

**Bangkok Bank Public Company Limited**  
Management Discussion and Analysis  
for the Quarter Ended March 31, 2020

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## Management Discussion and Analysis

### Overview of the Economy and Banking Industry

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

The Thai economy in the first quarter of 2020 severely contracted as a result of the Coronavirus 2019 (Covid-19) outbreak which began in late January. Income from the tourism heavily declined as a result of international travel restrictions that were announced in many countries, severely impacting both the tourism service sector and related businesses. Meanwhile, merchandise exports shrank as the global demand weakened due to lockdown measures and supply chain disruptions as economic activities in China were put on hold.

The disruption of activities in industries affected by the Covid-19 outbreak, combined with the curfew's curtailing of business activities, impacted business owners and will likely result in more layoffs and lower household income. The ongoing drought also affected the purchasing power of households in the agricultural sector. Continued elevated levels of household debt will likely contribute to a contraction in private consumption, while private investment is also expected to fall as the business sector delays investment in order to maintain liquidity. Public expenditure was affected by the delayed enactment of the Annual Budget Expenditure Act B.E. 2563. The government is also reallocating parts of its budget to mitigate the problems caused by the Covid-19 outbreak. Hence, there could be a delay in planned infrastructure investment this year.

Headline inflation in the first quarter of 2020 was 0.42 percent, down from 0.74 percent in the same quarter last year and below the Bank of Thailand's (BOT) target range of 1-3 percent. Core inflation was 0.53 percent, down from 0.62 percent in the same quarter last year. The average exchange rate was 31.30 THB/USD, stronger than the level 31.62 THB/USD during the same period last year, but weaker than 30.28 THB/USD seen in the previous quarter.

The Monetary Policy Committee (MPC) lowered the policy interest rate twice to 0.75 percent, first by 0.25 percentage points at its meeting on February 5 and by 0.25 percentage points during a special meeting held on March 20 as the impact of Covid-19 outbreak was more severe than previously expected, taking a bigger toll on the Thai economy. Concerns among global financial and capital markets affected the liquidity of the Thai financial system. However, at its meeting on March 25, the MPC resolved to maintain the policy interest rate at 0.75 percent, as the economic and inflation outlook was consistent with its assessment at the special meeting on March 20. The MPC also decided to wait for the assessment of developments in the financial markets and additional reductions in interest rates by financial institutions, while at the same time preserving policy space. The MPC deemed the government's announced relief measures and loan repayment measures to assist borrowers affected by the Covid-19 would more directly address the problems than lowering the policy rate.

According to the BOT's Thailand economic outlook, the Thai economy is projected to contract by 5.3 percent in 2020 (under the key assumption that the Covid-19 outbreak in Thailand would be contained within the second quarter of 2020 while only taking into account the results of relief measures that the government has already implemented). The International Monetary Fund (IMF) expects the Thai economy to contract by 6.7 percent. The main factors driving the economic downturn are the contraction in exports of services, predominantly tourism revenues following the sharp fall in the number of foreign tourists, which were hit by various restrictions including the ban of all international flights to Thailand. Merchandise exports are expected to shrink due to a significant slowdown in demand from trading partners and related supply chain disruptions. Domestic demand was affected by measures to reduce economic activities in an attempt to contain the spread of the Covid-19 as well as the impacts of layoffs, reduced income and reduced confidence due to increased uncertainty about the future. As a result, private consumption is expected to contract, although government measures could help cushion the impact to some degree. Private investment is also projected to contract in line with the slowdown in economic activity. Public spending on investments are expected to be fall as government ministries have reduced investment budgets in order to use the savings to help combat the Covid-19 outbreak.

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*Thai Banking Industry*

The commercial banking system in Thailand continues to face challenges from the effects of the Covid-19 outbreak on economic and financial systems in the first quarter. As of March 31, 2020, deposits grew at a higher rate than loans and the ratio of loans to deposits declined from the end of last year, while the ratio of non-performing loan (NPL) to total loans increased from the end of 2019.

The BOT's Senior Loan Officer Survey indicated that in the first quarter of 2020, credit demand from the business sector improved from the previous quarter, due to loan demand from large corporates and small and medium sized enterprises (SMEs) for working capital and refinancing purposes. As a result of the Covid-19 outbreak, businesses had less cash-in-hand and were unable to raise funds from bond and capital markets as per the normal situation. The improvement in loan demand was also due to a decrease in interest rates. Nevertheless, loan demand for investment declined, both for fixed investment and inventory buildup purposes. Demand for consumer loans declined in all categories due to lower consumer confidence and overall consumption. Demand for housing loans also fell, especially low-rise housing. Going forward, financial institutions expect increasing demand for loans from businesses to manage their liquidity which has been pressured by the intensified effects of the Covid-19 outbreak. While some SMEs may apply for loans under government lending measures, the overall level of SME loans will be relatively stable compared with the previous quarter. Demand for consumer loans is likely to decrease significantly due to the Covid-19 outbreak and public health measures. Some earners, especially those in the tourism service sector, lack of income and as a result have postponed loan applications, in particular for auto-leasing loans, which are projected to fall considerably. Similarly, demand for housing loans and credit card loans is expected to decline further.

In 2020, commercial banks should focus on assisting debtors, especially within the SMEs sector, in accordance with the BOT's measures. The BOT has issued a measure to provide a six-month loan payment holiday for all SMEs with a credit line not exceeding Baht 100 million, aiming to provide them with much-needed liquidity. Those with a line of credit with a commercial bank or a specialized financial institution not exceeding Baht 100 million are automatically eligible to pause payments of both principal and interest for six months. Additionally, the BOT has also allocated Baht 500 billion for soft loans to commercial banks at a low interest rate of 0.01 percent annually for two years to support liquidity for SMEs which operate domestically, have a credit line with a financial institution not exceeding Baht 500 million, and had a non-NPL status as of December 31, 2019. This will not cover companies listed in the Stock Exchange of Thailand (SET) or the Market for Alternative Investment (MAI).

Commercial banks have continued to place greater emphasis on increasing the proportion of CASA while managing liquidity appropriate to handle a severe liquidity situation in compliance with BOT regulations for Liquidity Coverage Ratio (LCR). The BOT has temporarily relaxed the LCR to lower than 100 percent until December 2021 in order to reduce commercial banks' burdens for assisting customers during the Covid-19 outbreak. Moreover, the adoption of TFRS 9 since January 2020 has required financial institutions to calculate expected credit loss by considering economic conditions in the past, present, and future under various assumptions and circumstances. However, the Covid-19 outbreak has dramatically affected the Thai and global economies and may lead to economic recession. Meanwhile, managing loan quality and NPL will continue to be major challenges, especially during the economic downturn. However, with a relatively high level of capital and the regular setting aside of additional provisions, commercial banks can maintain an adequate cushion for NPL in the banking system.

### **Adoption of the pack of Thai Financial Reporting Standards relating to financial instruments**

This year, the Bank and its subsidiaries have adopted the pack of Thai Financial Reporting Standards relating to financial instruments issued by the Federation of Accounting Professions (TFAC) and announced in the Royal Gazette, applying to financial statements of the periods beginning on or after January 1, 2020. The significant changes in principle from the adoption can be summarized as follows:

- Guidance on the classification and measurement of financial instruments at either fair value or amortized cost based on determination the type of financial instruments, the contractual cash flow characteristics and the business model.
- Impairment assessment using the expected credit loss approach. The instruments that are in the scope of impairment requirement are loan receivable and financial assets which are debt instruments that are not measured at fair value through profit or loss, loan commitment and financial guarantee contract. The expected credit loss and its movement shall be recognized to reflect the change of credit risk since initial recognition.
- Hedge accounting which determines the type of transactions eligible for hedge accounting requirement, the types of instruments that qualify for hedging instruments and hedged items, and effectiveness testing which is more aligned with risk management strategy.
- Principle for presentation of hybrid instruments, financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.
- Disclosure requirement that enable the users of financial statements to evaluate how significant financial instrument may have on the financial position and performance. The disclosure also includes the nature and extent of risks arising from the financial instruments and how such risks are managed.

Adoption of a pack of Standards in relation to financial instruments results to have the following changes to the financial statements and accounting policies of the Bank for the periods beginning on or after 1 January 2020:

#### **Classification of financial assets**

##### **Financial assets - Debt instrument**

The Bank has classified its financial assets - debt instrument as subsequently measured at either amortized cost or fair value in accordance with the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as follows :

- A financial asset measured at Amortized Cost (AMC) only if both following conditions are met: the financial asset is held within a business model whose objective is to hold 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.
- A financial asset measured at Fair Value through Other Comprehensive Income (FVOCI) 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 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.
- A financial asset measured at Fair Value Through Profit or Loss (FVTPL) unless the financial asset is held within a business model whose objective is to hold assets 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.

A financial asset may be designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

### **Investment in equity instrument**

All equity investments are measured at fair value in the statement of financial position. The Bank has classified equity investments as the financial asset measured at FVOCI, except for those equity investments measured at FVTPL in accordance with the Bank's Investment Policy.

The significant changes can be summarized as follows:

- The held-to-maturity (HTM) and available-for-sale (AFS) investment in debt securities as well as available-for-sale (AFS) and general investment (GI) in equity securities are removed.
- Classify the whole HTM debt securities to be financial asset measured at AMC.
- Classify almost AFS debt securities to be financial asset measured at FVOCI.
- Classify almost investment in equity securities to be financial asset measured at FVOCI except for some that are classified to be financial assets measured at FVTPL in accordance with the Bank's 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 FVOCI cannot be subsequently revoked. All gains and losses are presented in other comprehensive income except for dividend which is recognized in profit or loss.
- The interest income from loans recognition method has changed to the effective interest rate method (Effective Interest Rate : EIR). Therefore, fee income directly related to lending (EIR Related Fee), such as Front End Fee, is recognized as interest income over the expected life of loans.

### **Classification of financial liabilities**

Classification of financial liabilities mainly remain unchanged for the Bank. Majority of financial liabilities continue to be measured at amortized cost (AMC). The criteria for designating a financial liability to be measured at fair value through profit or loss (FVTPL) are as follows:

- Eliminates or significantly reduces an accounting mismatch.
- A group of financial instruments is managed and their performance is managed on a fair value basis.

### **Impairment of financial assets**

The TFRS 9 impairment requirements are based on an expected credit loss model from the model and management overlay for the factors which are not captured by the model. TFRS 9 requires the Bank to record an allowance for expected credit loss (ECLs) for all loans and investment in debt securities which are not measured at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is measured basing on the ECLs associated with the probability of default in the next twelve months except for the case that there has been a significant increase in credit risk since origination and credit impaired, the allowance is based on the ECLs associated with the probability of default over the expected life of the financial instrument. Overall, impairment under TFRS 9 results in earlier recognition of credit losses than under the previous practice.

### **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**

Changes in accounting policies resulting from the adoption of a pack of Thai Financial Reporting Standards in relation to financial instruments will be applied retrospectively, except for the alternative treatments the Thai Financial Reporting Standards permit which the Bank will adopt as described below.

- Comparative periods will not be restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of a pack of Thai Financial Reporting Standards in relation to financial instruments will be recognized in retained earnings and other reserves as at January 1, 2020. Accordingly, the information presented for 2019 does not reflect the requirement of a pack of Thai Financial Reporting Standards in relation to financial instruments and therefore is not comparable to the information presented for 2020.
- Reclassification of financial assets and liabilities according to the business model and asset and liability management of the Bank in line with facts and existing circumstances during the date of initial adoption, on January 1, 2020. The effects of reclassification of the financial figures can be summarized as follows:

Million Baht

|                                                                        | Book value as at<br>December 31, 2019 | The impact from the adoption the pack of<br>standards in relation to financial instruments |                     |                                          | Book value as at<br>January 1, 2020<br>after the adoption the pack of<br>standards in relation to<br>financial instruments |
|------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------|---------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
|                                                                        |                                       | Classification<br>and<br>measurement                                                       | Hedge<br>accounting | Allowance<br>for expected<br>credit loss |                                                                                                                            |
| <b>Assets</b>                                                          |                                       |                                                                                            |                     |                                          |                                                                                                                            |
| Interbank and money market items, net                                  | 472,349                               | -                                                                                          | -                   | 1,092                                    | 473,441                                                                                                                    |
| Financial assets measured at fair value<br>through profit or loss      | -                                     | 57,768                                                                                     | -                   | -                                        | 57,768                                                                                                                     |
| Derivatives assets                                                     | 49,807                                | 607                                                                                        | 545                 | -                                        | 50,959                                                                                                                     |
| Investments, net                                                       | 647,697                               | (46,501)                                                                                   | -                   | (8)                                      | 601,188                                                                                                                    |
| Loans to customers and accrued interest<br>receivables, net            | 1,891,046                             | -                                                                                          | -                   | 5,284                                    | 1,896,330                                                                                                                  |
| Customer liability under acceptance                                    | 1,627                                 | (1,627)                                                                                    | -                   | -                                        | -                                                                                                                          |
| Deferred tax assets                                                    | 4,542                                 | 61                                                                                         | -                   | 2,886                                    | 7,489                                                                                                                      |
| Others                                                                 | 149,675                               | -                                                                                          | -                   | -                                        | 149,675                                                                                                                    |
| <b>Total assets</b>                                                    | <b>3,216,743</b>                      | <b>10,308</b>                                                                              | <b>545</b>          | <b>9,254</b>                             | <b>3,236,850</b>                                                                                                           |
| <b>Liabilities</b>                                                     |                                       |                                                                                            |                     |                                          |                                                                                                                            |
| Financial liabilities measured at<br>fair value through profit or loss | -                                     | 20,106                                                                                     | -                   | -                                        | 20,106                                                                                                                     |
| Derivatives liabilities                                                | 37,837                                | -                                                                                          | 1,599               | -                                        | 39,436                                                                                                                     |
| Debt issued and borrowings                                             | 144,681                               | (8,227)                                                                                    | -                   | -                                        | 136,454                                                                                                                    |
| Bank's Liability under acceptance                                      | 1,627                                 | (1,627)                                                                                    | -                   | -                                        | -                                                                                                                          |
| Provisions                                                             | 18,702                                | -                                                                                          | -                   | 5,758                                    | 24,460                                                                                                                     |
| Deferred tax liabilities                                               | 2,364                                 | 1,253                                                                                      | (211)               | -                                        | 3,406                                                                                                                      |
| Others                                                                 | 2,583,416                             | (703)                                                                                      | -                   | -                                        | 2,582,713                                                                                                                  |
| <b>Total liabilities</b>                                               | <b>2,788,627</b>                      | <b>10,802</b>                                                                              | <b>1,388</b>        | <b>5,758</b>                             | <b>2,806,575</b>                                                                                                           |
| <b>Shareholders' equity</b>                                            |                                       |                                                                                            |                     |                                          |                                                                                                                            |
| Other reserves                                                         | 34,472                                | (559)                                                                                      | (848)               | 610                                      | 33,675                                                                                                                     |
| Retained earnings                                                      | 317,845                               | 63                                                                                         | 5                   | 2,886                                    | 320,799                                                                                                                    |
| Others                                                                 | 75,799                                | 2                                                                                          | -                   | -                                        | 75,801                                                                                                                     |
| <b>Total shareholders' equity</b>                                      | <b>428,116</b>                        | <b>(494)</b>                                                                               | <b>(843)</b>        | <b>3,496</b>                             | <b>430,275</b>                                                                                                             |
| <b>Total liabilities and shareholders' equity</b>                      | <b>3,216,743</b>                      | <b>10,308</b>                                                                              | <b>545</b>          | <b>9,254</b>                             | <b>3,236,850</b>                                                                                                           |

As of January 1, 2020, the Total capital adequacy ratio, Common Equity Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio each increased by 9 basis points (bp) to 20.1 percent, 17.1 percent and 17.1 percent, respectively.

## Overall Picture of the Bank and its Subsidiaries

Million Baht

| Item                                                  | Quarter |        |        | Change (%) |         |
|-------------------------------------------------------|---------|--------|--------|------------|---------|
|                                                       | 1/2020  | 4/2019 | 1/2019 | 4/2019     | 1/2019  |
| Net profit <sup>/1</sup>                              | 7,671   | 8,002  | 9,028  | (4.1)%     | (15.0)% |
| Earnings per share (Baht)                             | 4.02    | 4.19   | 4.73   | (4.1)%     | (15.0)% |
| Net interest margin                                   | 2.52%   | 2.22%  | 2.48%  | 0.30%      | 0.04%   |
| Net fees and service income to operating income ratio | 24.1%   | 18.7%  | 23.9%  | 5.4%       | 0.2%    |
| Expense to operating income ratio                     | 43.1%   | 36.6%  | 42.6%  | 6.5%       | 0.5%    |
| Return on average assets <sup>/1</sup>                | 0.93%   | 0.99%  | 1.17%  | (0.06)%    | (0.24)% |
| Return on average equity <sup>/1</sup>                | 7.32%   | 7.40%  | 8.74%  | (0.08)%    | (1.42)% |

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

Million Baht

| Item                                                          | March 2020 | December 2019 | March 2019 | Change (%)    |            |
|---------------------------------------------------------------|------------|---------------|------------|---------------|------------|
|                                                               |            |               |            | December 2019 | March 2019 |
| Loans                                                         | 2,115,950  | 2,061,309     | 2,029,810  | 2.7%          | 4.2%       |
| Deposits                                                      | 2,514,331  | 2,370,792     | 2,340,979  | 6.1%          | 7.4%       |
| Loan to deposit ratio                                         | 84.2%      | 86.9%         | 86.7%      | (2.7)%        | (2.5)%     |
| Non-performing loan (Gross NPL) <sup>/1</sup>                 | 85,240     | 79,149        | 83,668     | 7.7%          | 1.9%       |
| Gross NPL to total loans ratio <sup>/1</sup>                  | 3.5%       | 3.4%          | 3.5%       | 0.1%          | -          |
| Allowance for expected credit loss to NPL ratio <sup>/1</sup> | 203.9%     | 220.2%        | 189.0%     | (16.3)%       | 14.9%      |
| Total capital adequacy ratio                                  | 18.48%     | 20.04%        | 18.12%     | (1.56)%       | 0.36%      |

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

The Bank's net interest income for the first quarter of 2020 increased by 15.3 percent from the previous quarter due to corporate loan growth and the change in recognition of interest income from loans using the effective interest rate (EIR) method. These factors saw the net interest margin stand at 2.52 percent. Net fees and service income decreased by 22.4 percent predominantly due to lower fees from loan-related services. The Bank's other operating income declined mainly from the high base achieved in the fourth quarter of 2019 due to a one-off gain on investment of Baht 14,988 million as well as from new accounting standards on financial instruments measured at fair value whose valuation was affected by the unprecedented Covid-19 outbreak which resulted in poor market conditions. The Bank's operating expenses decreased by 28.8 percent. The Bank has introduced safety and protection measures for customers, employees and other stakeholders, whose health, hygiene and wellbeing are its priority, whereby regular management meetings have been convened to promptly manage and adjust the measures since the early days of Covid-19. The cost-to-income ratio stood at 43.1 percent. The expected credit loss sharply decreased as the Bank set aside a one-off higher provision in the previous quarter to strengthen the loan loss reserves before the adoption of the Thai Financial Reporting Standard No.9 (TFRS 9).

At the end of March 2020, the Bank's total loans amounted to Baht 2,115,950 million, an increase of 2.7 percent from the end of 2019, due to an increase in large corporate and international lending and in line with the pipeline projections at the end of last year. The ratio of

non-performing loan (NPL) was 3.5 percent with the strong loan loss reserves to NPL ratio at 203.9 percent. The Bank continues to assist customers and support them through the Covid-19 crisis, while strengthening loan portfolio quality through robust control of credit underwriting and risk management and maintaining the allowance for doubtful accounts at a prudent level. This is in line with the Bank's conservative business management approach under both normal economic conditions and recession.

The Bank's financial position remained healthy with a strong capital base and ample liquidity position. At the end of March 2020, the loan to deposit ratio was 84.2 percent. The total capital adequacy ratio, Common Equity Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio of the Bank and its subsidiaries were 18.5 percent, 15.7 percent and 15.7 percent respectively, comfortably above the Bank of Thailand's minimum capital requirements.

The Bank and its subsidiaries adopted TFRS 9 from January 1, 2020 onwards, without restating previous financial statements. The significant changes in principle can be summarized into classification and measurement of financial assets and liabilities, calculation of impairment using the concept of expected credit loss, and hedge accounting.

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

Million Baht

| Item                                              | Quarter        |         |        | Change (%) |          |
|---------------------------------------------------|----------------|---------|--------|------------|----------|
|                                                   | 1/2020         | 4/2019  | 1/2019 | 4/2019     | 1/2019   |
| Net interest income                               | <b>19,820</b>  | 17,193  | 18,299 | 15.3%      | 8.3%     |
| Non-interest income                               | <b>6,574</b>   | 26,530  | 10,328 | (75.2)%    | (36.3)%  |
| Operating expenses                                | <b>11,377</b>  | 15,988  | 12,201 | (28.8)%    | (6.8)%   |
| Expected credit loss                              | <b>5,087</b>   | -       | -      | N/A        | N/A      |
| Impairment loss of loans and debt securities      | -              | 16,342  | 5,078  | N/A        | N/A      |
| Operating profit before tax                       | <b>9,930</b>   | 11,393  | 11,348 | (12.8)%    | (12.5)%  |
| Income tax expenses                               | <b>2,169</b>   | 3,290   | 2,225  | (34.1)%    | (2.5)%   |
| Net profit                                        | <b>7,761</b>   | 8,103   | 9,123  | (4.2)%     | (14.9)%  |
| Net profit <sup>/1</sup>                          | <b>7,671</b>   | 8,002   | 9,028  | (4.1)%     | (15.0)%  |
| Total comprehensive income (losses) <sup>/1</sup> | <b>(5,516)</b> | (2,427) | 12,442 | (127.3)%   | (144.3)% |

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

In the first quarter of 2020, Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank of Baht 7,671 million, a decrease of Baht 331 million from the previous quarter. Net interest income rose by Baht 2,627 million due partly to higher loan volume, and the change in recognition of interest income from loans using the effective interest rate method combined with the Bank of Thailand's announcement of temporary reduction of the contribution rate to the Financial Institutions Development Fund (FIDF) from 0.46 percent to 0.23 percent per annum during 2020 to 2021 in order for financial institutions to further reduce loan interest rates to customers and the business sector. Non-interest income declined mainly from a decrease in gains on investments due to gains on sale of investments of Baht 14,988 million in the previous quarter. Operating expenses fell by Baht 4,611 million from high expenses in the previous quarter due to seasonality of expenses. In this quarter, expected credit loss was Baht 5,087 million, a decrease of Baht 11,255 million from the previous quarter as the Bank set aside additional reserves in the previous quarter to strengthen the Bank's reserve level before the adoption of the Thai Financial Reporting Standard No. 9 regarding financial instruments (TFRS 9).



Compared with the first quarter of 2019, net profit attributable to owners of the Bank fell by Baht 1,357 million. Non-interest income fell by Baht 3,754 million in this quarter due mainly to a net loss from financial instruments measured at Fair Value Through Profit or Loss (FVTPL) due to the impact of Covid-19 outbreak on financial and capital markets. Net interest income rose by Baht 1,521 million.

### *Net Interest Income*

In the first quarter of 2020, net interest income rose by Baht 2,627 million or 15.3 percent from the previous quarter and by Baht 1,521 million from the same period last year due to higher interest income from loans. The increase was mainly driven by the change in recognition of interest income from loans using the effective interest rate method, combined with an increase in loan volume net of the effect of lower interest rates after two cuts in policy interest rates during the first quarter of 2020. Interest expenses declined due to the reduction in contribution rate to the FIDF from 0.46 percent to 0.23 percent per annum. Net interest margin for the first quarter of 2020 stood at 2.52 percent.

Million Baht

| Item                                                                                       | Quarter       |               | Change (%)    |                |                |
|--------------------------------------------------------------------------------------------|---------------|---------------|---------------|----------------|----------------|
|                                                                                            | 1/2020        | 4/2019        | 1/2019        | 4/2019         | 1/2019         |
| <b>Interest Income</b>                                                                     |               |               |               |                |                |
| Loans                                                                                      | 24,369        | 23,015        | 23,696        | 5.9%           | 2.8%           |
| Interbank and money market items                                                           | 1,728         | 1,971         | 2,321         | (12.3)%        | (25.5)%        |
| Investments                                                                                | 2,528         | 2,729         | 2,348         | (7.4)%         | 7.7%           |
| <b>Total interest income</b>                                                               | <b>28,625</b> | <b>27,715</b> | <b>28,365</b> | <b>3.3%</b>    | <b>0.9%</b>    |
| <b>Interest expenses</b>                                                                   |               |               |               |                |                |
| Deposits                                                                                   | 5,596         | 5,811         | 5,526         | (3.7)%         | 1.3%           |
| Interbank and money market items                                                           | 375           | 396           | 557           | (5.3)%         | (32.7)%        |
| Contributions to the Deposit Protection Agency and Financial Institutions Development Fund | 1,314         | 2,500         | 2,453         | (47.4)%        | (46.4)%        |
| Debt issued and borrowings                                                                 | 1,520         | 1,815         | 1,530         | (16.3)%        | (0.7)%         |
| <b>Total interest expenses</b>                                                             | <b>8,805</b>  | <b>10,522</b> | <b>10,066</b> | <b>(16.3)%</b> | <b>(12.5)%</b> |
| <b>Net interest income</b>                                                                 | <b>19,820</b> | <b>17,193</b> | <b>18,299</b> | <b>15.3%</b>   | <b>8.3%</b>    |
| Yield on earning assets                                                                    | 3.64%         | 3.57%         | 3.84%         | 0.07%          | (0.20)%        |
| Cost of funds                                                                              | 1.31%         | 1.57%         | 1.58%         | (0.26)%        | (0.27)%        |
| Net interest margin                                                                        | 2.52%         | 2.22%         | 2.48%         | 0.30%          | 0.04%          |

| Bangkok Bank Interest Rate              | Mar'20 | Dec'19      | Sep'19      | Jun'19      | Mar'19      | Dec'18      |
|-----------------------------------------|--------|-------------|-------------|-------------|-------------|-------------|
| <b>Loans (%)</b>                        |        |             |             |             |             |             |
| MOR                                     | 6.500  | 6.875       | 6.875       | 7.125       | 7.125       | 7.125       |
| MRR                                     | 6.500  | 6.875       | 6.875       | 7.125       | 7.125       | 7.125       |
| MLR                                     | 5.875  | 6.000       | 6.250       | 6.250       | 6.250       | 6.250       |
| <b>Deposits (%)</b>                     |        |             |             |             |             |             |
| Savings                                 | 0.375  | 0.500-0.625 | 0.500-0.625 | 0.500-0.625 | 0.500-0.625 | 0.500-0.625 |
| 3-month Fixed                           | 0.500  | 1.000       | 1.000       | 1.000       | 1.000       | 1.000       |
| 6-month Fixed                           | 0.625  | 1.250       | 1.250       | 1.250       | 1.250       | 1.250       |
| 12-month Fixed                          | 0.750  | 1.375-1.500 | 1.500       | 1.500       | 1.500       | 1.500       |
| <b>Bank of Thailand Policy Rate (%)</b> | 0.750  | 1.250       | 1.500       | 1.750       | 1.750       | 1.750       |

### *Non-Interest Income*

In the first quarter of 2020, non-interest income amounted to Baht 6,574 million, a decrease of Baht 19,956 million or 75.2 percent from the previous quarter predominantly due to gains on investments of Baht 14,988 million, combined with a net loss from financial instruments measured at FVTPL in this quarter which declined in fair value due to the effects of the Covid-19 outbreak on the market and a decline in net fees and service income mainly due to lower fee income from loan-related services of which partly due to loan-related services being presented as a part of interest income from loans after the adoption of TFRS 9, while fee income from the securities business continued to grow well.

Compared with the first quarter of 2019, non-interest income fell by Baht 3,754 million, due mainly to a net loss from financial instruments measured at FVTPL in this quarter. In addition, net fees and service income decreased, mainly from a decrease in fee income from loan-related services, while fee income from the securities business and investment banking services increased.

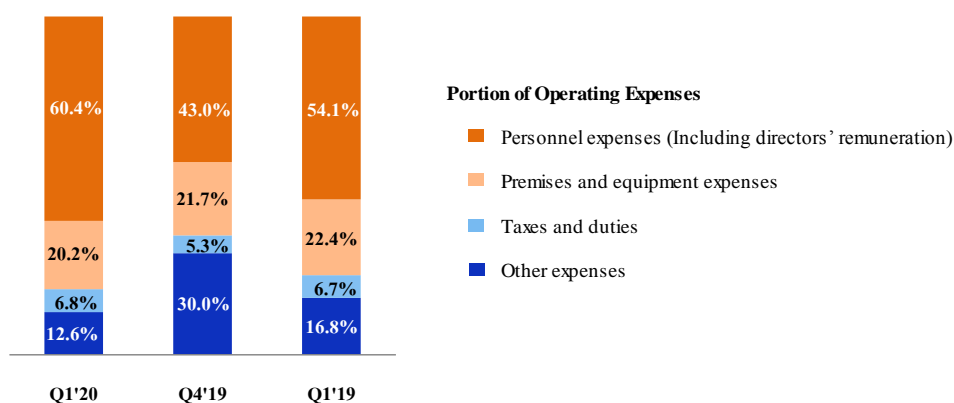
| Item                                                    | Quarter      |        |        | Change (%) |         |
|---------------------------------------------------------|--------------|--------|--------|------------|---------|
|                                                         | 1/2020       | 4/2019 | 1/2019 | 4/2019     | 1/2019  |
| Fees and service income                                 | 9,083        | 11,075 | 9,587  | (18.0)%    | (5.3)%  |
| <u>Less</u> Fees and service expenses                   | 2,729        | 2,890  | 2,747  | (5.6)%     | (0.7)%  |
| <b>Net fees and service income</b>                      | <b>6,354</b> | 8,185  | 6,840  | (22.4)%    | (7.1)%  |
| Gains on financial instruments measured at FVTPL        | (1,689)      | -      | -      | N/A        | N/A     |
| Gain on tradings and foreign exchange transactions      | -            | 2,172  | 1,759  | N/A        | N/A     |
| Gains on investments                                    | 1,150        | 14,988 | 775    | (92.3)%    | 48.4%   |
| Share of profit from investment for using equity method | 12           | 5      | 44     | 140.0%     | (72.7)% |
| Gains on disposal of assets                             | 58           | 435    | 156    | (86.7)%    | (62.8)% |
| Dividend income                                         | 486          | 616    | 637    | (21.1)%    | (23.7)% |
| Other operating income                                  | 203          | 129    | 117    | 57.4%      | 73.5%   |
| <b>Total other operating income</b>                     | <b>220</b>   | 18,345 | 3,488  | (98.8)%    | (93.7)% |
| <b>Total non-interest income</b>                        | <b>6,574</b> | 26,530 | 10,328 | (75.2)%    | (36.3)% |
| Net fees and service income to operating income ratio   | 24.1%        | 18.7%  | 23.9%  | 5.4%       | 0.2%    |

### *Operating Expenses*

In the first quarter of 2020, operating expenses amounted to Baht 11,377 million, a decrease of Baht 4,611 million or 28.8 percent from the previous quarter, due predominantly to declines in other expenses and premises and equipment expenses, as expenses to improve efficiency of business operations and marketing expenses were high in the previous quarter. Compared with the first quarter of 2019, operating expenses fell by Baht 824 million or 6.8 percent due to a decrease of Baht 619 million in other expenses and a decrease of Baht 442 million in premises and equipment expenses relating to expenses to improve efficiency of business operations.

Million Baht

| Item                              | Quarter       |               |               | Change (%)     |               |
|-----------------------------------|---------------|---------------|---------------|----------------|---------------|
|                                   | 1/2020        | 4/2019        | 1/2019        | 4/2019         | 1/2019        |
| Personnel expenses                | 6,836         | 6,817         | 6,563         | 0.3%           | 4.2%          |
| Directors' remuneration           | 33            | 56            | 34            | (41.1)%        | (2.9)%        |
| Premises and equipment expenses   | 2,296         | 3,463         | 2,738         | (33.7)%        | (16.1)%       |
| Taxes and duties                  | 781           | 856           | 816           | (8.8)%         | (4.3)%        |
| Other expenses                    | 1,431         | 4,796         | 2,050         | (70.2)%        | (30.2)%       |
| <b>Total operating expenses</b>   | <b>11,377</b> | <b>15,988</b> | <b>12,201</b> | <b>(28.8)%</b> | <b>(6.8)%</b> |
| Expense to operating income ratio | 43.1%         | 36.6%         | 42.6%         | 6.5%           | 0.5%          |



### Expected Credit Loss

In the first quarter of 2020, expected credit loss amounted to Baht 5,087 million including loans, interbank and money market items, debt securities that are not measured at fair value through profit or loss, and off balance sheet items regarding TFRS 9. When expected credit loss is compared to the impairment loss of loans and debt securities, in the fourth quarter of 2019, impairment loss of loans and debt securities were Baht 16,342 million which were especially high as the Bank strengthened its reserve level to prepare for the adoption of TFRS 9, in line with its prudent approach to financial management. However, in the first quarter of 2019, impairment loss of loans was Baht 5,078 million.

Million Baht

| Item                                         | Quarter |        |        |
|----------------------------------------------|---------|--------|--------|
|                                              | 1/2020  | 4/2019 | 1/2019 |
| Expected credit loss                         | 5,087   | -      | -      |
| Impairment loss of loans and debt securities | -       | 16,342 | 5,078  |

## Significant Items in the Financial Position

### Assets

Total assets as of March 31, 2020 amounted to Baht 3,395,290 million, an increase of Baht 178,547 million from the end of December 2019. Significant items included loans of Baht 2,115,950 million, an increase of Baht 54,641 million or 2.7 percent, and net interbank and money market items of Baht 505,156 million, an increase of Baht 32,807 million or 6.9 percent, due mainly to increases in lending volume. Net investments amounted to Baht 615,788 million, a decrease of Baht 31,909 million or 4.9 percent, due to the change in classification and measurement of investments as financial assets measured at FVTPL.

Million Baht

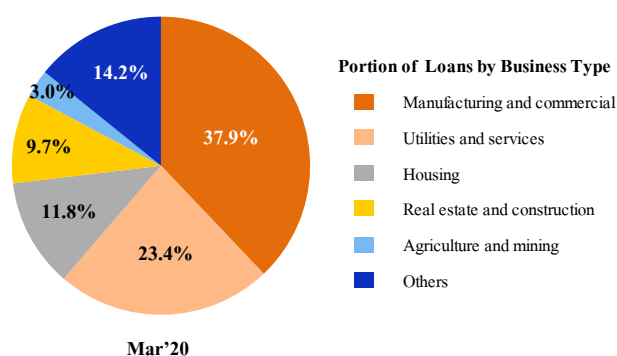
| Item                                 | March 2020       | December 2019    | March 2019       | Change (%)    |             |
|--------------------------------------|------------------|------------------|------------------|---------------|-------------|
|                                      |                  |                  |                  | December 2019 | March 2019  |
| Net interbank and money market items | 505,156          | 472,349          | 520,967          | 6.9%          | (3.0)%      |
| Financial assets measured at FVTPL   | 71,634           | -                | -                | N/A           | N/A         |
| Net investments                      | 615,788          | 647,697          | 575,605          | (4.9)%        | 7.0%        |
| Net investments in associates        | 1,750            | 1,737            | 1,652            | 0.7%          | 5.9%        |
| Loans                                | 2,115,950        | 2,061,309        | 2,029,810        | 2.7%          | 4.2%        |
| Net properties for sale              | 9,503            | 9,363            | 10,613           | 1.5%          | (10.5)%     |
| <b>Total assets</b>                  | <b>3,395,290</b> | <b>3,216,743</b> | <b>3,148,836</b> | <b>5.6%</b>   | <b>7.8%</b> |

### Loans

Loans as of March 31, 2020 amounted to Baht 2,115,950 million, an increase of Baht 54,641 million or 2.7 percent from the end of December 2019, owing to an increase in loans to large corporate customers and loans made through the Bank's international network.

Million Baht

| Loans by Business Type       | March 2020       | December 2019    | March 2019       | Change (%)    |             |
|------------------------------|------------------|------------------|------------------|---------------|-------------|
|                              |                  |                  |                  | December 2019 | March 2019  |
| Manufacturing and commercial | 801,718          | 755,979          | 801,647          | 6.1%          | 0.0%        |
| Utilities and services       | 495,693          | 470,159          | 446,513          | 5.4%          | 11.0%       |
| Housing                      | 249,845          | 251,197          | 243,754          | (0.5)%        | 2.5%        |
| Real estate and construction | 205,235          | 200,736          | 199,224          | 2.2%          | 3.0%        |
| Agriculture and mining       | 62,654           | 61,569           | 53,134           | 1.8%          | 17.9%       |
| Others                       | 300,805          | 321,669          | 285,538          | (6.5)%        | 5.3%        |
| <b>Total</b>                 | <b>2,115,950</b> | <b>2,061,309</b> | <b>2,029,810</b> | <b>2.7%</b>   | <b>4.2%</b> |



The Bank and its subsidiaries had loans distributed across business sectors, with 37.9 percent in the manufacturing and commercial sector, 23.4 percent in the utilities and services sector, 11.8 percent in the housing sector, and 9.7 percent in the real estate and construction sector. The increase in loans from the end of December 2019 was mainly driven by the manufacturing and commercial sector, and the utilities and services sector.

### Classified Loans and Allowance for Expected Credit Loss

Non-performing loan (Gross NPL) at the end of March 2020 was Baht 85,240 million. The gross NPL to total loans ratio was 3.5 percent.

Allowance for expected credit loss was Baht 173,788 million and the allowance for expected credit loss to NPL ratio was 203.9 percent.

Million Baht

| Item                                                          | March 2020 | December 2019 | March 2019 | Change (%)    |            |
|---------------------------------------------------------------|------------|---------------|------------|---------------|------------|
|                                                               |            |               |            | December 2019 | March 2019 |
| <b>Consolidated</b>                                           |            |               |            |               |            |
| Non-performing loan (Gross NPL) <sup>/1</sup>                 | 85,240     | 79,149        | 83,668     | 7.7%          | 1.9%       |
| Gross NPL to total loans ratio <sup>/1</sup>                  | 3.5%       | 3.4%          | 3.5%       | 0.1%          | -          |
| Net NPL to net total loans ratio <sup>/1</sup>                | 1.5%       | 1.2%          | 1.2%       | 0.3%          | 0.3%       |
| Allowance for expected credit loss-to NPL ratio <sup>/2</sup> | 203.9%     | 220.2%        | 189.0%     | (16.3)%       | 14.9%      |
| <b>The Bank</b>                                               |            |               |            |               |            |
| Non-performing loan (Gross NPL) <sup>/1</sup>                 | 83,941     | 78,093        | 82,883     | 7.5%          | 1.3%       |
| Gross NPL to total loans ratio <sup>/1</sup>                  | 3.5%       | 3.4%          | 3.6%       | 0.1%          | (0.1)%     |

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

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

Million Baht

| Item                | Loans and                              | Allowance for                                    |
|---------------------|----------------------------------------|--------------------------------------------------|
|                     | Interbank & Money Market<br>March 2020 | Expected Credit Loss <sup>/1</sup><br>March 2020 |
| Non credit-impaired | 2,536,194                              | 122,564                                          |
| Credit-impaired     | 85,240                                 | 51,224                                           |
| <b>Total</b>        | <b>2,621,434</b>                       | <b>173,788</b>                                   |

<sup>/1</sup> Including expected credit loss of loans, interbank and money market items and off balance sheet items regarding TFRS 9

Million Baht

| Item                                                                  | Loans & Accrued Interest Receivables |                  | Allowance for Doubtful Accounts<br>Classified to Bank of Thailand Criteria |                |
|-----------------------------------------------------------------------|--------------------------------------|------------------|----------------------------------------------------------------------------|----------------|
|                                                                       | December 2019                        | March 2019       | December 2019                                                              | March 2019     |
| Normal                                                                | 1,918,520                            | 1,901,489        | 16,119                                                                     | 15,567         |
| Special mentioned                                                     | 67,596                               | 50,516           | 848                                                                        | 623            |
| Substandard                                                           | 9,783                                | 11,044           | 1,359                                                                      | 4,121          |
| Doubtful                                                              | 14,522                               | 19,035           | 6,259                                                                      | 9,296          |
| Doubtful of loss                                                      | 54,901                               | 53,718           | 30,087                                                                     | 28,969         |
| <b>Total</b>                                                          | <b>2,065,322</b>                     | <b>2,035,802</b> | <b>54,672</b>                                                              | <b>58,576</b>  |
| <u>Add</u> Excess allowance for doubtful accounts                     |                                      |                  | 113,094                                                                    | 93,476         |
| <b>Total allowance for doubtful accounts from loan classification</b> |                                      |                  | <b>167,766</b>                                                             | <b>152,052</b> |
| <u>Add</u> Revaluation allowance for debt restructuring               |                                      |                  | 6,510                                                                      | 6,042          |
| <b>Total allowance for doubtful accounts</b>                          |                                      |                  | <b>174,276</b>                                                             | <b>158,094</b> |

### Investments

Investments as of March 31, 2020 amounted to Baht 687,422 million, an increase of Baht 39,725 million or 6.1 percent from the end of December 2019 due partly to higher investment in Thai government and state enterprise securities.

Most investments were in Thai government and state enterprise securities. As of March 31, 2020, these amounted to Baht 385,390 million, accounting for 56.1 percent of total investments. The remaining investments were foreign debt securities of Baht 122,906 million, private enterprise debt securities of Baht 64,970 million, and investment in equity securities of Baht 71,259 million.

Million Baht

| Investments by Investment Holding   | March 2020     |
|-------------------------------------|----------------|
| Trading securities                  | 28,267         |
| Securities measured at FVTPL        | 43,367         |
| Debt securities measured at AMC     | 26,966         |
| Debt securities measured at FVOCI   | 526,858        |
| Equity securities measured at FVOCI | 61,964         |
| <b>Total investments</b>            | <b>687,422</b> |

Million Baht

| Investments by Investment Holding | December 2019  | March 2019     |
|-----------------------------------|----------------|----------------|
| Trading securities                | 13,613         | 12,746         |
| Available-for-sale securities     | 574,720        | 508,813        |
| Held-to-maturity debt securities  | 23,257         | 20,904         |
| General investments               | 36,107         | 33,142         |
| <b>Total investments</b>          | <b>647,697</b> | <b>575,605</b> |

### Liabilities and Shareholders' Equity

Total liabilities as of March 31, 2020 amounted to Baht 2,979,985 million, an increase of Baht 191,358 million from the end of December 2019. Deposits amounted to Baht 2,514,331 million, an increase of Baht 143,539 million or 6.1 percent. Interbank and money market items amounted to Baht 108,595 million, a decrease of Baht 25,751 million or 19.2 percent, due largely to a decrease in borrowings under repurchase agreements. Debt issued and borrowings amounted to Baht 147,693 million, increasing from foreign exchange rates.

Million Baht

| Item                                      | March 2020       | December 2019    | March 2019       | Change (%)    |               |
|-------------------------------------------|------------------|------------------|------------------|---------------|---------------|
|                                           |                  |                  |                  | December 2019 | March 2019    |
| Deposits                                  | 2,514,331        | 2,370,792        | 2,340,979        | 6.1%          | 7.4%          |
| Interbank and money market items          | 108,595          | 134,346          | 146,232          | (19.2)%       | (25.7)%       |
| Financial liabilities measured at FVTPL   | 21,046           | -                | -                | N/A           | N/A           |
| Debt issued and borrowings                | 147,693          | 144,681          | 114,172          | 2.1%          | 29.4%         |
| <b>Total liabilities</b>                  | <b>2,979,985</b> | <b>2,788,627</b> | <b>2,723,141</b> | <b>6.9%</b>   | <b>9.4%</b>   |
| <b>Shareholders' equity</b> <sup>/1</sup> | <b>414,848</b>   | <b>427,751</b>   | <b>425,256</b>   | <b>(3.0)%</b> | <b>(2.4)%</b> |

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

### Deposits

Total deposits as of March 31, 2020 amounted to Baht 2,514,331 million, an increase of Baht 143,539 million or 6.1 percent from the end of December 2019, due to the increases of 106,195 million in savings and 39,420 million in fixed deposits.

Million Baht

| Deposits<br>Classified by Product Type | March 2020       |               | December 2019    |               | March 2019       |               | Change (%)    |             |
|----------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|---------------|-------------|
|                                        | Amount           | Portion       | Amount           | Portion       | Amount           | Portion       | December 2019 | March 2019  |
| Current                                | 110,991          | 4.4%          | 113,067          | 4.8%          | 107,105          | 4.6%          | (1.8)%        | 3.6%        |
| Savings                                | 1,251,301        | 49.8%         | 1,145,106        | 48.3%         | 1,113,948        | 47.6%         | 9.3%          | 12.3%       |
| Fixed <sup>1</sup>                     | 1,152,039        | 45.8%         | 1,112,619        | 46.9%         | 1,119,926        | 47.8%         | 3.5%          | 2.9%        |
| <b>Total</b>                           | <b>2,514,331</b> | <b>100.0%</b> | <b>2,370,792</b> | <b>100.0%</b> | <b>2,340,979</b> | <b>100.0%</b> | <b>6.1%</b>   | <b>7.4%</b> |
| Loan to deposit ratio                  |                  | <b>84.2%</b>  |                  | 86.9%         |                  | 86.7%         | (2.7)%        | (2.5)%      |

<sup>1</sup> Including negotiable certificates of deposit

### Debt Issued and Borrowings

Total debt issued and borrowings as of March 31, 2020 amounted to Baht 147,693 million, an increase of Baht 3,012 million from the end of December 2019, due to an increase in the value of foreign debentures resulting from the depreciation of the baht.

Million Baht

| Debt Issued and Borrowings<br>Classified by Type of Instruments | March 2020     |               | December 2019  |               | March 2019     |               | Change (%)    |              |
|-----------------------------------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|---------------|--------------|
|                                                                 | Amount         | Portion       | Amount         | Portion       | Amount         | Portion       | December 2019 | March 2019   |
| Senior unsecured notes                                          | 107,880        | 73.0%         | 99,530         | 66.3%         | 104,994        | 87.6%         | 8.4%          | 2.7%         |
| Subordinated notes                                              | 39,228         | 26.5%         | 49,757         | 33.1%         | 14,310         | 11.9%         | (21.2)%       | 174.1%       |
| Bills of exchange                                               | 7              | 0.1%          | 8              | 0.1%          | 8              | 0.1%          | (12.5)%       | (12.5)%      |
| Others                                                          | 690            | 0.4%          | 838            | 0.5%          | 535            | 0.4%          | (17.7)%       | 29.0%        |
| <b>Total (before less discount on borrowings)</b>               | <b>147,805</b> | <b>100.0%</b> | <b>150,133</b> | <b>100.0%</b> | <b>119,847</b> | <b>100.0%</b> | <b>(1.6)%</b> | <b>23.3%</b> |
| <u>Less</u> Discount on borrowings                              | 112            |               | 5,452          |               | 5,675          |               | (97.9)%       | (98.0)%      |
| <b>Total</b>                                                    | <b>147,693</b> |               | <b>144,681</b> |               | <b>114,172</b> |               | <b>2.1%</b>   | <b>29.4%</b> |

### Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of March 31, 2020 amounted to Baht 414,848 million, a decrease of Baht 12,903 million or 3.0 percent from the end of 2019, due to net profit attributable to owners of the Bank for the first quarter of 2020 of Baht 7,671 million, net of a decline of Baht 17,819 million in gains on investments measured at FVOCI.

### *Contingent Liabilities*

Contingent liabilities as of March 31, 2020 amounted to Baht 713,052 million, an increase of Baht 87,161 million from the end of December 2019 due predominantly to an increase in “others” (under other commitments).

Million Baht

| Item                                   | March<br>2020  | December<br>2019 | March<br>2019  | Change (%)       |               |
|----------------------------------------|----------------|------------------|----------------|------------------|---------------|
|                                        |                |                  |                | December<br>2019 | March<br>2019 |
| Avals to bills                         | 5,826          | 7,598            | 6,876          | (23.3)%          | (15.3)%       |
| Guarantees of loans                    | 31,737         | 27,513           | 31,489         | 15.4%            | 0.8%          |
| Liability under unmatured import bills | 20,753         | 17,745           | 19,122         | 17.0%            | 8.5%          |
| Letters of credit                      | 25,414         | 22,116           | 38,166         | 14.9%            | (33.4)%       |
| Other commitments                      |                |                  |                |                  |               |
| Amount of unused bank overdrafts       | 165,637        | 165,562          | 171,623        | 0.0%             | (3.5)%        |
| Other guarantees                       | 243,939        | 247,490          | 264,096        | (1.4)%           | (7.6)%        |
| Others                                 | 219,746        | 137,867          | 139,160        | 59.4%            | 57.9%         |
| <b>Total</b>                           | <b>713,052</b> | <b>625,891</b>   | <b>670,532</b> | <b>13.9%</b>     | <b>6.3%</b>   |

### *Sources and Utilization of Funds*

The primary sources of funds as of March 31, 2020 were Baht 2,514,331 million or 74.1 percent in deposits, Baht 414,848 million or 12.2 percent in shareholders’ equity attributable to owners of the Bank, Baht 168,739 million or 5.0 percent in debt issued and borrowings including financial liabilities measured at FVTPL, and Baht 108,595 million or 3.2 percent in interbank and money market liabilities.

The utilization of funds comprised Baht 2,115,950 million or 62.3 percent in loans, Baht 689,172 million or 20.3 percent in net investments including financial assets measured at FVTPL and net investments in associates, and Baht 505,156 million or 14.9 percent in net interbank and money market assets.

### *Capital Reserves and Capital Adequacy Ratio*

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



As of March 31, 2020, the regulatory capital position of the Bank's financial group according to the consolidated financial statements was Baht 463,299 million, Common Equity Tier 1 capital adequacy was Baht 392,840 million, and Tier 1 capital adequacy was Baht 392,914 million. The total capital adequacy ratio was 18.48 percent, the Common Equity Tier 1 capital adequacy ratio was 15.67 percent, and the Tier 1 capital adequacy ratio was 15.67 percent.

### Consolidated

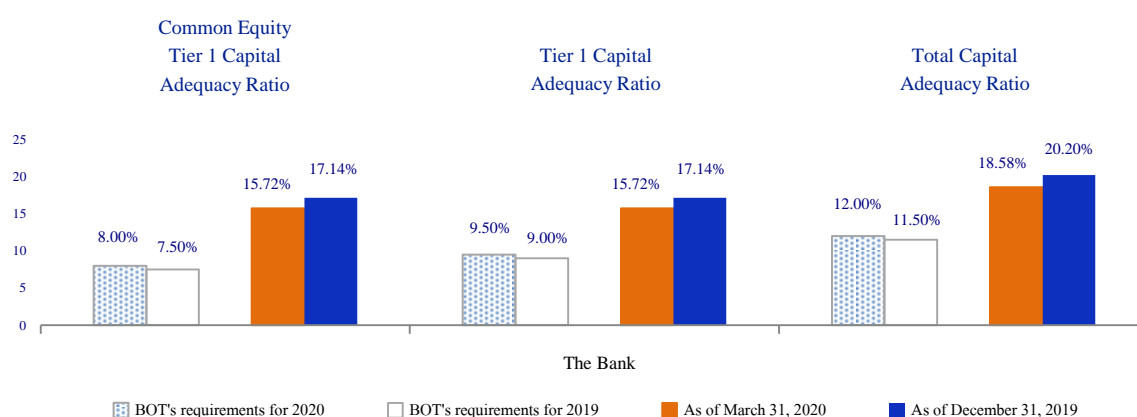
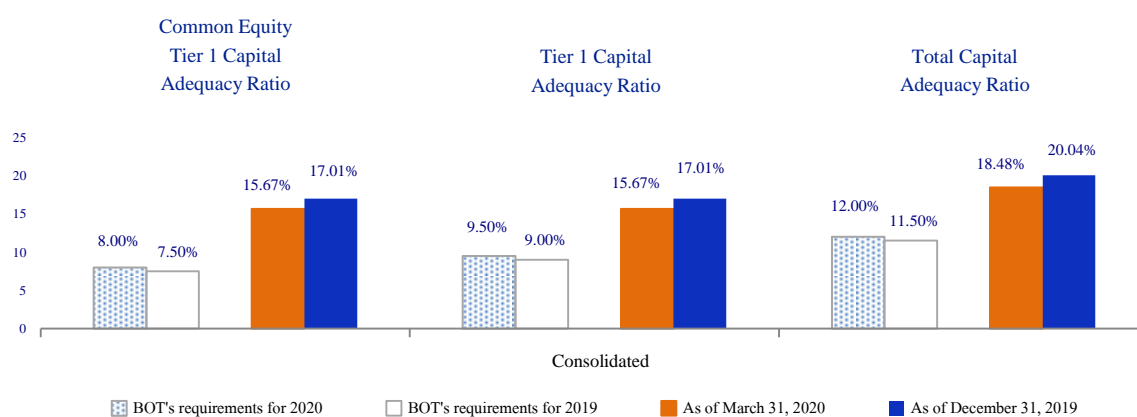
Million Baht

| Item                         | Capital    |               |            | Capital Adequacy Ratio |               |            |
|------------------------------|------------|---------------|------------|------------------------|---------------|------------|
|                              | March 2020 | December 2019 | March 2019 | March 2020             | December 2019 | March 2019 |
| Total capital                | 463,299    | 478,740       | 429,548    | 18.48%                 | 20.04%        | 18.12%     |
| Tier 1 capital               | 392,914    | 406,529       | 394,189    | 15.67%                 | 17.01%        | 16.63%     |
| Common Equity Tier 1 capital | 392,840    | 406,463       | 394,128    | 15.67%                 | 17.01%        | 16.63%     |

### The Bank

Million Baht

| Item                         | Capital    |               |            | Capital Adequacy Ratio |               |            |
|------------------------------|------------|---------------|------------|------------------------|---------------|------------|
|                              | March 2020 | December 2019 | March 2019 | March 2020             | December 2019 | March 2019 |
| Total capital                | 453,268    | 471,262       | 413,127    | 18.58%                 | 20.20%        | 17.90%     |
| Tier 1 capital               | 383,530    | 399,842       | 378,459    | 15.72%                 | 17.14%        | 16.40%     |
| Common Equity Tier 1 capital | 383,530    | 399,842       | 378,459    | 15.72%                 | 17.14%        | 16.40%     |



### Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, debt securities and marketable equity securities. As of March 31, 2020, liquid assets to total assets and liquid assets to deposits were 35.7 percent and 48.2 percent, respectively.

| Item                           | March 2020 | December 2019 | March 2019 |
|--------------------------------|------------|---------------|------------|
| Liquid assets/Total assets (%) | 35.7       | 35.5          | 35.6       |
| Liquid assets/Deposits (%)     | 48.2       | 48.2          | 47.9       |

### Credit Ratings

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

| Credit Rating Agency <sup>/1</sup>                        | May 12, 2020    | March 2020      | December 2019 | March 2019 |
|-----------------------------------------------------------|-----------------|-----------------|---------------|------------|
| <b>Moody's Investors Service</b>                          |                 |                 |               |            |
| Long-term Deposit                                         | <b>Baa1</b>     | <b>Baa1</b>     | Baa1          | Baa1       |
| Short-term Deposit                                        | <b>P-2</b>      | <b>P-2</b>      | P-2           | P-2        |
| Senior Unsecured Debt Instrument                          | <b>Baa1</b>     | <b>Baa1</b>     | Baa1          | Baa1       |
| Subordinated Debt Instrument                              | <b>Baa2</b>     | <b>Baa2</b>     | Baa2          | Baa3       |
| Subordinated Debt (Basel III-compliant Tier 2 securities) | <b>Baa3</b>     | <b>Baa3</b>     | Baa3          | -          |
| Financial Strength (BCA)                                  | <b>baa1</b>     | <b>baa1</b>     | baa1          | baa2       |
| Outlook                                                   | <b>Stable</b>   | <b>Positive</b> | Positive      | Stable     |
| <b>S&amp;P Global Ratings</b>                             |                 |                 |               |            |
| Long-term Issuer Credit Rating                            | <b>BBB+</b>     | <b>BBB+</b>     | BBB+          | BBB+       |
| Short-term Issuer Credit Rating                           | <b>A-2</b>      | <b>A-2</b>      | A-2           | A-2        |
| Senior Unsecured Debt Instrument                          | <b>BBB+</b>     | <b>BBB+</b>     | BBB+          | BBB+       |
| Subordinated Debt Instrument                              | <b>BBB</b>      | <b>BBB</b>      | BBB           | BBB        |
| Financial Strength (SACP)                                 | <b>bbb</b>      | <b>bbb</b>      | bbb           | bbb        |
| Outlook                                                   | <b>Stable</b>   | <b>Positive</b> | Positive      | Stable     |
| <b>Fitch Ratings</b>                                      |                 |                 |               |            |
| <b>International Rating</b>                               |                 |                 |               |            |
| Long-term Issuer Default Rating                           | <b>BBB</b>      | <b>BBB+</b>     | BBB+          | BBB+       |
| Short-term Issuer Default Rating                          | <b>F2</b>       | <b>F2</b>       | F2            | F2         |
| Senior Unsecured Debt Instrument                          | <b>BBB</b>      | <b>BBB+</b>     | BBB+          | BBB+       |
| Subordinated Debt Instrument                              | <b>BB+</b>      | <b>BBB</b>      | BBB           | BBB        |
| Subordinated Debt (Basel III-compliant Tier 2 securities) | <b>BB+</b>      | <b>BBB</b>      | BBB           | -          |
| Financial Strength (VR)                                   | <b>bbb</b>      | <b>bbb+</b>     | bbb+          | bbb+       |
| Outlook                                                   | <b>Stable</b>   | <b>Stable</b>   | Stable        | Stable     |
| <b>National Rating</b>                                    |                 |                 |               |            |
| Long-term                                                 | <b>AA+(tha)</b> | <b>AA+(tha)</b> | AA+(tha)      | AA+(tha)   |
| Short-term                                                | <b>F1+(tha)</b> | <b>F1+(tha)</b> | F1+(tha)      | F1+(tha)   |
| Outlook                                                   | <b>Stable</b>   | <b>Stable</b>   | Stable        | Stable     |

<sup>/1</sup> Long-term credit ratings classified as investment grade by Moody's Investors Service, S&P Global Ratings and Fitch Ratings are Baa3, BBB- and BBB-, or higher, respectively. Short-term credit ratings classified as investment grade by Moody's Investors Service, S&P Global Ratings and Fitch Ratings are P-3, A-3 and F3, or higher, respectively.