

July 21, 2020

**Bangkok Bank reports net profit of Baht 10,765 million
for the first half of 2020**

In the first half of 2020, the Thai economy declined sharply due to the impact of the containment measures to combat the coronavirus (Covid-19) pandemic, global lockdown measures, and international travel restrictions which led to the collapse of tourist arrivals. Thai exports and imports slumped on weak demand from trading partners, which also dampened domestic economic activity. Private consumption plummeted with a sharp drop in car sales and disruption to service activities. Manufacturing production and investment contracted in line with the drop in external and internal demand. Nevertheless, government spending and investment rose as the government accelerated disbursements to stimulate the economy.

Since the outbreak of the Covid-19 pandemic, which has had an adverse economic effect on individuals and businesses across various sectors, the government and the Bank of Thailand (BOT) have launched a series of financial and fiscal relief measures to help businesses and individuals to get through the crisis. The Bank has supported the government and the BOT policies by promptly issuing measures to assist business customers such as additional credit lines and loan holidays, and to help retail customers by lowering minimum payment rates and extending credit limits. The Bank also lowered interest rates for both business and retail customers. Aware of the difficulties facing businesses and individuals, the Bank is committed to be a “puen koo kit” (trusted partner) by looking after and assisting customers, so they have sufficient funds and liquidity to recover from the pandemic. Moreover, the Bank prioritizes health, hygiene and the wellbeing of customers, employees and the public, and has strictly implemented safety and protection standards to prevent and control the spread of the Covid-19. The Bank is a trusted partner supporting everyone to get through this crisis together.

Bangkok Bank welcomed Permata into its financial group in May 2020

On May 20, 2020 Bangkok Bank completed the acquisition of its 89.12 percent shareholding in PT Bank Permata Tbk (Permata) in Indonesia. Permata is now the newest member of Bangkok Bank's financial group and will enhance the capability of the Bank to meet customers' needs in operating their businesses in ASEAN. The acquisition was in accordance with the Bank's strategy to strengthen its foundations for stability and sustainable growth. The consolidated financial statements of Bangkok Bank and its subsidiaries in the first half of 2020 include the performance of Permata since the completion of the acquisition. Permata's total assets and liabilities as of June 30, 2020 amounted to Baht 336,964 million and Baht 285,022 million, respectively, which accounted for 9 percent of the Bank's total assets and 8 percent of the Bank's total liabilities.

Amid the severe global economic downturn and uncertain prospects of the Thai economy due to the impact of the Covid-19 pandemic, Bangkok Bank continued its prudent approach toward business management while maintaining a strong financial status and capital reserves to support financial sustainability and to move forward to the “New Normal”.

At the end of June 2020, the Bank’s loans amounted to Baht 2,353,848 million, an increase of 14.2 percent from the end of 2019. When excluding Permata, loans grew by 3.4 percent from increases in loans to businesses in line with the projection late last year. The ratio of non-performing loan (NPL) to total loans was 4.1 percent. The ratio of loan loss reserves to NPL was 170.5 percent. The Bank continues to work closely side by side and take good care of customers to help them withstand the economic crisis and move forward to the “New Normal”, while maintaining close control of credit underwriting and risk management. The Bank also set aside an appropriate level of expected credit loss in accordance with its conservative business management approach across business cycle.

In terms of capital and liquidity, as of June 30, 2020, the Bank’s total deposits amounted to Baht 2,852,295 million, an increase of 20.3 percent from the end of 2019. When excluding Permata, total deposits increased by 8.9 percent from all types of deposits. This is due to customers’ focus on quality in their asset management. The loan to deposit ratio was 82.5 percent, reflecting an adequate liquidity position to cushion against economic uncertainties. 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 16.6 percent, 14.0 percent, and 14.0 percent respectively, comfortably above the BOT’s minimum capital requirements.

Bangkok Bank and its subsidiaries reported net profit of Baht 10,765 million for the first half of 2020

In the first half of 2020, Bangkok Bank and its subsidiaries reported a net profit of Baht 10,765 million including Permata’s net profit since the date the acquisition was completed. The Bank’s net profit decreased from the first half of 2019, primarily due to additional reserve made for expected credit losses in line with prudent management. The reserves are to provide a cushion against the increasing uncertainty from the economic contraction due to the impacts from Covid-19 which are still difficult to predict the final outcome given it is a widespread public health crisis affecting the global economics which is different from economic crises happened in the past.

Net interest income increased by 5.6 percent from the first half of last year. When excluding Permata, the Bank’s net interest income increased by 1.8 percent, in line with an increase in loan volume. The net interest margin stood at 2.31 percent. Non-interest income decreased mainly due to lower gains on investments and net fees and service income. The main reason for the decrease in net fees and service income was the change in recognition of fee income from loan-related services in accordance with the TFRS 9. Operating expenses were similar to the first half of 2019, and the

cost-to-income ratio was 45.0 percent. The Bank continues to take a well-disciplined approach for cost management focusing on spending to enhance public health, improve working efficiency, as well as slowdown discretionary spending during the period of economic stagnation.

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

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

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