170)
<u>Less</u> Allowance for expected credit losses	(40)	-	(40)	-
Total	<u>8,759</u>	<u>30,450</u>	<u>8,759</u>	<u>30,450</u>
<b>Obligations</b>				
Related parties in which the Bank holds from 10 to 20 percent of paid-up capital in total	13	19	13	19
Related parties in which the Bank acquired 10 percent or more of paid-up capital from TDR	1	1	1	1
<u>Subsidiaries</u>				
KTB General Services and Security Co., Ltd.	-	-	1	1
KTB Computer Services Co., Ltd.	-	-	5	5
KTB Leasing Co., Ltd.	-	-	1	1
Krungthai Card Plc.	-	-	1	1
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	2	2	2	2
Krungthai-AXA Life Insurance Plc.	1	1	1	1
Krungthai Panich Insurance Plc.	5	5	5	5
Related parties with directors or key management personnel	926	127	926	127
<b>Derivatives (Notional amount)</b>				
<u>Subsidiary</u>				
KTB Leasing Co., Ltd.	-	-	-	28
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	832	933	832	933
Krungthai-AXA Life Insurance Plc.	11,279	9,690	11,279	9,690

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Other assets</b>				
Entities with related parents or with related directors or key management personnel	2,597	1,531	2,597	1,531
<u>Subsidiaries</u>				
KTB Law Co., Ltd.	-	-	21	-
KTB Leasing Co., Ltd.	-	-	1	-
Krungthai Card Plc.	-	-	445	903
Krung Thai Asset Management Plc.	-	-	91	55
<u>Associates</u>				
Krungthai-AXA Life Insurance Plc.	170	250	170	250
Krungthai Panich Insurance Plc.	40	32	32	32
Krungthai Zmico Securities Co., Ltd.	1	1	1	1

### 9.29.3 Deposits, interbank and money market items, and other liabilities

The balances of deposits and interbank and money market items to related party, under normal bank pricing policies, as at 30 June 2020 and 31 December 2019:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Deposits</b>				
<u>Parent's company</u>				
Financial Institutions Development Fund	21	-	21	-
<u>Subsidiaries</u>				
KTB Law Co., Ltd.	-	-	425	501
KTB General Services and Security Co., Ltd.	-	-	596	703
KTB Computer Services Co., Ltd.	-	-	368	276
KTB Leasing Co., Ltd.	-	-	311	190
KTB Advisory Co., Ltd.	-	-	44	44
Krungthai Card Plc.	-	-	856	881
KTC Pico (Bangkok) Co., Ltd.	-	-	1	-

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Deposits (cont'd)</b>				
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	18	19	18	19
Krungthai Zmico Securities Co., Ltd.	119	19	119	19
Krungthai Panich Insurance Plc.	356	401	356	401
Krungthai-AXA Life Insurance Plc.	1,624	2,881	1,624	2,881
Related parties with directors or key management personnel	16,468	7,410	16,468	7,410
<b>Interbank and money market items</b>				
<u>Subsidiary</u>				
Krung Thai Asset Management Plc.	-	-	331	303
<u>Associate</u>				
Krungthai-AXA Life Insurance Plc.	2,700	3,700	2,700	3,700
<b>Other liabilities</b>				
<u>Subsidiaries</u>				
KTB General Services and Security Co., Ltd.	-	-	314	240
KTB Computer Services Co., Ltd.	-	-	827	709
Krungthai Card Plc.	-	-	1	1
KTB Law Co., Ltd.	-	-	127	126
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	33	-	-	-
Krungthai Panich Insurance Plc.	10	9	10	9
Krungthai-AXA Life Insurance Plc.	13	26	7	26
National ITMX Co., Ltd.	24	16	24	16

## 9.29.4 Income and expenses

The Bank has significant income and expenses with related parties as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Interest income</b>				
<u>Subsidiaries</u>				
KTB Computer Services Co., Ltd.	-	-	11	19
KTB Leasing Co., Ltd.	-	-	6	35
Krungthai Card Plc.	-	-	4	10
<u>Associates</u>				
Krungthai Zmico Securities Co., Ltd.	1	6	1	6
Krung Thai IBJ Leasing Co., Ltd.	17	13	17	13
<b>Interest expenses</b>				
<u>Subsidiaries</u>				
KTB Law Co., Ltd.	-	-	1	1
KTB General Services and Security Co., Ltd.	-	-	1	1
Krungthai Card Plc.	-	-	-	1
Krung Thai Asset Management Plc.	-	-	1	1
<u>Associates</u>				
Krungthai Panich Insurance Plc.	1	-	1	-
Krungthai-AXA Life Insurance Plc.	25	36	25	36
Krung Thai IBJ Leasing Co., Ltd.	1	-	-	-
<b>Other income</b>				
<u>Subsidiaries</u>				
KTB General Services and Security Co., Ltd.	-	-	2	2
KTB Leasing Co., Ltd.	-	-	5	8
Krung Thai Asset Management Plc.	-	-	187	159
Krungthai Card Plc.	-	-	58	79
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	2	2	2	2
Krungthai Zmico Securities Co., Ltd.	2	2	1	2
Krungthai Panich Insurance Plc.	87	22	76	22
Krungthai-AXA Life Insurance Plc.	577	366	517	366

(Unit: Million Baht)

For the three-month periods ended 30 June

	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Other expenses</b>				
<u>Subsidiaries</u>				
KTB Law Co., Ltd.	-	-	103	291
KTB General Services and Security Co., Ltd.	-	-	551	603
KTB Computer Services Co., Ltd.	-	-	899	926
Krungthai Card Plc.	-	-	1	2
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	5	12	-	12
Krungthai Zmico Securities Co., Ltd.	3	1	3	1
National ITMX Co., Ltd.	63	54	63	54
Krungthai-AXA Life Insurance Plc.	37	-	-	-
Krungthai Panich Insurance Plc.	8	-	-	-

(Unit: Million Baht)

For the six-month periods ended 30 June

	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Interest income</b>				
<u>Subsidiaries</u>				
KTB Computer Services Co., Ltd.	-	-	25	36
KTB Leasing Co., Ltd.	-	-	17	80
Krungthai Card Plc.	-	-	13	20
<u>Associates</u>				
Krungthai Zmico Securities Co., Ltd.	5	11	5	11
Krung Thai IBJ Leasing Co., Ltd.	40	23	40	23
<b>Interest expenses</b>				
<u>Subsidiaries</u>				
KTB Law Co., Ltd.	-	-	2	2
KTB General Services and Security Co., Ltd.	-	-	2	2
Krungthai Card Plc.	-	-	1	1
Krung Thai Asset Management Plc.	-	-	1	1

(Unit: Million Baht)

For the six-month periods ended 30 June

	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
<b>Interest expenses (continued)</b>				
<u>Associates</u>				
Krungthai Panich Insurance Plc.	2	-	2	-
Krungthai-AXA Life Insurance Plc.	54	81	54	81
Krung Thai IBJ Leasing Co., Ltd.	1	-	-	-
<b>Other income</b>				
<u>Subsidiaries</u>				
KTB General Services and Security Co., Ltd.	-	-	3	3
KTB Leasing Co., Ltd.	-	-	9	14
Krung Thai Asset Management Plc.	-	-	376	289
Krungthai Card Plc.	-	-	138	127
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	3	4	3	4
Krungthai Zmico Securities Co., Ltd.	3	3	2	3
Krungthai Panich Insurance Plc.	157	57	146	57
Krungthai-AXA Life Insurance Plc.	1,182	884	1,122	884
<b>Other expenses</b>				
<u>Subsidiaries</u>				
KTB Law Co., Ltd.	-	-	203	433
KTB General Services and Security Co., Ltd.	-	-	1,130	1,187
KTB Computer Services Co., Ltd.	-	-	1,772	1,899
Krungthai Card Plc.	-	-	3	4
<u>Associates</u>				
Krung Thai IBJ Leasing Co., Ltd.	5	29	-	29
Krungthai Zmico Securities Co., Ltd.	4	2	4	2
National ITMX Co., Ltd.	109	94	109	94
Krungthai-AXA Life Insurance Plc.	37	-	-	-
Krungthai Panich Insurance Plc.	8	-	-	-

9.29.5 The Bank and its subsidiaries have no compensation or other benefits, either monetary or non-monetary, to directors and executives, except the benefits normally paid as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Short-term employee benefits	289	306	220	192
Post-employment benefits	6	10	7	7
<b>Total</b>	<b>295</b>	<b>316</b>	<b>227</b>	<b>199</b>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Short-term employee benefits	717	680	557	482
Post-employment benefits	18	28	14	13
<b>Total</b>	<b>735</b>	<b>708</b>	<b>571</b>	<b>495</b>

#### 9.29.6 Intercompany trading transactions

##### **Subsidiaries**

- 1) KTB Computer Services Co, Ltd. has been designated mainly to provide information technology (IT) services for the Bank's operations in accordance with the various projects and systems of the Bank, in accordance with the Bank's business plans. Service offers consist of system control and maintenance, system software development, and providing preliminary consultancy services and training in various areas. The Bank incurred service charges on a cost-plus method of Baht 1,707 million and Baht 1,834 million for the six-month periods ended 30 June 2020 and 2019, respectively, and Baht 867 million and Baht 894 million for the three-month periods ended 30 June 2020 and 2019, respectively. Since 2003, the GFMS project Phase 2 has been developed and implemented on behalf of the Bank by KTBCS. The Bank and the Office of GFMS attached to the Secretariat of the Prime Minister unanimously signed on the Memorandum of Agreement upon the submission of deliverables and disbursements associated with the investments in the GFMS project on 22 September 2005. Furthermore, the Bank signed a hire-of-work contract for the implementation and maintenance with the Office of GFMS. The Bank incurred service charges of Baht 65 million and Baht 65 million for the six-month periods ended 30 June 2020 and 2019, respectively, and Baht 32 million and Baht 32 million for the three-month periods ended 30 June 2020 and 2019, respectively.

- 2) The Bank operates a student loan service for the Student Loans Fund, including public relations, policy, regulation, loan payment, document filling, loan notification, loan status, as well as receipt of settlement, pursuit of loan collection, and prosecution. KTB Law Co., Ltd. has been designated to prosecute debtors of the Student Loans Fund. The Bank incurred service charges for the six-month periods ended 30 June 2020 and 2019 of Baht 107 million and Baht 345 million, respectively, and Baht 48 million and Baht 244 million for the three-month periods ended 30 June 2020 and 2019, respectively.
- 3) KTB General Services and Security Co., Ltd. is assigned by the Bank to provide collection and delivery services for all cash, foreign exchange and financial instruments, and the Bank's asset. KTBGS also manages Krung Thai Bank Training Center and the Bank's other buildings. The Bank's expenses in respect of those services for the six-month periods ended 30 June 2020 and 2019 were Baht 1,130 million and Baht 1,187 million, respectively, and Baht 551 million and Baht 603 million for the three-month periods ended 30 June 2020 and 2019, respectively.
- 4) The Bank incurred service charges provided by its subsidiaries [including fees mentioned in No.1) to 3)] totaling Baht 3,108 million and Baht 3,524 million for the six-month periods ended 30 June 2020 and 2019, respectively, and Baht 1,554 million and Baht 1,824 million for the three-month periods ended 30 June 2020 and 2019, respectively, at the rates as mutually agreed.
- 5) The Bank generated fee income from service with subsidiaries for the six-month periods ended 30 June 2020 and 2019, amounting to Baht 369 million and Baht 407 million, respectively, and Baht 166 million and Baht 204 million for the three-month periods ended 30 June 2020 and 2019, respectively.
- 6) The Bank generated premises rental income from subsidiaries of Baht 8 million and Baht 10 million for the six-month periods ended 30 June 2020 and 2019, respectively, and Baht 4 million and Baht 5 million for the three-month periods ended 30 June 2020 and 2019, respectively, at the rate upon agreement.

### **Intercompany considerations**

Intercompany income and expenses are based on the rates upon agreement and the amount specified in the contract, while the cost-plus method is used for certain transactions.

The consolidated financial statements include the accounts of subsidiaries after eliminating intercompany transactions and balances.

### **Associates**

The Bank generated fee income under support service contracts of Baht 1,273 million and Baht 876 million for the six-month periods ended 30 June 2020 and 2019, respectively and Baht 642 million and Baht 339 million for the three-month periods ended 30 June 2020 and 2019, respectively, at the rate upon agreement.



## 9.30 Significant financial position and operations classified by domestic and foreign business segment

### 9.30.1 Financial position classified by business segment

(Unit: Million Baht)

	Consolidated financial statements							
	30 June 2020				31 December 2019			
	Domestic business	Foreign branches business	Elimination	Total	Domestic business	Foreign branch business	Elimination	Total
Total assets	3,158,953	21,190	(8,820)	3,171,323	2,999,664	20,960	(8,408)	3,012,216
Interbank and money market items - net	414,324	9,128	-	423,452	329,784	8,986	-	338,770
Financial assets measured at fair value through profit or loss	35,635	-	-	35,635	-	-	-	-
Investments - net*	332,318	2,049	-	334,367	423,820	2,354	-	426,174
Loans to customers and accrued interest receivables - net	2,142,090	9,667	-	2,151,757	1,950,481	9,284	-	1,959,765
Deposits	2,346,041	4,723	-	2,350,764	2,151,130	4,735	-	2,155,865
Interbank and money market items - net	228,363	13	-	228,376	215,810	13	-	215,823
Debt issued and borrowings	90,624	7,213	-	97,837	89,519	7,322	-	96,841

\* Includes investments in subsidiaries and associates.

(Unit: Million Baht)

## Separate financial statements

	30 June 2020				31 December 2019			
	Domestic business segment	Foreign branches business segment	Elimination	Total	Domestic business segment	Foreign branches business segment	Elimination	Total
Total assets	3,062,214	21,190	(8,820)	3,074,584	2,895,806	20,960	(8,408)	2,908,358
Interbank and money market items - net	414,006	9,128	-	423,134	329,287	8,986	-	338,273
Financial assets measured at fair value through profit or loss	35,941	-	-	35,941	-	-	-	-
Investments - net*	314,661	2,049	-	316,710	403,650	2,354	-	406,004
Loans to customers and accrued interest receivables - net	2,071,535	9,667	-	2,081,202	1,874,826	9,284	-	1,884,110
Deposits	2,348,640	4,723	-	2,353,363	2,153,725	4,735	-	2,158,460
Interbank and money market items - net	226,154	13	-	226,167	208,228	12	-	208,240
Debt issued and borrowings	44,563	7,213	-	51,776	44,001	7,322	-	51,323

\* Includes investments in subsidiaries and associates.

## 9.30.2 Operations classified by Business Segment

(Unit: Million Baht)

Consolidated financial statements								
For the three-month periods ended 30 June								
2020				2019				
	Domestic business segment	Foreign branches business segment	Related party transactions	Total	Domestic business segment	Foreign branches business segment	Related party transactions	Total
Interest income	29,427	283	(144)	29,566	30,036	763	(554)	30,245
Interest expenses	(6,086)	(164)	144	(6,106)	( 8,415)	( 579)	554	(8,440)
Interest income - net	23,341	119	-	23,460	21,621	184	-	21,805
Fees and service income - net	5,250	19	-	5,269	5,639	11	-	5,650
Other operating income	3,702	10	-	3,712	2,564	45	-	2,609
Other operating expenses and allowance for expected credit loss	(27,085)	14	-	(27,071)	(18,996)	(123)	-	(19,119)
Profit from operating before income tax expenses	5,208	162	-	5,370	10,828	117	-	10,945

(Unit: Million Baht)

Separate financial statements								
For the three-month periods ended 30 June								
2020				2019				
	Domestic business segment	Foreign branches business segment	Related party transactions	Total	Domestic business segment	Foreign branches business segment	Related party transactions	Total
Interest income	25,613	283	(144)	25,752	26,444	763	(554)	26,653
Interest expenses	(5,702)	(164)	144	(5,722)	(8,038)	(579)	554	(8,063)
Interest income - net	19,911	119	-	20,030	18,406	184	-	18,590
Fees and service income - net	4,243	19	-	4,262	4,464	11	-	4,475
Other operating income	4,084	10	-	4,094	2,454	45	-	2,499
Other operating expenses and allowance for expected credit loss	(23,491)	14	-	(23,477)	(15,676)	(123)	-	(15,799)
Profit from operating before income tax expenses	4,747	162	-	4,909	9,648	117	-	9,765

(Unit: Million Baht)

Consolidated financial statements								
For the six-month periods ended 30 June								
	2020				2019			
	Domestic business segment	Foreign branches business segment	Related party transactions	Total	Domestic business segment	Foreign branches business segment	Related party transactions	Total
Interest income	59,495	596	(309)	59,782	63,179	1,549	(1,106)	63,622
Interest expenses	(13,319)	(351)	309	(13,361)	(17,113)	(1,169)	1,106	(17,176)
Interest income - net	46,176	245	-	46,421	46,066	380	-	46,446
Fees and service income - net	10,186	34	-	10,220	11,265	20	-	11,285
Other operating income	6,735	28	-	6,763	5,853	51	-	5,904
Other operating expenses and allowance for expected credit loss	(48,953)	(110)	-	(49,063)	(42,454)	(191)	-	(42,645)
Profit from operating before income tax expenses	14,144	197	-	14,341	20,730	260	-	20,990

(Unit: Million Baht)

Separate financial statements								
For the six-month periods ended 30 June								
	2020				2019			
	Domestic business segment	Foreign branches business segment	Related party transactions	Total	Domestic business segment	Foreign branches business segment	Related party transactions	Total
Interest income	51,800	596	(309)	52,087	56,070	1,549	(1,106)	56,513
Interest expenses	(12,553)	(351)	309	(12,595)	(16,368)	(1,169)	1,106	(16,431)
Interest income - net	39,247	245	-	39,492	39,702	380	-	40,082
Fees and service income - net	8,189	34	-	8,223	8,997	20	-	9,017
Other operating income	6,650	27	-	6,677	5,094	51	-	5,145
Other operating expenses and allowance for expected credit loss	(42,413)	(110)	-	(42,523)	(36,249)	(191)	-	(36,440)
Profit from operating before income tax expenses	11,673	196	-	11,869	17,544	260	-	17,804

### 9.31 Operations classified by operating segment

#### Segment definition

The Bank organises segments for internal management purposes, with the Management Committee of each segment being the chief operating decision-maker (CODM). Three reportable segments have been identified based on customer type and nature of business:

- 1) Retail banking segment; develops financial products and services, and also provides services for individual customers relating to deposits, loans, payment for goods and services as well as sale of products released by the Bank's subsidiaries and business alliances through its network of branches nationwide.
- 2) Wholesale banking segment; provides credit facilities and financial services to corporate clients.
- 3) Treasury and investment segment; controls the Bank's financial structure to maintain appropriate levels and enable the generation of profit from the Bank's equity investment, international business and excess liquidity, and also supervises overseas branches and companies in which the Bank has invested, among others.

Other segments comprise of middle offices, back offices, subsidiaries and associates.

#### Accounting procedures for segment reporting

The accounting procedures for the operating segments are based on the principle of Economic Value Management (EVM), whereby performance is measured on the same basis as that used in the internal management reports that are reviewed by the Bank's CODM. In accordance with the EVM concept, all business units are treated as profit centers, with internal service charges (ISC) between the service providing unit and service receiving unit. The Fund Transfer Pricing (FTP) concept is used to calculate the value of funds for the fund provider unit and the cost of funds for fund user unit. Income and expenses are allocated according to ownership in order to derive the net operating profit after tax (NOPAT).

(Unit: Million Baht)

	Consolidated financial statements					
	For the three-month period ended 30 June 2020					
	Retail banking	Wholesale banking	Treasury and investment	Support and others	Eliminations	Total
Total operating income	11,711	10,371	2,416	10,563	(2,620)	32,441
Total expenses and tax expenses (excluding expected credit losses)	(6,736)	(1,615)	(712)	(5,679)	1,359	(13,383)
Expected credit losses	(3,876)	(8,869)	(313)	(582)	(1,070)	(14,710)
Net profit	1,099	(113)	1,391	4,302	(2,331)	4,348

(Unit: Million Baht)

Consolidated financial statements						
For the three-month period ended 30 June 2019						
	Retail banking	Wholesale banking	Treasury and investment	Support and others	Eliminations	Total
Total operating income	12,158	7,070	2,388	3,975	4,473	30,064
Total expenses and tax expenses (excluding bad debts, doubtful accounts and loss on impairment)	(7,567)	(2,877)	(762)	(2,415)	(2,016)	(15,637)
Bad debts, doubtful accounts and loss on impairment	(38)	(1,788)	84	(2,502)	(1,318)	(5,562)
Net profit	4,553	2,405	1,710	(942)	1,139	8,865

(Unit: Million Baht)

Consolidated financial statements						
For the six-month period ended 30 June 2020						
	Retail banking	Wholesale banking	Treasury and investment	Support and others	Eliminations	Total
Total operating income	26,465	18,267	3,612	19,618	(4,558)	63,404
Total expenses and tax expenses (excluding expected credit losses)	(14,688)	(3,691)	(1,182)	(11,925)	2,957	(28,529)
Expected credit losses	(7,410)	(12,734)	(702)	(2,369)	(20)	(23,235)
Net profit	4,367	1,842	1,728	5,324	(1,621)	11,640
As at 30 June 2020						
Segment assets	951,333	1,276,168	835,427	140,226	(31,831)	3,171,323
Segment liabilities	1,673,706	780,140	221,131	175,956	(27,904)	2,823,029

(Unit: Million Baht)

Consolidated financial statements						
For the six-month period ended 30 June 2019						
	Treasury					
	Retail banking	Wholesale banking	and investment	Support and others	Eliminations	Total
Total operating income	24,077	18,315	3,990	14,843	2,410	63,635
Total expenses and tax expenses (excluding bad debts, doubtful accounts and loss on impairment)	(15,190)	(8,871)	(1,268)	(8,107)	(339)	(33,775)
Bad debts, doubtful accounts and loss on impairment	(638)	(3,741)	(159)	(7,008)	(1,345)	(12,891)
Net profit	8,249	5,703	2,563	(272)	726	16,969
As at 31 December 2019						
Segment assets	934,786	1,076,578	857,030	148,926	(5,104)	3,012,216
Segment liabilities	1,570,438	671,319	228,333	196,987	(3,187)	2,663,890

### Information about major customers

During the six-month periods ended 30 June 2020 and 2019, the Bank and its subsidiaries had no major customer with revenue of 10% or more of an entity's revenues.

### 9.32 Interest Income

Interest income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Million Baht)				
For the three-month periods ended 30 June				
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Interbank and money market items	917	1,795	917	1,795
Investment and trading transactions	103	105	103	104
Investment in debt securities	621	1,487	620	1,486
Loans to customers *	27,875	26,683	24,104	23,009
Hire-purchase and finance leases	42	113	-	215
Others	8	62	8	44
Total interest income	29,566	30,245	25,752	26,653

\* Interest income from loans to customers for the three-month period ended 30 June 2020, including payment from the auction of property, mortgage collateral, of one debtor, amounting to Baht 3,524 million (Note 9.44.1 to financial statements).

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Interbank and money market items	2,058	3,994	2,058	3,994
Investment and trading transactions	264	204	264	204
Investment in debt securities	1,921	2,340	1,918	2,336
Loans to customers*	55,376	56,768	47,806	49,933
Hire-purchase and finance leases	122	251	-	-
Others	41	65	41	46
<b>Total interest income</b>	<b>59,782</b>	<b>63,622</b>	<b>52,087</b>	<b>56,513</b>

\* Interest income from loans to customers for the six-month periods ended 30 June 2020 and 2019, including payment from the auction of property, mortgage collateral, of one debtor, amounting to Baht 3,524 million and Baht 3,899 million, respectively (Note 9.44.1 to financial statements).

Interest income for the six-month period ended 30 June 2020 include interest from financial assets that credit-impaired by Baht 932 million.

### 9.33 Interest expenses

Interest expenses for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Deposits	3,778	4,354	3,781	4,357
Interbank and money market items	297	651	281	636
Contributions to Bank of Thailand (BOT)	1,291	2,401	1,291	2,401
Contributions to Deposit Protection				
Agency (DPA)	60	52	60	52
Debt issued				
- Subordinated debentures	289	574	289	574
- Others	366	360	-	-
Borrowings	1	1	-	1
Borrowing fees	-	5	-	-
Others	24	42	20	42
<b>Total interest expenses</b>	<b>6,106</b>	<b>8,440</b>	<b>5,722</b>	<b>8,063</b>



(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Deposits	7,883	9,022	7,889	9,028
Interbank and money market items	982	1,291	951	1,262
Contributions to Bank of Thailand (BOT)	2,656	4,832	2,656	4,832
Contributions to Deposit Protection Agency (DPA)	115	105	115	105
Debt issued				
- Subordinated debentures	927	1,151	927	1,151
- Others	729	711	-	-
Borrowings	2	2	-	1
Borrowing fees	5	10	-	-
Others	62	52	57	52
Total interest expenses	13,361	17,176	12,595	16,431

### 9.34 Fees and service income

Fees and service income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Fees and service income				
Acceptance, aval and guarantees	478	380	478	380
ATM and electronic banking services	2,981	2,897	2,981	2,897
Management fees and Bancassurance Product	1,372	1,425	920	832
Others	2,258	2,550	1,276	1,608
Total fees and service income	7,089	7,252	5,655	5,717
Fees and service expenses	(1,820)	(1,602)	(1,393)	(1,242)
Net fees and service income	5,269	5,650	4,262	4,475

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Fees and service income				
Acceptance, aval and guarantees	619	757	619	757
ATM and electronic banking services	5,915	5,761	5,915	5,761
Management fees and Bancassurance Product	2,837	2,810	1,937	1,689
Others	4,471	5,001	2,548	3,049
Total fees and service income	13,842	14,329	11,019	11,256
Fees and service expenses	(3,622)	(3,044)	(2,796)	(2,239)
Net fees and service income	10,220	11,285	8,223	9,017

### 9.35 Gains on financial instruments measured at fair value through profit and loss

(Unit: Million Baht)

	For the three-month period ended 30 June 2020	
	Consolidated	Separate
	financial statements	financial statements
Gains (losses) on trading and foreign exchange transactions		
- Foreign exchange and foreign exchange element of derivatives contracts	648	648
- Interest rate element of derivatives contracts	(89)	(26)
- Debt securities	123	124
- Others	53	53
Losses from hedge accounting - hedged items	(5)	(5)
Total	730	794

(Unit: Million Baht)

	For the six-month period ended 30 June 2020	
	Consolidated	Separate
	financial statements	financial statements
Gains (losses) on trading and foreign exchange transactions		
- Foreign exchange and foreign exchange element of derivatives contracts	110	110
- Interest rate element of derivatives contracts	1,312	1,374
- Debt securities	(335)	(334)
- Others	438	438
Losses from hedge accounting - hedged items	(103)	(103)
Total	1,422	1,485

### 9.36 Gains on trading and foreign exchange transactions

(Unit: Million Baht)

	<u>For the three-month period ended 30 June 2019</u>	
	<u>Consolidated</u>	<u>Separate</u>
	<u>financial statements</u>	<u>financial statements</u>
Gains (losses) on trading and foreign exchange transactions		
- Foreign exchange and foreign exchange element of derivatives contracts	37	37
- Interest rate element of derivatives contracts	519	519
- Debt securities	396	396
- Others	(282)	(282)
Total	<u>670</u>	<u>670</u>

(Unit: Million Baht)

	<u>For the six-month period ended 30 June 2019</u>	
	<u>Consolidated</u>	<u>Separate</u>
	<u>financial statements</u>	<u>financial statements</u>
Gains (losses) on trading and foreign exchange transactions		
- Foreign exchange and foreign exchange element of derivatives contracts	253	253
- Interest rate element of derivatives contracts	1,182	1,181
- Debt securities	537	537
- Others	(306)	(306)
Total	<u>1,666</u>	<u>1,665</u>

### 9.37 Gains on investments

Gains on investments for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Gains on derecognition of				
- Investments in debt securities measured at fair value through other comprehensive income	400	-	400	-
- Available-for-sale securities	-	167	-	167
- General investments	-	32	-	32
- Investment in subsidiaries	-	181	-	181
<b>Total</b>	<b>400</b>	<b>380</b>	<b>400</b>	<b>380</b>
Reversal (losses) on impairment of				
- Available-for-sale securities	-	(43)	-	(43)
- Investments in subsidiaries	-	-	-	4
<b>Total</b>	<b>-</b>	<b>(43)</b>	<b>-</b>	<b>(39)</b>
<b>Total gains on investments, net</b>	<b>400</b>	<b>337</b>	<b>400</b>	<b>341</b>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Gains on derecognition of				
- Investments in debt securities measured at fair value through other comprehensive income	747	-	747	-
- Available-for-sale securities	-	502	-	502
- General investments	-	32	-	32
- Investment in subsidiaries	-	181	-	181
<b>Total</b>	<b>747</b>	<b>715</b>	<b>747</b>	<b>715</b>
Reversal (losses) on impairment of				
- Available-for-sale securities	-	(43)	-	(43)
- Investments in subsidiaries	-	-	-	4
<b>Total</b>	<b>-</b>	<b>(43)</b>	<b>-</b>	<b>(39)</b>
<b>Total gains on investments, net</b>	<b>747</b>	<b>672</b>	<b>747</b>	<b>676</b>

### 9.38 Expected credit losses

Expected credit losses and gains or losses resulting from changes in criteria for financial assets for the three-month and six-month periods ended 30 June 2020 are as follows:

(Unit: Million Baht)

For the three-month period ended 30 June 2020

	<u>Consolidated</u> financial statements	<u>Separate</u> financial statements
Interbank and money market items	(758)	(758)
Investment in debt securities measured at amortised cost	4	4
Investment in debt securities measured at fair value through other comprehensive income	844	844
Loans to customers and accrued interest receivables		
Expected credit losses	14,081	12,021
Losses from modification of contracts	63	63
<b>Total</b>	<b>14,234</b>	<b>12,174</b>
Loan commitments and financial guarantee contracts	476	476
<b>Total</b>	<b>14,710</b>	<b>12,650</b>

(Unit: Million Baht)

For the six-month period ended 30 June 2020

	<u>Consolidated</u> financial statements	<u>Separate</u> financial statements
Interbank and money market items	(171)	(171)
Investment in debt securities measured at amortised cost	2	2
Investment in debt securities measured at fair value through other comprehensive income	839	839
Loans to customers and accrued interest receivables		
Expected credit losses	22,748	19,363
Losses from modification of contracts	153	153
<b>Total</b>	<b>23,571</b>	<b>20,186</b>
Loan commitments and financial guarantee contracts	(336)	(336)
<b>Total</b>	<b>23,235</b>	<b>19,850</b>

### 9.39 Impairment losses of loans and debt securities

(Unit: Million Baht)

	For the three-month period ended 30 June 2019	
	Consolidated	Separate
	financial statements	financial statements
Interbank and money market items	(278)	(278)
Loans to customers	5,840	4,281
<b>Total</b>	<b>5,562</b>	<b>4,003</b>

(Unit: Million Baht)

	For the six-month period ended 30 June 2019	
	Consolidated	Separate
	financial statements	financial statements
Interbank and money market items	(465)	(464)
Loans to customers	13,356	10,467
<b>Total</b>	<b>12,891</b>	<b>10,003</b>

### 9.40 Earnings per share

Basic earnings per share is calculated by dividing profit for the periods attributable to ordinary share holders of the Bank (after deducting the preferred shares's portion and excluding other comprehensive income by the weighted average number of ordinary shares issued during the periods.

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Profit for the periods attributable to equity holders of the Bank (after deducting preferred shares' portion) (Million Baht)	3,754	8,166	4,235	8,083
Earnings per share (Baht/share)	0.27	0.58	0.30	0.58
Weighted average number of ordinary shares (Million shares)	13,976	13,976	13,976	13,976

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Profit for the periods attributable to equity holders of the Bank (after deducting preferred shares' portion) (Million Baht)	10,218	15,465	9,979	14,659
Earnings per share (Baht/share)	0.73	1.11	0.71	1.05
Weighted average number of ordinary shares (Million shares)	13,976	13,976	13,976	13,976

## 9.41 Provident fund

The Bank, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 3 - 15 percent of their basic salaries, and the Bank and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the six-month period ended 30 June 2020, the Bank and its subsidiaries contributed Baht 774 million to the fund (separate financial statements: Baht 690 million) (2019: Baht 756 million in the consolidated financial statements and Baht 692 million in the separate financial statements).

## 9.42 Fair value of financial instruments

Financial assets and liabilities instruments carried at fair value classified by the level of fair value hierarchy are as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	30 June 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b><u>Financial assets and liabilities measured at fair value</u></b>								
<b>Financial assets</b>								
Financial assets measured at fair value through profit or loss	809	34,826	-	35,635	-	-	-	-
Investment in debt securities measured at fair value through other comprehensive income	20,254	268,481	-	288,735	-	-	-	-
Investment in equity securities measured at fair value through other comprehensive income	14,230	439	474	15,143	-	-	-	-
Derivatives assets	-	70,876	-	70,876	-	55,811	-	55,811
Trading investments	-	-	-	-	18,489	29,763	-	48,252
Available-for-sale investments	-	-	-	-	48,355	295,843	-	344,198
<b>Financial liabilities</b>								
Derivatives liabilities	-	65,810	-	65,810	-	51,869	-	51,869

(Unit: Million Baht)

	Separate financial statements							
	30 June 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b><u>Financial assets and liabilities measured at fair value</u></b>								
<b>Financial assets</b>								
Financial assets measured at fair value through profit or loss	809	35,132	-	35,941	-	-	-	-
Investment in debt securities measured at fair value through other comprehensive income	20,254	269,284	-	289,538	-	-	-	-
Investment in equity securities measured at fair value through other comprehensive income	14,230	439	472	15,141	-	-	-	-
Derivatives assets	-	70,876	-	70,876	-	55,811	-	55,811
Trading investments	-	-	-	-	18,489	29,763	-	48,252
Available-for-sale investments	-	-	-	-	48,355	296,501	-	344,856
<b>Financial liabilities</b>								
Derivatives liabilities	-	65,810	-	65,810	-	51,869	-	51,869

Since the majority of the Bank's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is assumed to approximate their book value in the statement of financial position.

#### Valuation techniques and inputs used for fair value measurement

- Cash - The fair value is assumed to approximate its book value in the statement of financial position.
- Interbank and money market items (asset) - The fair value is assumed to approximate their book value in the statement of financial position due to their short-term nature.



Derivatives	<ul style="list-style-type: none"> <li>- The fair value is based on quoted market prices. When there is no observable market price, the fair value is measured using a valuation technique that uses observable inputs such as interest rates and foreign exchange rates obtained from reliable sources and adjusted to reflect counterparty credit risk.</li> </ul>
Investments	<ul style="list-style-type: none"> <li>- The fair value of marketable securities is based on the latest bid price of the last working day of the period.</li> <li>- The fair value of Thai Baht debt securities is determined using the yield rates quoted by the Thai Bond Market Association.</li> <li>- The fair value of foreign currency debt securities is determined based on the latest bid price of the last working day of the period published by reliable sources such as Bloomberg.</li> <li>- The fair value of unit trusts is determined from their net asset value</li> <li>- The fair value of investments in non-marketable equity securities is determined using their latest book value.</li> </ul>
Loans to customers	<ul style="list-style-type: none"> <li>- The fair value of floating rate loans is assumed to approximate their book value, net of allowance for doubtful debt and allowance for debt restructuring.</li> <li>- The fair value of fixed rate loans is determined by discounting the expected future cash flows at the interest rate of similar loans, net of allowance for doubtful debt and deferred revenue.</li> <li>- The fair value of fixed rate loans for which revenue recognition has discontinued is assumed to approximate their book value, net of allowance for doubtful debt or to approximate the amount expected to be derived from their sale.</li> </ul>
Land, premises and equipment - land	<ul style="list-style-type: none"> <li>- The fair value of land is determined by using the market comparison approach which is used whereby the buying and selling prices for assets with similar characteristics are obtained.</li> </ul>

Deposits	<ul style="list-style-type: none"> <li>- The fair value of payable on demand deposits, floating rate deposits or fixed rate deposits with not more than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book values.</li> <li>- The fair value of fixed rate deposits with more than 1 year from the statement of financial position date remaining to maturity is determined by discounting the expected future cash flows at the Bank's interest rate for similar deposits.</li> </ul>
Interbank and money market items (liabilities)	<ul style="list-style-type: none"> <li>- The fair value of interbank and money market items payable on demand, floating rate deposits or fixed rate deposits with not more than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book values.</li> <li>- The fair value of fixed rate interbank and money market items with more than 1 year from the statement of financial position date remaining to maturity is determined by discounting the expected future cash flows at the market interest rate of debt or the Bank's announced interest rate for similar deposits.</li> </ul>
Liability payable on demand	<ul style="list-style-type: none"> <li>- The fair value is assumed to approximate its book value in the statement of financial position due to its short-term nature.</li> </ul>
Debt issued and borrowings	<ul style="list-style-type: none"> <li>- The fair value of floating rate or fixed rate debt issues and borrowings with not more than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book values.</li> <li>- The fair value of fixed rate debt issues and borrowings with more than 1 year from the statement of financial position date remaining to maturity is determined by discounting the expected future cash flows at the market interest rate for similar debt.</li> </ul>

During the current period, the Bank changed the fair value hierarchy as follows.

- |  |   |
|--|---|
| Fair value hierarchy from level 1 to level 2 | - The fair value of unit trusts is calculated from the net asset value of unit trusts received from the asset management company                        |
|  | - The fair value of foreign currency Corporate Bond is calculated from the latest bid price at the end of business day from Bloomberg.                  |
| Fair value hierarchy from level 2 to level 3 | - The fair value of investments in non-marketable equity securities is determined using their latest book value from the entity's financial statements. |

**9.43 Policies on business transactions within the financial business group and risk management policies in relation to business transactions within the financial business group.**

The BOT's Notifications No.SOR NOR SOR. 5/2560 and SOR NOR SOR. 9/2560 dated 27 April 2017, SOR NOR SOR. 8/2561 dated 11 April 2018, SOR NOR SOR. 12/2561 dated 22 May 2018, and SOR NOR SOR.11/2562 dated 7 May 2019 regarding the Consolidated Supervision Policy, require the Bank to disclose policies on business transactions within the financial business group and risk management policies in relation to business transactions within the financial business group as the compliance guidance to supervise business transactions within the financial business group, which is composed of the Bank and 17 companies (Note 9.7 excluding National ITMX Co., Ltd.and BCI (Thailand) Co., Ltd.), in terms of common standards and procedures in alignment to the BOT's consolidated supervision policy. The policies on business transactions within the financial business group and risk management policies in relation to business transactions within the financial business group had been approved by the Bank's Board of Directors and reviewed at least once a year. The policies cover types of transaction, rules and regulations for business transactions, the ratio of business transactions within the financial business group, capital requirements of the financial business group and other related operating procedures. Business transactions within the group are conducted in the same manner as to the public with contract entitled by law and follow the Bank's corporate governance policy.

In cases of the Bank having business transactions with a company within the financial business group in which such company is deemed to be the Bank's business unit, the Bank will follow the lenient business transaction guideline as provided by BOT.

## 9.44 Others

9.44.1 The Bank has certain defaulting debtors in relation to convertible preferred shares sale and purchase agreement and lending facilities with the outstanding principal amounts according to the related sale and purchase agreements and facilities agreements, as of 30 June 2020 totaling Baht 9,745 million, exclusive of the default interests. In this regard, for such outstanding principal amounts, the Bank has fully made a provision for impairment and allowance for doubtful accounts according to the Bank of Thailand's criteria and it is currently in the execution process according to the orders of the Civil Court and the Bankruptcy Court. In addition, such debtors together with other defendants were connected to a lawsuit of the Office of the Attorney General which was submitted to the Criminal Division for Persons Holding Political Positions of the Supreme Court's (the "Supreme Court").

The Supreme Court had ordered an acceptance of the complaint on 25 July 2012 and thereafter rendered a judgement on 26 August 2015 that all defendants shall be jointly liable for damages to the Bank. The Bank had submitted a letter to the Office of the Attorney General requesting the Department of Legal Execution, the Office of the Attorney General to execute a judgement for the Bank. In January 2016, the Office of the Attorney General had submitted a motion to the Supreme Court requesting for a writ of execution for appointing the executing officers and the Supreme Court ordered and appointed the executing officers. In this respect, the Bank had notified the public prosecutor of the result of a search for all judgment debtors' property. On 5 October 2016, the public prosecutor of the Department of Special Litigation arranged a meeting for representatives from the Bank of Thailand, the Anti-Money Laundering Office (AMLO) and the Bank to consider the issues regarding the legal execution of the Supreme Court's judgement with coordination and exchange information. Each party will legally exercise its authority and the Supreme Court's order in order to enforce all defendants for the Bank's benefits and legal rights.

On 17 August 2017, a defendant of the criminal case of the Persons Holding Political Positions, who was not a defaulting debtor of the civil case, had made a payment of Baht 1,636 million to the Bank for payment of partial damages according to such criminal case. The Bank accepted the payment and recorded such payment as other revenue from a lawsuit compensation, as well as issuing a letter to such defendant demanding for payment of the remaining damages together with all relevant defendants to the Bank according to such judgement.

At present, judgments of the criminal case, other bankruptcy and civil cases have been enforced for confiscation execution of the mortgaged collaterals according to the preferred mortgage in the Bank's civil case for public auction. The court has issued an order for the Bank to receive debt payment as a mortgagee from such mortgaged collaterals according to an application for repayment of debt for the mortgaged debt submitted by the Bank. Thereafter, on 17 October 2018, the Legal Execution Department made an announcement for public auction and managed the proceedings of public auction for the mortgaged collaterals; whereby, a third party was the successful bidder for Baht 8,914 million. In 2019, the Bank has received the net amount of Baht 3,899 million from the Legal Execution Department for the mortgaged collaterals according to the preferred mortgage which were sold under the criminal case. The Bank exercised the right pursuant to Thai laws by deducting fees and litigation expenses of the Bank for Baht 1 million, and the remaining amount of Baht 3,898 million after the Legal Execution Department's deduction of expenses was considered as interest payment according to the judgment of the Bank's civil case. In this respect, on 25 September 2019, a defendant of the criminal case has filed a civil lawsuit against the Bank for taking the lawsuit amount to be recorded as the damages pursuant to the judgment of such criminal case in which the Bank submitted defending response, the Bank 's action affirming. In 2020, the Bank had received net payment from the Legal Execution Department for the mortgaged collaterals which had been sold in other bankruptcy cases in the amount of Baht 3,524 million. The Bank exercised the right pursuant to Thai laws by deducting expenses in relation to auction announcement of Baht 0.02 million, and the remaining amount of Baht 3,524 million was considered as interest payment according to the judgement of the Bank's civil case. For other civil cases, currently, the buyer had placed a payment of the purchase on 13 May 2020, in which the Bank has been waiting for such payment from the Legal Execution Department.

For the Bank's civil case, whereby the Bank was a plaintiff suing for the foreclosure of such mortgaged collaterals, the Civil Court had rendered a judgment in favor of the Bank to receive full payment of debt according to the grounds of the lawsuit together with interest on 28 September 2017. Thereafter, on 31 October 2018, the Court of Appeal had issued an appointment for the hearing of judgment which upheld the judgment of the Civil Court and the defendant had filed a petition to the Supreme Court on 25 December 2018 and the Bank had filed an answer against such defendant's petition on 25 February 2019. Currently, the Supreme Court had rendered a judgement on 5 May 2020 which upheld the judgement of the Court of Appeal.

9.44.2 In 2010, the Bank lent a company USD 96 million ( Baht 2,885 million) , for which an investment in the ordinary shares of a foreign financial institution was pledged as collateral. Although these shares, accounting for 50 percent of such financial institution's authorised shares capital, were under the Bank, the Bank had no control over this financial institution. The Bank received full repayment of the loan under the contract in July 2011 but has not yet transferred such pledged ordinary shares back to the company because the company must first seek a financial institution to be a new investor of such financial institution.

9.44.3 The Bank considers factors for closing certain branch in foreign country according to advice from its legal consultants. The assets, liabilities and operating performance of such branch are not material to the Bank's financial statements.

#### **9.45 Approval of the financial statements**

These financial statements were authorised for issue by the Board of Directors on 26 August 2020.